### Revised National Indicative Programme

**2002-2004**

**Philippines**

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<th>Country/Region:</th>
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<td><strong>Budget Years:</strong></td>
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<td><strong>Programming Service:</strong></td>
<td>DG Relex H5</td>
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<td><strong>Head of Unit:</strong></td>
<td>Pierre Amilhat</td>
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<td><strong>Coordinator:</strong></td>
<td>Danièle Dal Molin</td>
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1. **ASSISTANCE TO TRADE AND INVESTMENT**

1.1. **SMALL PROJECT FACILITY**

1.1.1. **Strategy Context/Justification**

The programme purpose is to provide a flexible and responsive tool to link policy objectives and EU’s economic co-operation activities in Philippines in order to support small, innovative and visible projects in areas of strategic importance for Philippines and the EU.

The Small Project Facility constitutes an adequate, flexible and necessary tool to tackle the development of dialogue and research in various sectors of mutual interest including the economic and regulatory reform process in Philippines. The outputs of the programme should be exploited by the decision-makers in order to enhance the partnership between the EU and Philippines.

1.1.2. **Objectives**

The overall objective of the SPF is to support the on-going reform and modernisation of the country’s economy and systems of corporate governance by facilitating enhanced interaction of European and Filipino civil society including the private sector, the networking of its policy makers and opinion formers and the linkage of Filipino and EU operators in business, the media and think-tanks.

Its specific objectives are to:

- Develop and facilitate implementation of small projects in areas of strategic importance and mutual interests to the Philippines and the EU,
- Enhance and improve the mutual understanding and visibility of both partners by promoting civil society (including the private sector) dialogue, reform of the public sector and the economy and facilitating partnerships,
- Provide management structures and funding procedures allowing for quick and efficient responses to various needs in a changing context.

1.1.3. **Expected results**

The outputs of the projects would include:

- Capacity building of training and business advisory and regulatory institutions
- Increased awareness and application of EU practices in areas such as regulatory reform, corporate governance or regional integration
- Studies in areas of mutual interest for the EU-Philippines partnership
- Dissemination and launching implementation of the results of policy-oriented seminars, workshops and exchanges
- Promoting the European Union within the Philippines business community and the Philippines within the European business community through the creation of regular discussion for sector meetings and information activities
• Strengthened capacity building and increased awareness among Filipino society on trade-related issues
• Media products for increasing the profile and visibility of the EU and its activities in Philippines, as well as awareness of shared concern about global challenges

1.1.4. Activities

The SPF is expected to support the implementation of about 5 or 6 projects per year in operational areas such as policy development and reform process, partnerships between Filipino and European institutions including the civil society, private sector, think-tanks and media, and EU visibility in the Philippines. Projects may take the form of:

• conferences, seminars and workshops;
• training, educational and capacity-building activities;
• research and studies;
• media events, media products and advocacy activities;
• other activities that promote the image of the European Union as a model or example of best or unique practice.

1.1.5. Implementation

The SPF will be managed directly by the EC Delegation in Manila. The Delegation will be responsible for the overall follow-up of the SPF including the approval of the calls for proposals to be published, approval of projects, the signature of grant contracts and their technical and financial follow-up. Under the procedures set up for the SPFs in the region, an Advisory Committee and an Evaluation Committee will be established.

1.1.6. Cross-cutting issues

The SPF is intended to provide a flexible and responsive tool to link policy objectives and EU’s economic co-operation activities in the Philippines. As such, there will be a number of cross-cutting issues such as capacity building, advocacy, governance and EU visibility.

1.1.7. Risks and conditions

The risks and conditions include the following:

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1 These outputs would neither duplicate nor overlap with the ones that will be part of one or several bilateral cooperation projects in the area of Trade-related technical assistance which are currently being prepared by the European Commission.
• Counterpart contribution from the applicants will be provided for project implementation
• Funds and other inputs to be provided by the EC arrive timely and in sufficient amount;

1.1.8 Main indicators

Indicators initially identified include the following: number of projects proposed and financed; outputs of the projects; average processing time of applications; number of projects related to EU know-how/technology; and debates and changes initiated concerning local legislation. These indicators may be developed further once the SPF is operationalised. Impact indicators will be defined during the implementation period.

1.1.9. Estimated EC Contribution

The EC committed a total of €3 million for the implementation of the SPF. Financial support to any given project may range from €50,000 to €250,000 which as a rule represent up to 75% of the total project cost. Thus, the applicants/beneficiaries are expected to co-finance at least 25% of total project costs.

1.1.10. Coordination with Member States and other donors

The SPF will be managed by the Delegation. It will ensure coordination with donors through regular meetings with the EU Member States and other relevant donors. Moreover, the interaction with the National Economic and Development Authority (NEDA), the focal contact for official development assistance to the country, should help facilitate cross-checking against such issues as double funding, and rejected projects being re-hashed for the SPF.

1.1.11. Indicative Timeframe

The whole programme duration is six years including an implementation period of four years for the individual project. Each call for proposals may have up to 3 deadlines.

The duration of an individual project shall not exceed twelve months. The Financing Agreement was signed on 21 May 2003.

1.2. TRADE RELATED TECHNICAL ASSISTANCE (TRTA)

1.2.1. Strategy Context/Justification

The Commission has in the past supported a number of business promotion activities. However, it has become increasingly clear that at least as important is the creation of a business-friendly environment of law, tax and public-policy that enables well-run businesses to thrive under a transparent and level playing field. This is acknowledged
by the Philippines in its revised Medium Term Philippine Development Plan 2001 – 2004. Furthermore, supporting the integration of developing countries in the world economy is a key objective of Community trade policy. In this context the EU and other developed country WTO members committed themselves in the Doha Ministerial Declaration to provide trade-related technical assistance (TRTA) and capacity building to developing country members to help them implement existing WTO rules and participate in a meaningful way in the new round of multilateral trade negotiations. The EU remains committed to deliver this kind of technical assistance.

Furthermore, TRTA to the Philippines should complement EU's regional policy within Southeast Asia, including co-operation under the Trans-Regional EU-ASEAN Trade Initiative (TREATI) and where appropriate, promote regional integration within ASEAN.

1.2.2. Objectives
The overall objective of the project is to assist the Philippines in building an enabling economic environment conducive to enhancing trade and investment relations with the EU.

The specific purpose of the project is to assist the Philippines to improve the knowledge of key operators (public and private) regarding international trade rules on one hand and enhance conditions of doing businesses between the Philippines and the EU in selected areas (standards, SPS, customs operations etc.) on the other hand.

1.2.3. Expected results
The envisaged major results of the project are:

(a) Enhanced knowledge and capacity of government agencies, training institutions and the private sector to deal with WTO/international trade related issues;

(b) Filipino and EU traders experience enhanced trading conditions, with significantly reduced problems in the area of customs, standards and SPS.

1.2.4. Activities
In order to achieve the above results, the following activities are foreseen:

a) Product standards: Technical assistance and capacity building in the area of product standards for improving notification capacities in relation to WTO-TBT Agreement; review of all the existing Technical Regulations, Standards and Conformity assessment procedures in the Philippines and enhancement of the accreditation/certification system;

b) Sanitary and Phytosanitary standards: Various training activities; development of a website; delivery of some equipment to ensure compliance with regulations and standards;
c) Customs: implementation of efficient valuation and risk management techniques with the requisite modern database tools; a complete training needs analysis and the provision of basic courseware to cover selected customs techniques.

d) WTO/international trade capacity building: specific training courses to governmental staff with participation from other sectors (subjects to be nominated by Philippine government); Development of a training institutions network for the development of trade courses teaching material and training-the-trainers activities; development of a WTO/international trade issues advocacy campaign outside the project (under SPF)

e) Project management activities

1.2.5. Implementation
Implementation modalities will be further defined in the appraisal mission.

1.2.6. Cross-cutting issues
The project should have an indirect impact upon poverty reduction, to the extent that it increases foreign trade and investments thereby creating jobs and raising incomes. Consumers may also benefit from improved access to imported goods. Better collection of import duties could support increased public expenditures, ideally on social services.

The project should improve governance on WTO and other international trade related issues, particularly in the areas of customs, standards and SPS. Compliance with environment-related product standards and SPS issues could produce some environmental benefits and also yield some consumer protection.

The Project will aim at ensuring that gender participation in all activities is on an equal opportunity basis. Further screening of gender issues will be taken up by the project appraisal mission.

1.2.7. Risks and conditions
While the technical capacity of the staff in relevant Filipino agencies is often of good quality, coordination of the involved institutions may prove to be difficult.

For customs, there is of considerable risk that the databases might be misused and therefore further reflection is needed on the usefulness of these activities.

The success of the EC project also relies on continued overall political stability, on sound project management and on willingness to apply international practices in terms of standards and quality, etc.

1.2.8. Main indicators
Monitoring indicators will differ according to activity and could be differentiated according to gender where appropriate. They will be of quantitative, qualitative and
approximate nature (when data are hard to come by) and could possibly include the following:

a) Product standards: Quantity of notifications; Number of WTO-TBT awareness/training seminars provided; more credible system for accreditation of certification and inspection body (ies);

b) SPS: Higher compliance rates by the RP with EU regulations; Higher recognition by EU authorities of Filipino food testing methods; Well functioning SPS enquiry point; Satisfactory operation of a single integrating agency dealing with food issues; Increased knowledge and sustained promotion of GMP/HACCP in RP; Philippine food exporters experience less rejection at EC borders;

c) Customs: Valuation and Risk Management tools implemented; BOC academy TNA and courseware completed; reduced average clearance times for goods declarations; Increased revenue; Enhanced technical and management capacity of BOC personnel;

d) WTO/international trade: Number of training activities organised, and number of participants in various activities; Participants’ feedback on the quality and relevance of training received, level of increased awareness and knowledge; Quantity and quality of information/advocacy material produced; Number of participating institutions in WTO network; Number and quality of training courses on WTO/international trade courses developed; Quality and impact of advocacy campaign (outside the project).

e) Overall indicators: Growth of trade/GDP ratios and of bilateral trade flows

Indicators will need to be refined and brought up to date after the appraisal mission. Performance monitoring will be assessed against the general and specific objectives set in the Logical Framework.

1.2.9. Estimated EC contribution

The overall budget of the proposed activities would be about € 3-4 million should all the areas identified (standards, SPS, WTO capacity building and customs issues) indeed be taken up by the project.

1.2.10. Coordination with Member States and other donors

Consultation with other donors (Member States, Japan, United States, Australia, World Bank, Asian Development Bank) in order to avoid duplication and ensure synergies. Information on the TRTA activities of other donors (e.g., WTO Secretariat, APEC, UNESCAP, ITC, ISO, WEF, CIDA) was also collected indirectly.

1.2.11. Indicative timeframe

The project is expected to be approved in the second part of 2004 with a period of three years for implementation of activities.
2. CROSS CUTTING ISSUE: GOOD GOVERNANCE

2.1. IMPROVING GOVERNANCE TO REDUCE POVERTY

2.1.1. Strategy Context / Justification

The current political leadership is showing a strong commitment toward improving the governance framework in the Philippines. It has been promoting good governance as a means to attaining equitable development in the country. This constitutes a main point of its development plan for the coming years. Recognizing that the current governance situation is an underlying obstacle to further development, actions to enhance the governance framework in the Philippines would be consistent with the overarching objectives of the EC-Philippines co-operation as stated in the CSP. The programme Improving Governance to Reduce Poverty links up with the Country Strategy Paper 2002-2006. Therein poverty reduction is a priority for EC intervention and institutional reform and good governance are described as preconditions for lasting economic and social development. Reforming governance is one of the six priority fields indicated in the Philippine Government’s Medium Term Development Plan.

2.1.2. Objectives

To improve good governance in the Philippines, with a special focus on those areas that hit the poor hardest. Thus, the programme ‘Improving Governance to Reduce Poverty in the Philippines’ will focus on two main areas, dealt with by two separate projects:

A. Corruption Prevention Project

The overall objective of the Corruption Prevention project is to prevent corruption in the Philippines, and thereby to:

• improve service delivery to the poor;
• enhance the country’s standing as a partner for foreign investment and trade and remove both the grievances and the opportunities (through covert dealings with corrupt officials) that contribute to terrorism and political violence.

The purpose of this project is to support the co-operative efforts of the Offices of the Ombudsman (OMB) in preventing corruption. It aims to improve the capacity of the Office of the Ombudsman and certain civil society organizations and government agencies.

B. Access to Justice for the Poor Project

The objective of this project would be to increase access to justice for the poor and vulnerable groups. Within this overall objective, the project purpose is to enable the poor in selected project areas to pursue justice through their increased knowledge about basic rights and the judicial system, and with the support of those working in law enforcement and the judiciary that have been sensitized to the economic and
social conditions of the poor within an overall legal framework amended to ensure the rights of poor women and children in particular.

2.1.3. Expected Results

- A decentralized Information Education Communication function within the court system is established and operational in the project area
- Legal information desks are established in the project area
- The poor are supported in their persuasion of justice by trained paralegals and professionals
- Government accountability and public confidence in the administration is enhanced
- Corruption and opportunities for corruption in government agencies are reduced

2.1.4. Activities

A. Corruption Prevention Project
- Collaboration with Civil Society Organisations
- Winning the co-operation of the wider public
- Co-operation with other government agencies to prevent corruption
- Management requirements of the Ombudsman

B. Access to Justice
- Decentralisation and institutionalisation of information function about the Judiciary
- Community development and empowerment of women & children
- Institutional development of Law Enforcement and the Judiciary
- Legal reform

2.1.5. Implementation

A. Corruption Prevention Project
The Office of the Ombudsman shall be the implementing agency. For the duration of the project, the OMB will second to the project various local staff. A European Technical Assistance Team (ETAT) will consist of a part time European Technical Expert and short term experts.

B. Access to Justice Project
The Supreme Court shall be the implementing agency. A Project Task Force led by a full-time Philippine Project Director designated by the Supreme Court will be responsible for the administration, procurement, monitoring, evaluation and coordination. An ETAT shall also consist of a part time European Technical Expert and short term experts.
2.1.6 Cross-cutting issues

Good governance itself is a crosscutting issue dealing with effective delivery of services by a democratically accountable government. As such it focuses on institutions, structures, procedures, capability and regulatory framework. Activities may also have high visibility. A Gender Impact Assessment may be needed for the Access to Justice Project.

2.1.7 Risks and conditions

Activities at the level of government are almost by definition high risk interventions because of their political nature. The success of interventions may depend on external factors such as delays in adoption of new legislation, political commitment to reform, concurrent reform activities.

A. Corruption Prevention Project
The TAPs include undertakings by both the EC and the Ombudsman to provide staff and resources. There are no critical pre-conditions that have to be satisfied before the project can take place.

B. Access to Justice Project
Clerks of court in the designated Municipal Courts have been designated as Municipal Communication and Information Officers (MCIOs) together with the allocation of a budget earmarked for IEC activities, materials & operational cost. A Supreme Court resolution has been taken, changing the mandate of the Clerk of Court to include MCIO responsibilities. Implementation agreements specifying the responsibilities of involved parties are required with all Local Government Units (LGUs) in the project area.

2.1.8 Main Indicators

A. Corruption Prevention Project
- Number of government projects monitored
- Number of relevant stakeholders involved in seminars and other awareness raising events
- Number and quality of reports by Ombudsman of corruption suspects
- Website, training materials prepared
- Public ratings of confidence satisfaction in the fight against corruption from baseline survey
- Civil Society Organisation members active in government procurement
- Streamlined key management processes
- Management Information System installed

B. Access to Justice Project
- Number of target individuals effectively informed about their basic rights and the judicial system
• Number and percentage of target individuals found the barangay justice system, police and court system accessible.
• Number of target individuals trained
• Training Needs Analysis conducted
• Supreme Court approved master plan for IEC strategy
• Information Officers per target municipal courts designated

2.1.9. EC Contribution: € 5-6 million

2.1.10. Coordination with MS and other Donors
In order to preserve the necessary coherence between the activities of the two projects and those activities undertaken by other donors in the sector, regular meetings will be organized with all interested parties (Member States and other donors) to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the two projects.

2.1.11. Indicative Timeframe

A. Corruption Prevention Project – 4 years implementation period
B. Access to Justice Project – 3 years implementation period
The Financing decision was taken in late 2003.

2.2. FIGHT AGAINST TERRORISM - ASSISTANCE TO THE IMPLEMENTATION OF UNSCR 1373 BY THE PHILIPPINES

2.2.1. Strategy Context/justification

Background

After the terrorist attacks of 11 September 2001 in the USA the United Nations Security Council (UNSC) on 28 September 2001 adopted Resolution 1373. This Resolution imposes wide-ranging obligations on all States to prevent and suppress the financing of terrorism, to establish adequate penalties for terrorist offences, to deny safe havens to terrorists and to co-operate with other States in criminal proceedings or investigations relating to terrorist acts. Resolution UNSCR 1377 addressed the issue of assistance to some countries to help them implementing UNSCR 1373. The resolutions also explore co-operation with international and regional organisations for the promotion of best practice, availability of assistance programmes and the promotion of possible synergies among programmes.

In its conclusions of 22 July 2002, the EU General Affairs Council emphasised the need for the EU to assist third countries in implementing their obligations under UNSCR 1373. It notably decided that pilot projects should be launched in a limited number of pilot countries and invited the Commission to consider action in this respect. Pilot projects would be examined in the various fields covered by UNSCR
1373: financial law and practice, customs law and practice, immigration law and practice, extradition law and practice, police and law enforcement work, illegal arms-trafficking etc. In response to this invitation and in agreement with the EU Presidency, the Commission identified the Philippines as a pilot country.

Initial assessment missions to the Philippines with participation of experts from several Members States were deployed in November 2002. This has resulted in the selection of several areas in which the Commission intends to implement activities through the Rapid Reaction Mechanism. This also includes activities which EU-Member States intend to follow-up bilaterally.

The EC has a longstanding history of co-operation with the Philippines and a commitment to the consolidation of good governance. In this context, the Commission is willing to bring support to the Philippines for the implementation of its obligations under UNSCR 1373.

Considering the location of the Philippines in a volatile region, the EC could, subject to the findings of the mission, provide for allocations from its National Indicative Programme for the Philippines to support the country’s obligations under UNSCR 1373.

The Commission will focus its support in the field of counter terrorism on Border Management (in particular immigration) and the Fight against the financing of terrorism.

2.2.2. Actions

Border Management

The more than 7,000 islands which make up the Philippine archipelago, pose a challenge to security and law enforcement agencies. Security at airports and seaports is poor, circulation and use of forge documents is rife. It is easy for individuals to enter and exit the Philippines undetected. The Commission would examine to assist improving security operations in this respect. The main operational agencies are the Army Forces of the Philippines (AFP), the Philippines National Police (PNP), the National Bureau of Investigation (NBI), Customs and Immigration, supported by the Department of Justice, the National Intelligence Coordinating Agency (NICA) and the Philippine Centre on Transnational Crime (PCTC).

Fight against Financing of Terrorism

The Philippines anti-money laundering legislation was introduced in 2001 within the republic act N° 9160 defining the crime of money laundering and providing penalties therefore. The need for an effective anti-money laundering (AML) regime is crucial and pressing for at least three reasons:

- Combatting of financing of terrorism is a priority;
- The Philippines have been included in the list of non-co-operative countries and territories (NCCT) of the Financial Task Force on Money Laundering (FATF) because of the serious deficiencies in this field;
- Combating money laundering means combating other sources of crime since the funds come usually from illegal activities.

The FATF announced on 13 March 2003 that it has decided not to apply any additional counter-measures to the Philippines. This decision is the result of the enactment on 7 March 2003 of Republic act N° 9194, which amends the Philippine Anti-Money Laundering Act of 2001. The new legislation addresses the main legal deficiencies in the regime previously identified by the FATF. However, the Philippines will remain on the list of non-cooperative countries and territories until it implements effectively its new anti-money laundering legislation.

2.2.2.1. Objectives

The overall objective of these actions is to contribute to restore peace and security in the Philippines with a view to improve the business and political climate of the Philippines.

The specific objective is to strengthen institutional capacity within the Philippines authorities in particular through TA, training and provision of equipment to combat terrorism especially in the field of border management and on the financing of terrorism.

2.2.2.2. Expected results

The programme aims to produce the following results:

- improved border management in particular in seaports and airports - in the area of immigration law and practice, police and law enforcement work, illegal arms-trafficking, and financial law and practice.

- Improved capacity of the Filipino government to combat the financing of terrorist activities.

2.2.2.3. Activities

The initial scope of activities comprises:

a) In the field of the border management: to examine the border management policies and assist the Filipino authorities in their formulation of a comprehensive Integrated Border Management Policy. This should include identification of needs for TA, training and provision of equipment and training for border management staff on the proper use of the equipment provided. To advise the Philippine authorities on operational matters related to border management, including existing procedures and co-ordination with other sector-related national and international networks fighting terrorism.
b) In the field of the fight financing of terrorist activities, to assist the Philippines authorities in the consolidation of the legal framework in line with the international recommendations and to strengthen the institutional and regulatory capacity. To make an assessment of the current set up of the Financial Intelligence Unit (FIU) taking into account available equipment and level of expertise of its staff, and identify further needs of equipment and training.

2.2.2.4 Implementation

The implementation modalities are still in an early definition stage. Appropriate implementation arrangements are currently investigated and will need to be defined taking into account the complete division of labour between different institutions in the Philippines. The RRM action began in October 2003 and has duration of six months. Results are expected by the second quarter of 2004.

2.2.2.5 Cross-cutting issues

The main cross-cutting issue addressed by the programme is Good Governance. Indirectly, the programme also addresses the cross-cutting issue of Poverty alleviation. Improving the security situation in the country will encourage foreign investment which in turn will encourage economic growth and create employment.

2.2.2.6 Risks and conditions

Assumptions:
- Continued will of the government to address effectively the fight against terrorism
- Political stability
- Other donors, including EC Member States are willing to support the same thrust of activities and pursue common strategy.

Risks:
- The proposed programme may not be “locked in”, in an overall government commitment action plan,
- Upcoming Presidential and Parliamentary elections could mean a reorganization of the Government, staff and structure and hence put the commitment of the current government in jeopardy.
- Terrorist incidents and/or external elements could destabilize the situation and impede progress in the implementation
- Complex institutional framework in the Philippines impedes real progress.

2.2.2.7. Main Indicators

Indicators that reflect an improvement of the capacity of the Government to fight against terrorism

- Border operations system improved in selected ports
- Identification documents more secure and less prone to forgery
- Number of officials trained
Indicators that reflect security situation

- Reduced number of terrorist related attacks
- Number of officials trained

Indicators that reflect an improvement of the fight against the financing of terrorist activities

- Proper recording systems for financial transactions to and in the Philippines for all activities in place
- Number of officials trained

Indicators that reflect an improved good governance of the Philippines public administration

- Public (including private sector) ratings of confidence in the fight against corruption from baseline survey
- Number of officials trained

2.2.2.8. Estimated EC Contribution: € 5-6 million

2.2.2.9. Co-ordination with MS and other Donors

The European Commission will ensure full coherence between the proposed EC programme and government and other donor supported actions in the field of the fight against terrorism. The EC will ensure coherence between this programme and the overall EU actions in the same context through:
- regular CGI working group on security and on Mindanao
- regular meetings with government partners
- regular meetings with other donors, governments and international organizations
- regular meeting with Members states
- regular consultation meetings with NGO partners
- MS will be requested to carry out activities complementary to the proposed actions of the EC.

2.2.2.10. Indicative timeframe

The programme is likely to have a 2-3 years implementation period. The programme should follow up on the actual RRM action. Commitment is expected in late 2004.