

**Mindanao Peace and Development Imperatives:  
A Call to Action<sup>1</sup>  
(Philippine Development Forum, March 26-27, 2008)**

**A. Introduction**

1. Mindanao is the second biggest and southernmost island of the Philippine archipelago with a land area of 10 million has., constituting around a third that of the country's. Latest population estimates reveal that there are around 21 million dwellers in Mindanao representing a fourth of total Philippine population. What is unique to Mindanao's population is that it is home to the majority of the indigenous peoples (IPs) and Muslims living in the country today. There are 17 IPs groups<sup>2</sup> found in Mindanao, comprising 5 percent of its population while the Muslims comprise around 20 percent of its total population.

2. Mindanao contributes around 19 percent of the country's total gross domestic product. The strength of its economy lies in agricultural production as the sector contributes around 38 percent to the country's agricultural gross value added (GVA). Blessed with rich fertile lands and located outside of the typhoon belt, Mindanao produces around 60 percent of the country's total corn harvest; 56 percent of coconut production, 24 percent of palay production, more than 70 percent of the country's pineapple and banana harvests, and more than 40 percent of total fishery and aquaculture production. No wonder then that the island earned the tag as the "food basket" of the Philippines. More recently, the discovery of large deposits of minerals and metals in various parts of Mindanao has attracted considerable investments in its mining sector. It is expected that the mining sector will provide a major impetus for the economic growth of the island provided appropriate environmental and social safety nets are put in place.

3. What is uniquely different with Mindanao from the two major island groupings of the country is the persistence of armed conflict which has lasted for centuries.<sup>3</sup> There is consensus among analysts, policy makers and rebel leaders that the root cause of the conflict stems from (a) the marginalization of the Moro inhabitants from the mainstream Philippine society as a result of the latter's conversion to Christianity, and (b) the influx of Christian settlers to Mindanao as combined results of population pressure in the northern islands of Luzon and Visayas, and the government's policy of encouraging Christian settlers to develop Mindanao's land resources. These factors led to (a) the alienation of the Moros and IPs from the central government located in Manila as they were treated in the fringe or outside the Christian-dominated society, (b) increasing

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<sup>1</sup> Written by Fermin D. Adriano for the Mindanao Working Group (MWG). The draft was circulated and comments received at the 6<sup>th</sup> MWG have been incorporated into this final write-up.

<sup>2</sup> Clavel (1969) noted that if one includes the 7 major ethnic groups belonging to the Moros, 27 ethnic groups can be found in Mindanao representing more than 60 percent of ethnic groups in the Philippines.

<sup>3</sup> Schiavo-Campo and Judd (2004) noted that that conflict in Mindanao is the second longest running conflict in the world, surpassed only by the conflict in North and South Sudan which dates back to the 10<sup>th</sup> century.

impoverishment of Moro and IP communities as they were not provided adequate development assistance, (c) strained relationship between Moros and IP communities, and Christian communities within Mindanao due to religious and cultural differences, and (d) persistent indifference among national government agencies on the plight of the Moros and IPs as they are different from the rest of Philippine society.

4. Expectedly, the persistent armed conflict in Mindanao has been a major impediment in the development of the island as it has acted as an engine break for investments, both local and foreign (refer to Barandiaran 2002). It has produced a vicious cycle of underdevelopment wherein the conflict has led to declining economic activities resulting in lower employment opportunities and hence, lesser income for the people, thereby exacerbating poverty and other forms of social injustices, which in turn further fuel the conflict situation. Thus, Mindanao poses as a special development challenge for the government and as such, merited a separate working group (i.e., Mindanao Working Group (MWG)) in successive holdings of the Philippine Development Forum (PDF).

## **B. The 2008 Philippine Development Forum**

5. The Philippine Development Forum of 2008 has adopted the theme “Accelerating Inclusive Growth and Deepening Fiscal Stability” as its theme. Under this banner theme are three sub-themes, namely: (a) Accelerating Growth through Improved Competitiveness, (b) Creating Opportunities for More Inclusive Growth, and (c) Deepening Macro-Fiscal Stability and Improving Governance. The MWG has been placed under sub-theme (b). However, it should be stressed (as explained in Section D of this paper) that the four Mindanao agendas discussed below goes beyond sub-thematic theme (b) alone as they will require coordinated efforts from the government, private sector and development partners to successfully address them.

6. We believe that the four most vital and urgent challenges confronting Mindanao’s peace and development efforts are the following:

- The need to call on the government and the MILF to continue pursuing a negotiated settlement of their conflict and for the government to fulfill the provisions of the 1996 GRP-MNLF Peace Agreement;
- The need to urgently address the worsening poverty situation in Mindanao, particularly in its conflict-affected and conflict-prone areas;
- The need for the government to fully develop Mindanao’s agricultural sector and supporting infrastructure; and
- The need to improve governance, particularly local, in conflict-affected and conflict-prone areas of Mindanao.

## **C. Mindanao Peace and Development Challenges**

7. *a) A call for the government and the Moro Islamic Liberation Front (MILF) to continue their pursuit of a negotiated settlement of their conflict* - Last December

2007, the exploratory talks between the government and the MILF negotiating panels broke down because the latter found the government's offer unacceptable. While major progress were made in the security and rehabilitation and development aspects of the talks, the two panels cannot make headway on the highly sensitive issue of ancestral domain. In turn, the impasse in the talks has created a lot of uncertainty at the ground level and hence, tension.

8. While the ceasefire agreement between the government and the MILF has been successfully holding on for years now despite the absence of a signed peace accord, it cannot be denied that an outbreak of a major hostility will setback all the gains painstakingly achieved in past and current peace and development efforts. As previous experiences have shown, the fighting (if it happens) cannot not be merely confined to the traditional conflict areas of Mindanao but is expected to spill over to key cities of the island and even to that of Metro-Manila as a way for the rebels to drum up attention to their struggle, locally and internationally. Besides diverting scarce government resources intended for development and welfare expenditures, the conflict will have a negative impact on the government's effort to sell the Philippines as an attractive investment destination, and necessarily, on the prospect of creating more jobs and generating more incomes for the Filipino workers.

9. It is therefore imperative that the path towards a negotiated settlement of the conflict be pursued by finding creative and imaginative ways of breaking the current impasse in the talks. Any solution proffered by both parties should respect their previously signed agreements and that objections of key members from both government and MILF should be set aside if they are not consistent with previously signed agreements.<sup>4</sup> An accord obtains its strength if its provisions are observed and respected by both parties. Trust, confidence and mutual respect (critical elements in signing a final peace agreement) are gained if the parties involved comply with their responsibilities outlined in the provisions of the agreement. Hence, it is pointless to expect that the talks will reach its just and proper conclusion with the signing of the final peace accord if one or either of the parties consistently violates the provisions of agreements previously reached. The leadership of both the government and MILF are therefore duty bound to ensure that their key members comply with the stipulations in previously signed accords and that any objections should only be entertained if creative solutions can be proffered consistent with past agreements.

10. ***Ensure greater stakeholders' participation*** - To forestall the outbreak of hostilities and in support of the peace process, CSOs, religious groups, academic institutions and concerned private sector groups in conflict-affected areas of Mindanao recently staged successive mass actions to call on both parties, particularly the government, to continue pursuing a negotiated settlement of their differences. Though participation of CSOs, religious and other peace stakeholders in the search for a just and lasting peace is not a new phenomenon in Mindanao, its quality and quantity are.

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<sup>4</sup> Presidential Adviser on the Peace Process Jesus Dureza noted during the 6<sup>th</sup> MWG meeting last March 6, 2006 in Davao City that a revised draft proposal was recently submitted by the GRP negotiating panel to the Malaysians brokering the talks for consideration by the MILF negotiating panel.

Quality-wise, the call comes from key and respected leaders of peoples organizations, Muslim and IP groups, CSOs, religious groups, media and academic institutions., And quantity-wise, their mass actions cover all major regions of Mindanao from the north to southwestern and central Mindanao regions and even the Sulu islands.

11. The effectiveness of this “middle force” in the peace effort was previously demonstrated in the case of Tipo-Tipo in Basilan last year when members of the Philippine Marines were killed in an ambush there and their dead bodies subsequently mutilated. The CSOs, Muslim and IP groups, religious groups and other peace stakeholders joined hands with selected donor agencies in appealing to the government to desist from immediately conducting punitive actions against suspected groups and allow the GRP-MILF Joint Coordinating Committee on the Cessation of Hostilities (JCCCCH) and the Malaysian-led International Monitoring Team (IMT) to first conduct their investigation of the incident before any action is taken. The result of the investigation yielded a different story of the event and this prevented a major confrontation between the government and the MILF. Given their increasing importance in the peace process, it is imperative that these peace stakeholders must be regularly informed by the government and the MILF as to the progress of the peace negotiations.

12. **Respecting cultural diversity** - It should also be stressed that any settlement of the conflict must respect cultural diversity. As the Moro’s distinct cultural and religious identity is recognized and respected, so must the unique cultural identities of various IP groups living in the areas being claimed by the MILF as part of its ancestral domain and those situated in predominantly Christian areas. A situation wherein one set of rules applies to the Moros and another for the IPs cannot and must not exist if the goal of social justice for all is to be attained. In the process of demanding recognition and respect from one group, the same recognition and respect should be accorded to another group seeking the same rights and privileges.

13. **a.1) A call for the government to fully address the provisions of the 1996 GRP-MNLF Final Peace Agreement, particularly its socio-economic component** - While the government is negotiating with the MILF to sign a peace accord, there is actually an existing peace accord with the other Muslim faction – the Moro National Liberation Front (MNLF). In other words, even without the benefit of a signed final peace agreement with the MILF, the government is duty-bound, under this accord, to fulfill certain obligations to the Moro people. To the credit of the government, it has done much progress along this line and in the recent talks in Istanbul, Turkey, the government and the MNLF agreed to review the reports of the Joint-Working Groups (JWG) assessing progress made on the fulfillment of the provisions of the agreement by the middle of this year to guide them as to the next steps that must be undertaken.

14. Undeniably, the fulfillment of its provisions will go a long way in re-assuring the MILF of the government’s sincerity in complying with its obligations under a signed accord. It will help boost confidence among the MILF leadership that any agreement entered into by the government will be respected and continued not only by the current administration but also by its successor. Moreover, it has been observed that lessons

learned from this MNLF agreement have informed the current negotiating stance of the MILF and this partly explains its hard-line stance on key issues that they perceived to be unresolved in the 1996 peace accord.

15. Besides demonstrating government resolved in fulfilling its commitments, the delivery of assistance, particularly socio-economic ones, to communities covered by the 1996 peace agreement will benefit the very same people and areas proposed to be placed under the BJE. This means that government places itself in a win-win situation because addressing the remaining issues, especially the need to uplift the socio-economic conditions of the Moro communities, will not only bolster its credibility but more importantly, benefit the very same people that the MILF wants to help.

16. ***b) A call for the government to urgently address the worsening poverty situation in conflict-affected and conflict-prone areas of Mindanao*** - Official statistics have consistently shown that poverty in its worst form is found in Mindanao (ADB 2005; WB 2003). Recent poverty statistics show that 11 of the 20 poorest provinces and 6 of the 10 poorest provinces<sup>5</sup> in the country are found in Mindanao (NSCB 2008). To the extent that the situation has not changed at all for more than two decades as far as these poor Mindanao communities are concerned is a reflection of the failure of successive political administrations in addressing the problem of poverty in the island. The end-all and be-all of development is not the attainment of some static equilibrium point, as conventional economics taught us, but the improvement in the overall welfare of the people (refer for instance to Allen and Thomas (ed.) 2000). Without substantially reducing poverty, that level of welfare cannot be raised.

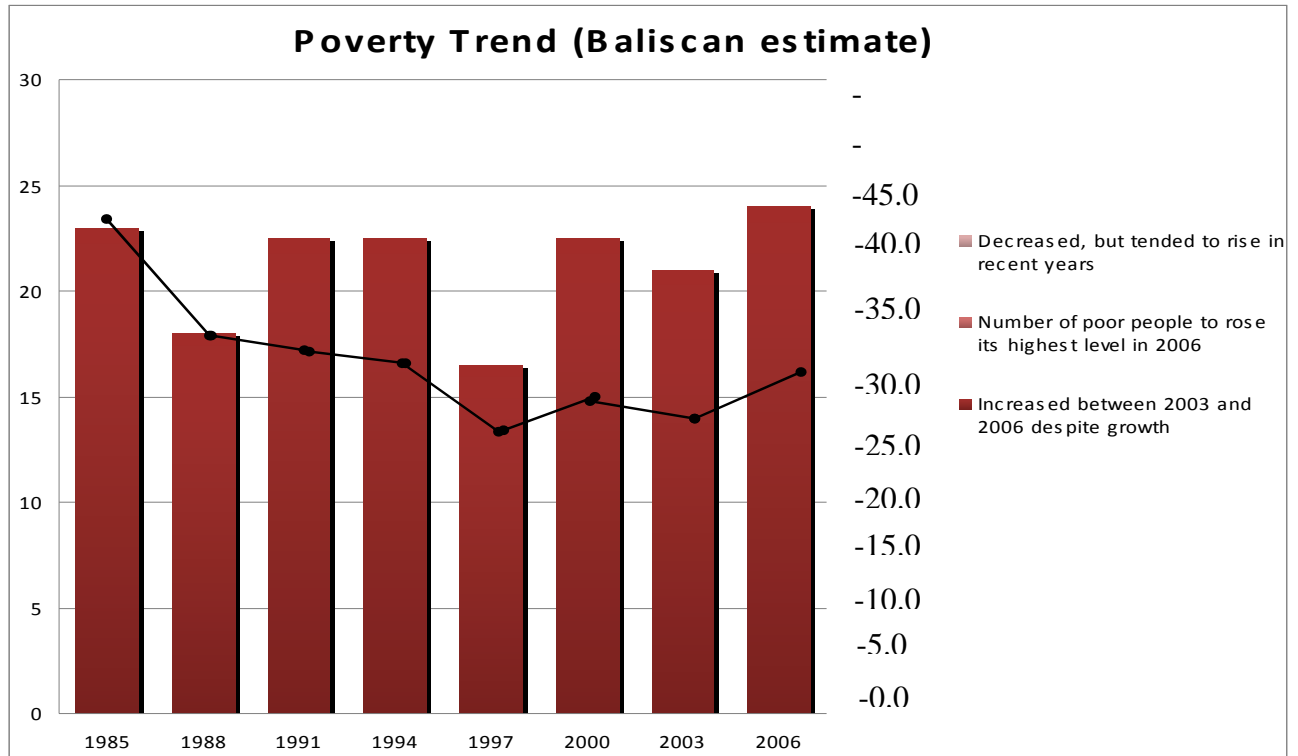
17. What is disturbing in the case of Mindanao, however, is that poverty has worsened in the conflict-affected and conflict-areas of the island. Balisacan (2008) revealed that overall, poverty increased in the country between 2003 and 2006<sup>6</sup> (please refer to Figure 1 below culled out from his paper).

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<sup>5</sup> The top ten poorest provinces in the latest 2006 survey, in accordance to their ranking, are as follows: Tawi-Tawi, Zamboanga del Norte, Maguindanao, Apayao, Surigao del Norte, Lanao del Sur, Northern Samar, Masbate, Abra, and Misamis Occidental (NSCB 2008).

<sup>6</sup> This finding was confirmed by NSCB (2008) using data from the 2006 Family and Income Expenditure Survey (FIES).

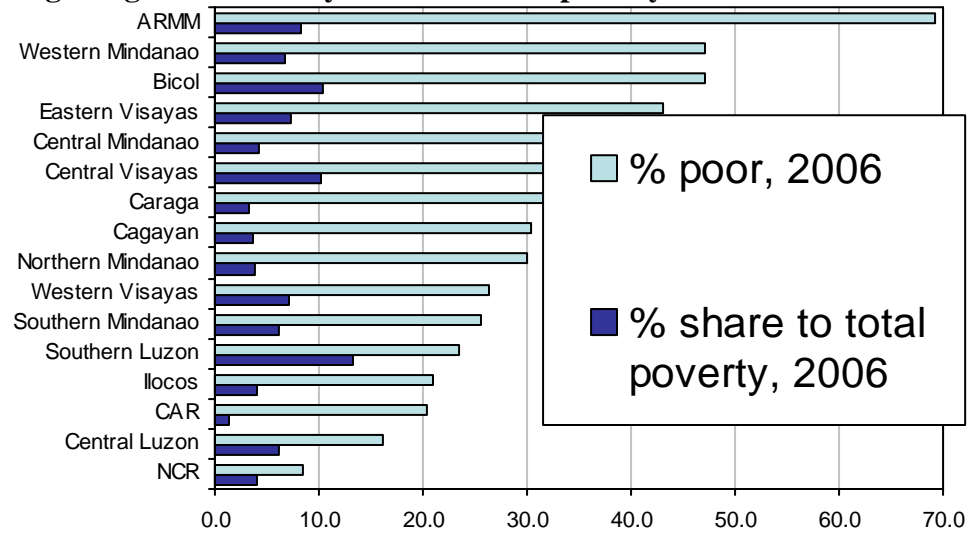
Figure 1



18. He further observed that while some regions did well in their poverty reduction effort, four regions (i.e., ARMM, CARAGA, Bicol and Eastern Visayas) have poverty incidence figures which are four times higher that of Metro-Manila in 2006 (refer to Figure 2 below). More worrying is the fact that between 1988 and 2006, poverty rose in Central Mindanao and CARAGA, and at an alarming level in ARMM<sup>7</sup> (refer to Figure 3).

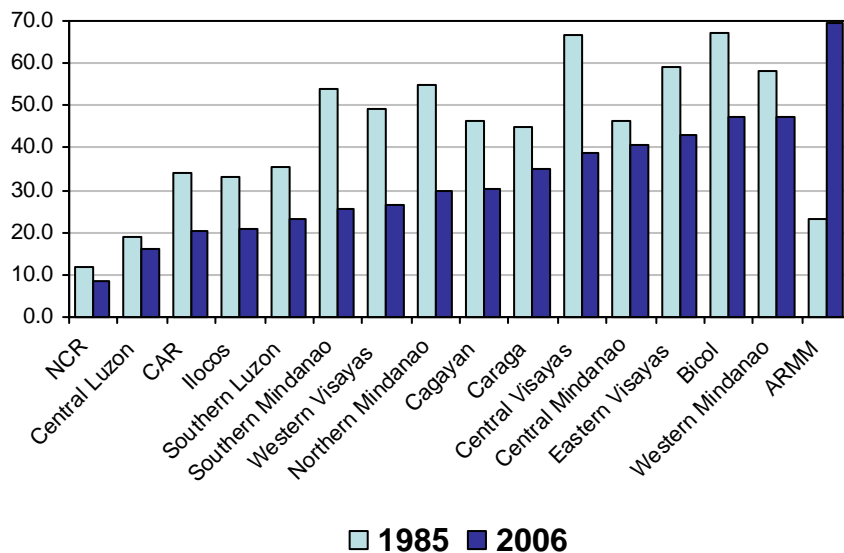
<sup>7</sup>A major reason for the rise in poverty incidence in these conflict-affected and conflict-prone areas is that the unstable peace and order situation is a disincentive for farmers to plant crops or raise livestock because of fear that they may not be able to harvest their produce. Thus, conflict-affected communities are forced to import their food requirements from other provinces thereby increasing their food costs. A good example is that of the Basilan province where the continual threat of encounters between the military and rebel groups, particularly the terrorist Abu Sayyaf Group, have practically brought agricultural production to a standstill. Most food items needed by the residents in the island are imported from nearby Zamboanga provinces brought to Zamboanga City and shipped to Basilan. Thus, it is not surprising that “ARMM cost of living is high” and “Rural ARMM cost of living is so high” compared to other regions in Mindanao and the NCR (refer to Tables 1 and 2 after the figures below).

**Figure 2. High Regional Diversity in the extent of poverty**



Source: Balisacan, 2008

**Figure 3. High uneven progress in poverty across regions**



Source: Balisacan, 2008

19. While income poverty alone does not automatically result to social unrest, international experiences have shown that an explosive political situation is created when poverty is combined with deprivation and injustice (Collier, et. al., 2003). Both the Millennium Development Goals' (MDG) Midterm Progress Report (2007) and the UNDP's Philippine Human Development Report (2006) noted that that the lagging regions in the country in terms of deprivation are found in Mindanao, namely ARMM, CARAGA, Central and Southwestern Mindanao. To remedy this situation, the NEDA-UNDP (2007) MDG report calls for the adoption of "progressive measures/approaches"

that will ensure that regions below the national average should receive more than the proportionate share of the national allocations in order to effectively address this regional imbalance. Key areas for progressive interventions identified in the Report were: (i) improving basic education and health; (ii) improving performance of the agricultural sector; (iii) curbing the high population growth rate, (iv) strengthening LGU capacity in delivering basic services, (v) fostering good governance at all levels of government, and (vi) addressing peace and security issues in Mindanao.

**Table 1. ARMM Cost of Living**

Island Group/ Region	Annual per Capita Poverty Thresholds ( In pesos)							
	1985	1988	1991	1994	1997	2000f	2000r	2003
<b>Philippines</b>	<b>3,744</b>	<b>4,777</b>	<b>7,302</b>	<b>8,885</b>	<b>11,319</b>	<b>13,823</b>	<b>11,458</b>	<b>12,309</b>
1 NCR	4,527	6,576	9,286	11,230	14,299	17,713	15,722	16,737
4 Mindanao	3,597	4,388	6,694	8,125	10,521	12,289	10,642	11,560
Region 9	3,521	3,793	6,351	7,074	9,732	10,997	9,128	10,407
Region 10	3,546	4,523	6,433	7,938	10,440	12,160	10,509	11,605
Region 11	3,645	4,876	6,544	8,201	10,503	12,430	10,278	11,399
Region 12	3,673	4,147	7,321	8,971	11,119	12,331	10,458	11,328
<b>ARMM</b>			7,450	8,889	11,134	13,878	12,199	12,733
Caraga							10,903	11,996

Source: Chua, 2008

**Table 2. Rural ARMM Cost of Living**

Island Group/ Region	Annual per Capita Poverty Threshold (rural) ( In pesos)							
	1985	1988	1991	1994	1997	2000f	2000r	2003
<b>Philippines</b>	<b>3,353</b>	<b>4,094</b>	<b>6,276</b>	<b>7,946</b>	<b>10,178</b>	<b>12,187</b>		
1 NCR	-	-	-	-	-	-		
4 Mindanao	3,396	3,999	6,057	7,559	9,922	11,555		
Region 9	3,380	3,600	5,648	6,360	9,055	10,247		
Region 10	3,328	4,120	5,745	7,253	9,869	11,632		
Region 11	3,342	4,445	5,678	7,644	9,762	11,513		
Region 12	3,571	3,785	6,725	8,364	10,573	11,271		
<b>ARMM</b>			7,137	8,537	10,711	13,371		

Source: Chua, 2008

20. *c) Developing Mindanao's agricultural sector and supporting infrastructure -*

While attaining peace and security is an indispensable element for accelerated growth of the Mindanao economy, it has to be emphasized that there are areas in the island which are not directly affected by the armed conflict and which have positively contributed to the growth process (Dy and Adriano, 2006). As has been earlier noted, Mindanao has a predominantly agricultural economy and investments in its agricultural sector will go a long way in contributing to sustained economic growth in the island for a number of reasons. First and to state the obvious, Mindanao has a comparative advantage in agriculture (Dy, 2004) considering that it is a producer of agricultural "global winners" such as banana, pineapple, asparagus, and tuna. Also, it exports most of its agricultural produce to local markets found in Luzon and Visayas.

21. Second is that poverty is primarily a rural phenomenon. Two out of three poor persons in the Philippines are rural residents. Thus, developing the agricultural sector will go a long way in making a serious dent on the poverty situation.<sup>8</sup> Third is that most of the country's manufacturing activities are actually food-based. These firms will definitely benefit from having access to cheaper raw materials at acceptable quality standards. This will bolster their competitiveness, lead to the expansion of their operations, and create more jobs and incomes in the process in the rural and urban areas.

22. Fourth is that the world is experiencing a commodity boom never seen for quite some time now due to the rising demand for agricultural products and mineral resources by the booming markets of China and India. In the past, technological advances in agricultural production have pushed prices of agricultural commodities downwards because of greater productivity per unit of land and per unit of labor. But with sustained economic growth in China and India and the corresponding rise of the purchasing powers of consumers there, world supplies of agricultural products for food and raw materials and mineral resources required for rapid industrialization are being stretched. The result is a significant increase in prices of commodities. By transforming Mindanao's agriculture into a modern and productive sector, the island can well take advantage of this commodity boom, which can serve as its jumping board for sustained growth and eventually, development.

23. Fifth is that being part of Brunei-Indonesia-Malaysia-Philippines East Asean Growth Area (BIMP-EAGA) whose island-members' economies exhibit almost the same factor endowments like Mindanao, the sub-regional economic growth cooperation can complement each other's production, processing and marketing systems to be able to provide adequate supply of agricultural commodities demanded by the huge China and India markets. Given their geographical proximity to these markets, BIMP-EAGA is well poised to take advantage of the lucrative opportunities presented by China and India, which has a combined population of around 2.5 billion people.

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<sup>8</sup>In fact, the NEDA-UNDP's (2007) MDG report included as one its major recommendations the improvement of the performance of the agriculture sector.

24. Finally, there has been a proliferation of livelihood, capacity-building and social development infrastructure assistance by donor agencies, in collaboration with the government, in conflict-affected areas in Mindanao. These efforts are commendable but they suffer from sustainability issue in the sense that once donor funding assistance dries up the community is hard-pressed to continue these activities, particularly livelihood projects. There is urgency in linking these community-based assistance programs to sustainable livelihood projects to provide a steady source of income for these communities. Since agriculture is still the dominant sector in these places, developing the agricultural sector will provide the necessary nexus for these small community livelihood and social development projects to more sustainable employment opportunities. There are existing models in Mindanao for such an arrangement like the banana plantation in the Municipality of Paglas, the Del Monte and Dole banana and pineapple operations, and the seaweed industry in Southwestern, to name a few, but what we need to provide are the framework for the agricultural development effort and the necessary investments for this purpose.

25. To have a synergistic impact on developing Mindanao's agricultural sector, it is imperative that a **Mindanao agricultural development plan** is formulated which should take into consideration the views and concerns of various stakeholders in the island. Current global trend is that planning be done on an economic cluster basis wherein investments on infrastructure support the different aspects (i.e., value chain) of the economic activity to obtain higher value and bring down the costs of doing business. If planning is done on a cluster basis, there will be a need for land consolidation which will have repercussions on the current Comprehensive Agrarian Reform Program (CARP). Bills are already filed in Congress to extend implementation of the redistributive measure for another 7 to 10 years and should this happens, it will have definite implications on planning for agricultural development because one has to find ways of creatively engaging the myriads of small farmers to convince them to join a land consolidation scheme.

26. ***c.1 Increasing concern over the environment*** - While the development of Mindanao's agricultural sector should be pursued, one should be equally cognizant of its impact on the environment since the sector's sustainability depends much on whether agricultural technologies being promoted are environmentally-friendly. Moreover, the concern over the environment in Mindanao's rural areas has intensified with the influx of investors, both local and foreign, in the mining sector. Besides their possible adverse environmental consequences, the proliferation of such investments is creating conflicts because of encroachment over the property rights of other groups (particularly the IPs) and because the benefits of their operations hardly redound to the improvement of the living conditions of residents in these mining communities. There has to be mechanisms installed and effectively implemented wherein the bargaining leverage of mining communities vis-à-vis mining firms can be strengthened so that the former can derive the full benefits of extracting non-renewable resources in their communities.

27. ***c.2 No to "business as usual" approach*** - Standard economic literature have taught us that for growth to happen, there must be investment made. Investment either

comes from the private sector or that of the public sector. However, in an area where there is conflict, there will be reluctance on the part of the private sector to invest because of the risk not only to their capital but fear for their personal safety. Public policy has taught us that one of the special instances where government intervention is needed is when there is market failure<sup>9</sup>. Ostensibly, there is market failure in conflict areas because of the lack of stability to conduct normal market transactions. Thus, to insist on doing things in the “business as usual” mode, or allowing the market to work on itself with minimum government intervention in conflict areas is therefore tantamount to consigning these communities to perpetual poverty and misery.

28. Justifications can easily be made for government investments for this special case. The worry however is whether these investments, particularly in the agricultural sector, will turn into “white elephants”. There are ways of avoiding this from happening. One is to ensure at the very start private sector participation in the activity by having them as partner in the venture while government provides the necessary guarantee scheme. Two is the creation of appropriate institutional framework that will guarantee successful enterprise operations and concrete benefits to the workers as we have seen in the Datu Paglas experience. And three is the need to identify and involved LGU officials who are truly committed to the development of their areas and people in implementing such projects. While the above tasks are not easy to accomplish, they are not impossible to attain. The creation of a Mindanao “eminent persons group” whose members come from the government and private sector can provide valuable assistance in identifying opportunities, potential leaders for such economic ventures, and direction for the agricultural development framework for the island.

29. *d) A call to improve governance, particularly local, in the conflict-affected and conflict-prone communities* - No matter how much assistance is extended to conflict areas, the intended recipients will not benefit for as long as the appropriate governance framework and arrangement are not installed. Literature and experiences (refer to Stewart, 2001) in other countries similarly suffering from conflict have shown that bad governance will only result in the elite capture of the assistance or its diversion to groups which are not supposed to benefit from the assistance. The result is the exacerbation, rather than the alleviation, of the conflict situation.

30. The imperative of good governance cannot but be overemphasized particularly in conflict situation because, in the final analysis, much of the requirement for securing peace, growth and development is anchored on it. The delivery of basic services such as health and education, ensuring the safety of the citizenry from criminal elements and rebel groups, provision of livelihood assistance, fostering unity within the community, administration of local justice, etc. are but intrinsic functions of the state. However, good

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<sup>9</sup> In economics, “market failure” exists when resources are not efficiently allocated due to asymmetrical bargaining position (power relationship) between sellers and buyers or vice versa, or market prices are not properly conveyed to both parties. Certainly, there will always be “markets” but in a competitive market situation, the market will allocate resources based on the needs of the majority of the consumers rather than on the needs of the few but powerful individuals within a community. Competitive markets fail due to four basic reasons: uneven market power, incomplete information, externalities, and the public goods nature of the resource (Pindyck and Rubinfeld, 2005).

governance does not automatically translate from the election of a set of leaders. It must be extracted by an active citizenry who demand accountability from their leaders. Thus, in extending capacity-building support to local institutions, it is not enough to confine it to the formal LGU structure (though it is a critical component of capacity building as it deals with the formal structure of governance) but to the various stakeholders at the local level who can demand greater accountability from their LGU officials. Government is more than the formal structure/institution but the whole gamut of leaders and citizenry (individually or a group of institution such as CSO, media, religious groups, etc.) interactions.

31. A more novel approach is to link aid programs to governance performance.<sup>10</sup> The idea is that if supposed “conditionalities” are attached to standard financial bail-outs or loans by multi-lateral or bilateral financial institutions, there is no reason why aid cannot be tied up to implementation of much-needed reforms, both at the policy and operational levels, especially at the local level. Without linking aid program to implementation of these reforms in conflict areas, aid effectiveness will surely be constrained and the misery of those residing in the war-affected communities will never be alleviated (and as recent statistics show, has actually worsened).

32. ***d.1) Improving development partners’ coordination-*** The 2005 Paris Declaration, among others, calls for harmonization of development partners’ thrusts and systems to that of the host country. There has been substantial progress made along administrative, financial and procedural concerns. However, coordinating directions and operating systems with the host country’s system does not necessarily mean an improvement of coordination between and among development partners’ activities. In the case of Mindanao, efforts have been made to improve development partners’ coordination through the creation of the Mindanao Working Group (MWG). It has become an important venue for information sharing between government and development partners, and between and among development partners. Particularly in a conflict situation, the logical next step to be taken is to share knowledge on strategies and approaches that work best in this setting. This move becomes crucial in the face of growing concern among target communities that development partners impose different requirements and approaches in providing assistance, and in the process creating confusion among the recipients. Worse is if the assistance do more harm than good to the community.

33. There has to be effort on the part of development partners to measure aid effectiveness and to allow Mindanao stakeholders to actively participate in monitoring and evaluating their activities/assistance. As development partners demand transparency and accountability from the government and the community, it must equally observe these principles in its operations. There is greater urgency in applying this principle on conflict-affected communities because of the greater need to ensure that assistance reach

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<sup>10</sup> There is a current effort by the Department of Interior and Local Government (DILG) to introduce performance-based incentive scheme in the allocation of additional Internal Revenue Allotments (IRAs) to performing LGUs. However, piloting such a scheme to LGUs in conflict-areas will be a challenge because one of the major reasons for the existence of conflict is the failure of governance itself.

their intended beneficiaries to ensure that they do not contribute to raising tension and conflict in these areas.

#### **D. Implications on the Other PDF Sub-Thematic Groups**

34. Ostensibly, the Mindanao peace and development imperatives outlined above cannot solely be confined to sub-thematic “b” in the PDF as they have far-reaching implications on the other two sub-thematic groups. Table 3 below shows a summary matrix of how the four imperatives outlined above are linked with the three sub-thematic groups of the PDF.

**Table 3. Summary matrix of how the Mindanao imperatives are linked with the other PDF sub-thematic groups.**

	<b>Accelerating growth through improved competitiveness</b>	<b>Creating opportunities for more inclusive growth</b>	<b>Deepening fiscal stability and improving good governance</b>
<b>Commitment to negotiated peace settlement</b>	Peace is an indispensable in sustained economic growth and development	<ul style="list-style-type: none"> <li>- Peace will ensure that assistance to the poor will be received</li> <li>- Peace is a critical element for the poor to be able to participate in economic activities and to access basic services</li> </ul>	<ul style="list-style-type: none"> <li>- Higher revenues mean more funds for peace promoting assistance</li> <li>- Good governance is an indispensable element in ensuring peace</li> </ul>
<b>Addressing worsening poverty, particularly in conflict-affected and conflict-prone areas</b>	Sustained growth and development is a necessary ingredient in reducing poverty	Provision of basic services and livelihood opportunities to the poor are proven measures to reduce poverty	<ul style="list-style-type: none"> <li>- Greater revenues mean that more funding can be given to basic services and livelihood assistance to the poor</li> <li>- Better governance will ensure that benefits of assistance really reach the poor and the needy</li> </ul>
<b>Developing Mindanao’s agricultural sector</b>	- Will enhance competitiveness of Mindanao’s agricultural sector	The poor will largely benefit from developing the agricultural sector	- Funds from increased government revenues will be

	where its comparative advantage lies and where the poor are mostly found - Take advantage of the lucrative opportunities presented by the global market, particularly China and India	because they are mostly found in the rural areas	able to finance much-needed agricultural support infrastructure and ancillary services - Better governance will lead to improved delivery of agricultural support services to farmers and agribusiness enterprises
<b>Promoting good governance</b>	Will ensure that policies and programs conducive to growth and greater private sector participation are formulated and implemented	Will ensure that the benefits of economic growth will be shared more equitably to communities and people	- Will ensure that funds are not improperly used - Will ensure that allocation will promote attainment of sustained growth and development, leading to overall upliftment of the people's welfare

35. Attaining peace is indispensable in achieving sustained growth and enhanced competitiveness, and promoting inclusive growth; while higher revenues arising from the country's better fiscal position will allow funding more peace promoting assistance, and that good governance will ensure delivery of services to the poor thereby assisting the peace-building process. Addressing the worsening poverty situation in the conflict areas of Mindanao will require creation of jobs which sustained growth can boost, the provision of basic services to the poor, more resources allocated (from improved revenue generation) for these impoverished communities, and better administration particularly by local government of the resources to reach the intended beneficiaries. Developing Mindanao's agricultural sector will foster Mindanao's economic growth because it has comparative advantage in this activity and it will alleviate poverty because most of the poor are found in the rural areas. Investing additional resources for this purpose will be a sound investment since the returns will be high. Finally, good governance is the foundation by which all goals of sustaining growth and enhancing competitiveness, promoting inclusive growth, and strengthening fiscal stability can be attained.

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