

**Mindanao: Issues and Challenges**  
**(Consensus points reached in the 4<sup>th</sup> Mindanao Working Group<sup>1</sup>, Davao, March 17)**

**A. Background**

1. There are two compelling reasons why Mindanao is accorded special attention by the government and the donors. One is that poverty in its worst form is found in the region. Seven<sup>2</sup> of the top ten poorest provinces based on the Philippine Human Development Report (2005) in the country are located in Mindanao. Expectedly, six<sup>3</sup> of the top ten poorest regions in the Philippines are also found in the Mindanao. Undeniably, the persistent conflict in Mindanao has directly contributed to widespread poverty. The top four poorest provinces and the top three poorest regions (all in Mindanao) are areas which have long suffered from conflict.

2. The second reason is that Mindanao's potential for growth is high. Despite widespread poverty and persistent conflict, the region continually registered healthy economic growth rates. Average gross regional domestic product (GRDP) growth rate for the period 2001-2005 is around 4 percent. For the period 2004-2005, GRDP growth rate is expected to be between 5.2-5.5 percent. The vast potential for growth in Mindanao makes it an attractive area for assistance as the peso/dollar investment spent there will most likely yield a higher return compared to other areas. The return on investment is envisioned to be higher if peace is finally secured in the region.

3. Efforts of the government have been along this line. In 1996, a peace agreement was signed between the main Moro rebel group then, the Moro National Liberation Front (MNLF). Consistent with this policy, the government has for years been pursuing a series of exploratory talks with the Moro Islamic Liberation Front (MILF), a breakaway faction from the MNLF, with the aim of forging a negotiated settlement of the conflict with the group. The prospect for peace with the group is indeed promising.

**B. Progress Made**

4. The ceasefire agreement signed by the MILF with the government has been holding on for more than two years now. The level of armed confrontation between the two forces has dramatically gone down from a high of almost 800 incidences recorded in

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<sup>1</sup> The Mindanao Working Group is co-chaired by the Mindanao Economic and Development Council (MEDCo) and the World Bank.

<sup>2</sup> These are: Sulu (ranked number 1), Maguindanao (2), Tawi-Tawi (3), Basilan (4), Zamboanga del Norte (6), Sarangani (7), and Lanao del Sur (10).

<sup>3</sup> There are 15 regions in the Philippines. The six poorest regions in Mindanao are: Caraga (ranked number 1), ARMM (2), Region IX (3), Region X (6), Region XII (8), and Region XI (10).

2003 to a low of less than 30 in 2005. An International Monitoring Team, led by the Malaysians, has been deployed in strategic areas of Mindanao to monitor compliance with the ceasefire agreement and prevent escalation of armed conflict. An Ad-hoc Joint Action Group (AhJAG) group, composed of government forces and the MILF, has been established to interdict criminal and terrorist groups operating in MILF-controlled areas. AhJAG's effectivity was tested late last year when the MILF allowed the military to operate unimpeded in MILF-controlled areas to apprehend elements of the terrorist Abu Sayyaf Group. Moreover, capacity building activities for the Bangsamoro Development Agency (BDA), MILF's arm for rehabilitation and development of conflict affected communities, are being conducted in preparation for greater participation in managing development assistance to their communities. As a result, both the government and the MILF are optimistic that a peace accord will be signed as soon as major areas of concerns<sup>4</sup> have been addressed to the satisfaction of both parties or are expected to be settled in future talks.

5. In response to this positive development, the development community,<sup>5</sup> responding to an earlier request of the government, has established a mechanism for a multi-donor trust fund (called the Mindanao Trust Fund, or MTF) for reconstruction and development of conflict-affected areas in Mindanao. The MTF is envisioned to be a transitional program and to become fully operational once a peace agreement is signed.

### C. Issues and Challenges

6. Despite growing optimism about the prospect of a negotiated peace settlement between the government and the MILF, issues and challenges remain. The 4<sup>th</sup> Mindanao Working Group (MWG) in its recent meeting held in Davao City last March 17 and the Convergence Meeting of the Project Management Offices (PMOs) in Mindanao held in Davao City last 13 March 2006 enumerated a number of them, among which are:

a) **Ensuring a successful conclusion to the peace talks and sustaining it thereafter.** While all the signs regarding the ongoing negotiations with the government and the MILF indicate a positive trend, there is still concern regarding the length of time it will take before a peace accord is finally signed. A protracted negotiation might lead to donor fatigue or diversion of donor attention and funds to other pressing issues<sup>6</sup> within and outside the country. Although there is realization on the part of development

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<sup>4</sup> These are the areas of security, rehabilitation and development, and ancestral domain.

<sup>5</sup> It should be noted that despite these developments, Mindanao continues to be at the tail end of donor assistance. Data from NEDA (as of September 2005) shows that, Mindanao as compared to Luzon, receives a meager share of the total ODA budget. ODA-funded projects and programs exclusively implemented for Mindanao only total to USD 2,887.67 M (a mere 12% of total ODA budget), whereas Luzon-exclusive projects amount to USD 19,808.20 M. This represents 84% of total ODA budget for the three island groups.

<sup>6</sup> Among them are the avian flu threat, natural disasters happening in the country such as the landslide tragedy in Leyte, and on a regional basis, the example of the "tsunami" in December 2004 can be cited.

partners that the quest for peace is a process and that lasting peace cannot be guaranteed automatically once the peace agreement is signed, there is still ongoing concern about the security and public safety of potential investors and businessmen within Mindanao and the conflict-affected areas in particular. A strategy to ensure safety of investors, businessmen and the rest of the community should be formulated and implemented, particularly in conflict-affected and poor communities, as part of the peace accord as this is a critical component of an enabling environment for economic growth and development. Also, there has to be a government strategy to sustain peace through its translation to actual plans, legal framework, institutions and devoting adequate financial resources to sustain the peace process.

**b) Improving delivery of basic services and providing sustainable livelihood opportunities.** Mindanao, particularly the conflict-affected regions and provinces, consistently ranked very low in terms of social development indicators. Inadequate capacity in these areas can be partly attributed to the low educational attainment, the poor health condition and the dismal situation of sanitary facilities in these areas. There has to be more dramatic interventions by both the government and donors in the social development concerns. A catch up plan for this sector will have to be formulated and the corresponding substantial resources raised for this purpose. Also, ways must be devised so that sustainable livelihood opportunities are generated particularly in the conflict-affected areas. A major reason cited for the conflict in Mindanao, as elsewhere in the world, is the presence of a large pool of unemployed youths who could not find livelihood opportunities within and the vicinity of their communities. All these “peace dividends” must be quickly and effectively delivered by government and donors to convince stakeholders that peace brings lasting benefit to them.

In addition, donors should be prompted to extend development assistance aimed at improving the delivery of basic social services and providing livelihood opportunities for the poor to other areas needing more of the same. The present realities are that donor assistance tend to focus on a few areas in Mindanao while other critical areas that need assistance most (e.g. Sulu, Tawi-tawi, Zamboanga del Norte, and Caraga) receive only few ODA projects. Several reasons were cited for this, such as the security situation, governance issues, and predetermined areas of cooperation and scope of assistance of some ODA programs.

While these are legitimate concerns, development must nevertheless go hand in hand with the peace efforts of the government for maximum impact and faster results. A possible temporary solution to enable the delivery of ODA projects and programs in areas with security risk is to use government agencies, LGUs, or PMOs that are allowed to operate in these areas as conduits for projects/funds of other ODA programs.

As regards the governance issues of LGUs, such as the limited absorptive capacity to implement projects, it is recommended that the ODA programs apportion a component for capacity building for the target LGUs. And on the issue of counterpart, it is suggested that poor municipalities, particularly those belonging to 5<sup>th</sup> and 6<sup>th</sup> class categories, should be given some leeway. Instead of cash counterpart being required,

they can be in the form of goods and services rendered. While there has been efforts taken by donors along this line, the need of the poor and conflict-affected communities are so enormous that more creative ways must be devised to extend much-needed assistance to them.

**c) Protection of the Indigenous Peoples' rights and the environment, and sustainable management of resources.** The signing of the peace accord is expected to trigger an influx of investments, both foreign and local, to Mindanao and the conflict-affected areas. In fact, even at this juncture when the peace agreement has not been signed, there has been a flurry of activities in the mining sector, no doubt encouraged by the recent ruling of the Philippine Supreme Court on the Constitutionality of the 1995 Mining Act and the presence of large mineral deposits in Mindanao. The fear is that the expected flood of investments will have deleterious consequences on the environment and natural resources of the region, and will exacerbate the already tense situation in areas claimed by Indigenous Peoples (IPs) as part of their ancestral domain claim. However, this view must be balanced by the potential benefits from mining in the forms of thousands of jobs to be created and the enormous amount of revenues to be generated. If properly operated, as demonstrated by socially responsible mining firms in other parts of the world, mining can be major factor in the sustainable growth for Mindanao. Given the imperative of striking a balance between two competing goals, a mechanism will have to be put in place by the government, with assistance from donors, that will ensure protection of the rights of IPs and adequate protection of the environment while promoting the sustainable use of natural resources whose utilization should benefit foremost the communities and people residing there.

**d) Harmonization, synchronization and streamlining of donor goals, strategies and approaches.** Based on the Paris Declaration of 2005, donors are enjoined to harmonize, synchronize and streamline their objectives and procedures with the host government to avoid conflicting development goals and duplication of efforts. Efforts have been exerted toward this direction but much more work has to be done.<sup>7</sup> In the case of Mindanao, while poverty reduction and conflict prevention remain the overarching goals of most donor agencies, the strategies and approaches they have adopted in attaining these goals differ, causing oftentimes confusion among target communities.

There has to be greater effort in encouraging various stakeholders to participate in the identification, planning, implementation and monitoring of projects. Government policies on implementation of non-VAT for donor assisted projects should be complied with. Moreover, external monitoring and evaluation of projects should be encouraged to give a better picture of their performance.

**e) Forging partnership with LGUs but ensuring transparency and accountability.** Due to the Local Government Code (LGC) of 1991 mandating LGUs to

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<sup>7</sup> In Mindanao, MEDCo has initiated the conduct of Convergence Meetings among PMOs operating in the island, and one of the recommendations of the group was the creation of an ODA Secretariat and the appointment of focal persons from the PMOs to the Convergence Meetings for continuity and sustainability of this endeavor.

provide basic services to their constituents, it is inevitable that donors partner with LGUs in providing assistance to poor and conflict affected communities. In this manner, LGUs do not only traffic ODA projects in their area to ensure complementation and avoid duplication of efforts but also serve as a means to partly achieve the goal of sustainability considering that LGUs have some funds through their Internal Revenue Allotment (IRA) that they can use to continue some of the projects initiated by donors. The problem, however, is that there are still some ODA programs that do not coordinate with the LGUs or properly consult with the target communities during conceptualization and implementation of projects. As a result, the beneficiaries may be provided with assistance which they do not really need.

As has been previously noted, LGU capacity in Mindanao is at varying levels. Some can be depended on to implement projects while others need a lot of assistance to properly implement projects. Also, there is the problem of lack of transparency and corruption in a number of LGUs particularly those located in conflict-affected areas because of weakness of institutions and that appropriate check and balance mechanisms are not in place. It is indispensable that donors have to work with LGUs, and that such projects build the capacity of the LGUs, but the challenge that remains is how to exact transparency and accountability among LGU officials to minimize if not prevent incidences of corruption. Closer working relationship with appropriate national agencies, such as the Department of Interior and Local Government, and civil society groups will have to be forged to find a viable response to this issue. Another way is to encourage implementation of projects under a community-driven development mode as it empowers community and as a result, the community will exact accountability from their LGU officials.

A corollary issue is how to strengthen the Autonomous Region in Muslim Mindanao (ARMM) regional government and make it more accountable to its constituents. There has been a series of capacity building programs implemented among its staff ever since its establishment in 1989. At present, continuing efforts are being undertaken along this line but no dramatic result in terms of improvement in the delivery of basic services in ARMM has been noted. ARMM officials claim that this is due to the very low budgetary allocation given to the regional government. While this may be true at the regional government level, this discounts the fact that substantial resources are lodged to ARMM provinces through the IRA as stipulated by the 1991 LGC and directly by national government agencies .

**f) Linking local entrepreneurs to opportunities presented by BIMP-EAGA –** Besides promoting inter-regional trade and travel among countries comprising BIMP-EAGA to jumpstart economic growth within the sub-region, the economic growth cooperation has recently enunciated a new strategy of jointly accessing markets of fast-growing economies in the region such as China, India and even Japan. This is due to the realization that most EAGA-member countries are producing the same products and at a volume inadequate for the needs of these markets if emanating from one country alone. Agricultural products such as palm oil, rubber, and horticultural produce, and fishery and

forestry products which are in ample supply in the BIMP-EAGA region, are mentioned as some possible exports.

Realizing the potential contribution of BIMP-EAGA in fostering growth in the sub-region, development partners have extended various assistance to this initiative. The Asian Development Bank (ADB) provided technical assistance for the conduct of the “BIMP-EAGA Investigative Study” which suggested directions on how to further strengthen economic cooperation among member countries. The US Agency for International Development (USAID) has co-financed, among others, a number of EAGA-related trade fairs and missions. Australia through AusAID and Germany through GTZ have been extending technical assistance on security-related issues in the sub-region and the harmonization of “Customs, Immigration, Quarantine and Security” (CIQS) rules and regulations of the different member-countries to facilitate the flow of goods and people while ensuring that the necessary security measures are in place. It is expected that more assistance from donors will be forthcoming considering the significant implications of BIMP-EAGA to the economic growth (in view of the fact that the sub-region is rich in natural and mineral resources) and security in the region.

While the big players in the sub-region are organizing themselves to take advantage of these market opportunities, small and medium enterprises, particularly those owned by the Muslims in Mindanao, are hardly being tapped to join this emerging business network. Recently, the Mindanao Business Council (MBC) has been designated to serve as the Secretariat of the private-sector organized and led East Asean Business Council (EABC). Its mandate is to link the various entrepreneurs in the sub-region to promote greater inter-regional trade and travel. Extra effort has to be exerted in ensuring participation of Bangsamoro entrepreneurs in BIMP-EAGA gatherings so that they can be fully informed not only of its activities but more importantly, business opportunities that it is currently opening up for entrepreneurs in the region. BIMP-EAGA also affords Bangsamoro entrepreneurs in Mindanao to interact with other Muslim businessmen in neighboring countries. This interaction will prove a useful learning tool for the former while at the same time opening opportunities to do business with their fellow Muslims in other countries and in the process, gaining better understanding of the forces and imperatives of globalization. For this to happen, a special fund for the participation of Bangsamoro entrepreneurs or entrepreneurs in conflict-affected areas will have to be created to enable them to attend BIMP-EAGA meetings and trade fairs both here and abroad.

g) **Focus on the IDPs and Human Rights.** Among the conflict victims, the Internally Displaced Persons (IDPs) suffer the worst lot. While the bulk of them have already returned to their communities of origin or resettled to new areas, their situation has hardly improved. There seems to be gap on policy on internal displacement and implementation on the ground. Moreover, human rights based approach to development and governance is still be institutionalized in planning and capacity building programs intended for conflict-affected areas. There is urgency in adopting this approach given the resurgence of incidences in summary executions and human rights violations.

Note: The above issues and challenges will be further refined at the breakout session at the PDF on March 30, 2006.