COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

November 25, 2019 – November 25, 2024
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<td>Alternative Learning System</td>
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<td>ASEAN</td>
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<td>CDCS</td>
<td>Country Development Cooperation Strategy</td>
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<td>C-TIP</td>
<td>Countering Trafficking in Persons</td>
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<td>CLA</td>
<td>Collaborating, Learning and Adapting</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>DO</td>
<td>Development Objective</td>
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<td>DOH</td>
<td>Department of Health</td>
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<td>EDGE</td>
<td>Enhancing Development and Growth through Energy</td>
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<td>EITI</td>
<td>Extractive Industry Transparency Imitative</td>
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<td>ELMIS</td>
<td>Electronic Logistics Management Information System</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GPH</td>
<td>Government of the Philippines</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>HCI</td>
<td>Human Capacity Index</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>IPS</td>
<td>Indo-Pacific Strategy</td>
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<td>IPTI</td>
<td>Indo-Pacific Transparency Initiative</td>
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<td>IR</td>
<td>Intermediate Result</td>
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<td>ISIS</td>
<td>Islamic State of Iraq and Syria</td>
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<td>J2SR</td>
<td>Journey to Self-Reliance</td>
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<tr>
<td>K-12</td>
<td>Kindergarten through 12th grade</td>
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<tr>
<td>LGBTIQ</td>
<td>Lesbian, Gay, Bisexual, Transgender/transsexual, Intersex and Queer/questioning</td>
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<td>LGU</td>
<td>Local Government Unit</td>
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<td>Monitoring, Evaluation and Learning</td>
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<td>MPA</td>
<td>Marine Protected Areas</td>
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<td>Natural Resources Management</td>
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<td>NATO</td>
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<td>OH</td>
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<td>PDP</td>
<td>Philippine Development Plan</td>
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<td>PFG</td>
<td>Partnership for Growth</td>
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<td>PhilHealth</td>
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<td>RA</td>
<td>Republic Act</td>
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<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
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<td>Sub-IR</td>
<td>Sub-Intermediate Result</td>
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<td>TB</td>
<td>Tuberculosis</td>
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<td>UN</td>
<td>United Nations</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>UHC</td>
<td>Universal Health Care</td>
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<td>USG</td>
<td>United States Government</td>
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I. EXECUTIVE SUMMARY

CDCS Goal
USAID is prioritizing the Philippines’ journey to self-reliance and key pillars in the United States’ Indo-Pacific vision over the 2020 – 2024 strategic period. This country development cooperation strategy for the Philippines responds to multiple challenges that may impede that journey and negatively impact sustainable national development. Foremost is the changing geopolitical situation in Southeast Asia and how this impacts the Philippines. Regional powers are increasing their strategic interest and influence in the Philippines and have made significant investments in the infrastructure (digital and energy) and services sectors. As regional influence grows, USAID is concerned that resource concessions made outside of accepted market mechanisms that enable transparent procurement processes could harm long-term development in the Philippines if they bypass and subvert governance practices that would otherwise ensure transparency and accountability. Priority concessions include development of the energy and information communications infrastructure, the extraction of natural resources, particularly in areas under the control of indigenous peoples, and high value public infrastructure development. Concessions for these public resources made in the absence of adequate governance mechanisms potentially hinder the participation of other international investors, national businesses, and labor and may constrain future self-reliance.1

The U.S. government’s vision for the Indo-Pacific strongly resonates in the Philippines and guides this five-year development plan. Signature U.S. initiatives implemented in the Philippines, including the Indo-Pacific Transparency Initiative, Infrastructure Transaction Advisory Network, Digital Connectivity and Cybersecurity Partnership and Asia Enhancing Development and Growth through Energy, will advance the U.S.-Philippines Indo-Pacific partnership. This new, five-year development strategy also responds to long-standing structural challenges and current developments in the country’s political economy. These strategic priorities inform the Mission’s five-year goal that will help ensure that the Philippines is a well-governed and more self-reliant Indo-Pacific partner.

Commitment and Capacity
Successive government administrations have prioritized social inclusion and the protection of the rights of vulnerable peoples. Commitment to social group equality, however, remains among the lowest Roadmap indicators for the Philippines. This reflects challenges faced by many Filipinos, including activists, to safeguard their interests. Adherence to the norms of liberal democracy appears to be declining as well. Despite a high capacity civil society and media, as reflected in USAID’s Journey to Self-Reliance (J2SR) Roadmap metrics, these institutions are less resilient than expected and subject to political pressure. The Mission’s concern that counter-vailing institutions of democratic governance is weakening undergirds the first development objective in this strategy: Democratic Governance Strengthened.

Inclusive economic growth is another government priority, yet a higher percent of Filipino families live below established poverty lines than found in other leading economies in Southeast Asia. The country’s low Roadmap indicators for poverty rate and gross domestic product (GDP) per capita reflect this finding. The Philippines has one of the highest rates of income inequality in the Southeast Asian and Pacific region. Educational quality is also low. The World Bank recommended in 2013 that the Philippines prioritize inclusive growth for future national development. In 2017, the World Bank recommended that the Philippines increase its investment in human capital to achieve critical health and education outcomes. Further, they argued, doing so is critical to compete against other dynamic...
economies in an advancing technological future. The GPH faces challenges to fully implement its inclusive growth development agenda. Policy reforms are vulnerable to challenges from vested interests that dominate local and national politics.

Social programs to build human capital and deliver better services require sufficient fiscal space to fund government priorities. Improvements in tax policy and tax administration have generated more revenues; however, the tax-to-GDP ratio in the Philippines remains among the lowest in the region. A larger concern is that government agencies often fail to successfully develop and execute their budgets. The Mission will prioritize effective domestic resource mobilization to advance self-reliance.

The Mission will strengthen local systems to counter these obstacles in the Philippines’ Journey to Self-Reliance. The Philippines has sufficient resources at hand to fund its own ambitious development agenda; however, it lacks efficient systems to mobilize national resources to implement actions necessary to realize its national agenda. USAID is working through each of its technical offices to move forward needed policy reforms and to strengthen government processes at the line level to implement the necessary investments. The Mission is supporting the private sector to leverage USAID’s work and take this further. Civil Society has a key role, and is supported by USAID, to ensure development priorities are inclusive of the greater population and are carried forward in a transparent and accountable manner. Assisting host country institutions to redefine their relationships with the government will strengthen national self-reliance and contribute to redefining the current relationship between the USG and the GPH.

These concerns motivate the Mission’s second development objective: Inclusive, Market-driven Growth Expanded. To achieve this objective, USAID initiatives will promote regulatory quality and private sector growth to create more jobs, increase the government’s capacity for financial self-reliance: that is, the ability to mobilize domestic resources, and ensure institutions across government line departments strengthen their financial management. Education and health programming will support the government and public stakeholders to improve the country’s human capital development and bolster long-term self-reliance.

The nation’s commitment to safeguard its vast biodiversity and natural resources is exemplified by habitat protections and associated policies; however, these economic and livelihood resources are increasingly vulnerable to shocks and disasters (adversely impacting safety and security), as well as inadequate government effectiveness to implement the policies that are already law. A Climate Risk Management (CRM) assessment conducted for this strategy has emphasized the Philippines’ vulnerability to the effects of extreme weather and the slowly encroaching threats of long-term climate change. The Philippines is highly vulnerable to shocks and disaster, is over-extracted, and has insufficient capacity at the local level to effectively manage its vast biological diversity. USAID priorities under its third development objective, Environmental and Community Resilience Enhanced, will contribute to self-reliance both in the commitment to resilience through policy making and planning; and the capacity for stronger enforcement, prevention, and implementation to enhance environmental and community resilience. Outcomes achieved under this objective are important not only as a development objective in itself, but they also reinforce development outcomes achieved across the entire portfolio. Challenges resulting from climate change impact the resilience of infrastructure development, a GPH priority, the budgets of local governments that plan for and respond to natural disasters, as well as on service delivery, especially for healthcare. These considerations will be integrated into program and activity design under this strategy.
Other Mission priorities include domestic anti-trafficking-in-persons programming. The Philippines earned Tier 1 status in 2016 and will likely remain in that placement due to the government’s continued commitment to counter TIP and address gaps. The domestic trafficking in persons is less frequently addressed, despite being a larger concern.

The lowest measure in the Philippines country Roadmap is the capacity to ensure safety and security. Security issues and crime remain significant concerns, and threats include transnational organized crimes, such as wildlife trafficking, drug trafficking, human trafficking, terrorism, cyberattacks; as well as communicable and infectious disease epidemics. The Mission will leverage initiatives taken by the U.S. Department of Defense and other inter-agency partners to counter violent extremism with a concentration on social connectedness as a community-level response to transnational threats. USAID will continue to monitor and assess the situation with regards to violent extremism, including through learning activities, and will look at opportunities to address violent extremism more comprehensively, provided that effective solutions may be advanced that are within the Mission’s manageable interest. Several initiatives under the Education portfolio have crisis modifiers to reprogram activities to meet emerging situations, as necessary.

**Strategic Choices**

The Mission will employ a geographic focus in this strategy in those instances where it can maximize its development impact. The Cities Development Initiative (CDI), under the previous strategy, targeted development in secondary cities and aligned with the government’s national spatial strategy. The Mission will implement a second-generation Cities Development Initiative to harness the potential of secondary cities. In addition, given the rapid urbanization in the Philippines, USAID will support additional interventions that leverage cities as geographical focus areas for economic growth, improved governance, and resilient development.

The Mission anticipates that program priorities will change over the course of this strategy and programming may extend into areas in which the various technical offices are not currently active. For example, the Health portfolio in the Philippines is currently focused on TB, family planning, health system strengthening and community-based, voluntary drug demand reduction. There has been no continued funding for Maternal Child Health, and infectious disease programming, to date, is limited to TB. This strategy, however, highlights opportunities for USAID engagement for a more holistic approach to address the country’s inter-related health challenges, many of which are now related to health governance. These opportunities pertain to programming under DO 2, specifically sub-IRs 2.1.3 Enabling Environment for Basic Service Delivery Improved, and 2.3.1 Priority Health Systems Improved, and also to programming under DO 3, sub-IR 3.3.3, Capacity to Detect and Control Infectious Diseases Strengthened.

At the end of five years, USAID anticipates that its partnership with the Government of the Philippines in national development will benefit from the value added of USG interventions and through the coalitions and groups of partners that USAID can establish and leverage to support the government and share in the work of identifying, financing, and implementing Philippine development priorities.
| USAID PHILIPPINES CDCS GOAL 2020 - 2024: A WELL-GOVERNED AND MORE SELF-RELIANT INDO-PACIFIC PARTNER |
|----------------------------------------|----------------------------------------|----------------------------------------|
| **DO 1 Democratic Governance Strengthened** | **DO 2 Inclusive, Market-Driven Growth Expanded** | **DO 3 Environmental and Community Resilience Enhanced** |
| **IR 1.1 Civic Engagement Increased** | **IR 2.1 Regulatory Quality Improved** | **IR 3.1 Advanced Energy Sector and Markets Expanded** |
| 1.1.1 Civic advocacy for better public services bolstered | 2.1.1 Enabling environment for open, fair, and competitive trade and investment strengthened | 3.1.1 Performance of energy utilities improved |
| 1.1.2 Integrity of electoral process strengthened | 2.1.2 Enabling environment for infrastructure development improved | 3.1.2 Deployment of advanced energy system increased |
| **IR 1.2 Public Transparency and Accountability Improved** | **IR 2.2 Government Capacity to Finance Self-Reliance Increased** | **IR 3.2 Sustainable Use of Natural Resources Strengthened** |
| 1.2.1 Civil society oversight bolstered | 2.2.1 Domestic public resource mobilization increased | 3.2.1 Conservation of biologically diverse areas advanced |
| 1.2.2 Access to information expanded | 2.2.2 Public financial management strengthened | 3.2.2 Management of water resources for service delivery sustained |
| 1.2.3 Media independence and capacity strengthened | **IR 2.3 Human Capital Development Improved** | 3.2.3 Private Sector financial models for sustainable resource management accelerated |
| **IR 1.3 Rule of Law Advanced** | **IR 3.3 Response to Transnational Threats Strengthened** | **IR 3.4 Capacity to Mitigate Risks of and Respond to Disaster Strengthened** |
| 1.3.1 Public support for citizens’ rights increased | 2.3.1 Priority health outcomes improved | 3.4.1 Preparedness for disaster and climate stresses improved |
| 1.3.2 Access to justice for marginalized and/or vulnerable groups enhanced | 2.3.2 Education systems strengthened | 3.4.2 Urban resilience improved |
| 1.3.3 Domestic trafficking in persons reduced | 2.3.3 Science, technology and innovation capacity strengthened | 3.4.3 Delivery of humanitarian assistance improved |
| **IR 1.4 More Responsive Local Governance** | **IR 2.4 Private Sector-led Growth Promoted** | **Cross-cutting Themes:** Increased Private Sector Engagement, Enhanced Gender and Social Inclusion, Civil Society Strengthened |
| 1.4.1 Decentralization enabling environment strengthened | 2.4.1 Private enterprise development improved | **DO 1 Democratic Governance Strengthened** |
| 1.4.2 Local service delivery enhanced | 2.4.2 Private sector service delivery increased | **DO 2 Inclusive, Market-Driven Growth Expanded** |
| 1.4.3 Stakeholder participation in key local bodies expanded | **IR 1.1 Civic Engagement Increased** | **DO 3 Environmental and Community Resilience Enhanced** |
| 1.4.4 Data-based decision-making improved | 1.1.1 Civic advocacy for better public services bolstered | **IR 3.1 Advanced Energy Sector and Markets Expanded** |
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| 1.2.3 Media independence and capacity strengthened | 2.1.2 Enabling environment for infrastructure development improved | **IR 3.2 Sustainable Use of Natural Resources Strengthened** |
| **IR 1.3 Rule of Law Advanced** | 2.1.3 Enabling environment for basic service delivery improved | 3.2.1 Conservation of biologically diverse areas advanced |
| 1.3.1 Public support for citizens’ rights increased | 2.1.4 Enabling environment for the digital economy strengthened | 3.2.2 Management of water resources for service delivery sustained |
| 1.3.2 Access to justice for marginalized and/or vulnerable groups enhanced | **IR 2.2 Government Capacity to Finance Self-Reliance Increased** | 3.2.3 Private Sector financial models for sustainable resource management accelerated |
| 1.3.3 Domestic trafficking in persons reduced | 2.2.1 Domestic public resource mobilization increased | **IR 2.3 Human Capital Development Improved** |
| **IR 1.4 More Responsive Local Governance** | 2.2.2 Public financial management strengthened | 2.3.1 Priority health outcomes improved |
| 1.4.1 Decentralization enabling environment strengthened | **IR 3.3 Response to Transnational Threats Strengthened** | 2.3.2 Education systems strengthened |
| 1.4.2 Local service delivery enhanced | 3.3.1 Institutional systems to combat environmental crimes improved | 2.3.3 Science, technology and innovation capacity strengthened |
| 1.4.3 Stakeholder participation in key local bodies expanded | **IR 3.4 Capacity to Mitigate Risks of and Respond to Disaster Strengthened** | 3.3.3 Capacity to detect and control infectious diseases strengthened |
| 1.4.4 Data-based decision-making improved | 3.4.1 Preparedness for disaster and climate stresses improved | **Cross-cutting Themes:** Increased Private Sector Engagement, Enhanced Gender and Social Inclusion, Civil Society Strengthened |
| **IR 1.1 Civic Engagement Increased** | 3.4.2 Urban resilience improved | **DO 1 Democratic Governance Strengthened** |
| 1.1.1 Civic advocacy for better public services bolstered | 3.4.3 Delivery of humanitarian assistance improved | **DO 2 Inclusive, Market-Driven Growth Expanded** |
| 1.1.2 Integrity of electoral process strengthened | **DO 3 Environmental and Community Resilience Enhanced** | **IR 3.1 Advanced Energy Sector and Markets Expanded** |
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| 1.3.1 Public support for citizens’ rights increased | 2.1.3 Enabling environment for basic service delivery improved | 3.2.2 Management of water resources for service delivery sustained |
| 1.3.2 Access to justice for marginalized and/or vulnerable groups enhanced | 2.1.4 Enabling environment for the digital economy strengthened | 3.2.3 Private Sector financial models for sustainable resource management accelerated |
| 1.3.3 Domestic trafficking in persons reduced | **IR 2.2Government Capacity to Finance Self-Reliance Increased** | **IR 2.3 Human Capital Development Improved** |
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| 1.4.4 Data-based decision-making improved | 3.3.2 Social connectedness increased | 3.4.1 Preparedness for disaster and climate stresses improved |
| **Cross-cutting Themes:** Increased Private Sector Engagement, Enhanced Gender and Social Inclusion, Civil Society Strengthened | 3.3.3 Capacity to detect and control infectious diseases strengthened | 3.4.2 Urban resilience improved |
| **DO 1 Democratic Governance Strengthened** | **DO 2 Inclusive, Market-Driven Growth Expanded** | **DO 3 Environmental and Community Resilience Enhanced** |
II. COUNTRY CONTEXT

Salient Factors in Country Context, Challenges, and Opportunities

The Philippines is strategically located in the Indo-Pacific and critical to U.S. national interests in the region. For one, the Philippines, the oldest ally in Southeast Asia, shares important security ties with the U.S. as a major non-NATO strategic partner. Equally important is the major trading and investment partnership between the two countries. Bi-lateral trade in goods and services in 2017 totaled an estimated $29.6 billion, with a $6.7 billion deficit in favor of the Philippines. The U.S. government’s strategic focus on the region, in tandem with the decades-long close ties between the countries, presents significant opportunities to support the vision of an Indo-Pacific partnership based on democratic values and free and open trade, while advancing the Philippines’ journey to self-reliance.

There are challenges in advancing this partnership. Foremost are geo-political affairs in the Southeast Asia region. The development practices of countries in the region and large, contested areas of the South China Sea are problematic to democracy and a rules-based order. China, for example, is actively involved in the country’s public infrastructure development plan with investments in mining and energy, as well as food supply, to guarantee access to raw resources. Regional and international partners maintain concerns that Chinese investments may distort the market by subverting economic governance and exclude national companies and workers, as well as other international interests, from participation. Other countries in the region share similar concerns. Long-term development in the Philippines is threatened when large-scale concessions are made outside of accepted market mechanisms and international and local companies are excluded from competition. Such practices bypass and subvert governance practices that would ensure greater transparency and accountability. And, the U.S.-Philippines economic relationship has declined in favor of greater trade with China. The Duterte Administration recently signed 13 cooperation agreements with China. Financial assistance and investment pledges are estimated to total $24 billion, of which 62 percent is business-to-business and the rest is official development assistance (ODA). Additionally, Chinese - Philippines trade expanded under the ASEAN-China Free Trade Agreement and is expected to grow further under the China-led Regional Comprehensive Economic Partnership initiative.

Transnational threats also bear upon the development work done in country by USAID. These range from illegal and undeclared fishing, illicit trade in natural resources including wildlife trafficking, to outside interference in Philippines’ elections and public information space, and terrorism. Trafficking of persons (TIP) is also a concern; however, the Philippines earned Tier 1 status in 2016, which it will likely maintain due to the government’s continued commitment to counter TIP and address any gaps. There are opportunities for USAID assistance with domestic trafficking-in-persons issues that are less focused on. The spread of infectious diseases such as tuberculosis and HIV are among the transnational threats that affect national development. These challenges present opportunities for USAID to partner with institutions in the Philippines.

Governance and a decline in liberal democracy is a significant challenge domestically. Countervailing institutions – political parties, the judiciary, and civil society and media – are weak and accountability for government performance is diminished. The Mission’s priorities here are to strengthen the capacity of Civil Society, the private sector in the Philippines, and local government institutions to advance their own interests in these regards for the benefit of national development and increased self-reliance.
USAID’s Journey to Self-Reliance Roadmap indicators compare the Philippines to other low- and middle-income countries. The regional comparison is perhaps more pertinent from the national perspective. East Asia was the fastest-growing economic region in the world in 2017 with six of the world’s fastest growing economies, including the Philippines. Other regional economies, however, are outperforming the Philippines and attracting greater foreign direct investment (FDI). Several of these have world-class infrastructure, digital connectivity, macroeconomic stability, fully developed financial systems, and well-educated work forces. The Philippines’ human capacity index (HCI) is above the lower middle-income country average; however, its HCI score is significantly lower than other countries in the region. There are concerns that the country may be left behind as technology rapidly changes. Economic growth has slowed in recent years due in large part to decreasing international demand. The World Bank projects an economic slowdown in the region, and for the Philippines, in the few next years. Competition for FDI will increase. The Philippines faces productivity and human capacity challenges. To achieve long term economic growth, the World Bank recommends that the government increase its investment in human capacity. Priorities are to ensure improved learning outcomes, alleviate child stunting through better nutrition outcomes, and to improve the quality of health care through implementation of the Universal Health Care (UHC) law. USAID programming will assist the GPH in two of the three recommendations; nutrition is not part of the Mission’s portfolio.

Another salient factor is the overall health status of the poor and vulnerable people in this country. The Philippines has one of the highest incidence rates of Multi-Drug Resistant Tuberculosis (TB) in the world. TB, an infectious disease, is a major public health problem in the country and the 6th leading cause of mortality in 2010. Mass migration of rural poor to metropolitan areas increases informal settling in urban slum areas and exacerbates the incidence of TB in the Philippines. Climate-related risks further complicate this problem. These and other health concerns impact the Philippines’ ability to sustain self-reliance in the future. The Philippines is rated 9th in terms of countries with the highest rate of stunted children, and 10th among countries for the highest rates of childhood wasting. Poor nutrition increases the likelihood that latent TB will develop into active TB disease and adversely impact upon long-term development objectives. As well, the Philippines is one of the countries in Southeast Asia with the highest adolescent birth rates. Poor and less educated women have 2 - 3 children more than they plan for or desire. The Philippines Development Plan (PDP) prioritizes the economic and social benefits that the country will achieve when a demographic transition decreases the birth rate and enables a lower proportion of spending on the very young. There is an opportunity for USAID - GPH partnership in family planning and the development of human capacity to ensure that Filipino families reach a desired family size and keep adolescent girls, boys, and youth healthy and educated, as well as opportunities to engage in the area of HIV.

The Philippines is also a designated mega-biodiverse country, with a marine ecosystem conservatively valued close to $1 trillion. The country’s wealth of natural resources sustain the livelihoods of one-third of Filipinos, including entire communities that are dependent upon them, as well as support growth across the agriculture, fisheries, and industry and services sectors. Over-extraction of resources, however, weakens the ability of ecosystems to recharge, and threatens the livelihoods of communities and the longer-term profitability of industries that are dependent upon them. Commitment to biodiversity and habit protections is an important element of the PDP and the
Natural Resources Management (NRM) is also a pillar in the administration’s Vision for a Free and Open Indo-Pacific.

The country faces challenges in implementing its biological and habitat protections as mandated by Philippine laws. Other nations in the region contest aquatic resources within the country’s traditional economic zone of influence. Concerns over these developments invoke national debates concerning the government’s duty to protect national interests. Inadequate oversight potentially enables foreign-funded infrastructure projects to pose direct threats to national resources. Conservation and sustainable management of the country’s abundant natural resources is necessary for long-term self-reliance in the Philippines. For example, the value of forestry products, once valued at 12.5 percent of Gross Domestic Product (GDP) and 67 percent of export value in the 1970s, has declined to the point in which the Philippines is now importing over $2 billion worth of forest products, as reported in 2017.

The Philippines has other environmental challenges. It ranks as the 3rd country most at risk to natural disasters and has a high level of social vulnerability. Contributing factors include seismic activity along the Pacific Ring of Fire, a pattern of typhoons that regularly move through the archipelago; human made crises from ISIS inspired insurgency, the acts of pirates and organized criminal networks, and other malign actors. Many of the cities experiencing rapid urban growth and attracting migration are some of the most at risk areas for floods, water shortages, and typhoons. In response, the GPH Climate Change Commission’s five-year Roadmap will strengthen resilience to climate risks in priority provinces, coastal communities, and cities to mitigate the potential impact of climate related disaster. A CRM assessment conducted for this CDCS has recommended priorities for USAID’s programming which are reflected in this strategy. The map of the Philippines (p. i) displays these national attributes.

The Philippines’ National Development Vision
The country’s long-term vision for national development, Ambisyon Natin (Our Ambition) 2040, is that the Philippines is a middle-class society, lacking poverty, in which its peoples live long and healthy lives, are smart and innovative, and have a high level of trust for their government and between themselves. Duterte Administration priorities to meet this vision are stated in the PDP (2017 – 2022). The Mission’s 2020 – 2024 strategic framework does not address each element of the Ambisyon Natin 2040 or the PDP, but does align to national priorities.

The PDP organizes the nation’s development priorities under three main pillars, supported by cross-cutting strategies, to provide a foundation to achieve intended results. The PDP’s Pillar One, Enhancing the Social Fabric for a high-trust society, prioritizes governance that is people-centered, clean and efficient, and the swift and fair administration of justice. Development Objective (DO 1), Democratic Governance Strengthened, focuses on civil society and public support for democratic governance (demand side) and aligns loosely to GPH priorities, which focus more on the provision of good governance (supply side). The Mission’s DO 2, Inclusive, Market-Driven Growth, is well aligned with priorities under Pillar Two, Reducing Inequalities in Economic Development. The PDP’s Pillar Three, Increasing the Growth Potential, focuses on maternal and infant care, family planning, improving health and education outcomes, reducing youth unemployment, savings, and realizing a youth dividend. These outcomes align to the Human Capital Development IR under DO 2. The Mission’s DO 3, Environmental and Community Resilience Enhanced, corresponds to Building Socio-Economic Resiliency under Pillar 2. USAID programming will not address the safety and security
elements of Pillar Two. Ecological Integrity Ensured and Socio-Economic Conditions of Resource-Based Communities Improved through Sustainable Integrated Area Development, a cross-cutting theme in the PDP, aligns to DO 3. Further details are provided in the DO narratives.

**Actors Influencing this Vision**
Local governments lack sufficient means to counter the award of high-value contracts and concessions for natural resource use and extraction that are completed outside of transparent and competitive processes. USAID sees opportunities to support policy reforms, advance transparency, and increase competition in government contracts, specifically in high-cost infrastructure development. There are opportunities, as well, to strengthen local governance institutions, and to support civil society in a watch-dog role to ensure greater accountability. The current administration has a key role to advance these reforms that are critical to achieving its ten-point agenda and stated development priorities.

**Country Roadmap, Self-Reliance, Challenges and Opportunities in the Future Trajectory**
The Philippines’ J2SR Roadmap metrics are relatively strong, and all but four of the seventeen sub-dimension indicators score above the average for all low- and middle-income countries. However, with half of the Philippines Roadmap metrics near the mid-point, and several below, there is room for improvement, particularly in the area of governance and social inclusion. The lowest measure in the Philippines country Roadmap is the capacity to ensure safety and security. In 2018, the Philippines was among the lowest 10 countries measured by the Legatum Prosperity Index indicator. Security issues and crime remain significant concerns in urban areas of the country. Current threats include transnational organized crimes, such as wildlife trafficking, drug trafficking, human trafficking, terrorism, and cyberattacks; as well as communicable and infectious disease epidemics. The Mission is reviewing its response to violent extremism, which is an element of the personal safety indicator. USAID sees opportunities to address a health-based response to drug demand reduction, build local and national capacities to respond to transnational crimes in wildlife trafficking, respond to the domestic trafficking of people, and for public information to counter disinformation via the internet. Increasing social connectedness by engaging with excluded and vulnerable groups and responding to infectious diseases are also opportunities within USAID’s manageable interest.

The Philippines also scores below the average for comparable countries on social group equality. Social group equality measures government commitment to social inclusion, specifically the extent that social groups receive the same civil liberties. Filipinos face challenges in their efforts to protect their rights. For one, state institutions fail to take decisive sanctions against the threats, harassment, and death inflicted on local environmental activists in the Philippines, according to reports filed by Global Witness, the human rights watchdog. In 2017, the death of 48 activists contributed to the Philippines record as the country with the highest rate of activist murders for any Southeast Asian country, and the third highest in the world after Brazil and Colombia. Many of the victims are indigenous peoples. As well, adherence to the norms of liberal democracy is declining according to several international concerns. The J2SR metric for liberal democracy is above the average of low-to middle-income countries. More recent treatment of civil society activists and media in the country, however, has raised concerns about the Philippines’ commitment to these principles. There is high capacity for civil society and the media, as measured in the J2SR metric, and both have been active in social change in Philippine history. The current climate suggests that these institutions are weaker than this measure shows and subject to political pressure.
The Philippines scores lower than average on the poverty rate indicator, a Roadmap metric that measures household resilience to withstand shocks. Despite strong economic growth in recent years, the Philippines has one of the highest rates of income inequality in the Southeast Asian and Pacific region. Unemployment is at record low levels in the Philippines. Underemployment, however, is 20 percent and mean wage rates stay stagnant. This metric reflects the lack of inclusive economic growth in the Philippines. Advances in reforms are vulnerable to challenges from vested interests that dominate local and national politics. The result is that the interests of elites and special interests are higher priorities than those of poor Filipinos, who comprise a significant portion of the population (22 million as of 2015 according to the World Bank). USAID sees opportunities to address this challenge, which are outlined in the sections to follow.

The Roadmap reflects low education quality, a measure of human capacity. The government, however, is committed to strengthening educational systems in order to build human capacity and equip Filipinos with skills necessary for technological demands that are now confronting the country. Another concern is alignment of the education system to meet industry workforce skills necessary for better paying jobs. The third metric for human (citizen) capacity is an indicator for child health. This J2SR metric is a proxy for the overall national health status and reflects that the healthcare system adequately ensures the health of its population. The proxy indicator does not capture Philippines-specific factors that would lower the country score if considered. First, the Philippines scores high in child survival, part of the J2SR metric, but also has high levels of child malnutrition and child stunting due to the poor health and poor nutrition of pregnant mothers. This negatively impacts the development of human capacity, or citizen capacity as tracked by the Roadmap metrics, and is not captured in the Philippines’ score. The incidence rate for multi-drug resistant TB, as well, is not considered in the proxy score. In the Philippines, this disease affects not only the general population, but impacts child health outcomes in particular. Teen pregnancies are rising and underserved populations lack access to family planning services that reduce maternal deaths and promote maternal and newborn health. Access to safe drinking water and sanitation also raise health outcomes. The proxy health indicator does not adequately present the total healthcare scenario in the Philippines. USAID will assist the GPH’s efforts to address these challenges.

The Philippines is at the overall average for low- and middle-income countries for the efficiency of its tax administration. This measures tax collection effectiveness country-wide and reflects the capacity to collect and mobilize domestic resources. National policies and systems are advanced, but the capacity to implement them is weak, especially at local level. Recent improvements in tax policy and tax administration have generated more revenues and increased the fiscal space needed to fund the government’s social program priorities. Revenue generation, however, remains among the lowest in the region. The GPH’s spending capacity remains weak because it routinely fails to successfully develop and execute its budget. Support to more effectively mobilize domestic resources is a priority to advance self-reliance.

Philippines commitment to biodiversity and habitat protection policies is high; however, these economic and livelihood resources are quite vulnerable to shocks and disasters (adversely impacting safety and security), as well as inadequate government effectiveness to implement the policies that are already law. In this instance, the commitment indicator does not accurately capture the political will to enforce these protections. The Philippines is highly vulnerable to natural and man-made disasters, is over-extracted, and has insufficient capacity at the local level to safeguard its vast biological diversity.
With respect to the economy and institutional capacity, the metrics suggest stronger performance than what is actually realized. The Philippines has strong economic policies and has benefitted from higher growth rates in recent years. However, it still struggles to distribute growth equitably and is unable to allocate resources effectively to meet the most pressing needs. For example, high growth rates helped lower the national poverty rate from 26.6 percent in 2006 to 21.6 percent in 2015; however, the decline has been slow and gross inequality persists.

**Mission Vision for Country Transition**

Currently USAID is reviewing its development partnership in partnership with its GPH counterparts. The Mission will advance country transition on different tracks. A priority is to strengthen local systems to counter obstacles in the Philippines’ Journey to Self-Reliance. USAID is working through each of its technical offices to move forward needed policy reforms and to strengthen government processes at the line level that improve upon inefficient systems to implement the necessary investments. Enabling private sector engagement will leverage USAID’s work to take this further. Civil Society, with USAID support, will ensure that development priorities are inclusive of the greater population, and are carried forward in a transparent and accountable manner. Assisting host country institutions to redefine their relationships with the government will strengthen national self-reliance and contribute to redefining the relationship between the USG and the GPH.

On a parallel track, USAID is prioritizing domestic resource mobilization in both the public and private sector. The expected outcome is to more efficiently mobilize national resources that are sufficiently available for the Philippines to fund its own ambitious development agenda. As the Philippines increasingly becomes more self-reliant, this strategy will reflect these gains by increasing the pace of its transition away from directly supporting service delivery toward shifting more resources to improve government effectiveness. This process is already underway. Across all sectors in which USAID/Philippines works, technical offices are advancing policy and regulatory reforms that improve government capacity and responsiveness, particularly with regards to budget management and procurement reform. Such reforms, when implemented with USAID support, have the potential to produce strong second- and third-order effects across the range of sectors, advancing the Philippine’s ability to plan, resource and implement its journey to self-reliance. Successfully implementing the CDCS’s targeted, cross-cutting, private-sector approach, will help to harness the Philippines’ robust and vibrant private sector, both in terms of resources and expertise, which, when combined with improved government effectiveness, and reinforced with a strengthened Civil Society as a watchdog to safeguard the process, will more quickly advance the Philippines towards greater self-reliance.

### III. STRATEGIC APPROACH

Trade relations between countries, changing patterns of bi-lateral investment, and international affairs that involve the U.S., Europe, and the Southeast Asia region all contribute to a significantly different development landscape now encountered by international donors in the Philippines,
including USAID. The USAID Asia Bureau’s vision for the Indo-Pacific region has specific relevance in the Philippines. Signature U.S. initiatives in this region feature among the new activities to be moved forward under this new strategy. Mission priorities include increased transparency in the region, an infrastructure transactions and assistance network, digital connectivity, trade and competitiveness, energy development, and natural resource management. In line with these initiatives, this strategy aims to promote governance throughout the entire portfolio. Thus, the strategy has a strategic focus on public sector performance, the ability of civil society to better demand for such performance, and for transparency and accountability to realize a well-governed, Indo-Pacific partner.

In addition, the strategy includes a specific DO for democratic governance, since governance is both an objective in itself, as well as a means to attaining other DOs. The previous CDCS viewed governance mainly as a means. The governance objective addresses public support for the rule of law, as well as sector-specific governance issues in economic development, health, education, and the environment. The strategy also supports rights issues such as its approach to drug demand reduction, advocacy efforts to support free and open information environment, and support for the rule of law.

USAID will continue to deepen its current partnership with the GPH, which has been largely rooted in its role in providing bilateral assistance. An example of this is the Partnership for Growth (PFG), a core initiative in the 2013 – 2018 strategic period that achieved gains in major policy initiatives and improvements in public sector capacity. The Mission can build upon achievements made under PFG to redefine its relationship with the government through support to key policy reform initiatives. Reform efforts under this CDCS will prioritize inclusive and market-driven growth that is private sector-led through elimination of key regulatory barriers in government contracts and enabling participation of a more inclusive range of private sector actors, including small and medium-sized enterprises, in the economy. Policy initiatives include easing restrictions on foreign equity ownership and the areas in which this is applied and restraining the abuse of market dominance that can limit opportunities for small and medium-sized enterprises. Strategic markets for infrastructure development, digital connectivity, and energy are uncompetitive due to high start-up costs, restrictive regulations, and lack of transparency. IPS initiatives for these priority sectors will increase the competitive nature of these markets and benefit a range of economic interests, including the U.S., and specifically the private sector in the Philippines. The government has made significant efforts to deregulate, privatize, and break up long-standing monopolies in telecommunications, air transport, energy, infrastructure development, banking, and other sectors following passage of the Philippine Competition Act in 2014. Other regional economies, however, have more dynamic and competitive markets. The Philippines, by contrast, has a relatively lower standing in this regard.

**Use of Host Country Resources**

USAID programming will build government capacity to improve budget management (efficiency of tax administration and government effectiveness metrics) and procurement reform. The Philippines' political-economic structure provides the executive branch with considerable authority over budgets and appointments. Other branches of government lack sufficient power to countervail a powerful executive branch. Thus, USAID has initiatives implemented by each of its technical offices to strengthen public financial management to better utilize host country resources. A range of initiatives to eliminate outdated and/or conflicting regulations, improve the performance of regulatory bodies, and provide in-house technical capacity will build upon USAID’s previous support
for the GPH Tax Reform for Acceleration and Inclusion Act No. 10963 enacted by the Congress of the Philippines in December 2017. These efforts include the USG Government Accountability Office – Philippines Performance Audit Partnership to strengthen GPH audit performance. The Education Office will assist the Department of Trade and Industry to improve procurement policies related to research and development. The Health Office will support the Department of Health (DOH) in procurement reforms such as supply chain management. The Electronic Logistics Management Information System (ELMIS), funded by the DOH, will be implemented with USAID technical support. The Health Office will also build local private sector capacity to continue technical support for the ELMIS into the future. The Environment Office is developing models to increase self-reliance by rationalizing payments of fees by the private sector for the use of forestry, water, and other aquatic resources – accounting for the true cost of renewable natural resources in infrastructure development. These activities, among others supported by USAID, will strengthen GPH capacity to finance its national development, and strengthen country self-reliance.

The Role of Civil Society

The Mission’s strategic approach is to engage civil society broadly defined to redefine its relationship with the government in order to balance the distribution of power and strengthen democratic governance. First, USAID will bolster the overall civil society ecosystem to promote self-reliance in those areas where sustainability issues remain. This may include building capacities in organizational structures, transparency of operations, board structures, the ability to attract funding, installing corporate governance, and succession planning where this is still necessary. Second, USAID will use a systems approach to review civil society organization (CSO) networks and how they build linkages with service organizations and CSOs across multiple sectors. Third, USAID will scale up these networks to strengthen CSO position within these systems and promote inclusive democratic governance principals, including transparency, as a check from the bottom up. A sustainable, self-reliant civil society can be more effective in political organization and advocacy work in their communities. Building upon this, a better-networked civil society can increase impact at scale, whether working horizontally across different sectors in their community, or vertically across communities. USAID can facilitate this given its relative strengths in organizational capacity development. This will reinforce the CSO environment, building upon the Philippines’ existing strengths and accomplishments. As outlined above, a strengthened civil society will have a key role across USAID’s entire portfolio.

Engaging the Private Sector

USAID’s strategic approach also prioritizes private sector engagement as a means to transform its development outcomes. Private sector direct assistance and other private-sector engagement elements are present in some intermediate results (IR), and the resource mobilization aspect of private sector engagement is an explicit cross-cutting theme. In the previous CDCS, private sector engagement was not an explicit objective or sub-objective. USAID will assist the Philippines to mobilize and leverage investments in initiatives under each development objective. The approach taken to engage the private sector varies among the Mission’s technical offices, as outlined below, but in general, will seek to identify private sector solutions and enterprise-driven development approaches that further Philippine self-reliance and advance the vision for a free and open Indo-Pacific. A key outcome anticipated under this CDCS is to create more opportunities and space for the private sector, particularly a broader range of national actors, to engage in development. The Mission will advance this objective through policy reforms, including increased transparency for
procurements and enabling government agencies to engage more effectively with the private sector, across the portfolio.

For example, USAID’s Economic Governance and Democracy Office will support the GPH to build a better enabling regulatory environment to increase open and transparent private sector engagement throughout USAID’s portfolio, and specifically to promote competitive trade, increase investments in infrastructure development, and to enable the digital economy. Other private-sector initiatives will promote value chains for small and medium sized enterprises (SMEs). Sector-specific interventions will create opportunities in agribusiness, tourism, and manufacturing. Expanding private-sector led growth through private enterprise development and by facilitating private sector engagement in service delivery will support inclusive growth, as the private sector, especially small and medium-sized firms, is the main provider of jobs in the Philippines. These initiatives support GPH objectives to expand economic opportunities.

In the health sector, USAID will assist the government to implement the Universal Health Care (UHC) Republic Act (RA) 11223, approved by the Philippine Congress in July 2018. This law directs the Philippine Health Insurance Corporation (PhilHealth) to contract with public, private, or mixed provider networks for the provision of health care services.39,40 The UHC allows the DOH to outsource some primary health care services to the private sector. USAID’s Office of Health will assist in this process. Government partners lack experience and approved mechanisms to engage with and outsource to the private sector at all levels of the health sector. An improved regulatory structure will enable private sector investment in pharmaceuticals, medical equipment, and digitalized services, among other priority areas in the health sector. Private sector engagement in the delivery of health services will expand the provision of healthcare to underserved populations.

USAID’s Education Office will facilitate cooperation between state institutions; colleges, universities, and training providers; and private sector interests to coordinate and ensure that education and training is of sufficient quality to lead to a higher level of economic performance in the future. This includes an USAID-facilitated initiative to develop a work-based training program driven by the private sector to promote inclusive economic growth. This requires partnering with the private sector to provide employment opportunities for out-of-school and out-of-work youth.

The Environment Office’s private sector engagement includes activities to advance transparent procurement processes in the energy sector as well as promote private sector investment, including from U.S. companies to support the Asia Enhancing Development and Growth through Energy (EDGE) initiative. The Environment Office is developing models to increase self-reliance by promoting payments for eco-system models, which have garnered strong interest from private sector partners, for the use of forestry, water, and other aquatic resources — accounting for the true cost of renewable natural resources in infrastructure development. The Environment Office will also advance the development of the natural resource sector, including advancing sustainable supply chains, which conserve natural resources, while increasing value for producers and processors alike. Other opportunities for private sector engagement include addressing solid waste management issues, such as marine plastics, where private sector partners are increasing attention and investment. Based on the approaches outlined above, private sector engagement and civil society strengthening are two cross-cutting modalities through which USAID can leverage local resources to achieve a greater, more self-reliant development impact.
Gender and Social Inclusion

Gender and social inclusion is a third cross-cutting theme in this CDCS. The status of women and girls in the Philippines exceeds that observed in other Southeast Asian countries with regard to educational attainment, access to health services, the right to participate in elections and in government, and access to government services and civil society. The Mission, however, can advance its development objectives by increasing opportunities for lower-income women and other excluded groups. The gender analysis (GA) conducted for this CDCS emphasizes the value of building on the partner government’s gender and development policies and resources, helping prevent gender-based violence (GBV), supporting women's leadership and economic empowerment, and working with people of all genders, ability, and context.

USAID/Philippines will ensure that each project is informed by a quality GA. The analysis will extend from the CDCS-level GA to examine GBV risks and analysis of context-specific social and cultural barriers to gender equality specific to each project. When necessary, activities will focus their activity-level GA to be more context-specific. Where appropriate, the Mission will also identify key inclusive development issues and constraints that need to be addressed within its portfolio and recommend how the Mission can achieve greater and better inclusive development in its programs. Applications will vary among the different technical offices. The gender challenge in education is that girls do better than boys in basic education; however, they are more likely to drop out later. USAID also sees opportunities to advance social inclusion through service training for teachers of children who are deaf and blind, assisting them to assess and better identify deaf children, enabling them to teach better. Most victims of trafficking are women and girls. USAID supported CSOs will provide legal assistance and prevention services to raise awareness, mobilize communities, and inform people about recruitment activities of human trafficking networks. Integrating gender equality and social inclusion will promote health outcomes for under-served populations and address gender-based difference in health seeking behavior in TB, family planning, and HIV. Men are less likely to participate in the first two of these areas. Increasing access to youth friendly family planning and thereby the couple-year protection and ensuring family planning services to sexually active youth are unmet opportunities to address development challenges. These are well suited to USAID strengths. Supporting women associations in small and micro-finance and building their capacity to be active decision makers and leaders in multi-sectoral councils is another opportunity. USAID will support women leadership in those areas where women depend upon for their livelihood. These initiatives build upon the USAID – GPH partnership and provide opportunities to support common interests.

The Mission will continue to prioritize the use of collaborative approaches to design and procure as a strategic focus under this CDCS. Already, the Mission has championed co-design and co-creation as successful models that have generated new ideas, resources, approaches, and partners. Mission teams will continue to refine the use of and seek innovative methods to approach co-design and development to continue the trend of being less transactional and more focused on quantifiable results.

Overall, the strategic approach presented in this 2020 - 2024 strategy provides the Philippines with an alternate development partnership. The Philippines can benefit from a more inclusive range of investors. These include global corporations, financial institutions, development banks, regional actors, and especially a broader set of national actors. All require a level playing field to participate. Self-reliant and sustainable national development is best achieved through open and transparent policies for infrastructure development, resource extraction, budget financing and execution, among
others, in order to attract this broad range of potential investors. USAID offers a transparent partnership that will strengthen the Philippines’ self-reliance and control of its development agenda. Strong principles of democratic governance – including a strengthened civil society to safeguard public interest, dynamic private sector engagement that is open and transparent, and enhanced stewardship of natural resources – are the basis of this approach because these are necessary for greater self-reliance in the long-term.

**Efforts of other USG Actors**
The Mission enjoys a strong relationship with interagency partners at post who, through their complimentary work in common areas, will play a role in helping to achieve CDCS Goals. Guided by Post’s Integrated Country Strategy, the entire interagency team works collaboratively to advance strong, sustainable, resilient, and inclusive economic growth and social development, and provide greater opportunities for bilateral trade and U.S. investments, while supporting environmental stewardship. In particular, colleagues from State’s Economic Section, as well as FCS Colleagues advance commercial and diplomatic angles of IPS initiatives, including ITAN, DCCP, and Asia Edge, which complement USAID’s work to advance economic governance reforms and ensure a level playing field and opportunities, while improving free, fair, and reciprocal trade practices. State Department colleagues, including those from the Political and Public Affairs sections work on issues relevant to USAID’s work to advance democratic governance. Department of Defense and State Department colleagues work in areas to bolster disaster resilience, address criminal networks that traffic in persons and wildlife, engage in illegal, unregulated and unreported fishing, as well as seek to prevent and counter violent extremism, all of which compliments USAID’s work to enhance environmental and community resilience.

**IV. RESULTS FRAMEWORK**

USAID is prioritizing the Philippines’ journey to self-reliance and key pillars in the IPS over the 2020 – 2024 strategic period. The IPS guides USAID to advance economic growth, a rules-based Indo-Pacific community, and to strengthen partnerships with countries that share mutual respect for democratic governance. Transforming the energy sector and markets, conserving natural resources, and preserving ecologically valuable lands and waters are also stated priorities. IPS initiatives implemented in the Philippines advance the Indo-Pacific partnership and inform the Mission’s five-year goal, to support the Philippines as a well-governed and more self-reliant Indo-Pacific partner.

Good governance outcomes are necessary to bolster a rules-based Indo-Pacific partnership and advance the Philippines’ journey to self-reliance. Bolstering government commitment, capacity, and the political will to implement its commitments are priority outcomes in all three of the Mission’s development objectives. Strengthening institutional performance, increasing civil society oversight, and mobilizing private sector engagement provides the Philippines with a clear choice in terms of options for national development. USAID’s efforts to build long-term capacity, strengthen commitment, and reinforce existing institutions of a ‘well-governed’ partner all motivate inclusive public participation and advance self-reliance within institutions to support the Philippines toward its national development vision.
USAID’s 2020 - 2024 goal is supported by three development objectives (DOs):

**DO 1: Democratic Governance Strengthened**

**DO 2: Inclusive, Market-driven Growth Expanded**

**DO 3: Environmental and Community Resilience Strengthened.**

DO 1 will strengthen countervailing institutions of democratic governance and address weakened adherence to the norms of liberal democracy. A rules-based Indo-Pacific partnership necessitates transparency, accountability, and inclusive processes. A well-governed partner is a country whose own processes and regulatory structure meet internationally accepted standards for good governance. Strengthening democratic governance to ensure self-reliance goes beyond this to address both improved institutional performance, and civil society and public expectations for this. Addressing both strengthens the mechanism for long-term self-reliance.

DO 2 promotes inclusive, market-driven growth through improving regulatory quality and opening the economy to a more competitive engagement of the Philippines’ private sector and other international actors that carry out sustainable, transparent investments that increase national self-reliance and inclusive growth. The human capacity element under DO 2 helps ensure inclusive growth in the future. Engaging and enabling private sector growth under this objective strengthens a driver of transformation that is active across the portfolio.

USAID programming under DO 3 will strengthen governance mechanisms and contribute to self-reliance both in the commitment to resilience through policy making and planning; and the capacity for stronger enforcement, prevention, and implementation to enhance environmental and community resilience. Initiatives to reduce the risks to development gains and address vulnerabilities to shocks and stresses under this DO are important not only as a development objective in itself, but they also reinforce development outcomes achieved across the entire portfolio.

**Development Objective 1: Democratic Governance Strengthened**

The Philippines is the one of oldest democracies in Southeast Asia and possesses the fundamentals necessary to advance democratic governance and achieve self-reliance in the Indo-Pacific region. The 1987 Constitution established checks and balances, and electoral competition; set term limits for executive and congressional representatives; and protected individual liberties in the Constitution’s Bill of Rights. National laws promote inclusion, equality, and strong gender protections. As well, the state of civil society in the Philippines is relatively strong compared to other developing countries in Asia, as evidenced by the country’s high capacity Roadmap metric for this. Despite these advantages, long-standing structural problems and current developments in the political economy of the Philippines challenge the country’s broad-based commitment to liberal democracy. One structural issue is that economic and social power has long been dominated by elites, largely by dynastic families, and their interests can influence social, economic, and political reforms at the national and local levels. Political dynasties comprise over 70 percent of the Philippines’ Congress. Initiatives to advance social inclusion and inclusive economic growth, priorities in successive governments, have had limited success. This is evidenced by a low commitment to social group equality, the second lowest metric in the Philippines’ Roadmap. Another structural issue is that the political system invests the president with considerable power over budgets and appointments, which gives him or her great influence over the political sphere. These factors are compounded by long-standing deficiencies in counter-balancing political and
governance institutions, including the judiciary and at the local level. Pro-democracy groups and institutions, as well, have been ineffective in their responses to existing and prospective threats to democracy. The use of social media and the internet has proliferated in a hyper-connected Philippines. This otherwise positive development has provided ample opportunity to spread information disorder, disinformation, and to target candidates, activists, and public institutions through the use of sophisticated techniques that erode public trust and hinder democratic governance. The competition for favorable access to the Philippines’ natural resources and the award of government contracts through less than competitive processes also adversely affect governance institutions in the Philippines and exacerbate these challenges. The performance of the Philippine’s institutions of democratic governance is compromised by a lack of countervailing mechanisms to ensure transparency, accountability, adherence to a rules-based order, and use of resources for the greater public good. This potentially weakens self-reliance in the long term. Strengthening democratic governance is essential to supporting a well-governed and more self-reliant Indo-Pacific partner in the Philippines.

**Development Hypothesis:** If government institutional performance is balanced with robust accountability and participatory mechanisms, then the quality of democratic governance in the Philippines will be strengthened. Strengthened institutions of democratic governance are necessary to achieve a well-governed, and more self-reliant Indo-Pacific partner.

**Development Narrative**

Democratic governance is at the center of the USAID’s vision of the journey to self-reliance. A country is best positioned to sustainably finance its own development when effective and publicly accountable governance is in place. The J2SR includes country commitment to open and accountable governance and social group equality; as well as the capacity of government and civil society to fulfill their roles in a democratic state. Promoting democratic governance is critical to the U.S. national interest and reflects fundamental American values and identity. These values are inherent in the IPS. The Indo-Pacific Transparency Initiative (IPTI) will support the IPS vision, strengthening transparent accountability in finance and budget across the public sector, supporting access to information, and promoting anti-corruption. These are core initiatives under DO 1, which also include legal and judicial reform to support access to justice and transparency, and oversight of public investments.

DO 1 prioritizes civil society’s role in governance to address several of the most pressing issues in the Philippines’ journey to self-reliance. Despite having well-established electoral processes, social and political inclusion in the Philippines has not improved, and the quality of political participation and civic engagement has declined. Advocacy in the civil society sector declined significantly. Compared to previous years, there are fewer meaningful opportunities for civil society organizations and individuals to participate in decision-making processes. USAID will support increased civic engagement to promote political participation, especially in elections. Automation of the electoral process nationwide for the 2010 elections has improved the credibility of results. However, there are still election-related issues that need to be addressed. Engaging civil society to strengthen the electoral process and activism for better public services will provide a check on government performance and reinforce government effectiveness in these areas.

Support for robust accountability and participatory mechanisms will further strengthen self-reliance. Improving public transparency and accountability will reinforce the open government component,
which is already relatively high in the Philippines. DO 2 will support government institutional capacity to execute and monitor state budgets. DO 1 will reinforce this by strengthening the watch dog role of civil society to oversee use of state resources. A critical contribution to transparency and accountability will be to strengthen the independence and capacity of media. Initiatives will reinforce networks that work against encroachment on the Philippines’ commitment to freedom of expression and that compromise the work of an independent media and investigative journalism.

Advancing the rule of law directly touches the liberal democracy component, equality before the law, and the inclusion and protection of social groups under social group equality. These outcomes are expected of a well-governed country, and necessary for a sustainable, self-reliant Philippines. The Philippines’ commitment to social equality is a priority. Civil society engagement, including media, will be the main mechanism through which USAID will address the low score for this commitment indicator. These institutions have been less resilient to political pressures and other structural challenges within the Philippines than implied by the national Roadmap. The Mission anticipates that this indicator will show a decline in the future, and timely action to reinforce this is needed in this strategy.

Local government performance is fragmented because the responsibilities for implementing regulations are distributed across various departments and institutions. The Philippines 1991 Local Government Code enables local governments to be self-reliant to facilitate growth and socio-economic development. Decades later, the performance of local governments is mixed. Many municipalities struggle to adequately provide mandated services needed to improve their constituents’ quality of life. Some local governments display markedly less democratic attributes than others. USAID anticipates that support for decentralization will democratize the public sector by empowering governance at the local level. Local governments are more directly accountable to their constituents and are able to provide services more effectively. Initiatives will examine where the enabling law and rules governing decentralization need bolstering. USAID will also support meaningful stakeholder participation in local bodies, which is already provided for in the law. More inclusive stakeholder participation includes better use of data by the government and stakeholders. The Philippines collects considerable data, but insufficiently uses this data to make decisions and to design programs. As well, publicly available data from government agencies is often outdated. Better policies could be developed if outside groups, such as policy institutions, had access and the ability to monitor priorities and spending based upon this data.

Several of these initiatives align to the PDP’s Pillar One, Enhancing the Social Fabric, which prioritizes governance (people-centered, clean, and efficient) and the swift and fair administration of justice. The Mission will reinforce GPH efforts for swift and fair justice for vulnerable, at-risk populations. Initiatives under DO 1, however, place more emphasis on the demand for governance than stated in the PDP.

USAID programming under DO 1 will be implemented through four IRs.

**IR 1.1 Civic Engagement Increased**

USAID will support strategic interventions with local partners to raise citizen awareness and give communities an opportunity to participate and have a voice on how they will be governed. Civic engagement is also necessary to increase public awareness of and advocacy for better public services and governance. Initiatives will strengthen civil society networks in the health, education and
environment sectors to increase representation of marginalized populations. As a result, civil society and the private sector will be more engaged in governance at all levels of Philippine society. This includes addressing threats to well-established electoral systems including vote buying, campaign finance fraud, political polarization, and disinformation. There is also a need to inform new generations who may be unaware of civil society’s role in social transition during and after the Marcos regime in the Philippines.

**IR 1.2 Public Transparency and Accountability Improved**

The government has made commitments to open information and ensuring public access. With USAID support, civil society, including media, will increase public demand for this. The Mission will also strengthen CSO’s role in anti-corruption and support an environment in which the media can safely reports on these issues. Interventions will improve public transparency and accountability by supporting the government’s commitment to provide open information and ensuring that people know how to interpret and make informed decisions based upon this. The Philippines is a founding member of the Open Government Partnership, a multilateral, multi-country initiative to advance transparency and public accountability. In July 2016, the Duterte Administration issued a policy mandating freedom of information in the executive branch, albeit bearing a long list of exemptions. USAID will build upon this strong foundation to support the government’s commitment here, especially at the non-national levels. There is also a role for strengthening the oversight functions of civil society and supporting the independence of media to serve in a watchdog role.

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**DO1 Democratic Governance Strengthened**

<table>
<thead>
<tr>
<th>IR 1.1 Civic Engagement Increased</th>
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<tbody>
<tr>
<td>1.1.1   Civic advocacy for better public services bolstered</td>
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<td>1.1.2   Integrity of electoral process strengthened</td>
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<tr>
<th>IR 1.2 Public Transparency and Accountability Improved</th>
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<tbody>
<tr>
<td>1.2.1   Civil society oversight bolstered</td>
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<tr>
<td>1.2.2   Access to information expanded</td>
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<td>1.2.3   Media independence and capacity strengthened</td>
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<tr>
<th>IR 1.3 Rule of Law Advanced</th>
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<tr>
<td>1.3.1   Public support for citizens’ rights increased</td>
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<tr>
<td>1.3.2   Access to justice for marginalized and/or vulnerable groups enhanced bolstered</td>
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<tr>
<td>1.3.3   Domestic trafficking in persons reduced</td>
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<tr>
<th>IR 1.4 More Responsive Local Governance</th>
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<tbody>
<tr>
<td>1.4.1   Decentralization enabling environment strengthened</td>
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<tr>
<td>1.4.2   Local service delivery enhanced</td>
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<tr>
<td>1.4.3   Stakeholder participation in key local bodies expanded</td>
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<td>Data-based decision-making improved</td>
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Investing in transparency empowers citizens to better understand and influence the policies that affect them. Support to open data systems of the government across critical sectors further increases transparency and accountability. Building the monitoring and advocacy capacity of a broad and diverse community of civil society organizations networks will reinforce these outcomes. This includes health organizations, umbrella parent-teacher associations, environmental rights defenders, economic think tanks, faith-based organizations, among others. Support for media enables this institution to deliver on its mandate to check government institutions and to help citizens to make informed political and governance choices.
Public transparency and accountability requires a strong and independent media to sustain and to connect it to public. The Mission’s response to

**IR 1.3 Rule of Law Advanced**
USAID anticipates that a mix of court efficiency investments, expansion of legal aid services, and rights-based drug demand reduction will widen access to justice for vulnerable groups. As the country continues to have significant trafficking-in-persons challenges, USAID will bolster efforts to combat forced labor, sexual exploitation, and other forms of domestic trafficking through prosecution, prevention, protection, and strong local partnerships. USAID’s rights programming includes populations underserved by health and education services, communities threatened by non-inclusive extraction of natural resources, groups at risk of human trafficking, and victims of other human rights violations. Strengthening the capacity of local champions and rights defenders to increase access to justice for Filipinos, especially for vulnerable groups, and to advocate for the essential quality of a broad set of rights is critical to realize sustainable development across sectors. Advocacy and increased access to justice will motivate public support, reinforcing institutional commitment to the country’s legal framework for protecting civil and political rights.

**IR 1.4 More Responsive Local Governance**
IR 1.4 brings government processes closer to people. Support for stronger governance structures at the local level will promote decentralization, democratize the public sector, and build the capacities of local government units in order to address the relatively weak provision of services there. These initiatives are in line with government objectives to improve the productivity of the public sector and support a whole-of-government approach in the delivery of key services. Weak climate resilience also presents challenges to local government that directly bear the consequences. Their infrastructure for trade and investment, mobility, and basic services (water, sanitation, schools, and health centers, among others) may be damaged and/or disrupted by extreme weather events including sea level rise and storm surges. Government budgets, particularly at the local level, could be strained by the need to repeatedly allocate funds for disaster preparedness and recovery. Recurrent extreme climate events could hamper advancement toward self-reliance because reoccurring post-disaster humanitarian assistance expenses demand resources that may be otherwise used. USAID will support local governments to design and implement climate risk management measures to offset these challenges.

**Five-year outlook**
USAID anticipates that during this CDCS, civil society will become more engaged, better networked, and more inclusive as they connect across regions and sectors. Active civic involvement in democratic fora will yield a better society, more self-reliant and also better governed. Interventions will reinforce civil society and the private sector engagement on governance issues on national, regional, and local levels. The five-year outlook is for better coordination and engagement among stakeholders in national development. At the local level, the five-year outlook is that there is greater self-reliance. More LGUs will be more able to manage their own affairs, raise their own revenues to deliver better social services, and they will have better decision-making processes. Empowering local government promotes bottom-up development that is able to countervail international intrusion and bring governance closer to people for more effective, self-reliant governance.
**Development Objective 2: Inclusive, Market-Driven Growth Expanded**

The World Bank stated in 2013 that the core challenge to national development in the Philippines is accelerating inclusive growth by creating more and better jobs. Constraints to inclusive growth include a lack of competition, overly complex regulations, low levels of investment, and insecure property rights. These factors all weaken productivity in key sectors and worsen the Philippines’s competitive position in the region. The GPH has advanced reform policies to encourage trade and investment. USAID has had a role in supporting these efforts. Future economic development, however, necessitates further efforts. The Philippines is challenged in implementing its reforms and promoting higher growth in high-skill sectors. Long-term and inclusive growth will also require continuous investment in human capital to improve learning outcomes and the health and nutrition status of pregnant mothers to reduce child stunting. Implementation of the UHC law will also require resources to ensure the delivery of comprehensive and quality health care services. Addressing the restrictions faced by small and medium-sized companies will enable them to grow and develop, and provide more inclusive jobs for Filipinos. Without this, informal and/or occasional jobs that characterize the current labor market will proliferate. Bad jobs at home encourage the out-migration of young, better educated and skilled Filipinos. The solution to non-inclusive development is clear; however, the GPH still faces challenges to fully implement its inclusive growth development plan. USAID can significantly contribute to self-reliance in the Philippines by assisting the government and stakeholders in this area.

**Development Hypothesis:** If the enabling environment, infrastructure and human capital prerequisites for market-driven growth are strengthened, then businesses can thrive. This would expand and sustain inclusive economic growth.

**Development Narrative**

Improving the country’s global competitive position and extending inclusive growth to lesser developed parts of the country are government priorities for national development. The country’s capacity to attract and mobilize new private sector investments, national and international, is part of the solution to create employment, boost incomes, and reduce poverty. Barriers to entry and foreign ownership restrictions discourage investment. Other restrictive regulations and heavy administrative requirements can unduly burden smaller entrepreneurs who may not have the resources or influence to comply with these rules. This can limit private enterprise development for small and medium-sized firms. Government regulations can distort incentives to promote inclusive growth. For example, GPH programs to expand manufacturing promote high-end, capital-intensive firms in special economic zones and can result in fewer quality jobs relative to other investments. Another example is that large firms can substitute capital for labor, and hire workers as short-term contractors, without paying for benefits. This reduces their average labor cost, lowers costs and can enable them to increase market share as a result. Large firms produce 62 percent of value added to the economy, makeup .4 percent of the market, and provide nearly 38 percent of the jobs. Small and medium-sized firms are less able to circumvent the regulations; however, they provide just over 62 percent of the jobs. The Philippines’ constitution also limits foreign ownership of companies under a Foreign Investment Negative List to 40 percent of the total equity in the land, natural resources, and public utilities sectors. Equity restrictions on joint-ventures necessitate a Filipino majority - foreign minority ownership structure. One result is that Filipino companies are protected, and this may weaken their ability to compete in regional or international markets.
Increasing local and foreign investments, a PDP objective, can lead to inclusive growth provided that improvements in regulatory quality address constraints. An open, transparent, and level playing field for private sector investment will improve the Philippines long-term competitive position and self-reliance. USAID will support the enabling environment for this through three key U.S. initiatives: the Infrastructure Transaction and Assistance Network Initiative (ITAN), Digital Connectivity and Cybersecurity Partnership (DCCP), and Trade and Competitiveness, among other initiatives. In addressing regulatory quality, USAID will advance the trade freedom and business environment measures under the J2SR metrics and create opportunities for a more inclusive range of investors in national development.

These initiatives are, in part, motivated by concerns that China’s economic development practices in the developing world, and in the Philippines, distort markets and weaken the economic governance institutions that regulate them. Both outcomes weaken rather than strengthen national self-reliance. China may be leveraging debt, investment, and trade in exchange for greater political influence in the region. China’s trade with the Philippines has expanded under the ASEAN-China Free Trade Agreement and is expected to grow further under the China-led Regional Comprehensive Economic Partnership initiative. The Duterte Administration recently signed 13 cooperation agreements with China. Financial assistance and investment pledges are estimated to total $24 billion, of which 62 percent is business-to-business and the rest is official development assistance (ODA). China is also actively involved in the country’s public infrastructure development plan with investments in mining and energy, as well as food supply, to guarantee access to raw resources. The concern is that Chinese investments can distort the market by subverting economic governance and exclude national companies and workers, as well as other international interests, from participation. Improved regulatory quality that promotes transparency and encourages participation from a wider range of international and national interests, particularly national private enterprises, will expand inclusive growth, and promote self-reliance.

Strengthening the government’s capacity to mobilize more resources and to address public spending bottlenecks is also necessary to achieve inclusive growth and self-reliance. Initiatives in this area address the efficiency of tax administration and government effectiveness metrics, and target the poor absorptive capacity of government agencies, and slow and corruption-prone procurement systems.

Investment in human capital is the third component of DO 2, and necessary for long-term national development and a more competitive economy in the future. A more productive work force will attract a higher level of investment, higher quality jobs, and impact growth throughout the economy. GPH priorities are to invest in human capital, a priority partially captured by the low education quality metric, and further addressed in strengthening the government’s capacity to implement inclusive health care. GPH reforms have increased access to education. This includes the K-12 Basic Education Program which makes education universal and mandatory and increased senior high from 10 to 12 years. The Universal Access to Quality Tertiary Education Act provides free tuition for all Filipino students who enroll in state or local universities or colleges. The cash transfer program supports poor families with education costs. Additional GPH programs promote educational attendance and completion in conflict-affected areas, area that are further impacted by reduced public spending.
Increased access to education over the recent years has resulted in more children attending more years in school. Filipino children, however, score worse than students from other regional countries on standardized tests (International Mathematics and Science Study (TIMSS) and the Programme for International Student Assessment (PISA)). They learn less. One problem is that teachers, on average, have insufficient knowledge of the subject areas they teach, and lack training in teaching techniques. USAID’s interventions to strengthen the quality of early childhood education and to align technical training to industry needs support GPH objectives for life-long learning. Leveraging private sector engagement in science, technology, and innovation supports the government’s objective to increase access to technology and to promote its adoption and stimulate innovation.

Investments in the delivery of quality health care are additional priorities for building human capital. USAID will support national priorities to develop functional and efficient networks of health providers, improving the capacity to manage private healthcare provision and ensure quality care. Investing in public, private, and community-based health care provision, improving the quality of services, and supporting health sector financing and UHC/financial protection increases equitable and affordable access to quality care for the underserved and vulnerable populations. Overall improvements in health reduce the costs to livelihoods and increase productivity, and thereby strengthen the labor market and promote inclusive economic growth. USAID’s family planning programming directly supports GPH objectives to increase the growth potential by accelerating the demographic transition. Other initiatives address the TB problem in the Philippines, and support health financing and the delivery of quality health care services.

DO 2 further supports inclusive growth by improving the enabling environment for business and expanding market access, ensuring open competition, and supporting private sector growth, particularly for small and medium sized business, which are necessary to provide good jobs and ensure that economic growth is inclusive.

These intended results are well aligned with GPH priorities under Pillar Two, Reducing inequalities in economic development. Support for a transparent and competitive enabling environment for infrastructure development aligns to the cross-cutting PDP theme of Accelerating Strategic Infrastructure Development. USAID programming for strengthening education systems and improving priority health outcomes align to the Pillar 2 priority for Accelerating human capital development. USAID Science, Technology, and Innovation initiatives support the GPH priority for adopting technology, investing in research and development and stimulating innovation.

The PDP’s Pillar Three, Increasing the Growth Potential, focuses on maternal and infant care, family planning, improving health and education outcomes, reducing youth unemployment, savings, and realizing a youth dividend. These outcomes align to the Human Capital Development IR under DO 2. USAID’s focus on family planning, health care financing, and health system strengthening, as well as its focus on improving health care service delivery and health seeking behaviors, aligns well with GPH priorities. USAID emphasis on private sector solutions for the delivery of health care services also aligns to stated national priorities.

To achieve the development objective requires four intermediate results:

**IR 2.1 Regulatory Quality Improved**

USAID will work with the government to improve the operating environment for businesses, which remain less competitive compared to ASEAN neighbors. Initiatives will support easing regulatory
burdens on businesses, opening up the economy, and providing more opportunities for businesses – both domestic and foreign – to compete on a level playing field in infrastructure and in the digital economy. Regulatory challenges also negatively affect the delivery of basic services. Limited regulatory power over the prices of drugs and user fees for health care leads to high out-of-pocket payments that adversely impact the poor, negatively affecting outcomes in the health sector. The absence of a single independent regulator of water results in the slow expansion of services to underserved areas and the poor quality of services that are delivered. Promoting fair, transparent, and competitive trade and investment policies will also provide a level playing field for the private sector – both domestic and foreign.

**IR 2.2 Government Capacity to Finance Self-Reliance Increased**

The capacity to mobilize increased domestic resources in the long-term requires an efficient tax structure and administration. The ability to make better and more equitable decisions in regards the use of government revenues necessitates effective, modern, and transparent public financial management and procurement systems. The optimal mix of resource mobilization and spending decisions results in high returns to public investments and intergenerational macro stability and equity – factors that contribute to market-driven growth that increase self-reliance. Government budgets can be strained by the need to repeatedly allocate funds for disaster preparedness and recovery, and that recurrent extreme climate events could hamper advancement toward self-reliance due to repeated focus on post-disaster humanitarian assistance. Different technical teams, such the Office of Health, will support line departments to improve its budget execution. The Office of Health will also support the Philippine Health Insurance Corporation to improve its system to respond to its growing mandate for financial risk protection under the UHC Act.

**IR 2.3 Human Capital Development Improved**

The PDP envisions that the Philippines needs to prepare for a more competitive future jobs market in which the skills and productivity of the workforce are critical to secure the long-term competitiveness of the economy and enable growth broader based and more inclusive. The government must invest in human capital to attract the high-value industries that provide quality jobs necessary to address low incomes pervasive in the country. Inclusive strategies and other interventions will help ensure that all Filipinos, especially the poor and underserved, have long, healthy, and productive lives. Interventions

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**DO 2 Inclusive, Market-Driven Growth Expanded**

**IR 2.1 Regulatory Quality Improved**

2.1.1 Enabling environment for open, fair, and competitive trade and investment strengthened
2.1.2 Enabling environment for infrastructure development improved
2.1.3 Enabling environment for basic service delivery improved
2.1.4 Enabling environment for the digital economy strengthened

**IR 2.2 Government Capacity to Finance Self-Reliance Increased**

2.2.1 Domestic public resource mobilization increased
2.2.2 Public financial management strengthened

**IR 2.3 Human Capital Development Improved**

2.3.1 Priority health outcomes improved
2.3.2 Education systems strengthened
2.3.3 Science, technology and innovation capacity strengthened

**IR 2.4 Private Sector-led Growth Promoted**

2.4.1 Private enterprise development improved
2.4.2 Private sector service delivery increased
will support equitable access to quality health services, lifelong learning opportunities, and improved income-earning ability, are well aligned with the Philippine Development Plan.

IR 2.4 Private Sector-led Growth Promoted
The demand for better services has outstripped the government’s ability and resources to provide services, creating an opportunity for the private sector to play a role in service delivery. Cooperatives also play a critical role in addressing livelihood challenges, especially in rural areas, and benefit host communities through various social initiatives. A huge potential exists for small and medium-sized enterprises as development partners.

Sectoral reforms in health, education, water, and energy, and implementation of the national government’s aggressive promotion of the Build-Build-Build Program are all creating a wide space for the private sector to engage in service delivery and infrastructure development. The private sector offers resources such as technology, technical expertise, and financing that are critical inputs for growing businesses and addressing developmental challenges in the health, environment, water, and education sectors.

Five-year outlook
The five-year outlook is that improvements in public financial management will result in a continued increase in revenue generation as a proportion of GNP. USAID’s contributions will be in market-driven policies and a regulatory framework that promotes a more competitive environment. More competition enables greater private sector participation. An increase in expenditure and budget execution will leverage the increased flow of revenues. These improvements will provide GPH institutions with greater capacity to procure infrastructure and expand basic services.

Infrastructure is a constraint to inclusive economic growth. More extensive infrastructure will connect more people together and provide access to the poor and underserviced areas. Linkages, such as transportation and logistics, constrain economic growth outside the leading metropolitan centers. Poor infrastructure lowers productivity, weakens competitiveness, increases the cost of doing business, and hampers economic opportunity. Extensive infrastructure development will connect more people together, bring development further into excluded areas, and make growth more inclusive.

Development Objective 3: Environmental and Community Resilience Enhanced
The Philippines is extremely vulnerable to climate variability. National and sub-national government budgets frequently have to allocate funding for disaster preparedness and recovery due to sea level rise and the effects of extreme weather. Infrastructure is adversely affected by intruding saltwater and severe flooding from storm surges. These conditions will worsen as sea levels rise and typhoons increase in frequency and intensity, according to the World Bank (2013). The government recognizes the threat that climate change brings to the Philippine archipelago, local communities, and particularly to the poor, and has responded with key legislation. The Philippines has also reversed or slowed long-term overexploitation and degradation of key ecosystems. Systemic issues, however, still remain, primarily in regards the governance of natural resources. Adverse climate and mismanagement of natural resources combine to degrade the ability of ecosystems to regenerate and buffer the effects of adverse weather, compromise the socio-economic value of these natural resources, and constrain the Philippines’ ability for self-reliance.
**Development Hypothesis:** If energy markets are transformed, natural resources better protected and sustainably managed, and the government has the capacity to address transnational threats, mitigate risks, and respond to disasters; then people and the environment will be resilient to shocks and stresses.

**Development Narrative**

USAID/Philippines’ third development objectives is aligned with the IPS Natural Resources Management framework. Natural resource safeguards and security strengthening in the Indo-Pacific region include support to regulatory frameworks, conservation of key habitats, ecosystems, and biodiversity; and a strengthened response to threats to resiliency. The first component of Asia/EDGE implementation in the Philippines focuses on transforming the energy sector to promote sustainable, environmentally responsible energy security in the Indo-Pacific region. This initiative supports the GPH’s objectives to implement strategic infrastructure and encourage private sector participation as a means to accomplish this. USAID’s initiative will benefit the Philippines by helping to create a more transparent and competitive energy market that will attract a wider range of private sector investment, be more financially viable, and promote self-reliance in the long-term.

Natural resource safeguards and security in the Indo-Pacific region, the second IPS focus, comprises a set of interrelated results. First among these is strengthening the government’s ability to implement its regulatory system to safeguard the nation’s natural resources. The Philippines’ has made a large commitment to climate change, biodiversity, and habitat protection. The 1987 Constitution of the Philippines mandates natural resource conservation and management responsibilities, which are further codified in the Local Government Code in relation to forests, fisheries, and biodiversity. RA 9729, the Philippine Climate Change Act of 2009, sets the parameters for the National Framework Strategy on Climate Change and guides the GPH response, establishing the Climate Change Commission as a policy-making body under the president. The act also defines responsibilities for national and local agencies for climate change action plans. The National Integrated Protected Areas System Act of 1992 (R.A.7586) and the Expanded National Integrated Protected Areas System Act of 2018 (R.A. 11038) establish and expand upon the marine protected areas (MPAs) at national and municipal levels to protect endangered marine species. These protections are further specified under R.A. 8550, the Philippines Fisheries code of 1998. The Clean Water Act (R.A. 9275), the Wildlife Resources Conservation and Protection Act (R.A. 9147), the revised Fisheries Code of 2015 (R.A. 10650), and the National Integrated Protected Areas System Act of 1992 (R.A. 7586) all reflect the Philippines’ commitment to these issues and explains the high J2SR Roadmap score for biodiversity and habitat protections among low- and middle-income countries.

Despite commitment, the economic resources and livelihoods that the Philippines’ natural resources support are highly vulnerable to shocks and disasters which can potentially offset any gains made toward self-reliance. Strong commitment is further weakened by the LGU’s limited technical capacity to develop local Climate Change Action Plans or Local Disaster Risk Reduction and Management Plans that they are responsible for. Many LGUs are unable to access necessary data on climate impacts on energy, water, and the environment. This data would potentially assist local communities, private sector interests, and other local stakeholders to inform their business planning and climate adaptation/mitigation strategies. As well, LGUs often lack the skills needed to access funds available at the local level to help resolve these challenges, such as the People’s Survival Funds, Global Climate...
Fund, and the Forest Carbon partnership. This is a constraint toward future self-reliance at the local level.

A focus on resiliency is central to the Philippines’ ability to withstand shocks and manage transnational threats that can impact its attractiveness for investment, opportunities for economic growth, and greater self-reliance. Threats to resiliency include climate and weather variability, land and soil degradation, illness and disease, conflict, population pressures, social exclusion and discrimination, transnational crimes, grid failures, among others. Infrastructure, private enterprises, communities, and government offices and functions are similarly vulnerable. These threats, when realized, often occur in combination and threaten lives and livelihoods, compromise the effectiveness of communities and institutions to cope, and put additional demands on ecosystems. Enabling a stronger response to transnational threats and strengthening the capacity to mitigate disasters capacitates the government’s ability, in part, to address issues that adversely impact the Philippines safety and security metrics. A necessary component of resilience is to build the capacity of people, communities, institutions (private sector and government) to withstand, cope, and recover from shocks and stresses. Natural disasters and shocks, both internal and external, have the potential to reverse development gains and cause those who have recently come out of poverty to slide back, become vulnerable to hunger and malnutrition, and to lose their capacity for self-reliance.

USAID’s programming under DO 3 parallels GPH priorities for biodiversity protections, environmental quality, and adaptation and resiliency. The PDP Pillar 2 priority for building socio-economic resiliency addresses the vulnerability of individuals and families, the need for social protection, community safety, and security. DO 3 interventions under the Response to Transitional Threats and Strengthened Capacity to Mitigate Risks and Respond to Disaster correspond to these national priorities. USAID programming will not directly address the safety and security elements. Effective management of NRM and improved responses to disaster and climate shock, as well as strengthening the detection and control of infectious diseases, are GPH priorities. DO 3 further aligns to a cross-cutting priority in the PDP: Ecological integrity and socio-economic conditions of resource-based communities improved through sustainable integrated area development. Energy development aligns to a GPH infrastructure priority.

To achieve the development objective requires four intermediate results:
**R 3.1 Advanced energy sector and markets expanded**

This result is connected to environmental and community resilience to ensure the protection of critical natural resources. USAID’s contribution here includes enhancing competition and improving energy procurement processes. Energy is the foundation for all other systems such as banking, telecommunications, digital platforms, manufacturing, health, education, transport, and other services. The Department of Energy projected that the country needs more than 17,000 MW or almost double the current capacity to meet the growing energy demand by 2030. Activities that expand energy markets through transparent procurement processes not only enhance environmental and community resilience, but also strengthen self-reliance. Having a reliable system and supply of energy even in the face of recurring shocks and stresses will enable people to sustain economic development.

**IR 3.2 Sustainable Use of Natural Resources Strengthened**

Improving biodiversity protection and conservation through better natural resource management of watersheds, coastal zones, and forests will strengthen the sustainable use of natural resources. USAID will support implementation of policies to protect biodiversity and habitats. Conservation of watersheds, lakes, and rivers will also lead to better management of water resources necessary to national development. These resources support livelihoods and sustain lives, ensure more sustainable means to produce energy and water, and reduce, avoid, and sequester carbon emissions. USAID’s approach will be to support government effectiveness to implement environmental safeguards and climate change planning, and increase self-reliance by strengthening the capacity for long-term water security and the management of the country’s natural resource capital. Accelerating the use of private sector financial models for the management of sustainable natural resources will promote sustainability and self-reliance.

**IR 3.3 Response to Transnational Threats Strengthened**

USAID will strengthen government and community capacity to respond to transnational threats that can weaken resilience. Many of these threats are caused by humans and realized in communities victimized by environmental crimes, such as illegal and undeclared fishing and the illegal trade in natural resources, or that suffer, both directly and indirectly, as a result of violent extremism. Increasing social connectedness and social cohesion is one of a set of responses to strengthen community resilience. USAID will work through civil society to build formal and informal networks that include populations vulnerable to such threats and tie together areas affected by shocks and
disasters, including violence and conflict. Through ongoing programs, USAID will continue to learn about how to best address conflict and extremism in the Mindanao context, assess the lessons learned, and explore opportunities for complimentary, focused, and tailored community-based activities to address violence and extremism.

Health resilience is another component of community resilience. The response to tuberculosis, a transnational threat, is within USAID’s manageable interest, and the resilience response includes assisting the Department of Health to build capacity of communities to detect and control the outbreak of this, and potentially other infectious diseases that have the potential to weaken community resilience.

**IR 3.4 Capacity to Mitigate Risks of and Respond to Disaster Strengthened**

The fourth element of resilience is to increase the capacity for planning for better response to disaster and climate stresses. Stresses are compounded by over population, limited access to natural resources, and weaker social networks that often occur in urban settings. Integrating resilience concepts and strategies in infrastructure, land use planning and implementation and local government and business operations, among others, will increase urban resilience to disasters. The final element is improving the delivery of humanitarian assistance when disasters do occur. The Office of U.S. Foreign Disaster Assistance (OFDA) activities are not directly attributable to Mission results, although relevant here. Other activities directed funded by the Mission support this result. USAID will work with various partners from the government, non-government organizations, and the private sector to improve preparedness for disaster and climate stresses, and the delivery of humanitarian assistance.

**Five-year Outlook**

In the next five years USAID will focus on accelerating effective management of natural resource programs. Individual marine protected areas currently under local management should be connected into networks that are resilient and better managed. Stronger national networks with access to better resources and tools for managing them should replace the fragmented state of local protections. USAID anticipates that in five years there will be stronger political will to ensure the country’s long-term water security and an improved governance and regulatory framework, as well as increased investments in water source protection, water supply and sanitation service delivery, water efficiency and conservation programs. Greater political will is necessary for effective enforcement and prevention of foreign actors from encroaching upon protected areas. Local populations will become more aware of the value of sustaining their natural resources and systems and procedures will be in place for them to hold institutions accountable for doing so. The private sector will reinforce this when the incentives to do so are in place. Incentives include more transparent processes for private sector use of publicly owned natural resources. Better regulation over natural resource contracts is part of that incentive structure. Increased transparency and a level playing field for natural resource contracts will increase opportunities to a wider circle of private sector actors. Interventions will also strengthen disease surveillance and treatment compliance to control the spread of TB and other emerging infectious diseases.

A decrease in demand for the unsustainable extraction of natural resources must compliment the enforced regulatory systems and private sector incentives for sustainable resource management. To sustain this, the GPH will have rationalized fees and licenses as a result of better environmental accounting. The evidence of this will be that the stock of nature resources increases as a result of
better enforcement of existing regulations, better management, and a consensus on the true value of these resources. The final outcome is an increase in livelihoods and industries able to flourish in a sustainable manner.

V. MONITORING, EVALUATION, AND LEARNING

Overall management of monitoring and evaluation resides in the Mission’s Office for Program Resources Management. Operations Specialists within each of the Mission’s four technical offices provide support for basic data collection tasks. The Mission is currently reviewing its operations with the objective of strengthening its system for performance monitoring at the activity level, the reporting of project level results; and its processes for reviewing, and learning from, outcomes achieved under its portfolio. Actions include ensuring a broad-based commitment toward developing its new Performance Management Plan, reviewing and revising the Mission Order regarding performance management, and ensuring a more effective data management system including early implementation of the Development Information System.

Two Collaborating, Learning and Adapting (CLA) activities further support the Mission’s MEL system. An existing CLA mechanism managed out of the Mission’s health office (2018 - 2022) that implements the majority of evaluation, monitoring, and learning tasks for this sector. An additional Evidence-Driven Collaborating, Learning and Adapting activity, currently under procurement, will play a key role in measuring, monitoring, and evaluating USAID’s progress to support the Philippines in their journey to self-reliance, as well as facilitating strategic learning and adaptive management opportunities. The new contract will have a critical role to support the Mission to clarify the impact that USAID has on the Philippines' Journey to Self-Reliance through its contribution to ongoing monitoring and the learning to be achieved from this and other activities.

A working group comprised of members from every technical and support unit will support the Mission’s learning agenda as CLA champions and enhance USAID’s development impact through collaborating, evidence-based learning, and adapting activities.

DO 1 Notional Learning Questions

1. Have USAID’s approaches to strengthen accountability and participatory mechanisms effectively moved toward balancing government authority? Why or why not? Have they had any impact on inclusivity?
2. How have strengthened civil society and increased civic engagement led to greater public accountability?
3. In what ways have expanding participation in key local bodies affected inclusivity in decision-making and service-delivery?
4. Has USAID’s approaches to expand media capacity and freedom led to improved quality of democratic governance? Why or why not?

DO 2 Notional Learning Questions

1. Are enabling environment, infrastructure, and human capital the sufficient and necessary prerequisites for market-driven growth? Are there other necessary prerequisites?
2. What is USAID’s comparative advantage in terms of supporting infrastructure? Has our work in this sector improved our profile as a development partner of choice?
3. Is USAID’s experience with private sector-led growth necessarily inclusive? What conditions for private sector engagement best lend themselves to inclusive, sustainable growth?

**DO 3 Notional Learning Questions**

1. How has increased capacity for addressing transnational threats impacted community resilience, if at all?
2. Have USAID’s urban resilience approaches led to wider effects for surrounding provinces? Why or why not?
3. To what extent has strengthening positive community cohesion led to tangible development results?
4. Has the country’s expanded capacity to address environmental and human-induced shocks and stresses resulted in a more resilient country? What is our evidence?

**New programming approaches the mission expects to evaluate:** Media capacity and freedom; New higher education approaches with enhanced private sector engagement; Marawi Response Project developmental evaluation

**Potential whole-of-project evaluation:** Health portfolio evaluation; USAID’s urban approach.

**VI. ANNEXES**

a. Philippines Journey to Self-Reliance Country Roadmap
b. Climate Risk Screening
ENDNOTES

1 The Department of Defense, Indo-Pacific Strategy Report, June 1, 2019.
6 The Department of Defense, Indo-Pacific Strategy Report, June 1, 2019.
18 The Philippines' score on this J2SR Roadmap indicator is well above the low-and middle-income average.
25 Ibid.
29 This is a measure of the percentage of country population living on less than $5.00 USG per day standardized using the purchasing power parity to compare different living standards based on World Bank data. The J2SR measure uses a higher threshold than mild poverty.
30 The World Bank Group, Poverty and Equity Brief, East Asia and the Pacific: The Philippines, April 2019.
The measure is based on the percentage of students that attain a minimum level of proficiency in reading at the end of primary school based upon standardized achievement tests.

For example, artificial intelligence is already impacting the business process outsourcing as automated voices replace human agents in call centers, a leading industry for the Philippines. Observation noted in the World Bank Group report: Safeguarding stability: Investing in the Filipino; Philippines Economic Update, April 2019.


The Philippines ranks 56 out of 140 countries on the World Economic Forum’ Global Competitiveness Report 2018. This is lower than the Socialist Republic of Vietnam, but higher (where 1 = most competitive) than other countries in Southeast Asia, including China.

PhilHealth is a government-owned and controlled entity attached to the Department of Health.


https://www.opengovpartnership.org/


USAID Climate Risk Management


The Department of Defense, Indo-Pacific Strategy Report, June 1, 2019.

Infrastructure for trade and investment, mobility and basic services (water, sanitation, schools, health centers, etc.) may be damaged and/or disrupted by different climate stressors (extreme weather events, sea level rise, etc.).


71 USAID Climate Risk Screening Matrix, January 2019, updated July 2019.
75 Ibid.
78 USAID Climate Risk Screening Matrix, January 2019, updated July 2019.
Recent IMF Risk of External Debt Distress rating not available for this country. See the Country Roadmap Methodology Guide for more information and the Secondary Metrics Compendium for additional tools to explore the issues of fiscal policy and health. Both are available at selfreliance.usaid.gov.
SELF-RELIANCE ROADMAPS
INDICATOR DEFINITIONS AND SOURCES

**COMMITMENT**

**OPEN AND ACCOUNTABLE GOVERNANCE**


Open Government: Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. Source: World Justice Project, Rule of Law Index.

**INCLUSIVE DEVELOPMENT**

Social Group Equality: Measures political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: Varieties of Democracy (V-Dem), Social Group Equality in Respect for Civil Liberties.

Economic Gender Gap: Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index.

**BUSINESS ENVIRONMENT**

Assesses a country's entrepreneurial climate by measuring business' access to infrastructure (such as the internet and transport, and to credit), business flexibility (the costs of starting business and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. Source: Legatum Institute, Prosperity Index.

Trade Freedom: Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: Heritage Foundation, Index of Economic Freedom.

Biodiversity & Habitat Protections: Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. Source: Yale University/Columbia University Center for International Earth Science Information Network (CIESIN).

**RISK OF EXTERNAL DEBT DISTRESS**

Rates a country's risk of public sector debt distress on a four-tier scale: "low risk," "moderate risk," "high risk," and "in debt distress". Ratings are based on countries' debt and market structures, fiscal and macroeconomic outlook, and institutional capacity to manage debt burden. Ratings help guide the borrowing decisions of lower-income countries to meet development needs while reducing the chances of excessive debt build-up. Ratings are shown for 54 lower-income countries for which the IMF prepares risk ratings and are not scored components of Commitment or Capacity. Source: International Monetary Fund, Debt Sustainability Analysis for Low-Income Countries.

**CAPACITY**

**GOVERNMENT CAPACITY**

Government Effectiveness: Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: World Bank, Worldwide Governance Indicators.

Tax System Effectiveness: Estimated ratio between a country's tax collection and the expected level of tax revenue that a country could achieve, given its macroeconomic, demographic, and institutional features. Source: USAID, Collecting Taxes Database, Tax Effort Indicator.

Safety & Security: A combination of objective measures of security, and subjective measures of personal safety, personal freedom, and social tolerance. Source: Legatum Institute, Prosperity Index.

**CIVIL SOCIETY CAPACITY**

Civil Society & Media Effectiveness: Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: Varieties of Democracy (V-Dem), Diagonal Accountability Index.

**CITIZEN CAPACITY**

Poverty Rate ($5/Day): Measures the percent of the population living under $5/day in purchasing power parity (PPP) terms. Source: World Bank, PovCalNet.

Education Quality: Gauges both the quality of education—using harmonized scores across major international student achievement testing—and the quantity of schooling received—using age-specific enrollment rates—to evaluate the relative performance of educational systems worldwide. Source: World Bank, Human Capital Index, Learning-Adjusted Years of Schooling Indicator.

Child Health: A composite measure that aggregates child mortality, access to at least basic water sources, and access to at least basic sanitation facilities. Source: Columbia University Center for International Earth Science Information Network (CIESIN).

**CAPACITY OF THE ECONOMY**

GDP Per Capita (PPP): Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: World Bank, World Development Indicators.

Information & Communication Technology (ICT) Adoption: Index comprising: (1) mobile-cellular telephone subscriptions; (2) mobile-broadband subscriptions; (3) fixed-broadband internet subscriptions; (4) fiber internet subscriptions; and (5) internet users. Source: World Economic Forum (WEF), Global Competitiveness Index.

Export Sophistication: Measures the diversity and ubiquity of a country's exported goods, key markers that can help gauge economic sophistication and resilience. Source: Center for International Development at Harvard University, Economic Complexity Index.

All source data are for the latest year available, typically 2018 or 2017, and are derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Names and boundary representation in the map are not necessarily authoritative.

For more information on definitions and sources, please visit selfreliance.usaid.gov.