

The Philippines-US Development Partnership

By **Diana J. Mendoza, PhD**

The Philippines and the US celebrated their [60th year as development partners](#) in November 2021, coinciding with the founding of the United States Agency for International Development (USAID) on 3 November 1961 by President John F. Kennedy. USAID leads the US Government's international development and humanitarian efforts and is an essential component of US foreign policy and national security. Prior to 1961, US development assistance to the Philippines was administered by the US Economic Cooperation Administration (ECA). US ODA to the Philippines is project-oriented and based on priorities determined by the US Congress. From the post-war years of the 1940s, the direction of US ODA has undergone multiple shifts in emphasis.

US Official Development Assistance to the Philippines, 1940s–1950s

By virtue of The Rehabilitation Act (Tydings Act) of 1946, US development assistance totaled \$400 million for war damage and \$120 million for the rebuilding of public works and highways in 1946–1948. The signing of the [Quirino-Foster Memorandum of Agreement](#) on 14 November 1950 secured US assistance for Philippine development efforts.

During the early 1950s, the thrust of US assistance was aimed at rebuilding national institutions and training administrative and technical personnel to meet the demands of a growing development effort. Two notable areas covered were education and agricultural production. Toward the latter half of the 1950s, the emphasis shifted to investment for industrial development and the improvement of management skills in government.

USAID Assistance in the Philippines, 1961–present

The passage of the [US Foreign Assistance Act of 1961](#) resulted in a gradual move from industrial development towards agricultural production, community development, and various social programs. By 1973, the lion's share of US assistance was aimed at improving the conditions of the rural poor.

Helping the Philippine government to re-invigorate its national economy and development programs became the thrust of US assistance to the Philippines after the ouster of President Ferdinand Marcos in 1986. Through the [Multilateral Assistance Initiative \(MAI\)](#), US assistance to the Philippines focused on economic stability and growth.

After the [Philippine Senate voted "No"](#) to the proposed RP-US Treaty of Friendship, Cooperation and Peace in 1992 that would have extended the US military presence in the Philippines, USAID put more emphasis on trade and less on aid. USAID continued its leadership in [revitalizing the Philippine economy and transforming its governance to accelerate sustainable growth](#) in the wake of the [Asian Financial Crisis](#).

During the mid-2000s, USAID supported the long-term development goal of "sustainable, equitable prosperity and peace" by directing assistance to conflict-affected areas in Mindanao. From 2009–2012, USAID supported judicial and public fiscal management reforms, invested heavily in poverty reduction programs, bolstered counter-terrorism actions, and addressed maritime security concerns.

In November 2011, US-Philippine development cooperation reached new heights when both countries sought to address the bonds hampering economic progress and development in the Philippines via a new [Partnership for Growth](#). Three years later, USAID launched the [Cities Development Initiative](#) to advance the development of

Dr. Diana J. Mendoza,
Assistant professor of political science at the Ateneo de Manila University and director of the Ateneo Initiative for Southeast Asian Studies, explains how in the post-World War II era, US official development assistance (ODA) to the Philippines has undergone multiple shifts in emphasis in accordance with priorities determined by the US Congress.

cities outside of Metro Manila as growth engines. The Partnership for Growth evolved into [Partnership for Growth with Equity](#) in 2017 to address the constraints and priorities of the 2017-2022 Philippine Development Plan. Current, US assistance is focused on macroeconomic and fiscal policies, rule of law and anticorruption measures, infrastructure and competitiveness, and human capital development.

USAID developed and finalized the [Philippines Country Development Cooperation Strategy \(CDCS\) 2019-2024](#) as COVID-19 became a global pandemic. With the goal of making the Philippines “a well-governed and more self-reliant Indo-Pacific partner”, the cooperation strategy aims at three development objectives for the Philippines, namely, strengthening democratic governance; expanding inclusive, market-driven growth; and enhancing environmental and community resilience.

Critique of US Development Assistance to the Philippines

US ODA has indeed contributed positively to Philippine development goals. For example, from 1980 to 1986, ODA supplemented domestic savings, which freed up resources for the establishment and strengthening of institutional and physical infrastructure.

The Partnership for Growth with Equity has resulted in major policy and institutional changes, which enabled the Philippines to become one of the region’s fastest growing economies. Poverty has declined during the period of 2009 and 2015. In 2013 and 2014, the Philippines’ sovereign credit ratings were upgraded to investment grade by three of the world’s leading credit-rating agencies.

Nonetheless, the attachment of policy conditionalities to US ODA beginning in 1985 has created opposing views among various sectors in the Philippines. Some regarded the conditionalities as necessary to make the government adopt needed structural reforms while others were critical of these for reasons of national sovereignty. The latter included those who objected to the United States incentivizing social reform within the context of an aid program as it intervened in the internal affairs of a sovereign state. Aid was viewed as leverage the United States used to advance its geopolitical interests at the expense of the Philippines’ national sovereignty and development objectives.

The Multilateral Assistance Initiative (MAI) received criticisms from various ideological camps in the Philippines and abroad. US officials questioned the rather large amount of aid in an era of shrinking budgets and for a country with enormous socio-economic problems and with a history of inefficiency and mismanagement.

In the Philippines, many questioned the intent behind MAI, arguing that the Philippines will lose its sovereignty due to the conditionalities present in the agreement. MAI’s conditionalities gave the donor countries and multilateral lending agencies the upper hand on decisions of implementation and program selection. Nationalist and left-leaning groups feared that the MAI was largely an economic inducement to extend US military basing rights. These groups also contended that the initiative would weaken Philippine sovereignty over its fiscal affairs, especially national debt.

Decades earlier, foreign aid from the US raised differing opinions among academics. While there was a general agreement that US assistance contributes effectively to economic growth in underdeveloped areas, there was much less agreement on the ability of foreign aid to enhance democratic processes, support political reform, and contribute to social change.

Sixty years have passed, and the United States remains a strategic development partner of the Philippines. With US foreign policy emphasizing diplomacy, democracy, and development, the US-Philippines partnership to promote peace and security, economic growth, and democratic governance is set to continue for the foreseeable future.

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