



Philippines development cooperation report 2009

September 2010

This report summarises the bilateral aid program's progress in 2009 towards its objectives in economic growth, education and national stability and human security. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

Context

The Australian aid program in the Philippines focuses on economic growth, education and national stability and human security. This remained relevant in 2009 as the combined impact of the global economic crisis and major typhoons sent almost two million Filipinos into poverty.

The impact of the global recession was somewhat cushioned by the resiliency of overseas remittances, the modest fiscal stimulus package from government, a healthy banking sector, and historically low public debt. Economic output, however, slowed and the country's fiscal position strained with the tax take falling and the deficit ballooning to P298.5 billion.¹

Typhoons Ketsana and Parma struck Luzon in late 2009 directly affecting 9.3 million people and highlighting the country's vulnerability to disaster. A post-disaster needs assessment, led by the World Bank, estimated typhoon-related damages at US\$4.4 billion with \$3 billion reflecting losses in production and economic flows.

Income inequality was high and the link between economic growth and poverty reduction in the Philippines remained very weak.² Persistent high rates of population growth³ continued to dilute the benefits of any economic growth and added pressure on government to provide sufficient basic services for a population of more than 90 million. At the end of 2009, achieving Millennium Development Goal (MDG) targets for poverty appeared unlikely. In 2006, more than 40 million Filipinos were living on less than US\$2 a day.⁴ These figures have since worsened—the 2008 oil and food price spike pushed another 3 million Filipinos into poverty; the global economic crisis added 1.4 million more. The 2009 typhoons left a further 480 000 in poverty.⁵

¹ The 2009 tax take was 12.8% of Gross Domestic Product (GDP), compared with 14.1% in 2008, and 17% in 1996. The deficit was higher by P48.5 billion than the programmed ceiling of P250 billion and equivalent to 3.9% of GDP.

² The Gini coefficient for the Philippines is 44, compared to Indonesia and Vietnam (both 39). Growth-poverty comparisons are for 2003 to 2006.

³ 2.04%, based on the latest official census figures (2007).

⁴ World Bank Open Data Database (online). The World Bank <<http://data.worldbank.org/>>, viewed 20 April 2010.

⁵ Typhoons Ondoy and Pepeng: Post Disaster Needs Assessment, World Bank, Manila, December 2009.



The Philippines is also unlikely to meet maternal mortality MDG targets. The maternal mortality ratio is 230 maternal deaths for every 100 000 live births.⁶ Every day, 11 women die while giving birth. Only 44% of births occur in health facilities and only 62% of births are assisted by a health professional. The unmet need for family planning remains high and almost half of all pregnancies are unintended.

The Philippines faces enormous challenges in meeting education MDG 2 and the country's Education for All targets. Enrolment rates declined over the last decade⁷, although in 2009 they improved marginally. Most elementary school graduates are poorly prepared to cope with the secondary curriculum and the majority of secondary graduates are not well prepared to enter the workforce, technical/vocational training or university study.⁸ Despite insufficient government funding for basic education, the Philippines Department of Education was unable to fully spend its allocated budget.

A number of key policy reforms depended on the implementation of legislation but in its first two sessions, Congress enacted only 53 laws out of nearly 5000 bills filed. On the positive side, in 2009 the Real Estate Services Act (professionalising real estate practice); the Climate Change Act; and a complementary bill on disaster risk reduction and management were passed.

Major hostilities in Mindanao were avoided as the government and the Moro Islamic Liberation Front returned to peace negotiations. The creation of an International Contact Group to support peace panels and the return of the International Monitoring Team with agreement to establish a Civilian Protection Component collectively provided positive momentum to the peace process. The numbers of internally displaced people decreased to around 200 000 by the year's end, but humanitarian concerns remain. The displaced continue to live in harsh conditions, with poor access to livelihood opportunities, education and health services. The security situation remained volatile and the propensity for violence was graphically underscored by the horrific 'Maguindanao Massacre' of 57 people in November 2009. Martial law was declared in response and for close to two months aid operations in nearby areas were suspended.

Australian Official Development Assistance (ODA) to the Philippines in 2009–10 was budgeted at \$123 million, including an AusAID bilateral program of \$109.3 million. Australia, along with Japan and the United States, were the three largest bilateral donors to the Philippines. ODA represents only 0.6% of Philippines GDP.

Table 1 summarises the estimated bilateral expenditure in the Philippines in 2009–10.

⁶ United Nations Population Fund (2008) State of the World's Population Report 2008 Reaching Common Ground: Culture, Gender and Human Rights, United Nations Population Fund, New York, New York.

⁷ Net enrolment ratio declined from 91% to 84% over the period 2002–03 to 2008–09.

⁸ Joint AusAID – World Bank (2010) Public Expenditure Review of the Philippines Department of Education.

Table 1: Estimated bilateral expenditure in the Philippines in 2009–10

	\$ million	% of bilateral program
Economic growth		
1. Government institutions better able to implement transparent and efficient budgets		
2. Accountability, transparency and management of transport infrastructure investments improved	49.1	45.0
3. Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in target provinces		
Education		
4. The Department of Education better able to manage its resources to support schools and teachers	19.2	17.6
5. Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education		
National stability and human security		
6. Mindanao peace processes reinforced by more effective participation by communities and institutions	10.3	9.4
7. Enhanced basic services and livelihoods in conflict-affected communities		
8. Improved women's and children's health services more widely available in targeted regions	6.8	6.2
9. Men, women and youth are better protected from and more resilient to natural disasters	3.9	3.5
10. Improved capability of law and justice institutions, particularly to counter threats from transnational crime (including terrorism)	0.2	0.2
Total^a	89.5	81.9

^a An additional \$15.4 million for the International Rice Research Institute was expensed late in the 2009–10 financial year (not reported on in this Development Cooperation Report as the initiative started in 2010) and an additional approximately \$4.4 million for program support and other initiatives. Total expenditure for 2009–10 was \$109.3 million.

Progress towards objectives

Table 2 summarises the progress in 2009 towards the 10 strategic objectives that sit under the program's focus areas of economic growth, education and national stability and human security. Progress is measured against annual targets laid out in a performance assessment framework.

Table 2: Ratings of the program's progress in 2009 towards objectives

Objective	Rating in 2009	Relative to previous rating
Economic growth		
1. Government institutions better able to implement transparent and efficient budgets	■	Unchanged
2. Accountability, transparency and management of transport infrastructure investments improved	■	Unchanged
3. Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in target provinces	■	Unchanged
Education		



4. The Department of Education better able to manage its resources to support schools and teachers ■ Unchanged

5. Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education ■ Improved

National stability and human security

6. Mindanao peace processes reinforced by more effective participation by communities and institutions ■ Improved

7. Enhanced basic services and livelihoods in conflict-affected communities ■ Unchanged

8. Improved women's and children's health services more widely available in targeted regions ■ Improved

9. Men, women and youth are better protected from and more resilient to natural disasters ■ Unchanged

10. Improved capability of law and justice institutions, particularly to counter threats from transnational crime (including terrorism) ■ Unchanged

- The objective will be fully achieved within the timeframe of the strategy.
- The objective will be partly achieved within the timeframe of the strategy.
- The objective is unlikely to be achieved within the timeframe of the strategy.

Economic growth


Objective 1: Government institutions better able to implement transparent and efficient budgets

The deteriorating fiscal position heightened the need for more transparent and efficient budget planning and execution. Australia's aid program continued to provide technical and advisory support to key partner agencies in budgeting reforms and stronger internal controls. Achievements against this objective in 2009 included:

- > The 2010 national budget was guided by an enhanced system of forward estimates.
- > A number of key departments began shifting to results-based budgeting.
- > An electronic accounting system in the Department of Public Works and Highways (DPWH) was rolled out, beginning a long-term move away from manual, paper-based accounting.
- > Good progress was made in implementing national guidelines on internal control systems through diagnoses of the internal control and audit systems of the Department of Education and the DPWH.
- > An integrity and anti-corruption assessment was conducted in the Department of Social Welfare and Development.

Despite this progress, weaknesses remain in the Philippines' Public Financial Management (PFM) system. The system needs to provide stronger links between government policies, budget allocations, actual government spending and arrangements to enable scrutiny. Without this, AusAID's current emphasis on supporting government reform towards results-based budgeting is unlikely to have a significant impact.

Senior Government of the Philippines (GoP) officials responded positively to the findings of an AusAID-funded, World Bank-executed public expenditure and financial accountability assessment, which highlighted the strengths and weaknesses of the PFM system. The assessment provides some impetus for key central agencies to develop a joint PFM reform road map. In this context, AusAID began the design of a new PFM program that adopts a two-track approach; providing technical assistance to support the road map development and



working with key service delivery agencies to improve budget execution and accountability. If adopted by the Philippines Government, the road map will guide AusAID's technical support. It will also assist in better coordination of donor support.

Objective 2: Accountability, transparency and management of transport infrastructure investments improved

During 2009, AusAID contributed to improving the planning for and management of transport infrastructure, which delivered results at the national level. Achievements against this objective included:

- > a framework for transparent and effective public-private partnerships for toll roads
- > a transport policy plan identifying medium-term investment priorities
- > recommendations to enhance truck-overloading enforcement to preserve the state of roads
- > public-private partnership proposals, prepared and evaluated by national agencies
- > upgraded public sector skills in conducting feasibility and risk analyses for infrastructure investments
- > improved DPWH integrity systems, including through an independent procurement evaluator who assessed the transparency of the bidding process and through contracting for major road investments
- > improved civil society capacity to monitor road sector performance, culminating in the publication of the first national road sector quality report card.


While important, these results have not led to broader, systemic change. Investment in basic infrastructure remains low and decisions on infrastructure are not often guided by an objective assessment of need and priority. Opaque processes and the unclear designation of authority and responsibility between government agencies, hamper efficiency and effectiveness in infrastructure planning and management.

At the national level, reform progress in transport infrastructure is tied to the 'appetite for change' in relevant agencies, and the strength of executive leadership and support from the legislature.

At the sub-national level, Australia entered into partnership agreements with seven provincial governments and the Department of the Interior and Local Government to mobilise the Provincial Roads Management Facility.⁹ The agreements spell out the governance reforms that partner provinces agree to progress and the basis for Australian funding for road rehabilitation and maintenance. Continued support is contingent on each province's performance and ongoing commitment to reform.

In contrast to the national level, there is a much larger 'market for reform' at the sub-national level and so Australia can select from a large number of potential partners to work with. Local government executives have a stronger influence over stakeholders and the prospects for 'chasing real change' are greater at this level, though transaction and management costs of multiple partnerships could be considerable.

⁹ The formal performance assessment framework indicators were met as Memorandum of Subsidiary Arrangements signing events were held at the national level and with each of the seven provinces involved.



Objective 3: Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in target provinces

Three AusAID initiatives contribute to this objective—addressing land administration and management reform, small-scale grants for community projects, and participatory planning for development across a single province. In addition, the Australian Centre for International Agricultural Research examined how production costs could be reduced and the quality of produce, prices and markets for agricultural commodities increased.

Australia's support for reform to land administration and management practices achieved mixed results during 2009. For example, two reform bills were passed by Congress and became new laws that, if properly implemented, will help unlock the 'dead capital' of Philippines' land assets and enhance sub-national revenue collection. However, the major Land Administration Reform Bill, key to establishing a single land administration and management agency, continued to languish in Congress. Without passage of this Bill, the impact of Australia's support will remain limited.

The Australian Centre for International Agricultural Research southern Philippines fruits and vegetables programs build research capacity so local researchers and farmers can solve their own problems. This approach has been successful and the level of informal information sharing between regions and across the country is strong. After 18 months of implementation tangible results for poor communities are evident. Disease control and crop management improvements have increased productivity across the three targeted provinces and farmer community groups are linked with local wet markets and a major supermarket in Davao.

The Philippines – Australia Community Assistance Program (PACAP) and the Philippines – Australia Local Sustainability Program continued to provide tangible results for communities and households. Since 2005, PACAP has managed 488 small-scale projects implemented by civil society partners across 59 provinces. Gross production returns have doubled for almost 70% of PACAP agriculture projects, contributing to an average monthly household income increase of, more than 70% for beneficiaries. Basic service delivery improvements have included new water systems for more than 6000 households. Since 2004, the Philippines – Australia Local Sustainability Program has also delivered improvements to beneficiary households, including: more durable housing materials; more stable arrangements of land ownership by households; increased participation of women in local planning and governance; four times as many households accessing potable water and sanitation facilities; and improved post-harvest facilities for 1650 farming households.

While these small-scale individual activities are positive, they are not enough to influence change on a larger scale and boost the growth of the rural economy. To do so, Australian investment, must be significant and/or demonstrate it is tied to a broader national agenda. In the next country strategy, AusAID therefore needs to consider the ongoing relevance of this objective and the opportunity costs of additional investments in this sector.



Education

Objective 4: The Department of Education better able to manage its resources to support schools and teachers

Australia remains the leading bilateral donor in basic education in the Philippines.¹⁰

Significant contributions were made in 2009 to support the Department of Education to address the declining quality of education delivery and standards, and meet the Education for All and MDG targets. Achievements against this objective included:

- > prepared and distributed financial manuals, trained staff on accounting procedures, and updated and built accounts for the financial management information system
- > commenced national rollout of the Human Resource Information System
- > developed a Quality Assurance Framework and Monitoring and Evaluation System
- > started work to develop a Unified Information System
- > developed a system for pro-poor budget allocations to schools
- > developed systems and tools for regional-level implementation of school-based management, training and development, and learning resource management and development¹¹
- > developed national competency based teacher standards to promote better teaching practices and better targeting of in-service training (half of divisions are applying these)
- > determined, through a joint AusAID and World Bank basic education public expenditure review, the budget allocation adjustments needed to meet Education for All and MDG goals and assessed the efficiency of budget execution
- > implemented a computer-based, compliance monitoring information system in the Department of Social Welfare and Development for the GoP's conditional cash transfer program, which includes school attendance as a requirement for cash grants to families
- > built 479 classrooms in schools in the Southern Philippines.

These positive contributions must be balanced against the Department of Education's weak capacity to efficiently allocate and disseminate grant funds to achieve agreed outcomes.


For example, of a planned 2860 schools, only 10 received AusAID-funded grants for school-based management in 2009. Similarly, under the Education Performance Incentive Partnerships, despite significant technical assistance and considerable pre-planning to identify achievable milestones, the Department of Education did not make sufficient progress towards meeting its milestones and AusAID concluded that incentive funds should not be paid.

A joint World Bank and AusAID review of progress under the Basic Education Sector Reform Agenda (BESRA) also identified critical issues. These included:

- > inefficient fund disbursements to schools for maintenance, operations and school-based management
- > slow uptake of technical assistance for implementing critical components of the reform agenda

¹⁰ Total ODA funding for basic education has averaged 0.3% of the Department of Education's annual budget over the last decade. AusAID's contribution is a major proportion of total ODA funding; nevertheless, a strategic, coherent program is essential to maintain AusAID's leverage in this sector.

¹¹ A performance assessment framework target for 2009.

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- > inadequate and untimely financial reporting and poor communication between levels of administration
 - > slow development of the Unified Information System, resulting in a lack of valid, reliable, comprehensive and timely data for operational management, planning and policy development
 - > inadequate research and planning capacity, especially in equity and needs-based resource allocation.

Since 2002, the Department of Education has not fully disbursed its national budget allocations for basic education, while appropriations for education as a proportion of GDP are almost half the international standard for a lower middle income country. In 2009, only 70% of the age cohort completed elementary school and of these, only 50% had mastered more than 50% of the curriculum. Only 20% of new graduate teachers passed the licensure exams on their first attempt. On average the student-to-teacher ratio in poorer regions exceeded 40-to-1 and the student-to-classroom ratio exceeded 45-to-1.

The new GoP administration will enable AusAID to raise critical policy issues, in an effort to enhance the impact of assistance. These include the need to:

- > execute the budget more efficiently; budget execution improvements should precede increased appropriations for education
- > for BESRA to provide a reform framework paying attention to accelerating school-based management, applying competency-based teacher standards and implementing a unified information system
- > increase the share of private enrolments in elementary schools
- > calibrate the rollout of the Conditional Cash Transfer program so it matches the capacity of the system to deliver education services.

To ensure the effective disbursement of increased spending on education, AusAID must continue supporting broad system reform under BESRA while implementing sub-national level projects. This will include principal-led construction of classrooms, particularly in municipalities where the Conditional Cash Transfer program will place even greater demand on already overcrowded classrooms. Further support to BESRA will focus on speeding up implementation of the unified information system and technical assistance for enhancing the Department of Education's capacity to use it. Greater emphasis will be given to supporting public – private partnerships, especially with providing student places in private institutions. Incentive-based schemes will be introduced to reward outstanding performance. This will require different ways of working, including having managing contractors implement sub-national projects, and possibly renegotiating Trust Fund arrangements with the World Bank so they include performance standards for program investments.

Objective 5: Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education

Low education indicators are most prominent among marginalised groups, notably Muslim and Indigenous communities, and these correlate closely to the poorest parts of the



Philippines.¹² Projects such as the Basic Education Assistance for Mindanao (BEAM) and Strengthening Implementation of Visayas Education (STRIVE) have enhanced opportunities for marginalised groups and children from poor households.

BEAM ended in 2009. During its seven years, BEAM supported the Department of Education to improve the quality of and access to basic education across 5822 elementary and secondary schools in the three target regions. Under BEAM, the Arabic Language and Islamic Values Education program was implemented in 936 public schools, improving access for more than 50 000 Muslim learners to a responsive and culturally-appropriate education. BEAM was instrumental in the rollout of a national Muslim education strategy and helped introduce curricula relevant to Indigenous culture, benefitting more than 34 000 Indigenous learners. A 2009 Independent Progress Report¹³ for BEAM noted evidence of increased enrolment of 12% and reduced dropout rates at the majority of schools implementing the BEAM-designed curriculum. Learning achievement tests in English, Science and Mathematics in regions 11, 12 and in the Autonomous Region of Muslim Mindanao (ARMM) recorded consistent improvements every year up to the project's conclusion in 2009.

STRIVE, approaching its final year of implementation (2010), has trained nearly 2500 teachers, administrators and regional staff in planning, resource management and alternative learning methodologies. More than 300 schools now more effectively implement school-based management. Major system improvements in quality assurance, training and development and information management have contributed to a reduction in dropout rates and nearly 2000 more children staying in schools.

BEAM and STRIVE have underlined the value of the project model in supporting national policy reform. Both developed, tested and informed national system improvements. BEAM was instrumental in the national incorporation of school-based management and the Arabic Language and Islamic Values Education approach. STRIVE's work on systems for learning resource management and development, training and development, regional quality assurance, and monitoring and evaluation will form the basis for national systems. Projects allow Australia to concentrate support in regions that have significant lagging education indicators, helping to accelerate improvements. Through projects donors can effectively disburse funds where the government system is not functioning optimally (while supporting improvements in the system).

A review and planning mission conducted in 2007 confirmed that ARMM needs continued support beyond BEAM and a separate project focusing on access, quality systems development and peace building was recommended. Consequently, the design of an education-focused program, building on successes of BEAM in ARMM is underway. In addition, a new national initiative was designed to implement key elements of Muslim and Indigenous people's education established under BEAM. This initiative is expected to start in 2010.

¹² 50% of Indigenous children dropout during elementary school and only 20% reach high school. Only a third of Muslim children complete elementary school and only 1 out of 10 children who enrol in first grade finish secondary school (AusAID Muslim and Intellectual Property Education Facility Design). See also the United Nations Educational, Scientific and Cultural Organization (2009) *Education for All Global Monitoring Report*: <www.unesco.org/en/education/efareport>, viewed 30 April 2010.

¹³ Commissioned by AusAID: prepared by a team led by an external reviewer with AusAID team members who were independent of BEAM program implementation.



Human stability and national security

Objectives 6 and 7: Mindanao peace processes reinforced by more effective participation by communities and institutions; and Enhanced basic services and livelihoods in conflict-affected communities

Australia supported discrete activities to reinforce the Mindanao peace process and enhance basic services and livelihoods in conflict-affected communities. Some achievements in 2009 include:

- > The Mindanao Commission on Women formed peace circles to promote peace and multiculturalism in their communities and workplaces. They established a fund for women, with funds used to provide credit and skills training for income-generating activities and to support anti-corruption and good governance campaigns.
- > The Bangsamoro Development Agency, the development arm of the Moro Islamic Liberation Front, was strengthened to be able to plan and manage development activities more effectively. Ninety-one projects were initiated in community infrastructure, transport pathways, charcoal production for power generation, agriculture production and community services.
- > The multi-donor Action for Conflict Transformation for Peace Programme achieved its full target of forming 278 Peace and Development Communities to oversee village infrastructure and livelihood projects. Since 2005, 97 water supply systems have improved access to clean water for more than 28 000 people; 91 municipal health stations have improved access to health services for almost 133 000 people; and 354 community enterprise projects have benefitted 17 000 individuals and directly employed 1000 people.
- > The Armed Forces of the Philippines in Mindanao received training to sensitise troops to local conflict dynamics and enhance awareness of civilian protection issues. This was strongly supported by senior officers of the operational command who are now looking to institutionalise this form of training across the Armed Forces of the Philippines.

In Australian-supported communities, there is evidence of improvements in village infrastructure and livelihoods, and some anecdotal evidence that communities have not experienced community-based conflict. However, there is little to suggest that a significant contribution has reinforced the peace process or sustainably moved communities out of poverty. Australia's approach has been ad hoc and generally responsive to good ideas that have emerged. In 2010, AusAID will develop a stronger strategic basis for engagement to guide greater program coherence and more effective development interventions to support the broader peace process.

Objective 8: Improved women's and children's health services more widely available in target regions

Australia's investment in health in the Philippines focuses on maternal and neonatal health and malaria reduction, in line with AusAID's Health Strategy 2009–2011.¹⁴ Australia is supporting a new joint United Nations (UN) program designed by the United Nations Population Fund, United Nations Children's Fund and the World Health Organization to

¹⁴ The maternal mortality ratio in the Philippines is 230 maternal deaths for every 100 000 live births. Only 44% of births occur in health facilities and only 62% of births are assisted by a health professional.



support the government's strategy for the rapid reduction of maternal and newborn mortality. In 2009, AusAID was the sole donor supporting the Joint UN Reducing Maternal and Neonatal Mortality Program. Some early achievements of this program include:

- > equipping 35 health facilities to provide essential and basic obstetric and newborn care and upgrading the skills of 105 health workers employed in the facilities
- > training 643 health workers on family planning and training and more than 1700 mothers from marginalised communities on key family practices.

In addition, Australian support for the World Health Organization's Roll Back Malaria partnership has helped six provinces attain malaria-free status and contributed to a significant reduction in malaria cases and deaths in Mindanao from 2005 to 2009.¹⁵ The number of deaths in targeted areas decreased by 64% and the malaria caseload decreased by 68%. The success of the program in the Philippines is recognised across the South East Asian region.


Objective 9: Men, women and youth are better protected from and more resilient to natural disasters

Most targets under this objective were achieved in 2009. Highlights include:

- > completed multi-hazard mapping for 13 provinces (covering floods, storm surges, rain-induced landslides and geological hazards such as volcanic eruptions and earthquake hazards)
- > enhanced typhoon forecasting resulted in a 15% increase in accuracy
- > strengthened, through Geoscience Australia, GoP capacity to generate earthquake exposure information; supported engineers to determine building earthquake and wind vulnerability; and supported improvements in the production of digital maps (critical to informing natural hazard risk assessment)
- > recommended replication in the region of Australia's hazard and vulnerability mapping, community preparedness and local government risk reduction programs
- > launched a pioneer project with the National Economic Development Agency on incorporating mainstreaming disaster risk reduction (DRR) and climate change adaptation into development processes—this project influences local development, and land-use policies and guidelines at all levels of government.

Australia's support to DRR concentrated on provinces on the Eastern Seaboard and is anecdotally considered to have contributed to reducing loss and damage from natural hazards during 2009. However, typhoon Ketsana, which struck metro Manila, stressed the importance of expanding DRR work to include mega cities like Manila which is rated as one of the most vulnerable cities to natural disasters in Asia. The design of a demonstration urban DRR and post-disaster reconstruction project began in 2009. The project aims to build the resilience of urban communities, particularly those vulnerable to natural disasters.

¹⁵ Excluding Lanao del Sur and Maguindanao as the Roll Back Malaria partnership is not being delivered in these provinces.



Objective 10: Improved capability of law and justice institutions, particularly to counter threats from transnational crime (including terrorism)

Australian support through the Department of Infrastructure, Transport, Regional Development and Local Government focused on improved GoP's ability to develop, implement and manage border control, law enforcement and transport. This was achieved through ongoing engagement with, and delivery of, activities through key GoP agencies and international partners. Activities achieved against this objective include:

- > certification of 113 international ports and 26 domestic ports as compliant against the International Ship and Port Facilities Security Code, and development and implementation of port security plans and practices by 476 port authorities under the Philippines – Australia Port Security Capacity Building Project
- > ongoing trilateral engagement with Japan and the United States, including through the Port Security Project
- > provision of policy advice, aviation security training and assistance, and the development of training courses through improving international aviation security administered funds.

The sustainability of improved law and justice capabilities and the progress of effective counter-terrorism measures hinges on the passing of the Philippine Transportation Security Authority Bill. This Bill will give the Office for Transportation Security the mandate to ensure continued adherence to international transport security standards, including the prevention of unlawful acts (including terrorism) against the transport sector. Australia will continue unilaterally and trilaterally, to encourage the new GoP administration to pass this Bill.

Program quality

The Philippines program maintained a high level of compliance with AusAID quality requirements during 2009. Although the year saw successes at the initiative level, with almost 80% of initiatives rating satisfactory or above for both relevance and effectiveness, this report has highlighted the challenging reform environment in the Philippines and the consequent disappointing strategic progress achieved in key focus areas of the Australian aid program. Greater coherence between initiative objectives and targets and strategic level objectives and targets will be important under the next country strategy.

Partnerships

In 2009, AusAID signed a partnering agreement with the World Bank to improve the management of joint programming and better promote program and policy coordination. In-depth policy discussions with the GoP are held through this umbrella trust fund. During 2009, the trust fund supported expenditure reviews in the education sector and broader PFM system, as well as with key policy briefs for the incoming Philippines administration.¹⁶ A more concerted effort to partner with local research institutes, including academia and the Asian Development Bank remains a priority for 2010. A new approach to engaging with civil society promises to bring significant change in AusAID partnerships. The approach centres on facilitating constructive partnerships between government and civil society actors to progress change in priority areas.

¹⁶ AusAID co-authored briefs on education, PFM and the situation in Mindanao.



Gender

The Philippines program has a Gender Action Plan and is addressing key gender issues related to: control over land, resources and basic services; gender-based discrimination in the education system; access to basic education; reproductive health; and participation of women in peace-building efforts and governance. AusAID uses the GoP's Harmonised Gender and Development Guidelines as the basis for the program's quality reporting requirements, and for annual reporting to the GoP. Improved ratings from *gender sensitive* to *gender responsive* in many AusAID initiatives over 2009 have motivated program managers to pursue further progress. Some key results for gender in 2009 include:

- > Australia worked with the Philippines Department of Environment and Natural Resources to integrate gender principles and policies into several land reform policies. This is increasing economic opportunities for more women who can now access loans using their land titles.
- > The Mindanao Commission on Women was deeply involved in national consultations for the development of the Philippine National Action Plan on Women, Peace and Security, designed around implementing UN Resolutions 1325 and 1820.

Disability-inclusive development

The Philippines program was one of the first in AusAID to undertake a situational analysis of persons with disabilities. The analysis recommended options for integrating disability-inclusive development issues into the next country strategy. Using existing mechanisms, the Philippines program will develop concepts for disability-inclusive education, research and capacity building of people with disabilities. The situational analysis was received favourably by the disability sector in the Philippines.

Anti-corruption

AusAID supports activities that aim to strengthen local efforts to combat public sector corruption, including by improving systems in the GoP's two biggest spending agencies of education and public works. In 2009, AusAID continued to fund Road Watch and Procurement Watch, civil society organisations that monitor transparency. With the production of a road status report card, Road Watch monitors road infrastructure development and Procurement Watch monitors the buying of school furniture and equipment. AusAID also supported civil society to ensure transparency in the 2010 national elections.

Australian support is strengthening systems to rollout the GoPs Conditional Cash Transfers program to one million poor households. AusAID increased its package of technical assistance under the program to \$2.4 million in 2009 to improve management and information systems, targeting of beneficiaries, and compliance of beneficiaries to program conditions. Australia is helping the GoP to manage and consolidate the rapid scale up of the program and has given other donors increased confidence to invest more than US\$1.2 billion in the program.



Next steps

Country context

Perhaps the single most significant variable that determines aid effectiveness in the Philippines is the quality of leadership. From the national level through to the village level and across the bureaucracy, the nature of, and prospects for, Australian aid interventions hinges on the quality of leaders. A reform-minded national leadership will enable Australia to set more ambitious outcomes. Without such leadership, Australia will need to focus more at the sub-national level where the market for reform may be stronger. Australia should also continue to work on the more fundamental changes required in government systems to improve basic service delivery and provide a foundation for accelerated change.

Strategy

Australia and the Philippines will agree to a new country assistance strategy for 2011–2015. Much of the analytical work that will underpin this new strategy is now being finalised, including an independent evaluation of the current strategy by AusAID's Office of Development Effectiveness.

Drawing on lessons from implementation, analyses and this evaluation, some clear directions are emerging. For example, Australia should:

- > continue to consolidate the aid program—implement fewer activities but do them better
- > concentrate on the sub-national level where aid has the biggest impact and where the prospects for aid to act as an incentive to change is greatest
- > deepen engagement in education and place education at the core of the program, since this is where Australia's comparative advantage and major development constraints in the Philippines most sharply intersect
- > ensure that improving public financial management underpins all aid interventions, recognising that weak public financial management is eroding the quality of service delivery and Australia's ability to implement interventions
- > differentiate its interventions in Mindanao between those targeted at conflict-affected areas and those in other parts of Mindanao—this requires an approach that is more focused than it has been previously and that an approach that is supported by whole of government effort and work with other donors
- > adjust its predominant emphasis on working with government institutions and pay greater attention to civil society engagement, to create pressure for change and accountability
- > ensure that any further scale up of the program is contingent on demonstrated aid effectiveness, which will largely be determined by the 'appetite for reform' of the new GoP administration.

Program

A number of critical program management actions are needed:

- > bring all legacy projects to a conclusion by the end of the 2010–11 fiscal year
- > complete design work and start implementing: a new public financial management program; a human resource development facility with greater emphasis on institutional



development; a civil society program to support Australia's engagement in key sectors; a national program of support for Muslim and Indigenous Peoples' education; a new program of support for basic education in the Autonomous Region of Muslim Mindanao; and a greater metro Manila urban reconstruction program

- > make a concerted effort to partner with local research institutes, including academia
- > identify alternate delivery approaches in education given the challenges experienced in channelling significant amounts of funds through the World Bank Trust Fund.
- > design a new incentives program in education, possibly targeted at the sub-national level (given the lack of success at the national level)
- > continue to improve the monitoring and evaluation and performance reporting systems used to assess Australia's aid initiatives.