



Australian Government
AusAID

Annual Program Performance Report for PHILIPPINES 2008

September 2009



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Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ACT	Action for Conflict Transformation (ACT) for Peace Programme
ADB	Asian Development Bank
APPR	Annual Program Performance Report
ARMM	Autonomous Region in Muslim Mindanao
BEAM	Basic Education Assistance for Mindanao project
BESRA	Basic Education Sector Reform Agenda
BIMP-EAGA	Strengthening Brunei-Indonesia-Malaysia-the Philippines East ASEAN Growth Area Project
CCT	conditional cash transfer
CIQS	Customs, Immigration, Quarantine and Security
CPC6	Sixth Country Program for Children (UNICEF)
DBM	Department of Budget and Management
DepED	Department of Education
DoH	Department of Health
DPWH	Department of Public Works and Highways
GDP	Gross Domestic Product
GoP	Government of the Philippines
HRDF	Human Resources Development Facility
IMF	International Monetary Fund
LAMP2	Land Administration Management Project
MDG	Millennium Development Goal
M&E	monitoring and evaluation
MILF	Moro Islamic Liberation Front
MMR	maternal mortality rate

MNLF	Moro National Liberation Front
MTF	Mindanao Trust Fund
NEDA	National Economic and Development Authority
NSCB	National Statistics Coordination Board
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPIF	organisational performance indicator framework
PACAP	Philippines Australia Community Assistance Program
PAF	Performance Assessment Framework
PALS	Philippines – Australia Local Sustainability project
PDC	Peace and Development Communities
PDF	Philippines Development Forum
PEGR	Partnership for Economic Governance Reform program
PFM	Public Financial Management
PPP	public private partnerships
PRMF	provincial roads maintenance and governance program
QAE	Quality at Entry
QAI	Quality at Implementation
READY	Hazards Mapping and Assessment for Effective Community Based Disaster Risk Management program
SBM	School Based Management
SPHERE	Support for Philippine Basic Education Reforms program
SPRMP	Southern Philippines Road Maintenance Support Program
STRIVE	Strengthening Implementation of Basic Education in Selected Provinces in Visayas program
UN	United Nations
UNFPA	United Nations Populations Fund
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
WHO	World Health Organization

Executive summary

Overview

2008 was a difficult year in the Philippines. Growth slowed significantly and poverty increased, driven in part by rising fuel and food prices. The peace process in Mindanao collapsed and the effects of the global recession started to be felt.

Through its *Medium-Term Philippine Development Plan 2004–10*, the Government of the Philippines (GoP) has stated its commitment to making the policy and institutional changes needed to assist the poor and sustain economic growth. However, this must now account for the vulnerability of the Philippines to the global recession.

The objectives of the *Australia–Philippines Development Assistance Strategy 2007–11* (the country strategy)—to contribute to improving economic growth, reducing poverty and maintaining national stability—remain relevant, increasingly so as the prospects of the poor remaining poor for longer become a reality in the current global climate. Preparations for the next Australia – Philippines country strategy are underway, taking into account emerging issues and changing circumstances, as well as the lessons learned from successful programs to date. As this Annual Program Performance Report (APPR) outlines, in spite of the challenges, the Australian aid program achieved many positive results in the Philippines in 2008.

Ratings

Objective	Rating	Review against previous rating
Government institutions better able to implement transparent and efficient budgets.	Amber	Declined
Accountability, transparency and management of transport infrastructure investments improved.	Amber	Unchanged
Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in targeted provinces.	Amber	Unchanged
The Department of Education better able to manage its resources to support schools and teachers.	Amber	Declined
Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education.	Amber	Unchanged
Mindanao peace processes reinforced by more effective participation by communities and institutions.	Red	Declined
Enhanced basic services and livelihoods in conflict-affected communities.	Amber	Unchanged
Improved women's and children's health services more widely available in targeted regions.	Amber	Unchanged

Objective	Rating	Review against previous rating
Men, women and youth are better protected from, and more resilient to, natural disasters.	Green	Improved
Improved capability of law and justice institutions, particularly to counter threats from transnational crime including terrorism.	Amber	Improved

Ratings:

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

Major results for 2008

Despite a difficult operating environment, the aid program in the Philippines achieved some major results in 2008.

The management consequences identified in the previous year's APPR all progressed during 2008 (Annex 3). The Performance Assessment Framework (PAF) for the country strategy was revised to articulate annual milestones for each objective to be achieved by December 2008. Results against these milestones informed the writing of this APPR.

In 2008, programs were designed for infrastructure (roads) and the education of both Muslim and Indigenous peoples. Work began on options for engaging in the water and sanitation sector and for strengthening the GoP's social protection system.¹ Engagement strategies were developed to guide work in conflict-affected Mindanao and in maternal and child health. Partnerships were strengthened with the World Bank and United Nations (UN).

Some of the other achievements for 2008 included:

- > Building on previous AusAID support, the *Organizational Performance Indicator Framework*, designed to inform budget planning and monitoring of objectives, has now been adopted by all 20 national government departments.
- > Formulating and updating forward budget estimates, after initial AusAID support, is proving sustainable and is informing the development of the third successive budget.
- > Officially adopting, by the GoP, national guidelines for internal control systems, which are being rolled out in the Department of Public Works and Highways (DPWH) and the Department of Education (DepEd), improving accountability and transparency in managing line-agency budgets. The DPWH and DepEd are two of the GoP's biggest spending service delivery departments and are important partners for the aid program.
- > Establishing for seven provinces, at the sub-national level, planning and budget system baselines, paving the way for implementing Australia's new \$100-million Provincial Roads Management Facility (PRMF) in the Southern Philippines.
- > Continuing implementation of community projects through the Philippines – Australia Local Sustainability (PALS) program and the Philippines Australia Community Assistance Program (PACAP), which is providing tangible outcomes for more rural poor. For example, PALS has provided 54 communities (9160 households) with improved access to water—up from 13 communities (2639 households) in 2007. In 2008, PACAP maintained its success

¹ Social protection is broadly equated with social welfare assistance and social insurance designed to reduce the vulnerability of poor, vulnerable and marginalised groups. In the Philippines, the Conditional Cash Transfer (CCT) program is social assistance providing an income subsidy to the poorest households on the condition that families regularly send their children to school and use health services.

rate of more than an 80 per cent average increase in household monthly income for communities receiving support from the program to improve their agricultural practices and access to markets for their produce.

- > Supporting the development of an equitable formula for allocating financial resources to the neediest schools. DepEd agreed to use this in 2009 to prepare its 2010 budget.
- > Finalising and piloting a new human resource information system to streamline allocation and management of teacher resources, and preparing plans for rolling it out nationally in 2009.
- > Progressing, in the majority of AusAID-supported schools, the implementation of School Based Management (SBM) and assessing 400 elementary schools as ready to receive SBM grants.
- > Training more than 330 Asatidz (Muslim teachers) and more than 13 500 primary maths, science and English teachers, and DepEd accrediting an additional six full-time Madrasah, bringing the total to 37.
- > Producing a draft plan for basic education in the Autonomous Region of Muslim Mindanao (ARMM) with assistance from the Basic Education Assistance for Mindanao or BEAM project. AusAID is developing a new initiative to support the implementation of the plan once formal endorsement is received from the ARMM Regional Legislative Assembly (anticipated in the second half of 2009).
- > Providing funding for and encouraging collaboration between the United Nations Children's Fund (UNICEF), the United Nations Populations Fund (UNFPA), the World Health Organization (WHO) and the GoP's Department of Health (DoH) to develop a policy framework for the rapid reduction of maternal and neonatal mortality. Funding also went to planning and piloting a joint-UN approach to maternal mortality reduction in three provinces. Through UN partners AusAID also supported selected local governments in Mindanao and Visayas to strengthen maternal and child health care delivery systems and provided training (including for approximately 650 rural midwives) in basic emergency obstetrics and newborn care. Around 145 health facilities received equipment and supplies.
- > Developing a gender action plan. Using the GoP's Harmonised Gender and Development guidelines AusAID trialled assessing gender equality across its portfolio of activities in the Philippines and provided a full report to the GoP for its annual reporting requirements. More than 80 per cent of initiatives were performing well on gender sensitivity and responsiveness. Recommendations for improving the remaining 20 per cent were developed.
- > Finalising the Anti-Corruption Action Plan to strengthen local efforts to combat public sector corruption and reduce corruption risks to Australia's aid program.

Major challenges

- > The structure of the Philippines' economy makes it vulnerable to economic shocks. The impacts of the global recession are now being felt. Key economic data, such as balance of payments, remittances, foreign direct investment and employment, suggest the economy is slowing significantly. World Bank forecasts for growth in 2009 are now below two per cent; falling from 4.6 per cent in 2008 and 7.2 per cent in 2007.

- > Increased food and fuel prices in 2008 pushed an estimated two million additional people into poverty. While inflation began to ease in 2008, poverty levels remained very high, with nearly a third of the population living below the official poverty line. A protracted economic downturn will further increase the number of poor and make it even more difficult for those already poor to escape poverty. Distribution of income remained uneven despite a relatively long period of economic growth up to 2007. Revenue collection needs to be improved to meet the growing service delivery needs of the population, which is increasing at more than two per cent a year. Social protection responses in the Philippines are beginning to evolve but are so far uncoordinated.
- > The Philippines independent Central Bank has been responsive to the global recession and monetary policy is broadly consistent with International Monetary Fund (IMF) recommendations. The Central Bank has maintained reasonable reserves equivalent to around A\$55 billion to deal with a short-term currency crisis. Prudent measures taken by the GoP in 1997 in response to the Asian Financial Crisis will provide some ballast in these difficult times. Also, the conservative practices of the commercial banking sector since 1997 means it has been relatively unaffected by the impact of the global recession thus far and most banks still have capital-adequacy ratios well above minimum requirements. However the global recession will put severe pressure on GoP finances in the latter half of 2009. Historically, Philippine governments have reacted to fiscal pressures by compressing spending on key services such as education and health. If this happens it will further damage the prospects of meeting Millennium Development Goal (MDG) targets.
- > The GoP reacted quickly to the economic crisis by introducing a fiscal stimulus package—the budget deficit is expected to grow by 3.2 per cent of Gross Domestic Product (GDP) in 2009 as a result. However, the GoP may be close to the limit of its budgetary capacity to stimulate the economy because it has a relatively high level of government debt.²
- > Technical assistance from donors has had some impact in strengthening institutional capacity and processes in targeted GoP agencies (Department of Budget and Management (DBM), Department of Finance, DPWH, DepEd). This has not yet translated into sustainable and widespread organisational change; however major reform may take place after the 2010 Presidential elections.
- > The peace process in Mindanao suffered setbacks during 2008. The GoP has not resumed peace negotiations with the Moro Islamic Liberation Front (MILF) and the capacity to push through a peace agreement in the time remaining before the 2010 elections is questionable. The security environment continued to deteriorate and protracted violence has resulted in a humanitarian crisis in Mindanao. Coordinating humanitarian efforts and delivering effective development assistance in conflict-affected areas remain major concerns.

Main management consequences

Responding to the effects of the global recession

AusAID's priority will be to ensure the bulk of the budget allocation received for the Philippines program is used to preserve engagement in the social sectors, on social protection (the Conditional Cash Transfer (CCT) program) and on strengthening the GoP's execution of

² The forecast headline budget deficit of 2.2 per cent of GDP for 2009 may change. Although this is modest fiscal expansion by regional standards, the Philippines unusually high debt-to-GDP ratio (56 per cent) and low government revenues means that, when compared with neighbouring countries, the Philippines has limited capacity to increase borrowings to run a larger deficit as a stimulus measure.

its budget. AusAID will explore options with the GoP and other donors to support the monitoring of the impact of the global recession on the poor and vulnerable.

AusAID's expectations of significant reform going into the election cycle should be modest

However, the election period also provides an opportunity to look more closely at what supports reform in the Philippines. AusAID will undertake a 'drivers of change study' in 2009 and examine using more incentive-based approaches for reform. The Agency will also explore possibilities for increased partnerships with civil society, academia and 'think tanks' and will look for additional opportunities to partner with the World Bank, key donors, the GoP and civil society organisations on analytical work.

The new country strategy will need to be agreed to by the new GoP administration following the 2010 elections and better reflect current Australian Government aid priorities

Substantial analytical work will be finalised during 2009. The scale of the program to 2015 and beyond will need to be addressed. The geographic focus, the balance between rural and urban and between national and sub-national investments will also need to be examined.

Key priorities for 2009

Further consolidation of the program by bringing legacy projects to successful completion and by improving designs, based on lessons learned, for the activities ending their current phase but which remain relevant to the program (Human Resources Development Facility (HRDF) and the Philippines Australia Community Assistance Program or PACAP). AusAID will pursue ***practical donor harmonisation*** in the key areas of: Public Financial Management (PFM) (particularly the World Bank, the Asian Development Bank (ADB) and the IMF) and roads infrastructure (the ADB, Japanese aid agencies and the World Bank) and, broadly, in Mindanao. AusAID will also give ***increased attention to PFM*** and particularly budget execution in key sectors to assist the GoP use its national budget most effectively.

The deteriorating situation in Mindanao means the program must carefully examine security implications in design and implementation of interventions

This applies to all operations in Mindanao but particularly to the planned expansion of the program in the ARMM. The Mindanao Engagement Strategy will become operational during 2009. It will be important to maintain robust development engagement in conflict-affected areas to ensure a void is not created that could be filled by less desirable influences.

1 Country performance

Despite significant progress since 1990 in lowering poverty rates, the Philippines is unlikely to meet MDG 1: eradicate extreme hunger and poverty.

Preliminary economic data suggests the Philippines will be significantly affected by the global economic slowdown. The World Bank pre-global recession estimates placed at least 23 million Filipinos (around a quarter of the population)³ in poverty (2006 figures) with the numbers of poor estimated to have increased by more than two million in 2008. Economic growth estimates for the Philippines for 2009 are for two per cent at best, down from 4.6 per cent in 2008 and 7.2 per cent in 2007. In 2008, inflation rose to its highest level in 10 years and food prices increased significantly. 2009 could see a significant increase in unemployment and underemployment, particularly among low-skill workers. The World Bank estimates this would push potentially 14 million additional Filipinos (the 'near poor') under the poverty line.

In some aspects economic management has been strong. The Central Bank, for example, has continued to maintain relatively sound policies and has built considerable foreign currency reserves. Another positive has been the GoP's resistance to populist pressure to cut taxes during the recent food and oil price shocks. However, on the downside the gains from the tax reforms of 2005-06 have been mostly eliminated by the global downturn and a decline in the quality of tax administration.

While most of the poor in the Philippines (70 per cent) live in rural areas, the GoP's policies for agricultural reform are unfavourable. Low productivity and lack of employment opportunities in rural areas has contributed to increased rural-to-urban migration and growth in urban poor (22 per cent in 2003 to 25 per cent in 2006).⁴

Poverty in the Philippines results from insufficient and unevenly distributed economic growth. Consumption-led growth is derived from a few sources (e.g. remittances) and not enough growth has occurred in sectors and regions that could have a substantial impact on the poor. Even when economic growth was strong (as in 2007), the number of poor continued to rise due to:

- > high population growth (2.04 per cent)⁵
- > increasing income inequality and poor redistribution
- > insufficient capacity to provide enough quality basic services due to difficulties in execution of limited budget allocations.

³ Poverty affects around 62 per cent of the population in the ARMM.

⁴ The Philippines is one of the mostly highly urbanised populations in East Asia with the UN estimating that 63 per cent of the population lived in urban areas (2006 data).

⁵ The Philippines' population was estimated to be 90 million in 2008. Its average annual growth rate for the period 2000-07, according to the 2007 National Census was 2.04 per cent, one of the highest in the region. The 2007 Census also found that the average Filipino mother exceeds her wanted number of children by one while poor mothers exceed theirs by two, reflecting a high level of unmet need for family planning.

Most sub-national governments, particularly in rural areas, do not have enough funding to meet their service delivery obligations. This is partly due to problems with the transfer of funds from the national government to the sub-national levels, and partly because of the limited authority (and lack of incentive) sub-national governments have to raise their own revenues to cover funding gaps. However, some reform-minded governments at the sub-national level have improved service delivery and reduced poverty through effective leadership. They provide AusAID with a potential avenue for increased engagement.

The economic downturn also provides opportunities. The deteriorating economy has, for example, increased the impetus for reforms with long-term benefits. Specific examples:

- > The Government has increased its support and budget allocation for the CCT program (which is also supported by AusAID and the World Bank). The CCT program fills a large gap in the Philippines' weak social protection system.
- > The Government's push for much-needed legislation to reform investment subsidies and 'sin' taxes on alcohol and cigarettes has stalled despite the growing need for additional revenue.
- > Shrinking government revenues have increased the need for well prioritised and executed government spending. In this environment, AusAID's continued focus on PFM and anti-corruption and integrity measures remains critical.

Primary school enrolments are high (84 per cent) and completion rates are improving (73 per cent), but progress is not sufficient for the Philippines to meet MDG 2, achieve universal primary education by ensuring that, by 2015, 100 per cent of children will be able to complete a full course of primary schooling. Insufficient investment in education, teaching and infrastructure has negatively affected access to, and the quality of, education. Wide regional variations exist⁶ with Muslim and Indigenous communities most disadvantaged. Student scores in national achievement tests are generally below DepEd targets. In 2007-08, for example, DepEd reported that Grade 6 pupils attained an average of 65 per cent in the tests (an acceptable average is 75 per cent). Coupled with declining standards against international benchmarks, this threatens the Philippines' historical reputation as a well-educated, highly skilled population.

The country has made strong progress in reducing child mortality and is on track to meet the target under MDG 4—to reduce the under-five mortality rate. Since 1990 the Philippines has reduced this rate from 80 to 26.7 per 1000 live births. In stark contrast, the MDG 5 target of reducing the maternal mortality rate (MMR) by three quarters⁷ will not be met on current trends—the Philippines' MMR rate was 162 per 100 000 live births in 2006.⁸ With MDG 6, the Philippines has made considerable progress towards combating malaria and has a fair chance of meeting its target of 24 malaria cases per 100 000 by 2015.

The Philippines ranks 71 out of 134 countries in the Global Competitiveness Index⁹, lagging behind Indonesia and Thailand. This is partly due to poor transport infrastructure. The GoP

⁶ However, gender differences nationally in all education indicators (including achievement test scores) are minimal. Girls generally fare slightly better than boys, with female advantage widening as children move up the grades. There is a lack of reliable data, but patterns seem to hold even in the ARMM (except for the functional literacy rate which is higher for men at 63.6 per cent than women at 62.1 per cent).

⁷ From a baseline 1990 rate of 209 per 100 000 live births this figure would need to be 52.3 per 100 000 live births by 2015.

⁸ GoP estimate 2006. The UN 2005 estimate of 230 is much higher.

⁹ World Economic Forum.

has made infrastructure a priority, increasing budget allocations in 2007, 2008 and 2009. However this investment is still below the level the World Bank believes is needed. The new \$3.3-billion infrastructure fund under the Government's Economic Resilience Package could be challenging to execute as there are so far only a few projects ready for implementation.

Despite a strong civil society presence, an open media and some highly capable individuals working in public administration, most governance indicators have fallen substantially over the last 10 years and are lower than the average for middle-income East Asian economies. For example, in 2008 the Transparency International's Corruption Perception Index placed the Philippines at 141 out of 180 countries.

By international standards gender equality is quite high in the Philippines and gender gaps in health and education indicators are minimal. However, the 2008 Joint Country Gender Assessment¹⁰ noted that legal and policy frameworks have not yet delivered their intended benefits. The MDG 3 targets are unlikely to be met. The MDG targets aim for a 50 per cent share of women in wage employment (stagnant since 1990 at around 40 per cent) and 50 per cent of seats to be held by women in national Parliament (the 2007 election resulted in women holding 21 per cent of seats in Congress and eight per cent in the Senate). The global recession and the likely downturn in domestic and overseas employment opportunities will affect Filipino women and men differently¹¹, including overseas Filipino workers. A large proportion of employment for female overseas workers is in low-skilled professions such as domestic helpers in South East Asian countries which have been heavily affected by the downturn. In contrast, a larger proportion of Filipino men are employed in construction in Middle Eastern oil states that have not so far been as heavily affected by the global recession.¹² Women make up around 80 per cent of workers in the electronic firms that dominate the Special Economic Zones.¹³ They will be vulnerable to layoff during a global economic slowdown.

The peace process in Mindanao stalled in August 2008 with the Supreme Court ruling that the Memorandum of Agreement on Ancestral Domain was not constitutional. The Government has not yet resumed peace negotiations with the MILF. Nevertheless, the GoP has drawn up paradigms for peace. These continue to evolve and include discussions through a broadly representative 'peace panel' and inter-faith groups, consultations with communities and disarmament, demobilisation and reintegration for armed rebels. In late 2008 the President issued new guidelines for talks with the MILF but there is no clear timetable for implementing them. The MILF appears reluctant to return to the negotiating table.

The social and economic dividends of the 1996 Peace Agreement with the Moro National Liberation Front (MNLF) have yet to be fully realised. Local governments in the ARMM and the ARMM Regional Government have limited capacity to provide services. While conflict-affected areas have received huge amounts of international assistance they remain the poorest in the country.

¹⁰ Led by the ADB.

¹¹ Information about the state of the labour market as at the first quarter of 2009 is mixed. Official unemployment data suggests an improvement, but a World Bank – AusAID study found over a third of wage and salary earner reported a loss in earnings and/or hours during the quarter. Regardless of what happens to labour market statistics it is certain that the effects on men and women will be different. Further details can be found in the ADB et al 'Joint Country Gender Assessment 2008'.

¹² Data for 2007 and 2008: www.census.gov.ph/data/sectordata

¹³ 'Joint Country Gender Assessment 2008'.

The deteriorating security environment and protracted violence displaced, at its height, close to 500 000 people in Mindanao in 2008. Coordinating humanitarian efforts and developing sustainable solutions for internally displaced people remain major concerns.

Official Development Assistance in the Philippines

Total Australian Official Development Assistance (ODA) in 2008-09 is budgeted at \$A109.3 million, including an AusAID bilateral program of \$A97.7 million. The *Australia – Philippines Development Assistance Strategy 2007–11* supports the GoP's Medium-Term Philippine Development Plan (2004–10) with its overarching objective of contributing to improving economic growth, reducing poverty and securing national stability. Priority areas for Australian support are programs contributing to economic growth, education, national stability and human security (encompassing health, peace building and resistance to natural disasters). With some changes in emphasis these will become increasingly relevant as the impact of the global recession begins to be felt.

Donor support to the Philippines was approximately US\$635 million per annum (2007). Total ODA represents less than 0.5 per cent of the country's Gross National Income. The donor community in the Philippines is small with Japan, AusAID, the United States Agency for International Development (USAID), the World Bank, the European Commission and the ADB the dominant partners. Increasingly, donors are partnering on reform interventions to maximise influence. As a signatory to the 2005 *Paris Declaration on Aid Effectiveness*, the GoP has facilitated two Organisation for Economic Co-operation and Development (OECD) surveys monitoring donor performance in the country against the five principles of the Paris Declaration.¹⁴ The 2007 survey covered the years 2005 and 2006 and the 2008 survey covered 2007. No survey has yet covered 2008 but available survey results show variable performance by all donors, including AusAID. Although the 2007 survey results are somewhat contested, they do suggest that the level of GoP ownership is high and that the Government takes an effective leadership role in driving the development agenda—and aligning donor priorities with its own. Results also demonstrate that the Government scored moderately well on mutual accountability and monitoring for results indicators. Harmonisation between donors and the GoP scored low however. Overall, the GoP is not pursuing a strong aid effectiveness agenda with donors.

¹⁴ Annex 2 lists the Paris Declaration Principles and their definitions.

2 What are the results of the aid program?

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

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

If the global recession shrinks the GoP's resource base, programs designed to enhance the effectiveness of government expenditure will become increasingly relevant. Australia's aid program's focuses on PFM and is delivered primarily through the Partnership for Economic Governance Reform program (PEGR). Since it began in 2005 PEGR has gained some traction with reform champions in key agencies and yielded some encouraging results. However, even though expected Performance Assessment Framework (PAF) results for 2008 were met (see below), these in and of themselves remain modest gains relative to the increasingly urgent need for effective PFM reform. In this context AusAID considers it unlikely that the outputs achieved to date will lead to the sustained and substantial reform needed so the GoP can implement transparent and efficient budgets. The rating for this objective has consequently been downgraded from 2007.

However, Australian aid has made a positive contribution though providing technical assistance to support GoP reforms in these areas:

- > An organisational performance indicator framework (OPIF) tool developed with AusAID support in 2007-08 has now been rolled out to all budget-funded agencies: 20 national government departments and their associated agencies; 34 executive offices; 16 fiscal autonomous agencies; and state universities and colleges. This transparent monitoring tool measures achievements against objectives.
- > The formulation and updating of forward estimates informed the development of the third successive budget. Forward estimates—a key component of the Government's Medium Term Expenditure Framework—contribute to the transparency of the budget planning process.
- > National guidelines on internal control systems have been officially adopted by the GoP and are initially being rolled out in the DPWH and DepEd to improve accountability and transparency in managing line agency budgets. The DPWH and DepEd are two of the GoP's biggest spending departments and are important partners for the Australian aid program.

- > At the sub-national level, planning and budget system baselines were established for seven provinces, paving the way for better local governance and the implementation of Australia's \$100-million provincial roads maintenance program in the Southern Philippines. Provinces have to meet specific PFM and budget criteria to be selected for the program.
- > Improved capacity of local government units to plan and implement development projects through the PALS program and PACAP (through the Focal Community Assistance Scheme).¹⁵

Commitment to PFM reform is largely concentrated in the budget planning sections of the DBM. Improvements in budget planning are not flowing through to more effective budget expenditure.¹⁶ Some significant flaws in the system remain, such as the ability to reconcile actual expenditure with planned expenditure. This is the case at national and sub-national levels. Reform of budget execution involves wrestling with complex issues. Australia supports the GoP in its efforts to foster widespread acceptance of the need for organisational change and reform in crucial areas of PFM, such as budget execution.

In this regard, a targeted approach is best when rolling out OPIF-style reforms across the GoP—to prompt key agencies to address systemic weaknesses and help progressively build acceptance for the need for reform of budget planning and execution. The aid program needs to improve its targeting going forward.

A lack of coordinated donor support in this area also undermines results. AusAID is leading efforts to bring greater harmonisation to PFM support and sharpen the focus on budget execution issues. Collaborating with other donors should achieve greater impact for Australia's relatively modest contribution in PFM.

Estimated expenditure

It is estimated that approximately 11 per cent of the 2008-09 budget will be spent on PEGR, with approximately three per cent on public financial management (Objective 1).

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

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

The level of infrastructure investment in the Philippines is quite low compared to other countries in the region yet transport-sector reforms are critical to enhancing the country's economic competitiveness, attracting investment and developing export industries.

¹⁵ Philippines – Australia Local Sustainability (PALS) Impact Assessment 2008; PACAP Internal Quality Audit Report 2008.

¹⁶ Success in improving budget planning but not budget execution is reflected in global experience. For example, see World Bank's Independent Evaluation Group *Public Sector Reform: What Works and Why?* (2008).

Progress against this objective varies between national and sub-national levels. Assistance at the national level targeted substantial reforms, but not all PAF targets for 2008 were fully achieved. The business processes developed with AusAID support have not been fully adopted or implemented.

Analytical products developed through AusAID's economic governance program provided technical solutions to improve national infrastructure policies in these key areas:

- > a framework for national transport policy planning (e.g. resource allocations, pricing and subsidies, competition, regulation and enforcement)
- > a regulatory solution to the problem of truck overloading
- > a regulatory and institutional framework to encourage private investment through transparent public private partnerships (PPP).

Implementation of these products by the GoP would:

- > coordinate transport planning at the national level to ensure links across transport modes (road, rail, sea and air)
- > encourage greater private sector investment in toll roads
- > preserve national roads by reducing overloaded truck traffic, which deteriorates road quality and requires costly maintenance.

The technical foundations for change have been laid and AusAID's active engagement in Philippines Development Forum (PDF) working groups (e.g. infrastructure and decentralisation), and close collaboration with other donors, particularly the World Bank, will encourage uptake of recommendations. Decisions from the national Infrastructure Committee have now paved the way for the next steps on developing a framework for national transport policy planning and addressing the problem of truck overloading. But on both agendas there is much more to do. Efforts to improve transparency in major road projects through the PPP framework have yielded less progress. Signals remain mixed regarding the GoP's commitment to real reform in this area. Further progress to improve accountability, transparency and the quality of national infrastructure investment will continue to be challenging.

The DPWH and the National Economic and Development Authority (NEDA) have created line items in the 2009 budget for business-case development and value engineering to support quality infrastructure projects. Australian capacity-building support to the civil society organisation Road Watch promises to encourage transparency in the roads sector with the release of their first 'report card' (scheduled for April 2009). Greater transparency should also enhance the quality of public investment in roads across the Philippines. The DPWH has also signed onto a package of robust integrity measures, including oversight of all World Bank loan-funded procurements by an independent procurement evaluator and the establishment of an internal audit unit and independent audits. AusAID is providing technical assistance in all of these areas. Indeed, the support AusAID provided through PEGR in 2007 and 2008 for additional governance and integrity measures was vital in getting World Bank approval in May 2008 for the Philippines' second roads project loan.

Good progress was also made at the sub-national level. Significant preparatory work was completed for the PRMF in the Southern Philippines. All but one PAF target was met during the period.¹⁷ Seven provincial level assessments were undertaken of a range of issues

¹⁷ The signing of Memoranda of Agreement with the two partner provinces was postponed due to administrative delays (but has since occurred in May 2009).

including: public expenditure management, road network planning, provincial capacity and risk issues and environmental and peace and conflict issues. The resulting baseline information will inform implementation and strengthen the aid program's understanding of sub-national government systems. Progress to date means that preparing for tendering and implementing provincial roads maintenance contracts is 'on track', with sub-national results achievable in the next APPR cycle and the life of the current country strategy. This progress encourages AusAID to continue to focus Australian aid at the sub-national level.

Estimated expenditure

Around 11 per cent of the Philippines 2008-09 budget will be spent on PEGR, and more than six per cent on infrastructure (Objective 2). PRMF expenditure to date has focused on the design of this new initiative.

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 targeted provinces

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

With the exception of the Australian Centre for International Agricultural Research's (ACIAR)¹⁸ projects in fruit and vegetable value chains the Australian aid program currently does not pursue programs with a specific agricultural focus and AusAID has been rethinking its approach to the rural sector.¹⁹

It is becoming clear that significant progress against this objective will not be achieved by limited, niche interventions. There is undoubtedly a place for such small-scale activities, and for the 'legacy' community development projects (e.g. PALS and PACAP) that pre-date the current country strategy and which have provided some tangible results in their target communities. However, AusAID needs to consider the continuing relevance of this objective as the Agency moves to consolidate and focus Australian aid efforts in the Philippines into the next country strategy period.

The two community assistance activities, PALS and PACAP, progressed against PAF outcomes and continued to provide tangible results to poor communities and households. For example:

¹⁸ ACIAR is an Australian Government statutory authority that operates as part of Australia's aid program within the Foreign Affairs and Trade portfolio. ACIAR's program in the Philippines focuses on the poorer areas of Mindanao and the Visayas. Improving collaboration with Philippine partners, including farmer and community groups, to take up research findings in land care and land management is a major priority. See www.aciar.gov.au/country/Philippines

¹⁹ For example, the Southern Philippines Road Maintenance Support Program (SPRMP), to begin implementation during 2009, aims to facilitate more effective access from farms to markets through a comprehensive approach to rehabilitating the provincial road network.

- > increased community access to key services in Misamis Occidental (through PALS): 54 communities (9160 households) now have improved access to water—up from 13 communities (2639 households) in 2007; 43 681 households now have infrastructure support (including roads, post harvest facilities, community halls, water supply facilities), compared with 5409 households in 2007.
- > increased community livelihoods (through PACAP): in 2008, PACAP maintained its rate of increasing productivity by an average of 80 per cent for almost half the agriculture projects supported; improved market access enabling an average increase in household monthly income of 84 per cent for agricultural beneficiaries; achieved a 104 per cent median increase in monthly returns of small enterprises; provided more than 16 200 households with improved access to potable water.

ACIAR's vegetable value-chain project, which trials new growing and marketing techniques in pilot communities in the Southern Philippines, has shown promising results at local level for reducing production costs and increasing the quality, prices and markets for farm produce. In Maragusan, Mindanao, a group of farmers are producing organic compost, which they then sell to other farmers at a significantly cheaper price than inorganic fertilisers. A notable economic impact of the project so far is the move by farmers in Marilog, Davao, to transact directly with a buyer in the Bankerohan wholesale market rather than through a middle supplier. As a result, farm-gate prices have increased by 80 per cent.

The lessons learned from AusAID's long-term programs are feeding into other program areas. For example, PALS is piloting the contracting out of road rehabilitation, generating lessons for the implementation of Australia's provincial roads maintenance and governance program in the Southern Philippines. Evidence is emerging that the community-based activities of PACAP and women's empowerment gains are helping to build and sustain conditions for peace at the community level in conflict-affected areas.²⁰ AusAID will feed the lessons from these interventions into a planned multi-donor evaluation of community-based interventions in conflict-affected areas.

During 2008, in partnership with the World Bank, Australia helped the GoP strengthen its conditional cash transfer program, the *Pantawid Pamilyang Pilipino Program* (4Ps). The program provides direct cash transfers to the poorest households provided those families ensure their children go to school and receive regular health checks and immunisations. Such cash injections help to cushion the impact of the global recession among the poorest Filipinos for whom, when household income shrinks, it can be increasingly difficult to find sufficient cash to pay for health and education for all family members.²¹ Australia's support has assisted the GoP develop and refine the national household targeting system (so cash transfers go only to the needy households) and other accountability mechanisms. These mechanisms could be used to improve the quality of other social welfare programs in the Philippines, many of which do not reach the neediest.

Support for local governments to increase their revenue base and allocation for development spending also contributes to this objective. Engaging with reform-minded local government units through the land administration management project (LAMP2) is enabling more dynamic, transparent local economies. LAMP2 provided modest grant resources to

²⁰ PACAP milestone report (December 2008).

²¹ The CCT program also supports achievement of the MDG targets for health and education because the payments are linked to education and health outcomes.

competitively-selected local government units in initiating tailored land administration and management reform to enhance local revenue collection. Early results suggest an average increase in revenue collection of 13 per cent. PALS helps communities lobby their local government units to become more active sponsors of local development. However, the ability of the local governments to broaden their revenue base and manage development funds remains 'modest'.²²

Estimated expenditure

PACAP (\$7.3 million), LAMP2 (\$7.2 million) and PALS (\$3.6 million) together contribute to 29 per cent of estimated expenditure for 2008-09.

Objective 4:

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

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

AusAID is a major supporter²³—in partnership with the World Bank—of the GoP's Basic Education Sector Reform Agenda (BESRA).²⁴ AusAID support targets improvements in service provision efficiency—through better DepEd policy and strategic goal setting, budgeting and financial management, institutional reform, human (teacher) resource management and data management—at all levels, from central office to school level management.

Despite some progress against PAF targets (results below), and better coordination and coherence around BESRA's implementation, the February 2009 BESRA Fourth Joint Implementation Review Mission joint review of BESRA highlighted significant ongoing challenges. Poor budget planning and execution is one issue limiting prospects for significant widespread rollout in the short to medium term. To assist the DepEd develop and deliver policy, two projects—BEAM and Strengthening Implementation of Basic Education in Selected Provinces in Visayas (STRIVE)—have strengthened their collaboration with DepEd's central office over the past year, providing assistance to BESRA Technical Working Groups (including School Based Management (SBM), teacher education, quality assurance, and resources mobilisation and management). However, DepEd central office links with regions and divisions are not yet strong enough to support sub-national levels to implement BESRA policy and strategy to effect positive change in education delivery (and ultimately education outcomes) at the local level. In light of these challenges the rating for this objective has been downgraded this year.

²² PALS impact evaluation (October 2008).

²³ While education is an important sector for AusAID, the Agency's funding represents only about 0.7 per cent of DepEd's total budget. Nonetheless AusAID support is valuable because 85 per cent of DepEd's own budget is allocated to teacher and staff salaries. As the global recession squeezes government spending on education, the allocation for non-salary expenses will only further decrease.

²⁴ BESRA aims to address the declining quality of education delivery and standards and help the GoP meet its Education for All and MDG 2 targets.

Nevertheless, some results have been achieved against the PAF targets for the objective. Under BESRA, for example, there has been a marked increase in implementing SBM in focus regions (with high levels of poverty). This is providing greater autonomy in planning and resource allocation to divisions and schools. During 2008, a number of SBM tools were successfully developed and tested with support from AusAID projects (BEAM and STRIVE) and programs (SPHERE or Support for Philippine Basic Education Reforms). Through STRIVE, for example, AusAID assisted with field testing and refining the DepEd's National Quality Assurance framework, used to assess the quality of SBM implementation in schools. An initial 400 elementary schools were assessed as SBM-ready in 2008, with quality-assured School Improvement Plans and demonstrated ability to manage funds accountably.

With support through BEAM, the new Human Resource Information System was finalised and piloted in 2008 in four regions to streamline allocation and management of teacher resources. As a result, the system was refined and planning finalised to roll it out nationally in 2009.

AusAID's Performance Partnerships program stimulated reforms in the DepEd by allocating funding to schools for maintenance and other operating expenses. In 2008 AusAID supported research into a pro-poor allocation of financial resources which resulted in the development of a formula-based allocation system. DepEd has agreed to use this in its 2010 budget proposal.

Despite achievements, DepEd's financial management capacity remains weak. However, with AusAID support, DepEd continued to improve its financial management capacity by establishing (with assistance from PEGR) internal audit and internal control systems and planning for engaging an AusAID-funded PFM adviser in DepEd (to be appointed during 2009). A public expenditure review of DepEd jointly managed by the World Bank and AusAID began in late 2008.²⁵ Joint AusAID – World Bank research in 2009 will target public financial management in the education sector at the national and sub-national levels. DepEd has indicated its intention to restructure regional and divisional roles and responsibilities during 2009 to ensure more effective transmission of budget allocations. During 2008 STRIVE supported three regions to develop models for change management restructuring. DepEd is reviewing these before broader testing and roll out in 2009.

2008 saw increased donor harmonisation in the education sector. This was, in part, demonstrated by the February 2009 joint BESRA review which involved significantly wider donor participation. This is playing an important role in further engaging the GoP on critical reforms. However, with the potential interest of the Education Secretary to run for the Senate in 2010 and the demanding role education officials play in the conduct of elections, progress on BESRA may remain modest in the short term. Continued and concerted discussion on the pace of reform in DepEd and a commensurate level of targeted technical assistance will be required to maintain momentum on BESRA, and on PFM issues in particular.

Estimated expenditure

Funding to the sector through SPHERE (\$11 million) constitutes about 11 per cent of program funds for 2008-09. STRIVE (\$7 million) constitutes around seven per cent and BEAM (\$10 million) around 10 per cent. In total the education pillar (including Performance Partnership funding of \$8 million) represents approximately 40 per cent of program funds.

²⁵ Phase one will be completed in October 2009. A second phase is planned to start in November 2009.

Objective 5:

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

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

Concerns that MDG 2 and the GoP's 'Education for All' targets will not be met hold true for groups with traditionally less access to a quality education, notably those living in the southern part of the country and from Muslim and Indigenous communities.²⁶ Through BEAM and STRIVE, AusAID continued to successfully support and strengthen service delivery in targeted regions in Mindanao and the Visayas, improving education opportunities for some of the Philippines' most disadvantaged children.²⁷

To improve education outcomes, Australia has enhanced the quality of teaching by strengthening training and planning for teachers' professional development. With BEAM assistance, the DepEd has adopted the National Competency Based Teaching Standards. In 2008, with these standards as a guide, BEAM provided extensive teacher training in Mindanao (including ARMM) to more than 13 500 primary maths, science and English teachers. More than 900 teacher trainers and supervisors were also trained and learning materials developed. To apply the standards to teacher training needs, the DepEd asked STRIVE to develop and trial a Teacher Needs Analysis tool to assess gaps in teachers' skills. This was trialled during 2008 by about 9000 teachers in 716 schools. Given the trial's success, the aim is to roll out the tool nationally.

With support from the HRDF, 113 middle level managers from central, regional and divisional offices completed customised short-term training courses in project management, with 130 more to start training in May 2009. The HRDF also continued to support DepEd staff in post-graduate studies. Two have completed Masters degrees in human resource management and five are pursuing Information Technology Education courses in Australia.

Classroom construction in Mindanao and the Visayas funded under SPHERE also supports this objective by targeting areas of greatest need. Although no PAF target was specified for 2008, progress was significantly off track at the beginning of this year, with only seven classrooms constructed out of the 209 to be built by the end of 2009. At this rate of progress the 2009 milestone will not likely be met although following concerted effort and discussions there are now encouraging signs that progress is picking up.²⁸

²⁶ Declines in education standards have been most marked in the poorest parts of the country and among marginalised groups, mainly the Muslim and Indigenous communities (Muslim and IP Education Facility Design 2009). See also the 2009 Education for All Global Monitoring Report: <http://www.unesco.org/en/education/efareport/reports/2009-governance/>

²⁷ This support represents coverage of 25 per cent of the total number of schools in these provinces (combined) and 14 per cent of the total number of schools in the Philippines. BEAM covers 48 per cent of schools in Mindanao and STRIVE one per cent of schools in Visayas.

²⁸ Thirty-three classrooms were completed between January and April 2009. A further 98 are being built and tendering is underway for the remainder.

BEAM supports the delivery of quality education to Muslim children in government schools and private Madrasah. It supported the development of the Unified Madrasah Curriculum (the Basic Education Curriculum plus a Muslim values and Arabic language component), and is helping Muslim teachers and schools reach DepEd-accredited standards. This makes Madrasah eligible for government funding (grants of PHP5000 per student).

In 2008 these PAF targets were met:

- > an additional six full-time Madaris received DepEd accreditation, bringing the total to 37
- > 334 Asatidz (Muslim teachers) with no previous professional education qualifications were assisted to achieve a degree in Bachelor of Elementary Education (Islamic Studies and Arabic Language)
- > 63 Asatidz have now passed the licensure exam and are eligible for permanent positions in DepEd schools as Arabic language and Islamic values teachers.

AusAID support to UNICEF in 2008 enabled progress against milestones in 10 target provinces in Mindanao:

- > 2344 schools (81 per cent of the PAF target) adopted the Child Friendly School System, implementing a student tracking system, SBM and alternative delivery modes. Fifty-seven per cent of these schools improved performance in at least two of the three education indicators—National Achievement Test, cohort survival and net enrolment.
- > 4381 public day care centres (88 per cent of the target)²⁹ were supported to provide early childhood care and development to more than 200 000 boys and girls. Delivery of Home-based Early Childhood Care and Development Services to the most disadvantaged children (urban poor and inaccessible rural communities) increased by 132 per cent to 487, far exceeding UNICEF's target of 210.

Sporadic conflict in Muslim Mindanao escalated in late 2008. BEAM's program in ARMM proved sufficiently flexible and there was minimal impact on implementation. During 2008, BEAM produced a draft development plan for basic education in ARMM. This built on the work started by the ADB, BEAM's own experience in ARMM and the work of other donors and the GoP.

BEAM will finish in its current form in November 2009. In 2008 AusAID designed a new initiative to progress work in Muslim and Indigenous people's education in support of the GoP's policy directions under BESRA.

Estimated expenditure

STRIVE (\$7 million) and BEAM (\$10 million) together account for around 17 per cent of estimated expenditure in 2008-09. UNICEF expended 25 per cent (\$0.76 million) of Australian funding on education activities during 2008 (of this: 47 per cent on Child Friendly Schools; 31 per cent on Early Childcare and Development; and 22 per cent on basic education).

²⁹ The Early Childhood Care and Development target was incorrectly cited in AusAID's PAF, and will be remedied in the next update. UNICEF's 2008 target is 5000 centres (thus 88 per cent met).

Objective 6: Mindanao peace processes reinforced by more effective participation by communities and institutions

Rating

■ *The objective is unlikely to be achieved within the timeframe*

Assessment of results and performance

Australian aid has made some positive contributions to community engagement in peace processes and there has been progress against the majority of PAF milestones. However, it is difficult to say this has translated into genuine progress against this objective or reinforced, in a major way, formal peace processes. The stalling of government peace talks³⁰ with the MILF and consequent increase in conflict has led to a downgrading of this rating. The security situation is unlikely to improve and the prospects for securing a peace agreement remain slender before the 2010 elections.

Despite a significantly deteriorated security environment and the absence of peace talks, there were some notable achievements. In the Action for Conflict Transformation (ACT) for Peace Programme, 85 per cent³¹ of the 256 Peace and Development Communities (PDCs) are in the most advanced stages in a six-stage community development process (driven primarily by former MNLF rebels turned peace and development advocates). Through the program, these communities have improved inter-ethnic, inter-faith and intra-faith understanding and cooperation as effective vehicles for conflict management. The ACT for Peace Programme's 2008 annual report data provides evidence that most PDCs were also able to preserve peace, with the residents themselves employing direct negotiation with local MILF leaders and the military in maintaining peace.

In January 2009 an independent review of completed projects of the Mindanao Trust Fund (MTF) to 2008 noted that the fund has promoted a participatory process in various phases of project conceptualisation, implementation and management. An assessment of whether community-driven approaches promote peace will be undertaken in 2009-10 by development partners in the ACT for Peace Programme.³²

A framework for AusAID engagement in conflict-affected areas in Mindanao is in an advanced stage of development. The framework is designed to make coherent AusAID's (and potentially other development partners' and GoP agencies') ongoing support for peace and development in Mindanao. In developing the framework, AusAID updated its peace, conflict and development analysis and developed a draft programming and resource plan.

Other AusAID programs are also active in conflict-affected areas. Thirty-three PACAP projects, for example, are being implemented in these areas, 21 in ARMM. Two-thirds have directly contributed to reducing conflict by promoting participatory governance. They have done so by implementing community development priorities such as micro-enterprises and literacy. BEAM has also strengthened community participation in managing schools and increased

³⁰ In the next country strategy AusAID will consider if it is sensible to tie objectives to the broader peace process over which the Agency has no control.

³¹ This exceeds the original PAF target of 60 per cent.

³² In 2009 planning is underway between the Mindanao Economic Development Council, the UNDP and interested donor partners (including AusAID), with the assessment to happen by late 2009 or early 2010.

access to education for former rebel MNLF combatants. The HRDF is providing capacity development to the government agencies overseeing and coordinating peace, development and investment efforts in Mindanao. The Fund, for example, supported the Office of the Presidential Adviser to the Peace Process to develop a business process integrating a peace and conflict impact assessment, a gender analysis and an environmental impact assessment. Efforts to increase synergies among AusAID programs, and with other donors, are aiming to improve program delivery. For example, the European Commission contributed €3 million in 2008 to complement ACT for Peace Programme's efforts supporting internally displaced persons in 14 provinces.

Estimated expenditure

Peace and conflict programming (excluding BEAM, PACAP, PALS and Philippines – Australia HRDF) for 2008–09 is around \$6.5 million, or nearly seven per cent of the anticipated total program expenditure.

Objective 7: Enhanced basic services and livelihoods in conflict-affected communities

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

Despite an insecure operating environment strategic interventions were made in enhancing basic services and improving livelihoods in the targeted conflict-affected communities. Efforts were affected by weak governance systems, increasing poverty³³ and security issues, which are expected to continue to affect the sustainability and effectiveness of AusAID's relatively modest support—given the extent of the need. The rating for this objective remains at amber.³⁴

In 2008 community engagement in the ACT for Peace Programme's PDCs, the MTF and PACAP demonstrated³⁵ improved livelihoods for marginalised and disadvantaged communities and improved community access to basic services. AusAID provided support for infrastructure to pursue agricultural livelihoods, health care and reproductive health services, and potable water systems were provided. In all programs women continued to play a major role, particularly in microfinance and social credit efforts.

The January 2009 MTF review concluded that, to 2008, completed projects in MTF pilot communities had improved household earnings. User fees were collected for water-system

³³ The Mindanao Working Group Issues Paper for the 2008 PDF reported poverty is worsening in Mindanao, particularly in conflict-affected and conflict-prone areas (using data from the World Bank and GoP National Statistics Office sources).

³⁴ As with Objective 6, the ambition and expression of this objective will be addressed during preparations for the next country strategy.

³⁵ ACT for Peace 2008 annual report; MTF 2008 quarterly and annual reports and January 2009 Impact Assessment; PACAP 2008 annual report.

projects and time saved in fetching water, freeing people to pursue more productive activities. Also in 2008, improved pathways enabled communities to get products to market at less cost. Post-harvest losses were reduced with the construction of warehouse storage facilities. The provision of solar driers also helped, by improving the quality of corn and palay produced in the MTF sites. Community and training centres built with MTF support now provide venues for communities and local organisations to meet and organise revenue generating activities using the facilities.

HRDF short-term training helped the Mindanao Economic Development Council identify and write proposals for several livelihood projects. One, a muscovado sugar processing project, was picked up for funding by the Government of Japan (PhP1 million) enabling local producers to supply large companies in Manila and Davao.

The ACT for Peace Programme's 2008 annual report also concluded that:

- > all 256 PDCs completed *Barangay* development plans prioritising livelihood and basic service requirements
- > 57 *Barangay* health stations have been constructed, servicing 18 719 vulnerable people
- > 16 849 families have access to potable water systems
- > 9489 community members have benefited from community enterprises, including agri-fishery.

Sarangani Province has replicated the ACT for Peace Programme's PDC approach using funds from local government units to support community development and livelihood activities in 68 communities.

Estimated expenditure

Peace and conflict programming (excluding BEAM, PACAP, PALS and Philippines-Australia Human Resources Development Facility) for 2008-09 is around \$6.5 million, or nearly seven per cent of the anticipated total program expenditure.

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

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

During 2008 AusAID reviewed its strategy for engaging in health, updating it to more strongly focus on maternal health, including maternal mortality reduction and reproductive health³⁶, and supported the GoP and UN partner agencies to address poor progress against MDG5 (maternal mortality). AusAID supported UN collaboration on a joint approach to MMR and provided \$1.876 million to UNICEF to pilot a joint working approach in three provinces.

³⁶ It is estimated that 25 per cent to 40 per cent of maternal deaths could be averted through effective family planning methods.

As a result, UNICEF, UNFPA and WHO worked with the Philippines' DoH to develop a GoP policy framework for the rapid reduction of maternal and neonatal mortality. The UN agencies involved signed a Memorandum of Understanding to harmonise efforts. However, as this approach is new, its effect on MMR outcomes remained untested in 2008. Also, at the time of writing, some important 2008 data from AusAID's UN implementing partners was not available and so progress against all PAF indicators could not be determined. Thus, the rating for this objective remains as partially achieved.

Through UNICEF and UNFPA, AusAID supported selected local governments to strengthen maternal and child health care delivery systems. In 2008:

- > teams from 54 health facilities from selected provinces in Mindanao and Visayas were trained to GoP standards in basic emergency obstetric and newborn care
- > approximately 650 rural midwives received training on community-managed maternal and newborn care
- > about 145 health facilities received equipment and supplies for emergency obstetric care.

Results from the 2008 GoP and UNICEF surveys on skilled birth attendance and facility-based births are not yet available. In general, the quality and timeliness of data, particularly on maternal mortality and reproductive health, needs improvement. It is important that the new joint UN program addresses this issue and its impact on AusAID's reporting requirements, while accepting that the Agency does not want to burden partners with too many additional requirements. AusAID assistance was re-assessed in the year to sharpen the focus on improving monitoring and evaluation and encourage greater use of government data as systems improve.

While advocacy from influential conservative groups can make policy reform and program implementation of reproductive health initiatives challenging, AusAID's support for UNFPA advocacy projects helped raise and maintain public and political awareness on the need for policy reform. Support in Congress for a Reproductive Health Bill to be passed grew during 2008. This legislation would ensure national government funding for family planning (including contraceptives) and promote information and access to services³⁷, but its passage is not guaranteed.³⁸

In spite of this, AusAID's support through UNFPA in 2007-08 contributed to a two to three per cent increase in the contraceptive prevalence rate in selected provinces, including the ARMM. In 2008 the GoP substantially increased its budget allocation for reproductive health services and commodities from PhP150 million in 2007 to PhP2 billion. However, responsibility for reproductive health services is largely delegated to local government level and there is concern that local government units may not be able to effectively access national funds to purchase and distribute commodities. This will constrain larger improvements in the contraceptive prevalence rate CPR. Continued AusAID support will help UNFPA strengthen the capacity of local government units to access funds and implement family planning and reproductive health activities.

³⁷ It also covers, for example, promotion of breast feeding; prevention of abortion and management of post-abortion complications; HIV and sexually transmitted infections; violence against women; breast and reproductive cancers; infertility; male participation in reproductive health; and adolescent health.

³⁸ As of May 2009 the bill is seven votes short of majority support in Congress, and is unlikely to pass the Senate. The Catholic Church is strongly opposed and has historically campaigned against political aspirants supportive of modern contraception. In an election period most would not risk antagonising the church.

Malaria³⁹

With AusAID support WHO's Roll Back Malaria partnership continues to have a positive impact. In 2008, research led to improved GoP policy and guidelines on the diagnosis and treatment of malaria. While data is not yet available upon which to assess progress against the 2008 PAF indicators, AusAID is confident the incidence of malaria will continue to reduce as it has consistently since 2004 (32 per cent reduction in cases, an 85 per cent reduction in deaths and a reduction in the provinces with endemic malaria from 22 to nine).

With AusAID funding WHO reoriented Roll Back Malaria into a collaborative approach, with DoH and other partners, in support of the National Malaria Program. This will improve implementation effectiveness and reduce duplication through joint planning, monitoring and review.

Estimated expenditure

In 2008-09 estimated expenditure on the health objective is around \$4.1 million—UNICEF (\$3.31 million for health components of their country program and for specific support to MMR), UNFPA (\$0.23 million) and WHO's Roll Back Malaria (\$0.56 million). This represents around four per cent of total program expenditure.

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

Rating

■ *The objective is on track to be fully achieved within the timeframe*

Assessment of results and performance

This rating has improved, with good progress made in 2008 against PAF milestones. Outcomes were better than expected, in part because a number of separate projects were consolidated into a single program approach with stronger links between activities and implementing partners. During the year key baselines and milestones were set, training undertaken, and planning and processes developed with collaborating partners and donors. This promising start has led AusAID to assess this objective as fully on track.

Australia supported the multi-agency Hazards Mapping and Assessment for Effective Community Based Disaster Risk Management (READY) Project to collect baseline data and develop tools to help local government address natural hazards. In conjunction with the Philippine National Red Cross, Australia helped communities adopt hazard mitigation measures. AusAID developed a strategy in 2008 to better draw upon expertise within the Australian Government, principally through GeoSciences Australia and the Bureau of Meteorology. Government agencies involved in READY partnered with Geoscience Australia to introduce climate change vulnerability modelling.

³⁹ Pregnant women, children and Indigenous population groups remain the most vulnerable to malaria. Under the new strategy AusAID will ensure malaria control interventions are integrated into maternal health services to increase their effectiveness and efficiency.

In 2008, the AusAID team in Manila were active in strengthening donor coordination. This has already translated to better information sharing (use of READY maps) and will enable better targeted emergency responses and effective community preparedness and resilience to natural disasters. The hazard maps are also being used by other AusAID initiatives, including provincial road maintenance and classroom construction.

During 2008, a gender assessment of disaster preparedness and response found these initiatives rated very low on gender equality. The results of a workshop held with the READY Project and its partners are being used to determine activities needed to target gender mainstreaming and introduce gender-sensitive reporting.

Existing Philippine legislation on disaster management focuses on emergency response only. If passed, a new bill introducing disaster risk management into the current emergency framework will considerably enhance the effectiveness of disaster management and risk reduction.

Estimated expenditure

The disaster preparedness objective is supported through funding managed by AusAID's Humanitarian Policy Section. For 2008-09 estimated expenditure is approximately \$1.3 million or about one per cent of the total program.

Objective 10: Improved capability of law and justice institutions, particularly to counter threats from trans-national crime including terrorism

Rating

■ *The objective will be partly achieved within the timeframe*

Assessment of results and performance

The activities currently supported under this objective focus on building the capacity of GoP institutions responsible for maritime security. This rating was upgraded because of the significant increase during 2008 in the collaboration and cooperation among many GoP partner agencies (including the Office of Transportation and Security, the Ports Authority, the Customs, Immigration, Quarantine and Security (CIQS), fisheries, the Philippines' armed forces, and the police).

The Philippines-Australia Port Security Capacity Building Project, supported by AusAID and the Australian Department of Infrastructure, helped the Philippine Ports Authority conduct a live training exercise at Cebu Port, showcasing the participating agencies' improved capacity to coordinate a response to maritime security threats. The project has now helped implement in full the International Shipping and Port Security Code at 100 international ports in the Philippines. Training conducted with the Indonesian maritime authorities further improved relationships across the border of Indonesia and Mindanao and increased regional cooperation on counter-terrorism and maritime security. The Strengthening Brunei-Indonesia-Malaysia-the Philippines East ASEAN Growth Area (BIMP-EAGA) Project facilitated joint exercises for CIQS officers from Malaysia and the Philippines in the

international waters between the two countries to test operating procedures. The port security project and BIMP-EAGA both end in 2009. Sustainability of the capabilities the projects have helped develop will be affected if legislation is not passed to ensure the annual budget allocation from the GoP needed to enable the Office of Transport Security to pursue its mandate.⁴⁰

Estimated expenditure

Expected 2008-09 expenditure on this objective is around \$0.82 million for the port security project, representing approximately 0.8 per cent of total program expenditure. The final payment for the BIMP-EAGA project occurred in the previous financial year, in June 2008.

⁴⁰ Without legislation, the budget is ad hoc and funded from savings or reserve funds from its mother agency, the Department of Transportation and Communications.

3 What is the quality of our aid activities?

Implementation and strategy delivery

The 2007 APPR identified the need to realign the country strategy to reflect changes in the Australian Government's priorities, the growing global recession and the challenges faced with reform in the Philippines which impact on the achievement of AusAID objectives. Broad parameters for this realignment exercise and key areas for further analysis were identified in 2008 and will be discussed with AusAID's Parliamentary Secretary and Minister later in the reporting year.

The program continues to consolidate with the winding up of a number of legacy projects, including BEAM, PALS and LAMP, in the next 12 months. The program also continued to move towards using new delivery methods—program, sector and facility—that will better integrate objectives and activities with partner priorities. Partnerships continued to develop with the World Bank in delivering sector programs in education and infrastructure. In 2008 AusAID formulated a new approach for health, focusing on maternal health and reproductive health, along with an engagement strategy for Mindanao. Once they have been quality assured these will begin implementation during 2009.

Performance and quality

The Philippines program continues to maintain a high level of compliance with quality processes (100 per cent with all mandatory processes recorded for the last quarter of calendar year 2008). The number of initiatives monitored increased from 17 to 19 and in 2008 the program trialled rating gender at entry and during implementation.⁴¹

The majority of monitored initiatives achieved satisfactory ratings (at least 4 out of a possible 6) for all categories of performance at implementation. Even with good scores for initiative-level implementation, and the achievement of many 2008 initiative-level annual milestones, the increasingly challenging operating context in 2008 prevented the achievement of the higher order country strategy objectives.

Unsatisfactory implementation ratings (3 or below) are in the categories of sustainability (31 per cent rated as less than adequate/needing significant work) and monitoring and evaluation (16 per cent). These percentages, however, improved over the previous year (47 per cent and 41 per cent respectively). Quality at Entry (QAE) reports for designs of new initiatives during 2008 all achieved ratings of 4 and above, including for sustainability and (barring one) for monitoring and evaluation (M&E) frameworks. In response to a low

⁴¹ Gender will continue to be rated and results recorded in Aidworks when the new QAE and Quality at Implementation (QAI) templates allow.

QAE score (3) for M&E for Roll Back Malaria, steps were taken to improve the framework before the program began. It received a 4 in its first QAI report.

These ratings exemplify the quality of the M&E work undertaken in 2008. AusAID funded technical support for the production of a harmonised M&E framework for the national malaria program and its partners (DoH, WHO and the Global Fund to Fight Aids, Tuberculosis and Malaria). The framework has been submitted for approval and adoption by the DoH.

Funded by AusAID, the Mindanao Working Group (donors, civil society and government) is developing a joint Peace and Conflict M&E Framework which will be trialled in 2009.

In 2008, some weaknesses in M&E were identified as needing attention throughout 2009. UNICEF's Sixth Country Program for Children (CPC6) program has worked hard over the last three years to improve performance information but continues to struggle with a complex M&E structure that cannot identify program impact. Further work is required to harmonise systems with AusAID and GoP requirements, including with the new joint MMR program. In education, the enormous challenge of working with a complex information system has made progress slow in getting useful monitoring and reporting data. PEGR also needs to improve its reporting systems. The diverse nature of AusAID's program makes attribution difficult when working with reforms to government systems, and more discrete pathways are needed to better illustrate contribution. Significant work is required to get this right in the lead-up to further governance work in 2009. The commitment to using government systems is important given the commitment to the Paris Declaration agenda. It will, however, need more resources than anticipated.

Significant work was undertaken to improve the country strategy's PAF. Annual progress milestones against strategy objectives were developed and used by AusAID as part of this APPR. Further refinements will be made during 2009 based on lessons learned using the 2008 milestones. The PAF was refined to make indicators and objectives more gender sensitive. Also building on work started in 2007-08, incorporation of anti-corruption and Paris Declaration issues into the PAF will be strengthened during 2009.

Quality at Implementation results 2008

	Start date	End date	Total Financial Management and Accountability (FMA) Act 9	2008-09 planned expenditure	Implementation progress	Achieving objectives	Monitoring and evaluation	Sustainability
Support to WHO's Roll Back Malaria program	1 May 2008	30 June 2001	5 008 000	566 000	Green	Green	Yellow	Green
Support for population initiatives (UNFPA)	29 Oct 2004	31 Dec 2009	2 853 464	230 591	Yellow	Yellow	Yellow	Yellow
Philippines Anti-Corruption Initiative	16 Jan 2008	30 June 2011	896 993	500 000	Yellow	Yellow	Green	Green
Support for Philippines Basic Education Reforms (SPHERE)	5 Jan 2007	30 June 2011	111 419 000	11 071 252	Amber	Amber	Yellow	Green
Philippines-Australia Community Assistance Program (PACAP)	4 Nov 1986	30 June 2010	76 975 057	7 336 135	Green	Green	Yellow	Yellow
Human Resources Development Facility (HRDF)	5 March 2003	20 Aug 2009	60 200 000	9 958 311	Green	Green	Green	Green
Partnership for Economic Governance Reforms (PEGR)	24 Feb 05	31 May 2010	42 482 943	11 127 214	Yellow	Yellow	Amber	Amber
Basic Education Assistance for Mindanao (BEAM)	21 April 1999	31 May 2008	53 409 501	10 237 219	Green	Green	Green	Green
Philippines - Australia Local Sustainability Program (PALS)	21 Sep 1998	30 June 2010	34 300 000	3 668 277	Green	Green	Yellow	Amber
Land Administration and Management Project Phase 2 (LAMP II)	25 Jan 2005	28 Feb 2011	31 500 000	7 170 560	Amber	Red	Green	Amber
Australian contribution to UNICEF's Sixth Country Program for Children (CPC6)	19 July 2004	31 Dec 2009	30 236 700	5 792 774	Yellow	Yellow	Amber	Amber
Strengthen Implementation of Visayas Education (STRIVE)	3 Feb 2004	2 Oct 2010	20 284,245	7 036 676	Green	Green	Green	Green
ACT for Peace Programme	19 Nov 2004	30 June 2010	17 500 000	5 187 576	Green	Green	Yellow	Yellow
Philippines performance incentive partnerships	15 May 2007	30 June 2008	7 000 000	8 000 000	Yellow	Yellow	Amber	Green
Disaster Preparedness and Response Facility	2 June 2006	30 June 2011	8 711 000	1 316 000	Yellow	Green	Yellow	Green
Supporting Peace in Mindanao (SPIM)	15 June 2005	30 June 2011	4 549 732	1 375 000	Yellow	Yellow	Yellow	Yellow
Emergency response	6 Jan 2004	30 June 2009	3 460 041	670 000	Green	Green	Yellow	Yellow
Mindanao Trust Fund (MTF)	3 Feb 2004	30 June 2010	700 000	0	Green	Green	Yellow	Yellow
Counter-terrorism initiative 2003-08	29 Aug 2003	31 Oct 2009	10 000 000	822 875	Yellow	Green	Yellow	Amber
Monitored initiatives	19			91 066 460				
Other initiatives not monitored				6 690 540				
Total amount				97 757 000				

Note: Most ratings are from October 2008 (or March 2008). Ratings for gender were reported to NEDA using their system. These will be translated to scores out of six in 2009 when new QAI templates allow.

Quality at Entry results 2008

	Peer review ratings approved	Total FMA9	2008-09 planned expenditure	Objectives	Monitoring and evaluation	Sustainability	Implementation and risk management	Analysis and lessons
Muslim and Indigenous Peoples' Education Facility	26 March 2009		700 000	Green	Green	Green	Green	Green
Southern Philippines Road Maintenance Support Program (SPRMP)	16 Oct 2008			Green	Yellow	Green	Yellow	Green
20								

Notes:

(1) Definitions of rating scale

Satisfactory (4, 5 and 6)

6	Very high quality
5	Good quality
4	Adequate quality; needs some work to improve

Less than satisfactory (1, 2 and 3)

3	Less than adequate quality; needs significant work
2	Poor quality; needs major work to improve
1	Very poor quality; needs major overhaul

(2) During 2008-09 the program trialled the rating of gender at entry. Both these initiatives scored 5.

Risks to sustainability

The Philippines is generally a challenging environment for the aid program. Institutional and governance weaknesses impact on the prospects for sustainability. Turnover of senior officials and reform champions within the GoP can also be an issue, especially when implementing change depends on formal direction from the top. Purely technical reforms are likely to be more easily achieved, particularly in an election year. Sustainability will depend on the new administration taking forward the reform agenda and consolidating progress to date. Ongoing risks associated with the stalled peace process and increased insecurity in parts of Mindanao remain, although the proportion of AusAID's programs significantly affected has been relatively small.

Program enabling and cross-cutting themes

Gender

A Gender Action Plan, aimed at better integrating gender considerations into program design and delivery, was finalised during 2008. Other achievements during the year included institutionalising gender analyses (including completing required GoP gender checklists) during initiative design and review. More than 80 per cent of initiatives were found to be performing well in 2008, rating Gender Responsive (more than 50 per cent) or Gender Sensitive (around 30 per cent) at both design and implementation. Some key results in 2008 leading to these high ratings are:

- > BEAM has a gender coordinator with funds for allocating partner service providers to implement their required gender strategies; female education staff in the ARMM have been supported to take up training manager roles (which had not been normal practice).
- > STRIVE has assisted the DepEd to collect and analyse gender and sex-disaggregated data; men and women are included in the school improvement planning process and are helped to identify and address gender issues.
- > Under LAMP2, a sex-disaggregated land information system is capturing social and gender data; laws and administrative processes amended through the project include that conjugal lands must be placed in the names of both spouses, that manuals of operation have clear and responsive procedures for addressing the rights of men and women equally, that Information, Education and Curriculum materials inform women of their rights over land.
- > The peace-building projects took steps to actively identify and address gender issues—the Act for Peace Programme workshopped a Gender and Development Framework for Peace and the MTF drafted a gender-responsive peace-building training manual with Islamic inputs.

The 20 per cent of initiatives with lower ratings identified, through the assessment process, where actions are required to improve performance. By applying the checklists the quality of the designs of the PRMF and the Muslim and Indigenous Peoples' Education Facility were enhanced, with both generating scores of 5 out of 6. AusAID engaged a local gender consultant during the year to work on initiative-level gender analyses and deliver gender-sensitivity training to all staff. A staff member was appointed as a gender focal point to advise on better integrating gender throughout the program.

Paris Declaration

During 2008 the Philippines' results of the OECD's 2007 Paris Declaration Survey (Annex 1) were released. Progress against indicators was variable and both the GoP and donors have raised concerns about the survey design's ability to accurately capture progress.⁴² However the GoP is yet to articulate a clear strategy to enhance aid effectiveness.

The program is in the early stages of working through local government systems. Considerable progress was made in 2008 to enhance AusAID's understanding of how these systems work. An analysis of selected provincial government procurement and financial management systems was undertaken to assess feasibility of using these systems in delivering the PRMF. Technical support will be provided to strengthen the key systems needed to underpin the PRMF's sustainability and improve service delivery.

During 2008 Australia initiated several multi-donor arrangements to reduce GoP transaction costs in working with multiple partners. These include advocating for: a multi-donor engagement strategy for Mindanao to improve aid coordination in conflict-affected regions; a joint donor – GoP partnership to strengthen public financial management at the national level; and enhanced partnerships in disaster risk reduction and emergency response. In education, health and peace building, AusAID is working to support common GoP – donor M&E frameworks. Program design and review missions increasingly include Philippine and Australian Government representatives and other donors—the most recent BESRA review, for example, included for the first time UNICEF, USAID, GTZ (the German aid program), AusAID and the World Bank.

In its 2008 report on Paris Declaration implementation for 2007, the OECD cited the OPIF that AusAID supported through PEGR as a key tool in introducing a greater focus on performance in the management of the national budget.

Partnerships

2008 saw considerable progress in the advancement of key partnerships. Negotiations with the World Bank on an umbrella partnering agreement and joint trust fund have been concluded with first use of the fund expected in mid 2009. The fund will facilitate new co-financing agreements in social protection and infrastructure. A joint fund for analytical and research work has also been established with the first grants due to be disbursed in early 2009. AusAID is pushing for and providing technical assistance to UN agencies to facilitate a coherent UN approach to MMR.

Australia is an active participant in the PDF and, in particular, the MDG (education), decentralisation, governance and anti-corruption and infrastructure working groups. In 2008, AusAID provided considerable financial and technical support to establish a strong agenda for the newly established Infrastructure Working Group.

Human resource development and scholarships

In 2008, all AusAID-funded scholarships, long- and short-term training interventions and other human resource development support, continued to be delivered in the Philippines through the HRDF. The Facility aligns its support with the change and development agendas of the institutions Australia partners with in delivering the country strategy.

⁴² This issue has been recognised by the OECD in its 2008 report.

Returning AusAID scholarship holders delivered the following notable development outputs in 2008:

- > an Eco-Tourism Framework and Development Plan for Agusan del Sur
- > Economic Regulatory Guidelines for the National Water and Resources Board
- > a Compliance Reporting System for the Bureau of Local Government Finance, to strengthen national government monitoring of local government adherence to the Manual on Real Property Appraisal and Assessment Operations
- > staff competency profiles to support the recruitment of quality personnel into the National Economic and Development Authority.

The HRDF was recognised as AusAID good practice for integrating the Australian Development Scholarships (ADS) with short-term, institutional strengthening efforts.

Anti-corruption

International measurements of country efforts to control corruption generally show a long-term decline in the Philippines' performance. The World Bank Governance Indicators show a marked decline in the country's control of corruption rating over the last decade. Similarly, the 2008 Transparency International Corruption Perceptions Index showed that the Philippines ranked 141 out of 180 countries, continuing a long-term deterioration in both raw score and relative ranking to the region. Also, the World Bank announced in 2008 that it was disqualifying seven firms from bidding for their contracts because of their involvement in the rigging of national road contracts.

This environment posed significant challenges for development partners in 2008, including AusAID, and mean rigorous risk assessments and safeguards are needed to ensure aid is delivered efficiently, effectively and transparently. With this in mind, Australia supported anti-corruption initiatives in 2008 aimed at supporting transparency and accountability in the delivery of the National Road Improvement and Management Project (Phase 2) and the Social Welfare Development and Reform Project—two large loan projects funded by the World Bank.

In 2008, work on other major initiatives advanced. Implementation of the Philippines Anti-Corruption Plan progressed with the finalisation of the National Guidelines on Internal Control Standards for the civil service, and a new partnership was formed with Procurement Watch Inc to ensure transparency and community involvement in procuring school furniture and equipment.

People with disability

During 2008, consultations were undertaken on the needs of people living with disability in the Philippines and how the Australian aid program might best assist. The Philippines program will develop an action plan in 2009, in line with AusAID's broader *Development for All* strategy. Work will commence in 2009 to identify options to support addressing the needs of people with disability in the education sector.

4 What are the management consequences of this assessment?

Management consequences of this assessment are divided into these three categories:

1. operating and country context
2. country strategy
3. program implications.

Operating and country context

Responding to the effects of the global recession will be a key consideration in the coming year.

AusAID's strategic focus on education, budgetary management and poverty alleviation remains relevant and increasingly critical for responding to the effects of the global recession. The program is heavily committed, however, and the Agency's priority will be to ensure the bulk of the budget allocated is preserved for:

- > engaging with social sectors
- > engaging with the CCT program
- > strengthening budget execution by the GoP agencies AusAID works with.

Labour-intensive public works, such as road maintenance and rehabilitation under the SPRMP will help mitigate the effects of the global recession. This major initiative is targeting the poor in rural and regional areas by creating jobs, improving access to health services, and improving access to essential social and educational facilities (by the end of the project it is projected that more than four million people will be positively affected).

AusAID will also explore ways to support the monitoring of the global recession on the poor and vulnerable. The Agency will also be responsive to requests for targeted technical assistance to support policy lending by the development banks on key economic governance policy reforms.

Undertake analysis into what drives reform in the Philippines

AusAID needs to be modest in its expectations of significant reform as the Philippines enter the 2010 Presidential election cycle. In this environment, AusAID will:

- > undertake a 'drivers of change study' to look at key partner institutions and more broadly at the critical outstanding elements of the GoP's reform agenda that AusAID supports

- > examine using more incentive-based approaches to calibrate providing support with tangible progress
- > explore increasing partnerships with civil society, academia and think tanks
- > look for opportunities to contribute to analytical work—in partnership with the World Bank, key donors, government and civil society—that could inform the policy agenda of the incoming government.

Country strategy

A new country strategy that better reflects current Australian Government aid priorities will be developed and presented to the new GoP administration following the 2010 elections

Substantial analytical work will be finalised during 2009, including on the:

- > drivers of change study mentioned earlier
- > value of increasing private-sector engagement in development
- > most effective ways to strengthen public financial management in the Philippines
- > potential to emphasise the use of incentives.

The scale of the program in 2015 and beyond needs to be addressed as the country strategy is developed. This will significantly inform the extent and nature of new priorities and help the Agency decide how best to deepen and consolidate existing priorities. Guided by its finalised Mindanao Engagement Strategy, AusAID's approach will more strongly emphasise a whole-of-government approach and better coherence and harmonisation with donor partners.

The geographic focus of the current program, which focuses on Mindanao and the Visayas but not on the urban poor, needs to be examined as does the balance between national and sub-national investments.

Program implications

Key priorities for the coming year

- > **Further consolidate the program** by successfully completing legacy projects.
- > **Use lessons learned** from relevant programs ending their current phase (e.g. HRDF and PACAP) to inform and enhance designs for future work in capacity building and community development.
- > Pursue **practical donor harmonisation** in the key areas of: PFM (particularly the World Bank, ADB and IMF) and roads infrastructure (the ADB, Japan and the World Bank) and in Mindanao with the Mindanao Engagement Strategy to become operational during 2009.
- > **Increase attention to PFM** and particularly budget execution in key sectors to ensure the increasingly constrained national budget can be most effectively used.
- > **Focus the approach to the rural sector** on existing sectoral engagements (such as in rural education, health and infrastructure) instead of pursuing new sectors in agriculture

or rural industry (market linkages and value chain). This will further consolidate the program.

- > **Finalise the Mindanao engagement strategy** through a whole-of-government process and use the strategy as a basis for a more coherent Australian Government approach to Mindanao and as a potential basis for harmonising donor approaches.
- > **Implement the \$100-million PRMF.**
- > **Monitor the implementation of BESRA closely** and undertake evidence-based research and analysis to inform options (and levels) for future funding, given progress to date.
- > **Design an education program for the ARMM** and begin implementation of the Muslim and Indigenous people's Education Facility. Consider assisting the DepEd with its early childhood education program.
- > **Identify options to support addressing the needs of those with disability in the education sector.**
- > **Develop a strategy for disaster risk reduction** to make more coherent AusAID's approach, taking account of programming imperatives for climate-change adaptation.
- > **Implement the new health program strategy** to focus support on maternal health (including reproductive health) through effective partnerships with UN agencies (led by UNFPA).
- > **Make better use of the performance information** gathered through QAI reports, reviews and evaluations to identify management actions for continuous improvement and to share lessons across the program.

The deteriorating situation in Mindanao means the program must look carefully at security implications in design and implementation of interventions.

This applies to all operations in Mindanao but particularly to the program's planned expansion in the ARMM. The security situation notwithstanding, it will be important for AusAID to maintain robust development engagement, in concert with other donors, in conflict-affected areas. Not doing so could create a void which could be filled with less desirable influences.

1 Paris Declaration on Aid Effectiveness

The Paris Declaration on Aid Effectiveness, endorsed in 2005, is an international agreement to which more than 100 countries and organisations have committed. The Accra Agenda for Action was drawn up in 2008 and builds on the commitments agreed to under the Paris Declaration. Adherence to the Paris Principles and Accra Agenda actions will see increased efforts in harmonising, aligning and managing aid for results against a set of monitorable actions and indicators, with the aim of increasing aid effectiveness.

Paris Declaration Principles for joint progress toward enhanced aid effectiveness

1. Ownership—developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption
2. Alignment—donor countries align behind these objectives and use local systems
3. Harmonisation—donor countries coordinate, simplify procedures and share information to avoid duplication
4. Results—developing countries and donors shift focus to development results and results get measured
5. Mutual accountability—donors and partners are accountable for development results

Additional actions resulting from the Accra Agenda

Predictability—donors will provide three- to five-year forward information on their planned aid to partner countries

Country systems—partner country systems will be used to deliver aid as the first option, rather than donor systems

Conditionality—donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives

Untying—donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best quality at the lowest price

AusAID Philippines program progress against Paris Declaration Principles

Status	
Principle 1: OWNERSHIP	
Indicator 1: partners have operational development strategies	Focuses primarily on the extent to which a country has an operational development strategy. This indicator was not included in the surveys of donors. However, particular reforms for which AusAID provided support were cited as helping to improve the GoP's planning and budgeting processes in the country performance progress reports drafted by NEDA for submission to the OECD's 2008 report.
Principle 2: ALIGNMENT	
Indicator 2: building reliable country systems	Measures the robustness of existing country systems (for example procurement systems and public financial management systems). This indicator was not included in donors' surveys.
Indicator 3: aid flows are aligned on national priorities	A proxy for measuring alignment. Examines the total volume of aid recorded in countries' annual budgets as a percentage of donor disbursements. As the GoP budget does not give an accurate record of development partners' financial contributions this measure may not be accurate. No Australian ODA disbursement for the government sector ^a was recorded for the year 2007. However, AusAID's engagements are driven by GoP priorities.
Indicator 4: strengthen capacity by coordinated support	Measures the degree of alignment of donor technical cooperation in support of capacity development with the partner country's development objectives and strategies. Under the current country strategy, AusAID's technical cooperation is fully coordinated with GoP priorities. Coordination with donors is also undertaken through donor – GoP working groups, and through joint work on sector programs being followed for specific initiatives (e.g. basic education). Nonetheless, a key constraint is the lack of a coherent capacity-building strategy, with capacity-building activities being largely fragmented.
Indicator 5 (a-b): use of country public financial management and procurement systems	Measures the extent to which donor funds are channelled through partner country public financial management systems. Australian ODA channelled through country systems as a percentage of total ODA disbursed was: 0.12 per cent for 2005; 0.2 per cent for 2006; and zero recorded for 2007 (total ODA disbursed progressively increased during the three-year period covered by the two surveys). However, AusAID has begun to undertake analysis on how to make best use of country systems, particularly for sub-national initiatives, and it is anticipated that performance will improve in this area. Risks to using country systems still remain and need to be adequately addressed. AusAID guidance on using country systems will be important.
Indicator 6: strengthen capacity by avoiding parallel implementation structures	Measures progress toward strengthening local capacity for planning, implementation and accountability by reducing parallel Project Implementation Units. Eight units were recorded for 2007, a significant reduction from the 22 recorded in 2005 and 24 in 2006. (However, the reduction was primarily due to a revised definition of the Project Implementation Units for the 2007 round). All donors' progress generally has been uneven in this area (2005-06 and 2007 survey results). Program implementation risks will have to be adequately addressed if AusAID is to work more through national government structures.
Indicator 7: aid is more predictable	Measures the gap between aid scheduled and aid effectively disbursed and recorded in countries' accounting systems. Australian ODA scheduled for disbursement for the government sector as a percentage of total ODA disbursed was 0.15 per cent in 2005, 0.27 per cent in 2006 and zero in 2007. All donors and the GoP need to improve in certain areas, such as recording and sharing information, improving estimates of volume and timing of disbursements.
Indicator 8: untying aid	Not included in the donors' surveys. However, the GoP has noted that Australia, along with seven other development partner countries, has untied its aid.
Principle 3: HARMONISATION	

Status	
Indicator 9: use of common arrangements or procedures	Measures ODA provided in support of program-based approaches (rather than stand-alone projects) as a percentage of total ODA. Progress is primarily due to AusAID support for the BESRA through the SPHERE initiative. While no Australian ODA of this type was provided in 2005, 2.2 per cent of total ODA disbursed was recorded in 2006 and 19.06 per cent for 2007.
Indicator 10a: joint missions	Four missions were coordinated with other donors in 2007, five in 2006 and five in 2005. During the years surveyed most AusAID projects were stand-alone and did not therefore involve other donor input. Comparing years is problematic because the definition of 'donor mission' changed between the two surveys.
Indicator 10b: joint country analytic work	Only the survey for 2007 recorded coordinated analytic work by the AusAID Philippines program. An improvement in performance is anticipated as the country program increasingly focuses on engaging with partners and developing a sound analytical base for its work.

Principle 4: MANAGING FOR RESULTS

Indicator 11: Quality of country performance assessment framework	Assesses the quality of GoP systems. Not included in donors' survey. Support from development partners to improve M&E systems and develop capacities to use these systems is an ongoing need.
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Principle 5: MUTUAL ACCOUNTABILITY

Indicator 12: mutual accountability	Records mutual assessments of progress by partner countries and development partners. Only included in the survey covering 2007. AusAID participated in both the GoP-facilitated Paris Declaration surveys. The Philippines program convened an independent aid advisory group—comprising development experts and co-chaired by NEDA—to review AusAID's country program strategy and provide insights on the development context in the Philippines. The Philippines Program intends to regularly engage with this advisory group. The group solicits feedback on the country program's annual program performance assessment. To the extent possible, using government systems to measure program performance will also be used (e.g. Harmonized Gender and Development Guidelines gender checklists/assessment for the program).
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^a That is, ODA channelled direct to partner government agencies or to its sub-contracted agents. The OECD defines disbursement for the government sector as ODA disbursement 'in the context of an agreement with the government sector, including works, goods or services delegated or subcontracted by the government to other entities'.

Note: In discussing the results of the OECD's 2008 Paris Declaration monitoring survey (OECD, 2008; 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010⁴³), donors and the GoP raised concerns about the adequacy of the standard survey format to fully measure progress against the principles. The 2008 OECD report recognised that contextual differences across donors and countries meant that measures may not be accurately painting a complete picture of progress.

Sources: Internal assessment of the progress of AusAID's Philippines program as at June 2008 based on AusAID's responses to the 2007 and 2008 Paris Declaration monitoring surveys (facilitated by NEDA). The 2007 survey covered two years—2005 and 2006—and the 2008 survey covered 2007. No survey has yet been done that covers 2008.

⁴³ This report covers survey results from 55 donor-recipient partner countries (in the case of the Philippines using results from both the surveys). The findings of this report were presented during the Accra high level forum in 2008.

Paris Declaration: Philippines' challenges and priority actions

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	High	Fiscal limitations to implement development plan; reforms not evenly adopted across government	Government to prioritise actions and continue mainstreaming reforms
Alignment	Moderate	Large portion of aid not recorded on the budget as some aid flows do not require appropriations; progress needed on predictability, untying and reducing parallel project implementation units	Improve information sharing and capture on aid; continue reforms to improve public financial management (PFM) and procurement systems
Harmonisation	Low	Variable commitment to programme-based approaches (PBAs); slow progress toward joint evaluations	Bi-lateral donors to increase aid through PBAs; major donors to increase joint missions
Managing for results	Moderate	Lack of clarity of management of new systems; monitoring and evaluation processes not fully developed	Complete roll-out of new systems; develop further monitoring and evaluation processes where necessary
Mutual accountability	Moderate	Development partner support variable	Establish a system for mutual assessment

Note: This table outlines overall progress as presented in the 2008 OECD Development Assistance Committee Report on the Paris Declaration monitoring survey for 2007.

Source: OECD, 2008; 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010.

Annex

2 Progress of the Philippines towards the Millennium Development Goals

In late 2008 AusAID's Philippines Program produced an internal paper, 'Progress of the Philippines towards Development Goals'. The table below is the Philippines program's assessment of the likelihood of achieving each MDG—based on research and analysis of existing statistics and data (which sometimes conflict).

The GoP monitors its progress towards the MDGs in several ways. It uses UN-gathered statistics to monitor progress at national level and a community-based monitoring system to monitor progress at local level. The National Statistics Coordination Board (NSCB) is the designated repository, compiler and administrator of the MDG database. The Board's data is based on the UN statistics and is accessible on the NSCB's MDG website:

<http://www.nscb.gov.ph/stats/mdg/default.asp>

MDG	Target by 2015	Likelihood of achievement
1. Eradicate extreme hunger and poverty	1a Poverty (halve)	Low
	1b Employment	Not assessed
	1c Hunger (halve)	Low
2. Achieve universal primary education	2a Primary education (for all)	Low
3. Promote gender equality and empower women	3a In education, employment, Parliament	Low
4. Reduce child mortality	4a Child mortality (reduce by two thirds)	High
5. Improve maternal health	5a Maternal mortality rate (reduce by three quarters)	Low
	5b Access to reproductive health (universal)	Low
6. Combat HIV/AIDS, malaria and other diseases	6a HIV/AIDS prevalence (halt and reverse spread)	Low
	6b HIV/AIDS treatment (universal)	Low
	6c Malaria and tuberculosis (halve and reverse incidence)	High
7. Ensure environmental sustainability	7a Sustainable development (integrate into policy and reduce loss of resources)	Medium
	7b Biodiversity loss (reduce significantly)	High
	7c Water and sanitation (halve numbers without access)	High
	7d Slum dwellers (significant improvement in lives of)	Low
8. Develop a global partnership for development	N/A	N/A

Annex

3 Progress against the 2007 management consequences

Management consequence		Progress in 2008
1. Review the country strategy.	Amber	Preparatory work got underway in identifying the key issues and analytical requirements needed to inform the review and development of the next country strategy. The review itself is scheduled for the second half of 2009.
2. Further refine the current PAF.		Significant work was undertaken to refine the PAF and develop annual progress targets against each objective, which were used to inform this 2008 APPR.
3. Invest in analysis and strengthen AusAID's knowledge and evidence base. This will help inform program development and the management actions connected to the assessment of achievable reforms during the election period.	Green	Substantial analytical work on planning, budgeting and procuring in government systems at the sub-national level was undertaken. This work will inform AusAID's implementation of the roads programs. Improvement in initiative-specific performance assessment frameworks (e.g. PEGR) underway. A joint World Bank analytical and research fund was established with the first grants to be disbursed early in 2009.
4. Pursue selective engagement at the sub-national level—through the roads program and new rural development work—and seek opportunities to collaborate with other key donors and partners.	Amber	Local government unit assessments for road program interventions achieved. Implementation schedule on track. Collaboration with the World Bank on CCTs underway. New rural development work on hold pending the decision on the focus for this sector in the next country strategy.
5. Undertake critical program development work in infrastructure, rural development and water and sanitation.		Rural growth concept development work completed (however, being reconsidered in the context of the next country strategy). Assessment of the potential to engage in water and sanitation undertaken. Roads infrastructure program development progressed as planned.
6. Design Muslim and IP Education Facility, expand support to BESRA.	Green	Facility designed and peer reviewed with high-quality ratings. Support to BESRA maintained and increased through BEAM, STRIVE and Performance Partnership support (however, results are not flowing as fast as hoped).
7. Develop engagement strategy for conflict affected areas.		The Mindanao Engagement Strategy is well advanced but not yet peer reviewed. The peace, conflict and development analysis was updated and a programming and resource plan developed.
8. Explore ways to deepen engagement in maternal and child health.		New strategy for health developed (to be peer reviewed early 2009). Developing deeper partnerships with, and between, UN implementing partners to address MMR as a

Management consequence	Progress in 2008
9. Strengthen the partnership with the World Bank; establish a single Trust Fund for responsive programming. Engage with the PDF. Develop a Paris Declaration Action Plan.	<div data-bbox="730 409 794 432">Green</div> particularly lagging MDG. Umbrella Trust Fund with the World Bank developed (to be signed early 2009). Continued to co-chair Education PDF working group. Continued to be active in the decentralisation, governance/anti-corruption working groups. Provided considerable financial and technical support to new Infrastructure Working Group. Work completed to assess and apply Paris Declaration priorities against PAF objectives (however, formal action plan on hold pending corporate AusAID direction).
Definitions of rating scale	
Satisfactory (4, 5 and 6)	
6 Very high quality	Less than satisfactory (1, 2 and 3)
5 Good quality	3 Less than adequate quality; needs significant work
4 Adequate quality; needs some work to improve	2 Poor quality; needs major work to improve
	1 Very poor quality; needs major overhaul