



Australian Government
AusAID

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Contents

ABBREVIATIONS	4
SUMMARY	5
COUNTRY PERFORMANCE	8
WHAT ARE THE RESULTS OF THE AUSTRALIA-PHILIPPINES AID PROGRAM?	11
Objective: Government agencies are better able to implement transparent and efficient budgets	11
Objective: Improved accountability, transparency and management of investments in transport infrastructure	14
Objective: Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure, and growth of small-medium enterprises in targeted provinces	16
Objective: The Department of Education is better able to manage its resources to support schools and teachers	18
Objective: Improved education opportunities for boys and girls in targeted areas	20
Objective: Mindanao peace processes are reinforced through more effective participation by communities and institutions	22
Objective: Enhanced basic services and livelihoods in conflict-affected communities	24
Objective: Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism	25
Objective: Women's and children's health services more widely available in targeted regions	26
Objective: The population is better prepared and protected from natural disasters, including the avian influenza pandemic	29
WHAT IS THE QUALITY OF AUSAID ACTIVITIES IN THE PHILIPPINES?	30
Implementation progress	30
Monitoring and evaluation	32
Sustainability	33
Risks	33
Crosscutting issues and challenges	34

Abbreviations

ARMM	Autonomous Region of Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
BEAM	Basic Education Assistance for Mindanao
BESRA	Basic Education Sector Reform Agenda
LGU	local government unit
M&E	monitoring and evaluation
NRIMP	National Road Improvement Management Plan
PACAP	Philippines–Australia Community Assistance Program
PAF	AusAID’s Philippines Performance Assessment Framework
PALS program	Philippines–Australia Local Sustainability Program
QAI	quality at implementation
RAMSE	Region-wide Assessment in Mathematics, Science and English
STRIVE	Strengthening Implementation of Visayas Education
UNFPA	United Nations Population Fund
UNICEF	United Nations Children’s Fund
WHO	World Health Organization

Summary

OVERVIEW

Through the 2004–10, the Government of the Philippines stated it is committed to policy and institutional changes that assist the poor and sustain economic growth. The *Australia–Philippines Development Assistance Strategy 2007–11* supports the development plan with the overarching objective to contribute to improving the prospects for economic growth, poverty reduction and national stability. Priority areas of support are programs contributing to economic growth, education, national stability and human security. 2007–08 is the first assessment year for the new strategy.

MAJOR RESULTS

- > The Government of the Philippines used performance-based instruments/frameworks for preparing the 2007 and 2008 national budgets with AusAID technical assistance. This should result in more appropriate revenue allocations and efficient delivery of public services.

RATINGS OF THE PHILIPPINES PROGRAM IN ACHIEVING THE OBJECTIVES OF THE ASSISTANCE STRATEGY 2007–11

Objective	Rating	Relative to previous rating
Government agencies are better able to implement transparent and efficient budgets	■ (green)	Improved
Improved accountability, transparency and management of investments in transport infrastructure	■ (amber)	Unchanged
Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure, and growth of small–medium enterprises in targeted provinces	■ (amber)	Unchanged
The Department of Education is better able to manage its resources to support schools and teachers	■ (green)	Unchanged
Improved education opportunities for boys and girls in targeted areas	■ (amber)	Unchanged
Mindanao peace processes are reinforced through more effective participation by communities and institutions	■ (amber)	Unchanged
Enhanced basic services and livelihoods in conflict-affected communities	■ (amber)	Unchanged
Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism	■ (red)	Declined
Women's and children's health services more widely available in targeted regions	■ (amber)	Unchanged
The population is better prepared and protected from natural disasters including the avian influenza pandemic	■ (amber)	Unchanged

Note: ■ denotes the objective is on track to be fully achieved within the timeframe. ■ denotes the objective will be partly achieved within the timeframe. ■ denotes the objective is unlikely to be achieved within the timeframe.

- > AusAID technical assistance has led to the development of national guidelines on internal control systems and internal audit to assist with budget execution. These will be piloted in the Department of Education and the Department of Public Works and Highways—two key partner institutions for Australian aid—to ensure the efficient management of departmental resources.
- > Support by AusAID programs facilitated a policy, regulatory and institutional framework for public–private partnerships in the transport sector. The framework outlines the key accountabilities and transparent processes that have been developed for piloting by the Government of the Philippines and will be used in preparing tender documents for the Panguil Bay Bridge Project.
- > Through pilots in Mindanao and the Visayas and targeted technical assistance at the national level, AusAID has supported the Department of Education to pilot school-based management in 8000 schools, which has led to improved community/parent involvement and enabled school principals to manage resources to best suit the community, especially in ethnically diverse areas.
- > Student learning improved as demonstrated by the results of the Region-wide Assessment in Mathematics, Science and English (RAMSE). Using the 2004 RAMSE results as a baseline, students across regions XI, XII and the Autonomous Region of Muslim Mindanao demonstrated significantly higher achievement in the three subject areas tested in 2007, with an increase in the mean percentage score to 47 (from a baseline of 28) for grade 4 and an increase to 42 (from a baseline of 36) for grade 2. RAMSE also showed that students whose teachers attended in-service training supported through the Basic Education Assistance for Mindanao project achieved higher results.
- > The Australia–Philippines aid partnership has strengthened the capacity of the Department of Education to implement the Basic Education Sector Reform Agenda in a decentralised environment.
- > UNICEF’s Sixth Country Programme for Children has fully immunised 82 per cent of children (213 059 aged 0–11 months) in AusAID-supported provinces against vaccine-preventable diseases, and around 700 000 children in high-risk areas of Zamboanga del Sur and the Autonomous Region of Muslim Mindanao have received inoculations. This means targeted regions avoided the importation of the wild polio virus from Indonesia.
- > Community-driven development interventions through the Philippines–Australia Community Assistance Program have resulted in an 86 per cent improvement in household incomes in targeted areas. This has had a significant impact on poverty reduction among recipient households.
- > AusAID support enabled the training of more than 2100 Muslim teachers (Asatidz). Over 300 have graduated with a degree in elementary education with specialisation in Islamic studies and Arabic values to teach in public schools. AusAID has also assisted

36 madaris in Mindanao to earn permits from the Department of Education to operate as private madaris, and access government funding. This addresses one of the underlining drivers of conflict by including Muslim groups in the mainstream.

- > The formulation of a Philippines country strategy Anti-Corruption Plan was achieved. The plan's purpose is to guide the mainstreaming of anticorruption across the Philippines program and prioritise specific opportunities to address corruption.

MAJOR CHALLENGES

- > The Government of the Philippines will need to significantly improve its revenue collection to meet the growing need to develop basic services and infrastructure and to implement appropriate social safety nets in view of rising food and oil prices.
- > The lead-up to the 2010 election may affect the willingness of the government to pursue significant reform.
- > The government's capacity may influence its ability to absorb the organisational change needed to support the devolution of funding and increased responsibility among line agencies.
- > The lack of substantive progress in peace negotiations is problematic, with possible impacts on AusAID programs in the south. Talks have stalled between the Government of the Philippines and the Moro Islamic Liberation Front, and there are conflicting perceptions on the status of the implementation of the 1996 Government of the Republic of the Philippines – Moro National Liberation Front Final Peace Agreement.
- > The global economic downturn and rising food and oil prices could affect the government's macroeconomic management and encourage spending that could jeopardise recent improvements in expenditure allocation.

Country performance

The Philippines economic growth and fiscal balance was healthier in 2007 than it had been for several decades. The key challenge for the Philippines is to maintain that growth and to actively translate sustained economic growth to poverty reduction.

In 2007 the Philippines gross domestic product expanded by 7.2 per cent, the highest rate in 30 years. Sixty-four per cent of that growth was driven by private consumption, supported by overseas Philippine workers' remittances. However, latest government data reveal that between 2003 and 2006 the proportion of the population living in poverty increased from 30 per cent to 32.9 per cent. According to international data, 44 per cent of the population of approximately 90 million live on less than US\$2 a day.

The government exceeded its budget deficit target in 2007, the deficit being 0.1 per cent of gross domestic product, primarily achieved through one-off privatisation revenues. This is a significant recovery from the -4.6 per cent deficit in 2003. However, significant challenges remain in improving tax revenues. For example, government tax revenue was 14 per cent of gross domestic product in 2007, below the 14.3 per cent recorded in 2006 and low by the standards of the Association of Southeast Asian Nations (ASEAN). Social sector spending has been significantly increased in the last two national budgets, from a very low base; however, there will need to be further increases in coming years to have any impact on poverty.

The country ranks 71 out of 131 countries in the Global Competitiveness Index, lagging behind both Indonesia and Thailand due to weak institutions, poor transport infrastructure and perceptions of policy instability. The Government of the Philippines has made infrastructure a priority, increasing expenditure in 2007, and committing to further increases in 2008. However, to bring infrastructure investment up to the World Bank benchmark of 5 per cent of gross domestic product, the government will need to restore market confidence for investors and predictability of infrastructure planning, and develop quality projects to take to the market.

Most governance indicators in the Philippines have fallen substantially over the past decade and are lower than the average for middle-income East Asian economies, despite a strong civil society presence (but are on par with other major recipients of Australian aid), an open media, and some highly capable individuals working in public administration. For 2007, Transparency International's Corruption Perception Index placed the Philippines at 131 out of 179 countries. However, the Philippines has made exceptional progress in closing the gender gap; it is rated 6th in the world.¹ It is the only country in Asia to have closed the gender gap on both education and health. The

¹ World Economic Forum, *Global gender gap report 2007*.

Philippines' scores on political empowerment improved, as did some of its economic indicators such as estimated income, and income equality for similar work.

Wealth concentration, high population growth rates, the influence of powerful vested interests and rising inflation all pose considerable challenges for the immediate future. Key development issues include the lack of economic development in regional areas, a poor governance and regulatory environment, and vulnerability of the poor to shocks such as climate change, natural disasters and increasing food prices.

Subnational governments, particularly in rural areas, do not have sufficient funding or administrative capacity to meet their service delivery obligations. This is partly a result of insufficient transfers from the national level and partly from a lack of power and incentive to raise their own revenues. Agricultural production is geographically dispersed, with highly location-specific problems, exacerbated by the cost of transport through the archipelago. Rural poverty accounts for approximately 70 per cent of national poverty. An inappropriate pursuit of rice self-sufficiency, poor credit access, fragmented extension services, a lack of certainty in land management, administration, distribution and ownership, coupled with an increasing landless population, impede growth in the rural sector.

While government performance and management, particularly in the macroeconomic field, have improved dramatically over the past two years, the government's capacity and willingness to follow through on major reforms may diminish as the country enters the presidential election cycle for 2010. At the Philippines Development Forum held in March 2008, donors and the government discussed the key reform challenges and critiqued the performance of the government across key sectors. The World Bank co-chair, speaking on behalf of donors, identified three main areas where improved performance by the Government of the Philippines is required: to sustain economic growth, support inclusive growth and strengthen governance. There was open discussion and recognition of issues such as legislative delays, poor capacity at the national level and subnational levels, the need to improve accountability in the use of public moneys and the need to control corruption and to strengthen the rule of law.

The peace process in Mindanao is heading into uncertain territory. The security environment may deteriorate and the operating environment remains complex and multilayered. The peace process with the Moro Islamic Liberation Front appears stalled and may not be resolved by 2010 in line with the government's plan, while disunity and factionalism in the Moro National Liberation Front threaten to undermine ongoing collaboration on peace dividends derived from the peace agreement signed in 1996 with the government. These are further complicated by clan conflict (*rido*) as well as weak institutions to work with, including local government units (LGUs) and the Autonomous Region of Muslim Mindanao (ARMM). Though local governments have the responsibility to provide basic services such as health care in conflict-affected areas, they are either absent or have limited capacity to deliver services. Civil society organisations have temporarily taken on the role of these local governments while helping to enhance local government capacities.

Conflict-affected areas, particularly ARMM, have received huge amounts of international assistance but these areas continue to be the poorest in the country. Increases in the poverty rate in the context of more than a decade of no war – no peace raise some important questions on the impact of government and donor support in conflict-affected areas.

Currently, donor support to the Philippines is approximately \$600 million a year. Australia's official development assistance in 2007–08 totalled \$102.3 million, with bilateral flows estimated at \$91.5 million. The official development assistance is less than 0.5 per cent of the Philippines' gross national income. The donor community in the Philippines is small, with Japan, Australia, the United States, the World Bank, the European Union and the Asian Development Bank the dominant partners. Increasingly, donors are partnering on interventions that will be essential if the necessary reforms are to have an influence in a challenging environment.

What are the results of the Australia–Philippines aid program?

OBJECTIVE:

GOVERNMENT AGENCIES ARE BETTER ABLE TO IMPLEMENT TRANSPARENT AND EFFICIENT BUDGETS

RATING



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

CONTRIBUTING PROGRAMS

- > Partnership for Economic Growth and Reform
- > Philippines–Australia Human Resources Development Facility

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

Budget planning

The Government of the Philippines has initiated changes in the way it frames its annual budgets, adopting, as a first step, the use of performance indicators and forward year estimates. This is evidenced in the use of performance-based instruments (e.g. Mid Term Expenditure Frameworks, Organisational Performance Information Frameworks, and Forward Estimates) for the preparation of the 2007 and 2008 national budgets.

AusAID's Philippines Performance Assessment Framework (PAF) indicators on the introduction of Forward Estimates for 20 departments, the coverage of Organisational Performance Information Frameworks for 90 per cent of the Budget and the use of a paper on budget strategy for budget preparations have all been achieved, indicating a positive uptake of AusAID's assistance. Technical assistance activities on performance budgeting reforms expanded to fiscally autonomous agencies (16 engaged in 2007–08) and state universities and colleges (114 engaged in 2007–08), and developed a strategy for the Department of Budget Management to engage Congress.

It is still too early to tell if these reforms will be sustained; however, there is strong ownership from senior members of the bureaucracy for the reform program and support for continuing the practice in subsequent budgets. Support to these programs will be a priority in 2008–09, given that the Philippines rated poorly in budget execution areas in the most recent study of public expenditure and financial accountability undertaken by the World Bank.

At the regional level, LGU participatory planning reviews initiated by the Philippines–Australia Local Sustainability (PALS) Program informed the Local Government Performance Management System and the LGU annual budget process. Results of the reviews provide information on the performance of LGUs in mobilising funds and efficiency in public spending. The LGUs’ appreciation of the review results has helped them to identify the need for strategies to increase local revenue and improve public spending according to development priorities.

Budget execution and anticorruption

A key requirement for the execution of government budgets is a strong internal control system and internal audit mechanism in agencies. Australia is providing assistance to develop national guidelines on internal control and internal audit, which will be piloted in the oversight agency responsible for its implementation and rollout to government agencies. This work with the agencies contributes to the PAF indicator on government departments completing full internal audit procedures. The guidelines are now ready and rollouts to the larger spending agencies are planned for 2008–09. The Department of Education and the Department of Public Works and Highways, two agencies receiving major assistance through AusAID, will be the first two agencies targeted for the rollouts.

At the subnational level, assessments of selected provincial governments’ planning and budget systems are being undertaken in preparation for the proposed Philippines Roads Maintenance Program. Apart from improving subnational infrastructure management, the program will contribute to building the capacity of local governments to implement transparent and efficient budgets. The program should be mobilised in early 2009. The assessments will provide essential baseline indicators and measures against which changes in the governance structures of LGUs can be assessed. This has been absent in past work AusAID has done with provincial government units.

Efficient government management

Government owned and controlled corporations cost the Government of the Philippines millions of pesos a year through uneconomical operations. Analytical work assessing the largest loss-making corporation, the National Food Authority, was undertaken by consultants through the Partnership for Economic Growth and Reform. Their report found that any meaningful support to improve performance and reduce financial losses was reliant on the Government of the Philippines implementing policy changes. The report was commissioned by the Philippines Department of Finance and shared with the World Bank, but it has not been released to the public.

The public debate on a possible policy shift continues; however, with the current crises in food prices internationally, there is unlikely to be any reform in the short term. AusAID has chosen to put on hold further work on the National Food Authority until the Government of the Philippines addresses the policy environment. A study of a second government owned and controlled corporation, the National Electricity Administration, has been initiated following the initial commitment to four reviews. An undertaking by AusAID to review a further two such corporations beyond the National Electricity Administration will be put on hold and the value of these assessments reviewed before the commitment is completed.

Key factors contributing

Reform champions at very senior levels in budget and planning departments and buy-in from the President have given political will to the implementation of budget reforms. There is now a strong partnership and coordination between AusAID and the World Bank in coordinating assistance in public expenditure reforms and in broad donor recognition that improving national and subnational fiscal management and execution is essential to improve the service delivery and poverty alleviation efforts of the Government of the Philippines.

Key factors hindering

Improvement in service delivery from better expenditure management would be facilitated by better government funding of core sectors. The utility of an improved budget is also undermined by difficulties in passage through Congress and the Executive's discretion over budget execution. The capacity and willingness of the oversight institution, the Department of Budget Management, to reform have been stretched as it concurrently implements numerous budget reform activities on top of its normal work in managing the budget process. Line agency take-up of reforms in public expenditure management and in internal control and internal audit may also be problematic if regulations are not clear and incentives for compliance are not well targeted. Public financial management by LGUs is hampered by an outdated Local Government Code, which limits fiscal autonomy and promotes heavy reliance on the national government.

OBJECTIVE:**IMPROVED ACCOUNTABILITY, TRANSPARENCY AND MANAGEMENT OF INVESTMENTS IN TRANSPORT INFRASTRUCTURE****RATING**

- The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > Partnership for Economic Growth and Reform
- > Philippines–Australia Local Sustainability Program

ASSESSMENT OF RESULTS AND PERFORMANCE**Key results**

The Government of the Philippines has recognised the importance of private sector participation in the management and maintenance of transport infrastructure, as demonstrated by the passage of the Build, Operate and Transfer Law in 1994. The building blocks for better accountability, competition and transparency in investment in transport infrastructure have been supported and strengthened by Australian technical assistance. The PAF indicator on the publication of road sector report cards is expected to be a key tool in exacting accountability and transparency in the transport sector. Australia is funding the independent civil society group Road Watch, which will be publishing these report cards. The first of these reports will be available in January 2009.

A policy, regulatory and institutional framework for public–private partnerships has been developed for the transport sector. This framework was developed using technical assistance from Australia working with the Department of Public Works and Highways. It has been adopted in principle by oversight agencies of the Government of the Philippines and has received broad donor support. To demonstrate the applicability of the framework, the department is working on a pilot project using principles of the framework, which aligns with the second PAF indicator on increasing efficiency and effectiveness in getting projects to market. The framework contributed to the streamlining of government functions, as an Executive Order issued in 2007 reflected changes proposed in the framework—that is, focusing the Toll Regulatory Board’s role on its regulatory mandate and limiting the sole entry point for toll roads projects to the Department of Public Works and Highways. The mobilisation of a suitable pilot project took longer than expected and there is still concern that public–private partnerships will not be viable in the current poor climate for foreign direct investment. Australia is committed to providing technical assistance to prepare the Government of the Philippines to develop public–private partnership arrangements for the Panguil Bay Bridge project to be put to tender in 2008.

Assistance to LGUs on local-level infrastructure has not yet begun as the subnational infrastructure program is still being designed. Hence, no progress can be reported on PAF indicators relating to subnational infrastructure.

Key factors contributing

The creation of a Working Group on Infrastructure in the March 2008 Philippines Development Forum was the result of joint lobbying by the World Bank, Japan and AusAID. The World Bank is assessing the suitability of the public-private partnerships framework developed by AusAID for use in other sectors such as rail and possibly water.

Providing support to the infrastructure sector is new to the Philippines program. Ensuring national and subnational infrastructure programs are operational is the key deliverable for 2007–08. The introduction of an infrastructure focus also required the program to develop a close working relationship with the World Bank to leverage and complement its resources available for infrastructure. A positive relationship has been developed and has helped manage the problems and risks brought about by the delays in approval of the National Road Improvement Management Plan 2 (NRIMP 2). It has also illustrated the challenges of operating jointly and the difficulties of working under the protocols of multilateral organisations. This issue, and AusAID's response, will be important to the success of the program as it moves to new delivery modalities.

The World Bank Board recently approved the loan for NRIMP 2 with special mention made at the board meeting of the work undertaken by AusAID Manila to improve the quality of the proposal, especially in the area of transparency and anticorruption measures. There have also been efforts to engage with the bank in making designs more inclusive. This has brought gender to the attention of the implementation team and it has been part of the design process for the rural program.

Key factors hindering

The procurement practices and other cumbersome business rules of the Government of the Philippines, such as a lack of transparency, the accommodation of unsolicited bids and the poor legal framework to resolve contract issues, continue to erode investor confidence in the Philippines and overshadow ongoing reform efforts in the sector. Corruption issues in the previous World Bank funded program (NRIMP 1) delayed World Bank Board approval of NRIMP 2 (co-financed by the World Bank and AusAID). Political imperatives, such as completion times that match election cycles, can undermine market principles followed in public-private partnerships.

OBJECTIVE:

IMPROVED ECONOMIC OPPORTUNITY FOR RURAL PEOPLE THROUGH INCREASES IN PRODUCTIVITY, ACCESS TO MARKETS, BETTER INFRASTRUCTURE, AND GROWTH OF SMALL-MEDIUM ENTERPRISES IN TARGETED PROVINCES

RATING

- The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > Philippines–Australia Community Assistance Program
- > Philippines–Australia Local Sustainability Program
- > Land Administration and Management Project
- > Local Governance Development Program

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

Australia's contribution toward improved economic opportunity for rural people involves project-based support in specific regions. Using a project approach as the primary mode of support does not fully enable a strategic response to this objective, and progress on a broad scale against PAF indicators cannot be reported at present. The focus has been to realign these projects where possible to fit the economic growth emphasis of the new country strategy. These projects are legacy activities and predate the strategy but offer valuable lessons for operating in a complex environment. These lessons will help to inform the design of a more coherent Rural-Growth and Private Sector Development Program, which is an agreed component of the new strategy.

Results in land administration management and tenure security involve the 'one-stop shop' approach in Leyte Province, which integrates service delivery agencies and provides streamlined land administration services in one office, enabling the issue of almost 3000 land titles during 2007. This approach has increased accessibility and efficiency and has promoted formal land administration services and transactions—working toward a more functional land market where all land transactions are formally registered and land ownership is protected.

Community-driven development interventions through the Philippines–Australia Community Assistance Program (PACAP) have been assessed² to strengthen capacity for research and technical assistance for the agricultural sector and have resulted in improved incomes for households and small enterprises. Evidence of this is demonstrated by the average income increase of 11 464 pesos to 24 707 pesos a month through support to

² PACAP Midterm Review.

agricultural production, increases in average enterprise income of 8367 pesos a month through support to small enterprise development, and 65 per cent of enterprise development projects leading to the development and marketing of new products.³

In addition to the economic benefits, PACAP promotes gender equality and empowerment of women through projects that deal with violence against women and children, gender-fair governance at the LGU level, economic empowerment of women, and the role of women in environmental protection and conservation. The recent PACAP performance report acknowledged the inclusive nature of the program, with almost 63 per cent of PACAP beneficiaries being women, and one in ten activities 'exclusively benefiting women'. Almost three-quarters of activities have made a contribution to Millennium Development Goal 3—promote gender equality and empower women.

Progress through the PALS program based in the southern province of Misamis Occidental has increased planning capacity in local government, resulting in 93 per cent of village (Barangay) projects and 63 per cent of development projects at the municipal level receiving funding from the Internal Revenue Allotment and external donor sources, and over 100 small-scale infrastructure projects being funded and implemented to benefit 16 000 households. This shows that, with effective planning, LGUs are able to access development revenues. Through the PALS program, more than 3000 women have increased their overall income through livelihood support, and evaluation results show that these women spent the additional income on sending children to school, improving their houses, and providing sufficient food for the family. Similarly, work targeting planning capacity and partnerships between local governments through the Local Government Development Program has been 'successful in implementing a demand driven, decentralised initiative that was well-appreciated by program partners and stakeholders'.⁴ The program, despite its short term (15 months), achieved planning instruments including an integrated master plan for water, an agricultural value chain study for Bohol Province and an integrated urban infrastructure plan for the surrounding towns and city of Metro Iloilo and Guimaras Province.

Key factors contributing

Current projects now reflect the new country strategy and valuable lessons on partnerships, and shared service arrangements between local governments are captured in studies from the Local Government Development Program.

³ Philippines–Australia Community Assistance Program Annual Plan July 2008 to 30 June 2009, vol. 1, pp. 6–7.

⁴ Local Government Development Program Quality at Completion Report.

Key factors hindering

The new country strategy required significant resources to be directed to the transition of legacy initiatives. Preparation for the new rural sector strategy is being further complicated by uncertain policy directions of the Government of the Philippines regarding agricultural policy and other pro-poor measures in the light of current food security concerns. Resolving property rights, land administration and performance of the agricultural sector remain among the most challenging issues for all donors.

OBJECTIVE:

THE DEPARTMENT OF EDUCATION IS BETTER ABLE TO MANAGE ITS RESOURCES TO SUPPORT SCHOOLS AND TEACHERS

RATING



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

CONTRIBUTING PROGRAMS

- > Support for Philippines Basic Education Reforms (SPHERE Trust Fund)
- > Basic Education Assistance for Mindanao II (BEAM)
- > Strengthening Implementation of Visayas Education (STRIVE II)
- > Performance Incentives.

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

A key to the Department of Education achieving better education outcomes for boys and girls in the Philippines is its ability to better manage allocated resources and systems devolution for increased funds to the regions, division and schools. AusAID has supported a range of reforms to assist the Department of Education to improve its management of resources to support schools and teachers.

AusAID has supported progress on school-based management reform at the regional and national levels. Such reform promotes improved participatory planning and community engagement for achieving improved student learning outcomes. Through pilots in Mindanao and the Visayas and targeted technical assistance at the national level AusAID has supported the Department of Education to pilot projects across 8000 schools where school-based management has led to improved community and parent involvement and enabled school principals to manage resources to best suit the community, especially in ethnically diverse areas. A recent joint World Bank and AusAID implementation review of BESRA found that education projects (BEAM, STRIVE) improved the enabling environment for school-based management practices

to be embedded in regional and divisional organisational frameworks. Anecdotal evidence collected in the same review shows positive changes in the mindset of personnel involved in implementing school-based management.

Reform of the current per capita school-funding formula would enable schools in poorer areas with relatively low community financial support to receive sufficient funding to compensate for their lack of resources. AusAID supported a detailed study of the issues around the pro-poor school-funding system for maintenance and other operating expenses. A draft report of the study was presented in June 2008 following a review of policy, process and data and detailed consultations with central, regional, divisional and school officials. The next step is a validation process, including follow-up consultations with relevant officials of the Department of Education and oversight agency officials. The final equitable allocation formula for maintenance and other operating expenses, a transition plan that addresses necessary structural adjustment, a capacity-building program and advocacy for wider dissemination of the new allocation system for meeting maintenance and other operating expenses will be completed in September 2008.

A further reform supported by AusAID is the rollout of the Human Resource Information System in the Department of Education. A comprehensive system is important for effectively managing the large teaching and non-teaching staff of over 500 000 across the Philippines and addresses issues such as skills development and management of entitlements. The BEAM-developed Human Resource Information System was effective in supporting schools within its mandate to manage and plan their teaching resources effectively. This encouraged the Department of Education to support a system at the national level. AusAID funded an audit of the national requirements of the information system to ensure reforms could be adopted. This identified areas of the system that needed enhancement so that a national pilot system can be rolled out in 2008–09. Orientation programs and data encoding have commenced in preparation for piloting in four regions.

Both the development of the school-funding system for maintenance and other operating expenses and the Human Resource Information System are benchmarks/triggers for performance incentive payments. Achievement of these benchmarks has been delayed, although significant progress has been made. Part payment of the agreed incentives amount has been approved.

Key factors contributing

Existing AusAID initiatives such as BEAM and STRIVE have been flexible in supporting the BESRA technical working groups, which were reconstituted by the World Bank in late 2007. AusAID engaged a full-time education adviser for its office in Manila to provide technical support on issues in, for example, the allocation system for meeting maintenance and other operating expenses, and technical linkages with the Department of Education and other partners.

Key factors hindering

AusAID established a trust fund with the World Bank to support BESRA. The World Bank applied a series of preconditions, which the Government of the Philippines have not met. A delay in mobilising funds from the trust fund has created inefficiencies in the support of BESRA.

The technical working groups required additional resources from the Department of Education. There has been a delay in the groups developing costed work plans, which has been reflected in a lack of progress in some key reform areas, such as quality assurance for performance data of the education sector.

OBJECTIVE:

IMPROVED EDUCATION OPPORTUNITIES FOR BOYS AND GIRLS IN TARGETED AREAS

RATING

■ The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > Basic Education Assistance for Mindanao II
- > Strengthening Implementation of Visayas Education

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

The two main goals under this objective are to improve service delivery and increase access for Muslims and indigenous people to appropriate education services.

Service delivery has improved in three regions in Mindanao through enhanced quality of in-service teacher training, which has improved teachers' lesson planning and in-class skills. Over 42 000 teachers have access to a wide range of teaching strategies to develop students' critical thinking and active learning skills. The BEAM-developed teaching and learning materials, including the learning guides, are widely available and used in schools in Mindanao and can be accessed online in other parts of the country to improve teaching practices.

The impact on student learning is demonstrated by the Regional Assessment in Mathematics, Science and English across the three regions in which BEAM is implemented. Specifically, from 2004 to 2007 there were significant increases in students' scores, with an increase in the mean percentage score to 47 (from a baseline of 28) for grade 4 and an increase to 42 (from a baseline of 36) for grade 2 in the three subject areas tested. Students whose teachers had attended BEAM training achieved higher scores than students whose teachers had not received BEAM training.

AusAID supports improved inclusive education for Muslims and indigenous people who are particularly disadvantaged. BEAM developed a standardised Arabic language and Islamic values education (ALIVE) curriculum, which is being implemented in public schools nationwide.

AusAID support has enabled the training of more than 2100 Muslim teachers (Asatidz). Under the Accelerated Teacher Education Program, in partnership with nine universities nationwide, 326 Asatidz BEAM scholars graduated with a Bachelor of Elementary Education with specialisation in Islamic values and Arabic language. AusAID has also assisted 36 madaris in Mindanao to earn Department of Education permits to operate as private madaris, implement the standard Madrasah curriculum, including subjects other than religious teaching, and access government funding. By the end of May 2008, 30 had been granted permits to operate. An improvement in the quality of Muslim instruction in mainstream public schools encourages more Muslim parents to send their children to public schools. Including Muslim groups in mainstream education addresses one of the underlying drivers of conflict.

Education for indigenous children has been improved through the implementation of the Indigenised Basic Education Curriculum (an output of the BEAM initiative), which is also being rolled out nationally. More than 47 schools in Mindanao are implementing the curriculum, benefiting about 4600 indigenous children. The 'indigenised' curriculum has contributed to the revival and preservation of indigenous culture and has improved the relationship between schools and indigenous communities. About 120 community/tribal learning centres have been built and are used as classrooms for the learners and a multipurpose hall for community activities.

Efforts to improve educational opportunities also involved focused gender engagements. BEAM and STRIVE have demonstrated improved reporting on gender outcomes. Both projects collect, store and report gender-disaggregated data for all their activities and use the data to inform activity direction, especially if there are significant gender issues.

Key factors contributing

BEAM worked collaboratively with other donors and shared its ideas, plans and material resources from its innovative approaches to historic challenges of Muslim and indigenous cultural alienation. This has enabled other donors to design and develop their own programs, which complement BEAM programs.

Key factors hindering

Coordination and harmonisation of subnational activities with national reform efforts need improvement. Efforts to link AusAID projects through initiatives such as regular joint meetings between BEAM and STRIVE should address this issue.

OBJECTIVE:

MINDANAO PEACE PROCESSES ARE REINFORCED THROUGH MORE EFFECTIVE PARTICIPATION BY COMMUNITIES AND INSTITUTIONS

RATING

- The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > ACT for Peace Program
- > Mindanao Trust Fund for Reconstruction and Development Program Phase 1
- > Supporting Peace in Mindanao
- > Basic Education Assistance for Mindanao II

ASSESSMENT OF RESULTS AND PERFORMANCE**Key results**

The ACT for Peace Program, the Mindanao Trust Fund and the program Supporting Peace in Mindanao have provided opportunities for increased and effective participation of men, women and youth in conflict-affected areas in the formal and informal peace processes. This is measured through the current output-based reporting system. Given the timeframe needed for conflict prevention, it is not yet possible to measure whether these programs have contributed to lasting peace within conflict-affected areas.

The recent mid-term review of the ACT for Peace Program (Australia is the major donor; Spain and New Zealand are minor donors) pointed to the achievement of transforming former Moro National Liberation Front rebels into peace and development advocates responsible for leagues that oversee peace and development in conflict-affected communities. The report acknowledged the significance of registering the 156 of 246 such communities, which are in the final stages of the six stages of development and transformation into peace and development communities. It is worthwhile noting that there has not been any insurgency-based armed conflict within these communities.

While ACT for Peace is a specific program that addresses conflict areas, there are also contributions from the PALS program, PACAP, Supporting Peace in Mindanao and BEAM in creating forums for peaceful discussions, in helping grow incomes in conflict-affected areas and thereby providing stability, and in strengthening civil society organisations. Gender mainstreaming and women's empowerment in building peace and preventing conflict through the program Another Mindanao Is Possible of the Mindanao Commission on Women is one such effort.

The considerable challenge in delivering peace activities is finding a mechanism to measure the impact these developments are having on conflict prevention. The design and implementation of this mechanism will be a primary focus for the coming year.

BEAM has contributed to promoting peace in Mindanao by encouraging and strengthening community participation in managing schools, assisting in implementing policy reforms in Islamic education and increasing the access of boys and girls, including children of indigenous peoples and ex-combatants, to quality education. With the Asian Development Bank, support was given to the development of an ARMM master plan for basic education that responds to the specific needs of children in the region.

Key factors contributing

Trust and confidence have been built among communities where the peace-building programs are present through the interventions of former Moro National Liberation Front rebels who are peace and development advocates. Venues are now provided for stakeholders to peacefully articulate their legitimate grievances. This is necessary for communities to become acclimatised to a culture of peace.

Key factors hindering

Talks have stalled between the Government of the Philippines and the Moro Islamic Liberation Front. There is no peace agreement between the government and the Communist Party of the Philippines, the New Peoples Army and the National Democratic Front, a third armed actor in the conflict (active throughout the Philippines and with bases in Mindanao). A recent change to the chairmanship of the Moro National Liberation Front and conflicting perceptions on implementation of the peace agreement between the government and this group increase uncertainty in the medium term. Poor coordination of donor and government resources supporting peace and development interventions in peace and development communities and other marginal communities is testing the limited capacities of LGUs to provide services, as is the recurrence of violent clan conflict in areas covered.

In response to poor performance information in the 2006–07 annual program performance update a consultant was engaged to design and review the monitoring and evaluation (M&E) system. This will lead to better performance data in the future.

OBJECTIVE:

ENHANCED BASIC SERVICES AND LIVELIHOODS IN CONFLICT-AFFECTED COMMUNITIES

RATING

- The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > ACT for Peace Program
- > Philippines–Australia Community Assistance Program

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

The provision and the demonstration effect of a model for community and civil society engagement are a key outcome. AusAID's community assistance program has shown that community engagement can improve the livelihoods of disadvantaged communities. Agricultural and small-enterprise production and average monthly household income in targeted provinces have all shown improvement through the PACAP intervention.

The recent data from the six-monthly report on the M&E systems shows that the household income has almost doubled in PACAP areas (average income increased by 11 464 pesos to 24 707 pesos a month). Compared with the previous year, the program engaged 20–25 per cent more women and increased their participation in local development and improved access to basic services (water and sanitation facilities, basic education, and health). A recent review found that these changes have contributed to social empowerment in usually underserved conflict-affected areas.

Through the ACT for Peace Program, ongoing support to peace and development communities was delivered with the construction of health stations and potable water systems. The program provides a model for how livelihood support can prevent communities falling back into conflict. The peace and development advocate leagues (mainly former combatants) coordinate the communities and engage with local authorities to provide services. This places demands on local governments that they may not be capable of meeting. Continuation of the leagues formed under the program beyond 2010 may also be under threat and will require analysis and support if it is found they contribute significantly to maintaining peace.

Key factors contributing

Enhanced LGU governance and leadership capacities have contributed to LGUs being able to deliver basic services and support livelihoods in conflict-affected areas and have improved prospects in maintaining and sustaining peace and development. The increased and improved collaboration and links between LGUs and civil society organisations/

non-government organisations in the implementation of projects funded by PACAP are also contributing towards meeting this objective. Increasing efforts on knowledge sharing across peace and development programs will improve the coherence and convergence of efforts.

Key factors hindering

The provincial and municipal election cycle in late 2007 resulted in a change of officials at senior levels. This has required relationships to be built with newly elected key stakeholders and has delayed the progress of planning and implementing livelihood activities. This should be taken into consideration when assessing progress of the ACT for Peace Program.

OBJECTIVE:

IMPROVED CAPABILITY OF LAW AND JUSTICE INSTITUTIONS, PARTICULARLY TO COUNTER THREATS FROM TRANSNATIONAL CRIME, INCLUDING TERRORISM

RATING



The objective is unlikely to be achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > Port Security Capacity-Building Project
- > Strengthening Brunei–Indonesia–Malaysia–the Philippines East ASEAN Growth Area on Customs, Immigration, Quarantine and Security

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

Efforts for this objective are focused on enhancing capacities of government institutions responsible for port security, law enforcement, and regional cooperation work, which includes building coordination and partnerships across different government agencies that have traditionally focused on their parochial interests and mandates. Funding for this program was part of the \$10 million Australian Counter-Terrorism Ministerial Initiative.

A recent review report found that the Port Security Capacity-Building Project, funded through AusAID and managed by the Australian Department of Infrastructure, Transport, Regional Development and Local Government, developed good working relations with Philippine government counterparts. The report acknowledged the flexibility of the program and its efforts to partner with other donors, particularly USAID and JBIC on port security in Mindanao. It has managed to establish International Ship and Port Security Code compliance plans for 100 international ports in the Philippines to ensure international best practice. The training component has been

delivered efficiently and a recent impact report indicated positive responses from program recipients.

A recent mid-term review has shown that the main achievement of the project Strengthening Brunei–Indonesia–Malaysia–the Philippines East ASEAN Growth Area on Customs, Immigration, Quarantine and Security is the reactivation of the interest and commitment of local government customs, immigration, quarantine and security agencies to work more collaboratively to enhance the delivery of services and more immediately resolve issues.

Sustainability remains the key challenge across the programs.

Key factors contributing

The acceptance by Philippine government agencies of the benefits of working more cooperatively will improve the delivery of services.

Key factors hindering

While there have been good relations between stakeholders, the recent mid-term review found that progress has been hampered by travel restrictions to Mindanao and that poor reporting of outputs has made performance measurement difficult. There are sustainability concerns, particularly around the budget of the Office of Transportation Security and with the capacity to maintain and progress project benefits. In particular, the passing of the Philippine Transportation Security Act of 2006 is critical to the Office of Transportation Security in providing a comprehensive and consolidated transportation security management program through the creation of the Philippine Transportation Security Authority. The prospects for this are low, given the current political climate where there are other priorities on the agenda.

OBJECTIVE:

WOMEN'S AND CHILDREN'S HEALTH SERVICES MORE WIDELY AVAILABLE IN TARGETED REGIONS

RATING



The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > UNICEF Sixth Country Programme for Children
- > WHO Roll Back Malaria
- > Philippines–Australia Local Sustainability Program
- > UNFPA Institutionalising Adolescent Reproductive Health
- > UNFPA Reproductive Health Policy Advocacy

ASSESSMENT OF RESULTS AND PERFORMANCE

Key results

AusAID support for women's and children's health is delivered through partnerships with UN agencies (United Nations Children's Fund, United Nations Population Fund and World Health Organization) and focuses on supporting maternal and child health, family-planning education and malaria prevention for vulnerable people in poor areas.

For the WHO Roll Back Malaria program, the recent independent completion report cited a significant reduction of 38 per cent in malaria cases and 39 per cent in malaria deaths in Mindanao since 2004 (against targets of 50 per cent). Strong collaboration between the Department of Health and the Global Fund has brought about savings in the procurement of drugs and insecticides, and the harmonisation of health worker training programs. First-line drugs continue to be effective and mosquito nets continue to be distributed to pregnant women, displaced persons and the indigenous community.

The UNICEF Sixth Country Programme for Children in the Philippines undertook a medium-term review in 2007, with the general recommendations to 'do less, do better' and to focus the program on women's and children's health to maximise impact. It will be some time before the outcome of this restructure is known.

The review highlighted that the program had transformed strategically placed health facilities as centres of basic emergency obstetric care and had consequently improved prenatal coverage and increased the number of facility-based deliveries. It had fully immunised 82 per cent of children (213 059 aged 0–11 months old) in AusAID-supported provinces from vaccine-preventable diseases, and around 700 000 children in high-risk areas of Zamboanga del Sur and the ARMM. Approximately 26 000 school children in 70 public schools and their communities gained better access to safe drinking water and sanitation facilities.

Regional programs also contribute to women's and children's health. The PALS program provides opportunities to 180 women's organisations to participate in local planning and governance through their participation in local development councils. Their representation in these councils has provided them a platform to advocate for their welfare, particularly on health, education and development issues. The water projects at the provincial, municipal and village levels are benefiting more than 80 villages and providing access to potable water supplies for over 13 000 households and approximately 60 000 people. In a random survey the PALS program noted some key achievements: 86 per cent less time spent fetching water, 94 per cent of households with less distance to fetch water, and reduced incidences of water-borne diseases than in previous years.

Key factors contributing

UNICEF's track record of delivering basic service program in conflict-affected areas and its reputation among combatants will assist in reducing the risk of conflict delaying progress.

Strong collaboration between the Department of Health and the Global Fund for AIDS, Tuberculosis and Malaria in implementing the Roll Back Malaria activities, such as procuring drugs and insecticides and harmonising training, contributes to the success of the program.

Key factors hindering

The medium-term review found that UNICEF was spreading its activities too thinly, trying to cover 24 provinces (10 supported by AusAID), which lessened its impact. The review recommended focusing the current program more on women's and children's health, including on reducing the maternal mortality ratio in targeted regions. Despite achievements in delivering outputs, the overall health and nutrition status of the majority of women and children in target areas, beyond mortality rates, remains poor.

The independent completion report on the WHO malaria program in Mindanao found that only 55 per cent of the provinces covered have met their commitment to hire additional staff. In the next phase, planned for 2008–10, the program will have to look at other options to ensure LGU commitment, and include LGUs in the early planning stages of the program. The report also concluded that additional support should be solicited from the Government of the Philippines to fund mosquito nets and first/second-line drugs to ensure program sustainability.

Family planning and reproductive health are sensitive issues in the Philippines social and political environment. The Department of Health with UNICEF, WHO and UNFPA is planning to implement a more integrated approach to reducing maternal mortality in the coming year. This may help to provide a more positive implementation environment for reproductive health programs.

OBJECTIVE:

THE POPULATION IS BETTER PREPARED AND PROTECTED FROM NATURAL DISASTERS, INCLUDING THE AVIAN INFLUENZA PANDEMIC

RATING

- The objective will be partly achieved within the timeframe.

CONTRIBUTING PROGRAMS

- > Disaster Preparedness and Response

ASSESSMENT OF RESULTS AND PERFORMANCE**Key results**

The key achievement in preparing the Philippines for protection against natural disasters is the consolidation of mapping services in the key technical government agencies—the Mines and Geosciences Bureau, the Philippines Institute for Volcanology and Seismology, the Philippine Atmospheric, Geophysical and Astronomical Services Administration and the National Mapping and Resource Information Authority. These efforts have resulted in one set of official statistics on multi-hazards being used by all agencies and a streamlined disaster risk-management information system being established. The impact of this consolidation can be seen in the use of these services in mainstreamed hazard maps for national and regional government planning processes and land use. Fortunately, there have been no major disasters requiring external development aid assistance in the past year.

Key factors hindering

Retaining technical staff is the most serious challenge to disaster preparedness and response, with many geologists leaving for mining jobs within and outside the country due to the resources boom. About 70 of the 120 geologists attached to government departments have left, causing a serious problem for flood and landslide mapping. Drawing on internal inexperienced human resources for interagency emergency coordination hampers efforts.

What is the quality of AusAID activities in the Philippines?

Of the 17 initiatives rated under the quality-at-implementation (QAI) system, 11 were found to be marginally satisfactory, particularly against the criteria for sustainability and for monitoring and evaluation systems. The accuracy of the ratings has been assessed internally in AusAID as:

... telling a clear story with good use of evidence and recognition of weaknesses. The robust outcome-focused reviews and the support of a communications consultant for QAIs appear to have contributed to this.⁵

This rigorous assessment of the performance of the program portfolio should be read in the context of the country strategy, which has been operational for only one year and still has much to be done. Considerable progress has been made, particularly given that the program budget has gone from \$58.5 million in 2006–07 to \$91.5 million in 2007–08, but it will be some time before we have an accurate picture of the impact of the increase in program funding.

Common issues and challenges are now considered.

IMPLEMENTATION PROGRESS

Major facilities have had to undergo or are about to undergo changes to their design. Both the PALS program and PACAP have had to realign to the new country strategy, and the Partnership for Economic Growth and Reform will do so with the upcoming medium-term review. The Philippines–Australia Human Resources Development Facility has used a recent medium-term review to assess where it fits in the current strategy and will be redesigned for the next phase in 2009. These adjustments have made progress slow as programs find ways of fitting with the new strategy objectives.

As a solid base in AusAID's support for the education reforms of the Government of the Philippines, a joint trust fund was established by the World Bank and AusAID and the first tranche payment of \$11 million was made in July 2007. Delays in signing the grant agreement between the World Bank and the Government of the Philippines have delayed the disbursement of funds until the Department of Education meets certain prior conditions set by the World Bank. This highlights the considerable challenge of working with new delivery modalities and the difficulty in partnering with multilaterals where embedded protocols are difficult to modify. AusAID is working closely with the World Bank and the Department of Education to support them in meeting all preconditions.

⁵ Education Thematic Group QAI Discussion 2008.

THE PHILIPPINES' RATE OF PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS

Goal	1990 or year closest to 1990	1995	2000	2003-04	2005-06	Target by 2015	Probability of attaining the targets
1 Eradicate extreme poverty and hunger ^a							
Population below subsistence threshold	24.3 (1991)	~	15.8	13.5 (2003)	14.6	12.15	High
Population below poverty threshold	45.3	40.6 (1994)	33	30.4	32.9	22.85	High
Prevalence of underweight children (>5 years)	34.5	30.8 (1996)	30.6 (2001)	26.9 (2003)	24.6	17.25	High
2 Achieve universal primary education							
Net primary enrollment rate	84.6	92.7	96.8	88.7 (2003)	84.44	100	Low
Cohort survival rate ^b	69.7	67.2	69.5	71.8 (2008)	69.9	84.67 ^c	Low
3 Promote gender equality and empowerment							
Ratio of girls to 100 boys elementary schooling	-	95.8 (1996)	~	101.8 (2002-3)	94.17 (2006-07)	100	Low
Ratio of girls to 100 boys secondary schooling	-	104.5 (1996)	~	115.9(2002-3)	105.7 (2006-7)	100	Low
4 Reduce child mortality							
Under 5-mortality rate (per 1000 children)	80	67	54.9 (1998)	42	32	26.7	High
Infant mortality rate (per 1000 live births)	57	49	36 (1998)	30	24	19	High
5 Improve maternal health							
Maternal mortality rate (per 100 000 births)	209	180	172 (1998)	~	162	52.2	Low
6 Access to reproductive services							
Prevalence rate of men, women or couples practicing responsible parenthood	40 (1993)	~	~	~	50.6	80	Low
7 Combat HIV/AIDS, malaria and other diseases							
HIV prevalence	<1	~	~	<1	<1	<1	High
Malaria morbidity rate (per 100 000 population)	123	88.5	66.6	~	55	24 ^d	High
8 Ensure environmental sustainability							
Proportions of households with access to safe water supply	73	~	79.1	~	80.2 (2004)	86.8	High

^a In the Philippines extreme poverty is estimated using the proportion of the population living below the subsistence or food threshold. The subsistence level or threshold is measured as the minimum income needed by a person to satisfy his/her nutritional requirements (i.e. 2000 kilocalories a day). ^b Percentage of students starting grade 1 who reached grade 6. ^c Based on the Education for All target. ^d Based on the Medium Term Philippines Development Plan target.

Sources: World Bank World Development Indicators; Second Philippines Progress Report on the Millennium Development Goals 2005; Philippines Midterm Progress Report on the Millennium Development Goals 2007; Philippine National Statistics Coordination Board; Philippines National Economic and Development Authority.

MONITORING AND EVALUATION

Individual initiatives improved M&E systems at the activity level in 2007–08. QAI ratings for the Philippines program show that only five of the 17 monitored programs had adequate M&E systems. However, seven initiatives have improved their ratings over the past 12 months with support from the Philippines performance and quality team. In addition to the improvements in M&E ratings, the program has also spent time improving the quality of the QAI reports themselves.

The performance team identified the key weaknesses in M&E as being the overly output-focused reporting, the lack of impact assessments, and the quality of analysis of data provided in regular reports. To rectify this, a heavy round of reviews has taken place and the M&E frameworks have been adjusted to more effectively illustrate program impact. To improve the level of analysis, further work will be required in the coming 12 months with staff and the performance team.

There are pockets of good M&E practice in the program and these should inform AusAID's work elsewhere. The STRIVE M&E framework is a useful example where the contractor has worked with systems of AusAID, the Government of the Philippines and the Department of Education to develop a functional reporting approach that builds capacity in the department, provides the information on impacts AusAID requires and operates efficiently. The M&E framework functions at different levels with respect to the different information requirements (that is, within BESRA, within AusAID's PAF and within its own contractual context). It has a clear set of indicators, designates responsibilities and timing for the collection of monitoring information, includes process indicators to measure the effectiveness of reforms, and has built in sustainability objectives for each component.

In the education sector, because of the reorientation to integrated support to basic education, AusAID has needed to increasingly monitor how each of the initiatives contributes to what is being achieved and how it can continue to improve coherence. The process has instituted STRIVE and BEAM participation in BESRA reviews, with a view to taking regional reforms to the national level.

In other parts of the program, the M&E frameworks were improved over the past 12 months in line with the new strategy. The performance and quality team worked with partners on the PALS M&E system, the PACAP framework and designs for different parts of the program Supporting Peace in Mindanao, and played an integral role in preparing the new infrastructure facility for baseline reports to measure progress. This work is beginning to show results, with improvements in the quality of reports coming from contractors and partners.

Finally, in the peace and conflict area, work is being done on formulating a shared multi-donor framework to measure peace outcomes. This work uses peace indicators prepared by the Development Assistance Committee of the OECD and those of the Government

of the Philippines to measure donors' performance in supporting the peace process. The framework is currently in draft form and will be implemented in the coming 12 months.

SUSTAINABILITY

Sustainability remains a concern for the Philippines program and quality ratings reflect this position. The political cycle in the Philippines and the inherent risk in reform-based programs make sustainability difficult. At the outcome level, it is too early to assess whether initial achievements can be sustained without Australian assistance. The nature of the reform agenda (for example, public financial management and infrastructure policy) involves a prolonged process. Also, components of the program are in their initial stages of development/implementation, given only one year of the new country strategy has passed.

The education pillar's focus on assistance to the Department of Education means sustainability depends on the commitment of the Government of the Philippines to follow through on reforms and build them into its own work. While this can involve high risk, this approach is beneficial to long-term sustainability as it fosters support of government-delivered programs. To mitigate the risk, AusAID has linked its projects through regular joint meetings between BEAM and STRIVE, engaged the team leaders on the BESRA review, and facilitated the joint USAID-BEAM meeting in Davao City in March 2008. This means BESRA is being supported by a number of parties.

RISKS

CONTEXT RISKS

As the 2010 presidential election approaches, there is the risk of more populist spending undermining reforms to public financial management. There is additional risk of 'fast-tracking' legacy infrastructure projects at the expense of transparency. The turnover of senior officials and 'reform champions' in key departments also threatens the program, particularly where institutional transformation relies on change driven from the top. Finally, there are the issues of the global economic downturn and rising food prices and their impact on poverty rates.

IMPLEMENTATION RISKS

There are likely to be delays in starting new activities. Experience has demonstrated that institutional capacity and leadership within the key government departments and their local/regional offices is weak and potentially vulnerable to political capture or resistance concerning both legislative and institutional reform. Capitalising on strong leadership, instituting systems and building the capacity of middle management is one strategy to mitigate this risk. The work with newly designed initiatives reflects the effort to stimulate

interest through incentive-based approaches and choosing partners with an appetite for reform.

Limited capacity in the Department of Education to manage the reform agenda for the sector is the most significant risk to AusAID's Philippines education program. If reform is slow within the department at the national level, STRIVE will have no basis to proceed with some of its key regional interventions. In addition, the continued underfunding of basic education⁶ and unabated population growth make it difficult to improve education outcomes without considerable national budget stimulus. These issues have been partly addressed by the incentives program, which concentrates additional funds in areas where reform is evident in order to stimulate the department's appetite for reform.

Finally, there is the risk of a return to violence in Mindanao, given the stalled peace process and the bleak outlook for change.

CROSSCUTTING ISSUES AND CHALLENGES

GENDER

The focus on gender in the past 12 months has been to review current programs and identify ways the program can better address gender issues through its operations. As part of this review process, the AusAID gender adviser prepared a country assessment. In addition to this report, the agency has supported the Philippine government document *Harmonized gender and development guidelines*, which is the basis for the Gender Action Plan, which will be prepared as part of the program during the next 12 months. This document will ensure that gender is an integral part of all AusAID projects, and suitable reporting mechanisms will better illustrate the agency's efforts to improve gender outcomes.

PARTNERSHIPS

There has been strong support among senior World Bank representatives (Manila) to develop a close working relationship with AusAID in the Philippines. There are ongoing activities in at least five areas that involve a World Bank – AusAID partnership. More initiatives are being discussed, including co-financed projects under the subnational infrastructure program and a joint World Bank – AusAID research trust fund. The partnership is very close and both parties engage with each other more than any other development partners, but the relationship is not without challenges.

The World Bank system differs from standard AusAID regulatory checks and balances, and this has caused delays in initiatives. Locating the AusAID economics adviser at the World Bank has strengthened the link, and World Bank – AusAID collaboration and

⁶ A 3 per cent annual increase in the education budget is required to keep pace with population increases.

coordination on public financial management and many areas of economic governance remain close. However, undertakings in co-financed sectoral activities (Land Administration and Management Project 2 and National Road Improvement Management Plan 2) have experienced communication and coordination challenges, due in part to the institutional differences, management styles and assumptions of respective organisations. The joint Department of Education trust fund remains inoperable due to the department's struggle to comply with World Bank requirements and there are operational issues in other interventions. Attempts have been made to establish a formal partnership working arrangement between the two organisations but these negotiations have presently stagnated due to difficulties overcoming World Bank rules and regulations.

SCHOLARSHIPS AND HUMAN RESOURCE DEVELOPMENT

Since 2004, Australian Development Scholarships have been integrated into the capacity-building approach of the Philippines–Australia Human Resources Development Facility to provide targeted long-term training (80 scholarships a year) and short-term training (approximately 30 places a year) for selected institutions directly linked to programs under each of the program pillars. These interventions are intended to directly address human resource development needs of those institutions. They also enable partner institutions to adopt and implement systemic changes.

Thirty-eight of the 80 recipients of Australian Development Scholarships in 2007–08 arrived in Australia in January while the remaining 42 will start in June 2008. These scholars represent the following institutions:

- > 34 from national government agencies
- > 24 from local government units
- > 12 from private sector associations
- > 10 from state universities and colleges.

The Philippines–Australia Human Resources Development Facility has completed its third year of implementation. A strategic review conducted in September 2007 highlighted improvements in some, but not all, institutions due to the facility's interventions since 2004. One example of success is the Provincial Government of Bohol, where the Agricultural Master Plan developed by provincial government employees with the assistance from the facility has been adopted by the Provincial Board and used for annual investment planning. Another example is the Davao City Chamber of Commerce, whose membership has increased with the assistance of the facility to strengthen industry associations.

ANTI-CORRUPTION

The key deliverable for the year, the Philippines country strategy Anti-Corruption Plan, was achieved. The purpose of the plan is to guide the mainstreaming of anti-corruption across the Philippines program and prioritise specific project opportunities to address

corruption. The plan was prepared in consultation with the Government of the Philippines, other donors and civil society partners. A system for measuring success in implementing the plan is currently being developed, with the aim of feeding it into the annual program performance review process.

Over the year, AusAID has developed a reputation within the Government of the Philippines and the donor community as a committed partner in addressing the corruption risks associated with major sectoral reform programs. Our development of an 'integrity' package to help safeguard the effective implementation of the World Bank's National Road Improvement Management Plan is one such example. This package includes the establishment in 2007 of Road Watch—a civil society network that monitors the Department of Public Works and Highways' performance in delivering quality road services. AusAID has entered a new partnership with the World Bank and the Department of Social Welfare and Development to address the corruption vulnerabilities associated with the Government of the Philippines's Conditional Cash Transfer Program. The program is a household-level pro-poor incentive program with the goal of improving the health and educational status of children and mothers in targeted populations and locations. Support is particularly timely as the development community in the Philippines refocuses attention on well-targeted safety nets for the poor in an environment of rising food and commodity prices.