

PHILIPPINES – AUSTRALIA

PUBLIC FINANCIAL MANAGEMENT PROGRAM FOR INSTITUTIONS AND INFRASTRUCTURE

INVESTMENT DESIGN DOCUMENT (IDD)

FINAL DRAFT (APRIL 2018)

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### Financial Information

**The Philippines Fiscal Year:** 1 January to 31 December

**Abbreviated currency amounts:** trillion = tn; billion = bn, million = m

**Exchange Rates at 30 August 2017:** Australian Dollar (\$) 1.00 = Philippines Peso (PHP) 40.00

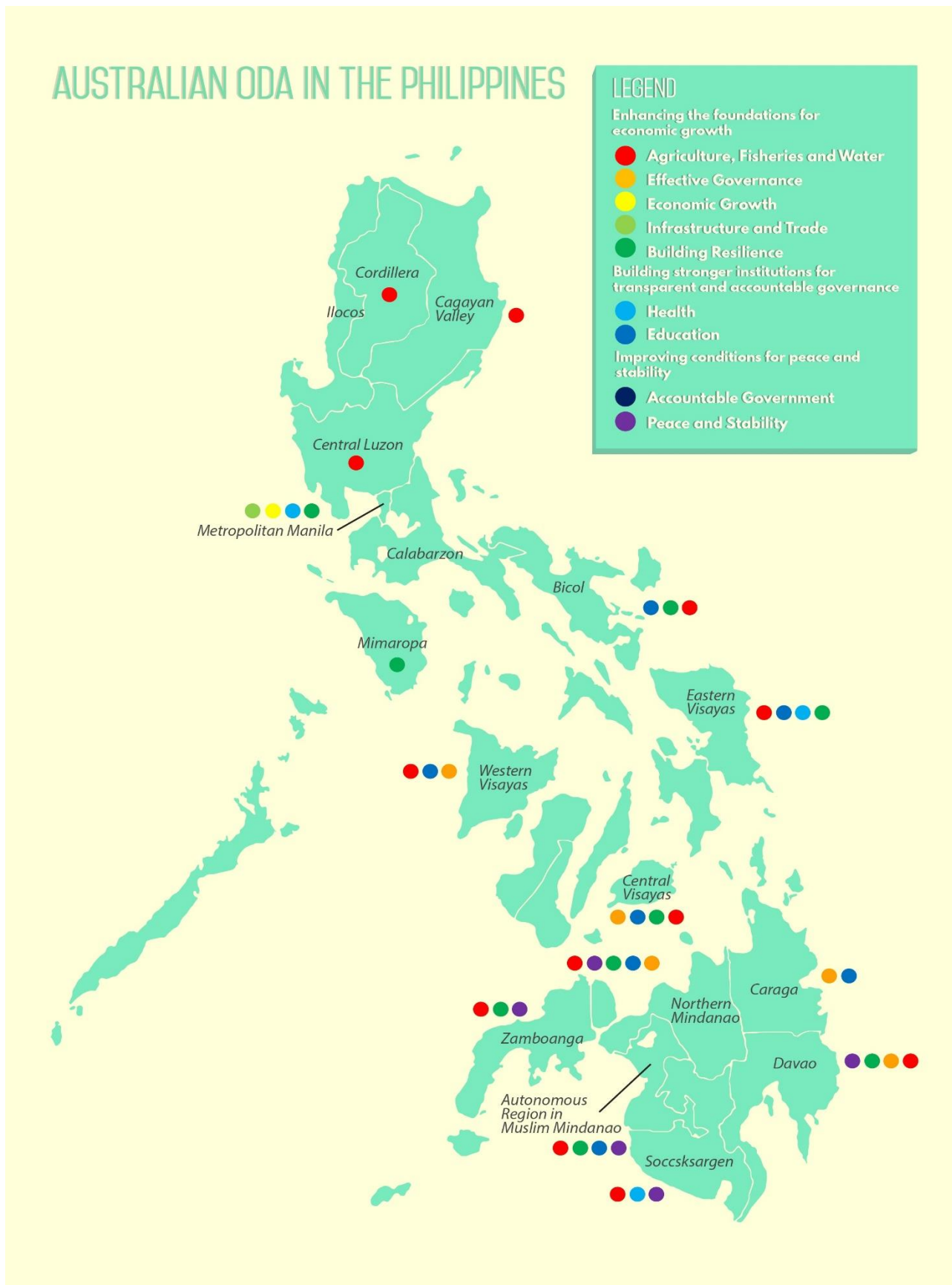
Australian Dollar (\$) 1.00 = United States Dollar (USD) 0.75

## ABBREVIATIONS AND ACRONYMS

AAS	Australia Awards Scholarships
ADB	Asian Development Bank
ADR	Aggregate Development Results
AIIB	Asian Infrastructure Investment Bank
AIP	Aid Investment Plan
AQC	Aid Quality Check
ASEAN	Association of South East Asian Nations
BTMS	Budget and Treasury Management System
CIAP	Construction Industry Authority of the Philippines
CMGP	Conditional Matching Grant Program
CRID	Coordinating Road Investments for Development
CR+ID	Coordinating Road and Infrastructure Investments for Development
COA	Commission on Audit
DBM	Department of Budget and Management
DED	Detailed Engineering Designs
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DFAT	Department of Foreign Affairs and Trade, Commonwealth of Australia
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DTI	Department of Trade and Industry
FAP	Foreign Assisted Project
GAA	General Appropriations Act
GAD	Gender and Development
GDP	Gross Domestic Product
GOA	Government of Australia
GOCC	Government-Owned -and Controlled Corporations
GPH	Government of the Philippines
GPPB	Government Procurement Policy Board
GPBB-TSO	Government Procurement Policy Board- Technical Support Office
IACTP	Inter-Agency Committee on Transport Planning
ICC	Investment Coordination Committee, NEDA
ICSP	In-Country Scholarships Program
IMF	International Monetary Fund
INFRACOM	Infrastructure Committee, NEDA
IPIF	Infrastructure Preparation and Innovation Facility
IRA	Internal Revenue Allotment
IWI	Investing in Women Initiative
JICA	Japan International Co-operation Agency
KALSADA	<i>Konkreto at Ayos na Lansangan at Daan Tungo sa Pangkalahatang Kaunlaran</i>
KOICA	Korea International Cooperation Agency
LFP	Locally Funded Projects

LGC	Local Government Code
LGU	Local Government Unit
MC	Managing Contractor
M&E	Monitoring and Evaluation
NCA	Notice of Cash Allocation
NEDA	National Economic and Development Authority
NEP	National Expenditure Program
NGA	National Government Agency
NTP	National Transport Policy
ODA	Official Development Assistance
PAG	Program Advisory Group
PAHRODF	Philippines Australia Human Resource and Organisational Development Facility
PCA	Philippine Constructors Association
PCW	Philippine Commission on Women
PDMF	Project Development and Monitoring Facility
PDP	Philippine Development Plan
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMP	Public Financial Management Program
PFMI	Project Facilitation, Monitoring and Innovation Task Force
PFM-I	Public Financial Management for Infrastructure Program
PFMP-II	Public Financial Management Program for Institutions and Infrastructure
PICE	Philippine Institute of Chartered Engineers
PIP	Public Investment Plan
PIU	Program Implementation Unit
PNR	Philippine National Railway
PPP	Public Private Partnership
PPPC	Philippines Public Private Partnership Center
PSA	Philippines Statistics Authority
PSC	Program Steering Committee
PTSMP	Philippine Transport System Master Plan
PWD	Persons with Disability
RAP	Resettlement Action Plan
ROWA	Right of Way Acquisition
SA	Subsidiary Arrangement
Safeguards	Legal protections regarding environmental (including environmental protection, climate change) and social (including, gender, involuntary resettlement, indigenous peoples, disability inclusion) safeguards
SUCs	State Universities and Colleges
TRIP (DOT)	Tourism Road Infrastructure Program
TRIP (NEDA)	Three-Year Rolling Infrastructure Plan
TSA	Treasury Single Account
UACS	Unified Account Code System
UNDP	United Nations Development Program
WB	World Bank
WEF	World Economic Forum

## MAP OF THE PHILIPPINES



## EXECUTIVE SUMMARY

### Development and End-of-Investment Outcomes

The Philippines is growing. The population grew by 1.5% from 2015 to 2016, reaching 103 million in 2016, while Gross Domestic Product (GDP) has been increasing at an average of 6.6% since 2012. The Philippines is expected to remain one of East Asia's top growth performers. However, there remains an estimated 21.9 million Filipinos living below the national per capita poverty threshold and inequality still remains one of the highest in Southeast Asia.

The Philippines needs more public infrastructure to boost economic growth and reduce poverty and inequality. The current government is committed to reduce the poverty rate to 14% by the end of its term, and a key strategy for promoting inclusive growth is to scale up infrastructure investment to reach 7.4% of GDP by 2022. The administration has initiated the *Build, Build, Build* program and is aiming to spend PHP8.4 trillion (AUD210 billion) in six years.

The Government of the Philippines (GPH) has initiated various reforms to address several constraints to infrastructure implementation. Government oversight and approval bodies have been reorganised to fast-track approval and implementation of major infrastructure projects. Bilateral and multilateral donors are offering financing for flagship infrastructure projects. However, the government still faces the challenge of converting government budget appropriations for public infrastructure into actual expenditure.

Australia's Aid Investment Plan for the Philippines aims to help build the foundations for economic growth and build stronger institutions for transparent and accountable governance. To these objectives, the **Public Financial Management Program for Institutions and Infrastructure (PFMP-II)** program seeks to contribute to the delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines. By the end of the investment, targeted Philippines government agencies and private sector service providers are expected to use more efficient, collaborative and innovative systems for inclusive public infrastructure delivery.

The strategic intent of PFMP-II is to strengthen institutional capacity, contribute to an enabling business environment, and support relationships that motivate more efficient, inclusive and innovative delivery of public infrastructure.

Successful delivery of the end-of-program outcome requires collaboration at three levels: (1) between national government agencies at both central (allocation) and line (spending) levels; (2) between national and sub-national (e.g. provincial and local government units) levels; and (3) between the public sector demand side and the private sector supply side of the public infrastructure delivery system in the Philippines.

Intermediate outcomes for the program recognise this collaboration and the demand and supply side dynamics of the public infrastructure delivery system in the Philippines. The intermediate outcomes for the program are:

*Targeted national (and provincial if included) government agencies commit to using strengthened budget, procurement, organisational and safeguard systems for public infrastructure delivery.*

*Selected private sector partners adopt innovative approaches to public infrastructure delivery.*

The program logic model emphasises iterative delivery of change, supported by systematic progress and performance monitoring as well as tactically designed evaluative studies. The process dimension of the program logic model builds on the theoretical foundations that explain underlying investment assumptions as well as why PFMP-II is anticipated to result in changed practices for financing, procuring, safeguarding and delivery of quality infrastructure for inclusive economic growth in the Philippines. These theories help explain: (1) how organisations and individuals change; (2) how organisations perform; (3) how innovations are adopted and spread; and (4) how scale-up is achieved from trials and demonstrations.

New systems, approaches and practices supported by the program will be identified, trialled or demonstrated with selected agencies and private sector service providers. Lessons will be captured with progress monitoring, evaluative studies and case studies, which will then be used to refine new systems, approaches and practices before scale-up as well as for communicating with policy makers and influencers in the public infrastructure system.

Indicative interventions for PFMP-II are phased over time and are anticipated to:

1. support whole-of-government reforms in public financial management, public infrastructure delivery system management, and safeguards
2. demonstrate that innovation in design, contracting, and delivery can stimulate the private sector to build more efficiently with, and for, government
3. facilitate professional and academic exchanges between Philippines and regional peak bodies to boost infrastructure sector skills and capacity
4. learn and share the emerging lessons from implementation to inform DFAT-GPH policy dialogue.

All interventions will focus on areas of need that are not currently assisted by other donor projects. The program's focus on "soft" infrastructure will complement the funding for "hard" infrastructure being provided by multilateral and bilateral donors. The program is informed by the lessons from past and on-going Australian aid investments in infrastructure and public financial management, and builds on long-standing relationships with government partners.

## Timeframe for Engagement and Resource Commitment

PMFP-II will be implemented over six years (from November 2018 to October 2024), following a phased approach of 4+2 years. The initial four years aligns with the remaining period for achieving the administration's infrastructure development goals by 2022. The final two years will facilitate the transition to the next administration and provides time for Australia and the Philippines to engage on future priorities.

The proposed allocation for PFMP-II of \$36 million will: allow implementation a range of program interventions with several GPH agencies; cover management, operational, and administrative costs of a Managing Contractor; and include technical advisory and monitoring resources managed by DFAT.

The program will work with selected national government agencies responsible for oversight, planning and delivery of public infrastructure.

Engagement at the subnational/local government level, particularly for Mindanao, will be explored by the program during the first year given the mid-term elections in May 2019.

## Delivery Approach and Key Partnerships

Issues affecting public infrastructure delivery are not isolated in a single bottleneck, but are evident across many aspects of the systems of government. The PFMP-II design adopts a performance-based, systems approach to design and implementation of interventions, which allows flexibility and adaptability in both phasing and allocation of program resources to where they can have greatest impact. The design assumes interventions will progress at different rates across institutions, and institutional abilities to adopt and commit to reforms will vary with readiness and performance. Evaluative studies and case studies will be undertaken for all interventions to refine approaches, expand adoption, or if necessary, terminate and reprogram interventions that do not contribute to results. Individual technical assistance will be co-located in national government agencies to maximise their effectiveness, while the program management team will have commercial office space in a neutral location to avoid perceptions of "capture" by any specific agency.

PFMP-II will actively seek opportunities to work with other Australian-funded aid investments such as Australia Awards and Alumni Engagement Program that can provide complementary long-term scholarships and short-term fellowships to reinforce interventions.



Key partnerships will be strengthened with agencies such as the Department of Budget and Management (DBM), Department of Transportation (DOTr), and the National Economic and Development Authority (NEDA), as these agencies have effectively used Australian assistance in the past and demonstrated readiness to continue their engagement through PFMP-II. These relationships and the opportunity that the program interactions provide for improved inter-agency linkages to support accelerated public infrastructure delivery are key elements of the Program design.

The overall management of the program will be coordinated by a Program Steering Committee (PSC) composed of NEDA, DBM, and DFAT. Other government agencies may be invited by the PSC as observers. Independent advice to the PSC will be provided by a special-purpose Program Advisory Group (PAG). A Managing Contractor (MC) will provide support services to assist the PSC to mobilise the Program and to assist with the subsequent implementation of interventions. The MC will establish a Program Implementation Unit, with a Core Program Team, to supervise the day-to-day implementation of the Program.

New partnerships will be forged and sustained, especially with private sector actors and their industry associations, as well as with Philippine State Universities and Colleges to motivate adoption of innovation in public infrastructure delivery and build skills needed in industry to support innovative delivery, adaptation and use of universal design, and effective delivery of inclusive public infrastructure projects.

## Critical Risks and Challenges

PFMP-II faces key risks at three levels:

Contextual – There are high expectations on the government to quickly spend allocations for, and demonstrate delivery of, public infrastructure projects. There is a risk that senior government officials in implementing agencies may be changed if infrastructure delivery falls behind targets. The Program may lose reform champions if this happens and could create challenges to the continuity of program interventions. Such turnover is beyond the control of the Program, hence continuing the long-standing relationships with the technical operational personnel will help balance any loss of senior leadership. The Program's performance-based and systematic approach allows design and implementation of interventions to adjust if reform momentum is lost and move to areas where more potential for progress is evident.

Programmatic – Partner agencies may be unable to provide sufficient time and resources to the Program given the heightened attention placed on delivering the administration's infrastructure flagship projects. Embedding the technical assistance in the oversight and implementing agencies will allow the Program to work with individual agencies on a daily basis and adjust interventions to suit the agencies' readiness and capacities.

Institutional – Several multilateral and bilateral donors, including Australia, are actively engaged in the infrastructure sector, which can create a risk of overlap in donor assistance. Australia's contribution in the sector may lose identity and impact as the Program's grant funds are small relative to donor loan funding for major infrastructure projects. DFAT and the Managing Contractor will continue to participate in existing donor coordination mechanisms as well as initiate bilateral coordination with other donors where no such mechanism exists. For instance, DFAT's commitment to disability inclusion and growing international reputation might help DFAT stand out as the donor that is supporting, advocating for and influencing the GPH and other donors to use universal design in infrastructure projects.

## ANALYSIS AND STRATEGIC CONTEXT

### COUNTRY CONTEXT

The Philippines is growing. The population grew by 1.5% from 2015 to 2016, reaching 103 million in 2016. The economy is also growing, with Gross Domestic Product (GDP) increasing at an average of 6.6% since 2012 and projected to grow again by 6.5% in 2017 and 6.7% in 2018 (ADB 2017). The Philippines is expected to remain one of East Asia's top growth performers (WB April 2017).

Despite the Philippines being on the cusp of transition to upper-middle income country status and having one of the fastest growing economies in Asia, it also has one of the highest rates of poverty and inequality in Asia. The poverty rate has gone down from 25.2% in 2012 to 21.6% in 2015, but there remains an estimated 21.9 million Filipinos living below the national per capita poverty threshold of PHP21,753. Inequality has also decreased, but still remains one of the highest in Southeast Asia (ADB 2017; PSA 2015). This inequality contributes to social disunity and undermines the potential for sustainable inclusive economic growth.

Better access to infrastructure has driven growth, reduced poverty, and improved people's lives in Southeast Asia. Governments provide 80% of regional infrastructure funding and significant on-going public investment is needed to close the gap between projected infrastructure needs and current spending levels (ADB 2017). However, infrastructure development has not kept pace with the demands of a growing and increasingly urbanised population.

The Government of the Philippines (GPH) has underinvested in infrastructure for decades (ADB 2017). Its public capital stock at 35% is less than half of the average of member states in the Association of South East Asian Nations (ASEAN). The quality of existing facilities is likewise comparatively poor, consistently ranked low in global business environment surveys. Inadequate supply of infrastructure is consistently identified as one of the most problematic factors for doing business in the Philippines (WEF 2017).

In 2016, the Aquino Administration aimed to spend 5% of GDP on infrastructure, but achieved actual spending of only 2.9% (see Figure 1). Despite the improved availability of public finances, until recently public investment in infrastructure has remained relatively low in the Philippines due to weak links between planning and budgeting and slow implementation of infrastructure projects. Government *underspending* of the national budget progressively *increased* from 10% in 2011 to 14% in 2015 (DBM 2016).

Figure 1 – 50 years of infrastructure spending as % GDP

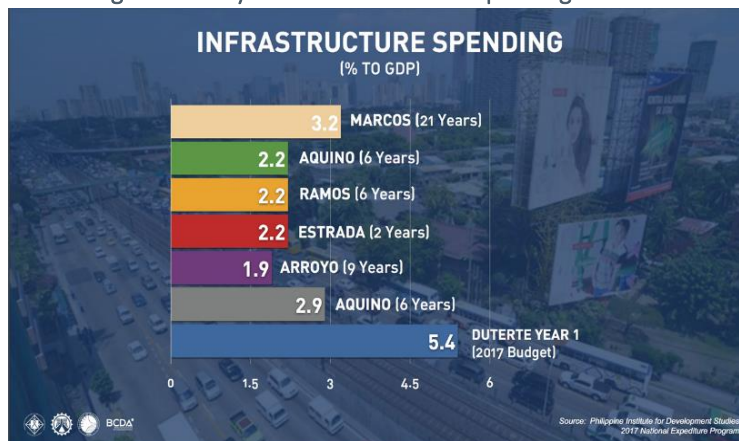
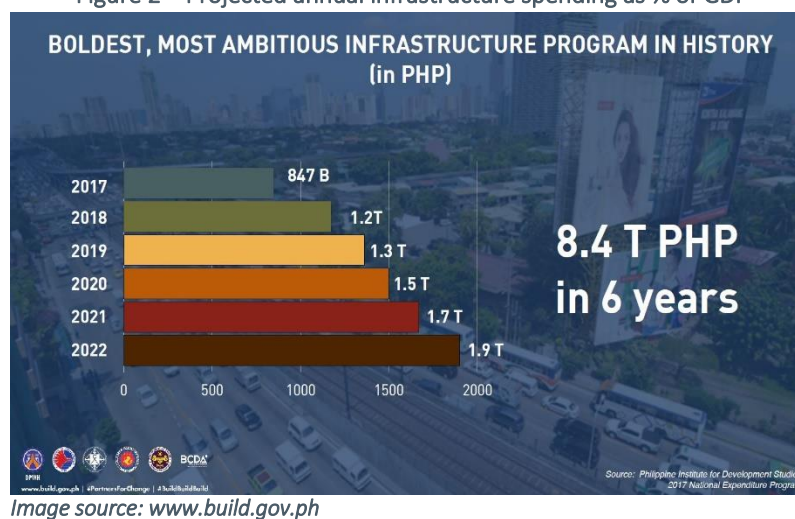


Image source: [www.build.gov.ph](http://www.build.gov.ph)

Acknowledging that increased infrastructure investment is needed to boost economic growth, enhance competitiveness, and promote inclusive growth and sustainable development, the Duterte Administration framed the Philippine Development Plan 2017-2022 (PDP) to scale-up public infrastructure budget allocations to 5.3% of GDP in 2017, up to 7.4% of GDP by 2022, supported by donors and comprehensive tax reforms to raise the needed revenue. This significantly increased commitment to infrastructure investment aims to lift annual economic growth to 7-8% and reduce poverty from 21.6% to 14% by 2022. The PDP also seeks to fund investments in strategically distributed infrastructure – both spatially and by sector – to improve economic growth and the quality of life in both urban and rural communities.

The proposed investment of PHP8.4tn (\$210bn) over six years is termed “*Build, Build, Build*” and is of the same order of magnitude as ADB’s estimate of infrastructure needs of USD127.1bn<sup>1</sup> (\$169bn) in 2010 - 2020. It is important to note that PHP8.4 tn is an estimate, and not necessarily a target, of cumulative GPH expenditure necessary to reach annual expenditure targets as a percentage of GDP (Figure 2). The list of infrastructure projects and breakdown of departmental spending required to achieve this aspiration is a work in progress.

Figure 2 – Projected annual infrastructure spending as % of GDP



Delivery of infrastructure investments under *Build, Build, Build* will require a combination of government, private sector, and donor participation, with the bulk of expenditure (projected to be 67% of the total projected amount) expected to be done through local procurement and the rest either through Official Development Assistance (ODA) mechanisms (15%) or Public-Private Partnership (PPP) arrangements (18%). In early 2017, the government announced it would apply a “hybrid” PPP formula, where government builds the infrastructure project and then bid out the operations and maintenance to the private sector, in order to speed up PPP implementation. In addition, the government would now welcome unsolicited proposals for PPP projects from the private sector who may offer better solutions (DOF 2017).

The legal and policy environment conducive to the consideration of gender issues affecting budget expenditure or relevant to the infrastructure sector exists. The Women in Development and Nation Building Act of 1992 established the basis for a Gender and Development (GAD) budget policy in the annual budget preparation process. Since 1995, the annual national budget has included at least 5% appropriated to GAD (Illo, 2010). The Magna Carta of Women passed in 2009 obligates the state to respect, protect, promote and fulfil the human rights of all regardless of sex, age, and sexual orientation, among others, and to pay particular attention to the rights of the more vulnerable and marginalized sectors of men and women among their clientele. Unfortunately, the capacity for gender-responsive planning and budgeting, as well as gender-responsive implementation, and monitoring and evaluation of infrastructure and public transport projects is still limited. Indicative of this weakness are the low levels of capacity of the two major infrastructure departments as assessed under the GPH’s Gender Mainstreaming Evaluation Framework (Serrano 2016).

Improved access and mobility are vital to reducing isolation, vulnerability, and dependency of elderly and/or people with disability (WB 2006). Infrastructure decisions can facilitate inclusion and direct investments to high-need populations and open up opportunities for disadvantaged areas (Corburn, 2015). The Philippine Government is committed to enhancing access for all in line with the Incheon Strategy to “Make the Rights Real” for Persons with Disabilities in Asia Pacific. However, a key barrier to successful implementation of inclusion programs are the negative attitudes and lack of awareness of service providers on the issues faced by persons with disabilities (Zayas, 2016).

<sup>1</sup> Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water, and Sanitations in Asia and the Pacific: 2010–2020. ADBI Working Paper Series. No. 248.

## DEVELOPMENT PROBLEM/ISSUE ANALYSIS

Economic growth has given recent Philippine administrations adequate fiscal headroom to appropriate the larger budgets needed to accelerate development investments, including for infrastructure. However, this increased appropriation of public resources has not resulted in the anticipated levels of public expenditures or delivery of infrastructure. GPH does not perform well at converting budget appropriations into public expenditure, particularly for infrastructure assets. This inefficiency signals that while there are sufficient resources, there are administrative and operational capacity constraints to be addressed in the public sector.

To realise its goal of investing PHP8.4 tn for infrastructure by 2022, the GPH will need to address key constraints in public financial management (PFM) and infrastructure management. A detailed assessment of the development problem and issue analysis is made at **Annex 1**.

### *Public Financial Management*

An assessment of the Philippines' PFM system in 2016 showed that of the seven PFM pillars: three (transparency; policy-based budgeting; and asset and liability management) have improved since 2010; one (predictability and control in budget execution) is evenly balanced; and three (budget reliability; accounting and reporting; and external scrutiny) are weak (WB PEFA 2016).

A key weakness identified by the assessment and highly relevant to infrastructure service delivery is that the GPH budget system does not facilitate year-on-year budget execution reporting. The current budget system is overly complex and lacks the discipline and clarity required to support a scale-up of infrastructure spending and exposes GPH budget analysis to significant timing issues. GPH's commitment to significantly increase the volume and quality of infrastructure spending – particularly with respect to transport infrastructure – can only be achieved with the establishment of a budget system that sharpens its focus on delivery.

The GPH has a clear commitment to reform the current budget framework. A central element of the reform being introduced by the Department of Budget and Management (DBM) is to shift away from the current obligation-based budgeting system to a cash appropriations system. This will allow the government to measure in-year budget utilisation as actual cash spent. This reform is highly relevant to infrastructure spending as it enables more accurate reporting on infrastructure delivery rates and helps government focus its efforts on addressing bottlenecks in the infrastructure delivery process.

### *Infrastructure Management*

Weaknesses in infrastructure project design and preparation, procurement difficulties, and implementation bottlenecks arising from structural weaknesses and capacity constraints of National Government Agencies (NGAs) responsible for infrastructure implementation are among the factors that affect budget utilisation (NEDA PDP 2017). **Annex 2** provides an overview of the GPH infrastructure implementation process, unpacks these broad observations above, and identifies specific constraints.

The GPH has already initiated various reforms to address several constraints to infrastructure implementation. A new law on Right of Way Acquisition (ROWA) was passed in March 2016 to expedite ROWA procedures and promote just compensation. The Implementing Rules and Regulations of the procurement law were updated and took effect in October 2016. GPH oversight and approval bodies have been reorganised in 2017 to fast-track the approval and implementation of major infrastructure projects. DPWH has "convergence" programs with other NGAs that link road development projects to sites for sectoral priorities tourist areas, manufacturing centers, and inter-modal transport locations (e.g. ports, airports).

However, significant challenges to public infrastructure delivery by government remain, such as:

1. Major infrastructure provision efforts by GPH have been a reactive response to crises, not an attempt at effective long-term infrastructure planning (WB 2009). Recent crises are a scaling-up of infrastructure goals, and the GPH reactive response is to fit infrastructure delivery into planning timeframes, not actual infrastructure delivery timelines.
2. Project preparation for full implementation readiness is conducted in different phases, involves procurement of consultants, and can extend over longer timeframes.
3. Project identification can be conducted by applying published rules, or as development committees nominate national development priorities.
4. The numbers and experience of consultants for project preparation that are accessible to NGAs responsible for delivering infrastructure are limited.
5. Some NGAs require organisational reform to better meet infrastructure delivery targets.
6. Private sector have very limited incentives for innovation in engineering, design and technology to support accelerated infrastructure implementation.

#### *Design Note 1*

The design acknowledges that some of the issues in the infrastructure management cycle are sovereign policy and resource allocation functions that respond to national development imperatives and priorities, not only to detailed technical analysis. These cannot be effectively addressed by external development activities. Accordingly, the Program would not engage in supporting such functions on first principles.

Further, the issues affecting infrastructure delivery are not isolated to specific infrastructure-related bottlenecks, but are evident across many aspects of the systems of government. There does not appear to be any one, critical, point of entry on which to focus. Several areas of engagement may be needed, noting that these areas may advance at different rates and at different times.

## *Safeguards*

### **Environmental (including Climate Change and Disaster Risk) and Social (Involuntary Resettlement and Displacement, Indigenous Peoples) Safeguards, Gender, and Disability Inclusion**

The GPH has a number of safeguard policies in place and there are mechanisms especially at the planning stage where these are taken into consideration in the design and evaluation of infrastructure programs and projects. In the surge effort to deliver the infrastructure needs of the Philippines during 2017-2022, additional steps can be taken to ensure that issues relating to environmental (including climate change and disaster risk) and social (involuntary resettlement and displacement, indigenous people) safeguards, gender, and disability inclusion are not overlooked. While legal and institutional frameworks may exist for the various safeguards, gender and disability issues, there is a mixed level of capacity (from weak to good) in implementing and enforcing compliance with safeguards by the multiple government agencies involved. Gender equity is particularly at risk in the normal course of infrastructure planning and delivery. For example, the transport infrastructure sector in the Philippines has been traditionally male-dominated, with a minority of women in decision-making roles in government agencies or construction-related positions such as engineers and project managers. Road development projects in poverty-stricken areas can make women and children in those host communities vulnerable to prostitution or trafficking.

GPH does not maintain a comprehensive database identifying all safeguards measures established by law. However, parties to infrastructure development in the Philippines (e.g. NGAs, local governments, private sector and civil society) are expected to conduct independent research on applicable safeguards legislation, implementing institutions and operational tools. This makes compliance with, and monitoring of, safeguards, difficult.



## STAKEHOLDER MAPPING

This analysis focuses on the functions of the principal infrastructure oversight and implementation agencies. Effective relationships within and between these agencies are essential to accelerating infrastructure delivery.

### *Inter-agency bodies*

#### Infrastructure Cabinet Cluster

The President exercises oversight and coordination across government agencies through a system of “Cabinet Clusters.” Executive Order 24 (May 2017) created the Infrastructure Cabinet Cluster to focus on infrastructure development for the realisation of the President’s 0+10 Point Socio-Economic Agenda. The cluster is chaired by the Secretary of Public Works and Highways and includes the Executive Secretary, the Cabinet Secretary, the Head of the Presidential Management Staff, and Secretaries from twelve Departments.

#### National Economic and Development Authority (NEDA) Board

Executive Order 230 (July 1987) reorganised the National Economic and Development Authority (NEDA) composed of two entities: the Board and the Secretariat. Administrative Order (AO) 8 (October 2017) reconstituted the NEDA Board to be composed of the President as chair, the Secretary of Socio-Economic Planning as vice-chair, and the Cabinet Secretary, Executive Secretary, the Secretaries of Budget and Management, Finance, Public Works and Highways, Trade and Industry, and Transportation, the Chair of the Mindanao Development Authority, and the Deputy Governor of Bangko Sentral ng Pilipinas (BSP), as members.

AO 8 also reactivated and reorganised the NEDA Board Executive Committee (ExCom), composed of the President as chair, the Secretary of Socio-Economic Planning as vice-chair, and the Executive Secretary, Cabinet Secretary, and Secretaries of Finance and Budget and Management as members. The ExCom is empowered to provide policy direction and resolve policy issues involving few agencies or a specific sector without the necessity of convening the entire NEDA Board, as well as confirm approval of projects classified as extremely urgent.

In relation to infrastructure, the NEDA Board is assisted by two cabinet-level inter-agency committees: the Infrastructure Committee (InfraCom) and the Investment Coordination Committee (ICC).

#### Infrastructure Committee (InfraCom)

InfraCom is composed of the Socio-Economic Planning Secretary as chair, the Secretary of Public Works and Highways as co-chair, and the Executive Secretary and Secretaries of Departments of Transportation, Finance and, Budget and Management, as members. InfraCom advises the President and the NEDA Board on the infrastructure development strategy for highways, airports, seaports, railways, power generation, telecommunications, irrigation, flood control and drainage, water supply and sanitation, national buildings for government offices, hospitals and related buildings, state colleges and universities, elementary and secondary school buildings.

#### Investment Coordinating Committee (ICC)

ICC was also reconstituted by AO 8 and is now composed of the Secretary of Finance as chair, the Socio-Economic Planning Secretary as co-chair, and the Executive Secretary, Cabinet Secretary, the Secretaries of Budget and Management, Energy, Trade and Industry, and the Governor of the BSP, as members. The ICC has the following functions:

- evaluate the fiscal, monetary and balance of payments implications of major national projects, and recommends to the President the timetable of their implementation
- advise the President on matters related to the domestic and foreign borrowings program
- submit a status of the fiscal, monetary and balance of payments implications of major projects.

### Project Facilitation, Monitoring, and Innovation (PFMI) Task Force

The NEDA Board established the PFMI Task Force to facilitate development, approval, and implementation of “Infrastructure Flagship Projects” (numbering 75 as of 27 June 2017) identified by InfraCom and ICC. The Task Force is headed by a Steering Committee composed the Secretaries of NEDA, Finance, Budget and Management, Public Works and Highways, Transportation, Office of the Cabinet Secretary, and the President of the Bases Conversion Development Authority.

### *Oversight Agencies*

In the Philippines, responsibility for the oversight of infrastructure planning, budgeting, and resourcing, rests with the following national government agencies:

#### Department of Budget and Management (DBM)

DBM’s mandate covers the preparation of the medium-term expenditure plan, indicating the programming, prioritisation and financing of capital investments and operating expenditure of sector development plans; the formulation of the annual national budget; and monitoring and assessing the physical and financial operations of local government units. DBM also has Regional Offices located in the administrative regions of the country. Further, DBM is responsible for hosting the Government Procurement Policy Board (GPPB), the national body responsible for administering procurement law, practice guidelines, and training.

#### Department of Finance (DOF)

The mandate of DOF includes: the formulation, institutionalization and administration of fiscal policies; generation and management of the financial resources of government; review, approval and management of all public sector debt, domestic or foreign; and rationalization, privatization and public accountability of corporations and assets owned, controlled or acquired by the government. DOF is responsible for securing and/or negotiating foreign grants and loans, including for infrastructure projects.

#### National Economic and Development Authority (NEDA)

The NEDA Secretariat serves as the research and technical support of the NEDA Board and is responsible for socioeconomic development and planning. NEDA’s key responsibilities include:

- coordination and formulation of policies, plans and programs for national and sub-national development
- review, evaluation and monitoring of infrastructure programs and projects
- undertaking policy reviews and providing analysis of development issues and policy alternatives.

It should be noted that the NEDA Secretariat was recently directed by the ICC (through the DOF-NEDA Joint Memorandum Circular No. 2017-01) to take the lead in the appraisal of all projects, regardless of mode of implementation (i.e. locally funded, ODA, PPP).

### *Implementing Agencies*

Delivery of a large part of *Build, Build, Build* will be the responsibility of two NGAs. The GPH’s Public Investment Program for 2017-2022 estimates investments by Department of Public Works and Highways to total PHP3.24tn (\$81bn) and Department of Transportation to reach PHP1.945tn (\$48.756.3bn).

## Department of Public Works and Highways (DPWH)

DPWH's mandate covers the planning of infrastructure including national roads and bridges, flood control, water resources projects and other public works. It also provides technical advice to local government units (LGUs) and other NGA implementation agencies.

## Department of Transportation (DOTr)

DOTr, formerly the Department of Transport and Communications (DOTC), is responsible for the country's land, air, and sea transport. Its functions include policy formulation, industry services regulation, infrastructure development and international cooperation.

## Other National Government Agencies (NGAs)

Other NGAs with significant national budget allocations for infrastructure include: Department of Agriculture (Farm to Market Roads); Department of Education (school buildings), Department of Health (health centers) and the National Irrigation Administration (irrigation systems). NGAs involved in addressing different safeguards issues related to infrastructure development include: Department of Environment and Natural Resources, Housing and Urban Development Coordinating Council and National Housing Authority (resettlement), National Commission on Indigenous Peoples, National Council on Disability Affairs, and Philippine Commission on Women (gender and development). The Department of Trade and Industry (DTI) contributes to infrastructure sector planning through the National Logistics Masterplan 2017-2022 to establish an efficient transport and logistics sector, and is developing a Construction Industry Road Map 2017-2022 (through the Construction Industry Authority of the Philippines/CIAP) to guide the growth and promote best practices in the private sector construction industry.

## *Local Government Units*

Under the Local Government Code (LGC) of 1991, the national government devolved responsibility to LGUs for the management of health, local roads, social welfare services, provincial infrastructure facilities, low cost housing, provincial environmental enforcement and a number of other research and investment-related services. The LGC also provides the revenue base (i.e. Internal Revenue Allotment/IRA), to support the management and development of these functions. LGUs are supervised by the Department of the Interior and Local Government (DILG). LGUs can also receive additional fiscal transfers for specific programs, such as funding for provincial road rehabilitation and maintenance.

## *Development Partners*

Development partners are actively supporting the GPH's infrastructure development and public financial management reform agenda. ODA financing is being actively pursued by GPH as a means of building flagship infrastructure project faster. It also has the added benefit of providing concessional rates long-term financing and enables the GPH to use the donor's procurement systems. Bilateral donors have proposed funding to build "hard" infrastructure projects, such as: Mega Manila Subway for Japan; Kaliwa Dam Project for China; and New Cebu International Container Port for Korea. Multilateral donors are funding major projects, such as: the Metro Manila Flood Management Project for the Asian Infrastructure Investment Bank; and the Metro Manila Bus Rapid Transit Line 1 for World Bank. "Soft" infrastructure projects are also supported by donors, such the Asian Development Bank's Infrastructure Preparation and Innovation Facility (IPIF), and Japan International Cooperation Agency's (JICA) update to the Roadmap for Transport Infrastructure Development for the Greater Capital Region. However, such programs address specific gaps (e.g. IPIF for DOTr and DPWH preparation of shovel-ready projects; JICA for transport planning for Metro Manila and surrounding regions) but not necessarily government agency-wide weaknesses in systems, processes, or policies. Donors active in the assisting PFM reforms include the World Bank and the United States Agency for International Development.



Donor coordination in the infrastructure sector used to be led by the GPH through the Infrastructure Working Group (Infra WG) as part of the Philippines Development Forum. The government is currently considering reviving the Infra WG. Coordination also happens at the national agency level, such as the case of DOTr which conducts regular meetings with donors in the rail sector.

## EVIDENCE-BASE/LESSONS LEARNED

Past aid investments by Australia in policy and implementation support for the infrastructure sector (so called “soft” infrastructure) are well regarded by GPH and offer opportunities to leverage the existing relationships for a new aid investment. These investments are summarised below.

### *Public Financial Management Program (PFMP)*

The Philippines Australia Public Financial Management Program (PFMP) operated from 2011 to June 2017. It successfully assisted implementation of several major PFM reforms in GPH and established a solid knowledge base that underpins the next round of PFM reforms that will support infrastructure delivery through enhanced budgeting, funds release and expenditure management and reporting methods.

PFMP played a central role in designing and rolling out crucial reforms (PFMP Completion Report 2017). These were:

1. adoption of the unified account code structure (UACS) by DBM, Commission on Audit (COA) and Department of Finance (DOF). This established for the first time a single ‘language’ for financial information, being the basic framework required for any useful analysis of financial data and the prerequisite for any other meaningful PFM reforms.
2. establishment of the Treasury Single Account (TSA). The TSA centralised the Bureau of Treasury’s revenue accounts and, along with related improvements to its banking and payments administration processes. The TSA managed to generate savings of around \$76 million in the first two years of its operation and improved government’s visibility of disbursements and thus its cash position.
3. piloting the Budget and Treasury Management System (BTMS) to oversight agencies only, with the expectation that it will be rolled out to spending agencies once it has stabilised<sup>2</sup>. It is noteworthy that the new Administration maintained the gradual roll-out of BTMS as a priority.

Further, PFMP worked with key infrastructure spending agencies:

- assisted DOTr to help strengthen procurement, right of way acquisition, and planning.
- assisted DPWH on the implementation of a financial management information system and some broader capability strengthening. Outcomes were largely positive, with the system successfully rolled out to all offices of the Department.

An important lesson learned was that PFMP’s biggest contributions came when the political economy was conducive to specific reforms, and the remaining constraints were largely technical. This recognises the importance of assessing the organisational readiness and the political economy for any proposed intervention before a commitment to implement is made.

Other lessons learned relevant for implementation of PFM interventions include:

- the importance of the way reforms are resourced and managed, not just what the reforms are
- engaging with spending agencies is key
- a comprehensive, integrated approach to designing and rolling out reforms is essential.

<sup>2</sup> The system supports budget execution (budget management, commitments management, payments management, receipts management, cash management, accounting and fiscal reporting functions), with interfaces to the other critical PFM systems. It does not support budget preparation and budget legislation.

Overall, the lesson from PFMP is the critical importance of being selective – knowing what specific reforms to focus on, when, and how. This highlights the need for the GPH to focus on a clear reform agenda, resource that agenda appropriately, and put in place all the measures required to deliver success, including effectively bringing agencies into the reform process.

### *Philippines Australia Human Resource and Organisational Development Facility (PAHRODF)*

The Philippines Australia Human Resource and Organisational Development Facility (PAHRODF) was implemented from 2010 to September 2017. PAHRODF contributed to a more competent and efficient public service by addressing the human resource and organisational development needs of select public sector partner organisations. In particular, it supported organisations whose mandates shared the development priorities of Australia and the Philippines. Forms of assistance included: customised short-term trainings, mentoring, systems improvement, policy reforms, advisory support, and post-graduate scholarships through the Australia Awards Scholarships (AAS) and In-Country Scholarships Program (ICSP).

PAHRODF assisted 75 public and private sector organisations with 126 interventions, including agencies (e.g. DBM and DPWH) that were partners of other aid programs such as PFMP.

The 2016 review of PAHRODF offered lessons learnt such as:

- PAHRODF successfully aligned Australia Awards Scholarships and HR/OD interventions to competency-building plans. This model was effective in ensuring the impact of scholarships and individual interventions cascaded towards larger development outcomes.
- Continuously communicating how Australian-funded interventions contributed to agency strategies and goals to the leaders of partner organisations was critical to building and maintaining buy-in. Working closely with process owners and ensuring skills transfer to them also supported this. This ensured longevity of reforms after Australia's assistance concluded.
- Facilitating cross bureau/division/unit coordination helped embed reforms by ensuring better resource allocation. It also built collective ownership of the sustainability of the intervention.

### *Public Financial Management for Infrastructure Program (PFM-I)*

The Philippines-Australia Public Financial Management for Infrastructure Program (PFM-I) is operating for 12 months from July 2017 to June 2018 and focuses on PFM, institutions, and infrastructure. Selected reforms initiated through PFMP are being progressed through PFM-I. The program has three components:

1. Support to the GPH Budget Reform agenda
2. Support organisational development of DOTr, as one of the key agencies in *Build, Build, Build*
3. A linkages component that aims to strengthen collaboration between key stakeholders responsible for achieving the government's infrastructure spending objectives.

As PFM-I gathers experience during 2017-2018, it will provide DFAT and GPH more detail on the nature, duration and cost of transitional activities that need to be incorporated into the inception phase of a new investment.

### *Coordinating Roads and Infrastructure Investments for Development (CR+ID)*

The Coordinating Roads and Infrastructure Investments for Development (CR+ID), an Australian-funded activity administered by The Asia Foundation, aimed to coordinate private sector, civil society and government efforts to improve the way road investments are identified and planned at the provincial level. It was the successor to the Coordinating Road Investments for Development, implemented from 2012 to 2014 in five provinces: Bohol, Cebu, Guimaras, Surigao del Norte, and Surigao del Sur.

From 2014 to 2016, CR+ID expanded on CRID in two ways. Thematically, to include not only roads but also key infrastructure with disaster risk and hazard identification, and geographically, to include all provinces in Regions VII and XIII, as well as three provinces in Region VI. Key activities of CR+ID included road and infrastructure mapping, establishment of roads databases, identification of growth drivers, and the conduct of Value Chain Analysis in identifying strategic road links to guide road and infrastructure planning.

Key lessons learnt from CR+ID were in the sub-national infrastructure coordination and resources mobilisation space, including the importance of effective representation up to the national level to secure support for well-coordinated and joined up interventions that had clear and well-expressed support from local stakeholders.

### *Provincial Road Management Facility (PRMF)*

The Provincial Road Management Facility (PRMF) was an \$81 million bilateral grant program implemented from 2009 to 2016 that sought to promote economic growth and access to public services in selected provinces in Visayas and Mindanao. The features of PRMF were strengthening and use of partner government systems for PRMF resources and informing the establishment of a national government-funded road maintenance program.

The independent external review of PRMF noted limited coordination between CR+ID and PRMF, notwithstanding their engagement in shared themes and provinces. However, both programs added to a better understanding of the capacity of and potential for provincial management of road needs and informed the GPH decision to allocate significant and increasing levels of national funds for fiscal transfers to provincial governments for the rehabilitation and maintenance of their provincial roads.

The lesson learned is that evidence-based policy-making can be effective in GPH.

### *Strengthening Public Private Partnerships Program*

The Strengthening Public Private Partnerships (PPP) Program is implemented by the Asian Development Bank (ADB) and co-funded by the governments of Australia and Canada. Since 2011, the program has supported the Philippines PPP Center and other oversight and implementing agencies to develop the country's PPP framework and increase knowledge on PPP best practices. Australia's contribution to the Project Development and Monitoring Facility (PDMF, co-funded by GPH) enables the PPP Center to provide international transaction advisers for the packaging and contracting of PPP projects of national significance. With the "hybrid PPP" approach of the current administration, the PPP Center shifted the focus of the PDMF to LGU-level PPP projects. ADB will continue to implement the program until March 2021.

The key lesson learned from this program is the need for both government and the donors that support them to maintain flexibility and allow adjustments in the kinds of technical assistance provided.

#### *Design Note 2: Relationship-building is essential*

A clear lesson learned from these Australian aid investments is that taking the time to build relations with new partners is vital to creating impact. Accordingly, where this new investment proposes to engage with a new GPH partner ready to adopt reforms, the first activity will be an engagement strategy that allows time to build a shared understanding of key issues and agreement on specific interventions to address them.

This activity will result in an Inception Report that identifies the work plan, optimal working methodology and analyses the impact of proposed activities so that institutional and GOA risks and political economy considerations are well understood from the outset. An initial investment in relationship-building will enable activities to be implemented with greater certainty.

This approach will be complemented during implementation with opportunities to develop shared understanding of progress and challenges through the monitoring and evaluation approach, which focuses on joint evaluation studies and reporting of agreed performance metrics.

## STRATEGIC SETTING AND RATIONALE FOR AUSTRALIAN/ DFAT ENGAGEMENT

Sustaining economic growth and reducing poverty through improved public infrastructure delivery in the Philippines is consistent with Australia's national interest in promoting an inclusive and prosperous Indo-Pacific region. Given the economic status of the Philippines as an emerging advanced middle income country, the strategy for Australia's aid investments in economic infrastructure is not to focus on financing "hard" infrastructure (i.e. building infrastructure). The proposed investment in a series of well-targeted "soft" interventions (capacity building and technical assistance in the Philippine public infrastructure delivery system) will produce high-quality information to inform DFAT's bilateral and donor partner dialogue on how GPH can better deliver large infrastructure budgets, and so meet national infrastructure needs. This approach will make Australia's contribution to the Philippines infrastructure sector more significant and sustainable than investing the comparatively small aid investment budget directly in support of delivery of specific "hard" infrastructure projects. Australian grant assistance on agency capacities and systems needed for infrastructure delivery will thus have a clear niche and complementary role vis-à-vis donor loans for building infrastructure projects. In addition, strategic knowledge sharing and skills transfer interventions involving Australian and other country expertise could provide bilateral dialogue and public diplomacy opportunities for Australia.

An aid investment to support economic infrastructure delivery directly supports Australia's Aid Investment Plan for the Philippines. Objective 1 of that Plan is to "help build the foundations for economic growth." Strengthening the tools for fiscal management and GPH's approach to infrastructure development contributes directly to that objective. With its focus on helping institutions and the budget system work more effectively, the program also contributes to Objective 2: "building stronger institutions for transparent and accountable governance." Australia's new investment is well-placed to build on the success, lessons, and relationships from PFMP and PFM-I to unlock specific constraints in PFM and infrastructure development and achieve both AIP objectives. This new investment will also contribute to Australia's priorities for economic infrastructure to: (a) mobilise private sector to finance and deliver infrastructure; (b) improve access to infrastructure services; and (c) enhance trade and connectivity, in the Indo-Pacific region.

Finally, the new aid investment will continue Australia's long engagement in PFM reforms and infrastructure development in the Philippines. Through PEGR (2004-2010), PFMP (2011-2017) and PFM-I (2017-present), Australia has worked with central oversight agencies and other donors to keep GPH's PFM reform agenda moving forward. Through PRMF (2009-2016) and the Strengthening PPP Program (2011-present), Australia has supported infrastructure development at both national and subnational levels. PFMP-II will therefore have a solid foundation and understanding to build on, recognising that the current and future context in the Philippines is evolving.

## INNOVATION AND PRIVATE SECTOR ENGAGEMENT

GPH has experienced some success in infrastructure delivery through harnessing private sector management and constructor skills alongside public financial resources, particularly during the delivery of PPP projects.

The design recognises the importance GPH's role in driving innovation through **demand-side** interventions, triggering a commercial **supply-side** response by construction contractors. The potential benefits of this economic relationship between supply and demand can also be applied to regular public infrastructure development projects, but NGAs will need to be ready to embrace concepts not yet reflected in the standard design approaches and contracting models now in use in the infrastructure spending agencies.

The Program seeks to stimulate private sector innovation on a small scale and trial alternative contracting, universal design, value engineering and technologies, and an evaluative study will be conducted to report the findings. See **Annex 3** for details on these infrastructure development concepts and how these can be applied. The objective is to use the lessons learnt to inform policy and process change needed to accelerate

infrastructure delivery by GPH more broadly. The other area for private sector engagement is in strategic knowledge sharing and skills transfer. The Program will facilitate professional and technical exchanges between GPH agencies, Philippines construction sector peak bodies and their regional counterparts to raise awareness of how other jurisdictions have successfully implemented major infrastructure programs using accelerated infrastructure delivery methods, and the roles of government and private sector.

The Program will also facilitate technical skills transfer opportunities between State Universities and Colleges (SUCs) and appropriate regional training institutions to begin preparing the additional skilled cadre of infrastructure project managers that will be needed to deliver design, engineering and technical innovations into GPH infrastructure delivery.

## INVESTMENT DESCRIPTION

### LOGIC AND EXPECTED OUTCOMES

The goal of PFMP-II is to contribute to the delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines.

The end-of-program outcome for PFMP-II is:

*Targeted Philippines government agencies and private sector service providers use more efficient, collaborative and innovative systems for inclusive public infrastructure delivery.*

These changes will be delivered by working with a range of national government agencies and selected private sector partners, many of whom have already engaged in PFMP and PFM-I. After mid-term, the program may also work with a number of targeted regions and provinces.

The program logic (**Annex 4**) recognises that delivery of public infrastructure in the Philippines is fragmented institutionally and geographically. PFMP-II will therefore work individually with several oversight agencies and infrastructure implementing agencies but identify opportunities to facilitate policy analysis and exchange across agencies.

However, an important clarification is that the Program should not be held accountable for infrastructure built, because GPH is responsible for project identification and delivery for infrastructure that meets the legislated safeguard standards (such as environment, gender, persons with disabilities, resettlement, disaster resilience). The strategic intent of PFMP-II is to strengthen institutional capacity, contribute to an enabling business environment and support relationships that motivate more efficient, inclusive and innovative delivery of public infrastructure.

Successful delivery of the end-of-program outcome requires collaboration at three levels: (1) between national government agencies at both central (allocation) and line (spending) levels; (2) between national and sub-national (e.g. provincial and local government units) levels; and (3) between the public sector demand side and the private sector supply side of the public infrastructure delivery system in the Philippines.

Intermediate outcomes for the program recognise this collaboration and the demand and supply side dynamics of the public infrastructure delivery system in the Philippines. The intermediate outcomes for the program are:

*Targeted national (and provincial if included) government agencies commit to using strengthened budget, procurement, organisational and safeguard systems for public infrastructure delivery.*

*Selected private sector partners adopt innovative approaches to public infrastructure delivery.*

In addition, the program logic model (presented in Figure 4A in **Annex 4**) emphasises the iterative implementation of change, supported by systematic progress and performance monitoring as well as tactically designed evaluative studies. This process dimension of the program logic model builds on the theoretical foundations (see **Annex 5**) that explain the underlying investment assumptions (see **Design Note 3** below) as well as why PFMP-II is anticipated to result in improved practices for financing, procuring, safeguarding and delivery of quality infrastructure for inclusive economic growth in the Philippines. These theories help explain: (1) how organisations and individuals change; (2) how organisations perform; (3) how innovations are adopted and spread; and (4) how scale-up is achieved from trials and demonstrations.

**Design Note 3: Key assumptions**

The program logic model (**Annex 4**) and related program theory (**Annex 5**) provide a foundation for understanding the assumptions underlying the changes anticipated from investment in PFMP-II. Key assumptions include:

- technical assistance provided to PFMP-II partner agencies and private sector businesses is good quality, relevant and based on effective working relationships at individual, group and organisational levels
- PFM reforms initiated with support from PFMP and PFM-I will be committed to in practice across infrastructure oversight and spending agencies
- trials of new systems, approaches and practices effectively demonstrate improved delivery of public infrastructure
- NGA Principals and private sector service delivery leaders engage with trials and become ready to learn lessons and adopt new and better ways of delivering public infrastructure
- PFMP-II successfully facilitates knowledge exchange and learning within and between public service agencies (at central, line and sub-national levels) as well as between the public sector and private sector
- safeguards information is effectively accessible in the proposed “knowledge warehouse” and begins to be used by public and private stakeholders in public infrastructure investment and delivery
- civil society influencers and advocates are effectively engaged in public debates about the efficiency, quality and inclusiveness of public infrastructure investment and delivery
- Australia and the Philippines have access to a common body of evidence to inform policy dialogue about the efficiency, quality and inclusiveness of public infrastructure investment and delivery.

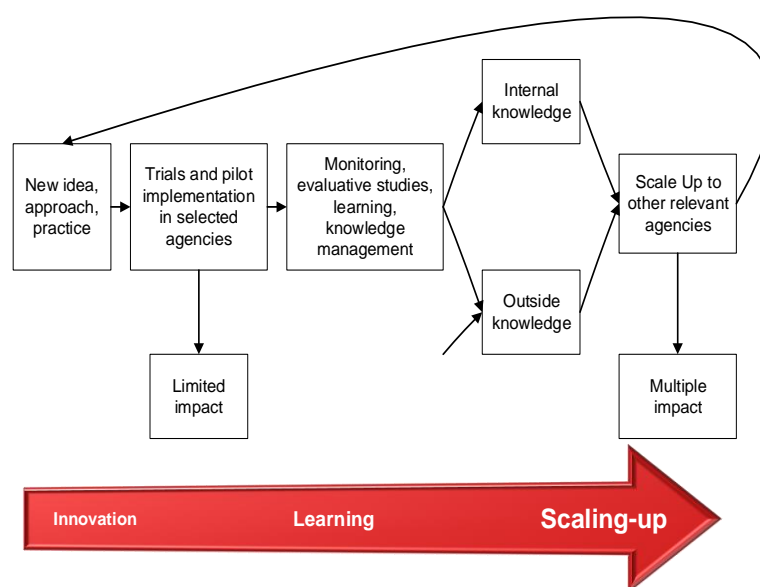
New systems, approaches and practices supported by the program will be identified, trialled or demonstrated with selected agencies and private sector service providers. Lessons will be captured with progress monitoring, evaluative studies and case studies, which will be used to refine new systems, approaches and practices before scale-up as well as for communicating with policy makers and influencers in the public infrastructure system. The summary logic for interventions is shown in Figure 3 below.

In addition, areas for potential intervention are determined by the appropriateness and effectiveness of an Australian aid investment to assist GPH. Figure 4B in **Annex 4** illustrates where the program can support but also highlights areas that may not be within the scope of the program.

Adoption of new systems, approaches and practices is an individual process that depends on several factors (see **Annex 5**). As such, the specific mechanisms for applying innovations within and across agencies resulting from successful interventions will be proposed upfront by the program, then adjusted and agreed with the respective implementing and/or oversight government agencies.

In summary, the logic is that PFMP-II continues work with national agencies – building on outputs delivered under PFMP and PFM-I – and complementing projects financed by bilateral and multilateral donors. The program will support partner agencies to trial and/or demonstrate new practices and ideas that contribute to a strengthened environment for investment in public infrastructure. Trials and demonstrations of new approaches and practices will especially target projects already approved in the public investment program or the Three-Year Infrastructure Plan (TRIP) such as those identified under the *Build, Build, Build* program.

**Figure 3 - Program innovation, learning and scale up strategy**





At the same time, PFMP-II will work with infrastructure delivery agencies and selected private sector service providers (e.g. consulting engineers and constructors) to improve the performance of their functions in the public infrastructure delivery system. The program can work with partner agencies and firms to trial new practices or strengthen the application of and/or demonstrate the value of practices such as universal design or value engineering in targeted programs. In addition, PFMP-II can facilitate networking with international peer groups and good practice influencers to motivate changed **demand** by GPH agencies and changed **supply responses** by the private sector (e.g. motivating them to innovate and invest to deliver better quality and accessible infrastructure on a commercially-viable basis).

If early adoption of new ideas or practices is effective, more agency staff and their private sector service providers will adopt the practices, which will gradually become normal through principal support, commitment and institutionalisation. Their increasing use is assumed to lead to better delivery of quality public infrastructure – structures and facilities that are safe, accessible and contributing to inclusive and sustainable economic growth in the Philippines.

As constraints to delivery of infrastructure for inclusive economic growth are identified and the results of early interventions are measured, target national agencies and their private sector service providers, such as engineering services and constructors, and civil society groups such as think tanks, professional associations, and Disabled People’s Organisations (DPOs), will prepare information to communicate with policy makers and others who control or influence the business environment for public investment in infrastructure. PFMP-II will not do this directly, rather the program will support influencers to facilitate change as policy windows emerge.

By contributing to Philippine government effectiveness and public infrastructure spending, PFMP-II directly supports two Sector Outcomes in the PDP: (1) Supportive, stable, and supporting macroeconomic environment sustained (through the subsector outcome: Responsible, strategic, and supportive fiscal sector); and (2) Infrastructure Development accelerated and operations sustained (through subsector outcome: Increase spending on public infrastructure).

## DESIGN OPTIONS CONSIDERED AND VALUE FOR MONEY

The design considered a number of options before identifying the preferred approach to design and implementation of interventions. The options considered were:

### Support project preparation activities for agreed priority projects

Providing support for project preparation for agreed priority projects would have shifted the Program focus away from soft infrastructure support towards facilitating delivery of hard infrastructure. This could be seen as a more direct contribution to accelerated infrastructure implementation, but also attracts major risks in the areas of safeguards and fiduciary management. Further, the design notes that the proposed program budget of \$36m (after excluding management and monitoring overheads) would fund project preparation for only a few priority projects. It was considered that the direct attribution benefits of this option would be overshadowed by the volume of project preparation resources being mobilised by other donors. For the same reason, the design eliminated the option of DFAT co-financing project preparation with other donors.

### Support planning and prioritisation in oversight agencies

Providing support to develop the technical capacities of the oversight agencies in project identification and prioritisation was considered as a way of prioritising the infrastructure of greatest benefit to the Philippines. This option was not developed because capacity building alone does not change performance (see **Annex 5**) and recent evaluative evidence that better planning and prioritisation, while needed, will not necessarily accelerate infrastructure delivery by GPH. This option was also not selected because of the potential for subjective decision-making to displace technical analysis and because GPH may plan well, but has a significant implementation weaknesses.



## Support the public infrastructure delivery system

The context and problem analysis above highlights the need for engagement with GPH across a range of systems, approaches and practices that support public infrastructure investment and delivery. These include both support for on-going GPH reforms and trialling innovations and new approaches or practices. The design determined that the optimal approach was to offer support for a more efficient, collaborative and innovative public infrastructure system. A flexible approach is proposed, with indicative interventions summarised in **Annex 6** and introduced in **Annex 7**. This approach complements the GPH *Build, Build, Build* program and related investments from multilateral financiers, especially ADB and World Bank.

This approach requires both design and management flexibility, to enable program resources to be allocated as partners demonstrate readiness (**Annex 5**) and progress delivering interventions through the assumed process of change (**Annex 5** and **Annex 6**).

This flexibility underpins the value for money concept of this design option, being that if an intervention is in need of greater or lesser support, then program resources can be redirected to best meet Program outcomes and respond to partner readiness and performance. Program resources are not locked into fixed activities for longer time-frames, but can be adapted to suit the emerging requirements of the program as it implements over a six-year period. A more detailed analysis of the value for money assessment made for this design option is presented in **Annex 8**.

This approach will be complemented during implementation with opportunities to develop shared understanding of progress and challenges through the monitoring and evaluation approach, which focuses on joint evaluation studies and reporting of agreed performance metrics.

This design approach is considered the most effective and the best value for money proposition, given the context and issues facing accelerated public infrastructure delivery in the Philippines. Accordingly, this design approach was adopted for PFMP-II.

### ***Design Note 4: Subnational Engagement***

Engagement at the **subnational/Local Government Unit** (LGU) level was explored during the preparation of this design. In view of the mid-term elections scheduled for May 2019, opportunities for meaningful engagement at the subnational level will be impacted for six months before and after voting. Accordingly, the design proposes to study possibilities for engagement on infrastructure expenditure and service delivery at the subnational level during the first year of implementation. This decision is practical in that the program would be engaging in LGUs where the leadership has a refreshed mandate for three years. The review will include consideration particularly in Mindanao, given significant bilateral and multilateral donor interest in major infrastructure projects for the island, as well as opportunities for infrastructure development to support broader peace-building and rebuilding of vulnerable or conflict-affected areas such as Marawi. Targeted subnational activities will be considered for implementation by 2020 after lessons have been learnt from the whole-of-government and NGA-level activities undertaken already.

## DELIVERY APPROACH

The design adopts a performance-based, systems approach to design and implementation of interventions, which allows flexibility and adaptability in both phasing and allocation of program resources to where they can have greatest impact. The design assumes interventions will progress at different rates across institutions, and institutional abilities to adopt and commit to reforms will vary with readiness and performance (see **Annexes 5** and **6**). Evaluative studies and case studies will be undertaken for interventions where lessons learned can inform decisions to refine approaches, expand adoption, or if necessary, terminate and reprogram interventions that do not contribute to results.

The flexibility and adaptability of the design is also a risk management strategy. Where organisational readiness to engage with an intervention diminishes, there are alternative “soft” infrastructure activities within the design that GPH and Australia can redirect resources to.

Two key features of the program are:

- (i) **Performance-based approach** – Where partner agencies are ready to engage with design and implementation of an intervention, any required technical assistance will be embedded in the organisation. This arrangement will maximise effectiveness through the practical benefits of co-location, without the perception that the project team is “owned” by one government agency. (The separate project office will also facilitate open dialogue and engagement with a wide variety of different stakeholders, including the private sector service providers that are integral to the public infrastructure delivery system.)
- (ii) **Use of a systems approach** – Interventions are designed to contribute to a more efficient, collaborative and innovative public infrastructure delivery system. Interventions that rely on collaboration will be given priority to motivate this change in behaviour. Collaboration is assumed to evolve at three levels: (1) between national government agencies at both central (allocation) and line (spending) levels; (2) between national and sub-national (e.g. provincial and local government units) levels; and (3) between the public sector demand side and the private sector supply side of the public infrastructure delivery system.

***Design Note 5: Considering the political economy***

Like other countries, the political economy in the Philippines can have a significant influence on the problems and issues that confront and arise in the infrastructure sector. Conflicts of interest, whether real or perceived, may impact the selection or implementation of major infrastructure projects. There are reported instances of unwillingness of agencies to sign contracts with, or approve payments for, infrastructure contractors due to fears of future contract disputes and/or disallowances. On a positive note, reform-minded leaders that get appointed as heads of agencies can create windows of opportunity to address bottlenecks in infrastructure delivery. It is therefore important to acknowledge that: (a) the problems in the infrastructure sector may be rooted in underlying political economy issues that are not easily evident; and (b) there may be opportunities or constraints to infrastructure delivery that are outside the scope of any technical interventions. Political economy evaluation will be conducted by the program (through the Managing Contractor) before the start of any reform proposal to ensure that implications are well understood and can be properly factored into intervention design and evaluation results.

## ANTICIPATED BENEFITS OF THE PROGRAM

Indicative benefits of the Program to GPH are:

- **Stronger whole-of-government mechanisms to accelerate infrastructure delivery.** The Program is able to support interventions that strengthen the accuracy, reliability and timeliness of the budgeting, financial reporting and procurement processes that support the public infrastructure delivery system. Such interventions would assist all agencies of GPH to deliver more efficient, collaborative and innovative public infrastructure investment and delivery for inclusive economic growth in the Philippines.
- **Increased capacity to deliver infrastructure in major infrastructure delivery agencies.** The Program is able to assist agencies such as DOTr and DPWH to boost infrastructure delivery performance with interventions such as organisational reform and trials of innovative design and delivery to inform future public infrastructure investment and delivery. This would support accelerated infrastructure delivery.
- **Greater engagement by private sector and academe in infrastructure delivery.** The Program is able to design and implement interventions for better knowledge-sharing with both regional constructor bodies and academia to identify and demonstrate solutions for innovation and up-skilling in the private sector. Such interventions would accelerate accessible GPH infrastructure delivery.

- **Stronger safeguards mechanisms for safe, equitable and accessible infrastructure.** The Program is able to design and deliver interventions supporting consolidation, harmonisation and operationalisation of all safeguards legislation in the Philippines, including gender equity, safeguards, environment, disability, and disaster risk and recovery requirements. This would contribute to timely and complete access to legislated requirements for stakeholders, as well as case studies and examples of good practice. Such interventions would contribute to more compliant and accurately costed infrastructure designs that take into account all safeguards.

Indicative benefits of the Program to the community in the Philippines include:

- **Increased employment and income and reduced poverty from timely infrastructure delivery.** Bringing better quality infrastructure projects more rapidly to implementation will support inclusive economic growth. Better focusing of projects on social inclusion will enable a greater part of the population to benefit from these investments. This, in turn, leads to increased direct and associated indirect employment and higher incomes and reduced poverty that result from a more productive economy.
- **Public investment programs for infrastructure are credible and use public funds well.** By supporting GPH to ensure that infrastructure development plans are matched to implementation capacity and use of available public funds, the program is enhancing public sector governance.

## RESOURCES

The proposed allocation for PFMP-II is \$36 million for a period of six years. This resource envelope will allow implementation of a range of program interventions with several Philippine Government agencies (as shown indicatively in **Annex 6** and **Annex 7**). Approximately \$34.2 million will be managed by the Managing Contractor, and cover long-term and short-term program personnel costs, management fees, operational and administrative costs, implementation of program interventions, and evaluative and case studies. The remaining \$1.8 million will be managed by DFAT and cover independent technical advisory costs and monitoring resources (including mid-term and completion reviews) for DFAT as described in the next section (Implementation Arrangements).

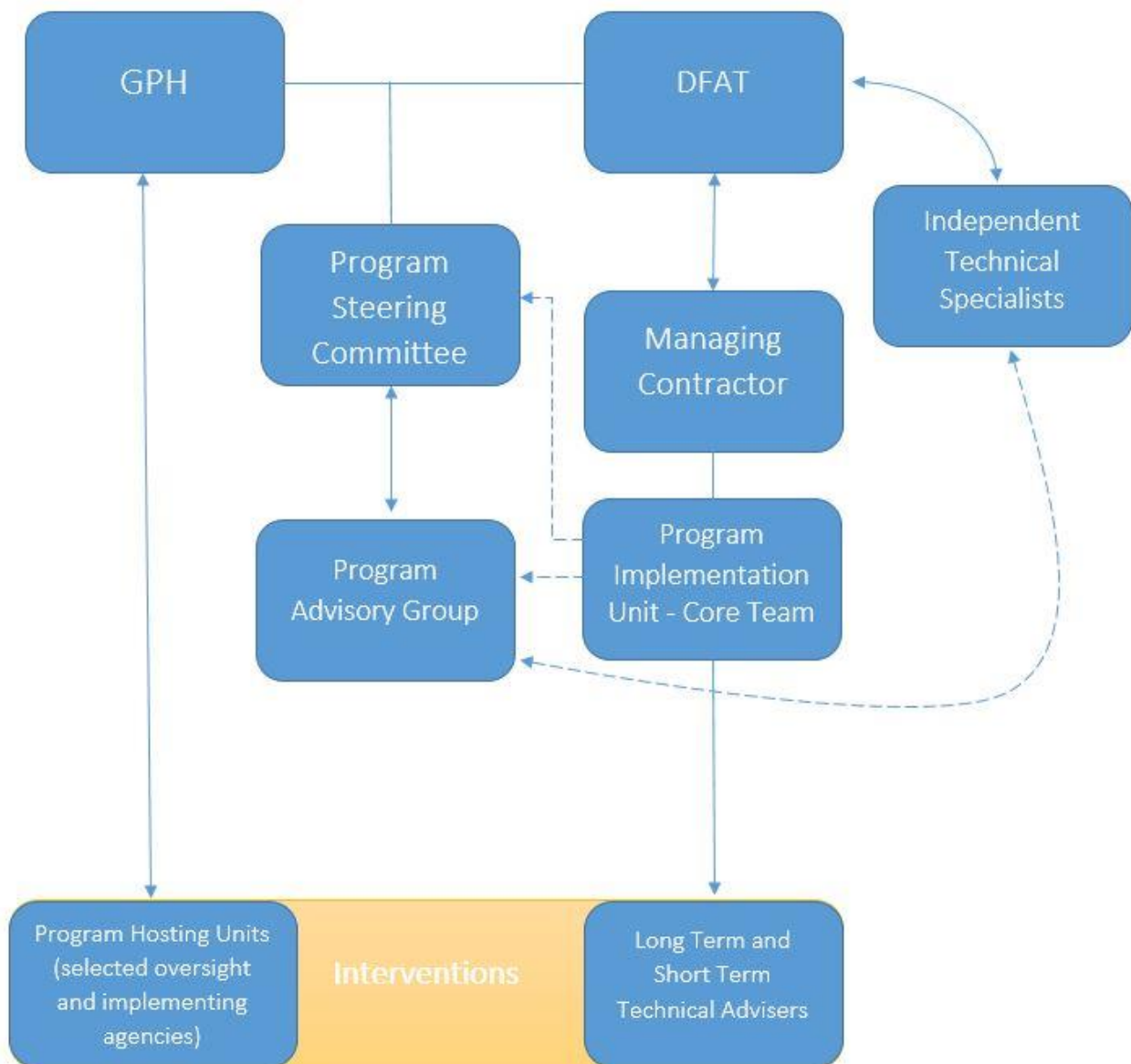
## IMPLEMENTATION ARRANGEMENTS

### MANAGEMENT AND GOVERNANCE ARRANGEMENTS

This section sets out the arrangements for strategic governance and day-to-day management of the Program. This is more in line with the traditional Managing Contractor (MC) model where the MC is responsible for the day-to-day management with the Program Steering Committee (PSC) providing the strategic direction to the Program. The addition of a flexible Program Advisory Group (PAG) mechanism is introduced to provide advice to the PSC.

The program structure in Figure 4 below allows stakeholders to interact during the implementation of the Program and facilitates mutual decision-making and accountability to ensure target outcomes are achieved while managing the risks and using resources responsibly and with accountability.

Figure 4 - Organisational arrangements and Program structure



Additional details are included in **Annex 9**.

## *Program Steering Committee (PSC)*

The overall management of the program is the responsibility of the Program Steering Committee (PSC), co-chaired by NEDA and DBM as the principal GPH oversight agencies and DFAT as the development partner. The nominated NEDA and DBM representatives to the PSC should be at the Undersecretary level while DFAT will be represented by the Deputy Head of Mission. The decisions to be made by the PSC will be consensus-based. Other NGAs may be invited by the PSC as observers.

The PSC will be supported by a Managing Contractor, which will act as PSC Secretariat and is responsible for submitting required reports and documents to the PSC on a timely basis. The PSC may also convene a 'special purpose' Program Advisory Group (PAG), with a temporary membership, to provide it with independent advice in support of major decisions affecting PFMP-II. More detail on the operations of a PAG are provided below.

The PSC will: provide strategic oversight of the portfolio of interventions designed and delivered by the Program; approve interventions proposed for final design and delivery; approve the annual plan and budget; provide strategic policy and program guidance relating to issues identified by the Program Implementation Unit (PIU) or other parties on the implementation of the Program; and facilitate implementation and/or amendment of Program interventions.

The PSC will meet on a six-monthly basis to provide oversight of annual programming and consider progress of the Program. The PSC can commission evaluative studies by the PIU to consider additional activities within on-going interventions or to introduce additional interventions as opportunities emerge in the future. The PSC will also be convened on an exceptions basis to discuss specific issues that may arise from the evaluative studies.

DFAT will be responsible for distributing meeting documentation to the PSC, and the Managing Contractor, as PSC Secretariat, will be responsible for compiling documentation for distribution ahead of the meetings.

DBM and NEDA, in discussion with DFAT, will share with the InfraCom relevant information emanating from the work of PFMP-II that may contribute to the policy discussions and development planning in the infrastructure space. Conversely, NEDA and DBM will share with the Program the relevant policy and strategic discussions within the InfraCom that may affect program implementation and directions. DBM and NEDA, as oversight agencies, will also be responsible for disseminating the lessons and successful approaches from the program for adoption by other GPH government agencies not covered by the program.

## *Program Advisory Group (PAG)*

Due to the broad and complex range of technical issues in the public infrastructure delivery system that could be addressed by PFMP-II, the PSC may from time to time need independent advice that, for probity reasons, cannot be provided by the Managing Contractor. Examples of independent advice that the PSC may need include:

- detailed technical appraisal or assessment of a proposed intervention in order to support a decision to invest, scale-up, or discontinue
- proposed interventions may not be implemented due to changes in GPH policy/ capacity and the PSC may seek advice on how best to invest the available resources in existing or new interventions.

Independent advice to the PSC will be provided by a special-purpose Program Advisory Group (PAG). The PSC will task the Managing Contractor, as PSC Secretariat, to draft and finalise Terms of Reference (TORs) for specific PAGs, identify potential PAG members, and provide administrative and logistical support to the PAG in the discharge of its work.

The PSC will approve Terms of Reference (TOR) for each PAG task and approve appointment of the PAG members for the limited duration of each specific PAG's task. The PAG will report against their TOR and be formally disbanded by the PSC once the task report is delivered and accepted.

The PAG operates differently from a 'traditional' DFAT Technical Advisory Group (TAG) in that it does not have any appointed "standing" members and operates for limited time periods to address specific tasks.

The PAG would not conduct the evaluative studies anticipated for each PFMP-II intervention (**Annex 7**). These evaluative studies would be undertaken by independent, short-term, technical advisers engaged by the Managing Contractor, but not by any serving program Technical Advisers. This requirement is to promote greater independence and diversity of advice as "fresh eyes" are engaged to evaluate and assess adequacy of progress of the work of PFMP-II.

There may be a number of PAGs convened over the period that PFMP-II is implemented, but the exact number and nature of the PAGs that the PSC will convene is not known, or reasonably predictable at the design stage.

A PAG's membership will depend on the nature of the advice that PSC seeks. A PAG may be composed of one or more individuals from national government agencies, bilateral or multilateral donor organisations, civil society, or non-government organisations. If necessary, the PAG can be supplemented by an Independent Technical Specialist to be directly engaged by DFAT.

## *Managing Contractor (MC)*

The Managing Contractor (MC) will be engaged by DFAT through a competitive tender process. The MC provide technical, procurement, logistical, financial management, and coordination support services to assist the PSC to mobilize the Program and to assist with the design and delivery of interventions at the national and possibly sub-national level. The services to be provided by the MC will include, among others:

- secretariat support for the PSC
- develop, initiate, and manage approved Program activities
- provide advisers and sub-contractors as needed to undertake specific activities
- facilitate monitoring and evaluation (M&E) of the program, including updating and implementing the M&E framework
- draft communication products for DFAT and PSC on Program activities and outcomes
- administer the Program, including management, financial, and other compliance reporting
- be a source of trusted and timely advice to DFAT and GPH senior management
- take responsibility for the safety, health and welfare of advisers, workers, sub-contractors and third parties consistent with DFAT's policy on Workplace Health and Safety
- prepare, submit and maintain plans/manuals such as:
  - Inception Period Plan and Inception Report
  - Annual Work Plan and Budget for consideration by the PSC
  - Stakeholder Engagement Plan
  - Monitoring and Evaluation Plan
  - Gender Equality and Social Inclusion Plan
  - Promotion & Communication Plan
  - Sustainability Strategy
  - Program Operations Manual.

The development of program planning and management systems is essential for efficient implementation. The PFMP-II ***Program Operations Manual*** will detail guidelines and instructions for the systems and

procedures which need to be followed for the efficient and effective management of the Program. The manual will contain annexes on:

- i. project planning and management systems – covering the requirements for the cycle of intervention design, delivery and management (including annual planning, monitoring and evaluation), management information system development, procurement, and financial management
- ii. impact assessment guidelines – covering the GPH and DFAT requirements for addressing policy issues and impacts associated with child protection, resettlement, poverty alleviation, social development and gender equality, disability, safety, environmental management and good governance (including anti-corruption and peace and conflict management).

From a contractual perspective, the MC will be responsible for the execution of its contract. It will report to and take directions regarding the execution of the contract from DFAT.

#### Required characteristics of the Managing Contractor

The MC for the Program is required to exhibit the following key characteristics in order to effectively manage the Program:

- **program management.** The MC must have the capacity to manage the Program interventions and to establish a monitoring and evaluation program that will enable the performance of the Program to be assessed. This includes developing working relationships with all agencies involved and providing information on Program activities for relevant agencies and for the public, as required. The MC must have a strong attention to political economy factors throughout the implementation of the Program.
- **intervention design, delivery and management.** The MC must have the capacity to plan and conduct analytical work needed to design possible interventions and assess their likely results against selection criteria before submitting concepts for review and approval by the PSC. The MC would then need capacity to design a quality intervention with public and private sector partners from all relevant parts of the public infrastructure delivery system, appraise the design with PSC support and then, if approved, manage implementation of the intervention with partner agencies and businesses. Monitoring, evaluation, and use of performance information to inform management is integral to the functions that the MC must deliver for each intervention.
- **recruitment and executive support services.** The MC must have the capacity to provide PSC secretariat and PAG support services, prepare terms of reference for work to be funded by the Program, secure and manage advisers and sub-consultants to deliver approved interventions, and ensure that the work undertaken meets the needs of agencies involved, the objectives of the Program and satisfies DFAT and professional quality requirements.
- **program administration.** The MC must have the capacity to administer the Program, including the provision of management information, comprehensive, and timely information on Program expenditure and reporting on other aspects related to compliance with the contract between DFAT and the MC.

#### Program Implementation Unit (PIU)

The MC will establish a Program Implementation Unit (PIU) with an office in Metro Manila to supervise the day-to-day implementation of the Program, including analyses and designs for interventions, collation of contextual and program performance information to assess adequacy of progress, and preparation of semi-annual progress reports to inform budget allocation. These functions will be informed by monitoring by the MC of the overall implementation of the program components and collaborating with program partners. Program partners include those government, private sector, and academies or Centers of Excellence<sup>3</sup> specifically targeted in program interventions approved by the PSC for delivery.

<sup>3</sup> Department within a higher education institution, which continuously demonstrates excellent performance in the areas of instruction, research and publication, extension and linkages and institutional qualifications (Commission on Higher Education, accessed 14 November 2017 <<http://web.ched.gov.ph/centers-excellence-centers-developmentcoescodes/>>)



## Required Personnel

The following personnel constitute the suggested composition of the PIU Core Program Team:

- Program Team Leader
- Monitoring and Evaluation Specialist
- Program Manager
- Gender and Inclusive Development Specialist
- Environmental and Social Safeguards Specialist

Draft TOR for the Core Program Team personnel are detailed in **Annex 10** (Position Descriptions). Tenderers for the Program will be required to nominate Core Program Team personnel during the tender process.

For all other positions, the MC in consultation with DFAT, will initiate the recruitment of long-term operational and short-term technical personnel during the Inception Phase in accordance with the program strategy and implementation plan going forward. During this period, DFAT and the MC may agree to vary some of the proposed program management, operational and technical inputs. In this context, the MC will update the position descriptions in accordance with the approved revisions and annex them to the Inception Report Work Plan.

The Core Program Team as well as the program Technical Advisers are expected to ‘think and work politically.’ This entails their ability not only to have a good grasp of the political economy at the start of a reform proposal but are also able to stay in touch with and respond flexibly to changing political economy factors. This requirement will be reflected in the TORs for all Program and Technical Adviser positions.

## DFAT

DFAT, together with NEDA and DBM, will provide overall strategic direction to PFMP-II through the PSC. The Deputy Head of Mission will co-chair the PSC and represent DFAT as the senior management officer overseeing the overall Australian aid program in the Philippines. DFAT will also engage in policy dialogue with GPH on priority issues for the program as appropriate.

As the procuring entity of the Managing Contractor, DFAT is responsible for the management of the performance of the MC and ensuring that the MC is delivering quality outcomes efficiently. To this end, dedicated DFAT officers will be allocated to engage with the MC to discuss the progress of the program against its objectives and also the administrative aspects of the Program.

DFAT will also have a role in increasing the visibility of the Program to the Philippine and Australian audience by communicating and disseminating Program outcomes and results in relevant fora.

## IMPLEMENTATION PLAN

The design recognises that public financial management reforms and related changes in public infrastructure delivery practices require sustained efforts over a long time. PFMP-II implementation is proposed for a six-year period (November 2018 - October 2024) following a phased approach of 4+2 years. The initial four years aligns with the remaining period of President Duterte’s term, and focuses the Program on supporting the administration’s infrastructure development goals by 2022. The final two years will facilitate the transition of any on-going interventions to the new administration after the May 2022 elections and provide sufficient time for the Program and the Australian Government to engage with the incoming Philippine government on its future infrastructure priorities.

As noted in **Design Note 4**, engagement at the subnational level, including for Mindanao, will be dependent on a readiness assessment conducted by the MC and, if deemed feasible and relevant, any proposed subnational interventions will be referred to the PSC for approval and subject to available funding.



## Transition Period

Indicative interventions have been identified that support infrastructure capacity development at the whole-of-government level in some areas and at specific agency level in other areas. These interventions were also tested with the GPH counterparts to determine their readiness to engage. This reflects lessons learned from prior activities, the level of demand for Australian assistance, the scale of the program budget, and identification of key points of entry.

As shown in **Annex 6**, some interventions may transition from PFM-I into PFMP-II as these are based on existing work plans of, and established relationships with, partner government agencies. The design notes that between the finalisation and approval of this IDD and the expected start of PFMP-II implementation, additional interventions could possibly be identified and/or proposed by GPH due to emerging opportunities. Interventions (both indicative and new, if any) will have to be subjected to, and confirmed through, the Program's annual planning processes upon mobilisation.

## Planning and Implementation Processes

The selection and prioritisation of interventions to be recommended for the approval of the PSC will have to meet the selection criteria set out in **Design Note 6** below.

### *Design Note 6: Criteria for selecting and priority ranking proposed interventions*

During the inception period, the MC should negotiate with the PSC and other stakeholders detailed criteria for selecting and priority ranking interventions. These are anticipated to include, among other things:

- **clear line of sight to intermediate and end-of-program outcomes** – interventions should clearly deliver results linked to program outcomes
- **collaboration** – interventions that encourage collaboration between national agencies, between the public and private sector actors in the public infrastructure delivery system or between national and sub-national agencies should be given priority
- **how many people benefit** – interventions should support new public infrastructure systems that benefit the largest number of people possible. Interventions with the greatest number of anticipated beneficiaries should be given priority
- **who will benefit** – to be sustained, a proposed intervention should align with national systems and priorities and clearly benefit women, youth, and men of all ethnicities in rural and urban areas
- **how big is the net impact** – innovations introduced in an intervention should deliver net attributable benefits for tax payers and also private sector service providers
- **readiness to change** – government agencies and private sector service providers proposed to engage in an intervention must demonstrate their readiness to change practices as a result of successful implementation of an intervention
- **climate resilience** – proposed interventions should not be given priority without evidence that quality and productivity of public infrastructure can be maintained under a range of climate change scenarios
- **do no harm** – proposed interventions must be capable of being managed to do no harm to the environment, children and other vulnerable people, indigenous people or the health and safety of workers. Interventions must not involve resettlement or displacement of people
- **mutual accountability** – interventions should demonstrate accountability and shared performance assessment by technical advisers, counterparts and their ultimate supervisors on the PSC.

Planning and day-to-day implementation of the Program will be guided by the Program Operations Manual to be developed by the Managing Contractor. For example, it will include processes for submission of an Annual Work Plan and Budget to the PSC for its consideration and approval.

## *Coordination with DFAT programs and other donor activities*

With the guidance of DFAT, PFMP-II will actively seek opportunities to work closely with other Australian-funded bilateral aid investments and regional programs. The recently launched Australia Awards and Alumni Engagement Program can provide complementary long-term scholarships and short-term fellowships to reinforce interventions with infrastructure oversight and delivery agencies. Global programs supported by Australia, such as the Global Infrastructure Facility, Public Private Infrastructure Advisory Facility, World Bank-Australia Safeguards Partnership, Asia Pacific Project Preparation Facility, and the Private Infrastructure Development Group, provide resources for infrastructure development available for countries such as the Philippines. In addition, engagement with the Philippines private sector could be enhanced by collaboration with Australian counterparts through DFAT's Business Partnerships Platform.

PFMP-II's focus on improving government agencies' capacities and systems for PFM and infrastructure delivery provides a unique opportunity to assist government coordination with and among other donors. The program could initiate or facilitate dialogue with multilateral and bilateral donors on issues such as procurement or budgeting for right-of-way acquisition that can positively impact their loans for infrastructure projects. If requested, the program could provide assistance to the lead government agency (e.g. NEDA) for a revitalised Infra WG to strengthen GPH's infrastructure oversight function.

## PROCUREMENT ARRANGEMENTS

No procurement of "hard" infrastructure is included in the design of the Program.

The MC will follow Commonwealth Procurement Guidelines and Rules.

Procurement of services in the form of technical advisers will be performed by DFAT for independent appraisal of program performance and by the MC for the provision of skills needed for program implementation. The procurement of technical advisers either by DFAT or the MC will be consistent with DFAT's requirements on the use of advisers in the Australian aid program.

No partner government systems will be used to manage DFAT funds or Program procurements.

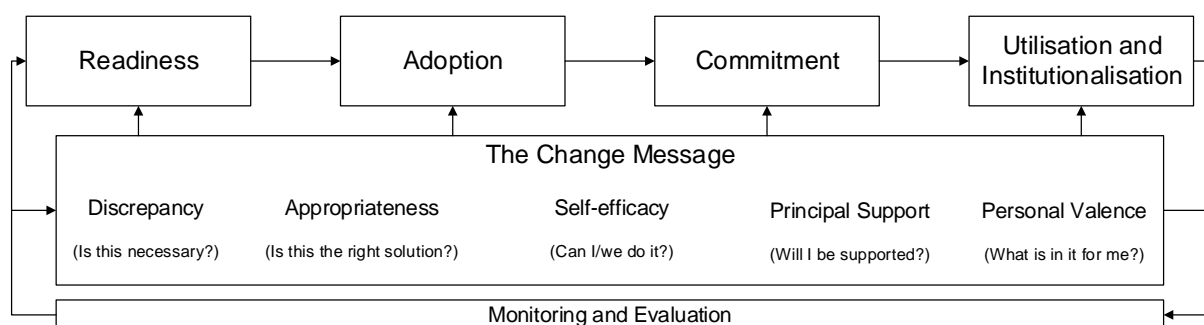
## MONITORING AND EVALUATION

Monitoring and Evaluation (M&E) in PFMP-II serves two equally important purposes: (i) it provides management information so program management and both governments can continually calibrate implementation to maintain progress towards objectives and to achieve the greatest impact; and (ii) it provides the basis for accountability regarding the effectiveness of the investment in the program. The M&E arrangements ultimately seek to answer two overarching questions: *Is the program being implemented as planned? And is the program having the intended positive effect (and not causing unintended negative effects)?*

The underlying logic for interventions implemented with support from PFMP-II includes monitoring, evaluation, learning and knowledge management. The design anticipates that individual and organisational change will follow a general causal mechanism of readiness, adoption, commitment and institutionalised utilisation (see schematic below)<sup>4</sup>. Performance assessment, the choice of indicators and the questions used for evaluative studies reflect this.

<sup>4</sup> Adapted from: Armenakis, A., Harris, S. and Feild, H. (1999) *Making change permanent: a model for institutionalising change interventions*. Research in Institutional Change and Development, Issue 12, pp97 – 128. Stamford, CT: JAI Press Inc. USA.

Figure 5 - Causal mechanisms and key stages of institutional change



## Monitoring

The contractor managing implementation of PFMP-II will systematically conduct:

- **performance monitoring** – **periodic** monitoring of changes in knowledge, attitudes and practices in targeted individuals, groups and agencies as well as changes in performance that can be quantified either directly (e.g. time required to complete the procurement cycle for selected projects) or indirectly (e.g. perceptions of performance and capacity using tools such as goal attainment scaling<sup>5</sup>). Progress reports will be consistent with DFAT M&E Standard 3<sup>6</sup> and inform the annual DFAT **Aid Quality Check** (AQC) including outputs or outcomes against policy markers such as gender, private sector, disability and climate change as applicable, and **Aggregated Development Result** (ADR) reporting. These data and information in progress reports will support judgements about **adequacy of progress** towards intervention outcomes and their contribution to PFMP-II end-of-program outcomes. Where relevant to assessing PFMP-II results, data will be disaggregated by sex and agency (and location and poverty rates if subnational engagement). The data will also be used by DFAT, GPH strategic partners (e.g. DBM and NEDA) and the MC to inform medium-term resource allocation decisions across the PFMP-II portfolio. This is a strategic function that complements evaluative studies and case studies and will be **resourced from intervention budgets**.
- **progress monitoring** – **semi-annual** measurement of actual delivery of **outputs** (e.g. deliverables and other program products) and **intermediate outcomes** (e.g. adoption of new practices and early behaviour changes) actually delivered against each intervention. Where relevant to assessing PFMP-II results, data will be disaggregated by sex and government agency (and location and poverty rates if subnational engagement). These data will be used by the MC to assess variance from the annual plan and present quantitative analysis to support judgements about adequacy of progress against the annual plan in semi-annual progress reports. This is a normal project management function and will be **resourced from the Managing Contractor's management fee**.
- **management monitoring** – as a normal part of good project management, delivery of **inputs** (e.g. people and costs), **activities** (e.g. trainings, coaching events, knowledge exchanges), and **outputs** will be measured and reported **monthly** in simple variance from plan metrics. To support social inclusion and gender equity in delivery, data will be disaggregated by sex (and location and poverty rates if subnational engagement). These data will be used by the MC to inform management decisions and report variance from planned budgets and disbursement. DFAT and GPH partners will have access to summary information through on-line access to a simple **management dashboard**. This status dashboard will include details of activities being undertaken and offer a broader overview of program progress. Examples of dynamic indicators include: staff movements by intervention; time elapsed on program by intervention; and selected monitoring framework indicators by intervention. This is a normal project management function and will be **resourced from the Managing Contractor's management fee**.

<sup>5</sup> For example, see: <http://www.betterevaluation.org/en/evaluation-options/GoalAttainmentScales> [Accessed August 29, 2017].

<sup>6</sup> See: <https://dfat.gov.au/about-us/publications/Documents/monitoring-evaluation-standards.pdf> [Accessed August 27, 2017].

Indicators to support performance monitoring identified in the Monitoring and Evaluation Framework are designed to link performance changes in specific interventions to the whole-of-program intermediate and end-of-program outcomes. The MC will review the monitoring framework and expand this in a practical monitoring and results measurement manual prepared as part of the *Program Operations Manual* during inception.

Managing the portfolio of interventions (see indicative range in **Annex 6** and **Annex 7**) calls for careful and regular monitoring of their performance and timely advice to DFAT on adequacy of progress and any changes needed. This management approach will require a skilled Program Team Leader with strong portfolio monitoring and management skills and experience. The Team Leader needs to be supported by a Monitoring and Evaluation Specialist that can deliver continuous monitoring and periodic evaluation to inform decision-making.

The monitoring and results measurement system will also measure *qualitative, contextual, and unexpected change*. Evaluative studies, contextual analyses using information collected by others (meta-data), and case studies will be systematically and purposefully prepared to inform semi-annual strategic reviews and support economic diplomacy and policy dialogue between DFAT and GPH. Qualitative change will support management for social inclusion and gender equality where relevant to delivery of PFMP-II outcomes. The MC will monitor existing information sources (e.g. periodic information from IMF on macro-economic settings; World Bank on sector performance and business environment; UNDP on human development; World Economic Forum on competitiveness; Bertelsmann Stiftung or Transparency International on corruption, and NEDA on infrastructure delivery) to identify changes in the public infrastructure investment and delivery context. The information will be collated into a semi-annual *Philippines Public Infrastructure Development Context Analysis* for use by DFAT Post in its bilateral policy dialogue with GPH. For example, a strategic summary of progress, on-going bottlenecks and opportunities in the public infrastructure sector could be used by DFAT to support engagement with GPH on policy dialogue.

Monitoring and results measurement data will be analysed and reported to inform management and portfolio review. Systematic *portfolio reviews* will inform semi-annual portfolio refinement and adjustment of resource allocation to ensure PFMP-II efficiently progresses towards program outcomes. Portfolio review for PFMP-II will use a practical range of quantitative and qualitative indicators to rank intervention quality and performance. These indicators will be selected from an expanded monitoring framework, prepared by the MC during Inception, in consultation with DFAT.

## Program Reporting

Based on the above monitoring arrangements, the following program reports are expected to be prepared. The Program Operations Manual will provide more details on the required level of reporting for each of the following:

- **Annual Program Accomplishment Report** – submitted to the PSC in the first quarter of each year and will provide an overview of annual program progress, based on agreed performance indicators. The annual report will also feed into DFAT’s annual quality and performance reporting processes.
- **Six-monthly Progress Report** – this will highlight significant achievements across the portfolio of interventions, areas of concern and/or opportunities. The progress report will be brief and will focus on issues, lessons, opportunities, and constraints to feed into the preparation of the next Annual Action Plan.
- Semi-annual **Philippines Public Infrastructure Development Context Analysis** – collated information from existing sources that identifies changes in the public infrastructure investment and delivery context.
- **Implementation Reports** – this provides brief quarterly reports which will feed into the program-level reporting.

## Evaluation

The fragmented institutional context for infrastructure delivery in the Philippines and Australia's value proposition for a better public infrastructure delivery system in the Philippines, as well as the resources available under PFMP-II, result in a flexible design. Program interventions form a portfolio of new systems, approaches and practices that are first trialled and/or demonstrated in a small number of selected, national agencies or private sector service providers. The outputs and their use in practice through trials are then reviewed with formative *evaluative studies* or *case studies* to learn lessons, identify why practice changes happened, or if not why not. These lessons are then used to refine the new systems, approaches and practices and expand their adoption by other agencies and firms (see logic model in **Annex 4**).

At the same time, the lessons are communicated to agency principals and infrastructure sector stakeholders to inform NGA policy analysis and contribute to delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines. Evaluative studies and case studies are a strategic output that complement performance monitoring and will be *resourced from intervention budgets* (see indicative phasing in **Annex 6**).

In addition, DFAT will commission a normative *independent progress review* around mid-term to assess adequacy of progress towards end-of-program outcomes, relevance of the portfolio of interventions, and the efficiency of implementation. If this is timed to be held in the second half of 2021, it will inform decisions about interventions to be programmed from mid-term.

*Evaluative questions* to understand why interventions are working, or if not, why not; will be developed in each intervention design. Key evaluation questions at a whole of program level, to frame the mid-term independent progress review, include:

- To what extent has cash appropriation budget (CAB) reform been adopted across NGAs?
- What difference does CAB reform make to delivery of public infrastructure?
- To what extent have procurement guidelines been used for delivery of public infrastructure?
- How has adoption of budget and procurement reforms changed reporting on expenditure against budget, accountability and discipline in financial management, and public infrastructure delivery?
- What changes in delivery of public infrastructure resulted from the ROW acquisition guide?
- What difference did DOTr structural reform make on the performance of its functions?
- What changes in public infrastructure delivery have emerged from convergence projects?
- What measurable benefits resulted from private sector knowledge and learning exchanges?
- How has commitment to social inclusion and safeguards management changed in NGAs responsible for public infrastructure delivery?
- What difference has the safeguards 'knowledge warehouse' made to public infrastructure delivery?

## Roles and Responsibilities

The roles and responsibilities of key Program actors in the implementation of the M&E arrangements are:

- **PSC** – provides the strategic oversight of the program, approving the Annual Action Plan and monitoring program performance at the program levels (outcomes-objectives).
- **Program Team Leader** – in partnership with the GPH and with support of the various program management technical advisers, monitors the program at both program and intervention levels, including through engagement with the PSC. The Program Team Leader has overall responsibility for program level reporting to the PSC and DFAT.
- **M&E Specialist** – ensures the M&E Framework is appropriately managed, updated and implemented. The M&E Specialist is responsible for the preparation of program reporting in collaboration with all parties and will coordinate the collection of evidence on progress and performance of the Program.

- **Program Manager** – has responsibility for the quality and timeliness of implementation reporting. The Program Manager, through the Program Office, will be responsible for developing and maintaining an information management system, website and database for easy storage, access, retrieval of information and reports. The Program Office will also provide procurement and logistical services for evaluative studies of the program interventions.
- **Program Technical Advisers** – monitor progress and performance at intervention and agency levels, and make recommendations and proposals about what parts of the public infrastructure delivery system the program should support.

## Learning and knowledge management

The MC will collaborate with DFAT and its GPH partners to select lessons learned that will be developed into knowledge products for different audiences (e.g. strategic agencies such as NEDA, technical staff in national agencies, private sector technical staff, NGA Principals, private sector leaders, political leaders). Knowledge products will be made available through a PFMP-II website and other platforms once approved for release by DFAT and its GPH partners.

The MC will produce a **communications strategy** during inception and include it as an integral part of the Program Operations Manual. The strategy will guide delivery of learning and knowledge management of information for communication to policy makers and others who control or influence the business environment for delivery of public infrastructure. The focus of learning and knowledge management is to provide information that can be used by local institutions and individuals that **influence** changes that will contribute to delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines. Knowledge products, especially the Philippines Public Infrastructure Development Context Analysis introduced above, will also be used by DFAT Post in its bilateral policy dialogue with GPH.

Influence is enabled by purposeful communication designed to meet the needs of different audiences in the Philippines public infrastructure investment system. The MC will distinguish between **technical communications** (e.g. case studies of innovations and new practices complemented by institutional links, coaching or capacity development) and **strategic communications** (e.g. policy briefs showing changed outcomes and efficiency linked to macro-economic and policy challenges faced by GPH and their infrastructure financiers). Associated with this is discrete support for information products or visualised data that supports informal engagement with government and private sector leaders needed to create an enabling environment for delivery of public infrastructure in the Philippines.

## SUSTAINABILITY

PFMP-II's focus on systemic reforms and capacity development of target partner organisations as opposed to providing direct services to the organisations enhances the sustainability of the reforms which the Program will introduce. Cognisant of the uncertainty in political support given changing administrations, the Program will aim to engage with senior career government officials to strengthen ownership.

The 'trial-evaluate-scale' approach of the Program helps ensure that agencies are ready to support and implement the reforms introduced. By ensuring readiness of agencies before scaling up, there is greater probability that the reforms will endure even when support from PFMP-II ends. Furthermore, the iterative implementation of interventions takes into consideration ongoing changes in the lay of the land, hence activities adapt to the current priorities and needs.

As the Program aims to introduce more efficient, effective, and innovative systems for inclusive public infrastructure delivery, the design recognises that there may be interest groups who benefit from the current system and may oppose the changes being introduced by the Program. To address this risk to the sustainability of reforms, the Program will ensure that all relevant stakeholders across the full program cycle will be engaged and consulted. There is evidence that stakeholder engagement enhances prospects for



sustainability (ADB 2008). Meaningful participation that promotes access for everyone to be heard and to contribute, including the poor and disadvantaged groups, builds accountability and ensures that benefits are felt by all (WB 2006).

To guarantee that stakeholder engagement is incorporated into the Program, a Stakeholder Engagement Plan should be developed for each intervention that includes stakeholder analysis and specific mechanisms and activities to ensure meaningful stakeholder participation of government partners, private sector, women's groups, and DPOs, among others. This will also form part of the Inception Report for new Program interventions. Sustainability of Program benefits will be further developed and discussed in the Sustainability Strategy to be prepared by the MC.

## GENDER EQUALITY

PFMP-II will adopt a mainstreaming approach to gender for program implementation that will facilitate opportunities for women's participation and equitable outcomes. A Gender and Inclusive Development Specialist will be part of the PIU and provide intermittent technical support to the Program. The Gender and Inclusive Development Specialist will develop a PFMP-II Gender Action Plan that will provide guidance on how the program interventions will take into consideration, if applicable and relevant, the gender issues at each stage of the program cycle (including when making the decision to work at the subnational level, particularly if engagement in conflicted-afflicted Mindanao is considered). The conduct of evaluative studies at specific points of the interventions will provide opportunities to assess the extent to which PMFP-II is addressing gender issues identified in the Gender Action Plan. Meanwhile, given the modular nature of the Program, emerging gender issues arising from the evaluative studies may also be considered as interventions are adjusted and scaled up.

While gender mainstreaming will be adopted as an approach in the whole Program cycle under PFMP-II, there may be targeted actions that address some of the identified key gender issues which the Gender Action Plan will also consider. Technical Advisers embedded in DOTr and DPWH need to promote departmental adoption of, and compliance with, GPH gender policies. For instance, where activities involve development of departmental operational guidelines within the scope of the Program, these guidelines will include how the department or specific officer/s comply with relevant gender considerations. Mainstreaming activities will be primarily guided by the DFAT Gender Equality and Women's Empowerment Strategy 2016 and the GPH Harmonised Gender and Development Guidelines for Project Development, Implementation, Monitoring and Evaluation. The Gender and Development (GAD) Checklist for Infrastructure Projects will be the main tool to be used in monitoring activities to be identified in the Gender Action Plan.

The program will work with Australia's Investing in Women Initiative (IWI) in the Philippines to strengthen its understanding of gender issues in public financial management and infrastructure management. At inception, the Gender and Inclusive Development Specialist shall also make recommendations on which relevant findings from the GAD 5% Budget Study to be conducted by IWI may be further explored and will be included in the PFMP-II Gender Action Plan accordingly.

The PMFP-II M&E Framework will incorporate mechanisms for the tracking of gender dimensions of the Program, including sex-disaggregation of quantitative indicators as appropriate and inclusion of indicators on gender-sensitive policies and guidance developed or improved by the Program. The M&E Framework will use the GPH GAD Checklist for Infrastructure Projects for benchmarking and also to track progress against gender equality requirements.

The Program will include sufficient funding for the Gender and Inclusive Development Specialist and for implementing the Gender Action Plan to ensure that gender considerations are appropriately addressed over the life of the program.

## DISABILITY INCLUSIVENESS

The Australian Aid Program, through its Development for All 2015-2020 Strategy for Strengthening Disability Inclusive Development in Australia's Aid Program, is committed to accessibility in infrastructure, drawing on Universal Design principles. Infrastructure projects that follow Universal Design principles will lead to broader use of infrastructure and better social outcomes, as well as facilitating access for people with disability, will also benefit the elderly, frail, pregnant women and young children, as well as people with chronic illnesses and temporary injuries.

The Managing Contractor should consider activities that would sensitise all project stakeholders on disability issues to level-off understanding on disability inclusiveness and create an enabling environment for meaningful engagement by all stakeholders throughout the project cycle. This should include problem analysis at the start preparation for each intervention that would take into account, among others, the multiple disadvantages of women and girls with disability resulting from the intersection of gender, disability, poverty, and discrimination (DFAT 2015). PFMP-II will work with DPOs where applicable in ensuring better awareness of issues faced by persons with disabilities in its activities. All these considerations should be included in the Disability Inclusion Action Plan.

## PRIVATE SECTOR

The Program will have multiple opportunities to engage and develop relationships with the private sector, in particular with service providers in the Philippines public infrastructure delivery system (e.g. engineers, project managers and constructors) and training institutions. A number of indicative interventions are identified in **Annex 7**, which were identified primarily to harnessing private sector response to demand for innovation in the infrastructure space, and strategic knowledge sharing and skills transfer. The Program needs to promote an open-door policy and invite private sector participation and viewpoint when assessing the impact and sustainability of interventions.

The Program is not designed to help expand the business of private sector stakeholders. Nevertheless, there is potential for the Program to contribute to business sector growth more generally. Business opportunities could increase should government (as the demand side actor) scales up demand for new, more effective, efficient and innovative products, systems and services that the private sector (as supply side actor) will be exposed to through interventions supported by the Program.

## RISK MANAGEMENT PLAN

All projects face risks to successful implementation and the achievement of their objectives. The ongoing assessment of risks is therefore an important aspect of any monitoring and management system. The regular assessment of risks should include the identification of new and emerging risks, and re-appraisal of the likelihood, importance, and treatments prescribed for previously identified risks.

The Program faces risk at three levels:

Contextual risk – There are high expectations on the GPH to spend on and demonstrate delivery of infrastructure projects quickly. There is a risk that senior government officials in implementing agencies may be changed if infrastructure delivery fall behind targets. The Program may lose reform champions if this happens and could create challenges to continuity of program interventions. Such turnover is beyond the control of the Program, hence continuing the long-standing relationships with the technical operational personnel will help balance any loss of senior leadership. The Program's performance-based and systemic approach allows implementation to adjust if reform momentum is lost and move to areas where more potential for progress is evident.



Another risk associated with the need for quick delivery could be the perception that universal design of infrastructure might be too difficult or costly. To ensure that new infrastructure will meet the need of all people and not further increase inequality (in terms of access), ongoing awareness raising and dissemination of easy to comprehend information on universal design using DFAT's Accessibility Design Guide will be conducted.

Programmatic – Partner agencies might be unable to provide sufficient time and resources to the Program given the heightened attention placed on delivering the administration's infrastructure flagship projects. Embedding the technical assistance in the oversight and implementing agencies will allow the Program to work with individual agencies on daily basis and adjust interventions to suit the agencies' capacities.

Institutional – Several multilateral and bilateral donors, including Australia, are actively engaged in the infrastructure sector, which can create a risk of overlap in donor assistance. Australia's contribution in the sector may lose identity and impact as the Program's grant funds are small relative to donor loan funding for major infrastructure projects. DFAT and the MC will continue to participate in existing donor coordination mechanisms as well as to initiate bilateral coordination with other donors where no such mechanism exists. For instance, DFAT's commitment to disability inclusion and growing international reputation might help DFAT stand out as the donor that is supporting, advocating for and influencing the GPH and other donors to use universal design in infrastructure projects.

The analysis and response to the Program risks and operational risks to interventions, and a guide to DFAT's risk rating matrix, are detailed in the Risk Register attached as **Annex 11**.

Risk appraisals and updates will be required in each six-monthly report submitted by the MC. This will assist the PSC and DFAT to stay informed and respond to emergent risks. Where a significant or new risk emerges, the MC will need to update the Risk Register on an exceptions basis.

## SAFEGUARDS

The Program does not fund delivery of "hard" infrastructure but does assist identification of "hard" infrastructure development opportunities. Hence, there is no requirement for a Program safeguards assessment or plan to be developed nor is there need to monitor implementation of safeguard measures within the Program. However, as the investment aims to contribute in increasing the capacity of the relevant departments of GPH to deliver safe infrastructure, the Managing Contractor will ensure that interventions designed and implemented within the Program will take into account the requirements of Government of Australia (GOA) and GPH safeguards policies (see **Design Note 6** above). The Managing Contractor will ensure that a Safeguards Specialist will be made available to other advisers of the Program who will provide proper guidance on how their interventions properly consider and reflect safeguards in accordance with GOA and GPH laws and good international industry practice. The Safeguards Specialist will also quality assure outputs of the Program around safeguards.

## ANTI-CORRUPTION

The managing contractor will need to put in place a rigorous financial management system compliant with Australian Commonwealth Guidelines on procurement and financial practice to manage any internal risk.

## ANNEXES

### ANNEX 1 – DEVELOPMENT ISSUES AND ANALYSIS

Economic growth has given recent Philippine administrations adequate fiscal headroom to appropriate the larger budgets needed to accelerate development investments, including for infrastructure. However, this increased appropriation of public resources has not resulted in the anticipated levels of public expenditures, nor delivery of infrastructure. The Philippine Government (GPH) does not perform well at converting budget appropriations into public expenditure, particularly for infrastructure assets. This inefficiency signals that while there are sufficient resources, there are administrative and operational capacity constraints to be addressed in the public sector.

To realise its goal of investing PHP8.4 tn for infrastructure by 2022, the GPH will need to address key constraints in public financial management (PFM) and infrastructure management.

#### Public Financial Management

An assessment of the Philippines' PFM system in 2016 showed that, of the seven PFM pillars: three (transparency; policy-based budgeting; and asset and liability management) have improved since 2010; one (predictability and control in budget execution) is evenly balanced; and three (budget reliability; accounting and reporting; and external scrutiny) are weak (WB PEFA 2016).

A key weakness identified by the assessment and highly relevant to infrastructure service delivery is that GPH budget system does not facilitate year-on-year and in-year budget execution reporting. The current budget system is overly-complex and lacks the discipline and clarity required to support a scale-up of infrastructure spending and exposes GPH budget analysis to significant timing issues.

Three Key Performance Indicators in the 2016 PEFA highlight this:

- 'D' for the total budget outturn (Performance Indicator PI-1);
- 'D+' for NGA budget outturn (PI-2); and
- 'D+' PEFA score of 'D' for in-year budget reporting (PI-28).

The existing GPH budget monitoring method is to record obligations (commitments by departments) and disbursements (fiscal transfers to departmental bank accounts) against the annual appropriation by Congress – the General Appropriations Act (GAA). The current system is overly-complex and a lack of discipline and clarity could hinder a scale-up of infrastructure spending and could expose GPH budget analysis to timing issues. Implementation slippages can be rolled into the next budget year, without being addressed in a timely way and incurring an opportunity cost when budget resources are not allocated where they can best be used.

The implication of these timing differences is reflected in the on-going (i.e. Tier 1) estimates for 2018, in which on-going activities from prior years comprise 83% of the 2018 National Expenditure Program (NEP) and new activities (i.e. Tier 2) are 17%. Lags in implementation of prior years' budgets dominate the 2018 budget. Government's commitment to significantly increase the volume and quality of infrastructure spending – particularly with respect to transport infrastructure – can only be achieved through a budget system with a sharp focus on delivery.

The GPH has a clear commitment to reform the current budget framework and to enable in-year budget utilisation measurement against actual cash spent. The central element of the reform being introduced by DBM is to shift away from the current obligation-based budgeting system to a cash appropriations system. In the words of the DBM Secretary, *"Obligations are intentions, not expenditures. The current system of obligation-based appropriation does not promote disciplined execution of the annual budget."* One symptom of this lack of discipline is the level of national government "underspending" where, "reckoned against planned levels of disbursements, there has

been underspending of about 10 percent per year on average from 2011 to 2015” (Monsod 2016). Achieving a rapid increase in government infrastructure spending in five years (from PHP847 billion in 2017 to PHP1.8 trillion in 2022) will therefore require a disciplined PFM system focused on delivery (e.g. cash payments for goods and services received) and not just intentions (e.g. contracts for those goods and services). DBM is already implementing a Budget Reform Program to shift to cash appropriation as well as to a one-year validity (vs. the current two-year validity) period for the national budget. A Budget Reform Bill has already been filed in Congress to formalise these reforms.

National budget reforms were also in part informed by the success of the *Konkreto at Ayos na Lansangan at Daan Tungo sa Pangkalahatang Kaunlaran* (KALSADA) program initiated in 2016 (DFAT 2017) and continued by GPH in 2017 as the Conditional Matching Grant to Provinces for Road Repair, Rehabilitation and Improvement (CMGP). Both KALSADA and CMGP require evidence of road maintenance performance and proof of cash disbursement of the previous year’s maintenance budget as a condition of being eligible for on-going funding for roads. In-year budget and cash disbursements are matched to measure physical and financial performance of provincial roads management.

The success of establishing in-year fiscal discipline for sub-national fiscal transfers to roads management is evidenced by the 177% increase in GAA funding to CMGP of PHP18.03b (\$458m) in 2017 compared to PHP 6.5b (\$163m) in 2016 to KALSADA. Further, CMGP funding is extended to 78 of 81 provinces compared to 74 for KALSADA.

Trialling new approaches and then using the evaluation of the trial as a basis for supporting further reforms is evidence that a “*trial-evaluate-inform-adapt*” methodology is practiced and effective in GPH.

## Infrastructure

Weaknesses in infrastructure project design and preparation, procurement difficulties, and implementation bottlenecks arising from structural weaknesses and capacity constraints of National Government Agencies responsible for infrastructure implementation are among the factors that affect budget utilisation.

Both the 2016 PEFA assessment and DFAT’s 2016 fiduciary risk assessment refer to pre-procurement planning as a weakness that adversely affects infrastructure delivery. Pre-procurement planning activities link directly to GPH project identification and prioritisation; and project preparation responsibilities.

As noted previously in this design, these functions are vested in NGAs, NEDA and DBM, and respond to perceived national development priorities, but not always to technical analysis. Further, infrastructure procurement is also delayed by a lack of understanding of existing GPH procurement processes and insufficient staff in the Government Procurement Policy Bureau (GPPB) to advise NGA staff when they seek assistance.

The combination of these factors, plus the relative success of a new Procurement Guide developed by PFMP, indicated to the design that it was more effective to address the national guidance on procurement and support DBM to enhance the capacity of GPPB, than to directly engage in procurement training in the major infrastructure spending agencies

The GPH has initiated various reforms to address several constraints to infrastructure implementation. A new law on Right of Way Acquisition (ROWA) was passed in March 2016 to expedite ROWA procedures and promote just compensation. The Implementing Rules and Regulations of the procurement law were updated and took effect in October 2016. DPWH has “convergence” programs with other NGAs that link road development projects to sites for sectoral priorities tourist areas, manufacturing centres, and inter-modal transport locations (e.g. ports, airports).

However, significant challenges to infrastructure delivery by government remain, such as:

1. Major infrastructure provision efforts by GPH in the past were often reactive, rather than a proactive attempt at effective long-term infrastructure planning. Scaling-up of infrastructure goals may lead to a reactive response to fit infrastructure delivery into planning timeframes, instead of more realistic timelines for actual infrastructure delivery.
2. Project preparation for full implementation readiness is conducted in different phases, involves procurement of consultants, and can extend over longer time-frames.
3. Project identification can be conducted by applying published rules, or as development committees nominate national development priorities.
4. The numbers and experience of consultants for project preparation that accessible by NGAs responsible for delivering infrastructure is limited.
5. Some NGAs require organisational reform to better meet infrastructure delivery targets.
6. Private sector needs incentives for innovation in engineering, design and technology to support accelerated infrastructure implementation. These incentives need to come out of public sector procurement requirements and bid appraisal criteria.

The design acknowledges that some of these issues cannot be effectively addressed by development activities, such as items 2 and 3 above because they are sovereign functions that respond to national development imperatives and priorities, not only detailed technical analysis. Further, the *Build, Build, Build* program incorporates over 4,000 individual projects, outside of the 75 high priority projects, valued at \$210bn. Given the resources available, PFMP-II has no meaningful or impactful way of directly engaging in the technical side of project identification and/ or project preparation in a portfolio of this size. Further, the political and technical aspects of project choice are so closely intertwined that it is not possible to engage only in the technical aspects, and there is reputational risk to DFAT in being seen to be engaged in project identification.

The GPH project identification and selection processes as set down in the Philippine Development Plan 2017-2022 are supported by spatial and economic analyses that direct investment to key areas of recognised need and so effectively support the GPH policy initiative to reduce inequality by 2022.

Accordingly, the Program could trial universal design and innovative engineering and contracting practices as an indicative intervention on a smaller scale to provide an evidence-base to better inform GPH on their relative advantages, and so stimulate policy changes in key infrastructure spending NGAs. This approach was considered to have more sustainable impact on accelerated infrastructure delivery than a limited volume of support for project identification, with a high level of attendant political risk.

Sustainable PFMP-II support to inclusive infrastructure will be achieved through preparation and maintenance of a safeguards knowledge warehouse covering environmental and social safeguards, gender equality and disability inclusive policies. This indicative intervention will bring together the many pieces of legislation, with checklists and case studies, and facilitate a comprehensive analysis and costing of Philippines laws in this area by all infrastructure stakeholders. The design considers this indicative intervention could have greater, sustainable impact on accelerated delivery of safe and inclusive infrastructure than direct participation in project identification.

Accordingly, the Program does not engage in supporting project identification and preparation on first principles (see **Annex 4**). The remaining issues will need to be considered in designing Program interventions.

### Planning timeframes do not match infrastructure delivery timelines

The GPH planning cycle for infrastructure has two key timelines:

- A six-year PDP, which is coterminous with the Administration and sets out the political vision of that Administration. The PDP is divided into programs, activities and projects when departments submit a six-year Public Investment Program (PIP).
- The infrastructure component of the PIP is framed as a Three Year Rolling Infrastructure Plan (TRIP) that provide a forward estimate of infrastructure costs for three out-years, but which allow these costs and the associated multi-year budget obligations to be rephased by departments each successive year.

The TRIP allows re-phasing of costs into three out-years to keep the planning and budget cycle in phase with real infrastructure delivery timelines. However, by compressing construction costs into Year 3 of forward estimates, to properly obligate future budgets, the TRIP may give an artificial impression that a major project can be prepared and delivered in three years.

In Table 1-1 below, approved Department of Transport (DOTr) infrastructure project of PHP1.45tn (\$6.3bn) are consistent with the *Build, Build, Build* agenda, but this total is 352% higher than the 2013-2016 investment target of PHP369bn (\$9.2bn). Actual annual infrastructure outlays for the past three years have averaged PHP24.7bn (\$617m) and not the annual average outlay of PHP241.7bn (\$6bn) proposed in the PIP.

Similarly, Department of Public Works and Highways (DPWH) infrastructure projects in PIP 2017-2022 are PHP3.24tn (\$81bn), which is 212% higher than its 2013-2016 investment target of PHP1.53tn (\$38.3bn). Actual annual infrastructure outlays for the past three years have averaged PHP358.9bn (\$9bn) and not the annual average outlay of PHP540bn (\$13.5bn) targeted by the approved PIP.

The pattern emerging in the principal infrastructure implementing agencies of DPWH and DOTr (61% of PIP infrastructure) is that their PIP proposals respond to the national policy agenda, but do not link closely to past infrastructure investment targets or public expenditure performance.

**Table 1-1 - INFRACOM Technical Board approved infrastructure projects – working draft July 25, 2017 (source: NEDA)**

NGA	Source	2017 PHP	2018 PHP	2019 PHP	2020 PHP	2021 PHP	2022 PHP	2017-2022 TOTAL PHP	
DOTr	LFP	5.7b	25.8b	45.5b	34.9b	1.2b	8.1b	121.1b	8%
DOTr	Other	9.4b	168.9b	284.7b	298.1b	288.9b	279.2b	1329.2b	92%
DOTr	<b>Total</b>	<b>15.1b</b>	<b>194.7b</b>	<b>330.2b</b>	<b>332.9b</b>	<b>290.1b</b>	<b>287.2b</b>	<b>1450.3b</b>	<b>100%</b>
DPWH	LFP	349.5b	455.9b	490.6b	539.9b	531.b	517.3b	2884.3b	89%
DPWH	Other	20.1b	22.2b	36.9b	77.8b	99.9b	100.8b	357.8b	11%
DPWH	<b>Total</b>	<b>369.6b</b>	<b>478.1b</b>	<b>527.5b</b>	<b>617.8b</b>	<b>630.9b</b>	<b>618.1b</b>	<b>3242.1b</b>	<b>100%</b>
All NGA	<b>Total</b>	<b>695.8b</b>	<b>1313.5b</b>	<b>1474.5b</b>	<b>1586.2b</b>	<b>1398.8b</b>	<b>1286.3b</b>	<b>7755.1b</b>	

### Project preparation is fragmented

Project preparation is often conducted in two discrete phases. The first phase is the preparation of a departmental Concept Paper in response to the call for PIP submissions. This is of limited scope but sufficient for project appraisal by NEDA.

The second phase may be a year or more later when TRIP funding is allocated by NEDA to complete full project preparation requirements over a one to two-year period [e.g. Feasibility Studies, Detailed Engineering Design (DED), full costing, Right of Way Acquisition (ROWA), Resettlement Action Plans (RAP), pre-construction expenses such as preparation of bid documents]. Construction costs for procurement are included in TRIP Year 3 forward estimates.

The impact of this approach is that project preparation may take three years, procurement may take a year or more for complex projects and construction will take several years beyond that. The complete GPH construction cycle on a large project is likely to be seven years or more. The phased approach to project preparation, complexity of ROWA, and RAP finalisation point to longer infrastructure implementation cycles that is perceived in the PIP.

The 2017 GAA includes obligations from 2010 in the Tier 1 ceiling reserved for on-going projects. Where project preparation lead times were two years or more, these commitments may have been approved for implementation in 2008, or nearly a decade previously.

The demand for NGA project preparation services to implement *Build, Build, Build* will grow and place pressure on the available pool of technical resources, which may also extend the time required to complete project preparation.

Table 1-1 above indicates that for DOTr and its associated entities, 92% of the planned infrastructure to be delivered by Foreign Assisted Projects (FAP) and PPP, the funding for which includes a significant amount of project preparation resources.

Earlier studies note that DPWH has a stronger project preparation capacity, reflected in Table 1-1 above as 89% of its planned infrastructure being Locally Funded Projects (LFP). Further, the flagship infrastructure projects of *Build, Build, Build* are also well-supported by ODA project preparation resources. ADB recently approved a Project Preparation loan, and China, Japan International Cooperation Agency (JICA), Korea International Cooperation Agency (KOICA), and others will support preparation of several flagship infrastructure projects. While GPH will receive significant assistance for project preparation for the flagship projects, a significantly larger volume of project preparation resources will be needed by the regular infrastructure investment program that makes up majority of *Build, Build, Build* expenditure.

#### Project identification involves multiple players and the political process

An assessment of GPH planning processes shows two aspects of planning that are like other jurisdictions, but which impact on infrastructure implementation.

Firstly, there are rules transmitted within GPH setting out the standards for objective project analysis and the documentary requirements to meet those standards. These rules are comprehensive and support pro-poor and inclusive infrastructure development, consistent with Philippines laws on environmental and social safeguards, gender equality, and disability inclusion. This is a valid and well-documented rules-based approach to project appraisal. However, it is also noted that in some cases incompletely documented projects are approved because of the national development priority that is recognised by committee members.

Secondly, some projects are not fully costed when approved, preventing effective Value for Money and Benefit Cost Analyses.

#### Consulting Engineers

GPH faces constraints to infrastructure implementation because of limited consulting engineering services in the Philippines. This constraint affects both the quantity and quality of engineering designs (e.g. new engineering technology and innovative materials) that GPH can initiate.

One constraining factor is the legal requirement for all practicing engineers to be citizens and members of the Philippines Institute Certified Engineers (PICE), which does not permit incorporated entities, firms or partnerships to register as engineers. Government Owned and Controlled Corporations (GOCCs) do not face this constraint because their procurement rules permit use of incorporated engineering entities.

Republic Law 544, An Act to Regulate the Practice of Civil Engineering in The Philippines, allows GPH some flexibility in registration requirements for civil engineers, as set out in the excerpt below:

*Section 15. Exemption from Registration*

*1. Registration shall not be required of the following persons:*

*b. Civil engineers or experts called in by the Philippine Government for consultation, or specific design and construction of fixed structures as defined under this Act, provided that their practice shall be limited to such work.*

There is a need to use new engineering technology and innovative materials to accelerate delivery of accessible infrastructure, but effective advocacy will be needed with public and private sectors and the professions to progress this case.

### Organisational reform to better deliver infrastructure

The Philippines adopted a National Transport Policy (NTP) in May 2017 to guide all transport-related policy decisions and future investments. The NTP espouses development of a Philippine Transportation System Master Plan (PTSMP) to support a holistic and evidence-based infrastructure project selection process; and identifies DOTr as a major implementation agent for the PTSMP. NEDA recently contracted the services of consultants to formulate a PTSMP and it can be anticipated that the PTSMP will be finalised in late 2018.

Noting the importance of the DOTr mandate to delivering the PTSMP infrastructure that underpins the economic and social goals of *AmBisyon Natin 2040* (Long Term Vision 2040), it is essential to the current and future administrations that DOTr be made fit for purpose and deliver needed infrastructure more effectively.

The counterfactual would be for DOTr not to reform as an organisation and risk leaving a large part of the PTSMP without an effective implementation agent. This would be a significant setback to the transport sector development objectives of the Philippines and it is unlikely that a responsible administration would take this risk.

### Private sector needs incentives and motivation to innovate

Private sector responses to any calls by GPH for innovation in design, technology and materials will be shaped both by demand-side requirements and commercial considerations. GPH can frame the demand side requirements, within the scope of GPH procurement laws, and so can set the conditions under which the private construction sector participates in implementing public infrastructure.

GPH already has existing rules regarding design standards and cost appraisal methods. However, the continuing use of standard designs, combined with lowest-cost bid appraisal methods, may not offer incentives or motivation for innovation in the Philippines private sector construction industry.

Significant factors for GPH to consider in motivating and incentivising the private construction sector to innovate for accelerated infrastructure delivery will be:

- GPH contracting models (e.g. increasing use of “design and build” contracts to promote the submission of non-standard designs, new techniques and materials and shorter delivery time-frames by the private construction sector).
- GPH tender bid appraisal processes (e.g. factoring the opportunity costs of public inconvenience caused by traditional construction time-frames into Cost Benefit Analyses used to award contracts).



Suggestions for potential innovations that the GPH may consider include:

- revisiting the standard pricing structure for value engineering principles for innovative designs
- streamlining progress claim payments to reduce financing costs built into projects
- establishing an efficient mechanism for managing local government permit issue to constructors, such as establishing a 'one-stop-shop' facilitated by GPH agencies.

### Safeguards

The GPH has a number of safeguard policies in place and there are mechanisms especially at the planning stage where these are taken into consideration in the design and evaluation of infrastructure programs and projects. In the surge effort to deliver the infrastructure needs of the Philippines during 2017-2022, additional steps can be taken to ensure that these 'safeguards' are not overlooked.

Issues impacting safeguards include:

- Multiple agencies manage safeguards legislation (14 nationally and all LGUs).
- There are overlapping institutional frameworks in the environmental safeguards area.
- Safeguards legislation is not drafted to apply at sub-national levels in all cases.
- Safeguards legislation is not complete.
- An agency's capacity to administer its safeguard mandate may be limited.

GPH does not maintain a comprehensive database identifying all safeguard measures established by law (e.g. environmental and social safeguards, gender equality, and disability inclusion). Parties to infrastructure development in the Philippines are expected to conduct independent research on applicable safeguards legislation, implementing institutions and operational tools (e.g. checklists). As a result, compliance with safeguard laws may vary with each party's level of awareness of legal and implementation responsibilities.

At present, there does not seem to be any development partner support being directed specifically to the safeguards area. China, ADB, JICA, KOICA will be supporting project preparation for approximately half of the flagship projects of *Build, Build, Build*. The safeguards requirements of ADB, JICA and KOICA are known to be generally consistent with those of GPH.

A properly designed and maintained GPH safeguards database can support awareness-raising and operationalisation of safeguard laws. This indicative intervention is consistent with Philippine and Australian policies on the importance of safeguards implementation to ensure equity and quality of infrastructure projects; and to ensure complete and accurate costing and budgeting for safeguards implementation.

### Gender Analysis in the Infrastructure Sector

The design's approach to promoting gender equality has been informed by analyses conducted by the Gender Specialist mobilised for the PMFP-II design and drawing also from other relevant secondary sources. The entry point for the gender analysis conducted for this design was initially from a transport infrastructure perspective linked to an earlier design concept. Nevertheless, the report effectively informed the design as many of the identified gender issues are relevant to the Philippines infrastructure sector overall.

The analyses acknowledge that the Philippines is well-advanced in promoting gender equality as an integral element of development. The plethora of legal, policy and institutional infrastructure allows facilitation of gender mainstreaming in public administration and governance to ensure women and men equally contribute to and benefit from development. However, the enabling environment is not maximised as there is weak implementation and compliance such that gender issues in general still prevail. In the infrastructure sector, some of the issues mentioned include:

- lack of gender strategy in [transport] infrastructure...and concomitant agency level gender strategy
- lack of capacity for monitoring and reporting on outputs of annual Gender and Development (GAD) Plan and Budget of the agencies in the sector including expenditure levels
- absence of gender-related performance indicators of agencies in the sector, and concomitant lack of data against such indicators, including sex-disaggregated data
- lack of mechanisms for the participation of users of [transport] infrastructure [and public transport] in policy making, and project planning, and monitoring and evaluation.<sup>7</sup>

These gender issues explain further a World Bank Country Gender Analysis which stated that, “... *poor infrastructure provision, aside from being a hindrance to investment and business activity, also prevents women and girls physical access to basic services.*”<sup>8</sup>

These findings reinforce a 2010 report on Gender Responsive Development in attainment of Strategic Development Goals in the Philippines, which calls for “*the systematic involvement of women in infrastructure development and utilization particularly of water supply, transport and sanitation facilities. More specifically, it seeks the following:*

- *Increased participation of women in policy formulation, decision making, planning, implementation, operation and maintenance activities in the infra-structure sector, including transportation and communications;*
- *Consideration and integration of the specific needs of women in infrastructure development; and*
- *Development and expansion of information generation and dissemination within the sector to encourage greater participation and to provide a database for policy formulation and decision making.*”<sup>9</sup>

On budgeting for GAD, previous studies including in the infrastructure space have shown that while the GAD Budget Policy exists, compliance with the policy has not been encouraging. Updates to these studies may be available upon completion of the GAD 5% budget to be conducted by the Investing in Women Initiative of the Australian Government which is also being implemented in the Philippines. The study aims to provide insights and recommendations for improving Philippine Government compliance with existing laws. The assignment will have a particular emphasis on using the GAD allocation to promote women’s economic empowerment.

<sup>7</sup> Page 42, Gender Analysis of Transport Infrastructure in the Philippines. DFAT, 15 December 2016

<sup>8</sup> Page 52, Country Gender Analysis Philippines. World Bank, 2012

<sup>9</sup> Page 123, Accounting for Gender Results. Miriam College, 2010

## ANNEX 2 – OVERVIEW OF GPH INFRASTRUCTURE PROCESS STEPS

### GPH PROJECT CYCLE - NATIONALLY FUNDED AND IMPLEMENTED INFRASTRUCTURE PROJECTS

	GPH Project Stage	Responsible Agencies	Description	GPH policy documents	Donor support	Rationale for PFMP-II support
1	Project Proposal (initial project preparation)	NGA	<p>With each new Administration, NEDA issues a call for departments to formulate proposals for programming of PDP infrastructure priorities.</p> <p>Starting in Budget 2017, departments are required to prepare a Three-Year Rolling Infrastructure Plan (TRIP). The TRIP links programming and budget resources for full project preparation and implementation over the next three years.</p> <p>Minimum project preparation requirements stipulated by NEDA to determine project “Readiness” for inclusion in TRIP is “if it is armed with the required approvals by the appropriate authorities (e.g., NEDA Board, ICC, RDC, etc) and has undergone a Feasibility Study (FS) and/or pre-FS and Detailed Engineering Design (DED), Resettlement Action Plan (RAP) and with no issues related to Right-of-Way acquisition, if applicable”. TRIP can identify forward estimates of full project preparation costs and construction implementation.</p>	<p><i>AmBisyon Natin</i> (Long Term Vision) 2040;</p> <p>The Philippine Development Plan (PDP) 2017-2022;</p> <p>Guidelines for Formulation of PIP 2017-2022;</p> <p>Philippine Transport System Master Plan;</p> <p>Other Infrastructure Master Plans;</p> <p>Regional Development Investment Program (RDIP)</p>	PFMP, PFM-I	<p><b>HIGH</b></p> <p><b>DOTr</b> – organisational reforms need on-going support to improve volume and quality of proposals</p> <p><b>DPWH</b> – seeks support in convergence planning for educational facilities country-wide and technical capacity upskilling; both link to quality proposals</p>

	GPH Project Stage	Responsible Agencies	Description	GPH policy documents	Donor support	Rationale for PFMP-II support
2	Project planning (or “pipeline”)	NEDA, DBM	<p>NEDA considers responsiveness of departmental proposals to PDP priorities; and prepares a rolling list, or pipeline, of projects for the Infrastructure Committee (INFRACOM)/NEDA Board (NB) to process.</p> <p>NEDA annually issues a call for the submission of Tier1 (ongoing) and Tier 2(new and expanded) infrastructure programs/ activities/projects (PAPs) of all concerned agencies. Based on the TRIP prioritisation criteria, NEDA shall process review and consolidate the PAPs into the TRIP which is then presented to the NEDA Board-INFRACOM for approval and confirmation. The TRIP serves as the basis for the list of infrastructure PAPs (new and ongoing) to be included in the National Expenditure Program (NEP) by DBM. Funding for new expenditure proposals shall be subject to available fiscal space and priority sectoral spending to be determined by the Development Budget Coordination Committee.</p>	Three-Year Rolling Infrastructure Plan (TRIP)		<p><b>LOW</b></p> <p>Sovereign resources allocation and prioritisation function. May not be ruled based, Committees can respond to perceived national priorities. Potential impact of DP support, if requested, is low.</p>

	GPH Project Stage	Responsible Agencies	Description	GPH policy documents	Donor support	Rationale for PFMP-II support
3	Project Preparation (to completion)	NGA	<p>Departments access TRIP to procure Feasibility Studies, Environmental Impact Assessments, Detailed Engineering Designs, Detailed Costings and Cash Flows; and commence Right of Way acquisitions to support the procurement of project implementation contracts.</p> <p>Full project preparation may take several years to complete. Delays in this process will initiate TRIP and MYOA re-phasing by DBM.</p>		ADB China JICA KOICA (Flagship Projects only)	<b>LIMITED</b> PFMP II budget too small to impact at National level. Other donor with large resources is present here.
4	Annual Procurement Plan	NGA	<p>Annual Procurement Plan (APP) needs to be prepared by each department and linked to the annual Budget submission.</p> <p>GPH PFM system needs annual and forward years cash budgeting capacity; and Departments need in-house progress payment scheduling and cash flow forecasting capacity to do this.</p>	GPPB Circular No. 07-2015 GAA	PFM-I, DBM and DOTr	<b>HIGH</b> <b>DBM</b> relationship well-established and can build on work in Annual Cash Budgeting and cash-flow management. <b>DOTr</b> relationship exists around organisational capacity and can be extended to procurement planning.

	GPH Project Stage	Responsible Agencies	Description	GPH policy documents	Donor support	Rationale for PFMP-II support
5	Procurement	NGA, DBM, GPPB	<p>Departments procure infrastructure delivery contracts. DOTr &gt;P50m tender managed by DBM; &lt;P50m by DOTr in-house. All other Departments manage tenders in-house.</p> <p>GPPB Technical Support Office (TSO) provides research, technical and administrative support to the GPPB. The GPPB- TSO has implemented various projects to assist Procurement Entities to comply with provisions of RA 9184. However, the current manpower complement of GPPB-TSO may not be sufficient to respond to the procurement requirements surge of the government's infrastructure Build Build Build Program.</p>	<p>GPPB Guidelines 2011</p> <p>DOTr Procurement Guidelines 2017</p>	PFM-I, DOTr	<p><b>HIGH</b></p> <p><b>DOTr</b> relationship is well established and procurement manual well-received by DOTr and donors (e.g. KOICA, JICA). This can be built on in GPPB.</p> <p><b>DBM/ GPPB</b> has expressed interest in procurement strengthening, but needs restructure to support this role.</p>
6	Disbursement/ Expenditure	NGA, DBM, DOF, BTR, COA	Departments pay infrastructure contract progress claims.	DBM guidelines		<p><b>NONE</b></p> <p>Reputational risk for external donor program seeking to expedite GPH infrastructure with direct involvement in any transactions is high, due to the possibility of incorrect and/ or irregular transactions being processed. General support to PFM efficiencies is already being provided.</p>

	GPH Project Stage	Responsible Agencies	Description	GPH policy documents	Donor support	Rationale for PFMP-II support
7	Reporting	COA	Annual financial reporting on Infrastructure	COA guidelines		<b>NONE</b> PFMP II has limited resources and PFM reporting reforms will require considerable investments.
		DBM	Infrastructure budget outturn reporting	DBM guidelines	PFMP, PFM-I	<b>HIGH</b> Budget outturn has had support and needs to be developed further
		NGA	Procurement Monitoring Report (PMR), each semester (six-monthly)	Sections 12.1, IRR RA9184	ADB	<b>NONE</b> ADB support for a national infrastructure management and monitoring system will link procurement plans to financial reporting

See also Figure 4B in Annex 4 for a schematic summary of this process.



## ANNEX 3 – INNOVATION AND PRIVATE SECTOR ENGAGEMENT

### Knowledge transfer for infrastructure delivery

#### Element 1: Promotion and Awareness of Engineering and Technical Innovation

To facilitate professional and technical exchanges between the Philippines and regional peak bodies to promote awareness of engineering and technical innovations, including design and contracting, to enhance the productivity and capacity of the Philippine private sector to implement infrastructure.

The delivery of *Build, Build, Build* and the continued delivery of roads and bridges as part of the government program for developing better quality infrastructure requires a focus on better products and better productivity in delivering the infrastructure. Innovation in design, construction and products is at the heart of the delivering the higher quality accessible infrastructure the Philippines is demanding to compete in the region as a destination for investment and indeed high value investment.

There are two aspects to this concept: the first is to understand the need for an Innovation Policy for the Philippines. The second is a subset of that policy and create links with infrastructure product providers that can be introduced into the Philippines. The initial links could focus on Australian innovation, including productivity based innovation and processes.

The World Bank Discussion Paper *Innovation a Guide for Developing Countries* defines innovation to mean: *“Innovation means technologies or practices that are new to a given society. They are not necessarily new in absolute terms.”* The Discussion Paper goes on to say the *“Governments have traditionally played an important role in promoting technology, sometimes by directly supporting the development of technologies (in space, defence, and the like) or more indirectly by creating a climate favourable to innovation through various incentives or laws. Every society has to find the ways and means to innovate that correspond to its needs and capabilities. Its innovation climate is largely determined by its overall macroeconomic, business, and governance conditions. Despite the nature of these conditions in low- and medium-income countries, well-designed and well-implemented innovation policies are very relevant”*.

The concept is therefore to start building a better framework for the Philippines to adopt innovation in the infrastructure sector. That framework involves:

- greater policy support from the government to foster innovation in products and work practices
- continuing to support the private sector in its current fledgling role to bring forward innovation options to the Philippines and to look for ways to commence regional relationships and to foster them for the benefit of the Philippines
- open ways to adopt regulatory and standards approaches that create opportunities for innovation and universal design to be applied in the Philippines.

#### What is the Philippine private sector doing to facilitate Innovation?

**Infrastructure Congress & Expo:** The First Infrastructure Congress & Expo Philippines (ICEP) to highlight Government’s Nation Building Programs was held in May 2017. The aim of ICEP is to serve as an effective platform for the adoption of innovation and good practice productivity practice for the following industries: ports, roads and bridges; transport and ICT/telecom; power and water; and security and disaster prevention.

**The Association of Structural Engineers of the Philippines (ASEP):**<sup>10</sup> is the recognised organisation of Structural Engineers of the Philippines. ASEP actively discussed innovation in products and work practices and engages the region to provide knowledge and expertise that to Philippine structural engineers during its 5<sup>th</sup> Conference. That Conference specifically addresses key structural engineering issues and innovation in concrete construction.

**The Philippine Institute of Civil Engineers:**<sup>11</sup> has a broad charter to develop knowledge and practices in civil engineering and fostering improvement in civil engineering education. It has a stated role of encouragement of professional relations with other allied technical and scientific organisations. Its website does not specifically talk in terms of creating a drive for innovation in the engineering practice of the Philippines nor the adjustment of regulations and standards to facilitate innovation and productivity gains in the profession. The institute has a peak body role to play in bringing forward an innovation policy for the Philippines and working with government institutions to ensure the implementation of competitive infrastructure.

**The Asia Pacific Innovation Conference (APIC):**<sup>12</sup> The Asia Pacific Innovation Network was formed in January 2010, to bring together scholars in the Asia Pacific region interested in the Legal, Managerial and Economic aspects of innovation. Australia, Singapore, Japan, Korea, Taiwan and New Zealand are major contributors to the Conference. The Philippines is not a participating country.

### A Philippine - Australia Partnership for Innovation?

The Innovation and Partnership Program established in Vietnam has been established since 2008 and has development plans in place until 2020. It has three core components:

- Innovation Funding: grants and soft support for innovative high growth companies;
- Partnerships for Innovation: providing partnership and networking opportunities;
- Capacity Building and Institutional Development: Collaboration between universities and executive training in innovation management

There is potential for a similar partnership to be established between the Philippines and Australia. Innovation Policy support would need to be in place for the partnership to have a solid chance of success. Scoping work will need to be undertaken to research the design of the partnership, discuss the level of interest in such a partnership and the specific targets. A partnership led from the GPH is needed to launch and respond to the work and proposals that are developed.

The starting point is for the Program to prepare a concept document that is focused on infrastructure and looks to establish partnership arrangements that could have the following components:

- establish an Innovation Policy (based on the World Bank principles in its Innovation Policy Document)
- establish pilot programs with "innovation trials" as a way of testing design and construction innovations
- pave the way for the Philippines to participate in the Asia Pacific Innovation Conference
- research on infrastructure based innovation and providers within Australia through Austrade
- establish key questions the GPH wishes to address in a policy and program based on adopting an innovation policy, program and partnership arrangement. Those questions include the following issues: facilitating education and trade skills transfers; training and vocational institutions in infrastructure sector to upskill both public and private sector skills formation; regulatory and standards changes to facilitate innovation.

<sup>10</sup> <http://www.aseponline.org/>

<sup>11</sup> <http://pice.org.ph/>

<sup>12</sup> <http://ap-ic.org/>

## Element 2: Policy Concept - Major Infrastructure Projects Unit

*[The design recognises that under the existing Philippines legal framework, procurement processes and procedures must be consistent with the Government Procurement Reform Act (Republic Act 9184) and its associated issuances, such as the recently approved 2016 Revised Implementing Rules and Regulations. The purpose of exploring this policy concept is to assess its feasibility, desirability, and applicability in the Philippines context, and to identify relevant lessons and recommendations to GPH.]*

The concept is to develop a Major Infrastructure Projects Unit to deliver the nominated core or the most important projects that form part of the GPH infrastructure development program.

The MIPU concept is to develop an institution that is able to procure effectively and efficiently and without the procedural and systemic constraints that create barriers to quicker and higher standard procurement and project delivery.

The focus of an MIPU would be to:

- procure and be responsible for the project delivery of nominated Government infrastructure projects
- develop procuring procedures and practices that transparent and allow for the procurement of high standard bids that are not constrained by international operation barriers currently applicable in the Philippines
- engage and employ experts in procurement and project delivery without regard to controls over the use on international expertise
- act as a procurement and project management agent for the nominated core or most important projects of the projects within the GPH infrastructure program.

### How MIPUs Work

MIPUs can be established in different forms: the form depends on the legal position that the service holds and the need to be less constrained by government processes and procedures. The role will be to act as an agent for the responsible department and plan and deliver the nominated projects. To do that, the MIPU will need to develop its own tested procurement and project management systems that are designed to implement projects based on good international practice.

The institutional approach to establish an MIPU can take several forms:

- departmental form. It does not act for client Departments but procures and manages in its own right for the government.
- a separate Department with a Secretary as the head. This allows the Department to develop its own procurement arrangements and act as a formal agent on behalf of the relevant government department.
- establish an operating Company with private sector ability. It can manage projects and operate with a set of corporate rules that are transparent, high standard commercial practice and have the ability to act as procurement agent and project manager for Government Departments.

The distinguishing factor for each of these options is the ability to undertake project management with the skill level required of the project, including the engagement of international skills. A corporate structure is the approach most likely to be able to fulfil that aspiration.

MIPUs in any form must gather qualifications and experience drawn from a range of disciplines including: project development; property development; planning; law; architecture and design; construction; engineering; environmental management; communications; stakeholder management. These skills and qualifications are essential to any form of major in infrastructure project.

The skills are gained through direct employment or through engagement of consulting expertise. A flexible workforce number and skill base is a key component of the organisational arrangement.

### The Attributes of MIPUs

The impact of MIPUs varies with the actual role undertaken. There is little research on Major Project Unit impacts. Their success is generally measured on the basis of the projects undertaken and the project measures of implementation, including budget and time measures.

The major benefit of MIPUs is the single focus of the organisation and the capacity to deliver nominated major projects with specialist skills and work with systems that are designed for the projects to be delivered.

There are also few common attributes for MIPUs. They are designed for the environment they work within and the role the government sees for them. Some governments have been more 'adventurous' in establishing major project delivery organisations.

### Element 3 - Universal Design

Null (2013) defines universal design as a strategy that aims to make the design and composition of different environments and products usable for everyone. It emphasises user-centered design by following a holistic approach to accommodate the needs of people of all ages, sizes, and abilities. It helps everyone with support and assistance needs including persons with disability, the elderly, pregnant women, children and people with a temporary illness or injury (Australian Agency for International Development, 2013). Universal design removes the barriers to the participation of individuals who are unable to contribute to economic life because of restrictions imposed by an inaccessible environment. Making transportation accessible for all increases productivity, promotes independence, improves safety, and creates mobility conditions for the movement of essential supplies in emergency situations (Australian Agency for International Development, 2013; Bündnis Entwicklung Hilft & United Nations University, 2016; Global Network on Disability Inclusive and Accessible Urban Development, n.d.).

The activities under this should consider the following key features:

- use the results of the Social Analysis (which includes gender analysis) to inform needs and priorities in the planning and design
- establish mechanisms for stakeholder engagement and input (with close consideration of gender relations and engagement with women stakeholders) right from the start and all throughout the process including through DPOs.

An evaluative study around a cost-benefit analysis of universal design in transport projects could also be considered. Other studies suggest that the cost of incorporating universal design is minimal compared to the cost of not incorporating it due to lost opportunities (Australian Agency for International Development, 2013). The PFMP-II could get this evidence in place in the context of the Philippines to inform decision-making on the *Build, Build, Build* thrust of the government.

### Element 4 – Value Engineering

Under PFMP II, value engineering can be demonstrated by providing technical assistance and facilitating technology transfer and exchange on Risk-Sensitive Transportation Planning. Preventing /the accumulation of risk through resilient infrastructure planning is crucial especially given the Philippine context with transport infrastructure having a very high exposure to hazards. One approach is Risk-Sensitive Transportation Planning which incorporates inputs from disaster and emergency management in providing key variables in the analysis of network capacity and travel demand in a disaster scenario. For example, aspects of physical risks in the study area pose implications to transport network capacity during a disaster event. Network capacity is significantly reduced due to road blockages brought about by falling debris. On the other hand, the designation of emergency lanes may contribute to greater access to affected areas.

## ANNEX 4 – PROGRAM LOGIC MODEL

The program logic model recognises that delivery of public infrastructure in the Philippines is fragmented institutionally and geographically. PFMP-II will therefore start work with several central oversight and implementing agencies. New systems, approaches and practices supported by the program will be identified, trialled or demonstrated with selected agencies and private sector service providers. Lessons will be captured with progress monitoring, evaluative studies and case studies – which will be used to refine new systems, approaches and practices before scale-up as well as for communicating with policy makers and influencers in the public infrastructure system. The summary program logic is informed by the theories explaining assumed causal mechanisms for the anticipated changes (see **Annex 5**) and presented in **Figure 4A**.

The end-of-program outcome for the program is:

*Targeted Philippines government agencies and private sector service providers use more efficient, collaborative and innovative systems for inclusive public infrastructure delivery.*

This requires collaboration at three levels: (1) between national government agencies at both central (allocation) and line (spending) levels; (2) between national and sub-national (e.g. provincial and local government units) levels; and (3) between the public sector demand side and the private sector supply side of the public infrastructure delivery system in the Philippines.

Intermediate outcomes for the program recognise the demand and supply sides of the public infrastructure delivery system in the Philippines. The intermediate outcomes for the program are:

*Targeted national (and provincial if included) government agencies commit to using strengthened budget, procurement, organisational and safeguard systems for public infrastructure delivery.*

*Selected private sector partners adopt innovative approaches to public infrastructure delivery.*

In addition, the program logic model emphasises the iterative implementation of change, supported by systematic progress and performance monitoring as well as tactically designed evaluative studies. This process dimension of the program logic model builds on the theoretical foundations (Annex 5) that explain why PFMP-II is anticipated to result in changed practices for financing, procuring, safeguarding and delivery of quality infrastructure for inclusive economic growth in the Philippines. These theories help explain: (1) how organisations and individuals change; (2) how organisations perform; (3) how innovations are adopted and spread; and (4) how scale-up is achieved from trials and demonstrations.

**Figure 4B** demonstrates *what* PFMP-II will focus interventions on within the Philippines public infrastructure system.

Figure 4A –Summary logic for Program interventions

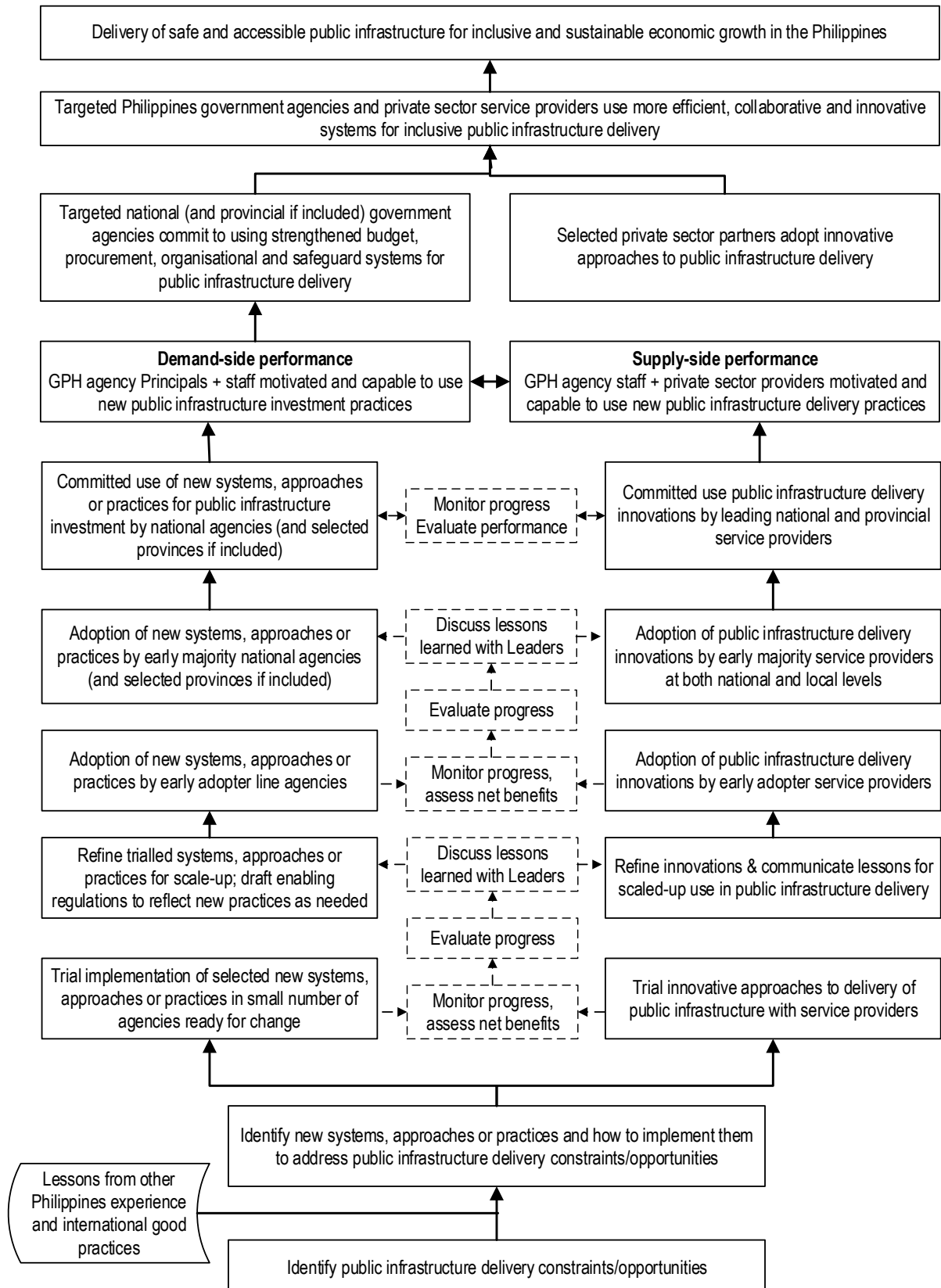
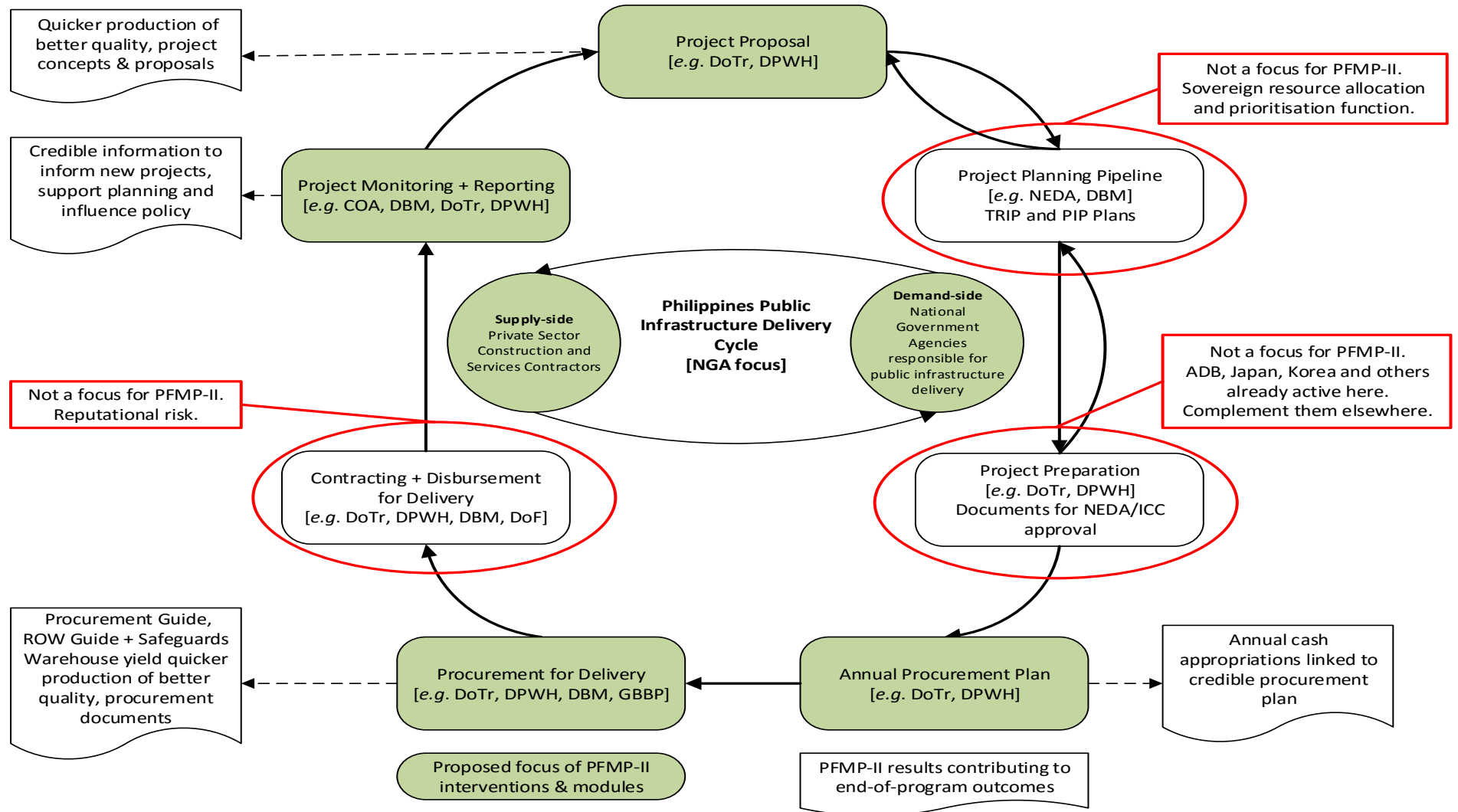


Figure 4B - Schematic of GPH public infrastructure delivery system and focus of Program interventions





## ANNEX 5 – MONITORING AND EVALUATION FRAMEWORK

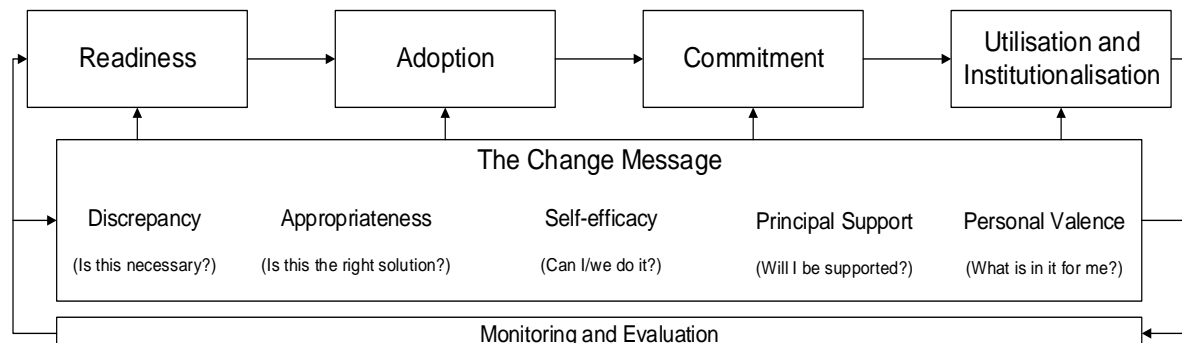
### Program theory

The logic model and expected outcomes for PFMP-II are informed by several theories that explain underlying assumptions for change and why PFMP-II is anticipated to result in changed practices in organisations, groups and individuals delivering infrastructure for inclusive economic growth in the Philippines. These theories help explain: (1) how organisations and individuals change; (2) how organisations perform; and (3) how innovations are adopted and spread. The approach to monitoring and results measurement is also informed by theories that explain how scale-up is achieved from trials and demonstrations with early adopting agencies.

### How organisations and individuals change

Individuals and the organisations they work in change practices when there is an identified problem or constraint that is identified as needing change and when the proposed solution is considered appropriate. These conditions create **readiness** – which leads to **adoption** of new ideas, approaches or practices in trials, pilots or demonstrations. A grant aid program like PFMP-II provides a space where people can take risks and try new ways of doing things. If individuals and groups in participating organisations find that they can do things differently and that it works, they seek support from organisational and political leaders for continued use of the new ideas, approaches or practices. If that support is there, then people will **commit** to new ways of doing things and that leads to **sustained utilisation** and/or **institutionalisation** of the new practices. This change mechanism is summarised in Figure 5A<sup>13</sup> and provides a framework for monitoring and results measurement.

Figure 5A - Organisational change motives and status



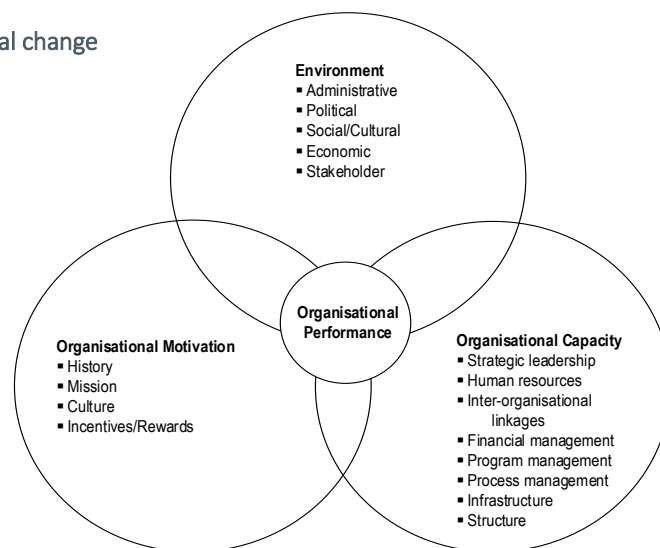
### How organisations perform

Many organisational change programs supported by donors emphasise capacity building. PFMP and PFM-I included many capacity building interventions. The PFMP-II goal and end-of-program outcome emphasise improved infrastructure delivery and performance of the public infrastructure system in the Philippines. Research over the past 10-15 years highlights that for changes in performance there is a need to support change in capacity as well as the environment in which new capacity is used and the motivation of people to apply their new capacity in practice. Donor programs cannot deliver all these elements – so a partnership with government agencies is essential and the design seeks to motivate their support through output-based and other incentivised delivery approaches. This change

<sup>13</sup> Armenakis, A., Harris, S. and Feild, H. (1999) *Making change permanent: a model for institutionalising change interventions*. Research in Institutional Change and Development, Issue 12, pp97 – 128. Stamford, CT: JAI Press Inc. USA.

mechanism is summarised in **Figure 5B**<sup>14</sup> and provides a framework for monitoring and results measurement.

Figure 5B - Requirements for organisational change



### How innovations are adopted and spread

Adoption is an individual process: from first hearing about an innovation to finally adopting it. Diffusion is a group or organisational process, which suggests how an innovation spreads more widely in society. The adoption and diffusion of innovation was first studied in the 1890s. In 1962 Everett Rogers, a professor of rural sociology published his seminal work: *Diffusion of Innovations*<sup>15</sup>, which synthesised research from over 500 diffusion studies to produce a theory of adoption among individuals and organisations. Rogers' showed that four main elements influence the spread of a new idea: the innovation, communication channels, time, and social system. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Rogers identified five characteristics of an innovation that influence an individual's decision to adopt or reject it (**Table 5A**): relative advantage, compatibility, complexity or simplicity, trialability and observability.

Table 5A - Five factors driving adoption

Factor	Definition
Relative Advantage	How improved an innovation is over the previous generation.
Compatibility	The level of compatibility that an innovation has to be assimilated into an individual's life.
Complexity / Simplicity	If the innovation is perceived as complicated or difficult to use, an individual is unlikely to adopt it.
Trialability	How easily an innovation may be experimented. If a user is able to test an innovation, the individual will be more likely to adopt it.
Observability	The extent that an innovation is visible to others. An innovation that is more visible will drive communication among the individual's peers and personal networks and will in turn create more positive or negative reactions.

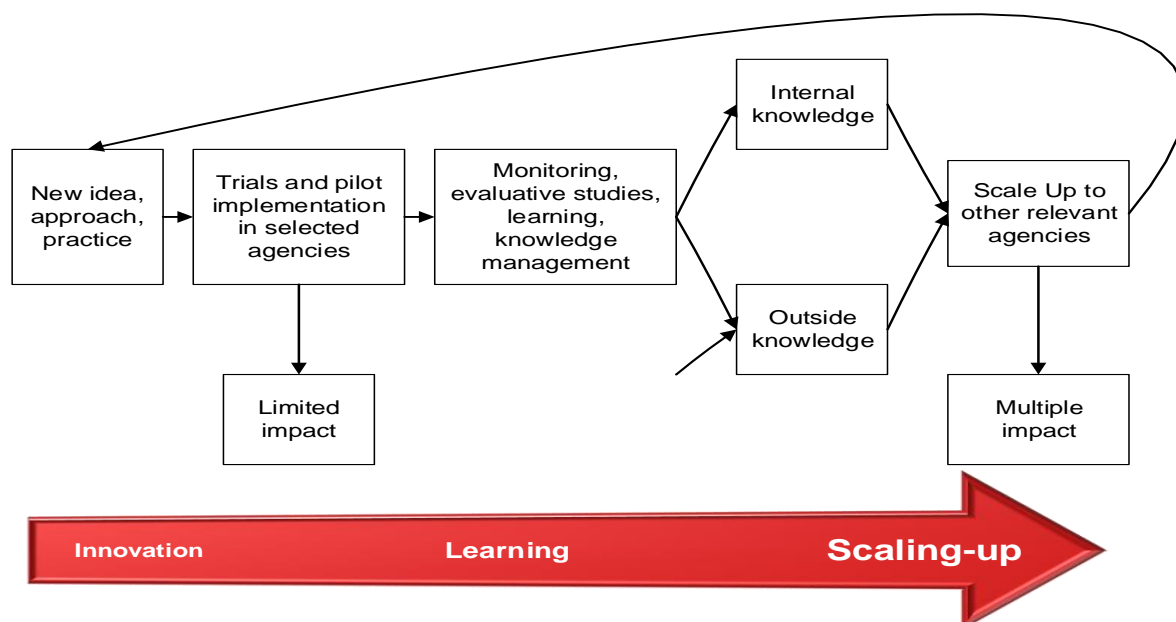
<sup>14</sup> Lusthaus, C., Adrien, M-H., Anderson, G., Carden F., and Montalvan, G. (2002) *Organisational Assessment: a framework for improving performance*. International Development Research Centre, Ottawa, Canada.

<sup>15</sup> Rogers, E. M. (1962) *Diffusion of Innovations*. Glencoe: Free Press, USA.

## How scale-up is achieved from trials and demonstrations

Interventions supported by the program will be developed and trialed with selected agencies. Lessons will be captured with evaluative studies and case studies, which will be used to refine outputs and new practices before scale-up as well as for communicating with policy makers and influencers in the public infrastructure system. The summary logic for these interventions is presented in **Figure 5C**<sup>16</sup> and provides a framework for monitoring and results measurement.

Figure 5C - Scaling up model for PFMP-II



## Monitoring Framework

The Managing Contractor will design, implement and use a monitoring system that meets DFAT M&E Standard 2. This is detailed in the Investment Description section of the IDD (pp26-30). The contractor engaged to manage implementation of PFMP-II will report measured and attributable progress every six months, to complement DFAT aid quality reporting and GPH needs (likely February and August). Progress reports will meet DFAT M&E Standard 3. These semester reports to DFAT and GPH partners will use agreed, whole-of-program key performance indicators (see Table 5B Monitoring Framework below) to report progress and projections including projected change, cumulative change to date, and changes achieved over the six-month reporting period. Monitoring and results measurement information will be used to support management and portfolio review. The system will aggregate monitoring results across different interventions and partner agencies, both to guide decisions on program portfolio and to report aggregate program progress. Aggregation methods will account for any overlap between interventions to avoid double-counting. The monitoring and results measurement system will also ensure that cross-cutting issues (such as gender, social inclusion, and safeguards) are integrated into interventions, as appropriate, and are measured. Qualitative information will be used to explain the reasons behind changes in the KPIs and what these changes mean for adequacy of progress towards end-of-program outcomes. The learning and review cycle of the program will be timed to fit in with the reporting cycle.

Systematic **portfolio reviews** will inform semi-annual portfolio refinement and adjustment of resource allocation to efficiently progress towards program outcomes. The reviews should be timed to support strategic decisions by the Program Steering Committee. Portfolio review for PFMP-II will use a practical range of quantitative and qualitative indicators to rank intervention quality and

<sup>16</sup> Hartmann, A. and Linn, J. (2008) *Scaling up: a framework and lessons for development effectiveness from literature and practice*. Wolfensohn Center for Development - working paper 5. Brookings Institution, Washington DC, USA.

performance. Value for money will also be assessed during portfolio reviews – using measures such as cost/output, time from readiness to adoption to commitment, and contributions to changes in the efficiency and effectiveness of public infrastructure delivery in the Philippines. These indicators will be selected from the expanded monitoring framework in consultation with DFAT.

The PFMP-II monitoring and results measurement system will be driven by those who implement interventions. Their roles and responsibilities will be detailed in the *Program Operations Manual* and are summarised in the monitoring framework below. The responsibility for collecting data for management and progress monitoring will fall on the intervention team (technical advisers and their counterparts). Performance monitoring and evaluative studies will be the responsibility of a dedicated monitoring and results measurement resources – either internal to and/or outsourced for the program. Useful results measurement will only be possible with a performance assessment culture throughout the PFMP-II team.

Indicators to support performance monitoring (see Table 5B below) at the program portfolio level are designed to link performance changes in specific interventions to the whole-of-program intermediate and end-of-program outcomes. For example, performance monitoring of the roll-out of cash appropriation budget reforms led by DBM would focus on the changes in actual disbursement for infrastructure delivery in the Philippines through partners such as DOTr and its 17 attached agencies as well as DPWH. The Managing Contractor will review the monitoring framework and expand this in a practical monitoring and results measurement manual prepared as part of the *Program Operations Manual* during inception.

Each PFMP-II intervention will have its own simple results chain modelled along the overarching principles of the program logic model and the related theories that explain why interventions are expected to cause people to change what they do. These will be used to identify intervention-specific monitoring indicators as well as those program indicators relevant to the intervention.

Program indicators will be used to monitor progress and assess changes resulting from the intervention. A simple results measurement plan will be developed for each intervention, which defines when and how outputs and intermediate outcomes will be assessed – using performance monitoring and/or evaluative studies.

PFMP-II will report measured results that can be attributed to the program as well as changes that contribute to higher-order changes. Measurement and reporting of results will be fixed by the time frames set out in the Program Operations Manual. The starting point for monitoring will be when intervention activities start, but time series data based on existing GPH measures (e.g. 2016 PEFA ratings; budget outturn data for infrastructure spending agencies) will be used wherever possible. The outcomes resulting from an intervention will be assessed for up to two years after PFMP-II activities under that intervention end.

Table 5B - PFMP-II Summary Monitoring Framework

(to be refined and expanded during inception and as interventions are confirmed and designed – and then reviewed annually after that)

Indicators	What we will measure	How we will measure	Who will measure	Frequency of measurement	How will results be reported & used
<b>Goal: Contribute to delivery of safe and accessible public infrastructure for inclusive and sustainable economic growth in the Philippines</b>					
<ul style="list-style-type: none"> <li>Number of DBM, DOTr or DPWH operational breakthroughs that reduce delays in infrastructure project delivery</li> </ul>	<ul style="list-style-type: none"> <li>Examples of new practice adoption in DBM, DOTr and DPWH that support better infrastructure delivery (e.g. reduced time to delivery from active use of procurement guide, ROWSA guide for specific projects)</li> </ul>	<ul style="list-style-type: none"> <li>Evaluative studies, case studies, performance monitoring</li> </ul>	PFMP-II M&E Specialist with inputs from NEDA and PFMP-II technical advisers	<ul style="list-style-type: none"> <li>Annual</li> </ul>	Semi-annual progress reports and case studies used to inform portfolio reviews and dialogue with NEDA, DBM, DOTr, and DPWH.
<b>End-of-Program Outcome: Targeted Philippines government agencies and private sector service providers use more efficient, collaborative and innovative systems for inclusive public infrastructure delivery</b>					
<ul style="list-style-type: none"> <li>% DOTr infrastructure tenders classified “failed” (by number &amp; value)</li> <li>% DPWH infrastructure tenders classified “failed” (by number &amp; value)</li> <li>% infrastructure disbursement delivered through BTMS [in PHP billion]</li> </ul>	<ul style="list-style-type: none"> <li>Total number of infrastructure tenders issued by DOTr disaggregated by those classified “failed” and those classified “successful”</li> <li>Total number of infrastructure tenders issued by DPWH disaggregated by those classified “failed” and those classified “successful”</li> <li>Total, actual cash disbursement for infrastructure projects [in PHP billion] disaggregated by amounts through BTMS and amounts otherwise managed</li> </ul>	<ul style="list-style-type: none"> <li>Semi-annual review of DOTr procurements with support from GPPB – compared against 2017 baseline</li> <li>Semi-annual review of DPWH procurements with support from GPPB</li> <li>Semi-annual review of infrastructure project disbursement in selected agencies with support from DBM and BTr</li> </ul>	PFMP-II M&E Specialist with inputs from PFM and Transport/ Infrastructure Specialists working with DOTr and DPWH staff	<ul style="list-style-type: none"> <li>Semi-annual</li> <li>Semi-annual</li> <li>Semi-annual</li> </ul>	<p>Semi-annual progress reports and case studies used to inform portfolio reviews as well as dialogue with NEDA, DBM, GPPB, DOTr and DPWH.</p> <p>Information shared with influencers to support advocacy for better infrastructure delivery.</p>

Indicators	What we will measure	How we will measure	Who will measure	Frequency of measurement	How will results be reported & used
<b>Intermediate Outcome 1: Targeted national (and provincial if included) government agencies commit to using strengthened budget, procurement, organisational and safeguard systems for public infrastructure delivery</b>					
<ul style="list-style-type: none"> <li>• Proportion of public infrastructure investment delivered through cash appropriation budget system</li> <li>• Proportion of public infrastructure investment delivered using new procurement guidelines</li> <li>• % of DOTr projects delivered using Right of Way Site Acquisition Guide</li> <li>• Numbers of school children using new infrastructure to more safely access school</li> <li>• PEFA rating for pillar 5 (PI22 &amp; PI24)</li> <li>• Number of agencies actively using BTMS</li> <li>• % DOTr organisational change completed against structure approved by DBM</li> <li>• Proportion of public infrastructure investment delivered in compliance with national safeguards requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Public infrastructure investments (by number and value) delivered using cash appropriation budget divided by total public infrastructure investment (# and PHP)</li> <li>• Public infrastructure investments (by number and value) delivered using new procurement guidelines divided by total public infrastructure investment (# and PHP)</li> <li>• Total number of DOTr projects under implementation and number delivered using ROWSA Guide</li> <li>• Estimate number of school children [disaggregated by sex, location and poverty] using new infrastructure to more safely access school</li> <li>• World Bank PEFA indicators PI22 (Expenditure arrears) &amp; PI24 (Procurement management)</li> <li>• Number of agencies using BTMS for management of budget &amp; treasury functions</li> <li>• Actual DOTr organisational structure and functional assignment changes in place compared with approved structure</li> <li>• Public infrastructure investments (by number and value) delivered in compliance with national safeguards requirements divided by total public infrastructure investment (# and PHP)</li> </ul>	<ul style="list-style-type: none"> <li>• Tally public infrastructure investments identified by DBM and NEDA</li> <li>• Tally public infrastructure investments identified by DBM and NEDA</li> <li>• Review DOTr portfolio to jointly assess delivery and use</li> <li>• Estimates developed with DPWH and DepED based on project documents and school population data</li> <li>• PEFA review scheduled by DBM for 2020 benchmarked against 2016 PEFA</li> <li>• Count number of agencies fully operating BTMS as confirmed by DBM</li> <li>• Semi-annual count of staff positions occupied and functioning to new position descriptions</li> <li>• Tally public infrastructure investments identified by DBM and NEDA and assess compliance with DPWH/ GPPB</li> </ul>	<ul style="list-style-type: none"> <li>• PFMP-II M&amp;E Specialist working with DBM &amp; NEDA</li> <li>• PFMP-II M&amp;E Specialist working with DBM &amp; NEDA</li> <li>• PFMP-II M&amp;E Specialist with DOTr and DPWH staff</li> <li>• PFMP-II M&amp;E Specialist with DPWH and DepED staff</li> <li>• Independent PEFA reviewers</li> <li>• BTMS Steering Committee + DBM</li> <li>• PFMP-II Transport &amp; Infrastructure Specialist with DOTr</li> <li>• PFMP-II M&amp;E Specialist working with DPWH &amp; GPPB</li> </ul>	<ul style="list-style-type: none"> <li>• Annual</li> <li>• Annual</li> <li>• Annual</li> <li>• Annual</li> <li>• Periodic (2020)</li> <li>• Semi-annual</li> <li>• Semi-annual</li> <li>• Annual</li> </ul>	<p>Semi-annual Infrastructure Development Context Report used to inform portfolio reviews and DBM dialogue.</p> <p>Information shared with influencers to support advocacy for better infrastructure delivery.</p>

Indicators	What we will measure	How we will measure	Who will measure	Frequency of measurement	How will results be reported & used
<b>Intermediate Outcome 2: Selected private sector partners adopt innovative approaches to public infrastructure delivery</b>					
<ul style="list-style-type: none"> <li>Proportion of public infrastructure investments delivered using innovative design, contracts or technology</li> <li>Number of women and men completing learning and knowledge exchanges with training institutions for better infrastructure delivery</li> </ul>	<ul style="list-style-type: none"> <li>Public infrastructure investments (by number and value) delivered using innovative design, contracts or technology divided by total public infrastructure investment (# and PHP)</li> <li>Number of women and men (disaggregated by agency and location) completing learning and knowledge exchanges with training institutions supported by PFMP-II</li> </ul>	<ul style="list-style-type: none"> <li>Tally public infrastructure investments identified by DOTr, DPWH and NEDA</li> <li>Learning and exchange monitoring data collected using standard form developed by M&amp;E Specialist</li> </ul>	<ul style="list-style-type: none"> <li>PFMP-II M&amp;E Specialist + inputs from DOTr, DPWH and NEDA plus team specialists</li> <li>PFMP-II M&amp;E Specialist and teams facilitating learning &amp; knowledge exchanges</li> </ul>	<ul style="list-style-type: none"> <li>Semi-annual</li> <li>Semi-annual</li> </ul>	Semi-annual progress reports and case studies used to inform portfolio reviews as well as dialogue with NEDA, DBM, DOTr & DPWH (as well as DepEd through other DFAT programs). Information shared with influencers to support advocacy for better infrastructure delivery.
<b>Indicative Outputs:</b>					
<ul style="list-style-type: none"> <li>Number of agencies connected to BTMS</li> <li>Distance (km) of roads constructed, rehabilitated or maintained</li> <li>Number of public servants trained, coached or mentored by PFMP-II</li> <li>Number of influencer or civil society organisations supported to track infrastructure delivery + quality</li> <li>Number and percentage of management committees in which women are equally represented</li> </ul>	<ul style="list-style-type: none"> <li>Number of agencies connected to the BTMS for budget &amp; treasury functions</li> <li>Distance (km) of roads constructed, rehabilitated or maintained (DFAT ADR)1/</li> <li>Number of GPH staff trained, coached, mentored by PFMP-II disaggregated by sex, agency and location.</li> <li>Number of non-government agencies and influencers supported to track infrastructure delivery + quality</li> <li>Sex ratio in membership of the steering and other management committees engaged with PFMP-II</li> </ul>	<ul style="list-style-type: none"> <li>Count number of agencies able to access BTMS</li> <li>Estimate of km attributable to PFMP-II interventions made with DOTr &amp; DPWH</li> <li>Intervention progress monitoring sheets for participation</li> <li>Intervention progress monitoring sheets for participation</li> <li>Intervention progress monitoring sheets designed for purpose</li> </ul>	<ul style="list-style-type: none"> <li>BTMS Steering Committee + DBM</li> <li>PFMP-II M&amp;E Specialist with DOTr + DPWH staff</li> <li>PFMP-II M&amp;E Specialist + program specialists</li> <li>PFMP-II M&amp;E Specialist + sector specialists</li> <li>PFMP-II M&amp;E Specialist + sector specialists</li> </ul>	<ul style="list-style-type: none"> <li>Semi-annual</li> <li>Annual</li> <li>Semi-annual</li> <li>Semi-annual</li> <li>Semi-annual</li> </ul>	Semi-annual progress reports and case studies used to inform portfolio reviews as well as dialogue with NEDA, DBM, GPPB, DOTr and DPWH.



## Evaluation, evaluative studies, case studies

The approach to evaluation is presented in detail in the Investment Description section above (pp. 29- 30). Because PFMP-II uses a flexible, performance-based and systematic approach evaluative studies are an integral part of performance assessment and portfolio management. Program interventions form a portfolio of new systems, approaches and practices that are first trialled and/or demonstrated in a small number of selected, national agencies or private sector service providers. The outputs and their use in practice through trials are then reviewed with formative ***evaluative studies*** or ***case studies*** to learn lessons, identify why practice changes happened, or if not why not. These lessons are then used to refine the new systems, approaches and practices and expand their adoption by other agencies and firms (see logic model in **Annex 4**). Evaluative questions will be included in the design for each program intervention.

At the same time, the lessons are communicated to agency Principals and infrastructure sector stakeholders to inform NGA policy analysis and contribute to delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines. Evaluative studies and case studies are a strategic output that complement performance monitoring and will be ***resourced from intervention budgets*** (see indicative phasing in **Annex 6**).

In addition, DFAT will commission a normative ***independent progress review*** around mid-term to assess adequacy of progress towards end-of-program outcomes, relevance of the portfolio of interventions, and the efficiency of implementation. If this is timed to be held in the second half of 2021, it will inform decisions about interventions to be programmed from mid-term.

## Learning and knowledge management

The MC will collaborate with DFAT and its GPH partners to select lessons learned and case studies that will be developed into ***knowledge products*** for different audiences (e.g. strategic agencies such as NEDA, technical staff in national agencies, private sector technical staff, NGA Principals, private sector leaders). Knowledge products will be made available through a PFMP-II website and other platforms once approved for release by DFAT and its GPH partners.

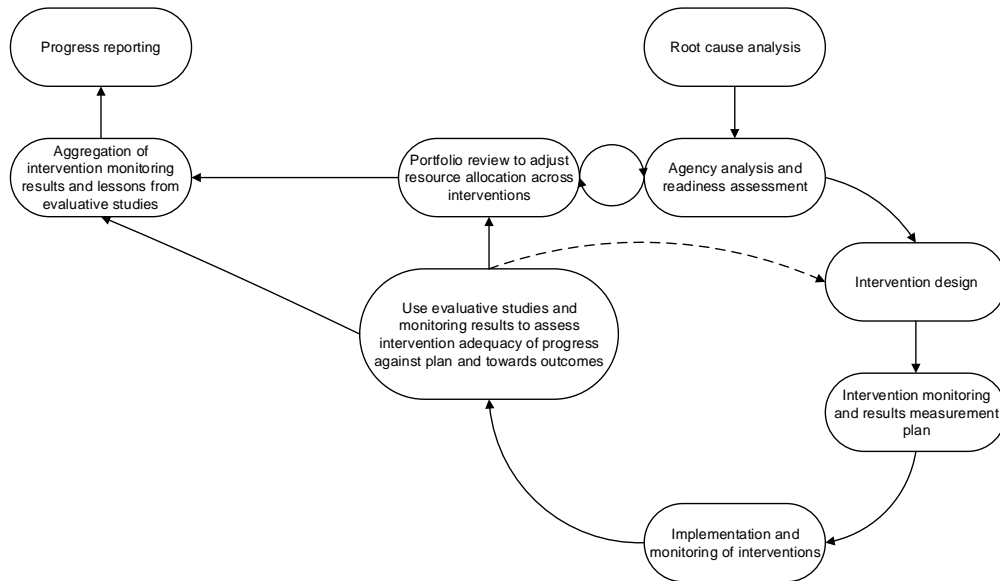
The MC will produce a ***communications strategy*** during inception and include it as an integral part of the Program Operations Manual. The strategy will guide delivery of learning and knowledge management of information for communication to policy makers and others who control or influence the business environment for delivering public infrastructure. The focus of learning and knowledge management is to provide information that can be used by local institutions and individuals that ***influence*** changes that will contribute to delivery of safe and accessible infrastructure for inclusive and sustainable economic growth in the Philippines. PFMP-II will not do this directly, rather the program will facilitate discussions as policy windows emerge.

Influence is enabled by purposeful communication designed to meet the needs of different audiences in the Philippines public infrastructure investment system. The MC will distinguish between ***technical communications*** (e.g. case studies of innovations and new practices complemented by institutional links, coaching or capacity development) and ***strategic communications*** (e.g. policy briefs showing changed outcomes and efficiency linked to macro-economic and policy challenges faced by GPH and their infrastructure financiers). Associated with this is discrete support for information products or visualised data that supports informal engagement with political and private sector leaders needed to create an enabling environment for delivery of public infrastructure in the Philippines.

The monitoring and results measurement system will provide a feedback mechanism for managers to facilitate ***reviewing, learning and decision-making*** for improvement of program implementation and portfolio management. Because PFMP-II will operate in a dynamic, complex system it will use a ***continuous learning mechanism*** (see Figure 5D). The program will work with partners to develop and trial or demonstrate interventions and continuously refine and improve their implementation. In

addition, PFMP-II will periodically review the performance of its agency partners and portfolio, decide whether they are likely to achieve program outcomes, and adjust resource allocation accordingly.

Figure 5D - Schematic of Program Continuous Learning Model



## ANNEX 6 – INDICATIVE TRANSITION PLAN WITH PHASING AND ASSUMPTIONS

Indicative interventions - with phasing and assumptions	Existing and Potential Partners	PFM-I		PFMP-II																														
		2017		2018			2019					2020				2021				2022				2023				2024						
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Strengthened budget management for public infrastructure delivery</b>																																		
Support introduction of cash appropriation budget reform in 6 pilot NGAs	DBM						◆									Sustained by DBM																		
Support roll-out of cash appropriation budget reform to all NGAs	DBM						◆					◆								Sustained by national agencies + DBM														
Evaluative study of the operational effectiveness/rollout of the Budget and Treasury Management System	DBM						◆																											
<b>Strengthened infrastructure oversight and delivery functions</b>																																		
Strengthen capacity of NEDA to perform investment appraisal and evaluation functions	NEDA														Sustained by NEDA																			
Strengthen inspection, supervision, and use of evidence to support effective public instructure delivery	Oversight NGAs																						◆											
DOTr functional assignment and organisational structure reform	DoTr														Sustained by DoTr																			
Alignment of DOTr functions with mandate and supporting engagement with other agencies	DOTr/Attached agencies														◆				Sustained by DoTr and attached agencies															
<b>Strengthened procurement management for public infrastructure delivery</b>																																		
Develop and trial use of procurement guidelines in DOTr	DOTr																		Sustained by DoTr															
Expand trial of procurement guidelines to DOTr attached agencies and DPWH	DOTr/DPWH										◆								Sustained by other agencies															
Trial GPPB national procurement guidelines and "how to" guides	GBBP																																	
Develop and and trial of Right-of-Way (ROW) acquisition guide	DOTr										◆								Sustained by DoTr															
Trial and rollout of ROW acquisition guide to selected NGAs	GPPB																		◆															
<b>Innovation, partnerships, and skills transfers for public infrastructure delivery</b>																																		
Demonstrate use of design, contract and technology innovations (start in <i>Education Convergence Program</i> )	DPWH										◆												Sustained by DPWH											
Facilitate private sector innovation, learning and knowledge exchanges for better infrastructure delivery	DTI/Private Sector														◆								Sustained by private sector											
Facilitate technical skills transfers between training institutions for better infrastructure delivery	CHED/TVET														◆								Sustained by academe											
<b>Strengthened safeguards management for public infrastructure delivery</b>																																		
Develop and trial use of " <i>Safeguards Knowledge Warehouse</i> " for all safeguards	To be determined														◆								Sustained by GPPB											
Evaluative studies, case studies and performance monitoring of interventions	NEDA/DBM						◆					◆	◆	◆	◆	◆	◆	◆	◆					◆					◆					
Scale-up program for effective changes with partners ready to change	NGAs and others						<i>To be developed by Managing Contractor and approved by PSC</i>																											
Study engagement on infrastructure expenditure and service delivery at subnational level	To be determined						<i>To be developed by Managing Contractor and approved by PSC</i>																											
Mid-term Review of PFMP-II							◆																											

**Readiness** - consensus with partner on need and appropriateness of proposed solution: ready to "go"

**Adoption** - outputs developed, agency staff trial new practices, start to use innovation

**Commitment** - agency leaders support staff to use outputs and normalise use of new practices

**Utilisation** - outputs and new practices are institutionalised and staff motivated to use them normally

◆ - Evaluative study to assess performance of trials and inform refinement before scale-up

## ANNEX 7 – INDICATIVE PROGRAM INTERVENTIONS

The Program will use a flexible programming approach, with performance-based and systemic interventions selected for design and implementation on the basis of evidence-based analysis and criteria negotiated during Inception. During the inception period, the MC should negotiate with the PSC and other stakeholders the detailed criteria for selecting and priority ranking interventions. These are anticipated to include, among other things:

- **clear line of sight to intermediate and end-of-program outcomes** – interventions should clearly deliver results linked to program outcomes
- **collaboration** – interventions that encourage collaboration between national agencies, between the public and private sector actors in the public infrastructure delivery system or between national and sub-national agencies should be given priority
- **how many people benefit** – interventions should support new public infrastructure systems that benefit the largest number of people possible. Interventions with the greatest number of anticipated beneficiaries should be given priority
- **who will benefit** – to be sustained, a proposed intervention should align with national systems and priorities and clearly benefit women, youth, and men of all ethnicities in rural and urban areas
- **how big is the net impact** – innovations introduced in an intervention should deliver net attributable benefits for tax payers and also private sector service providers
- **readiness to change** – government agencies and private sector service providers proposed to engage in an intervention must demonstrate their readiness to change practices as a result of successful implementation of an intervention
- **climate resilience** – proposed interventions should not be given priority without evidence that quality and productivity of public infrastructure can be maintained under a range of climate change scenarios
- **do no harm** – proposed interventions must be capable of being managed to do no harm to the environment, children and other vulnerable people, indigenous people or the health and safety of workers. Interventions must not involve resettlement or displacement of people
- **mutual accountability** – interventions should demonstrate accountability and shared performance assessment by technical advisers, counterparts and their ultimate supervisors on the PSC.

Early interventions, to be implemented from November 2018, will build on relationships and activities from PFM-I. Those interventions have been tested with GPH counterparts to determine readiness to engage, but will need to be supported by an Inception Report to finalise intervention design for implementation under PFMP-II. Interventions that transition into PFMP-II from PFM-I must be based on established relationships and proven performance; and can continue implementation during Inception with DFAT and PSC approval. Phasing for these indicative interventions, aligned with the program theory (Annex 5) is presented in Annex 6.

The indicative interventions presented here are designed to help contractors prepare resourcing proposals for tender and to indicate the sort of interventions identified during design that are assumed to support effective and efficient delivery of PFMP-II outcomes. This reflects lessons learned from PFMP and PFM-I, the level of demand for Australian assistance, the scale of the Program budget and identification of key points of entry.



### Indicative intervention - Strengthened budget management for public infrastructure delivery

DBM has a whole-of-government mandate to provide technical systems and support for GPH budget management and an intervention such as the one proposed here would engage with, and be embedded in, DBM. DBM reforms for strengthened budget management are well-advanced because of on-going support from Australia and other donors. Consequently, some elements of such an intervention could start from the beginning of the Program and while other elements could be designed to be phased-in later in the Program period, when evaluative studies confirm DBM's readiness to roll-out cash appropriation budget reforms more widely.

The objective of the reform supported by this indicative intervention is to put policies, systems, and procedures in place that better enable GPH to fully execute the budget. The centerpiece of the reform is the introduction of annual cash appropriations in FY2019. Key elements of the new appropriation system will be tested during 2018. This indicative intervention follows on PFM-I support, with the proof of concept period expected to be at its mid-point at the time of transition into the Program. The intervention could also conduct of an evaluative study of the progress of the Budget and Treasury Management System (BTMS) rollout, the readiness of other oversight and infrastructure delivery NGAs for BTMS, and the GPH's broader financial information systems strategy.

### Indicative intervention - Strengthened public infrastructure system oversight and delivery functions

NEDA has demonstrated readiness to enhance its infrastructure oversight capacity through increasing skills and mechanisms to administer a significantly increased project appraisal workload under *Build, Build, Build*. With this institutional readiness, there is an opportunity for PFMP-II to build capacity and contribute to a better operating environment by developing a competency framework specifically for NEDA officers at various levels in the infrastructure evaluation cycle (that builds on the overall NEDA Competency Framework previously developed through PAHRODF), and delivering targeted skills development in identified areas of need (e.g. budgeting and public expenditure management; quantitative and qualitative project evaluation and risk assessment; development planning between national and regional levels). Institutional readiness and these indicative needs were identified in a series of workshops conducted with NEDA during the design process.

Similarly, DOTr has demonstrated readiness to enhance its infrastructure delivery capacity through interventions such as a functional review and restructure of the department, and stronger linkages to other infrastructure agencies, including its 17 associated agencies, DPWH, DBM and NEDA. The DOTr restructure was triggered by a capacity decline due to an exodus of technical staff, increasingly high-profile difficulties in transport network performance, and persistent underspending of its budget. This has left the Department in a challenging position as it seeks to deliver a major element of the Administration's *Build, Build, Build* infrastructure and transport agenda.

Australian assistance to the DOTr restructure process commenced in PFMP and continues through PFM-I – providing a sound foundation for an intervention supported by this Program. The formal restructure is likely to have been approved by the mobilisation of the Program, and DOTr will likely request further strategic advice and assistance with implementing the restructure. Some aspects of a possible restructure intervention, such as recruitment of senior officers against new positions, could be conducted by outsourced human resources service providers.

### Indicative intervention - Strengthened procurement management for public infrastructure delivery

The indicative intervention described below began in DOTr during PFMP and transitioned into PFM-I. Such an intervention would be intended to support both infrastructure delivery capacity development of DOTr itself as well as reinforce linkages between DOTr and other infrastructure enabling agencies of GPH.

Accordingly, activities under this indicative intervention would originate in DOTr, but then articulate into other infrastructure enabling agencies by sharing lessons learned with DPWH, GPPB, and other NGAs. The linkage to GPPB is in terms of strengthened procurement procedures such as in the area of safeguards, managing procurement of infrastructure projects with innovative approaches to facilitate timely infrastructure delivery as well procurement of infrastructure projects for reconstruction or conflict-afflicted areas such as in Mindanao. Program TA would be embedded in DOTr.

Preliminary consultations with GPPB during design signal that the current structure of the organisation is not yet sufficient to take on strengthened roles and functions as noted above. GPPB's current staff establishment is 49 officers, with 30 positions (61%) substantively filled. The vacant positions are mostly Division Heads, reducing GPPB's ability to perform its primary functions. A proposed reorganisation of GPPB would see the staffing establishment increased to 110, being an increase of 51 positions. Where all positions can be filled, this would represent a significant increase in GPPB's capacity and potential readiness to engage in new roles.

The Program will need to liaise with DBM and monitor progress with the GPPB restructure and its potential readiness to adopt strengthened procurement management roles in addition to its core mandate. Engaging with GPPB when it is ready to adopt new roles is key to successfully implementing any intervention in the public infrastructure procurement system.

There are opportunities within PFMP-II, in later years, to identify and add scale-up interventions to this indicative procurement intervention, which could include addressing issues identified in the 2016 PEFA and the 2016 DFAT Fiduciary Risk Assessment.

### Indicative intervention – Innovation, partnerships and skills transfers for public infrastructure delivery

DPWH successfully managed road access convergence programs in the tourism and trade and industry sectors. During design, the DPWH demonstrated readiness to support Administration priorities of **social development** and **poverty reduction** through a third roads convergence program for education facilities in the 20 poorest provinces and municipalities of the Philippines, as determined by the PDP 2017-2022, most of which are found in Mindanao. Infrastructure funding would come from the DPWH regular budget, and is unrelated to the flagship or major projects of *Build, Build, Build*.

DPWH identified an indicative intervention in which the Program could provide assistance to the Department of Education (DepEd) -DPWH Convergence Program. The purpose of the indicative intervention would be to coordinate closely with DepEd and DPWH to establish and apply criteria for selecting education facilities and roads in poor provinces and municipalities that can benefit most from this convergence program. The indicative intervention could also identify key performance indicators for the intervention, including gender disaggregated data for numbers of students whose lives are improved by the indicative education convergence intervention; design of disaster-resilient and PWD-friendly education facilities; and improved access to basic education for boys and girls, including children with disabilities, especially in Mindanao, among others. This prioritisation of DPWH roads to provide better access to targeted schools would build on the existing partnership where DPWH builds schools on behalf of DepEd. The DepEd, on the other hand, will benefit from the Program through capacity building on site identification/validation as well as innovations on school building, technical vocational laboratories, and water and sanitation facilities that still consider requirements of the National Building Code of the Philippines at the minimum.

Other indicative interventions focused on innovation could consider strengthening **Strategic Environmental and Social Assessments** and **Value Engineering** approaches which fully integrate environmental and social cost / benefit evaluations into analysis and design. DENR may also be considered as a stakeholder/participant as well as DPWH in this indicative intervention.

DPWH also noted that there is opportunity for the use of innovative designs, engineering or technical materials in the delivery of the infrastructure program. In the current context, while the policy allows

for innovations through design and build model for procurement for example, the predominant practice is the use of standard design as approved by the procuring entities to which the supply side respond to. DPWH confirmed that as a donor-assisted intervention the indicative Education Convergence Program introduced above could be used as a “demonstration space” in which to trial innovative design approaches, contractual arrangements and materials technology; and then to conduct an evaluative study that can be used to inform DPWH on the potential advantages of incorporating innovation into DPWH and GPH infrastructure delivery policy and methods. Findings from evaluative studies conducted as part of any intervention could be used to support *bilateral policy dialogue* with GPH and technical consultations with other development partners.

Private sector engagement and support is important for accelerated delivery of infrastructure under *Build, Build, Build*. There is an opportunity for PFMP-II to support an intervention that engages the private sector and encourages them to partner with demand-side agencies in the public infrastructure delivery system to use innovative delivery approaches. It can also engage with GPH (e.g. DTI-CIAP, Commission on Higher Education, Technical Education and Skills Development Authority), State Universities and Colleges (SUCs), and the local constructor industry associations to be exposed to:

- i. regional infrastructure policy settings and industry practices that have assisted to accelerate infrastructure delivery in other jurisdictions; and
- ii. identification of the technical skills needed to support innovation in infrastructure delivery and how these can best be reinforced in the formal training institutions of the Philippines.

### Indicative intervention – Strengthened safeguards management for public infrastructure delivery<sup>17</sup>

Fragmentation of safeguards responsibilities among 14 agencies and limited sub-national reach of some safeguards laws make it time-consuming and inconvenient for both government and private sector users of safeguards law to completely and effectively include safeguards requirements into their tender bids and infrastructure costing proposals. This can reduce infrastructure quality.

A comprehensive study of safeguards laws (including environmental and social safeguards, gender equality, and disability inclusion) was commissioned during PFMP. This study recommended that the extensive body of Philippines safeguards legislation needed to be consolidated into a single knowledge warehouse, appraised for any legislative amendments needed to give these laws sub-national powers, and supplemented with checklists and case studies to assist operationalisation.

Given that 14 separate bodies and GPH agencies have mandates to implement safeguards, a key matter to be determined is where any intervention to facilitate access to safeguards information could house the safeguards knowledge for ongoing maintenance and updating. The design notes possible candidates for this intervention including: (i) GPPB as a technical centre for procurement policy; (ii) DBM as the agency responsible for the formulation and implementation of the National Budget and ensuring the efficient and sound utilization of government resources to achieve the country’s development objectives); or (iii) NEDA Secretariat given its broader oversight and inter-agency coordination roles.

The recommendation on the final host for the safeguards warehouse will have to be done during Inception to determine their readiness to take on the role. Nevertheless, the design notes that the potential locations have the added advantage of placing the warehouse in an oversight agency with a whole-of-government mandate and a commitment to systems automation and maintenance. This is an advantage because safeguards warehouse will need to have high visibility and Information Technology (IT) support.

<sup>17</sup> The “cross-cutting” nature of the safeguards intervention has the potential to be integrated with, and positively influence, other program interventions (e.g. for innovative infrastructure delivery in education, or for private sector innovation).



There is an opportunity for a PFMP-II intervention to establish a safeguards knowledge warehouse and develop checklists and case studies to provide all parties accessing the warehouse with materials that support timely operationalisation of these laws. The indicative support could be packaged around the development of a Social Development Strategy and Action Plan that could include the following elements:

- Social Analysis Toolkit
- Disability Inclusion Action Plan
- Gender Responsive Action Plan
- Resettlement Action Plan
- Indigenous People's Development and Action Plan.

A Social Analysis Toolkit such as the one indicated above could detail guidelines on analysing the inclusiveness of transport projects so that disadvantaged groups can benefit equitably from the investment. The respective Action Plans could also address how the various groups can benefit from the investment and mitigate any potential negative impact on them.

## ANNEX 8 – VALUE FOR MONEY ASSESSMENT

Achieving value for money is a requirement under Australia's *Public Governance, Performance and Accountability Act* (2013) and the Commonwealth Procurement Rules. The Program response to value for money principles is summarised below.

### Principle 1: Cost Consciousness

The contract terms for the MC need to include a requirement to make cost-conscious decisions when committing resources under the Program. As the majority of the inputs to the Program will be in the form of technical assistance, these unit costs will be within parameters defined by the Advisor Remuneration Framework. Competitive bidding for the program management contract will function as a downward pressure on operating and overhead costs.

### Principle 2: Encouraging Competition

Program management will be subject to competitive tendering in order to secure the best implementation capacity at a competitive cost.

Tender documentation and tender evaluation criteria will need to balance the Program's requirement for a Managing Contractor with the capacity to locate, mobilise and oversight high quality consultants to implement the Program, against the cost of Program management. The weighting of implementation quality considerations against cost needs to reflect this prioritisation.

Further, the Program supports innovation in GPH contracting and tender evaluation methods, which in turn will promote private sector-led competition to offer GPH competitive solutions to infrastructure design, materials technology and delivery methods.

### Principle 3: Evidence-Based Decision-Making

The Program approach to determining whether, or not, to initiate or terminate an intervention is based on evaluative studies and empirical data sets captured by the monitoring and evaluation framework. The design is predicated upon evidence-based decision-making, and commitment and targeting of resources during the project period will also be informed by evidence. This approach is intended to ensure evidence-based decision-making is at the centre of the Program.

### Principle 4: Proportionality

The Program apportions resources in proportion to their intended impact and benefits. Proven areas of earlier success will initially be supported with larger resources than untested areas, but as evaluative studies and data inform where the greatest results are being achieved these proportions may change.

The Program is comprised of a number of interventions. The rationale for this design approach is to ensure that resources can be flexibly re-assigned as needed and to ensure that DFAT investments remain proportional to the results being achieved.

### Principle 5: Performance and Risk Management

The performance indicators in the Monitoring and Evaluation Framework will enable regular assessment of whether or not an intervention is achieving its intended results. This information will inform regular reviews of where Program resources can be invested for the greatest benefit.

Program management performance will also be assessed through quarterly reporting on the timeliness of inception and recruitment of technical assistance and regular performance assessments of individual technical advisors.

### **Principle 6: Results Focus**

The Monitoring and Evaluation Framework provides tangible evidence of the results orientation and focus of the Program. Performance indicators are agreed with GPH and monitored throughout the Program to guide resource allocation decision-making.

### **Principle 7: Experimentation and Innovation**

The Program is able to support a number of whole-of-government innovations in the PFM and procurement areas, as well as NGA-specific interventions (Annex 7). The Program's early experience with NGA-level innovation will also inform the activities that may be undertaken at sub-national levels. This approach to trialling, learning, and informing both NGA policy analysis and preparation of interventions will enrich DFAT-GPH bilateral policy dialogue, and is a key aspect of the Program.

### **Principle 8: Accountability and Transparency**

The Program has a robust Monitoring and Evaluation Framework that incorporates strategically timed evaluation studies to determine whether the program is having the planned impact and achieving benefits. These studies are timed to take place at key decision-making points during the Program period. In the event that an intervention is not delivering net benefits, the MC will be tasked to inform DFAT of possible options for the use of these funds.

In addition to these targeted studies, there will also be a quarterly cycle of regular reporting of Program activities progress against GPH collated performance indicators. Further, the Managing Contractor has a duty to prepare exception reports for any items that arise outside the planned reporting cycle, but which have an impact on Program performance and/ or delivery.

DFAT and the PSC will consider and determine the most appropriate course of action based on a combination of regular reports, exception reports and evaluation studies.

## ANNEX 9 – PROGRAM MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS

### Organisation Chart

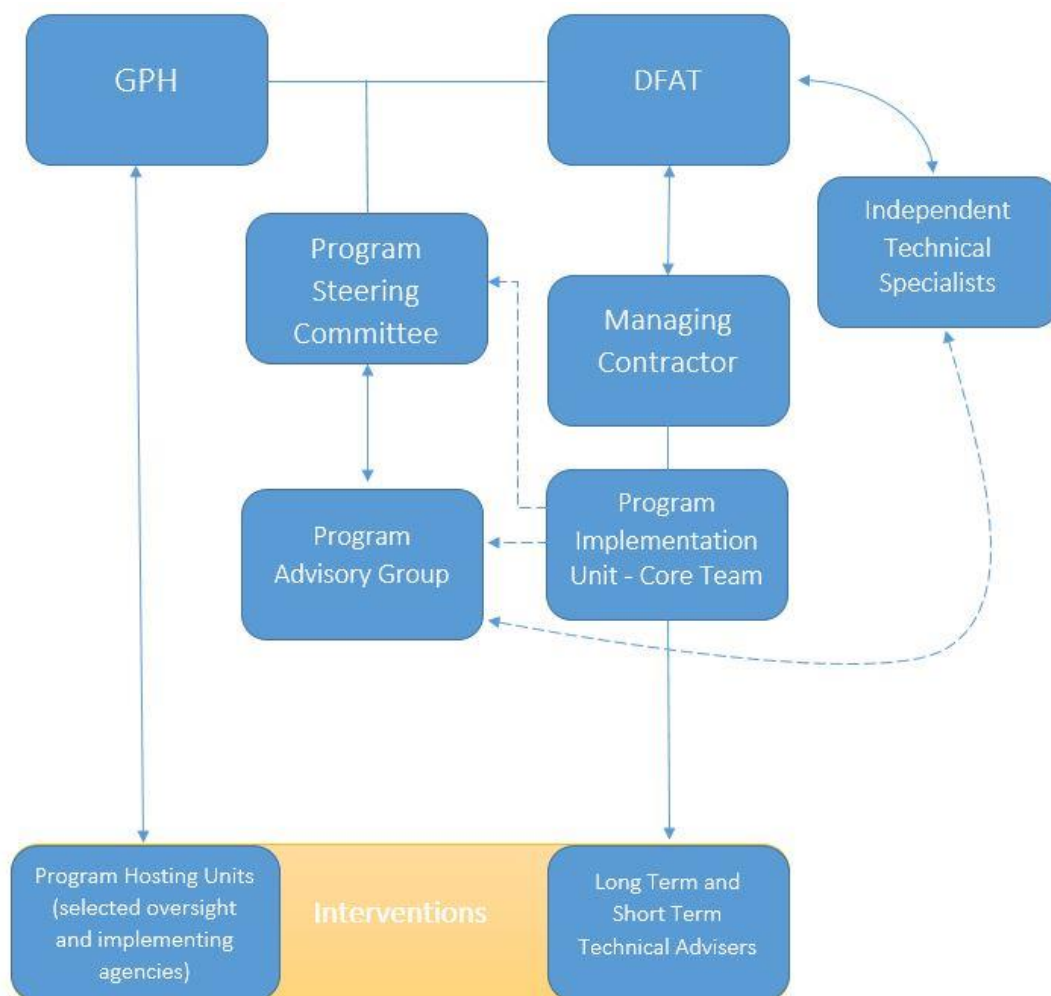
The design proposes a simple management arrangement for the Program (see Figure 9A below). This is more in line with the traditional Managing Contractor model, with the addition of a demand-driven Program Advisory Group (PAG) mechanism to provide advice to the Program Steering Committee (PSC).

This simplified management arrangement can be responsive to performance and progress monitoring information and lessons learned from evaluative studies that indicate Program interventions are either ready for scale-up, or not achieving results and require amendment.

This management approach allows the Program to be **performance-driven and systematic**, by combining a structured portfolio of interventions with systematic monitoring and management responses to evidence of progress and performance.

The PSC can mobilise a PAG for advice and DFAT can supplement the PAG with an independent technical specialist if this is needed. Program managers can respond to PAG findings by up-scaling or redirecting resources to other more effective interventions, as is appropriate. This is a more dynamic approach to program management and offers DFAT sound risk management options.

**Figure 9A – Organisational arrangements and Program structure**



## Roles & Responsibilities of Stakeholders

The table below sets out the roles and responsibilities of each major stakeholder in the Program.

*Table 9-1 – Roles and Responsibilities of stakeholders*

Entity	Responsibilities
DFAT Manila	<p>Staff from DFAT in the Australian Embassy in Manila will be responsible for fulfilling DFAT's responsibilities with regard to the PFMP-II, including:</p> <ul style="list-style-type: none"> <li>• being co-chair of the Program Steering Committee</li> <li>• setting strategic direction for the Program and engaging in bilateral policy dialogue with GPH on priority issues for the Program</li> <li>• managing the performance of the Managing Contractor</li> <li>• managing the contract with the Managing Contractor and Program finances</li> <li>• advising the Managing Contractor during identification and preparation of program interventions</li> <li>• contributing to evaluations, including analysing the scope for deeper engagement with key sector partners and sub-national intervention design and implementation</li> <li>• communicating Program progress and outcomes to Australian and Philippine audiences</li> <li>• disseminating results and lessons from evaluative studies; and</li> <li>• managing the administrative aspects of the Program, including program oversight, financial management, and reporting.</li> </ul>
PSC	<p>The PSC, comprising a representative each from NEDA, DBM, and DFAT, will:</p> <ul style="list-style-type: none"> <li>• appraise and, if they meet the agreed selection criteria, approve proposed interventions for detailed design and implementation</li> <li>• ensure that interventions support achievement of the PFMP-II outcomes</li> <li>• task PAGs as needed to appraise Program performance or provide other technical support required by the PSC</li> <li>• provide strategic direction for the Program</li> <li>• review Program performance and adequacy of progress; and</li> <li>• meet at least every six months (and out-of-session, as required), with the timing of one of the annual meetings scheduled to approve the annual work plan in a timely manner.</li> </ul>
PAG	<p>A PAG:</p> <ul style="list-style-type: none"> <li>• may comprise representatives from the concerned GPH agency/ agencies and/ or other stakeholder groups, including civil society</li> <li>• may include independent technical specialist support provided by DFAT</li> <li>• will report against Terms of Reference endorsed by PSC; and</li> <li>• will provide PSC with informed advice on Program impact, sustainability, and opportunities for scaling-up or redirecting Program resources to more effective interventions with considerations of political economy factors.</li> </ul>
DFAT Independent Specialists	<p>DFAT will engage independent specialists to:</p> <ul style="list-style-type: none"> <li>• provide advice to DFAT on technical issues as needed</li> <li>• supplement a PAG if requested by PSC; and</li> <li>• assist with annual independent reviews as needed and conduct two specified major independent reviews of the Program.</li> </ul>

Entity	Responsibilities
Managing Contractor	<p>The Managing Contractor will:</p> <ul style="list-style-type: none"> <li>• recruit and manage staff for the Program</li> <li>• provide executive support services to the PSC</li> <li>• monitor the public infrastructure delivery context</li> <li>• develop, initiate, and manage approved Program interventions</li> <li>• recruit and manage advisers and sub-contractors as needed to implement approved interventions</li> <li>• develop and implement systematic management, progress, and performance monitoring</li> <li>• commission and manage evaluative studies and case studies to assess adequacy of progress and inform decisions about possible scale-up of Program interventions</li> <li>• prepare, submit and maintain the following plans/manuals: <ul style="list-style-type: none"> <li>○ Inception Period Plan</li> <li>○ Inception Report</li> <li>○ Annual Work Plan and Budget for consideration by the PSC</li> <li>○ Stakeholder Engagement Plan</li> <li>○ Sustainability Strategy</li> <li>○ Monitoring and Evaluation Plan</li> <li>○ Gender Equality and Social Inclusion Plan</li> <li>○ Promotion &amp; Communication Plan</li> <li>○ Program operations manual</li> </ul> </li> <li>• draft communication products for DFAT and PSC on Program interventions, studies, and related performance outcomes</li> <li>• administer the Program, including management, financial, human resource, risk, and compliance reporting; and</li> <li>• be a source of trusted and timely advice to DFAT and GPH senior management.</li> </ul>

## ANNEX 10 – POSITION DESCRIPTIONS

### A. Program Team Leader (International Long-Term Adviser)

**Reports to:** DFAT and Program Steering Committee

**Location:** Manila, with travel to Philippine metropolitan and regional/provincial areas

**Purpose of the Role:**

The Program Team Leader has overall responsibility for the success of the Program. The Team Leader, will drive the Program in the direction set by DFAT and the Program Steering Committee, and maintain oversight over the portfolio of interventions. The Team Leader is the public face of the Program and will play a significant role in creating its profile and drawing interest and participation into the aid investment. The Team Leader will establish and maintain effective partnerships with the broad range of program stakeholders, including the Government of the Philippines (GPH), manage existing relationships and building new ones, and provide high level leadership to the Program's management team.

**Duties:**

Program Leadership

- Be the primary leader and driver of the Program's goal and outcomes.
- Provide technical advice and oversee technical inputs, which may include Technical Assistance, analysis and synthesis of Program evaluative studies, mentoring twinning and other effective development modalities to catalyse innovation and change practices.
- Drive the Program to address and deliver outcomes in relation to the gender equality and social inclusion of women, youth and people with disabilities.
- Liaise with other Australian Government programs and multilateral programs to share information and identify opportunities for collaboration.
- Provide strategic and technical advice and recommendations to DFAT and the Program Steering Committee to improve the effectiveness and efficiency of the Program.
- Ensure the continuity of activities that have been transitioned from the Public Financial Management for Infrastructure Program (PFM-I).

Strategic relationships

- Establish and maintain effective relationship and dialogue with DFAT and GPH.
- Establish and maintain supportive and collaborative relationships with the private sector, statutory agencies, and the public and relevant external parties including the academe.
- Lead on strategic engagement with the private sector as it relates to achieving the innovation and technical skills transfer objectives.
- Work closely with the team to provide insight on political developments that will affect program priorities.
- Lead on the technical support and integrated strategic planning of government to government/institution to institution partnerships.
- Manage and oversee program implementation, design, and delivery for all capacity building-related activities targeted at capacity development of GPH officials to manage budgets and contracts and supervise private sector entities charged with implementing activities.

Operational Management

- Advise DFAT on aspects where the Managing Contractor can further support the delivery of the Program with corporate resources.



- Comply with the Contract requirements relating to confidentiality, conflicts of interest, monitoring and evaluation, diversity and inclusion, code of conduct, and policy compliance.
- Lead a high-performing team, focusing on achieving program outcomes.
- Ensure effective communication and information-sharing related to the Program.
- Provide lead technical direction/technical assistance in planning for capacity development components of approved interventions.

#### Monitoring & Evaluation

- Ensure an equitable number of members of target groups are included in government and private sector capacity building and training/accreditation programs.
- Ensure overall value for money and quality in delivery of the Program's activities.
- Oversee the preparation/implementation of all reports including annual workplans, annual reports and six-monthly reports.
- Deliver secretariat support to the Program Steering Committee, and support any Program Advisory Group (PAG) convened to evaluate Program achievements, as requested by DFAT or the PSC.
- Take responsibility for quality control at all stages and in all aspects of the Program.
- Represent the Program at public meetings, fora, events and/or as directed by DFAT.

#### **Qualifications & Experience:**

##### (A) Essential:

- Established and well-recognised program leader with a strong reputation on public financial management for infrastructure delivery, and/or public sector reform, and/or inclusive economic growth.
- Experience in thinking and working politically.
- A track record in driving reform and change for government, including related design work in policy advice and public financial management.
- Experience in facilitating private sector innovation, learning and knowledge transfer for infrastructure delivery
- Proven experience in leading the management of complex, multi-faceted development programs and design teams, preferably related to the Program's goal/outcomes.
- Flexible and responsive to a potentially evolving Administration and Program context in the Philippines. Prior experience in rolling program design and implementation.
- Proven capacity to identify suitable Long-Term and Short-Term Advisory specialists acceptable to GPH and so deliver Program objectives.
- Relevant tertiary qualifications and significant and relevant experience related to public financial management for infrastructure delivery, and/or public sector reform.
- Highly developed and effective public speaking, advocacy and public diplomacy skills, and management and leadership skills.
- Relevant experience working with/for DFAT, and other bilateral/multilateral donors.
- Demonstrated excellent written communication skills, including the ability to produce timely, lucid and concise reports.
- Excellent inter-personal and liaison skills and experience in working in a cross-cultural setting.
- Fluency in written and spoken English.

##### (B) Desirable:

- Recent working experience in the Philippines in a similar position.

## B. Monitoring & Evaluation Specialist (International Long-Term Adviser)

**Reports to:** Program Team Leader

**Location:** Manila

### **Purpose of the Role:**

The M&E Specialist will contribute to development of the Program's Operations Manual (leading on the intervention management process including trial-learn-adapt approach of PFMP-II, performance and reporting, and M&E requirements, etc.), and lead the development of the Monitoring and Evaluation System and Plan. The position will be responsible for developing and overseeing the implementation of a program-wide system of monitoring and results measurement across all components and activities within PFMP-II including monitoring and results measurements in relation to gender equality and social inclusion.

The position will support the Program's Core Team and Technical Advisers with preparation of interventions ensuring that M&E requirements are incorporated in intervention design consistent with principles and objectives set out in Annex 5 of the investment design document.

The M&E Specialist will oversee elements of reporting, and ensure learnings are captured internally and applied as part of adaptive management that is appropriate for a program that places a strong emphasis on policy reform, institutional building and supporting an enabling environment. Reducing inequality, including gender inequality, will be a cross-cutting objective. The progress in these areas will be difficult to measure and quantify. For example, a change in policy may be due to many factors and a change in development outcome from the result of this policy change may be even harder to measure. Although quantitative measurements will still be a crucial part of the M&E system, the system has to include strategies to capture the intangible results or progress of the program.

### **Duties:**

- Developing the Monitoring and Evaluation System and Plan for the Program, working with internal and external stakeholder to ensure their data and information needs will be met.
- Developing, retaining and applying the knowledge gained by the Program through its ongoing analysis, including the documentation and dissemination of the lessons which have been learned on what does and does not work to bring about change.
- Develop and apply a model to assess and track the performance of capacity development efforts – which should be fed into performance reporting and knowledge management processes.
- Promote dialogue, focused thinking, and support for the reforms needed for the long-term development of Philippine policy and systems for knowledge management and learning.
- Stimulate appropriate partnerships with universities, think tanks, and government agencies relevant for the program.
- Engage in constructive policy analysis and discussion with government and civil society counterparts.
- Consider how political economy considerations affect the achievement of Program objectives and priorities
- Work with the Program Manager to develop a communications strategy and plan including: branding, messaging, procedures for communicating with the GPH and the media, and the effective use of communications channels to inform key Program stakeholders.

## Qualifications & Experience:

### (A) Essential:

- Relevant tertiary qualifications in monitoring & evaluation, international development, public policy, political science management or other relevant field, including strong analytical focus.
- Experience in developing and implementing M&E systems which includes measurement of non-quantifiable results, for example policy reform, constituent building, institutional reform, shaping the enabling environment and changing the nature of policy making.
- At least 15 years working in knowledge to policy context at senior levels, from either a policy making or research role.
- Demonstrated ability to breakdown and communicate complex concepts simply with a range of stakeholders in multi-cultural settings. Findings and their interpretation must be communicated in a simple, easy to digest format for program decision makers.
- Demonstrated excellent written communication skills, including the ability to produce timely, lucid and concise reports.
- Excellent inter-personal and liaison skills and experience in working in a cross-cultural setting.
- Good knowledge of and strong networks within the Philippines and Australian government systems.
- Fluency in written and spoken English.

### (B) Desirable:

- Recent working experience in South East Asia in a similar position.

## C. Program Manager (Locally-recruited Long-Term position)

**Reports to:** Program Team Leader

**Location:** Manila

### Position Description:

The Program Manager will support the Program Team Leader and provide strategic advice, including forward-looking guidance, on resource allocations across interventions and modules and design of any new interventions identified during the Program period. The Program Manager will work closely with the Program Team Leader and M&E Specialist on the M&E Framework defining deliverables, performance measurements and conduct of evaluative studies, sustainability of the framework, and ensuring local capacity and ownership.

The Program Manager must establish and maintain effective partnerships and relationships with government partner beneficiaries to facilitate their mutual understanding of the Program through the life of the program. The Program Manager will be responsible for oversight of quality control of all intervention design and implementation processes.

The Program Manager will facilitate the transition from DFAT's existing PFM-I program to PFMP-II in close collaboration with counterpart agencies at commencement of the new Program with the purpose to establish working relationships and begin the annual planning process. The Program Manager will assist relevant GPH agencies in identifying their needs and oversee the intervention design process in compliance with PFMP-II procedures.

### Key Responsibilities/Objectives:

- Supporting the operationalisation of activities and reviewing the implementation of these activities through the M&E Framework.
- Oversight of the implementation of activities, including ensuring that DFAT's safeguards and other policies are adhered to.

- Preparation of strategic briefings to direct activities, to engage with senior GPH officials, and to support DFAT and the Steering Committee.
- Providing briefings to DFAT to facilitate assessment of PFM management systems, budget reforms and other economic policy developments.
- Direct and manage analytic work across the Program Support Team including ensuring inclusion of political economy considerations, and support the integration of any government to government and institutional partnership activities into Program planning and coordination.
- Coordinate the Core Team to support the efficient and effective implementation of the program and overall dissemination of M&E results.
- Provide oversight of key function areas of a knowledge management team including: monitoring and evaluation, knowledge and data management, ICT systems, communications and cross-cutting issues such as safeguards, gender and social inclusion.
- Arrange for unlocking opportunities through Innovation activities to be undertaken, including drawing on pre-approved technical specialists and engaging other consultants as needed, and manage the work of the specialists and consultants.
- Establish and maintain effective relationship and dialogue with DFAT and GPH.
- Support PFMP-II technical advisers with progressive engagement with key partners and stakeholders, considering existing country specific systems and structures where relevant.
- Prepare Program Steering Committee documentation and coordinate support, as requested, for any Program Advisory Group (PAG) convened to evaluate Program achievements.

**Key Skills/Experience required:**

- Proven experience in the management of development programs, preferably related to the Program's goal and outcome to strengthen government institutions so that they can better design and implement policy and provide services.
- Proven capacity to mobilise and manage approved Long-Term and/or Short-Term Advisers to realize Program objectives.
- Established and well-recognised leader with a strong reputation in managing procurement of related projects following Commonwealth Procurement Rules including the preparation of tender documents, monitoring of tender progress and enquiries; monitoring and reviewing the progress of projects, managing compliance on subcontracts.
- Professional experience in application of M&E systems.
- Relevant tertiary qualifications and significant and relevant experience related to business administration, strategic management, organisational development and/or public financial management context.
- Excellent inter-personal, communication and liaison skills and experience working in a cross-cultural setting.
- Fluency in written and spoken English and Filipino.
- Established relationships with Philippines government counterparts predominantly at a strategic/management level.
- Successful strategic leadership and program management experiences (10-15 years) in leading and managing the implementation of programs in complex development settings.
- Experience in the development and implementation of M&E systems for donor-funded programs.
- Proven capability in seeking and implementing creative and innovative solutions to challenges.

- In-depth knowledge of and experience in working in the Philippines.
- Proven successful experiences leading teams of senior-level specialists.
- Understanding of and commitment to Australian aid safeguard issues and policies, specifically child protection, gender equality, and disability inclusion.
- Excellent stakeholder engagement, communication, and relationship management skills.

## **D. Gender and Inclusive Development Specialist (International Short-Term Adviser)**

**Reports to:** Program Team Leader

**Location:** Manila

### **Purpose of the Role:**

The Gender and Inclusive Development Specialist will provide high-level technical expertise to the design, implementation and monitoring of activities, strategic planning, and evaluation of the outcomes and learnings in relation to gender equality, disability and social inclusion objectives of the Program.

In addition, the Specialist will establish strategies and effective mechanisms, and work with other technical specialists within the Program, to undertake gender and inclusive development analysis and programming to support interventions. The role will drive effective political stakeholder engagement, relationship management and communication, working with implementing partners including, GPH agencies to ensure gender, disability and social inclusion perspectives are mainstreamed across the Program's activities.

### **Key Responsibilities:**

- Be the leader and driver of the development of a Gender Equality and Social Inclusion Plan and the Disability Inclusion Action Plan.
- With other members of the Program management team, monitor and review activities with a focus on progress towards gender equality and disability inclusion objectives and outcomes. This includes: support for DOTr and DPWH efforts in promoting departmental adoption of, and compliance with, GPH gender policies; and the adoption of a twin-track approach to gender and disability inclusion which involves a targeted approach in development interventions that specifically benefit persons with disabilities and a mainstreaming approach actively including persons with disabilities as participants and beneficiaries across all sectors. This will also entail looking at how the political economy in PFM and infrastructure affect gender and inclusive development outcomes.
- Working with technical specialists and the Program Team Leader to ensure aspects of social inclusion (such as improving access to public infrastructure for persons with disabilities) and adoption of a best-practice policy guide the Program's activities.
- Support the M&E Specialist to ensure gender, disability and social inclusion perspectives are mainstreamed across the M&E framework of the Program's activities.
- Develop the capacity of the Program management team, implementing partners and other stakeholders through delivery of training, coaching and professional guidance.
- Provide technical assistance to support strengthened partnerships between key national agencies and stakeholder organisations. This may include supporting the implementation of gender, disability and social inclusion mainstreaming activities of the GPH and providing technical advice and expertise to GP partners and other stakeholders in that process.
- Representing and promoting the Program and sharing lessons learned.

#### **Qualifications & Experience (Essential):**

- Relevant tertiary qualifications in gender, development, or a related field
- Demonstrated understanding of contemporary gender, disability and social inclusion issues in the Philippines and DFAT's Gender Equality and Women's Empowerment strategy (2016) and supporting guidelines on integrating gender, and DFAT's Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program.
- Established relationships with organisations (e.g. civil society, government, private sector, etc.) and individual leaders working in various areas of gender, disability and social inclusion
- Expertise in accessibility standards and their effective application and monitoring
- Proven ability to provide gender, disability and social inclusion, universal design related technical and policy advice to a wide range of stakeholders, and demonstrated capacity to understand, apply and provide advice to counterparts on the application of contemporary gender principles.
- High-level capacity-development skills, including M&E, designing and delivering training, mentoring and coaching.
- Highly developed interpersonal skills complemented by excellent written and verbal communication skills.
- A track record in driving reform and change in government.
- Fluency in written and spoken English.

#### **E. Safeguards Specialist (International Short-Term Adviser)**

**Reports to:** Program Team Leader

**Location:** Manila

##### **Position Description:**

The Safeguards Specialist will provide high-level technical expertise to the design, implementation and monitoring of activities, strategic planning, and evaluation of the outcomes and learnings in relation to environmental and social safeguards objectives of the Program.

The specific tasks will include, but not necessarily be limited to:

- Provide technical advice on how environmental and social safeguards should be considered by the other Program interventions as applicable to support the operationalisation of activities.
- Oversight of the implementation of activities particularly in ensuring that DFAT's and GPH's environmental and social safeguards are adhered to including quality assurance of intervention outputs (e.g. manuals, guidelines, training modules) as applicable.
- Provide training to Program partners on environmental and social safeguards as needed.
- Provide inputs to the Team Leader in the preparation of terms of reference of relevant advisers relative to environmental and social safeguards requirements of specific interventions as applicable
- Provide relevant inputs in the implementation of the M&E Framework particularly on matters related to environmental and safeguards.

**Key Skills/Experience required**

- A relevant and acceptable postgraduate qualification in a related field from a recognised institution.
- Demonstrated experience in undertaking analysis of safeguard policies and regulations for donors.
- Demonstrated knowledge of the Philippines infrastructure sector including the applicable safeguard policy agenda, institutional arrangements, and regulatory framework.
- Demonstrated knowledge of and experience with the application of safeguard policies by key GPH partner agencies, local government units as well as private sector.
- Cultural and political awareness and sensitivity.
- Excellent inter-personal skills.
- Excellent safeguard policy analytical skills.
- Excellent written and oral communication skills in the English language and the ability to produce good quality, concise written reports under time constraints.
- The confidence and ability to make clear oral presentations to senior officials.
- Flexibility and willingness to adjust to rapidly changing circumstances.



## ANNEX 11 – RISK REGISTER

RISK REGISTER: Philippines Australia Public Financial Management Program for Institutions and Infrastructure (PFMP-II)							
Date of Last Review: N/A				Date of Next Review: November 2018 (as part of inception phase)			
Risk  Event, Source & Impact  (what could happen (event), what could cause the event to happen (source) and what would happen if the event occurs)	Risk Owner  (who will manage the risk?)	Existing Controls  (what’s currently in place?)	Risk Rating with existing controls in place			Is risk rating acceptable? Y/N  (if no, please propose treatments)	Proposed Treatments  (If no further treatment required or available, please explain why)
			Consequence	Likelihood	Risk Rating		
PROGRAMMATIC RISKS							
<b>Event:</b> Partner agencies are not ready to implement government reform programs  <b>Source:</b> The program over estimates the readiness of NGAs for reform activities  <b>Impact:</b> Implementation of interventions is delayed and program outcomes are not achieved	Managing Contractor	Identified interventions will be reassessed during the Inception Period  Evaluative studies are included for each intervention	Moderate	Possible	Medium	No	Program Steering Committee will need to provide advice on agency reforms, and realignment of interventions if necessary
<b>Event:</b> Partner agencies are unable to provide sufficient time, direction, and resources to the program  <b>Source:</b> Increasing pressure exerted on partner agencies to build and deliver specific infrastructure projects  <b>Impact:</b> Implementation of interventions is delayed and program outcomes are not achieved	Managing Contractor	Identified interventions will be reassessed during the Inception Period  Evaluative studies are included for each intervention	Minor	Possible	Medium	No	At implementation, the Managing Contractor Program Team and Advisers will need to work closely with individual agencies to adjust interventions to suit agency capacities.
<b>Event:</b> There is lack of action taken by the program to improve gender equality during implementation.  <b>Source:</b> The Gender Action Plan does not provide clear guidance on how PFMP-II will promote gender equality.  <b>Impact:</b> The program is unable to positively contribute to any gender equality outcomes throughout implementation.	Managing Contractor	The Managing Contractor is required to have a Gender and Disability Inclusion Specialist in the Core Program Team.  The Gender Action Plan will be subject to review by DFAT. Program reporting will include actions taken to improve gender equality.	Moderate	Possible	Medium	Yes	

Risk  Event, Source & Impact  (what could happen (event), what could cause the event to happen (source) and what would happen if the event occurs)	Risk Owner  (who will manage the risk?)	Existing Controls  (what’s currently in place?)	Risk Rating with existing controls in place			Is risk rating acceptable? Y/N  (if no, please propose treatments)	Proposed Treatments  (If no further treatment required or available, please explain why)
			Consequence	Likelihood	Risk Rating		
CONTEXTUAL RISKS							
<b>Event:</b> Administration makes changes to senior officers in Implementing Agencies  <b>Source:</b> Infrastructure delivery targets fall behind and agencies need to boost performance  <b>Impact:</b> PFMP-II may lose reform champions in the process	Philippine Government	N/A	Minor	Possible	Medium	Yes	N/A
<b>Event:</b> The modular approach is not implemented properly  <b>Source:</b> The Managing Contractor lacks experience in managing multiple interventions in a complex program  <b>Impact:</b> Program implementation is slow and contract milestones are not achieved on time	DFAT and Managing Contractor	Evaluation of tenderers will include demonstrated relevant implementation experience  The Statement of Requirement for the Managing Contractor includes performance-based payments and regular implementation reporting to DFAT.	Minor	Possible	Medium	Yes	
<b>Event:</b> Technical advisers and specialists are not mobilised on a timely basis  <b>Source:</b> The Managing Contractor's recruitment system is weak.  <b>Impact:</b> Implementation of program interventions is delayed.	Managing Contractor	Evaluation of tenderers will include demonstrated experience systems for recruitment and mobilisation of advisers  The Statement of Requirement for the Managing Contractor includes performance-based payments and regular implementation reporting to DFAT.	Minor	Unlikely	Low	Yes	

Risk  Event, Source & Impact  (what could happen (event), what could cause the event to happen (source) and what would happen if the event occurs)	Risk Owner  (who will manage the risk?)	Existing Controls  (what’s currently in place?)	Risk Rating with existing controls in place			Is risk rating acceptable? Y/N	Proposed Treatments  (If no further treatment required or available, please explain why)
			Consequence	Likelihood	Risk Rating		
INSTITUTIONAL RISKS							
<b>Event:</b> Program activities overlap with other donor-funded activities  <b>Source:</b> Insufficient coordination by Managing Contractor and/or partner government with other donors  <b>Impact:</b> Duplication of program activities	DFAT and Managing Contractor	Mapping of donor activities, including consultations with multilateral and bilateral donors, were part of the design process  Confirmation with partner government that proposed program activities will complement other donor activities	Minor	Possible	Medium	Yes	At implementation, the Managing Contractor Team and Advisers will need to liaise closely with other donor programs. Program Steering Committee to provide guidance on other on-going and proposed donor activities.
<b>Event:</b> High reliance on Managing Contractor and partner government  <b>Source:</b> Limited technical resources at Post  <b>Impact:</b> Insufficient oversight of the program	DFAT	DFAT will recruit technical advisers	Minor	Unlikely	Low	Yes	
INTERVENTION IMPLEMENTATION RISKS							
<b>Event:</b> Selected government agencies are not ready to take up the indicative interventions  <b>Source:</b> Design overestimates the readiness of counterpart agencies and organisations  <b>Impact:</b> Implementation of new or successor interventions are delayed	Managing Contractor	Managing Contractor to assess indicative interventions and consult with counterparts during the inception period  Defer transition for trial to successor interventions, or redirect resources to other/new intervention(s).	Moderate	Unlikely	Medium	Yes	

## DFAT Aid Investments Risk Rating Matrix

Likelihood	Consequences				
	Limited	Minor	Moderate	Major	Severe
Almost Certain	Medium	Medium	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

Likelihood	Description
Almost Certain	<i>Expected to occur in most circumstances</i> <ul style="list-style-type: none"> <li>Has occurred on an annual basis in DFAT or in similar agencies/organisations in the past</li> <li>Circumstances are in train that will cause it to happen</li> </ul>
Likely	<i>Will probably occur in most circumstances</i> <ul style="list-style-type: none"> <li>Has occurred in the last few years in DFAT or has occurred recently in similar agencies/organisations</li> <li>Circumstances have occurred that will cause it to happen in the next few years</li> </ul>
Possible	<i>Might occur at some time</i> <ul style="list-style-type: none"> <li>Has occurred at least once in the history DFAT or in similar agencies/organisations</li> </ul>
Unlikely	<i>Not expected to occur</i> <ul style="list-style-type: none"> <li>Has never occurred in DFAT but has occurred infrequently in similar agencies/organisations</li> </ul>
Rare	<i>May occur only in exceptional circumstances</i> <ul style="list-style-type: none"> <li>Has not occurred to date in DFAT or any other similar agency/organisation</li> </ul>

Consequence	Description
Limited	<ul style="list-style-type: none"> <li>Result in consequences that can be dealt with by routine operations</li> </ul>
Minor	<ul style="list-style-type: none"> <li>Minor delays in providing services or achieving objectives</li> <li>Threaten the efficiency or effectiveness of some aspect of the program/activity/intervention/business unit but can be dealt with internally</li> <li>Have minor political/community sensitivity</li> <li>Minor dissatisfaction of clients/beneficiaries, partners or other key stakeholders</li> <li>Program/project/business unit suffers minor adverse financial impact</li> <li>Minor breach of public sector accountability requirements</li> <li>Minor damage to property or one minor injury</li> </ul>

Consequence	Description
<b>Moderate</b>	<ul style="list-style-type: none"> <li>• Moderate delays in providing services or achieving key objectives</li> <li>• Program/activity/business unit subject to unplanned review or changed ways of operation</li> <li>• Have moderate political/community sensitivity resulting in limited adverse publicity or criticism</li> <li>• Limited dissatisfaction of clients/beneficiaries, partners or other key stakeholders, moderately damaging DFAT's reputation</li> <li>• Program/project/business unit suffers moderate adverse financial impact</li> <li>• Moderate breach of public sector accountability requirements or information security</li> <li>• Moderate damage to property</li> <li>• One serious injury or multiple minor injuries</li> </ul>
<b>Major</b>	<ul style="list-style-type: none"> <li>• Major delays in providing services or achieving key objectives</li> <li>• Threaten the survival or continued effective function of the program/activity/business unit</li> <li>• Have major political/community sensitivity resulting in significant adverse publicity or criticism</li> <li>• Significant dissatisfaction of clients/beneficiaries, partners or other key stakeholders, significantly damaging DFAT's reputation and relationships</li> <li>• Program/project/business unit suffers major adverse financial impact</li> <li>• Major breaches of public sector accountability requirements, legislative/contractual obligations or information security</li> <li>• Major damage to property or moderate damage to multiple properties</li> <li>• One life-threatening injury or multiple serious injuries</li> </ul>
<b>Severe</b>	<ul style="list-style-type: none"> <li>• Critical business failure resulting in non-achievement of key objectives</li> <li>• Program/activity/business unit subject to unplanned external review/inquiry</li> <li>• Have severe political/community sensitivity resulting in extensive adverse publicity or criticism</li> <li>• Extensive dissatisfaction of clients/beneficiaries, partners or other key stakeholders, severely damaging DFAT's reputation and loss of stakeholder and/or Government confidence in or support of DFAT</li> <li>• Program/project/business unit suffers severe adverse financial impact</li> <li>• Severe breaches of public sector accountability requirements, legislative/contractual obligations or information security</li> <li>• Extensive damage to property resulting in loss of property or major damage to multiple properties</li> <li>• One death or multiple life-threatening injuries</li> </ul>