

Provincial Road Management Facility

EXTERNAL REVIEW REPORT

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This is an independent report; the views expressed represent those of the authors and do not necessarily reflect the views of the Governments of Australia or the Philippines.

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LIST OF ACRONYMS

ARRB	Australian Road Research Board
BUB	Bottom-Up Budgeting
CD	Capacity Development
COA	Commission on Audit
CPES	Contractor Performance Evaluation System
CRID	Coordinating Road Investments for Development
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBM	Department of Budget and Management
DFAT	Australian Department of Foreign Affairs and Trade
DILG	Department of Interior and Local Government
DPWH	Department of Public Works and Highways
ECC	Environmental Compliance Certificate
EIS	Environmental Impact Statement
EMP	Environmental Management Plan
ER	External Review
FDD	Facility Design Document
FMC	Facility Managing Contractor
FMG	Facility Management Group
FSC	Facility Steering Committee
GOP	Government of the Philippines
GPS/GIS	Global Positioning System/Geographic Information System
IAU	Internal Audit Unit
IPR	Independent Progress Report
KALAHI-CIDSS	Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
KALSADA	Kaligtasan sa Daan
KM	Knowledge Management
LBG	Louis Berger Group
LGA	Local Government Academy
LGI	Land and Governance Innovations
LGU	Local Government Unit
LOGOTRI	Local Governance Training and Research Institutes
LRM	Local Road management
LRMPA	Local Road Performance Management Assessment
M&E	Monitoring and Evaluation
MBA	Maintenance by Administration
MBC	Maintenance by Contract
MOA	Memorandum of Agreement
MSA	Memorandum of Subsidiary Arrangement
NEDA	National Economic Development Authority

NG	National Government
NIP	New Incentive Program
NPLRM	National Program for Local Road Management
OCAT	Organizational Capacity Assessment Tool (OCAT)
PAHRODF	Philippines-Australia Human Resource and Organizational Development Facility
PAMANA	Payapa at Masaganang Pamayanan
PCF	Performance Challenge Fund
PDPFP	Provincial Development and Physical Framework Plan
PENRO	Provincial Environment and Natural Resources Office
PEO	Provincial Engineering Office
PLGU	Provincial Local Government Unit
PPDO	Provincial Planning and Development Office
PRDP	Philippine Rural Development Program
PRMF	Provincial Roads Management Facility
PRNDP	Provincial Road Network Development Plan
PSEP	Public Sector Excellence Program
PW	Physical Works
QAI	Quality At Implementation
RBIS	Roads and Bridges Information System
RMI	Rehabilitation with Minor Improvements
RPT	Real Property Tax
SC	Support Contractor
SGH	Seal of Good Housekeeping
SLRF	Special Local Roads Fund
ULAP	Union of Local Authorities of the Philippines

Executive Summary

Background and Context

The Provincial Roads Management Facility (PRMF) was created as a bi-lateral grant from the Australian Government of approximately AUD100 million, however, many changes in the program structure and financing occurred during its life reducing the potential to effectively measure attainment of original objectives. In addition, the requirement to disburse funding precisely in line with the Australian fiscal year, despite a clear mismatch with Philippine government operations, further undermined program achievements.

The PRMF began in September 2009 with an initial seven poor provinces of the Southern Philippines. A further three provinces from the area were added in 2011. In April 2012, the original contract with an international contractor was terminated. From October 2012-September 2013, PRMF was implemented directly by AusAID. From October 2013, the Louis Berger Group (LBG) took responsibility for project implementation under the direction of a Facility Management Group (FMG) consisting of three personnel contracted to AusAID, one of whom is seconded from the Department of Interior and Local Government (DILG). Another DILG officer was to be seconded to the FMG, although none has been available fulltime; one has been available occasionally to assist with policy. AusAID was integrated into DFAT in June 2014. On 28 January 2015, the LBG was advised that the value of their contract extension through June 2016 has been cut by about 60% due to the global cutbacks in the Australian foreign aid budget.

Summary of PRMF operations since the 2012 Independent Program Review (IPR)

During the one-year interregnum under direct AusAID management, the program remained in a holding pattern to complete ongoing road upgrade contracts. Six contracts remained when the FMG was formed. However, several modifications were made in the program design that has facilitated operations during 2014. Regarding management processes, the creation of the Facility Management Group (FMG) (proposed by the original contractor but not adopted at that time) as an interface between the Support Contractor (SC) and the Australian Department of Foreign Affairs and Trade (DFAT) has served to significantly improve communication and speed program implementation.

Positive modifications include:

- The road rehabilitation approach was modified from unrealistic standards for major rehabilitation to rehabilitation with minor improvements (RMI), subsequently improved by the Support Contractor and adopted by the FSC within the first six months, and the incentive program was modified to focus on performance in both governance and road management processes. Both of these modifications led to a dramatic increase in road kilometres rehabilitated in

2014 (120km rehabilitated under PRMF 1 versus 380 km rehabilitated in the first year of PRMF 2).

- Change in capacity development (CD) approach from a centrally determined standardized approach to one that is predominantly demand driven.
- Initiation of dialogue between local chief executives and national government on the possible structure of a government financed national program for local road management
- Associated with the national program has been work on modifying LGU accounting rules to require the tracking of roads and bridges as depreciable assets. Digital mapping of these assets under a Roads and Bridges Inventory System (RBIS) will begin in early 2015.

Areas that are scheduled to be revised in 2015 include:

- The need to remove the Philippine Department of Interior and Local Government (DILG) from the role of contract procurement and implementation management
- The need to stop requiring provinces to contract road maintenance when accessing PRMF resources, rather than conducting maintenance by administration using provincial government human and physical resources

Key Recommendations:

1 How to improve current delivery mechanisms

- Upgrade provincial M&E capabilities to be able to more accurately track progress of provincial development outcomes
- Continue to build procurement, revenue generation and IAU capacity as these are the keys to creating lasting reform in the road sector
- Continue research on road surface and citizen participation, add new research based on needs for future programming to be able to both build the case of how road management reforms can result in better lives of people
- Improve communication of PRMF/DFAT with provinces, starting with distributing all analyses, assessments and reports addressing provincial issues
- Continue CD on road design and management

2 How to sustain gains in the future (primarily for DFAT on post-PRMF design)

- Focus attention on achieving a successful completion of the National Program for Local Road Management (NPLRM) design and approval
- Expand use of 3rd party assessment, benchmarking and ranking to ensure that LGUs engaged in NPLRM are fully prepared and continue to improve
- DFAT should assist in ensuring that the national program contains multiple objectives that support quality road construction
- Support provinces to prepare their own sustainability plans so they understand how they need to take full control of future reforms

- Build an experiential learning framework to enhance innovation and adaptation
- Incorporating a participatory approach for Local Government Unit (LGU) office roles and functional analysis to drive rational re-organization/re-alignment

Introduction

This External Review has evaluated the Provincial Roads Management Facility (PRMF), a \$100 million bi-lateral grant from the Australian Government that seeks to promote economic growth and access to public services in selected provinces of the southern Philippines. The Facility contributes to this goal by:

- a) Improving government processes and practices associated with Local Road Management
- b) Improving progressively local road conditions by providing additional resources as an incentive to eligible provinces that have demonstrated reforms in LRM practices
- c) Improving coordination among national government programs in LRM

Two key features of PRMF are:

- a) The emphasis on strengthening and using, as much as possible, Philippine government systems to deliver PRMF activities.
- b) Undertaking the program with the intent to translate lessons learned into a larger, nationally driven, local roads management program, with broader impacts beyond roads alone

The PRMF began in September 2009 with an initial seven provinces. A further three provinces were added in 2011. In April 2012, the original contract with an international contractor was terminated. From October 2012-September 2013, PRMF was implemented directly by AusAID. From October 2013, the Louis Berger Group took responsibility for project implementation under the direction of a Facilities Management Group consisting of three AusAID employed personnel. The FMG was established 2nd September 2013. AusAID was integrated into DFAT in June 2014.

Purpose

The terms of reference for the External Review identified two major objectives.

1. To identify implications/recommendations for the design of 'successor' initiatives and inform sub-national strategy development.
2. To assess the PRMF policies and procedures and their impact on progress to date. This analysis should also inform the recommendations on the future direction

The review is formative in nature with a two-fold purpose:

1. Clarification of the program theory with an emphasis on understanding if, within the particular social and political environment in which the program is

implemented, the current design assumptions (implicit and explicit), objectives, and focus are still valid and, therefore, likely to lead to the desired outcomes; and

2. Learning, with an emphasis on understanding:
 - How the delivery approach, including how resources are used, are affecting outcomes; and
 - How the program can serve as a basis for future programming on the governance of local infrastructure.

Focus

The review has primarily focused on the work of PRMF since the initiation of the LBG contract in October 2013. Given the purpose, this review focused primarily on:

1. The nature of any future programming on governance of local infrastructure
2. The coherence and adequacy of the current design as it is being implemented to achieve expected results.
3. The extent to which the current design is being implemented in line with the recommendations of the PRMF IPR of 2012

The key evaluation questions used to guide the External Review were:

1. What are the appropriate objectives and scope for future programs on the governance of local infrastructure
2. What is the appropriate delivery approach to support the objectives
3. How are the program design and the delivery approach, including the use of resources, impacting on results?

Approach

The Review has been conducted considering the future of DFAT infrastructure governance programming as its primary orientation.

The principles of a participatory approach have guided the External Review. For example:

1. The review has been informed by information about the program, its operation and stakeholders gained through a series of discussions with key stakeholders during the review design phase.
2. The External Review (ER) team has been guided by the FMG and PRMF in the selection of provinces and key informants visited.
3. The ER Team selected two nearby provinces that have not received support from PRMF to assess independent progress achieved per similar objectives as PRMF provinces

Constraints

Time and resource constraints required the External Review to limit its field data collection to a selection of only three PRMF provinces. However, a questionnaire was sent to, and completed by, the PRMF Managers in all ten provinces.

The LBG and FMG have only been in place for a little over one year. Therefore, no attempt has been made to assess impact of project interventions on the social economy in the associated provinces.

FINDINGS

Relevance

Fundamentally, PRMF is relevant to the Philippine Development Plan and to the individual Provincial Development and Physical Framework Plans (PDPFP) as road and bridge upgrading is prioritized in both. The NPLRM design work, if successful will significantly enhance the long-term relevance of PRMF to overall development in the Philippines.

The 2012 Australian Road Research Board (ARRB) study concluded that the primary constraint to provincial road management is the lack of funding. The situation observed by the ER Team indicated that LGUs and NGAs are working well together to build a strong proposal for LGUs to have access to substantial savings that NGAs have not been able to spend. The Road Board, Department of Budget and Management, DILG and National Economic Development Authority (NEDA) have been involved in NPLRM discussions. Several PRMF and non-PRMF provinces have sent their Governors, Provincial Administrators, Provincial Planning and Development Coordinators and/or Provincial Engineers as representatives to the meetings facilitated by Synergia under contract, and guidance, with LBG.

In addition to PRMF's relevance to national and provincial plans, it also addresses felt needs of communities because of the length of time that many provincial roads have not been upgraded due to lack of financial, technical and organizational capacity. All of these factors have been addressed by PRMF Phase 2. The ER Team visited communities along two roads in Lanao del Norte and Bohol. Community members said that these roads had not been touched by the provincial government for more than ten years. The Lanao PEO indicated that the road in Lanao had not been maintained during the time that it was programmed for procurement, but was maintained before the tender process started.

Although not directly related to the relevance of PRMF, per se, AusAID expanded its Coalitions for Change program to include a component for CRID (Coordinating Road Investment for Development) that has helped to enhance provincial (and in the case of NEDA Region 7) regional interest in linking local road management with local economic development.

The Relevance of PRMF to national policy has been significantly improved since the IPR in 2012, but certain gaps remain.

Recent DFAT/FMG policies changes (yet to be fully implemented) have reduced the obligatory focus on gravel surfacing and Maintenance by Contracting. Both of these

requirements were addressed, and criticized, in the IPR and the ARRB 2012 reports. Both are approaches that have been highly successful in Australia, but were found to be incompletely matched to the institutional and natural environments in the Philippines.

The MSA allows PRMF to have extraordinary procurement arrangements so that funds are retained by LBG, but contracts are signed by DILG. This was a revision in the project framework agreement prior to the initiation of the LBG contract (during Phase 1, the FMC established a Special BAC within the province). However, Philippine policy requires that end users (LGUs) be directly responsible for procurement and contract management, subject to the principles of transparency and accountability. The role given to the DILG to lead the procurement of road rehabilitation and maintenance contracting was out of line with its normal role in government. In normal circumstances, the DILG is constrained by the Local Government Code from making executive decisions regarding activities ongoing in a local government unit. Its normal facilitating role enables it to provide guidance, capacity building and oversight on LGU actions, without engaging in direct management or control. Davao del Norte (and four other provinces) was assessed for its financial management capacity (using PFMAT and APCPI method) and twice passed the review procedure. However, the province has not been provided with final WIPS clearance so that it can directly use Australian funds so as to be in compliance with Philippine policy. This anomaly is a direct result of AusAID/Manila, and subsequently DFAT, aversion to risk, which, paradoxically, is contrary to Australian Aid policy of working within existing government systems, and not to add new, overlapping, and largely irrelevant parallel systems.

The effort to continue to improve PLGU collection and utilization of real property tax is appropriate. The technical assessment made by LGI confirms that the eTRACs system is superior to the competing iTAX system. It is important to continue to press on improving this system as it represents a visible interface between citizen obligation and government responsibility. However, the real property tax system in the Philippine has received substantial international assistance for several decades without significant improvement.

Effectiveness

In the beginning of the program, PRMF was initiated with a road design that focused on major improvements that needed to be designed, procured and managed by entities outside the province. The risk structure of the program incentivized the original Facility Management Committee (FMC) to emphasize road designs that far exceeded the capacity of provincial government to emulate. The incentive system was focused on compliance and the capacity development approach was described in the 2012 IPR as 'one size fits all. The AusAID transition period modified the road design to RMI, strengthened internal financial controls, modified the capacity development approach and introduced the PRMF Governors' Forum, but the latter was discontinued in Phase 2. The former changes facilitated the significant improvement in overall effectiveness during Phase 2.

DFAT/FMG policies have, over time, reduced the initial focus on gravel surfacing and Maintenance by Contracting. Both of these points were addressed in the IPR and the ARRB 2012 reports. Both are approaches that have been highly successful in Australia, but have been found to be incompletely matched to the institutional and natural environments of the Philippines. Gravel roads do make up about 80% of provincial roads, but they are generally poorly maintained because of poor subsoil characteristics, limited availability of gravel and high rainfall regimes. Maintenance by Contracting has run into difficulties because of the limited availability of contractors, small size of the contracts and existing capacity (and lengthy experience) in the provincial engineering offices (PEO) to do the work themselves.

The decision to shift from major rehabilitation to RMI has led to more than doubling of the length of road rehabilitated and the amount of funds spent while enhancing the level of engagement by the PEO. Many provinces reported that the increase in provincial ownership was the most significant change in program operations between October 2013 and end 2014. This has allowed the road designs to be better matched to local needs and capacities, driving practical learning and institutionalization of modern design methods.

The New Incentive Program has made the whole incentive approach more meaningful to PLGUs as it is based on physical works together with the overall quality of governance in a province, the main reasons for the existence of PRMF. The shift to a focus on actual physical works performance criteria has had a positive impact on provincial interest in enhancing their capacity to actually undertake road management rather than merely undertaking various trainings and other activities with the intent of obtaining additional financial resources to be used on other provincial priorities. However, the inclusion of governance criteria in the determination of provincial access to incentive funding has also helped to drive home the idea that good road management is not merely a technical issue, but a systemic one.

Unfortunately, citizen participation remains limited to a 'consultative' relationship. All provinces report citizen engagement in PRMF activities, but more classify the involvement in the form of attending meetings. All community groups the ER Team met remarked that their Barangay Captain had called them to a meeting with the PEO who advised them on the design of the upcoming road. On this matter, there was little difference observed between PRMF and non-PRMF provinces. The PRMF team advised us that this was not the case in all road segments. However, even where community engagement was attempted, as in Maribojoc, Bohol, the community demand for enhanced road side-slope stabilization was not carried out due to a failure by the PLGU to hold up its commitment to finance this with local resources, despite only spending about half of its annual budget for rehabilitation in 2014. At the time of the ER field visits, several groups expressed their displeasure at the way their road was being rehabilitated as difficulties have arisen due to inappropriate construction leading to flooding or conversely, existing runoff channels, known to communities, were not taken

into consideration. Thus it appears that the frequently mentioned landscape approach (also strongly recommended in the 2012 IPR) appears to exist more in concept than in practice.

The role of women is high both in technical fields and in citizen participation. However, it is difficult to attribute this to PRMF as 1) there are not gender indicators in the PRMF monitoring system and 2) all government agencies have GAD targets to achieve and the Philippines has a high ranking globally in female participation. However, the engagement of persons with disabilities was not seen to be meaningful, despite a national law (BP 344, modified by RA 9442) requiring government agencies to facilitate their access to infrastructure, including roads. In addition, the DILG Local Road Manual includes a key design reference to accessibility.

During Phase 1, the standardized, and academic, CD approach was observed to have overwhelmed the attention of the PLGU staff. This disconnect was exacerbated by the decision to have road design and supervision handled by the FMC, with external contractors. Current CD work remains intense, but it is centred on demands emanating from the provincial staff, a process that has served to more completely engage them in the program. New skills have been developed particularly in digital engineering design, human resource re-organization planning, and internal audit. None of these skills were evident in the non-PRMF provinces visited by the ER Team.

Procurement has shown the least progress; with the 'learning by doing' approach undertaken during Phase 1 replaced by the regional DILG managed process in Phase 2. Training has been limited to understanding details of the national law. Although there has been no systematic approach to procurement system improvement by PRMF, some provinces, particularly Bohol, have begun to introduce changes on their own. In part, this awareness been driven by higher quality reports produced by the internal audit units. Unsurprisingly, the risk averse approach used by the AusAID/DFAT to 'ring-fence' its own procurement/expenditure failed to have any impact on the, considerably larger, provincial systems.

Most PRMF provinces now have substantially improved HR systems. The HRMDO have been made into separate departments to assess and plan HRD and HRM functions. In some provinces, HRIS is operational with PRMF support and these provinces are assisting others in setting up HRIS. In two of the three provinces visited, HR offices are leading the process of reorganization with PRMF mentoring support, indicating increased competence in this area.

The capacity to objectively scope, design and manage improved road rehabilitation and maintenance would not have been possible without PRMF intervention. This is supported by the rapid assessment of two; moderately better resourced, non-PRMF provinces in Region 6 that, until recently, showed little change in their capacity or approach to road management. However, both CRID and PRDP are now introducing the provinces to modern practices.

Efficiency

The fluctuation of available funds, resulting from a number of factors outside the project, has limited the relevance of road length targets. The mismatch between the Government of Philippines and Government of Australia fiscal years has resulted in a) difficulty for counterpart funding to be planned in sync with the budget plans of PRMF, and b) works (particularly in Mindanao, starting at the beginning of the wet season, impacting negatively on implementation efficiency. In addition, the inability to predict available funding due to annual reassessment has resulted in a) inability to use and disburse funds that were suddenly made available too late in the year for implementation constraints such as design and procurement activities; and, conversely, b) Provincial Governments undertaking preparation under pressure of “pipeline” designs in the hope of future funding that then does not materialise. It has to be added however, that this “pipeline strategy” has engendered a positive preparatory approach by partner provinces, and many pipeline projects have subsequently been funded under alternative funding arrangements. The decision to use PRMF program funds to finance road rehabilitation resulting from the 2013 Bohol earthquake significantly reduced the funds available for road rehabilitation in other provinces and essentially eliminated the incentive fund. Both factors lowered overall efficiency of the program.

The decision to shift the locus of procurement to the regional DILG had an impact on program efficiency, relevance and sustainability as this was not in line with Philippine government systems. Most critical is that the procurement capacity of the provinces did not receive attention during 2014 and the provincial involvement was reduced to two representative members on the DILG-led SBAC.

Efficiencies for DFAT have also been reduced due to the incomplete melding of PRMF with PAHRODF (had assisted 6 PRMF provinces, continue to manage scholarships) and CFC/CRID (In all provinces of regions 13 and 7, 3 provinces in region 6). All of these programs are managed by the same office in DFAT, and PAHRODF was fully involved in the new provinces of PRMF prior to the arrival of LBG. However, a DFAT Directive based on budget restrictions, led PAHRODF to hand over all of its activities to LBG. There appears to be limited interest on the part of AusAID/DFAT to press for closer collaboration between CRID and PRMF although they work under the same office and in many of the same provinces on the issue of prioritizing road segment management.

The New Incentive Program in 2014 led to a significant increase in the length of roads maintained, with a total of 1785 km achieved by the 10 provinces. Interestingly, the third highest maintenance accomplishment record in 2014 was in Misamis Oriental, a province that actually failed the preliminary governance assessment due to lingering objections from the previous administration. This indicates that the FMG made the correct decision to authorize the distribution of incentive funds to this province.

Although there were 216 CD responses activated at the request of the provinces during 2014, most were focused on building individual and team skills. Few were oriented to

building organizational capacity. In order to counter this, there were also 6 centrally managed CD activities for the provinces including the key items of the GIS systems Upgrade and Review; the Mentor Development Program; and, the Local Revenue Enhancement and Base Line Data Verification work contracted out to LGI. And there were 17 Work Task Orders, centrally managed in conjunction with the DILG, including the RBIS and LRMPA Reviews and the NPLRM and COA work contracted and undertaken during 2014. As a result, of the shift to demand driven CD, 135% of CD Funds for FY 13-14 were spent and 61% of the total funds available for CD in Phase 2 were spent by the halfway point in the overall contract period.

Bohol led all provinces with a total of 49 CD packages fulfilled, but Aklan, a new province was second with 40. This reflects the effect of the highly decentralized approach to local design of CD interventions. This also raises concerns as there appears to have been limited technical quality control exerted at the facility level due partly to an overburdening of the small CD team with additional functions of IT, M&E and other KM processes.

The significant increase in physical works and capacity development accomplished during 2014 is largely an outcome of the quality activity tracking and reporting mechanisms introduced by LBG. In particular, the physical works team prepares a bi-weekly report that tracks RMI and maintenance contracts from several different angles. While intense, close supervision has no doubt played a role in reducing slippage by contractors. Most of the significant slippage reports have been the result of storm damage. As a result, 65% of the PW budget has been contracted and 61% of the CD was spent in 2014.

Financial management has improved in 2014. With 42% of total budget spent during the year. Shifting from an Imprest account (during Phase 1) to an invoice/reimbursement approach has incentivized expenditure and, at the same time, has improved internal financial controls by requiring staff to reconcile advances and contractors to bill progressively. This is because the SC is incentivized to spend all allocated funds during a fiscal year in order to qualify for additional funds in the succeeding year.

The shift to the RMI approach has improved the overall value for money of PRMF operations for DFAT. Currently, the cost per kilometre of road improvements under RMI is 2.4 million pesos. The cost averaged 5.68 million pesos during Phase 1. In addition, the New Incentive Program extends PRMF achievements in road maintenance with the cost borne by the provincial budget, in return for additional allocations for road rehabilitation. However, the actual amount budgeted for road rehabilitation has not increased consistently over the six year of PRMF, in fact only Bukidnon and Agusan del Sur have increased each year, although Misamis Oriental reported an increase in its rehabilitation budget by 800% in 2014.

The hotspot approach to CD enabled PRMF to spend resources in areas were most needed by the provinces. Generally, the approach has been effective, but attribution to

PRMF for increased capacity is only clear in the PEO and Internal Audit Unit (IAU). The improved engineering design capacity has enabled some of the provinces to successfully apply for roads funds from other programs. Among the Bohol was the first province in Region 7 to qualify for World Bank PRDP funding, while Surigao del Norte successfully obtained PAMANA road upgrade funding, Aklan also gained entry into PRDP, partly because it has built a solid base for RBIS with its GPS/GIS road management system.

Learning

There are several aspects to the Learning approach undertaken by PRMF Phase 2.

Research

There was no defined research agenda in Phase 1. The 2012 ARRB study, as a component of the IPR in 2012, represents the most comprehensive piece of analysis on Philippine road management generated in association with PRMF. This lack of learning orientation may stem from the initial assumption that Australia already knew what the most effective interventions would be, i.e. Maintenance by Contract and gravel road upgrades, without the need for further study.

The current research efforts are limited but do represent real issues that can have a significant effect on overall provincial road management. The road pavement research has shown that a hard, easily maintainable surface can be created without resorting to the use of concrete or bitumen. However, at present, the pavement is created using an expensive machine that has proven difficult to maintain in running condition. In addition, the amortized expenditures for the machine have cut deeply into the Guimaras provincial road maintenance budget. The research is being modified to now duplicate the process using the normal equipment available in the provinces.

The community maintenance experiment also addresses several critical issues. First, the pilot provides evidence of the value of engaging communities in routine maintenance on a continuing basis. Second, the pilot illustrates the critical value of the additional income that the community members can receive through regular involvement in road maintenance. An alternative to the community organization contracting is being initiated by Bohol province in 2015 and bears careful assessment to extend the utility of the Guimaras pilot.

The LGI study on real property tax has substantiated the belief that provincial capacity to collect additional revenue through local taxation is seriously limited showing an overall, but erratic change in revenue collection with no discernible pattern. However, only a cursory review was undertaken in all provinces, with a detailed assessment limited to Guimaras and Agusan del Sur. There is no evidence, however, to show that increase in revenues (RPT in particular, total locally sourced revenue in general) generates a similar increase in spending on road management, as assumed.

Unfortunately, the results of several external studies have not been made available to participating provinces or to LBG. These include the procurement study, the contractor industry study and the political economy of road management study.

The procurement study indicated constraints to reform were not restricted to technical capacity limitations, but emphasized internal organizational dynamics as the overriding factor. This is important information for the province and the SC to know.

Provincial Innovations

Self-generated innovations, adapting or building on PRMF interventions, represent important evidence to substantiate the institutionalization of reforms. The innovations illustrate the application of skills, indicating the sustainability of the capacity development approach. Several, such as the Aklan RBIS data collection and the Surigao del Norte Provincial Road Investment Committee, will have a direct value for the NPLRM implementation.

Risk Management

During Phase 1, the FMC bore all risks and, as a result, operated in a highly risk averse manner. Currently, risks are distributed to a greater degree, but still the province bears almost no risk at all. This reduces the potential for organizational learning. Given the focus of PRMF on road improvement, there has been no formal analysis of effective measures that should be taken by provinces to enhance the resilience of their road networks to the effects of severe environmental hazards. This will need to be an integral component of the NPLRM.

Untested Design Assumptions

The superior efficiency of Maintenance by Contracting was an initial design assumption. However, this has never worked effectively under PRMF. As a result, there has been no subsequent assessment of the various options used by provinces for their Maintenance by Administration because the donor refused to consider this as an appropriate approach. In fact, Bukidnon, a province whose agency-to-agency approach to Maintenance by Administration was lauded in the FDD, suffered repeated failed bids for MBC in 2014, with none of the six possibilities being successful. The factors underpinning the complete failure of procurement in this province are being further assessed.

Long-lasting PRMF Innovation

The PRNDP is now perceived by PPDOs interviewed as important in providing a rational basis for road improvement selection and there is a close link in most provinces between the road priorities in the PRNDP and those selected for funding under the provincial Annual Investment Plan (budget). Four provinces indicate 100% of roads in the AIP were identified in the PRNDP. However, three others show that less than 50% of AIP roads were identified in the PRNDP. Following the preparation of the PRNDP, the budgets for road rehabilitation and maintenance have increased in most provinces.

Monitoring and Evaluation

The PRMF M&E system has long been problematic. The first system was not approved until late 2011. As a result, no baseline data was collected on initial conditions. In the current system, indicators are used to measure up to the outcome level, but no reporting on impact has been attempted. In addition, the system mixes data obtained by PRMF tools and that contributed by the provinces.

Trends in the data indicate that road length kept in maintainable condition have increased for most provinces, including the ratio of maintainable core roads and total roads. Also there have been increase investments for both rehabilitation and maintenance,

Indicators also substantiate that procurement is the weakest link showing poor improvement in number of qualified bidders, low involvement of civil society and the number and percentage of successful awards. Procurement indicators do not capture institutional weaknesses i.e. corruption, although such are readily available from international organization, such as the U4 Anti-corruption Centre.

Unfortunately, indicators for CD only show progress in PRMF-specific competence rather than provincial competence because the indicators for HR are focused on number of interventions rather than outcomes, particularly at the level of organizational competence. There is also a seeming disconnect between PW and CD tracking with a link only seen in the semi-annual reporting. In addition, given the scope and financing of PRMF, the PW only tracks progress of PRMF road projects and does not assess implementation of provincially managed contracts. The utilization levels (usually low) of provincial budgets for Rehabilitation and Maintenance has been tracked during the past two M&E reports with historical details back to 2008 incorporated into the Phase 2 baseline data. Collection of RPT is tracked, but seemingly is not linked to the identification of CD interventions.

The significant reduction in the number of indicators has made data collection more manageable and reporting more understandable. Quantitative data is collected for all reform areas. The quantitative indicators point to the need for gathering more nuanced qualitative information. However, the collection of qualitative data in the past has been sporadic and not purposive, however a specific qualitative assessment is being developed and will be put to use in 2015.

M&E data is not shared with the provinces and provinces are not ranked according to PRMF indicators nor is feedback given to the executive on means for improvement. The standard DILG system has long been used to publically rank provinces on many variables. Several governors asked the ER Team about how their province compared with others. The above mentioned qualitative assessment tool is also intended to address the comparative ranking issue.

Sustainability

A significant reduction in funds available for PRMF through to the end of its life in June 2016 was announced as this report was being drafted. This will necessitate a stronger focus on ensuring that the design of the NPLRM translates into the key vehicle for sustaining PRMF policy reforms, requiring continued attention to financing CD activities. The LBG and FMG were working under the assumption that a contract amendment, agreed in November 2014 had been signed. However, due to concerns about potential Australian Government budget cuts, the amendment was not signed. Seemingly, neither the LBG nor FMG were alerted to this until the end of January 2015. This will require revision of the amendment.

The work on the design of the National Program for Local Road Management (NPLRM) has been well coordinated between local and national government. The NGO, Synergia, has organized a series of meetings over the past several months. The Chairman of the League of Provinces of the Philippines, the PRMF Governor of Bohol, will approach the Secretary of the Department of Budget and Management in February to present and his level of interest in pursuing the initiative.

Currently, many road related projects have been planned with different funds (PRMF, CRID, PRDP, PAMANA, SLRF, KALSADA, etc.). Each has a different approach and strategy, yet they often operate in the same provinces, for example, Guimaras has PRMF, CRID and PRDP, plus SLRF and routine DAR and DA and DPWH activities.

The PRMF-inspired National Road Asset Management concept, with its associated Roads and Bridges Information System (RBIS) has gained acceptance, and national funding. The broader context of the PRMF infrastructure governance is also receiving praise, but its geographic scope remains limited to 10 out of 81 provinces.

The New Incentive Program (NIP) has led the way on how to establish entry criteria for LGUs interested in joining the NPLRM. The combination of governance and physical performance represents a valuable improvement over earlier assessment systems. However, the further inclusion of environmental factors, as illustrated by the PRMF landscape approach and in its community maintenance pilot need also to be fully a part of assessment criteria.

However, the regularity of Environmental Management Plan (EMP) preparation and monitoring is sporadic. In some cases the EMP is only limited to PRMF supported road upgrades. Unfortunately, no training had been provided at PLGU level for EMP preparation and subsequent submission of an EIS (Environmental Impact Statement). However, it was reported that a recently recruited Safeguards Specialist will now address this, among other sustainability issues. Interestingly, it was acknowledged by the Lanao del Norte PENRO that this would not be a problem since the routinely required ECC (Environmental Compliance Certificate) for road projects was not needed because of a "programmatic clearance" issued for PRMF projects at the beginning of the program. The ER Team was unable to obtain a copy of this clearance, but it may

explain the limited interest PRMF has made in ensuring its road construction is compliant with existing Philippine environmental standards.

Conclusions

General Management

The External Review concludes that the design and implementation of PRMF has improved on most aspects since the close of Phase 1. The decision for the LBG to place strong emphasis on the design of a nationally funded program for local road management illustrates a positive step in forward thinking.

The introduction of the Facility Management Group was a positive step in that it has operated as both an oversight and a facilitating body aimed at ensuring that the Support Contractor was properly guided to produce optimal results.

Regarding Physical Works, positive steps include decisions to shift the incentive program orientation from compliance to road management performance, to alter the engineering design from major to minor rehabilitation and to allow for the inclusion of hard surfacing on steep slopes and access across drainage for neighbouring properties (also addressing access issues for the disabled). This latter intervention also protects and sustains the drainage.

It is a credit to the current SC and FMG, that the incentive program was changed to be oriented specifically on governance and road maintenance performance. The changes were implemented successfully, despite that new implementation arrangements had to be conceived, agreed, and resourced. This proved to be a major task in obtaining agreements at all levels for the revised agreements on maintenance targets. In the end, the decision by DILG to divide the limited resources among all PRMF provinces (except Bohol because of its existing emergency funds) reduced the efficiency of the subsequent procurement process due to the small size of the maintenance contracts.

Regarding Capacity Development, the shift to a demand driven approach with mentoring as the default option for PRMF provincial staff has significantly enhanced provincial capacity and buy-in.

After six years, the requirement for maintenance by contract is expected to be eliminated in 2015. This opens the way for serious attention to be paid to alternative mechanisms that can improve maintenance by administration regimes. This could include community maintenance and agency-to-agency arrangements. Unfortunately, with the budget cuts recently announced, it appears unlikely that either MBA or PLGU procurement will be implemented. However, the PRMF will proceed with novation of existing contracts from the DILG to the PLGUs.

In general, the changing nature of facility management policies over the life of PRMF have been a major impediment to program implementation and, more importantly, to institutionalization of reforms by the PLGUs. Nevertheless, for the specific period under

review, it is clear that changes introduced after Phase 1, with the exception of DILG's role in procurement, have been beneficial to program effectiveness.

The financial management modifications made during the AusAID transition have significantly improved the efficiency of the program resource use. Particularly important has been the removal of the Imprest account. This action has helped to speed expenditure processing and to enhance internal financial controls. However, the lack of focus on procurement caused primarily by the donor's highly risk averse approach to financial management, has limited the depth to which governance reforms have been institutionalized.

Capacity

The limitation on allowing any LGU to gain direct access to financial resources remains a major impediment to reform because their financial management capacity is the fundamental issue that controls the quality of road maintenance.

Increases in local revenue is still not perceived as playing a major role in improving road management due to the significant gap between funding need and local ability to generate revenue. In addition, focusing on revenue generation without a concomitant focus on the use of those revenues obtained from the citizenry seriously reduces the value of the governance aspects of the program. Nevertheless, continued efforts to institutionalize the use of eTRACs is an appropriate intervention. However, DFAT should be cautious in their assumption that this will lead to a significant increase in tax revenue or that that increase will be allocated to road management.

The move of the procurement locus to the regional offices of DILG represented a further setback in efforts to provide assistance to provinces in building their capabilities. The limited efforts of support to LGU efforts improve their procurement systems will need to be corrected in the final months of PRMF.

The demand driven CD approach has resulted in significant new skills built in the provinces. LGUs, as with all adults, learn best through experience rather than observation or instruction. Every opportunity to open opportunities for LGUs to apply new skills in a practical manner serves only to deepen the understanding and sustainability of reforms.

The ER Team recognized that there are a number of centrally managed CD activities that focus on organizational and systemic improvements, nevertheless, all provinces visited commented on the continued lack of 'organizational' capacity to effectively utilize additional technical skills. Further assessment will need to be undertaken to ensure that the NPLRM fully addresses these deep-seated capacity constraints.

DFAT needs to assess whether there should be a continuing role for PAHRODF in the next phase of its development programming in Southern Philippines and what that role would be in relation to the NPLRM. That Facility clearly showed promise in the work initiated in the three new provinces. Aklan had the second highest number of CD

requests in 2014 and Lanao del Norte is finalizing a provincial human resource Succession Plan without relying on external consultants to carry out the task for them.

The value of PRNDP has proven important to help focus the provincial government's attention on their core road network. However, its value is limited by its sole orientation to roads that are the responsibility of the provincial government. The PRMF has recently encouraged PLGUs to include all roads within their provinces in the PRNDPs, so that a network approach to connectivity eventually can be achieved. The decision by AusAID to establish the CRID approach as an alternative is more in line with the IPR recommendation to use a networked approach that emphasises roads for economic growth.

Work on reorienting the PEO to be a 'customer oriented organization' has not been a priority and has shown limited results. Citizen involvement in road design remains inconsequential and the inclusion of sound environmental considerations appears to also be subservient to cost considerations.

Future Programming

The NPLRM work represents a valuable initiative that has been pursued by PRMF. This has great potential to be structured as a solid incentive mechanism for upgrading provinces' technical road management and governance capabilities nationwide. This approach would form the backbone of future programming that would sustain the gains made in governance, organizational and technical reforms in road management.

The Road Asset Management concept, as an integral component of NPLRM, represents an important first step in beginning to create a more standardized approach to Philippine road management focused on establishing a significantly upgraded core network of provincial roads across the country. The approach undertaken by PRMF has proven successful in building strong support for the concept among both NGAs and LGUs. However, without strong support for the inclusion of governance and environmental aspects, it may likely turn into another funding modality, undifferentiated from others.

The RBIS intervention will likely prove to be an important game changer for Philippine road management, and, perhaps, development in general. The time is right for a highly accurate mapping of road and bridge assets and for storing the data in a 'cloud' environment for more open access and easier management. This may prove to be the first ground verified mapping system that covers the entire country. A major gap in development efforts of the past has been the inability to accurately track where money has been spent, who benefited and what impact was achieved on a local scale. Closing these gaps in knowledge has the potential to reduce the opportunities for corruption by providing opportunities for many players in national and local government as well as business and civil society to have access to the same information at a highly disaggregated level.

The shift to a single geospatial information system that is nationally managed through 'cloud' storage system (proposed as the default approach by the software designer) will greatly reduce mapping errors and local costs. It also has the potential to improve the sustainability of the system by reducing the tendency of highly trained personnel to seek more lucrative jobs outside LGUs.

Future programming should eliminate the limitations of the original PRMF design, which reduced PLGU ownership and control over project operations; becoming the major factor in reducing the potential for institutionalization of reform. In addition, although the 'mentor' approach significantly improved inter-provincial knowledge sharing, the limited interaction among provinces over the entire life of PRMF, particularly at the executive level, reduced the potential for cross-fertilization among provinces over the entire length of program life.

Learning and M&E

During Phase 2, the major constraint to expanding research is financial rather than interest. No research was conducted in Phase 1, with only limited attempts in Phase 2, despite recognition of the need.

Further study is required before categorically determining that the Guimaras road pavement experiment has been a success. The current reliance on an expensive and difficult to maintain piece of equipment seriously limits the general applicability of the approach, but it is acknowledged that another trial will begin soon on modified surfaces, without the machine.

Similarly, the Guimaras design of a pilot community-based road maintenance approach requires comparison with other alternatives in addition to being tested in additional provinces. Creating a pilot in a highly structured setting and then expecting governments to implement them has been a mistaken approach of development agencies for many decades.

The revised M&E system is a meaningful improvement of the earlier effort, making it much more feasible for the Facility and provinces to collect the necessary data. However, the failure to include a tracking of non-PRMF provincial physical works is a significant gap. This reduces understanding of whether provinces are able to increasingly apply their learning from PRMF in their own road management operations. In addition, the limited support provided to provincial M&E systems also reduces the potential for provinces to learn from their own operations.

Although performance differentiation among provinces is clear to PRMF, this is not reported to the provinces themselves nor is it used as a tool to reward high performers or to encourage laggards to improve. The use of the incentive fund in 2014 did not change this situation as all provinces were given access to the funding, and it appears there will be no funds for an incentive program in 2015.

The proxy indicators used to assess impact show a clear project bias. They are oriented to gauge direct project impact, but fail to assess contribution to overall provincial development goals, which, as noted above, are nearly impossible to measure given the limited scope of PRMF, its short life (especially under LBG management, and the multiple changes in program policy and funding).

The overall PRMF development goal of “upgrading DILG and PLGU capacity to deliver road infrastructure that increases economic activity and improves social access” is overly ambitious and difficult to assess.

Implementation of 2012 Recommendations

The ER noted a positive level of progress made regarding the recommendations contained in the 2012 IPR, but some gaps remain.

- 1 There has been an incomplete shift from the supply-driven approach of Phase 1. Although there are aspects of the program that have enhanced the role of the province and DILG, the SC has been under heavy pressure to spend. The multi-sectoral approach proposed in the IPR has been undertaken by AusAID/DFAT, but through the CRID vehicle rather than through PRMF. Despite this, it would appear that AusAID/DFAT has not encouraged a close, collaborative relationship between the two programs.
- 2 The scope for DILG decision-making has improved, but the recommendation that DILG become the manager of PRMF has not been taken up. This appears to have been a mutual decision of AusAID and DILG given the problems of responsibility and authority over the expenditure of Australian government funds.
- 3 The proposed Governors’ Advisory Council was initiated during the AusAID managed transition, but has not been sustained. However, the design of the NPLRM is being led by Governors.
- 4 Close partnerships with other Australian programs, such as PAHRODF and CRID have remained problematic with a potential for significantly greater synergy.
- 5 The proposal that PRMF shift its physical works orientation from major works to minor rehabilitation has been fully implemented.
- 6 The design of the NPLRM with its associated RBIS makes the creation of a national assessment for a ‘Seal of Good Road Management’ a viable possibility. In addition, the NPLRM design, if successful, will go a long way towards addressing the ‘road management funding gap’ identified in the ARRB analysis. Finally, the NPLRM asset management system, although initially oriented towards cities and provinces, opens the door to including municipality and barangay roads through additional funding, possibly from the World Bank PRDP. Although provincial roads are important for major inter-linkages, the rural poor must traverse barangay roads before reaching a provincial

road. In the rural province of Guimaras, the length of barangay roads is five times that of provincial roads, most of which are unpaved earthen tracks.

7 The strong IPR recommendation that citizens be more fully engaged in design and management of roads is at least being addressed through the research effort in Guimaras, but the practical application of citizen participation in provinces appears not to have been fully realized as yet.

8 The recommendation that Capacity Development shift from a top-down standardized approach to self-identified, demand driven process has been fully implemented. However, local service providers are only engaged individually and have not been organized into a collaborative network. Many gaps identified by the provinces have not been taken up because they do not match the scope of PRMF, an issue that has not been negotiable by the SC. Some examples of these, reported by Provincial Managers include the request for facilitation skills, business planning, bridge design, internal controls and M&E. Some of these, such as bridge design, were later approved. However, the loss of the subject matter specialists at the Facility level has left a potential quality gap as the senior managers providing oversight are all extremely busy ensuring that expenditure remains on track. The emphasis on HRD has created an awareness of the need for competency-base hiring, and the creation of rational succession plans and organizational diagnosis. However, work on human resource management has not moved ahead apace with individual skill improvement. This has resulted in an over-reliance on PRMF to solve problems rather than seeking solutions internally, a problem that is, unfortunately, not unique to PRMF.

9 The SC has been able to introduce some learning processes, including cross-provincial collaboration, but the extent of these interventions remains limited given the extent of issues that continue to constrain road management. In addition, several studies that have been undertaken, including the preparation of PRMF M&E reports, which reportedly have not been shared with provincial governments. The PRMF management argues that reports go to DILG, however, DFAT has a MOU with each province.

Recommendations

1 How to improve current delivery mechanisms

Upgrade provincial M&E capabilities

The ER assesses the need to expand M&E indicators to include tracking of all provincial road management contracts and administrative operations. This is important to ensure that the tracking system is not geared only to tracking the progress and quality of PRMF supported road management actions.

In addition, indicators should be developed to include formally tracking of all peer-learning interaction to provide a better understanding of who is providing what sort of support to whom.

A standardized method for qualitative assessment of complex associations of variables should be developed. An example could be the use of a case study approach to show the impact of an important road segment upgrade on localized economic activity and access to social services. Such qualitative assessment provides the opportunity for more effectively creating a picture of the complex interactions that are involved in the relationship between governance, infrastructure management and socio-economic development.

Both PRMF and DFAT should share all study and M&E data with provinces. PRMF should rank provinces on various criteria to show performance over time and invite comparison among peers using standardized variables, such as percentage of road length in good condition (rather than total length).

Finally, PRMF should allocate funds to test the use of independent assessments in key reform areas that will be critical in a future infrastructure governance program. The current Local Road Management Performance Assessment Tool which can be self-administered then DILG-verified, can also be made as a tool to independently assess readiness of LGUs to participate in the NPLRM.

[Continue to build procurement, revenue generation and IAU capacity](#)

PRMF needs to increase its focus on effecting continuous improvement in procurement systems, revenue generation and internal audit. These three areas should be the priority centrally driven CD interventions for the remainder of PRMF. These all represent important governance domains that are vital to improving provinces capacity to deliver on its commitments to its citizens.

However, CD in all three areas should not be limited to technical training. It should also be aimed at building a more complete understanding of the political economy of local governance decisions. Such an understanding can support a local chief executive who wishes to introduce reforms, but lacks full knowledge of why past reforms have failed. The importance of these political economy factors for LBG will be clearer if DFAT agrees to release the complete set of detailed provincial procurement, financial management, and political economy of road management assessments.

If there is any scope remaining for additional procurement following the recent PRMF budget reduction, it is hoped that the current setup will be eliminated wherein one party (DILG) does the procuring & contracting with another party (LBG) paying and a third party (PLGU) benefiting. Certainly, this must be a key principle in any post-PRMF scenario.

Institutionalizing the use of the Contractor Performance Evaluation System (CPES) and its accreditation process should be an integral component any procurement capacity building program.

[Continue research](#)

The LGI tax study was identified from analysis of PRMF M&E data. Additional studies can be generated from that dataset that could enhance the appropriateness of future interventions. In order to enhance the utility of the findings, these studies should be carried out in multiple locations and use varied options as appropriate for the local institutional and natural environment.

The shift to MBA requires that PRMF initiate a comparative study on the different approaches to maintenance by administration currently in use by the 10 provinces with the view to engaging all provinces in a dialog on how traditional approaches can be effectively, and legally, improved upon. This will provide important information for the formulation of guidelines on efficacious maintenance options during and subsequent to PRMF.

The Guimaras pavement research will need to be continued to determine whether the material options can be applied without the use of the compactor equipment.

Assist Bohol in setting up the appropriate institutional arrangements to assess the utility of its planned approach of contracting barangays for road maintenance and assess results of interventions progressively during the remaining PRMF implementation period. The results of this experiment should inform future work in local road management.

[Improve communication with provinces](#)

Both DFAT and PRMF should share with the source provinces all analyses and reports generated through primary surveys and data collection

PRMF should immediately begin to share its M&E reports with all provincial Governors.

[2 How to sustain gains in the future](#)

Given the potential reduction in PRMF budget through to the end of project life, these recommendations are aimed primarily at DFAT for incorporation in any post-PRMF infrastructure governance programming.

[Focus attention on a successful completion of the NPLRM design and approval](#)

The Working Group designing the NPLRM appears to be working well. However, the ER suggests that, if at all possible, the structure of the NPLRM should avoid being dominated by a single agency. It may actually be more appropriate to avoid a national structure altogether, leaving the national role limited to the approval of regional budget allocations by a multi-agency Steering Committee, implemented by DBM. The Union of Local Authorities of the Philippines (ULAP) should also have an observer membership

to properly represent all LGUs. A set of Regional Road Boards, with representation from DILG, DBM, DPWH, NEDA and DENR should be considered as the primary implementing vehicles. This would enhance the potential for focusing on road integration with other infrastructure, both within and between provinces. CRID should be encouraged to increase their involvement in the working group to facilitate the involvement of the business sector and the views of LGUs below the provincial level.

Although it appears clear to the ER Team that no single agency should be considered as the sole lead agency for the NPLRM, DILG is the only national counterpart with a presence in all LGUs. However, both its regional and provincial offices already complain of work overload. The roles and responsibilities of partners will need to be distributed based on their legal mandates and capabilities.

Possible roles on the Board could include: DILG as lead on oversight, DPWH as technical lead, NEDA to lead on planning coordination, DENR as lead for environmental oversight and DBM as the lead funding agency.

In addition, DFAT should be cautious in supporting the notion that the NPLRM should focus on PRMF provinces alone in the first year or in assuming that additional provinces would require similar capacity building support prior to entry in NPLRM. It may likely be possible to identify a number of provinces (and cities as they will also be engaged through the RBIS mapping) that will be able to quickly pass entry qualifications with minimal support. This would help to sell the concept as an efficient mechanism to spend underutilized budget resources.

Nevertheless, many LGUs will need considerable support in terms of orientation, skill training and equipment in order to regularly and accurately update the RBIS data once it has been entered. DFAT may consider supporting LGUs to establish joint ventures among several LGUs and private sector collaborators in order to share the cost and reduce the risk of 'brain drain'.

As planned, COA will need to be brought in on the NPLRM to standardize documentation of road assets and to set depreciation schedules. These should be formally included in the National Accounting System that is currently under revision. This process will likely require financial, and possibly technical, support from DFAT to train and prepare local accountants that would assist the provinces and cities.

Utilize more 3rd party assessment, benchmarking and ranking

The Australian Government has issued a set of Value for Money principles. PRMF should prepare a brief for DFAT to use in subsequent programming that helps government partners at all levels to understand their role in ensuring a program is efficiently managed.

Critical to the success of NPLRM will be proper screening and selection of new LGUs using 3rd party assessment of potential enrollees. One critical way for provinces to learn is for them to bear consequences for their actions, or inaction. Provinces involved in

NPLRM should undergo regular, and rigorous, 3rd party assessment of their critical governance, financial and technical systems. Provinces that consistently fail to improve, or that backslide, should be warned and then eliminated if improvement is not forthcoming.

DFAT can support the rollout and implementation of NPLRM, with an associated governance and technical capacity development program as a successor to PRMF. All LGUs interested in accessing NPLRM resources should undergo a similar financial and procurement system review as that conducted in Davao del Norte.

Motivation through program full ownership is vital to the success of future programming. Those LGUs that pass should be facilitated with funds from Australia to enable them to directly procure supplementary goods and services (it is assumed that road management funds will be derived from government resources). It is likely that such a move would prove to be a significant incentive for other provinces to seek assistance in upgrading their own system capacities.

Ensure national program focuses on more than spending money by requiring several criteria for continued funding

DFAT should secure a seat on the national Steering Committee of the NPLRM due to its facilitating role in its creation in order to ensure all critical aspects are pulled together in a single package.

Future NG/LGU road management collaboration needs to be driven by economic rather than budgetary considerations. DFAT should foster a closer collaboration between CRID and PRMF, particularly in provinces where both are operating. This will be especially critical in the preparation of the NPLRM, and its subsequent implementation. It also will be important that the PRNDPs are utilised in decision-making.

DFAT should consider offering to play a substantive role in capacity building, assessment and monitoring. In addition, DFAT should think how it could assist in the eventual integration of municipal and barangay roads into the program. An unintended consequence of involving the regional and provincial DILG offices in road contract procurement and oversight would be that their understanding of the process has now been enhanced.

It will be important for DFAT to work with the national Government to design incentive systems that orient PLGUs to economic targets rather than merely construction targets.

A part of the design principles of NPLRM should be to facilitate provincial and, multi-provincial, island road network coordinating mechanisms. DFAT has an advantage in that it also supports CRID. The CRID Strategic Road Link through Value Chain Analysis approach is an important analytical addition to the PRMF PRNDP. Both of these could serve as models for adoption under the national program.

Focus on participation and landscape approach is integral to next phase. PEO's should be incentivized to engage in collaborative road design that brings local social, economic

and environmental knowledge to the overall approach. Local conditions, rather than donor assumptions, should drive future designs. PRMF should develop a simple, participatory facilitation manual to support the integration of the landscape approach and citizen participation into road design and maintenance.

Community participation on road design and maintenance should be considered as a necessary element for LGUs action that would be required to continued access to NPLRM resources. A useful collaboration to pursue could be with Kalahi-CIDSS as it is currently the most successful large program focused on community participation.

The environmental aspects of road management have received limited focus under PRMF. DFAT should consider allying with DENR to introduce an implementable landscape approach that engages road designers and citizens to build a collaborative understanding of the systems dynamics that facilitate a positive, long-term road/community interface.

In line with national law, DFAT should seek appropriate partners to assist in preparing guidance for provinces on how best to integrate accessibility needs into design.

External resources should be sought to fund a nationwide series of road management research issues. These could involve road surface options, maintenance options, citizen participation options, as well as analyses of how various LGUs utilize the NPLRM resources with a focus on the resultant impacts on socioeconomic variables.

[Support provinces to prepare own sustainability plans](#)

The preparation of provincial sustainability plans prepared by the executive and confirmed by the local council, will be important to prevent loss of institutionalization of reforms after the end of PRMF. This plan should be viewed in terms of integration of boundary partners and of involving CRID, PRDP and other related programs.

One aspect of a sustainability plan to consider would be the option of corporatizing aspects of road management operations through a joint venture that would potentially reduce the costs to an LGU for maintaining equipment and other facilities. In addition, a wide array of potential joint venture options should be introduced to LGUs that are interested in improving their ability to manage their road network while lowering their costs.

[Build experiential learning framework to enhance innovation and adaptation](#)

All CD interventions will continue to require follow-up after PRMF to ensure the skills are fully internalized and retained. PRMF should begin work immediately on creating a network of local service providers that have the capacity to deliver quality support that can be called upon, for a fee, by provinces. In addition, a set of accredited provincial trainers and mentors should be identified who can provide support within their provinces and to other provinces. This process will need some DFAT assistance to continue its operation after PRMF, but the framework should be established such that local service

providers, vetted by PRMF, should be assisted to make their services directly available to LGUs, for a fee, as a critical sustainability mechanism.

LGA involvement in the development of e-learning materials is good, but the actual use of the materials will need to be carefully monitored. This needs to be seen as just a part of a common learning platform that can be used to encourage LGUs to initiate learning without being a part of any specific donor funded road program.

Peer learning is both effective and efficient. In general, better documentation of gains made by the provinces following capacity development interventions is needed. This should be tied to provincial sustainability plans and internal succession plans identifying what additional work is required.

Peer mentoring at the executive level should be further encouraged, and subsidised, well before PRMF staffing is reduced. This will be important for bringing new provinces into the NPLRM so that they are oriented towards a holistic approach to road management as opposed to a standard proposal/implementation modality.

The PRMF successor program should continue to include short and long-term scholarships for study abroad, support to the creation of a community of local CD providers and mentors that are oriented to road management (something that PAHRODF and LOGOTRI are not). This community should include professional associations and NGAs, like DPWH and DENR. Continued support for building modern engineering design capacity and the provision of surveying & mapping equipment will also be necessary for the less well-endowed LGUs. Links to the Australian Road Research Board (ARRB) would be beneficial in building sustainable capacity.

All this will require that PRMF do a complete job of codifying all of their CD interventions in a set of simple, facilitative manuals that can be readily used for such follow up. In addition, the current research modules need to be finished and documented so that PRMF will have time to disseminate them as options for consideration by other provinces.

[Consider incorporating a participatory approach for LGU office re-alignment \(OCAT/PSEP\)](#)

The ER Team recommends that PRMF/DFAT assess the potential for introducing the Public Sector Excellence Program (PSEP), which was developed in the Philippines about 15 years ago, as a tool for rapidly, and efficiently, building organizational capacity to make most effective use of enhanced individual skills. Existing PRMF staff, particularly the Bohol PM, already have a deep understanding of the processes involved. Many other certified PSEP facilitators are available in, or near, many of the PRMF provinces.

In addition, Organizational Capacity Assessment Tools (OCAT) are also available from a variety of sources. These are typically for self-assessment, not requiring the use of a facilitator as in the case of PSEP.

DRAFT – PRMF EXTERNAL REVIEW

INTERPRETATION

The activity as a whole shall be entitled: “PRMF External Review”.

COMMENCEMENT AND COMPLETION OF SERVICES

The Contractor shall commence the services on **17 November 2013**, which date is known as the PRMF External Review Starting Date. The Contractor shall complete the services no later than **31 January 2015**.

BACKGROUND

The Aquino Administration in the Philippines maintains an important policy to reduce poverty by improving basic services for poor communities. This approach includes improvements in basic services and particularly local government performance. The Department of the Interior and Local Government (DILG) is a key national government agency that oversees local government, and seeks to augment the poverty reduction arrangements through incentives programs. These include the Performance Challenge Fund (PCF), the Seal of Good Housekeeping (SGH - undergoing revisions that will result in a Seal of Good Local Governance), and Bottom-Up Budgeting (BUB - now Grassroots Participatory Budgeting). The DILG plans to expand local governance reforms by broadening the incentive programs so that they incorporate specific governance themes and sectors. One is a sectoral incentive program that focuses on Local Road Management through the National Program on Local Road Management (NPLRM).

The NPLRM aims to help provincial governments improve Local Road management (LRM) practices. It has three main objectives, to:

Improve government processes and practices in LRM;

Improve progressively local road conditions by providing additional resources as an incentive to eligible provinces that have demonstrated reforms in LRM practices; and,

Improve coordination between national government programs in LRM.

The program will support the National Government’s Convergence Program for inclusive growth and development and contribute to improved accessibility to services and poverty reduction.

The Australia-Philippines Development Cooperation (2012-2017) Statement of Commitment supports local government reforms through performance incentives. The Australian aid program is assisting the DILG in implementing such reforms initiated through the Provincial Road Management Facility (PRMF).

The PRMF is large and complex, involves significant interaction between a range, of geographically, widely distributed organisations. It is important in such programs to focus on the overall goal, to ensure that they eventually are achieved. The overall Facility goal is to improve the capacity of the DILG and the Provincial Local Government Units (PLGUs) to deliver basic road infrastructure services. This will enable increasing economic activity and improving public access to facilities and services in partner provinces in the southern Philippines. Once this goal is achieved, it could be utilised as a model for adaptation across all provinces.

The primary, PRMF, Phase 2 objectives are to:

Help the GOP to develop a NPLRM

Help the GOP improve upon and establish recurrent funding for Local Roads Management;

Help the DILG improve upon and Capacity Development for Local Roads Management;

Help the PLGUs improve upon planning, management and maintenance of local road networks, with an emphasis on core networks;

Help PLGUs in developing institutional capacity to manage the maintenance and rehabilitation of core provincial road networks to sustainably maintainable condition; and

Help the PLGUs develop better systems and capacity generally to manage provincial road networks transparently, and sustainably with accurate, useful annual reporting of provincial road asset values and public utility (connectivity).

The PRMF is focusing on:

Enabling the DILG or another agency to administer the funding for local roads management;

Improving provincial road network management through routine annual and periodic road maintenance, and targeted road rehabilitation utilizing a relevant scope of works for each environment; and,

Building PLGU capacity to fund and conduct road sector planning and management.

An experienced Consultant will be recruited to assist the FMG in reviewing progress to date, and specifically since submission of the Independent Progress Report (IPR). The Consultant will provide a Team Leader with extensive experience in governance generally, and sub-national governance specifically, development policy and practices, and empirical and analytical research on national programs for local government. The Team Leader position is classified D4 in the Australian Aid Program Adviser Remuneration Framework. It would be an advantage if the person has had experience with the PRMF.

There will be two supporting specialist positions. The First Specialist will be a Philippines national with experience in development assistance, development practices,

governance, and in empirical and analytical investigation of national programs for local government. It is anticipated that the First Specialist will have significant Philippines experience in similar programs, and would be an advantage if the person has had experience with the PRMF.

The Second Specialist will be a Philippines national with social and economic research, and quantitative Monitoring and Evaluation (M&E) experience, particularly for decentralised programs with governance outcomes.

THE SERVICES

The Contractor shall provide the following services:

Review Objectives - The Facility Management Group (FMG) objective for review is to review overall progress PRMF progress, particularly since the IPR was submitted. The review findings, and recommendations for remedial actions, will be utilised as bases for management decisions and subsequent changes in implementation policy, and strategy. This will provide guidance to the FMG and DFAT on the PRMF status, and direction, and to the Support Contractor for the remainder of the PRMF

Scope of Work - The contractor will:

Design the review methodology in consultation with the FMG incorporating up to 3 field visits (desk work).

Conduct a brief review and assessment of the past and current program policies, strategies and approaches (desk work) – Were the policies, strategies and approaches relevant and effective, and why?

Review and comment on program implementation of the IPR recommendations (desk work) – Has implementation of the recommendations added value to the PRMF, and why? Have any important recommendations been neglected, and what further action is required?

Review and comment briefly on the relevance and value of the PRMF:

- PRMF planning - Is there too little, enough or too much reporting, and how could it be improved?
- PRMF financial management, cost-effectiveness and value for money – Is the financial management adequate, is it cost-effective for the donor, does it constitute value for donor money, and is spending sufficient to maintain donor confidence and support?
- Provincial road planning and design process - Is there too little, enough or not enough reporting, how could it be improved, is it sustainable, and what else is needed?
- Capacity Development Framework and strategy – Is it relevant, and what more is required?
- M&E framework, strategy and reporting – Is the new framework and strategy more effective and responsive than previously, and how could it be improved within the PRMF life?
- Periodic reporting – Is there too little, enough or too much reporting, is the content useful, data sufficient and applicable, and how could it be improved?

- Program, and operational policies (incentives, scope of services, procurement, project management – Are they relevant and effective and how could they be improved?)
- DFAT policies and support to the PRMF - Are they relevant and effective and how could they be improved?
- FMG policies and direction - Are they relevant and effective and how could they be improved?
- NPLRM progress and approach – Are the direction, approach and assumptions relevant, and how likely is it to be effective?
- Research and development on community-based contracting and use of local materials for physical works – Is the research too broad, correctly focused, or too narrowly focused, how could it be improved, and what should the next steps be?

With particular reference to the program objectives, the MSA and MOA, and developments in the specifications and policy on procurement, physical works and capacity development, provide advice and recommendations for the remainder of the PRMF, and the nature of a potential successor program. The approach should include but not be limited to:

Analysis of data from routine monitoring – What are the trends from data, what else should be monitored, and how could collection be improved?

Analysis and data from previous reports, and particularly the immediate previous quarterly and M&E reports – What overall trends emerge from these sources?

Field interviews with key informants and stakeholders (implementers and beneficiaries) and data collection (locations to be decided in discussion with the FMG and Support Contractor – Likely locations are Manila, Bohol, Guimaras and Lanao del Norte if time permits).

Interviews and discussions with LBG, DFAT, FMG, DILG, and PLGU personnel in the field and central offices.

Analysis of the strategies being followed to establish national and provincial DILG engagement in the PRMF and the implications of these for sustainability in local roads management – Is the DILG the right counterpart, is the relationship effective, how can the relationship be improved, and which other counterpart might be considered for future programs?

Analysis of the strategies being followed to establish PLGU engagement in the PRMF and the implications of these for sustainability in local roads management – How effective are the strategies, how can they be improved, and what is the prognosis for sustainability?

Qualitative analysis of the results of the of PRMF Mentor Training and Capacity Development Program, to determine the capacity outcomes that may be attributed to raised awareness, increased knowledge and skills, and improved PLGU implementation know-how – What has resulted from this program, and how can it be improved?

Report on objective-related trends that may be identified as a result of the PRMF – What has happened as a result of PRMF intervention, how can it be improved, and is it sustainable?

Report specifically on positive and negative changes in PRMF implementation, to date.

Recommend specific, relevant, feasible policy and implementation changes that might be introduced during the remaining life of the PRMF.

Provide a report summary utilizing Quality At Implementation (QAI) headings, with quantitative analysis, where relevant, to indicate trends (to be discussed with the Facility Director).

Analyse the implementation of the New Incentives Program and recent pilot field test, and compare it with the previous PRMF incentives approach. The insights derived from this analysis will help future incentive program design, particularly as might be relevant for the NPLRM.

Duration, Timing - The contractor shall perform the work remotely and in the Philippines. The schedule is:

Review Group Leader (international):

- Desk work 10 days;
- In-country 25-days (in two missions).

First Support Specialist (Philippine national):

- In-country 38-days.

Second Support Specialist (Philippine national):

- In-country 20-days.

Outputs - The review schedule is in Table 1:

TABLE 1 – Indicative Schedule and Outputs

Outputs	Commence
Implementation design and work plan	17/11/2014
Deskwork (reading, desk research preparation, instrument design, etc.)	26/11/2014
Fieldwork (Manila and one provincial visits)	08/12/2014
Inception report (submission in MS .docx)	18/12/2014
Fieldwork (Team Leader - Manila and up to 3 provincial visits)	10/01/2014
Workshop on findings (Makati) – timing to be confirmed*	20/01/2014
Draft review report – timing to be confirmed*	22/01/2014
Final report	30/01/2014

Legend: * The review outcomes will influence the DFAT Executive Committee’s decision on PRMF funding from February 2015 until June 2016. The timing of these outputs may need to be changed slightly.

Institutional Arrangements - The consultant will be contracted by the DFAT, and supervised by the PRMF FMG. The Support Contractor, the Louis Berger Group, will provide logistics and security support for the contractor.

Qualifications:

Review Group Leader:

- 15 years advisory and consultancy experience, particularly in development;
- Subject area expertise;
- Thematic experience;
- Significant sub-national governance experience;
- Philippines experience;
- Relevant, post-graduate qualifications; and,
- PRMF experience will be regarded highly.

a. First Support Specialist:

- i. 15 years advisory and consultancy, particularly in development;
- ii. Subject area expertise;
- iii. Thematic experience;
- iv. Local government sector experience will be highly regarded;
- v. Philippines advisory and consultancy experience; and,
- vi. Relevant, post-graduate qualifications.

b. Second Support Specialist:

- i. 10 years advisory and consultancy, particularly in development;
- ii. Subject area expertise, including engineering;
- iii. Thematic experience;
- iv. Local government sector experience will be highly regarded;
- v. Quantitative analysis and interpretation; and,
- vi. Relevant, post-graduate qualifications.

Annex 2 List of Persons Consulted

National/Regional

DFAT

Geoff King
Erika Geronimo
Emmanuel Joseph Solis II

FMG

Rex Kinder
Harvey Buena
Rosalina Ylaya
Cheryl Agustin Flores

External

Bing Bonoan-TAF/CRID
Atty. Al Agra, PPP Center

NEDA

Ruben Reinoso Jr.

PAHRODF

Millalain Javellana

PRMF – LBG

Tom Thomsen
Luke McNamara
Graham Goodwin Jones
Ed Cetnarski
Nelson Doroy
Eric Baculi
Jun Ravanes
Don Almonacid
Ananias Fernandez Jr.

DILG

USec. Austere Panadero
Dir. Rolyn Zambales
RD6 Atty. Anthony C. Nuyda, Ceso III
MLGOO V Christian Nagoynoy
ARD Elias Fernandez Jr. CSEE

LGI

Ma. Lourdes Reyes
Pamela Quizon
Bon Masangcay

Provinces

GUIMARAS

Provincial Government of Guimaras

Gov. Samuel Gumarin
Asst. RAAT Elena Quezon
Acting PE Engr. Ranilo Villasis
Engr. Jane Occena – Planning Division
Engr. Lolita Alelis – Maintenance
Division

Engr Francisca Malcon – Construction
Division
Marilyn Gallego – TMPF Association
Jane Gania – TMPF Association
Gualberto Galea
Atty. Jehiel Cusa (PLO)

PRMF- Guimaras

Evan Anthony Arias

DILG Province

Alan Alvidera

BOHOL

Provincial Government of Bohol

Gov. Edgar Chatto
PE Ben Redulla
Atty. Mitchell John Boiser
Atty. John Titus Vistal
May Limbaga
Joseth Celocia
Eustaquio Socorin
Engr. Zosimo Mejias
Engr. Maximino Aton,
Engr. Emmanuel Caberte
Engr. Einstein Gonzales
Engr. Angelita Fuderanan
Engr. Vilma Baguhin
Ms. June Blanco
Engr. Euniterio Ceniza
Engr. Camilo Gasatan

Engr. Florita Duavis
Engr. Richard Bompat
Florinda Amora
Edgardo Orig
Engr. Evelyn Ayuban
Paul Rabuya
Samuel Racho
Jovencia Ganub
Josefina Relampagos
Senen Bojos
John Edward Cabagnet
Niño Lanoy
Veronica Apipe
Sofia Guadez
Marc Rey Irig
Oliver Salas

PRMF-Bohol

Linda Paredes
Engr. Jojo Julian
Engr. Josue Montaña
Ms. Bernadette Camilo

Engr. Rey Dante Castillo
Engr. Emilie Castillo
Engr. Chris Dunque
Julie Ann Villocido

DILG-Province

PD Loisella Lusino
Redemcion Cag-ang

Ted Mascarinas
Juliet Olalo

Community Residents

Nenette Cahapon
Bienvenida Borcelas
Fulgencion Moncano
Nelson Borcelas
Ricardo Barbanida
Angelo Apostol
Cresente Borulas
Teodora Taray
Anecita Apostol
Romualda Palug
Edliberto Amoncio
Tomas Garsuta Jr.
Cecilio Villapaz
Doreteo Garsuta Jr.
Jeesa Rebayla

Amagely Sumabong
Jelly Pana
Zenona Pana
Estrella Madaje
Germiniana Moncano
Rosario Dapiton
Felipa Moncallo
Pedro Madaje
Jocelyn Amoncio
Leonarda Barbarida
Nida Padel
Jeanilyn Redubla
Alberto Pergu
Jose Lopez
Basilides Balo

Cirilo Gatase Jr.
Maria Odessa Dote
Gilda Marie Mediquiso
Marietta Jao
Clarissa Estoque

Edgardo Langamin
Florita Dunis
Rosario Arado
Preciosa Sumaylo

LANAO DEL NORTE

Provincial Government of Lanao Del Norte

Gov. Khalid Dimaporo
Brigida S. Tangonan
Melba A. Maghuyop
Anecita Lendio
Donna Bella F. Aguilar
Roland D. Clam
Bernie Caroro
Chirelyn Leopoldo,
Virgilio C. Aleria
Tyrone Jan B. Ogarte
Roger Aguaviva
Joselito Quibranza
Herma Seruela

PE Ging Borillo
Eugenie Pusing
Ramon Serapio
M.V. Ballesteros
Edgardo Cabo
F. Henoctan
Zaidamin Manding
JP Paitan
Sahara Umpa
Susana Jane Angoos
Juliet Amas
Charles Andot
Sofronio Graciosa

Community Residents

Anabel Emnace
Gina Pahayahay
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Susan Cabrera
Jocelyn Romande
Aini Sedenis
Rebelen Marquilla
Fe Bulacoy
Marivig Euguio
Norma Pantalleno
Editha Ogaub
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Anaclita Rulona
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Emma Albana
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Bartolome Olivar
Ferdinand Bacdad
Allan ALom
Lorita Obedas
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Dalisay Saldua
Ryan Bulad
Jimmy Alfeche
Cresenciano Ayuda
Eleuterio Ayuda
Beatriz Solatomo
Zalamin Manding
Ivy Galo
Tino Nasario
Analiza Genilla
Sherlita Lumingkit
Antonio Bernido
Eric Omisol
Erenia Mabalad
Rosita Tagalopin

ILOILO

PA Raul Baniyas
Engr. Gracianito Lucero

NEGROS OCCIDENTAL

PE Ernie Mapa
PHRD Officer Virginia Parreno
Ms. Lucille Gelvolea, PRDP Sec Head