

Provincial Road Management Facility

INI 171

INDEPENDENT PROGRESS REPORT

Paul Lundberg (Team Leader)

Julie Hind (Monitoring and Evaluation Specialist)

Rafael Coscolluela (Local Governance Specialist)

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As this is an independent report, the views expressed herein represent those of the IPR authors and do not necessarily reflect the views of AusAID or the Government of the Philippines.

Aid Activity Summary

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Author's Details

Paul Lundberg (Team Leader) A specialist in Governance with experience serving with USAID and UNDP in Asia and Africa

Julie Hind A specialist in M&E and Capacity Development with experience in Australia and various countries conducting evaluations of AUSAID projects

Rafael Coscolluela (Local Governance Specialist) A former provincial governor, presidential advisor and chairman of the Galing Pook Foundation for innovation in local governance.

List of Acronyms

ARRB	Australian Road Research Board
AUD	Australian dollars
BAC	Bids and Awards Committee (provincial)
CD	Capacity Development
CIME	Community Impact Monitoring and Evaluation).
CSO	Civil Society Organisations
DILG	Department of the Interior and Local Government
ECCD	Early Childhood Care and Development
EMS	Environmental Management System
FDD	Facility Design Document
FMC	Facility Management Consultant
GIS	Geographic Information Systems
GPH	Government of the Philippines
HR	Human Resources
IMG	Implementation Management Group
IPR	Independent Progress Report
ITA	Independent Technical Audit
LCE	Local Chief Executive
LGA	Local Government Academy
LGU	Local Government Unit
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MSA	Memorandum of Subsidiary Arrangement (between AusAID and GPH)
MOA	Memorandum of Agreement (between AusAID and province)
OSR	Own Source Revenue
QAI	Quality at Implementation (Report)
PAHRODF	Philippine-Australia Human Resource Organizational Development Facility
PALS	Philippines Australia Local Sustainability
PC	Provincial Coordinators
PDPFP	Provincial Development and Physical Framework Plan
PEO	Provincial Engineer's Office
PGO	Provincial Governor's Office
PIAO	Provincial Internal Audit Office
PMO	Program Management Office
PRMF	Provincial Road Management Facility
PRNDP	Provincial Road Network Development Plan
PSC	Program Steering Committee
PW	Physical Works
SFMP	Strategic Financial Management Plan
SOS	Scope of Services (between AusAID and FMC)
TAF	The Asia Foundation
TMG	Technical Monitoring Group
TOC	Theory of Change
USAID	United States Agency for International Development
WIPS	Working in Partner Systems

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Executive Summary

Background and context

1. This Independent Progress Review was conducted on the Philippines Provincial Road Management Facility (PRMF). PRMF was approved in concept by AusAID and NEDA in 2007. The Philippines has a population of 90 million with an extensive road network of an estimated 201,000 kilometres of roads of which 85% falls under the jurisdiction of local governments. The program design recognized that sustainable provincial infrastructure requires regular maintenance, adequate prioritisation and planning, sufficient budget and adequate contracting, financial management and monitoring procedures. The design also noted that the Philippine Republic has been falling behind benchmark countries in Asia with regard to the quality of its rural road infrastructure over the past several years.
2. The program was initiated in 2009 in seven provinces with three additional provinces added in 2012. PRMF has been managed by a Facility Managing Contractor (FMC) that reports to a Project Steering committee comprised of AusAID and the Department of the Interior and Local Government (DILG). Just prior to the start of the IPR, AusAID and the PRMF FMC agreed to “part ways” on PRMF. AusAID and the FMC negotiated a six month transition plan to position the program to shift to new implementing arrangements. The IPR team was not privy to the details of this decision, but it is evident that AusAID Manila found the FMC’s implementation style and quality to be out of sync with the program’s designed intentions. In addition, the Independent Technical Audit (ITA) of October 2011 noted that “The detailed design and construction implementation can be considered unsatisfactory.”

A summary of the activity objectives, components and progress to date.

3. The Provincial Road Management Facility is a \$100 million bi-lateral grant over five years that seeks to promote economic growth and improve public access to public services, thus far in the southern Philippines. The Facility is expected to contribute to this goal by rehabilitating and maintaining a core road network in selected provinces and through strengthening provincial government systems, but, for a number of factors that will be detailed in the main report, progress towards this target has not been commensurate with the time and funding utilized.
4. AusAID provides annual base funding of AUD one million to each province, which is used for capacity development and physical works. The primary physical works expenditures have been used primarily to undertake significant rehabilitation of short segments of roads (totally ~70 km in all provinces to date). The initial road segments were selected prior to the initiation of the services of the FMC, as were the designs of the first year roads.
5. Overall the Facility has experienced significant delays in disbursing funds due to a range of issues. The Facility has contracted 44% of the total of the AUD 46,972,854 budget for fiscal years 2010, 2011 and 2012. Of this contracted amount, 80% was disbursed as of December 2011. While the 2010 budget was 99% contracted out, the succeeding years suffered low contracting (45% for 2011, 6% for 2012).
6. Nevertheless, all seven provinces have adopted a comprehensive approach to human resources (HR) beyond traditional personnel management and training and were able to prepare and update a Provincial Road Network Development Plan (PRNDP) as the basis for their road maintenance and rehabilitation strategy. Road-related competencies such

as geographic analysis and mapping, road selection, road design, environmental management, and construction supervision have improved. Also, community participation in the selection, implementation, and monitoring and evaluation of road projects has increased in all seven provinces.

7. In addition, all seven provinces have created an internal audit office through an ordinance and have allocated a budget for the office starting 2011 and have organized their Bids and Awards Committee (BAC) under relevant national law and are now capable of handling procurement for PRMF and local projects. Each of the seven also prepared a Strategic Financial Management Plan (SFMP), which have been used as basis for revenue generation and expenditure management. The level and quality of implementation of the SFMP, as would be expected, varies across all provinces.

A brief outline of the evaluation findings.

8. The key findings of the IPR team point to the need to re-consider the way that PRMF has been structured and implemented. As noted below, the initial program design is correct for achieving its objectives and is relevant to the goals of the Philippine Development Plan. There is also evidence that PRMF has been effective in introducing administrative reforms into the partner provinces and that these reforms have improved the management of provincial roads. These reform measures have achieved significant gains, but these improvements are still largely at the technical/mechanical/administrative skills levels. The original PRMF logframe (prepared prior to the selection of the FMC) concentrates on technical skills provision with little or no indication that decision-making and other critical governance changes are intended. This original design guidance undoubtedly helped shape the approach taken by the FMC. In addition, the transfer of risk from AusAID to the FMC alone through the SOS made it difficult for alter the approach as they bore all risks for program implementation. Management of risk is a significant factor in determining the emergent pathway of any program. Shared risk greatly enhances the potential for innovation, adaptation, learning and institutionalization.
9. Conversely, the physical works accomplishments, a prime *raison d'être* for the creation of the program, are nowhere near the targets, which, in fact, are deemed unattainable by the provincial teams. It would appear that the decision to introduce PRMF operations in each province through a sophisticated rehabilitation of a badly damaged road section has proven counterproductive. The pre-determined scope, high cost and technical standards placed this approach beyond the capacity of the partner provinces and reduced their learning potential. In addition, initiating the project in this manner deflected attention towards externally designed technical solutions rather than focusing attention on building local decision making capacity. The SOS appears to include a more restrictive approach to maintenance management than originally envisioned in the FDD, thereby disregarding local innovations that had been used to define the FDD principles. The management structure has been prone to be inadequate in handling policy issues and slow in resolving operational issues. The PRMF model for community engagement in the physical works represents an improvement over past practice, but is still limited to information and consultation, missing opportunities for deeper collaboration.
10. One of the reasons for the slow progress on capacity development and physical works is that all of the risks are currently borne by the FMC, leaving the provinces unaccountable except for attaining their individual incentive targets. In addition, the centralized management structure has led to higher than necessary transaction costs in terms of both time and money. This has resulted from a one-size-fits-all approach and is leading some provinces to adopt administrative modifications that might not be necessary to achieve the desired outcomes.

11. Without a significant change in the current program implementation style to one that is more in line with a participatory partnership model, the IPR team does not believe that the broader local government reforms and the road management standards introduced by PRMF are sustainable, nor would it be possible to expand the program in its current format and cost structure into provinces beyond the existing ten.
12. The key constraints to facilitating either sustainability or expansion lie in the fact that all major program interventions are driven by the program vision and, to date, its interpretation by the FMC rather than the visions of the partners. The costs and technical standards presented cannot be matched by any rational expectation of future provincial budgetary resources. These constraints are not tied to the scale of AusAID resources or any *a priori* set period of engagement with the provinces. These input factors are immaterial to success without being associated with a shift to an endogenous model of development wherein the national government and the provinces take on a greater level of responsibility for program outcomes.
13. The underlying design assumption – that outside experts can provide technical solutions to fix the problem of poor road management – has proven to be counter-productive. In other words, achievement of the PRMF program objectives cannot be accomplished without significant restructuring to increase the role of the Government in program management, to build capacity of the political leaders to integrate program inputs into innovative problem solutions and to enhance the communities' appreciation of their role and responsibilities in road management.
14. In order for PRMF to improve its results, AusAID must distinguish between two opposite problem archetypes – technical and adaptive systems problems. Technical problems are problems for which solutions have already been developed. Adaptive systems problems are problems for which a society has not yet developed a sustainable solution. The lack of proper attention to road maintenance is an adaptive systems problem that has to be solved by the system's political stakeholders...supported by outside experts.

A brief outline of the lessons and recommendations.

15. The above points do not imply that the IPR team thinks PRMF should be discontinued or that it should not be extended in time past its current end date. On the contrary, PRMF represents a significant shift in thinking about donor/LGU relations on road management in the Philippines. The PRMF concept is vital to improved economic conditions and access to basic services by the poor and excluded. There is much work left to be done in this area and PRMF can still make a valued contribution.
16. Nevertheless, based on these preliminary findings, the IPR team recommends significant structural changes in the program management arrangements and implementation style in order to institutionalise the policy reforms in the routine operations of partner provincial governments. It is important to note here that all of the recommended changes are based on documented practice from the Philippines.
17. The key recommendation for improving the potential of PRMF is to shift away from an FMC-driven program management. Local leaders need to be recognized as the primary change agents. PRMF should consider all local roads in its network management framework- from provincial to barangay level --to encourage the provinces to engage all component LGUs in a joint sense of responsibility for overall road management. Once the mechanism is developed and approved, moving to an output based funding approach would aid in building responsible management. However, utilization of AusAID funding should still be restricted to road rehabilitation and maintenance of segments under the complete control of the provincial government.

18. Over the next 18 months, DILG should be increasingly seen as the lead agent of PRMF. The SOS for the new FMC should be divided between direct technical and management responsibilities and building the capacity of DILG to take on all managerial functions. DILG should begin to work immediately on the creation of a “Seal of Excellence in Local Road Management” based on the new local road management guidelines and additional governance criteria to be determined as a tool to objectively measure road management performance, as suggested by the ARRB technical report. The creation of the ‘Seal’ could be fundamental to the shift from a technical to a systems style of programming by enabling the partners to understand and improve their own systems if it contains a good mix of monetary and non-monetary incentives and particularly if it becomes a norm for the approval of future road improvement loans to LGUs.
19. The physical works program in new provinces should provide for design and execution of appropriate road maintenance regimes that include drainage upgrades, rehabilitation of culverts and protection of erosion-prone side slopes. The ARRB report is in complete agreement on this matter. PRMF should reconsider its strong preference for competitive contracting as noted in the current MSA, MOA and SOS.
20. The introduction of the Seal would also require a shift in the mode of technical training in order to ensure the creation of local capacity to solve problems. The IPR recommends immediately moving away from the CD model wherein the FMC delivers training directly, shifting to a distributed network of service providers, adapted from one that is already functioning under the AusAID-funded PAHRODF, thereby building the basis for a sustainable, and affordable, capacity for technical assistance in local road management beyond the life of the program.
21. A substantial upgrade in financial analysis and feasibility study preparation capacity should be made available to provinces that wish to compare contracting versus administrative options or other alternative financing mechanisms to expand road management capabilities.
22. There are numerous examples of excellent work involving Filipino communities in detailed mapping and modification of land use patterns. These tools should be incorporated into the detailed design work of the road rehabilitation segments to engage communities in actively reducing side slope erosion and road deterioration.
23. A more practical approach to M&E at the local level that builds activities into regular work schedules and promotes M&E for learning and program improvement should be considered.
24. All of the recommendations contained in this report can be fully implemented in a phased manner within a one year period of time using existing resources within AusAID, DILG, provinces and the new FMC. This time frame is both doable and necessary in order to facilitate the creation of a new set of provincial MOA to be signed in July 2013, following the next round of gubernatorial elections.

Evaluation Criteria Ratings

Evaluation Criteria	Rating (1-6)	Explanation
Relevance	5	Design highly relevant, but results are not known in policy arena. Basic assumptions have not been tested. PRMF aligns with the Cooperation Strategy and the GPH development agenda. Review of the program theory indicates that a roads management program that seeks governance reform is relevant in terms of encouraging a broad-based approach to reform in LGUs. However, implementation to date has concentrated on administrative reforms with little attention to critical processes, such as decision-making.
Effectiveness	4	Achieving a suite of administrative reforms and producing a range of useful products such as the PRNDP and SFMP. Has achieved a change in attitude to road sector management, with an integrated approach being taken that is leading to a shared responsibility across work units. Civil society is participating in roads management for the first time. However, there is little or no strategic thinking and the vision and drive for the reforms belongs to the FMC, not the LGUs. The physical works are lagging behind schedule and little has actually been delivered. A one-size-fits-all approach will not result in local ownership and institutionalisation of the needed governance reforms.
Efficiency	3	Poor use of the resources: management structure and processes have led to high transaction costs; prolonged decision-making processes and led to significant delays in implementation, esp. physical works; demands on provinces is excessive, resulting on significant amounts of unpaid overtime; TA and other supports have not been as timely as needed by LGUs. AusAID's aversion to risk has led to the FMC being extremely reluctant to transfer responsibility to LGUs.
Sustainability	3	Some of the reforms might be sustained because attitudes have clearly changed. However, the use of the incentive funds to induce change in the near term reduces the reliability of any mid-term assessment of potential long-term viability of introduced systems. Role of DILG has not been embedded in the program
Gender Equality	3	Gender is being incorporated in to EMS, but stakeholders do not see it is an issue because of the high profile of women in LGUs. For this reason, the issues associated with village women and their benefit streams have not been adequately addressed. Engaging in participatory assessments of land and road use using gender disaggregation tools around planned physical works would be a first step in improving this rating, but such efforts need to become a part of regular thinking.

Evaluation Criteria	Rating (1-6)	Explanation
Monitoring & Evaluation	2	<p>Promoting an interest in M&E, including in outcomes. However, practices being promoted placing extra pressure on provinces and are not very practical. Protracted approvals of M&E framework resulted in no reports being available to PSC or provinces – although the FMC reported having undertaken monitoring and evaluation regardless – this has meant that M&E has not been a management tool. Furthermore, absence of studies to test the key assumptions (contracting; road surface) has meant that stakeholders have no findings to confirm or adapt the promoted approaches. Program theory had not been clarified prior to or during implementation, resulting in mismatch between intention and implementation.</p> <p>Unresolved differences between FMC and the PSC about the content and quality of proposed M&E framework resulted in a protracted period before the Framework was agreed. As a result M&E is not being used as a management tool. A consistent complaint from AusAID and PSC was the absence of useful data. Only one progress report has been provided in the 2.5 years. The Framework has moved away from rigid logframe approach to a results-based, which can be more suitable for complicated programs. It also sets out some useful questions but the one progress report addresses these superficially with little or no analysis.</p> <p>Practices being promoted placing extra pressure on provinces and are not very practical. Provincial staff being trained in systems and skills that are more sophisticated than they need and do not appear to be helped to understand importance of analysis. Program effects are being over-stated.</p>
Analysis & Learning	1	<p>Absence of studies to test the key assumptions (competitive contracting; road surface) has meant that stakeholders have no findings to confirm or adapt approach. Program partners incorporated TMG activities into the implementation as a critical input to ongoing analysis and learning. Four such reviews have been conducted, providing insightful and important information to the partners and the FMC. However, neither partners nor FMC appear to have obtained sufficient traction in uptake of the recommendations. So, whilst good activities to promote learning, little or no action was taken with the information. Plus, M&E and hypothesis testing studies not in place to help identify needed lessons and inform program adaptation. Importantly, partners did move on adverse findings of an independent technical assessment.</p>

Rating scale: 6 = very high quality; 1 = very low quality. Below 4 is less than satisfactory.

Introduction

Activity Background

1. This Independent Progress Review (IPR) was conducted on the Provincial Road Maintenance Facility (PRMF), a \$100 million bi-lateral grant over five years that was designed to promote economic growth and improve public access to public services in the southern Philippines. The Facility was designed to contribute to this goal by rehabilitating and maintaining a core road network of 1000 kilometres in selected provinces and through strengthening provincial government systems. The PRMF was designed in 2008 and began operation in September 2009 under the 2007-2011 Development Assistance Strategy with an initial seven provinces. A further three provinces were added in early 2012. PRMF has been managed by a Facility Managing Contractor (FMC) that reports to a Project Steering Committee (PSC) comprised of AusAID and the Department of the Interior and Local Government (DILG). In addition, there has been a periodic review of PRMF by a Technical Monitoring Group (TMG) from outside the PRMF management structure. An Independent Technical Review was carried out by the ARRB Group (originally named: Australian Road Research Board) as a parallel component of the IPR.

Evaluation Objectives and Questions

2. The TOR prepared by AusAID for this IPR identified two major objectives: 1) to identify implications and recommendations for the design of 'successor' initiatives and inform sub-national strategy development. 2) To assess the PRMF progress to date, including providing assessments and ratings on AusAID's standard IPR categories, with a particular emphasis on: relevance, effectiveness, efficiency; and sustainability. The AusAID Manila clearly advised the IPR team that the priority was to review the project with the intent to propose modifications that would enable it to achieve its objectives in a more effective and efficient manner.

Evaluation Scope and Methods

3. An IPR Evaluation Plan was prepared and approved by AusAID on 13 April. The IPR considered the work of PRMF since its design stage in 2008. The IPR was conducted using a participatory approach. The key participatory processes used were group and individual interviews and small workshop sessions. Interviews were conducted with relevant AusAID Manila post staff, DILG, Bureau of Local Government Finance (BLGF), the FMC (HQ and provincial staff), provincial, municipal and barangay officials, local NGOs and citizens directly affected by program activities. In addition, a review was conducted of a substantial amount of documentation generated by the FMC, AusAID and the partner provinces.
4. Five of the seven original provinces were visited by the IPR team. These included Surigao Del Norte, Guimaras, Bohol, Misamis Occidental and Bukidnon. The provincial visits were conducted from 16 April to 4 May. The IPR Team members spent 3-4 days in each selected province. Each visit was organized by the FMC Provincial Coordinator in consultation with AusAID and the IPR team leader. In the provinces, visits were conducted at key government offices and site visits were undertaken to representative field sites to observe the road work and to interview citizens and their local leaders.
5. Upon return from the provincial visits, the team conducted a series of follow up sessions with the AusAID post, the FMC and DILG. Separate meetings were conducted with The Asia Foundation (working on citizen coalitions and conducting a political economy review of local road management), the League of Provinces and a local government law and

alternative financing specialist. A special half-day workshop was conducted with the AusAID staff (including two from the Canberra Philippines desk) to validate a Theory of Change framework constructed by the IPR team based on their readings and interviews. The IPR team also attended a presentation conducted by separate Technical Review team for AusAID and DILG. The national consultant on the IPR team met with both new and old governors for a half-day session to clarify their view of their role in the PRMF and their perception of how the program could be improved. AusAID Manila provided written comments on the draft report. The IPR team made the minor factual and clerical corrections as requested and elaborated on several specific points (obtaining prior agreement to exceed the 25 page IPR limit).

Evaluation Team

6. The IPR team consisted of Paul Lundberg (Team Leader) who is a specialist in Governance with experience serving with USAID and UNDP in Asia and Africa), Julie Hind who is an M&E specialist with experience in Australia and various countries conducting evaluations of AusAID projects), and Rafael Coscolluela (Local Governance Specialist) who is a former provincial governor, presidential advisor and chairman of the Galing Pook Foundation for innovation in local governance. None of the IPR team members had any previous involvement with the activity. The team proved to be a good mix. Ms. Hind's prior AusAID experience gave the other members valuable background on AusAID organizational norms. Mr. Coscolluela brought a deep insight into the working of the Philippine government, both at national and local levels. Mr. Lundberg provided useful comparative analyses with other countries and other agency approaches to similar situations in the Philippines.

Evaluation Findings

1. The Evaluation Findings and Recommendations presented below embody the IPR team assessments aimed at addressing the High and Medium Priority questions identified in the approved IPR Evaluation Plan. All findings represent a synthesis of inputs collected by the team members from different provinces, stakeholders and other sources.
2. The key findings of the IPR team point to the need to re-consider the way that PRMF has been structured and implemented, with direct implications for future AusAID programming at the local level. As noted below, the fundamental program design is relevant for achieving the objectives of the program and matched to the goal of inclusive growth espoused in the Philippine Development Plan¹ and the goal of the Australia-Philippines Development Cooperation Strategy: 2012-2017². The program has shown evidence of effective interventions that have had a significant influence on provincial capabilities to plan and manage local roads. However, AusAID Manila showed serious deficiencies in the efficient application of its available financial resources for PRMF in both its physical works and capacity development components. The implementation

1 "Inclusive growth means, first of all, growth that is rapid enough to matter, given the country's large population, geographical differences, and social complexity. It is sustained growth that creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty. This is an ideal which the country has perennially fallen short of, and this failure has had the most far-reaching consequences, from mass misery and marginalization, to an overseas exodus of skill and talent, to political disaffection and alienation, leading finally to threats to the constitution of the state itself." Philippine Development Plan: 2011-2016, Chapter One, Manila, May 2011.

2 "The goal of the Australia-Philippines development cooperation program is to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines. Statement of Commitment, Canberra, March 2012.

approach undermined the potential for sustaining the reforms using local resources and for eventually expanding the program into new locations. This is an unfortunate turn for a program that was designed to use improved road management as a means to induce deeper governance reforms³ as the heavy focus on technical perfection deflected progress towards institutionalised governance reform by reducing the incentive for innovation. In short, the IPR team sees PRMF as a classic example of the development fallacy that believes doing things right is better than doing the right things.

3. Based on these preliminary findings, the IPR team recommends significant structural changes in the program management arrangements and implementation style in order to institutionalise the policy reforms in the routine operations of partner provincial governments. It is important to note here that all of the recommended changes are based on documented practice from the Philippines.

Relevance

4. PRMF is well aligned with the GPH/DILG governance reform agenda (Seal of Good Housekeeping, Performance Challenge Fund, LGPMS, etc). An academic paper⁴ on the critical importance of proper local road management to the economy of the nation received front page coverage in the Business Mirror on March 14, 2012. The author, Gilbert Llanto, highlights the importance of investing in local roads and the critical role of local government units in improving their road networks. His key recommendations: raise local revenue; improve procurement of local roads; and create an efficient road network, precisely mirror those of the PRMF design document prepared over three years earlier. This suggests that the original PRMF design remains relevant to real needs in the Philippines, especially given that studies, cited by Llanto, have shown a strong correlation between a good local road network and local economic development and poverty reduction, the long-term objectives of PRMF.
5. The relevance of the specific components of PRMF also continues to hold. Llanto suggests that key factors contributing to the current underinvestment in local roads are: weak local capacity for planning and budgeting; lack of a good local road inventory; and weak local fiscal capacity. Each of these is a critical capacity development area of PRMF.
6. Both Llanto's paper and the Facility Design Document (FDD) note that the vast majority of roads in the Philippines fall under the responsibility of provincial governments and their associated cities, municipalities and barangays. This provides a strong argument and justification for the Facility's focus on road management and governance reforms at the provincial government level.
7. Similarly, PRMF's focus on governance reform is highly appropriate given increasing evidence that governance matters instrumentally for development performance⁵. Of particular relevance is the attention to governance issues of transparency, accountability, fiscal responsibility and a strengthened role for civil society.

3 FDD para 21, "In parallel with improving the provincial road network, the incentive program has a wider longer term development agenda, namely, to promote institutional and governance reform in road sector planning and management."

4 Llanto, G. M. (2011). Investing in Local Roads for Economic Growth. Philippines Institute for Development Studies. Discussion Paper Series 2011-38.

5 Court, J., Fritz, V., and Gyimah-Boadi, E. (2007). Good Governance, Aid Modalities and Poverty Reduction: Linkages to the Millennium Development Goals and Implications for Irish Aid Research project. Advisory Board for Irish Aid. Working Paper No. 5.

8. The use of roads as entry point is relevant, appropriate and advantageous to Provinces, which traditionally have had limited budgets and capacity for road maintenance and consequently, a high proportion of poorly-maintained provincial and barangay roads. This has resulted in a correspondingly high proportion of the population with poor access to markets, government services and basic goods. The narrow interpretation of the definition of provincial roads taken by PRMF failed to recognize that 'provincial' roads do not exist by and for themselves, and leaders cannot limit their effort to only provincially managed roads. All rural roads within the boundaries of a province that are not maintained by the national government are ultimately the responsibility of the provincial government to maintain. Only city road management is rarely addressed by the province. The restriction of road rehabilitation to gravel surface was intended to induce local policy reform, but the ARRB report contends that this limitation deflected attention from more strategic concerns of identifying the appropriate approach to road surfacing under specific local conditions.
9. PRMF represents a new way of managing a donor-funded local infrastructure project in the Philippines by linking capital investment to technical capacity building with the intent to instigate governance reform. It is apparent that no other donor in the Philippines has addressed local road management with anywhere near the same level of LGU participation or focus on maintenance for sustainable gains. For this reason, the IPR has elected to give a highly positive rating on the relevance of PRMF. However, the innovative nature of PRMF has been diluted by its rigid technico-administrative design and overzealous implementation as will be detailed below.
10. Corroboration of the IPR view that the way the FDD was implemented had reduced its inherent relevance has been identified through a brief review of literature on development infrastructure.
 - a. In 1993, Elinor Ostrom (2009 Economics Nobel Awardee) co-authored a synthesis report on the governance of rural infrastructure⁶. This volume was based on field investigations in several countries in Asia and Africa. One of the key findings is that there are no clear distinctions among the functions of infrastructure governance that can consistently guide which should be addressed by a single level of government. The authors argue for a 'polycentric' framework wherein all government entities and affected citizen groups work on a collaborative approach to address the problem rather than seeking a zero sum outcome.
 - b. In 1979, Judith Tendler (now Emeritus Professor of Political Economy at MIT) wrote a USAID evaluation discussion paper on rural roads⁷ arguing for greater decentralization of decision making. She addressed issues prescient of PRMF regarding rehabilitation vs maintenance, hard vs gravel surfacing and maintenance contracting vs administration (particularly labour-based maintenance). She suggested that rather than attempting to get reluctant partners to accept new methods through persuasion, a better approach would be to conduct sufficiently rigorous analyses to generate clear evidence of cost savings associated with different approaches.
 - c. Another USAID evaluation report on the positive socio-economic value of road construction in north-eastern Thailand⁸ "suggests that success came from long-term A.I.D. support of efforts to implement a project that the Thai had conceived, rather

6 Ostrom, Elinor et al. Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective. Westview, 1993.

7 Tendler, Judith. New Directions Rural Roads. USAID, Office of Evaluation, March 1979.

8 Moore, Frank, et al. Rural Roads in Thailand. USAID, Office of Evaluation, December 1980.

than from the efficient implementation of an A.I.D. project with Thai consent and counterpart assistance.”

11. In point of fact, the assumptions brought into the program’s design continue to raise questions as to their appropriateness under Philippine conditions. The high design standards for gravel roads are clearly unaffordable⁹ - as the participating provinces readily admit - and the ARRB report assesses that the standards are near impossible to maintain given the resources available to provincial governments.
12. Nevertheless, Court’s literature synthesis indicates that whilst there is still considerable uncertainty about which dimensions of governance are the most important, the five PRMF reform areas (fiscal responsibility, including attention to procurement; institutional reforms; and management) are highlighted in a number of studies. Certainly, a common theme expressed by the provinces visited by the IPR team was the belief that the five reform areas were the correct ones because, together, they are helping to bring about institutional change in several different work units.
13. On the other hand, in order to capacitate partner provinces, provincial government personnel have been given a comprehensive range of trainings based on targeted “end-state” capacities aligned with the five key reform areas. Affected personnel have expressed appreciation for the skills-building and educational opportunities provided them, but also report being given ‘too much too soon’, leaving them struggling with additional workload (trainings, planning, report-making, etc) and not enough time to perform regular work. PRMF’s Capacity Development agenda could be better programed to match prevailing needs, conditions and absorptive capacity. A ‘one-formula-for-all’ approach is not ideal given variable socio-political dynamics (which, in turn, generate incentive structures based on the interface between written rules and unwritten norms) levels of organizational capabilities and resource limitations among participating provinces. A well-calibrated training/capacity building program along with an assisted hands-on approach would accomplish more physical work output and foster a sense of ownership more quickly.
14. The entry of PRMF not only infused significant fund support for road rehabilitation, but also sparked high levels of interest in and understanding of the importance of provincial road networks and the need to enhance the ability of Provincial Governments to maintain these roads.
15. As a result of PRMF’s capacity development and administrative reform initiatives, participating provinces now have their own PRNDP & Road Maintenance Strategy, clearer priorities and PEO personnel with significantly improved technical and management skills. Local budget allocations (from both General Fund and the 20% Development Fund) for roads have also seen increases in most provinces.
16. Other aspects of the Facility design are also relevant to Government policy and agenda. For example, infrastructure, expanding opportunities for the private sector and an emphasis on the Southern Philippines where the poverty indices are very low, were all cited in the original bi-lateral commitment. The use of technical assistance (a major PRMF method) is noted in AusAID guidelines as an appropriate activity for supporting

9 The first year road designs were prepared directly under AusAID direction prior to the selection of the FMC. On more than one occasion, AusAID attributed the rationale for these initial high end interventions to the need to ‘spend money quickly’ and the need ‘for high visibility’. The IPR contends that neither of these objectives has been achieved, instead, the program continues to suffer from the unintended consequences of that initial management decision. The PRMF design budget was based on the assumption that road rehabilitation would cost an average of two million pesos per kilometre. Actual PRMF construction costs have averaged more than twice that much, with drainage alone costing two million pesos per km in some instances.

governance reform.¹⁰ As a final point, relevance is also indicated in the program theory of PRMF. Clarification of the theory of change undertaken during the review confirmed plausibility and appropriateness.

17. However, despite PRMF being highly relevant, its method of implementation is seriously undermining the program intent, placing at risk the very governance reforms that it seeks to achieve. Its implementation is lacking attention to the idiosyncratic elements of institutional change, identified by Adler¹¹, as critical to achieving necessary transformational change. In addition, a continuing misperception in AusAID Manila continues regarding the role of the Provincial Coordinator in fostering institutional change. Adler et al refer to policy entrepreneurs as insiders finding 'cracks' in the socio-political framework wherein reform can germinate. The IPR team believes that AusAID has incorrectly suggested that the PC can fill this role. It is very clear that the 'development entrepreneurs' to which Adler refers are internal to the system in question, not paid consultants.
18. Governance reform is qualitatively different from traditional development activities. It requires an approach that is adaptive rather than technical. As an innovative effort, the PRMF design attempted to increase both the "production of infrastructure outputs and systemic productive capacity"¹². Unfortunately, the program is being implemented as though governance reform is a technical problem. Its implementation is lacking attention to the idiosyncratic elements of institutional change, identified by Adler et al, as critical to achieving necessary transformational change. Idiosyncratic elements, by their very nature, will be peculiar to each province, emergent in nature, and require 'political' solutions. Yet, PRMF is being implemented as a one-size-fits-all with all decision-making and responsibility resting with the program management. An unintended consequence of the FMC bearing the full risk on behalf of AusAID was the development of the undesirable (but predictable) reluctance of the FMC to transfer decision-making and implementing responsibilities to provincial governments. As a result, the peculiarities of each province are not the basis for activity design, rather, predetermined solutions are provided, and provincial governments are not encouraged to exercise innovative decision-making or take full responsibility for the management of their roads, the very functions crucial to governance.

Effectiveness

19. PRMF's overriding goal seeks to promote economic growth and improve access to public infrastructure and services in the Southern Philippines. With the use of a \$100 million five-year bilateral grant facility, it pursues the sustainable rehabilitation and maintenance of a core road network in selected provinces through the strengthening of provincial government systems related to roads management.

Positive changes in attitudes and approach to road planning

20. The combined funding of road rehabilitation activities and providing incentives for attaining governance reform targets has prodded participating provinces to complete program assignments at any cost. The Capacity Development program attached to the incentives has been highly appreciated by the 'road managers' (PEO staff) whose personnel have expressed great appreciation for the training and capacity building. The

10 AusAID guideline 219, Choosing approaches and types of aid for working in partner systems.

11 Adler, D., Sage, C., and Woolcock, M. (2009). Interim Institutions and the Development Process: Opening Spaces for Reform in Cambodia and Indonesia. Brookings World Poverty Institute. Paper 86.

12 The relationship between production and productive capacity comes from Covey, Stephen Seven Habits of Highly Effective People, Free Press, 1989.

conditionalities have transformed at least a portion of the provincial road management programs from largely unplanned undertakings to logical road network development plans with a clear set of criteria for establishing priorities. Provinces report that ad hoc decision making as to which roads will be rehabilitated or maintained is now a thing of the past. Road inventories and road selection criteria are guiding prioritization of physical works across a five year window, with annual physical works plans drawn from the PRNDP.

21. The incentives have generally motivated provinces to pursue defined targets in order to qualify for the rewards. Nevertheless, the reform climate has tangibly influenced the provincial governments by the sheer sense of pride in having the skills and the capacity to deliver whatever the program demanded. The added value is that provincial personnel have developed confidence and now expect to perform well in all their other work.
22. There is evidence that PRMF has been effective in achieving critical change in attitudes and approach to road sector planning. An important feature of this change is the shared responsibility resulting from the inter-department approach to planning. There is now a stronger link between planning and budgeting, even in those provinces such as Bohol where road plans were already a feature. The link between planning and budgeting has also resulted in a change in awareness of the need to raise revenue if the PRNDP is to be achieved. Several provinces reported that this raised awareness, along with the directives from DILG¹³, has been a catalyst for a higher proportion of Development Funds being allocated to roads management
23. All seven provinces have adopted a comprehensive approach to human resources (HR) beyond traditional personnel management and training and were able to prepare and update a Provincial Road Network Development Plan (PRNDP) as the basis for their road maintenance and rehabilitation strategy. Road-related competencies such as geographic analysis and mapping, road selection, road design, environmental management, and construction supervision have improved. Also, community participation in the selection, implementation, and monitoring and evaluation of road projects has increased in all seven provinces.
24. In addition, all seven provinces have created an Internal Audit office through an ordinance and have allocated a budget for the office starting 2011 and have organized their Bids and Awards Committee (BAC) under relevant national law and are now capable of handling procurement for PRMF and local projects. All seven also prepared Strategic Financial Management Plans (SFMP) that have been used as a basis for revenue generation and expenditure management.
25. The level of implementation of the SFMP, however, varies across all provinces. Institutionalisation of revenue improvement measures as a critical component of the SFMP is going slowly, hampered as they are by political considerations. Lack of political will among municipal mayors and treasurers (who have not been included as full participants in PRMF revenue collection efforts although they, in fact, collect most of the OSR banked by the provinces) to collect land taxes and conduct auction sales of delinquent properties is identified as a constraint to revenue generation efforts.
26. Finally, the physical works accomplishments are nowhere near the targets, which, in fact, are deemed unattainable by the provincial teams. It is clear that the decision to

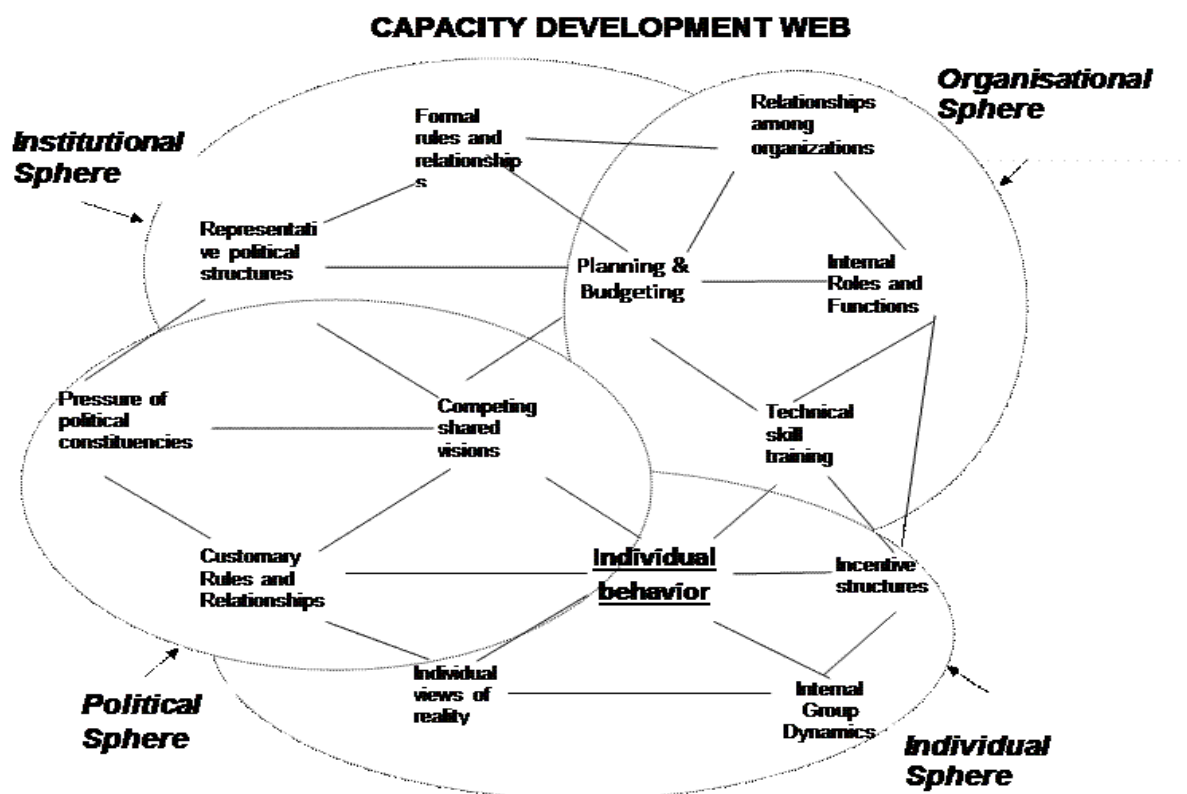
13 Particularly, Joint Memorandum Circular (JMC 2011-1) that reiterated that the correct interpretation regarding the Local Government Code 1991 20% Development Fund is that all activities covered under this Fund must be defined as planned projects rather than used as a slush fund. This significantly increased the funds available for road management project in the current fiscal year.

introduce PRMF operations in each province through a sophisticated rehabilitation of a badly damaged road section was a mistake. The pre-determined scope, high cost and technical standards make this approach beyond the capacity of the partner provinces. Although provinces have established a more regularized management plan, as yet, no province has a full understanding of the steps required to bring its entire road network to good working order and how to achieve this in a financially feasible manner.

27. The physical work accomplishments are nowhere near the targets, which in fact, are deemed unattainable by the provincial teams. It is clear that the decision to introduce PRMF operations in each province through a sophisticated rehabilitation of a badly damaged road section was a mistake. The predetermined scope, high cost and technical standards make this approach beyond the capacity of the partner provinces.

A focus on technical skills with little attention to skills required for governance reform

28. In many of the partner provinces, there has been an unprecedented attention to skills training and development with provinces establishing, for the first time, a planned approach to training, including linking training to competencies and prioritising through formal training needs analyses.
29. The PRMF's delivery approach has been characterized as a "driving instructor/student driver" relationship between the FMC and the provinces, with the teacher (FMC) dictating lessons and enforcing rules, while the pupil dutifully submits to a rigid regimen of training, preparation and submission of maps, training guides and plans, complying with reporting requirements and chasing after rewards by completing all of the requirements on time. Operating in this manner, the incentive mechanism does not take account of the complexities of the differentiated political economic environments found in the individual provinces. Rather, it operates as a carrot to urge unthinking compliance.
30. Although PRMF was established to upgrade road quality and to influence governance reforms regarding revenue, procurement and road management, it has apparently failed to appreciate the intricacies involved in making such political decisions. The image below of an archetypal Capacity Development Web illustrates this point. The Web is composed of four Spheres: Political, Institutional, Organizational and Individual. In the image, each sphere is composed of illustrative sub-components that represent a loosely coherent set of factors. All of these factors, operating in a systems framework, work to influence the behavior of individuals, which is the ultimate objective of any Capacity Development system, intervention or tool.



31. In the case of PRMF, the entire focus has been concentrated in the Organizational and Individual Spheres with the preponderance of the program's Capacity Development resources being concentrated on 'planning and budgeting', 'technical skill training' and 'incentive structures'. The IPR appreciates that these are important aspects of enhancing capacity for road management in Philippine provinces, but they are not sufficient to ensure either the sustainability of the introduced reforms in the partner provinces or to embed the PRMF process in national norms in a way that could facilitate institutionalization and expansion under government leadership. A clear gap involves the lack of attention to 'Internal group dynamics', which have clearly played out differently in each province, as would be expected, but have not been considered as a critical factor in CD design.
32. Documentation from the FMC claims to follow respected approaches such as outlined by Baser et al.¹⁴ However, while those authors caution against using a prescriptive approach, yet provincial staff stated that there is a set of predetermined trainings that they are all expected to undertake. Baser et al also note the importance of clarity of a program's theory of change. However, there is a pervasive divergence between the PRMF espoused theories and those in actual use. For example, although expressing support for a systems approach; implementation completely misses the political economy and key systems issues such as decision-making, leadership, and innovation.
33. A consequence of this interpretation is that PRMF is being implemented as a technical skills and development program. Whilst this approach is well suited for the highly technical aspects of actual road design and construction, it is not well suited to

14 Baser, H., Morgan, P., Bolger, J., Brinkerhoff, D., Land, A., Taschereau, S., Watson, D., and Zinke, J. (2008). Capacity, Change and Performance – Study Report. European Centre for Development Policy Management. Discussion Paper No. 59B. These authors highlight the importance of using the theory and practice of complex adaptive systems – swapping traditional capacity development models of linear staged approaches for more emergent, adaptive approaches that are better suited to institutional reform.

governance issues. Clearly, viewing provinces as having a similar set of reform needs, which are addressed through common responses, is counter to the governance literature that advocates differentiated approaches to address particular local and contextual idiosyncrasies. Indeed, rather than aiming for an ideal 'end state' in which continued assistance is conditional on expected progress, as is the PRMF model, the governance literature suggests: being experimental to see which interventions work best in a given situation¹⁵; building 'interim institutions' with the potential to engage with and incrementally transform the political economies within which they exist¹⁶; and an emphasis on more limited improvements, or 'good enough governance', building momentum over time.¹⁷

34. Nevertheless, there is clear evidence that PRMF has been effective in introducing administrative reforms into the partner provinces and that these reforms have improved the management of selected provincial roads. However, it is important to note that most of the reforms achieved to date have concentrated on modifications to administrative processes, not on matters of governance. This appears to be a result of the FMC having interpreted the governance reform intent narrowly as organizational development (refer to Annex A of the Framework). There seems to be no focus on the areas of strategic thinking, coherence in collective action and innovation, all of which are important to finding solutions in, and adapting to, complex systems and situations inherent in governance.

35. Two key factors contribute to this situation.

a. First, whilst provinces prepare their capacity development plans and exercise some control over locally managed training activities, key capacity development decisions do not reside with them. Human Resources staff consistently reported that the bulk of the training activities are directed by the FMC. This is despite that the CD Framework espouses the principle of local ownership. Provinces get to choose from a predetermined menu of trainings, the timing of which is, generally, not in their control.

b. The second factor relates to the approval processes between the FMC and the PSC. Deliberations between these two entities have been consistently protracted, resulting in annual training calendars being compressed into just a few months. This has placed undue burden on each of the provinces, due to no fault of their own. This practice has deepened the provincial compliance-oriented response. There simply is no time to think about innovation when the incentive compliance assessment is due in a few months.

c. The "pass/fail" assessment method for incentive approvals has been consistently questioned by the local PRMF teams and the Expanded Local Finance Committees as being "unfair". The Governors themselves complain that the system unfairly punishes minor compliance gaps and incentivizes mechanical compliance, not real performance improvement. The review team was not able to conclusively unravel the many opposing views as to why this system has been allowed to continue as designed by the FMC. Further, no evidence that a formal change had been pursued by the PSC or the FMC was identified. However, after the initial draft of this report, the review team was advised by AusAID that the PSC had consistently sought a fairer system, but to no avail. The commentator asserted that they have worked to undo

15 Woodhill, J. (2010). Capacities for Institutional Innovation: A Complexity Perspective. IDS Bulletin Vol41, #3

16 Adler, et al, op cit.

17 Grindle (2004) and Khan (2006), cited in Court, J., Fritz, V., and Gyimah-Boadi, E. (2007). Good Governance, Aid Modalities and Poverty Reduction: Linkages to the Millennium Development Goals and Implications for Irish Aid Research project. Advisory Board for Irish Aid. Working Paper No. 5.

'unfair' ratings, but the IPR team agrees that this is not the real issue. More important is the understanding that payment of award packages based on the completion of prescribed assignments is a disincentive to innovation and learning that would form the basis for sustainable reform. The provinces focus all their attention on completing the cookbook recipes rather than building the capability to solve problems.

Increased participation of civil society in road sector planning

36. The community engagement model represents an improvement over past practice, but it is still primarily limited to information and consultation and paid employment, missing opportunities for more collaboration leading to local recognition of responsibility and ownership. The literature highlights the importance of citizen engagement, arguing it has normative benefits of increasing democratization, substantive benefits of improving policy and programs, and instrumental benefits on increasing trust in governments.¹⁸
37. Of interest to the IPR team was where the PRMF was not involving CSOs. Many CSOs have made input to the Gender and Inclusion Strategy, but this event occurred en masse with other CSOs from all seven provinces. None of the CSOs who met with the team was able to identify instances where their knowledge and expertise were drawn upon specifically for their province.
38. In particular, there has been a clear gap in close involvement of citizens in the detailed design of roads, which is critical to building awareness of the role their land use activities have on road deterioration. Furthermore, their local knowledge of road use, local needs and available access to needed services remain essentially untapped. To enable more participatory, inclusive engagement, it is important that the capacity development program incorporates activities for provincial staff to increase their knowledge and skills in facilitating participatory community engagement processes. None of the engineering staff reported having had the opportunity for such training, despite having now adopted a community engagement approach as part of their roads management.

Efficiency

39. The IPR team contends that the program has not made efficient use of the time and resources to achieve intended outcomes. As a result, the IPR team is inclined to argue that the restrictive and centralised implementation style of PRMF has led to lower than expected results in terms of Value for Money.
40. PRMF is underspent with its physical works targets, a prime *raison d'être* for the creation of the program, woefully behind schedule. Of some AUD 47 million budgeted for the provinces for 2010-2012, only 44% has been contracted out, 80% of which has been disbursed as of end-2011. Among the reasons cited by AusAID, the FMC, DILG and the provinces for the low amount contracted out/dispensed are: 1) termination of contracts, 2) negative slippage due to weather, design problems, arguments over rectification works 3) disputes over billings, 4) failed biddings, 5) design reviews, 6) delays in approval of Annual Plans for 2011-2012, 7) difficulty in finding qualified contracting firms, among others. This inefficiency in fund utilization was an admitted concern by FMC.
41. Considerable time and money has been expended for provinces to build technical and administrative capacities, and provincial personnel have had to endure excessive workloads and reporting requirements that affect their routine work, only to be left on the sidelines while external contractors design, procure and manage the physical works.

18 Cass, N. (2006). Participatory-Deliberative Engagement – A literature review. Economic and Research Council. Manchester University. www.manchester.ac.uk/ed/research/beyond_nimbyism

Similarly, the role of local communities is essentially limited to being told about a road project that is about to happen, with some being paid for their physical labour or, in a best-case situation, engaged in minor maintenance work like vegetation control and clearing of clogged canals.

42. The management structure has been prone to inadequate handling of policy and operational concerns, causing slow response to issues that delay approval of projects, activities or contracts, thus hindering achievement of physical targets. In the midst of this, the oversight role of the DILG has been inadequately articulated.

a. For example, the rule against using concrete led to significant delays in Surigao when the province requested concreting of an unstable slide slope. They were told that this was impossible because it would increase the cost and reduce the length of road that could be rehabilitated. It took over one year before the design revision was approved. Although concrete is now permissible in special situations, discussions with AusAID indicate that there remains a level of conviction that PRMF has been designed to help relax what is perceived as a strong cultural preference 'to concrete everything'. The IPR team found that this perception is not always well founded.¹⁹

43. The IPR contends that a part of the poor utilization rate originates in the strict requirement (SOS para 6.58) that only competitive contracting with non-government entities is an allowable option. However, a careful reading of the FDD indicates that the requirement in the SOS for competitive contracting is an overly rigid interpretation of the the original design principles, which state:

- para 80 the task of undertaking periodic and routine maintenance is contracted out to either private contractors or municipalities as contractors who assume responsibility for a specific length of provincial roads. This is called the "contracting out" approach and is the model that this facility will strongly encourage.
- para 141 (Bukidnon) was selected as the venue (for a pre-PRMF conference) because the Governor of this province and his administration has already initiated a number of core road sector planning and administrative reforms advocated in the PRMF design.
- para 234. AusAID's preferred strategy is that the PEO change from a works delivery organization to a works planning, scheduling, contracting and monitoring organization.
- para 235 Reference to Bukidnon's experience may be useful to define both the reasonable target levels of staffing as well as the process of transformation.
- para 236 If the process of contracting out is not accepted by the province the FMC will advise on measures for improving the efficiency and effectiveness of the PEO's existing force account system and offer appropriate HRMD interventions to support capacity building.
- para 301 (iv) Standardised procurement using the new GOP procurement rules. All provinces have agreed to abide by the GOP guidelines²⁰;
- para 353 The design team's assessment of the budget needed by the provinces to maintain the roads using only routine and periodic maintenance is about 80,000 pesos per km annually. This is the level of budget currently being used by Bukidnon and it seems by inspection to be approximately adequate.
- para 354 Bukidnon with only 22 staff involved in road maintenance has an organization and method of operation that is a good example of where we would like to encourage the other provinces to move.

19 Bukidnon, the largest province in PRMF, has less than 1% of provincial roads surfaced with concrete. Surigao has 25 %, but a judicious assessment would likely reveal that very little of that was financed by the provincial government, but rather by competing political adversaries funding the hard surfacing from the Congressional or Senatorial funds.

20 It is the understanding of the IPR that Government procurement rules permit contracting with other government entities

- As far as the IPR team has been able to determine, the terms 'competitive' and 'competition' do not appear in the FDD.
44. This lengthy cataloguing of points from the FDD has been included to emphasise the point that the early design of PRMF was apparently more conducive to an open, flexible approach and intended, in part, to build upon innovations that already had been initiated by partner provinces. Subsequently, the rigid manner in which the program was implemented undermined this more positive intent.
45. The lack of support for negotiated maintenance arrangements has had a triple impact on the efficiency and effectiveness of PRMF operations.
- a. The Bukidnon reforms, recognized as complying with the PRMF design, involve negotiated arrangements with component municipalities to undertake road maintenance work under the supervision of the provincial PEO's office. However, the province reported that PRMF management did not allow them to use its direct incentive funds to finance a part of the payments to the municipalities for their work on provincial road maintenance. Instead, the FMC was instructed by AusAID to create an 'area approach to maintenance' under multi-year contracts. This guidance has so far proved impossible to implement because no contractor has been found who was willing to bear the cost of moving their equipment around for periodic maintenance in a contract area covering several municipalities. However, despite the PRMF's reluctance to fund the municipal maintenance approach, the province has applied its PRMF training to design an improved arrangement with its municipalities to better manage the operation.
 - b. Although potentially a viable alternative, the introduction of the contracting method by paying incentives is seen as inappropriate, again promoting compliance over reform. If AusAID is interested in institutionalising reform, it needs to provide the incentive for provinces to objectively compare methods in order to arrive at their own conclusions.
 - c. Second, the PRMF contracts for road rehabilitation contain a clause mandating the works contractor remain liable for one year to undertake repairs due to improper construction, during which time the contractor's final payment is withheld during that period. This has led, in nearly all cases, to the PRMF-funded road sections to deteriorate during that one year period due to lack of maintenance by provinces for fear of undermining this liability clause. This has apparently been rectified with provinces being allowed to undertake maintenance using their force account methods. Nevertheless, this provides a useful note on the unintended consequences of attempting to establish a set of rigid strictures that make local partners fearful of making mistakes.
 - d. Third, the SOS (para 6.58) requirement disallowing contracting with other government agencies undermines a valid economic rationale for fostering inter-LGU collaborative arrangements. The funds that are paid by Bukidnon province to the participating municipalities are used to build up their road maintenance equipment assets. This equipment is then used to help maintain the barangay roads within their jurisdiction. Use of private sector contractors eliminates this economic synergy. The Municipality of Malolo Fortich, Bukidnon established its equipment motor pool as an economic enterprise. The municipality obtained a loan to upgrade their equipment based on the expected income from the provincial road maintenance work. They now use this equipment to repair and maintain barangay roads on a cost sharing basis. This, in the view of the IPR, is what Value for Money is all about, provided the technical design is correct and the supervision is carried out judiciously. The IPR suggests that if such practices are to be supported in PRMF, the program may yet realise valuable additionality.

46. PRMF's funding resource base is more than adequate. In fact, the amount allocated to the original seven provinces is too large to be replicated at the same level in any significant expansion to other provinces under AusAID funding alone. Although, there has yet to be any move to leverage national government resources, there has been some preliminary discussion to assess the potential for linking PRMF provinces to lending institutions. Using AusAID funds to leverage substantially larger resources should take on a more significant role in the later part of the program life.
47. However, the decision to give each province the same amount of base funding is inefficient and reduces the potential for enhancing local understanding of the variable costs of road rehabilitation and maintenance as carefully articulated in the ARRB report. The costs of both CD and PW vary significantly among the partner provinces, but this has not been recognized in the equal division of the base fund, resulting in a significant windfall for the smaller provinces.
48. The payment of untied incentive funds to general revenue collection has been made without a requirement to apply any specified percentage of those funds for road maintenance. The IPR argues that since a fundamental assumption of PRMF is that an improved road network will make a significant contribution to provincial socioeconomic indicators, the efforts to increase OSR are inefficient if there is no requirement to apply any portion of such increase to road management. The IPR team acknowledges the counter argument put by AusAID that incentivising expenditures on road management could have the unintended consequence of undermining provincial support to social services. However, the IPR contends that minimal conditions could be applied and checks undertaken to help mitigate any such unintended consequences. In addition, the IPR team is of the view that encouraging provinces to increase effective and efficient expenditure on road management is the *sine qua non* of the PRMF design and current low expenditure is the single greatest constraint to establishing a system of sustainably maintained roads noted by the ARRB report.
49. The PRMF centralized management structure has led to higher than necessary transaction costs in terms of both time and money. The FMC maintained a large force of technical staff based in Manila who travel by air to the provinces located in the Southern Philippines. Considerable internal AusAID resources were spent on repetitive reviews of plans and approaches, which led to significant delays in program implementation.
50. The IPR team is of the view that the current capacity development model is also not efficient. The lack of differentiation and insistence that all provinces progress in a similar manner, develop a common set of skills through the same suite of activities, be supplied with the same types of equipment and modify organisational structures in a similar way means that resources are sometimes not targeted to a province's most critical development needs. There is evidence that this is leading to skills being taught that might not have on-going relevance, to structures that might not be funded, and equipment that might not be able to be maintained or upgraded in the future. In addition, there has seemingly been no assessment of the additional cost-to-collection associated with the eTracs system hardware, operation or maintenance.
- a. For example, each of the provincial engineering offices is learning a common set of highly technical road design skills, yet most, if not all, provinces do not have a budget of sufficient size to accommodate the major rehabilitation standards introduced by PRMF. It is therefore questionable as to whether there will be sufficient opportunities to apply the newly acquired skills to sustain them. Resources might have been better spent on skilling staff sufficiently to adequately determine design requirements for procurement purposes and to provide effective contract supervision. The resources might also have been more efficiently applied to looking at overall road management industry capacity and identifying incentives for them to invest in enhanced capacity.

b. Another instance is the support being provided to all provinces to make needed structural modifications that are approved through some level of executive order to help sustain various functions post PRMF. Whilst this is no doubt needed, it appears that, in some instances, provinces are being encouraged to establish more complicated structures than might be either necessary or affordable. In some provinces, none of staff posts in the newly established Departments or Offices for Human Resources, Internal Audit, or Information Technology has been funded. The people filling these positions are only designated, not permanent, and several positions remain both unfunded and unfilled. Whilst staff in these newly created units expressed hope that their positions will be filled in 2013, finance staff were not able to provide evidence that the budget will allow this. This is a significant risk issue.

c. The introduction of a highly technical and high cost approach to the collection and analysis of spatial information through the provincial Geographic Information Systems is doubtfully sustainable. In several provinces, the PRMF GIS is not linked to pre-existing computerised information systems in other parts of the provincial government. No attempt was noticed in engaging citizens in the collection, use or analysis of spatial data, a process that has been proven effective for building community/government relations in the Philippines. Establishing independent GIS operations in each province, irrespective of need, is inefficient. Technology is now available to significantly reduce the costs of information management by employing web-based storage facilities and data management that have seemingly not been considered by the FMC.

51. Risk assessments have been conducted by different offices and consolidated into a risk matrix that spells out program risks and how they might be addressed. If taken as input by program managers, these valuable reports could help in identifying mismatches between assistance and needs. The Bohol PEO Risk Assessment conducted by the Internal Audit Office, noted, as one example, "First, there are legal problems that prevent provincial road projects from pushing through and this normally involves road right of way issues. In the province, there is a lack of provincial ordinance that would compel lot owners to donate a portion of their lot...". This risk assessment result supports the IPR contention (articulated in the Lessons Learned) that reduced efficiency occurs when a close link has not been made between technical interventions and the rule structures within which they are being applied.
52. The review noted that there was little or no collaborative interaction among provinces fostered by PRMF. The IPR rates this lack of inter-provincial communication as a critical failing of the program design and implementation, particularly given the program's intention to promote radical institutional cultural change. The rationale given was that the critical reforms take place in the provinces so getting provinces together is not an efficient use of funds. The IPR takes a different perspective on this, suggesting that it is precisely the sharing of successful (or not) experiences among peers that will speed the uptake of new ideas, models and tools far more effectively than direct one-to-one technical assistance provided by a FMC. More collaborative dialogue among the provinces could also assist individual provinces to improve their ability to make use of the technical tools, such as GIS. In addition, a collective approach could speed the establishment of commonly agreed benchmarks useful for objective comparisons of progress among the individual provinces. Fundamentally, the IPR is of the view that efficiency of limited AusAID financial resources will be enhanced through the establishment of a true partnership approach, one that spreads risks and facilitates open communication in support of innovation and diffusion of learning. The Philippines has a lengthy history of LGUs adapting successful reform innovations from their peers. The Galing Pook Foundation was established in the early 1990s for just this purpose and

remains a highly regarded institution with annual awards for LGU innovation presented by the President.

Impact

53. It proved impossible for the IPR team to assess the long term impact of the PRMF in relation to its higher level objectives. At the halfway point in a five year AUD 100 million program, one would expect to see some basis for assessing future impact. This failing can be assigned to two separate factors.

a. First, the road surface improvements funded by PRMF thus far amount to a miniscule portion of the total provincial road network in all but one of the provinces. The road management performance indicator of 1000km has proven unrealistic given the high standards introduced under PRMF during the design of the Year One road sections, prior to the FMC coming on board. The limited reach and accomplishment of PRMF road projects (due to high cost & other constraints) has diminished the potential impact of PRMF within participating provinces and delayed its ability to influence national policy. Given its current accomplishment rate halfway through the program, PRMF is a long way off its physical accomplishment targets ~70km kilometres have actually been rehabilitated or maintained as of end-2011

b. Second, there is simply no information to use as a baseline of the conditions as they were at the start of the project. Whilst there were initial assessments undertaken it appears that these were not validated, reviewed and updated nor used by the implementers in any way to form a base for on-going measurement. This prevented the team from forming any assessment of trends in economic impact. However, it is possible to identify demonstrable impact at a lower level of the log frame, including immediate effects on a small number of communities that now have higher land values, along with improved access to markets and public services.

54. It is clear that the newly capacitated engineering offices are able to deliver services more efficiently and effectively and are generally more willing, if not entirely able, to communicate with affected communities. Communities are beginning to know the PEO personnel and understand their work, and, in some cases, have been able to monitor implementation and facilitate resolution of local concerns. However, the absence of informative project signage during construction, limited communication skills, lack of transparency on the part of engineers or contractors and a lack of community 'ownership' of road projects has led to misunderstandings about costs, wage rates, type of work and volume of materials, and other aspects of the project. The negative impact can be counter-productive for the incumbent political leadership.
55. In addition, efforts to strengthen government systems in the provinces have achieved significant gains in aspects of each of the five key reform areas (Internal Audit, Human Resource Management and Development, Procurement, Financial Management and Road Sector Management & Service Delivery. HR units have been upgraded and strengthened, Internal Audit Offices (PIAO) have been established, although a number of personnel are only designated and some positions unfunded.
56. The above paragraphs reflect achievements that lay the potential for impact at higher goals by the end of the project. They are included here as evidence of significant economic and social impacts anticipated, but not yet in evidence, in order to substantiate a higher rating in this category.

Sustainability

57. In the assessment of the IPR team, questions regarding the sustainability of current gains resulting from PRMF investments in Capacity development and Physical Works remain unanswerable at this point in time. The key constraints to facilitating either sustainability or expansion lie in the fact that all major program interventions are driven by the vision of the program, rather than the visions of the partner provinces and the costs and technical standards imposed cannot be matched by any rational expectation of future provincial budgetary resources. These sustainability constraints would not be mitigated by either an increase in the scale of AusAID resources or a longer period of intense engagement in individual provinces. Such factors are of minor importance to sustainability without first shifting to an endogenous model of development.
58. Capacity development should be an endogenous process, not an exogenous one. For donors and managing contractors, the matter that should be at the heart of capacity development is how can external support be provided in ways that does not erode the motivation, initiative, and autonomy of the recipient government. Whilst PRMF does have components that promote and encourage local ownership, generally, the program's fundamental approach is more direct than indirect.
59. The role of national government, as represented by DILG, which is critical for sustainability, expansion and policy institutionalisation, appears to have been limited by the role of the FMC. One of the most important examples of government-led policy innovation in PRMF occurred when DILG and provincial engineers teamed up to create a useful set of technical management guidelines for local roads. This AusAID-encouraged initiative could well prove to have a significant and positive influence on PRMF's potential to induce sustainable change going forward.

Capacity Development Sustainability

60. There is undeniable evidence of individual skill development and improved organizational processes in the partner provinces. Yet, given the significant influence of the incentive payment system on near-term provincial decision making to date, it is not possible for the IPR to assess whether these administrative reforms can be sustained. It is clear, however, that the potential for expansion into a meaningful number of additional provinces is severely limited, if not impossible, given the centralized Capacity Development modality currently employed.
61. The inter-departmental approach to road sector planning introduced by PRMF is a critical sustainer of efforts. Gains are more likely to be continued in situations where there is a shared responsibility. This shared responsibility would have been enhanced if PRMF had initiated its work in the provinces by concentrating on the local design, tendering and maintenance of a large number of small scale capital improvements and improved maintenance patterns in many locations across each province. By initiating the program with complex, externally designed, tendered and managed in a limited number of road sections, the program undercut the potential for institutionalizing collaboration that could last after the incentive payments have ended²¹.
62. In addition, CSO participation in BAC, community consultations, use of PRNDP and road inventory methods as basis for programmed road maintenance) appear on their way to becoming standard procedures, and will likely be sustained beyond PRMF.

21 In a personal communication in early June, AusAID reported that the Governor of Lanao del Norte had enthusiastically agreed to initiate PRMF assistance on small scale capital investments and improved maintenance. He requested technical design assistance to build his team's capacity, but volunteered to co-fund the capital costs.

63. However, even with gains being realized in key reform areas and with planning processes allowing more meaningful engagement of stakeholders, provinces still bear no responsibility for procurement and physical accomplishments and have little influence on policy aspects of the program. True stakeholder ownership cannot proceed when decisions and accountabilities are in someone else's hands.
64. The key to lasting governance reform is the level of changes in attitudes within an organization and the amount of program ownership that stakeholders assume. Transparency, participation, competence, accountability, institutionalized systems are all important, but attitudes are at the core. There is ample evidence of changes in attitude in various levels: CSO and local community engagement appears to have become well-established, with various initiatives taken to ensure sustainability. In Guimaras, the private sector has initiated the signing of a "Covenant for Road Stewardship" between the Provincial government and civil society.
65. Capacity development requirements will not end at the conclusion of PRMF. Ongoing refreshment of knowledge and skills to ensure staff (both current and future replacements) remain abreast of contemporary good practices in their relevant fields will be important. PRMF's major strategy for addressing these future requirements is the practice change sought in relation to: undertaking training needs analyses; development of a capacity development plan; and linking the capacity development plan to budget allocations. This strategy could help to sustain capacity development efforts beyond the life of PRMF if the CD tools and techniques used in PRMF are available through national training facilities, which, to the extent possible, should be located outside of Manila.
66. In addition, sustainability can only be achieved if PRMF begins to work in ways that take into account the social-political context. The current focus on short-term processes of capacity development needs to be changed to one that incorporates more attention to local processes, relationships, decision-making processes, encouraging collective action, facilitating processes of dialogue, and raising the awareness of key stakeholders and decision-makers. On a positive note, some of the Provincial Sustainability Strategies have identified the need to attend to some of these.

Physical Works Sustainability

67. The IPR team argues that, as currently implemented, the style of physical works interventions introduced by PRMF are not sustainable, nor would it be useful to expand the program in its current format into new provinces. For either of these objectives to be met, the physical works requires an extensive re-tooling as outlined in the recommendations below.
68. The PRMF standards for road rehabilitation and maintenance are unaffordable in the long term, and program funding can cause a five year 'distortion' of one province's perceived ability to manage its roads if not used to leverage future external investments. It is critical that improvements in the provincial road networks, associated capacity development and any accompanying economic improvement be used to justify successful loan applications to continue the road management modernisation process. If the program-driven increase in road management spending will not be sustained past the life of the program through other means then it is highly likely that future evaluations will view the PRMF investment in a negative light. The true value of the PRMF investments should be measured in the ability of a province to continue to improve its provincial economic growth potential by concentrating available resources on modern road improvement.
- a. The IPR is of the view that the current concentration of the base fund allocation on major rehabilitation of short road segments exacerbates the distortion

potential of PRMF funding. A shift to a less-capital intensive approach to improving maintenance together with small civil works would reduce this effect by spreading the benefits across a larger area within the province, speed the building of provincial technical and managerial capacity and reduce the amount of the fund that is captured by external consultants and out-of-province contractors.

69. Provinces are not yet convinced that gravel is cheaper over the long term considering the cost and frequency of maintenance work. Some Governors feel that slopes prone to erosion and water damage need to be paved with concrete; otherwise the rehabilitation efforts will go to waste. This seems like an implied admission that PLGU may not be able to maintain rehabilitated roads in a timely manner. The consensus among the provinces favours flexibility in choices or a “fit-for-purpose” approach, which is also the conclusion of the ARRB report.
70. There is a common observation that PRMF-imposed standards represent a theoretical ideal, but something that is unaffordable and unsustainable in provincial reality. Larger allocations for road maintenance are evident, but seem to have reached their current limits. Dramatic increases in revenue are necessary before adequate funds can be allocated for continuing road rehabilitation and maintenance at the scale and standards advocated by PRMF. It is not clear where the funds will come from. While provinces are guided to produce multi-year maintenance plans, these do not appear to be implementable in practice.
71. Community members grudgingly acknowledge the difference in costs of gravel roads versus concrete, but did not seem ready to accept the trade off with finality. The PEOs need solid research findings, in addition to more skill in communication and social marketing, in order to make local communities appreciate and understand the rationale for any specific program. It should be noted that community consultations were conducted, but the communities visited described the “consultations” as more of orientation and information giving than real consultation and participatory decision making.
72. Finance Committee members in the partner provinces realize that they do not have the capacity to sustainably maintain their road network in accordance with PRMF standards and funding levels. Even if new revenue raising measures were to be implemented, there is no assurance that increases in revenue will redound to adequate allocations for roads maintenance. Provinces have other concerns and are commonly saddled with outstanding loans incurred for equipment purchases and infrastructure investments.

Gender Equality

73. Given the unique situation of women’s level of academic achievement in the Philippines, there was no perceived gap in involvement in capacity development interventions. If anything, the reverse seemed to be the case. Provincial Governments employ a high number of women in key positions in road sector management, planning, finance, and human resource management. All of these have been recipients of the program’s capacity strengthening activities.
74. The program has developed a Gender and Social Inclusion Strategy that outlines a range of commitments across all components of the program. An important feature of the process of developing this strategy was the collaborative involvement of CSOs. Likewise, a number of these CSOs participated in the road inventory and prioritisation processes as well as the Road Summits, which have been used for feedback and review of the PRNDPs.

75. Community level information sessions have been conducted as part of the implementation of the physical works program. So, too, community sessions have been conducted to help inform the planning of Year 2 physical works. It is evident from reports and discussions with community members that these meetings were inclusive of women and that their views formed a critical element of the data.
76. However, the real effect of gender and social inclusion has been limited. Whatever is happening for women employed in Provincial Governments has little to do with the program, i.e., it is a by-product of Philippine culture that facilitates women to excel in academic settings and to enter professions, such as engineering and finance, that remain male preserves in much of the rest of the developing world. Many recipients of the capacity strengthening activities have been women because they hold key government positions, not because of anything the program has done. The IPR team cannot give credit to PRMF for this.
77. Effect has also been limited because, despite women at the community level voicing their needs and their desire for more involvement in local road sector management, the team has identified the following key points: 1) village women's sustained involvement in the road projects has been limited to cleaning drains. 2) communities have been left to fend for themselves with regards to contractors employing women. This is a perverse result of the focus on equipment-centred competitive contracting where the public sector has limited ability to push a contractor to hire local people, either men or women. If women have been employed in any way it is largely due to Barangay captains, 3) none of the provincial women's or disability groups are being consulted specifically at the local level regarding the concerns of their particular constituent groups, 4) some of the Year 1 roads are inaccessible for women, children and smaller men along much of their pathway because the drains were designed too wide for people to cross, with no foot bridges constructed as a normal course of completion.
78. Program efforts to ensure that social and environmental impact assessments and monitoring and evaluation activities incorporate gender as a consideration are, largely, ineffective because of the superficiality of the assessments. It appears that staff are not being supported well to understand how gender and inclusion might actually be applied. For example, the main consideration of the gender component of one social and environmental impact assessment viewed by the IPR team focused on how an improved road section would enable women to wear high heeled shoes.
79. Finally, the focus on a core road network conceivably perpetuates an inequitable level of access for women and marginalised communities who live in areas that are not near the 'core' roads.

Monitoring and Evaluation

80. The IPR team had difficulty in preparing an evaluability assessment of PRMF for three distinct reasons.
 - a. One relates to the scattered nature of the documentation that was received piecemeal over the course of the mission. There is no doubt a plethora of reports and plans, but actual performance data is nearly entirely absent. This was surprising given that the FMC reported that it had been capturing data and reflecting on this since the program's inception. Clearly, whatever process it has used has not enabled a succinct overview.
 - b. The second difficulty in preparing an evaluability assessment of PRMF relates to the nature of shifting objectives. There is a continuing confusion regarding the physical works objectives of the project.

i. The October 2008 PRMF Facility Design Document clearly states that: “At the conclusion of the project in 5 years’ time, if successfully implemented and managed, AusAID could expect: over 1000 km of Provincial roads to be rehabilitated and maintained in up to 10 provinces servicing some 4 million people.”

ii. In October 2010, the QAI (drafted by the same person who prepared the FDD) modifies this objective to state: “approximately 500 km of provincial government road will be rehabilitated and maintained in up to ten provinces” with the rationale that “higher than expected costs of rehabilitation have resulted in fewer kilometres of roads than initially expected...it is unlikely that 1000km of roads will be rehabilitated under the facility.”

iii. This success criterion was again modified in the QAI of February 2012 to read: “1000 km roads maintained or rehabilitated.”

iv. The AusAID Manila written comments on the draft IPR categorically stated: “AusAID’s interpretation of the target is 1000 kms to be either rehabilitated or maintained. The target is clearly not realistic if it is interpreted as requiring 1000 kms rehabilitated to the standards currently being used.”

c. The third difficulty relates to the lack of a functioning M&E Framework and baseline data. The issue of no baseline data has been addressed in the Impact section above. However, the failure of the FMC to produce an M&E Framework that was acceptable to the PSC within the first two years of program implementation (coupled with a complete lack of research activities) clearly undermined any possibility for PRMF to validate its initial assumptions through implementation results.

81. It was also evident that the lack of a functioning M&E Framework and the poor level of performance data made evaluability of the program difficult for AusAID. A common and persistent theme from AusAID staff was how their many efforts to obtain useful data from the FMC and apply these to assess performance had not been successful.

82. Unfortunately, the results chain has not correctly articulated the program theory underpinning PRMF. Rather, it has emphasised the (mistaken) concept that governance reforms can be achieved through a linear process of attention to technical skills, induced by monetary incentives. The absence of a clearly articulated program theory has also contributed to a mismatch between program intent and implementation. It will be important for the new FMC to implement PRMF in a way that better aligns the articulated and the in-use theories. The program’s theory was clarified with AusAID and DILG as part of this review. It is provided in Annex 3. This could form the basis for further discussion between and refinement by the new FMC, AusAID and DILG.

83. The FMC has attempted to move away from the rigid and inflexible monitoring and evaluation of log frames by developing its results chain and has identified a range of 17 evaluation questions in the PRMF Monitoring and Evaluation Framework finalized in September 2011, fully two years after the start of the program. These questions should improve program accountability. However, although the current monitoring and evaluation framework promotes a learning approach, as does the Capacity Development Framework, in practice, there is not a lot of evidence of lessons being incorporated into practice. For example, the recent six-month report reads like a justification of the program approach and its activities rather than an analytical report on findings and ways to improve.

a. Specifically regarding the 17 questions, the IPR team found the orientation of the questions at the reform objective, outcome and impact level to be counter to what one would reasonably expect of a program that sees sustained reform as its primary

purpose. None of the questions 5-7 seek answers about whether preliminary reform change has actually occurred so they do not enable any judgement to be made as to the effectiveness of the program. Questions 8-11 & 13-17 all focus on the effectiveness of the Facility, rather than the sustained capacity of the provinces to address these issues. The purpose of PRMF is not to build a good PRMF; it is to catalyse good governance for road management. Assessing the quality of inputs delivered by the Facility is a lower level issue. If AusAID intends to enhance the decision making role of the Provincial Governments in PRMF, the IPR recommends a serious re-think on the structure of the M&E Framework if it is still anticipated that this will be used by the incoming FMC.

84. PRMF has directed attention to monitoring and evaluation in each of the provinces. The use of the local mechanism, the Provincial Project Monitoring Committee (PPMC), is likely to help sustain efforts. These committees are multi-party, including CSOs. This is an important step towards improved accountability and transparency to citizens. In some provinces, such as Misamis Occidental, PRMF is building on previous monitoring and evaluation experience from the PALS program. Training has occurred in relation to working with log frames, writing reports, and the use of CIME (Community Impact Monitoring and Evaluation).
85. It is not clear what, if any, training has occurred in relation to data analysis. Materials provided to the IPR team, both written and verbal, contained little evidence of analysis or synthesis. Data were sometimes being interpreted inappropriately, indicating, for example, that a road rehabilitation activity had led to significant increases in the number of patients being treated at the nearby hospital because patient levels had increased. The IPR team discussions with the hospital indicated that several changes had occurred at the hospital over the past 18 months that had contributed to such patient increases, including introduction of accident and emergency services, a new birthing facility, availability of X-ray facilities. Despite these obvious, more direct influences on patient numbers, PPMC representatives continued to claim a PRMF attribution without substantiation. Similarly, they did not appear to understand the need to try to determine to what extent the road might have contributed to the change, thus over-claiming program effects. A review of findings more broadly across PRMF highlighted a similar absence of in-depth analysis.
86. Almost without exception, the provinces reported a strain on workloads caused by the monitoring and evaluation activities. Whilst the mechanism of the PPMC is the usual one in the province, the expectations of PRMF are greater than has been experienced before. Similarly, some of the activities are more complicated than is probably required by provinces. Whilst the provinces reported enthusiasm for its scientific approach (control and treatment communities) the IPR team questions how useful this type of evaluation activity is for individual provinces. The skill development requirements are possibly in excess of what they actually need on an on-going basis. Such studies might be better completed by an external body such as a local university. A focus on assisting provinces gather simple but effective data that can usefully inform management decisions and improve the program is possibly a more sustainable approach for monitoring and evaluation.

Analysis and Learning

87. PRMF is a potentially ground-breaking program and as such should be adding to the broader base of knowledge in the fields of road sector management and local government governance. The innovative nature and scale of this program provides an optimal base for much learning and analysis. The program partners have incorporated regular Technical Monitoring Group (TMG) activities into the implementation. The TMG is potentially a valuable mechanism for ongoing assessment and their reports were definitely valuable references in the production of the IPR. Certainly, some of the issues

raised in the IPR had already been identified as early as TMG #1 in April 2010, some of our issues were mentioned in all TMG reports. Four of these missions have been conducted thus far, with significant findings adding to the knowledge base of how to implement this program. The program, therefore, was well placed to make periodic adaptations based on such reviews. However, there has been little or no evidence of learning resulting from the TMG findings that has been incorporated into the program implementation. A major contributor to this inaction appears to have been the inability of the PSC to require the FMC to follow its advice. It is hoped that this might be overcome through a judiciously restructured SOS prior to the arrival of the new FMC.

88. However, the change of the FMC alone will not address the lack of learning. Apart from the impact of relationships, learning has suffered from arguments about group membership, role and the absence of agreed processes about what and how partners and the FMC will respond to TMG findings. The TMG should be a continuing part of the program, but its purpose, role and how its findings will be used need to be agreed upon among the local partners, the PSC and the implementers. With the purpose of assisting learning and adaptive management of the program, it may be appropriate for the TMG to be comprised of a regularly changing mix of local partners, FMC, PSC, and external experts. The task of the TMG should be to foster joint learning and making agreed adaptations to the program.
89. Contemporary good practice of the use of program theory in relation to complicated programs in complex environments is not being considered – the program is implemented as though it is simple and linear in nature. There is little evidence that a reflective and adaptive approach has been taken as a key aspect of the program.
90. There are a two key assumptions of PRMF that should have required formal study, namely
 - a. the contention that maintenance by competitive contracting is more appropriate than negotiated arrangements or PEO force account administration and
 - b. That rehabilitation with gravel is more cost effective than concrete over the longer-term. Testing the validity of these assumptions during implementation through a formal, systematic and planned approach to place-based data gathering, comparative analyses, and reflective discussions, should have been an imperative.
91. Interviews with AusAID personnel indicate that there was an implicit expectation that the FMC would establish a research agenda. Another approach might have been more successful by contracting (by AusAID directly if the FMC proved reluctant or incapable) a local academic institute such as the Philippines Institute of Development Studies to design and undertake an agreed set of such studies. This could have introduced an explicit testing of the initial assumptions during implementation that drew upon academic rigour and contributed not only to the program itself but also to the broader body of knowledge. It should be axiomatic that any program that is described as a pilot would establish such a testing regime at the very outset of program activities. There is no other way to validate design assumptions. Inductive collection of success stories can never corroborate the potential for an intervention to be replicated in another location, even under similar conditions.
92. It is clear than an interest in a broader approach to activity monitoring and impact evaluation has been kindled by PRMF. It is less clear whether any of the provinces will be in a position to sustain these innovations as they are currently designed. Unfortunately, the program has done a particularly poor job of illustrating the value of proper analysis to the partner provinces as none of the key theories and assumptions of

the program have been subject to testing. This includes the over-riding assumptions involving the presumed benefits of gravel and contracting.

93. The ARRB report fully supports the establishment of rigorous testing of these assumptions and the theoretical limits established in their modelling exercise. Their report serves as the basis for empirical, place-based analyses of the utility of particular interventions for specific local conditions of traffic, terrain and climate. Conducting this sort of testing during implementation is the only way to substantiate the superior utility of the PRMF programmatic preferences.

94. In addition, some key aspects of the program appear to have been left to individual interpretation.

a. Initial implementation by the FMC with later transfer to provincial governments has been interpreted as provincial governments having to demonstrate a perfect end-state before responsibility is transferred. This has resulted in a risk-averse implementation mode that does not align with the intended program theory. Attention to refinement of the program theory and periodic review of this jointly by the partners, implementing provincial governments, and the new FMC should provide a platform for clarifying the alignment of implementation with intent.

b. The apparent discord between the FDD assessment that the Bukidnon model of negotiated arrangements with its municipalities to maintain provincial roads is an exemplary manifestation of the PRMF design and the current thinking that a 'MOA is not the same as contracting out' does appear to have resulted from individual interpretation of those principles.

Evaluation Criteria Ratings

Evaluation Criteria	Rating (1-6)	Explanation
Relevance	5	Design is highly relevant, but results have not yet had an influence in the policy arena. Basic assumptions have not been tested. PRMF aligns with the Cooperation Strategy and the GPH agenda. Review of the program theory indicates that a roads management program that seeks governance reform is relevant in terms of encouraging a broad-based approach to reform in LGUs. However, implementation has concentrated on pre-defined administrative reforms with little attention to critical processes, such as decision-making.
Effectiveness	4	Achieving a suite of administrative reforms and producing a range of useful products such as the PRNDP and SFMP. Has achieved a change in attitude to road sector management, with an integrated approach being taken that is leading to a shared responsibility across work units. Civil society is participating in roads management for the first time. However, there is little or no strategic thinking and the vision and drive for the reforms belongs to the FMC, not the LGUs. The physical works are lagging behind schedule and little has actually been delivered. A one-size-fits-all approach will not result in local ownership and take up of the needed governance reforms. Unclear the extent to which reforms driven by incentive payments will be sustained after the end of the program.
Efficiency	3	Poor use of the resources: management structure and processes have led to high transaction costs; overly restrictive rule framework and prolonged decision-making processes have led to significant delays in implementation, esp. physical works; demands on provincial partners is excessive, resulting in significant amounts of unpaid overtime; TA and other supports have not been as timely or appropriate as needed by LGUs. Risk assessment led the FMC to be extremely reluctant to transfer responsibility to LGUs. Value for Money is assessed as low.
Sustainability	3	Some of the administrative reforms might be sustained because attitudes have clearly changed. However, governance reforms are unlikely to be sustained without a shift to a more endogenous approach and many expected standards are not feasible or appropriate for provincial conditions. The capacity of the large incentive funds to induce change in the near term reduces the reliability of any mid-term assessment of sustainability. Role of DILG has not be well articulated in the program
Gender Equality	3	Gender is being incorporated in to EMS, but stakeholders do not see it is an issue because of the high profile of women in LGUs. For this reason, the issues associated with village women and their benefit stream has not been adequately addressed. Engaging in participatory assessments of land and road use using gender disaggregation tools around planned physical works would be a first step in improving this rating, but such efforts need to become a part of regular thinking.

Evaluation Criteria	Rating (1-6)	Explanation
Monitoring & Evaluation	2	<p>Promoting an interest in M&E, including in outcomes. However, practices being promoted placing extra pressure on provinces and are not very practical. Protracted approvals of M&E framework resulted in no reports being available to PSC or provinces – although the FMC reported having undertaken monitoring and evaluation regardless – this has meant that M&E has not been a management tool. Furthermore, absence of studies to test the key assumptions (contracting; road surface) has meant that stakeholders have no findings to confirm or adapt approach. Program theory had not been clarified prior to or during implementation, resulting in mismatch between intention and implementation.</p> <p>Unresolved differences between FMC and the PSC about the content and quality of proposed M&E framework resulted in a protracted period before the Framework was agreed. As a result M&E was not being used as a management tool. A consistent complaint from AusAID and PSC was the absence of useful data. Only one progress report has been provided in 2.5 years. The Framework has moved away from rigid logframe approach to a results-based, which can be more suitable for complicated programs. It also sets out some useful questions but the one progress report addresses these superficially with little or no analysis.</p> <p>Practices being promoted placing extra pressure on provinces and are not very practical. Provincial staff being trained in systems and skills that are more sophisticated than they need and do not appear to being helped to understand importance of analysis. Program effects are being over-stated.</p>
Analysis and Learning	1	<p>Absence of studies to test the key assumptions (competitive contracting; road surface) has meant that stakeholders have no findings to confirm or adapt approach. Program partners incorporated TMG activities into the implementation as a critical input to ongoing analysis and learning. Four such reviews have been conducted, providing insightful and important information to the partners and the FMC. However, neither partners nor FMC appear to have obtained sufficient traction in uptake of the recommendations. So, whilst good activities to promote learning, little or no action was taken with the information. Plus, M&E and hypothesis testing studies not in place to help identify needed lessons and inform program adaptation. Importantly, partners did move on adverse findings of an independent technical assessment.</p>

Rating scale:

Satisfactory		Less than satisfactory	
6	Very high quality	3	Less than adequate quality
5	Good quality	2	Poor quality
4	Adequate quality	1	Very poor quality

Conclusions

1. The overall conclusion of the IPR is that PRMF is a relevant and effective program that is well-aligned with the development objectives of both the Philippine and Australian governments and has achieved significant gains in local capacity development, but key changes are necessary in order to enhance its effectiveness, efficiency and sustainability.
2. As discussed in the Evaluation Findings, the seven initial provinces have shown marked progress in implementing a modernized approach to rural road management. Anecdotal evidence indicates that individual technical competence, staff morale and inter-departmental cooperation have improved markedly in most of those provinces. Nevertheless, the IPR believes that much more could have been achieved – particularly in the aspect of physical works accomplishments and governance reform - if the program had been structured differently.
3. The IPR further contends that the value for money²² obtained through PRMF operations could be significantly improved by making some reasonable changes in the management structure and technical orientation. These suggested changes are enumerated below in the Recommendations and a road map for initial implementation has been included in the Next Steps. Lessons Learned from the mid-term assessment of PRMF that are applicable for AusAID local governance programming in the Philippines and generally have also been noted.
4. The fundamental constraint that has retarded the progress of PRMF in both its Capacity Development and Physical Works components is the supply-driven approach that reduced the range of options from which national and provincial partners could choose. The opportunity to invoke informed public choice is central to institutionalising political reform. The current Capacity Development implementation approach uses a standardized, technically prescriptive approach that fails to consider both the existing provincial differentiation in condition or capacity and the critical role of politics in sustainable reform, leading to rote implementation rather than adaptive innovation. The Physical Works component has turned a relatively simple matter of modernizing rural road management into a prohibitively expensive and technically complicated process that has proven incapable of keeping pace with expected physical targets. The perverse incentives generated by this constraint have significantly reduced provincial and national ownership of the program. Ultimately, the supply-driven nature of PRMF is simply too cost-inefficient to be replicated in a meaningful number of additional provinces, particularly as a nationally financed program, nor would continued operations under the same modality substantially improve the performance and reform institutionalisation in partner provinces.
5. Taking a systems perspective, the IPR assesses that this constraint was built – albeit unintentionally- into the basic design of the program. The FDD itself places a heavy emphasis on the introduction of technical reform measures in both CD and PW coupled with narrow latitude for allowable interventions. The associated expectation is that improvements in technical aptitude along pre-determined lines will be sufficient to institutionalize political and governance reform. In addition, the SOS contains considerable detail on how the FMC must proceed to guarantee quality assurance. Therefore, by placing all risk of quality assurance on the FMC, the SOS created a situation wherein the FMC rationalized that it could only operate at an ideal level of technical excellence. This led to a marginalization of both national and provincial

²² 'Value for money' is a term generally used to describe an explicit commitment to ensuring the best results possible are obtained from the money spent.

partners from nearly all meaningful decision making, resulting in road rehabilitation designs and technical CD packages that are imperfectly matched to the needs of the partner provinces.

6. The IPR regards tying the CD and PW components together in one program as a noteworthy approach for the Philippines and one that should be promoted by DILG for future internationally supported local governance programming. The use of two funding streams (base and incentive) that intimately link the two components of the technical assistance together has proved to be a valid option for inducing short term reform in road management. However, there are several aspects of this two-stream funding modality that could be improved.

- a. First, the base funding should have been tied directly to local conditions that affect a province's ability to finance road management (as anticipated in the FDD) rather than distributed evenly and inequitably among all partner provinces. The base fund distribution generated a windfall for the smaller provinces while underfunding the larger ones. Obviously, the allocations for FY 2012-13 have already been made. This recommendation would take effect after the MOA are modified following the next round of gubernatorial elections in May 2013.

- b. Second, the tied incentive allocation was designed to pay provinces for completing CD activities according to a standard formula. This has led to partner provinces complying with technical interventions required by the FMC, regardless of their utility or budgetary sustainability. Shifting this reward to incentivise quality road improvement would reduce the potential distortion caused by the large base fund.

- c. Third, the untied incentive payment has been paid based on measurable increases in Own Source Revenue (OSR). This has led some provinces to include revenues from subsidized enterprises. At least one province included proceeds from a local tax that was subsequently ruled as illegal double taxation on corporations by the courts.²³ Shifting this reward to incentivise percentage increases in budgetary allocations for road management would also further reduce the base fund distortion by immediately building the recognition that modern road management can only be sustainably maintained if there is local revenue to cover the costs.

- d. Fourth, no funds (base or incentive) could be allowed to improve road management that did not follow the *a priori* norms established by PRMF. This undercut the incentive for provinces to generate innovative road management practices.

7. The conscientization of provincial governments on ways and means of improving own-source revenue collection was a useful intervention. However, the program has made limited use of analytical tools for financial assessment and investment feasibility. Provinces are no closer to understanding their internal costs of road maintenance or the costs-to-collection ratio of current revenue collection than they were at the start of the program. The ARRB study has provided a framework for assessing the road maintenance costs. The IPR team did not include a financial expert so no attempt was made to assess the utility of the eTracs computerized OSR tracking system developed by AusAID, however examples of relevant cost-to-collection analyses are available in the Philippines.
8. With regard to the Physical Works component of the program, the selection of a subset of the roads that fall under the direct control of a provincial government as the core

²³Surigao Del Norte created a local tax on mining companies that significantly increased their first year OSR. This was ruled as an illegal double taxation by the courts, resulting in a steep fall in OSR and corresponding drop in their incentive payment.

network of PRMF attention has facilitated the process of road management reform. Most of the necessary skills have been developed and organizational reorientation has taken place that has fostered a more rational approach to road management. Provinces are now using a standardised set of criteria for road work prioritisation. The DILG local road design guidelines have been formulated and will be piloted in the three new provinces. These can still benefit from the improvements suggested in the ARRB report particularly regarding planning and guidance for maintenance of sealed roads.

9. The focus on a core road network, however, has its limitations; particularly as the AusAID focus in the Philippines has shifted from economic growth to equitable access. It is, therefore, important and necessary for the program to consider an expansion of its focus on provincial road management plans to include all roads in a province. The IPR argues that this move would facilitate an intensification of political interest in the PRMF reform agenda by involving provincial legislators, municipal governments, barangay administrations and communities to a greater degree than at present.
10. This conclusion does not imply that either provincial or AusAID financial resources would be directly applied either to municipal or barangay level roads. The TMG and ARRB reports both independently support the incorporation of this systems perspective going forward.
11. Despite its successes, a linked set of design flaws have thus far limited the potential for the program to progress towards achieving its anticipated performance indicators.

- a. The FDD oriented PRMF towards rehabilitating road segments to a sustainably maintainable condition. Although the FDD did not completely elaborate on the definition of a sustainably maintainable condition (but gave an estimate of the cost at two million pesos), AusAID Manila management elected to initiate the project in each of the seven provinces by fully restoring two short road segments using a technically complicated and high cost process requiring external design, contracting and construction management. Initiating the program in this manner without first engaging provincial teams to build their design, contracting and management capacity was a serious error, both technically and politically.

- i. Tremendous time and resources have been expended in pursuing this unsustainable approach over the four years of the program's existence (calculating from the initial AusAID interventions in the provinces around February 2008).

- ii. Further, the IPR contends that this flaw initiated a chain of decisions by the FMC that compounded the error (coming on board after Year One roads designs had been completed) with the next round of designs being even more complicated and expensive than the first.

- iii. The continued concentration on high standard rehabilitation led the technical training in design, procurement and management for the provincial teams to be disconnected from the same type of work being undertaken by the FMC on the road segment upgrades because the role of the provincial teams was marginalized due to the FMC's internal risk assessment. This FMC risk assessment ultimately stymied all attempts by AusAID to undo the initial error. Continued concentration on major rehabilitation of priority road segments will significantly dilute the program's potential impact on improved road maintenance and the political integration of its reform agenda.

- b. The second design flaw is tied to the requirements that PRMF funding for provincial road management interventions could only be used for gravel road surfacing and for maintenance by contract. The ARRB report has gone into detail regarding the limiting nature of these restrictions, following the line of reasoning that a trial-and-error

approach to testing the utility of a variety of options would best serve the provinces and national policy. The overly dogmatic stance of AusAID regarding its opposition to the use of concrete led to steep road inclines and unstable side slopes remaining unprotected for long periods after the initial rehabilitation work due to lengthy discussions. This position has now been modified, but its impact seriously delayed the design and implementation of the Year Two roads, thus reducing the value for money spent on Year One roads.

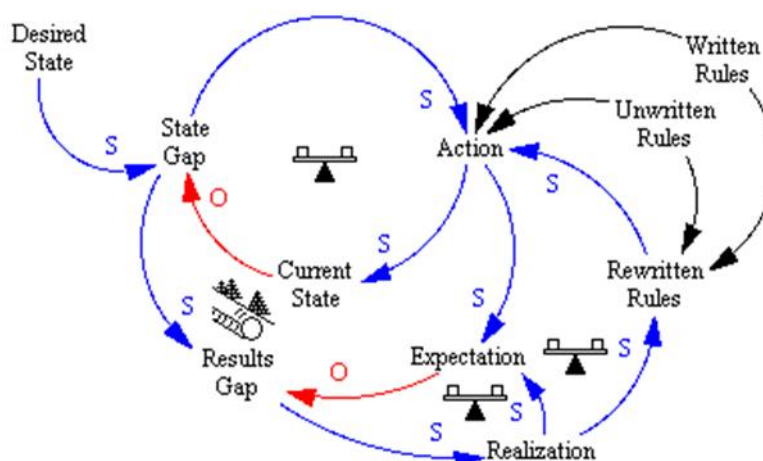
12. The program has thus far failed to convincingly present the case that improved management of local roads will have an impact on local outcomes related to economic growth and equitable social progress. The lack of policy informing research outputs has severely limited the impact of the program on national policy and in providing substantiating evidence to provincial leadership that its basic assumptions were, indeed, valid. In the absence of any controlled tests of the design assumptions, provinces have retained their original perceptions regarding surface materials and contracting. In the same light, the IPR evaluators were not presented with any evidence to support the same assumptions made in the design document, which have already been questioned by the TMG report and which have been judged to be inappropriate as general restrictions by the ARRB report. In contrast, the ARRB report provides a solid theoretical foundation for establishing an adaptive, place-based approach to testing and developing defensible conclusions.
13. The broad array of Philippine research and training institutes with lengthy track records has not been tapped to provide institutional advice, professional-level technical expertise, training, data collection, benchmarking or fundamental research. As a result of this research gap, the program has thus far failed to embed itself in national policy dialogues regarding rural road development. Going forward, any research agenda needs to be coupled with a strategic communications campaign that links messages used at community, provincial and national levels to ensure a common and consistent message.
14. The program's efficiency and sustainability have been undermined by the FMC's lack of focus on DILG. A critical opportunity was missed when the FMC decided to prepare its own road management guidelines. These were rejected overly technical and AusAID had to request DILG to prepare a more suitable version (that has been judged as appropriate in the ARRB report).
15. The program has introduced a new willingness on the part of provincial authorities to engage citizens in dialogue on strategy and details of road management. This success should be followed by an intensified engagement of citizens to build their ownership of maintenance interventions and their awareness of the impact of their land use on the deterioration of road surfaces. This may also lead to a reduction in adverse reactions to road rehabilitation in isolated parts of sensitive provinces, such as happened in Kibawe, Bukidnon when the road rehabilitation contractor abandoned the work due to alleged harassment from armed rebels.

Lessons Learned

1. Based on the early experience in implementing the PRMF, the IPR team suggests that AusAID may wish to consider the following suggestions for programmatic design driven by accountable local leadership when conceptualising future local governance and development programming in the Philippines and elsewhere.
2. The following set of seven lessons and recommendations resulted from reflection on the PRMF by the IPR team. As a group, we believe that any future AusAID program operating in the local governance environment should be designed to emphasize learning, innovation and adaptation. We argue that this approach will facilitate the generation of new ideas unimagined by the program designers that are matched to the local conditions and social dynamics.

Design programs using a systems perspective

3. Design all development programs using a systems framework in order to fully appreciate the varied relationships involved in affecting a particular reform rather than “ring fencing” an intervention by restricting technical assistance and systems reform to only a portion of the phenomenon, such as the limitation of only provincially managed roads or only gravel roads or only competitive contracting.
4. The following systems dynamics loop diagram illustrates this dilemma:



5. The FMC approached the situation in PRMF (both CD and PW) by assessing the Current State then defining a Desired State. The difference between the two became the State Gap. This State Gap generated an impetus for action based, in our case, on externally defined technical assumptions. If the Desired State and the subsequent Actions had been defined collaboratively in relation on the Written Rules (formal, explicit rules) of the partner organizations with an appreciation for the Unwritten Rules (informal, implicit social norms and environmental constraints) of the larger socio-ecological system, they would have had a better chance of moving the Current State in the direction of a sustainable Desired State, thus reducing a realistic State Gap. As needed, Rewritten Rules (such as Governors' Executive Orders) could have been prepared in order to institutionalise a positive Expectation that the State Gap will decrease in size at an appropriate rate over some period of time.

6. The whole idea is that the Action should move the Current State in the direction of the Desired State thus reducing the State Gap. However, the Action must also be tested as to whether it is appropriate to the local situation. When the Action is based on an external technical determination alone (when either set of Rules are ignored), the tendency is for the system to maintain the Current State by effectively nullifying the Action over the long run.
7. The above comment is an example of the systems thinking and complexity analysis tools that are currently being adapted to development work²⁴. However, some of the most interesting analyses currently come out of the military²⁵, an arena that has long recognized the validity of Livy's maxim: "Nowhere do events correspond less to men's expectations than in war." Of course, 'development' could replace 'war' without any loss in meaning.

Target Local Decision-Making Systems

8. Always be sure that technical assistance is intimately linked to improving an existing decision-making process. Successful development interventions in the field of governance must always focus on changing organizational culture and institutional rules and behavior. Technical skills add value only when they fit into existing local needs and priorities. Taking such a process-based approach to development is not necessarily more time-consuming or cost-intensive than approaches that use outside experts to direct program inputs. While more time and effort is required for the front-end tasks of training and consensus building, this investment can result in significant downstream savings by building cooperation, real ownership, and sustainable support from national and local partners. This lesson strongly supports a cross-sectoral model for AusAID programming that links governance interventions to those of a sectoral nature, such as the approach piloted through PRMF.

Interventions must be Identified, Prioritized and Co-Supervised by the Partner

9. PRMF learned from its experience that limited partner ownership works to the disadvantage of the partner as well as the donor. The partners' sense of ownership of a program activity drives them to complete it, and to make it work. A sense of ownership is based first on the fact that partners identify with the need for the technical assistance (i.e., the "demand" is not driven by *quid pro quo* incentive payments). The sense of ownership is also strengthened by requiring partners to invest substantially more financial and human resources in the technical activities than is funded by the donor. The donor resources should be used as a catalyst for, not a driver of, reform.
10. The "local partner" referenced here is not limited to LGUs. Future AusAID programs should establish work relations with many institutional partners such as NGOs, local universities, and local offices of national government agencies. The one-to-one relationship between FMC and an LGU does not represent an efficient use of Australian taxpayer funds. It is important that future institutional partners be involved as early as possible in the program design. This provides an opportunity to let the partners express their own needs, comments, and objections to the arrangements at the earliest possible time. AusAID benefits from this approach because fewer resources are needed than when the partner is being induced to pursue an agenda set from the outside.

²⁴ Ramalingam, Ben and Harry Jones Exploring the science of complexity: Ideas and implications for development and humanitarian efforts, ODI Working Paper 285, 2008.

²⁵ Calhoun, Maj. Robert K and Capt. Brendon F. Hayward, STABILISING COMPLEX ADAPTIVE SYSTEMS: USING COMPLEXITY THEORY IN OPERATIONAL DESIGN FOR STABILISATION AND SUPPORT OPERATIONS. Australian Army Journal, Vol III, Number 3, 2010.

11. Use successful examples to construct a set of principles for establishing a performance-based, government-to-government approach as the prime implementation modality. The current relationship between AusAID and TAF on building coalitions for policy reform is one example that could be carefully assessed for its potential for building broad-based ownership of PRMF principles in partner provinces.
12. Use the ownership built through this process to catalyse significant increases in budget allocation for (the selected reform), rather than hoping that reform will remain after the incentive payments have been depleted.

Appreciate the Value of the Partner's Leaders and Staff

13. A public administration system, by textbook definition, is composed of at least three elements: assets, procedures, and people. Once assets and procedures are in place, people always determine if the system reforms will be sustained or fade away after external financial resources are withdrawn. The level of ownership and enthusiasm among the partners is what will make future program interventions successful, not the technical accuracy of the program design, the length of the program life or the level of program resources.
14. The importance of internal management of day-to-day operations cannot be underestimated. The use of externally funded 'local project offices' to push compliance should be abandoned. The local chief executives should have direct management control over staff members tasked to ensure coordination between departments and the steady flow of performance information to the technical assistance team.
15. Often the role of the LGU Board (legislative council) is underestimated. Yet in most LGUs, it is unlikely that an investment program will ever get off the ground without Board support. If financing from the LGU budget or external financing is required, it is imperative that the Board be fully apprised of the program design, including the reform agenda, operating modalities, beneficiaries and be provided with the opportunity to take part in meaningful progress reviews.

Employ a Multi-pronged Implementation Strategy

16. Programs that attempt to deliver technical assistance solely through a one-to-one relationship between a donor's implementing agent and partners/beneficiaries greatly reduce the potential for sustained delivery of that assistance after the donor funding has ended. An implementation strategy that aims at the sustainable institutionalisation of a selected reform should be comprised of direct technical assistance to self-selecting LGUs, strengthening peer support networks so that the accomplishments of partner LGUs can be learned and adapted by others and building the capacity of government and non-government entities to continue to provide technical assistance on a demand driven basis.
17. The core group of partner LGUs should be engaged to set up benchmarks for comparison of individual performance and as a guide for others to follow. The willingness and ability of LGUs to share how they have succeeded in an internally designed reform effort has been one of the cornerstones of the Philippine local governance movement for the past twenty years. As a result, it has become axiomatic that LGUs more readily accepted new approaches developed by their peers rather than those introduced by outside experts because of the recognition that these innovations have been grounded in the reality of implementing a particular action in a place having similar constraints as their own.

18. There are several consortia of technical assistance service providers that have been created in the Philippines over the past decades. These are composed of government and private academic institutes, NGOs and, in some cases, private firms. There is a wealth of knowledge held by these individual organisations and, often, this is shared among all of the members.

Facilitate the Potential for Private Sector Involvement

19. The ARRB report has clarified the substantial financial gap in provinces' ability to sustainably maintain their roads. This assessment has not even begun to address the additional burden of upgrading and maintaining barangay roads. It is clear that the financial sector's confidence in local governments will be essential to the sustained improvement of local roads (and other local infrastructure development). A collaborative effort involving the Philippine national government, LGUs and financial institutions should be considered as a major purpose of future AusAID local level programming. AusAID should consider using its financial resources to attract substantial investment from national government or donors to the proposed reforms by building the argument that ('the specific program interventions') are critical for equitable socioeconomic progress. Do not structure programs to operate on AusAID funding alone.

Support Multi-partner Coalitions

20. Providing technical assistance simultaneously to LGUs and their counterpart NGOs/POs should be a fundamental pillar of any future AusAID local governance program design. Despite twenty years of advancement in democratic local governance in the Philippines, there remains a sense of deep distrust, bordering on antipathy, between local politicians and civil society leaders. PRMF has shown the benefit of engaging civil society organisations that have received relevant orientation (such as in procurement rules and procedures) in a collaborative relation with LGUs. Lessons from PRMF and other programs indicate that sustained impacts happen in LGUs where both LGU and CSO assistance are coordinated and supported complementary activities.

Build Collaborative National/Local Relations

21. Local programs must be designed as policy experiments. Information derived from the M&E or research activities must be structured so as to be effective in bridging the perception/knowledge gap in policy dialogues by linking lessons from local innovations to national initiatives. AusAID program must be oriented towards enabling local partners to identify multiple solutions to local problems rather than incentivising compliance with pre-determined solutions. In addition, programs should be designed to enhance the capacity of local partners to communicate their results and perceptions to the center. Interaction between LGUs and the AusAID-funded technical teams should result in the production of numerous technically sound methodologies that can be readily adapted in other settings. As they are tested in multiple environments, such innovations can then be incorporated into policy in order to align national regulatory and support systems with the legitimate needs and aspirations of LGUs.

Recommendations

1. As noted above, the IPR team confirms that the PRMF design is Relevant and has shown some evidence of Effective programming which can be improved on. The IPR recommends that PRMF be considered at the appropriate time for a program extension and budget increase if evidence is shown over the next twelve months of improvement in the value for money generated and institutionalization of road management reforms at the national and provincial levels.
2. The recommendations below are submitted with the intent to improve the Relevance of the program (coupled with improved Analysis and Learning) affecting national and provincial policy reform, the Effectiveness of the technical assistance approaches for CD and PW and more Efficient use of resources (coupled with improved M&E) so as to facilitate Sustained reform in the current provinces and set the stage for expansion into new locations. These recommendations will require some time to fully implement, but a phased approach over the coming twelve months (noted in Next Steps below) will improve the results if implemented accordingly.
3. It is the opinion of the IPR team that the political will to institute these changes is already evident among the national and provincial government partners. The key question is whether AusAID is willing to introduce modifications in its normal programme implementation modality. However, it should be noted that the structural changes proposed here would likely not have been practicable if AusAID was not already transitioning to new implementing arrangements for PRMF.
4. The overriding recommendation of the IPR is that DILG should be supported with management and research tools so that it can effectively use the PRMF as a tool to develop a national consensus that improved local road management can serve as a key driver in the attainment of the 2015 Millennium Development Goals, and beyond. If undertaken strategically, such a move could significantly reduce the need for monetary incentive payments to encourage provinces to reform their current practices. It would, however, require broadening the current PRMF perspective to include all local roads in a province as part of a network to be holistically managed. The PRNDP in PRMF participating provinces would be a good base of information on which to initiate this move.

Management Recommendations

5. The key management recommendation for improving the potential of PRMF is to shift away from a supply-driven FMC-led program approach to a systems framework. Local leaders need to be recognized as the primary change agents. The reform program should intimately involve, at a minimum, the Governor, Vice Governor, Sanggunian members and Municipal Mayors on a regular basis.
6. This would involve adopting a more indirect approach where the FMC provides a facilitative and supportive role by working indirectly through provincial staff. This would help address the issue raised by some provincial staff: "We have no control of the project. We want to take management control."

Fund Allocations

7. Each province has different circumstances, capacities and needs, which makes it illogical to allocate an equal amount of base funds to each province. The level of resources should be linked to size, provincial classification, extent of dependence on IRA, length and (initial) condition of local road network, weather and other environmental factors, etc. Incentives should be linked to practical performance, willingness and

demonstrated ability to commit local resources as counterpart and sustainability of governance reforms put in place. For example, incentives could be structured as follows:

a. The base fund could be reduced if improvements in overall road condition status are not periodically verified within an agreed time frame, thus avoiding a possible unintended incentive to sustain poor road conditions.

b. The base fund would continue to be divided into CD and PW allocations according to an agreed formula. However, the allocations assigned to provinces would lapse after two fiscal years if not utilized. This would encourage the efficient use of resources at a pace appropriate to the local capacity without over burdening the staff. Lapsed provincial funds would be made available as increased allocations to more efficient provinces. This follows the Governors' suggestion to "calibrated" CD based on locally assessed needs, capacities and resources.

c. Tied incentives should be based on the length of provincial road segments maintained, the number of culverts upgraded and side slopes stabilized under outsourced arrangements (competitive contracting with private contractors or negotiated arrangements other government entities). Quality assurance levels for all Physical Works would be based on the new DILG standards and assessed through a random sample of sites carried out by a Third Party. The provinces would be assisted to appreciate how governance reforms act to reduce the cost of road management and the possibility of disqualified efforts, thereby improving performance together with a concomitant increase in incentive payments.

d. Untied incentive awards should be restructured so they provide a clear inducement to modernise rural road management by basing them on the percentage increase in budget utilization on road management compared to the previous fiscal year. The IPR (as does the FDD) argues that improved road management will lead to improved MDG and other socioeconomic equity indicators by increasing total revenue available for other public goods and services. Nevertheless, checks could be put into the system to ensure that budget utilization for health, ECCD, social welfare and environment are not 'taxed' to artificially boost the road budget.

e. The IPR further recommends that the untied incentive funds be calculated on the basis of internal provincial budget utilization improvement without reference to the pace of improvement in other provinces. For example, a 10% increase in road management budget utilization would generate an untied incentive allocation in line with a province's current base fund level irrespective of the progress made by other provinces. This modification would level the playing field (by reducing the advantage of better prepared provinces) and encourage all provinces to collaborate in sharing innovative practices. The IPR cannot show conclusively that the current scheme stifles collaboration because PRMF has not facilitated any collaboration among provinces during the first phase. The point is that the IPR argues that PRMF should foster a collaborative spirit among its partners, thus if this thesis is accepted, then requiring them to compete for benefits from a common pool would be counterproductive.

Partnership Relations

8. The new FMC should be embedded in DILG from Day One. This could be a 'virtual' arrangement until DILG has been allocated sufficient national funds to establish and staff its upgraded Program Management Office. However, the updated SOS should advise the FMC of two complementary performance deliverables.

a. The primary role would be a measured approach to ensure that DILG is fully capable of taking over all program management functions from the FMC within an 18-

month period. Fund disbursement would continue to be managed by the FMC until the DILG PMO is fully functional and WIPS-certified.

- b. The additional roles would be continued oversight in provincial physical works operations and capacity development (both discussed under relevant recommendation sections below).
9. Shifting the role of the FMC to focus on building the capacity of DILG while performing oversight of provincial operations would mark a significant shift from the previous implementation modality wherein all program actions were conceived and directed by the FMC.
10. The FMC should be instructed to develop a plan of action in association with DILG that addresses all management issues of concern to AusAID. There is no need to link the time it would take to accomplish this handover and the length of the current PRMF timeframe. If PRMF is extended with additional resources (or even merely extended to fully utilise current resources), the DILG would be well prepared to move it forward. Shifting the management to the DILG prior to the end of the current program period would provide sufficient experience to facilitate a steady expansion of the program into new provinces during any extension phase. If PRMF is replaced by another local governance support framework, the DILG would be equally well prepared to take the lead at the outset.
11. An Advisory Council of Provincial Governors should be established prior to the next PSC meeting. This group should be granted authority, operating on the basis of consensus but under the policy direction of the PSC and technical guidance of the FMC, to generate proposals for the equitable and efficient use of program resources based on their understanding of their needs and capacities. Such proposals would, in all cases, be subject to the approval of the PSC. Use of such collaborative exercises has the potential to significantly improve the efficiency of PRMF resource use.
 - a. Obviously, guidelines would be given by the PSC prior to initiating such an exercise, e.g., that only 70% of annual resources could be allocated to physical works. Initial assignments for the Council would include determining the criteria (and data sources) for establishing provincially specific baselines of current socio-economic conditions that would potentially be influenced by an improved road network and a set of objectively verifiable road management performance benchmarks that would be applicable across all provinces. Other roles, among many, for the Advisory Council could involve providing feedback to the PSC on the quality of technical assistance received from the FMC and other service providers, the nature of constraints to local road management aggravated by national rules and regulations, identification of research topics of particular interest to provincial partners.
 - b. The League of Provinces could be approached (and offered necessary financial assistance) to provide the secretariat for the Advisory Council.
12. There is merit in considering an application of The Asia Foundation coalition building efforts in association with PRMF. This approach would seek to engage civil society and business organizations with local governments in an effort to build a consensus for reform. It must be recognised that working on institutionalising modernisation of road management practice and budget utilisation is quite different from fostering national policy reform. Nevertheless, such an approach is inherently different from, and superior to, attempting to transform a paid project staff into a 'development entrepreneur'. Using the TAF approach would work best if linked to the proposed DILG Road Management "Seal of Excellence" certification modality described above. The certification would supply the short-term objective with the coalition boosting the resolve of local leaders to

stay the course irrespective of any leadership changes. The key element is that the civil society and business groups are 'insiders' who stand to benefit from sustained positive change.

13. The Provincial Coordinators (PC) should be shifted under the management of the provinces to act as staff support for the Governors' inputs to the Council activities. The Provincial Coordinators should continue to play the role of a program functionary as activity coordinators. Development entrepreneurs (*sensu* Adler et al) must be internal to the system under reform. If the desire is to build provincial decision making capacity, the IPR does not consider it appropriate to continue supporting project units in the provinces that are not under the control of the LCE (or DILG, at the least). For that reason, individual Governors may wish to apply those base resources made available for the PC and other project posts to other CD interventions by substituting project employees with existing PLGU staff persons, thereby enhancing the potential for institutionalization of program reforms through internal initiative. Retaining the PC as the out posted program staff indicates that the exogenous model of development will remain dominant in PRMF implementation.

- a. The IPR foresees no conflict of interest if the PC is responsible to the LCE. The LCE would remain under the review of his Sanggunian, oversight by the FMC and Third Party verifiers, peer pressure from colleagues on the Advisory Council and a strong PSC mandate to terminate or reduce allocations based on adverse findings. Contrary to the 'elite capture' viewpoint, the IPR is of the opinion that such a relationship would enhance the potential for institutionalising reform by encouraging the LCE and all staff to view PRMF as internal to their operations.

- b. If the AusAID and DILG jointly feel uncomfortable with having the PC directly under the Governor in all cases, then the other, although less optimal, option is to place the PC and any other project financed technical staff under the direction of the Provincial office of DILG until such time that the PSC assesses that the PGO is ready to take full control of program implementation in its province.

14. The IPR has assessed that there is sufficient time and human resources available for AusAID to accomplish this transition, if desired.

- a. There are currently five AusAID Manila staff who are full or part time engaged in PRMF. There are several others who are designing the next phase of local governance programming modality or advising on related matters. It is clearly appropriate for these staff to be intimately involved in the PRMF restructuring process as the nature of the future service delivery programs operating in the local governance environment should follow the example of a reformed PRMF.

- b. DILG has several hundred staff to choose from to build a quality team. There are 10 Governors, 10 Provincial Coordinators, plus 10 of each of the technical leads in the provinces who would all be willing to contribute.

- c. The FMC could be instructed through the SOS to play a major administrative and technical role in this re-structuring; employing appropriate local and international advisors as necessary. In fact, payments to the FMC could be structured to include an incentive to ensure the partnership capacity is established, or, conversely, a penalty could be specified if the FMC failed to ensure that DILG meets established capacity milestones within the 18 month period.

- d. However, there is no need to wait for the new FMC to come on board before initiating the ground work. For instance, the creation of the Provincial Advisory Council should

be initiated immediately and the TOC articulation can begin soon thereafter using local and Australian-based TOC facilitators.

Physical Works Recommendations

15. The key physical works recommendation is for PRMF to shift its primary use of base funds for physical works from its current focus on major road segment rehabilitation to the design and implementation of enhanced maintenance regimes to include improved drainage and upgrades to selected rehabilitation of culverts and side slopes²⁶. This shift is mandatory if PRMF expects to institutionalise road management policy reform in partner provinces within its current project life.
16. In addition, ARRB analysis suggests that it will take a number of years even for the best funded provinces to establish sustainable maintenance and remove surface condition related backlogs. In view of this finding, the PSC should consider a formal modification in the program performance requirement that road segments be rehabilitated to a level where they can be sustainably maintained. There is no definition of 'sustainably maintained' in the FDD. Unfortunately, this has been interpreted to mean "initiated through rehabilitation to national road standards", which has seriously slowed progress. In order to speed progress and enhance program impact, this requirement should be removed from the program performance indicator description with the caveat that the program continues to work towards 1000 kilometres of road upgraded and maintained. In the view of the IPR, it is still possible to reach that total coverage if the criteria are modified to reflect the current funding realities and capacity levels.
 - a. If the requirement for full rehabilitation of road segments is removed, or more clearly defined, then the PRMF could establish a lesser set of criteria (compliant with the DILG guidelines and ARRB recommendations for graded quality) that could be feasibly achieved by provinces. It is the view of the IPR that this change could lead to a significant increase in upgraded road length. This is in line with the ARRB assessment that significant improvement can be achieved by modifying the camber of the surface and improving the drainage. This alone would not fix the problem of road deterioration, but, through this modification, the provinces would be engaged in using road rehabilitation techniques that they have a reasonable expectation of designing, financing and procuring through their own resources. In this way, the AusAID funding in PRMF would not be replacing provincial resources, but augmenting them.
 - b. The logframe performance indicator remains "1000 km rehabilitated and maintained". This remains a worthy, and achievable, performance indicator if 'sustainably maintained' is technically defined as an objectively verifiable improvement in road structure aimed at reducing deterioration in a manner that is sustainable with local financial and technical resources. A link with the "Seal" would facilitate the creation of a clear definition of this concept and enable its use across all provinces. In our view, it does not make sense to simply 'do maintenance' if the rate of deterioration is not slowed at all.
17. This shift would i) immediately expand the role played by provincial political leaders, planners, financial experts and engineers, ii) significantly increase length of roads under improved management, leading to a concomitant increase in the number of individuals positively affected by PRMF interventions and a potentially more significant trend in socioeconomic indicators, iii) ease the expansion of PRMF principles into new provinces and iv) improve the value for money to the Australian taxpayers.

²⁶This recommendation has already been broached with one of the new provinces just joining PRMF and was met with strong approval from the LCE.

18. DILG and the Advisory Council should be encouraged and assisted to begin work immediately on the creation of a “Seal of Excellence in Local Road Management” based on the new local road management guidelines (incorporating the improvements recommended in the ARRB report). Once established, the Seal standards could become the new criteria for tied and untied incentive payments. The award should be graded to allow for recognition of varying levels of compliance by all types of LGUs. This would encourage poorer and less well prepared LGUs to apply for a rating, no matter their current quality of road management. New provinces seeking admission to PRMF (or subsequent government) programming would be required to achieve a specified minimum award level before being considered for advanced assistance. The details of the Seal and its use are beyond the writ of the IPR and the ARRB report is also silent on this matter.

a. It is the opinion of the IPR that the creation of the Seal would serve as a non-monetary incentive device for encouraging a wider range of provinces to modernise their rural road management systems. This would enable AusAID to gradually reduce its base and incentive payments to partner provinces over time while steadily increasing AusAID’s influence at the national policy level by shifting its financial assistance to a nationally-driven support mechanism.

19. In view of the two recommendations above, the physical works technical role of the new FMC should concentrate on expert advice on the design of the Seal (as requested) and mentoring (jointly with DILG) of provincially-led design, procurement and construction supervision. The FMC should also be required to design and supervise a system for 3rd party validations of physical works output quality for incentive determinations, Seal awards and, eventually, output-based financial transfers.

20. The disbursement of base and direct incentive payments for physical works under provincial design and management remains a difficult issue to tackle, no matter the size of the procurement involved. As far as the IPR is aware, AusAID procedures do not allow making advance payments to national entities that have not qualified under the WIPS criteria. Waiting for WIPS qualification would seriously delay the implementation of physical works of all levels of complexity. The ARRB report notes that DILG has prior experience with output based funding mechanisms and recommends a careful assessment of alternative output based funding models, particularly those being designed with AusAID assistance in Indonesia. The IPR concurs and suggests that the SOS incorporate guidance to the FMC to work closely with DILG to design a mechanism that would reduce the FMC risk level while meeting all AusAID and GPH fiduciary requirements. Although the FDD rated all seven initial provinces as fully compliant with national procurement standards, full authority for provincial BACs to finalise physical works procurement agreements may need to wait for an agreement on a suitable output based funding model unless AusAID can authorise local procurement and contract management below a certain threshold.

21. The ARRB report helped to quantify the severity of the funding gap for road management in the Philippines. PRMF will need to address this issue at an institutional level (meaning in addition to its direct base and incentive payment modality). Certainly many provinces have already had experience with bank loans to finance road upgrades. The World Bank is in the process of preparing a new rural road loan program that could involve LGUs. It would be of mutual benefit if AusAID were to form a link between the PRMF partner provinces and the World Bank program. Also of note, the USAID Development Credit Authority has started to utilise risk-sharing tools that encourage private financial institutions to increase financing for creditworthy, but underserved borrowers. Geo-visualization mapping of these loans, allows donors, governments and the public to see where USAID has built the capacity of the private sector to make loans, where borrowers

are using the loans and to act as a gauge for trends or signal areas for synergy. The GIS capabilities being built in PRMF provinces could be seen as a base upon which to build a similar initiative for rural road loans.

22. PRMF should provide technical guidance to interested partner provinces to facilitate a shift to a systems approach for local roads management, including other supportive infrastructure such as bridges by incorporating information about all roads from provincial to barangay level in provincial roads plans. Interested Municipal and Barangay leaders' role in road management (planning, monitoring, routine maintenance and impact assessment) should be steadily enhanced by incorporating their roads into the overall provincial road management system. This recommendation does not imply that either provincial or AusAID financial resources would be allocated for physical work on either municipal or barangay level roads. The purpose here is to take the provinces to the next step in rural road programming by recognizing the full extent of the problem that must be addressed by all provincial government components.
23. Community ownership of road management interventions should be enhanced through the introduction of participatory approaches to assessment and mapping of critical socio-economic and environmental factors. There are numerous examples of excellent work involving Filipino communities in detailed mapping designed to modify existing land use patterns. These tools should be incorporated into the detailed design work of the road rehabilitation segments to reduce side slope erosion and road deterioration due to improper community actions. Gender disaggregation of the issues surrounding land and road use should become a normal part of such assessments. Work of this nature has been undertaken by many NGOs and academic institutes in collaboration with local communities in both urban and rural settings. One highly competent group, the Ateneo think-tank, Environment Sciences for Social Change, has operated a sub-office for nearly a decade in Bukidnon²⁷. Far greater use of such organizations and their tools for participatory and gender-sensitive assessment will need to be used if PRMF is to be of help in bridging the gap between government and communities, particularly women.

Capacity Development Recommendations

24. The key Capacity Development recommendation is that provinces should be mentored in ways to effectively self-identify capacity gaps/weaknesses that are crucial to modern road management in order to tailor capacity building to individual provincial needs. Training interventions should quickly become dominated by on-the-job and coaching modes that are calibrated better to existing workloads.
25. To enable training to occur in a timelier, tailored and cost effective manner it will be crucial to move to a distributed network model of service providers. The approach proposed would mirror that of the well regarded AusAID-funded PAHRODF program that already has several hundred partner institutes and technical experts listed on its website.
 - a. A link to the Local Governance Academy (LGA) and its LoGoTRI consortium could be one source of qualified training service providers. LGA is a well-respected body, with years of experience in designing capacity building programs for Local Governments. However, neither LGA nor PAHRODF has extensive experience in providing training in road engineering design and management or other technical specialities. This will require the FMC to quickly build up a roster of potential service providers in order to vet their qualifications. Collaboration with the Philippine Technological Council that already works to certify and accredit Philippine higher education engineering programs would be a possible option. By closely collaborating

²⁷ Ignacio-Esquillo, Ruth. Participatory Land Use Planning, The Malaybalay Experience, "Land Use Planning: Making It Work", Philippines, Quezon City, 2001.

with these, as well as other specialised technical institutes, PRMF would be able to rapidly move towards a sustainable model for capacity building that could more easily survive the end of the program.

26. Some provinces reported that the establishment of comprehensive human resources departments has been set as a prerequisite for provincial management of training activities. The IPR is unconvinced that this is a necessary requirement.
27. Appropriate spatial planning methods should be included in the elective options available to provinces in order to facilitate a closer linkage between the PRNDP and the PDPFP. This will also facilitate linkage with AusAID priorities to improve equitable access to public services for socially and spatially marginalized groups. AusAID introduced a useful spatial planning method under its earlier Local Government Development Program and high quality materials produced in Bohol remain available.

Learning and M&E Recommendations

28. A draft program theory has been developed with AusAID and DILG as part of this review, mainly to clarify the plausibility of the program design (refer to annex 3). The IPR recommends that this draft theory should be further discussed and refined by the PSC before the arrival of the new FMC, with a view to developing an agreed theory of change that forms the basis of a revised monitoring and evaluation framework.
29. The draft program theory identified areas of complexity. This means that aspects of the program will be emergent in nature, requiring a different monitoring and evaluation approach. These differences need to be accommodated in the monitoring and evaluation framework. In particular, it will require that the program theory be viewed as a dynamic tool requiring periodic review and adjustment, as needed.
30. Provincial level monitoring and evaluation needs to become a management tool for the purposes of accountability and program improvement. As such, it needs to be easily performed and not overly time consuming. The Provincial Advisory Council, with the support of the FMC, should collaborate on clarifying the essential elements of baseline data for their individual situations, and then determine the data and collection methods that are necessary, realistic and achievable. The emphasis should be on practical methods that will deliver practical information that can be readily analysed and used.
31. This warrants a dual approach. Firstly, provinces need to undertake cost-benefit analyses and Returns on Investments to ascertain the validity of these assumptions. It is important that provinces make decisions to raise revenue, seek loans or procure contracts based on sound financial analyses. Secondly, there is merit in PRMF engaging a reputable institute such as the Philippines Institute for Development Studies to undertake a longitudinal study of the comparative advantages of maintenance through competitive contracting, negotiated arrangements and force account administration.
32. As DILG builds the argument for improved management of local roads as a driver of MDG attainment, a number of formal studies should be instituted to build a critical base of information to test this assumption. Other studies could be identified through the further clarification of the program theory. For example, there might be merit in studying which combinations of the emergent aspects of the program work most effectively. Preferably, such studies would be carried out by universities or related research institutes.
33. The ARRB report clarifies the need to test administrative and contracting approaches to maintenance as well as the need to conduct detailed analyses to determine the most appropriate surface covering for road segments under varying environmental and use

conditions. The IPR recommends that the SOS be modified to include specific requirements for the FMC to associate itself with Philippine research institutes with a track record in rural infrastructure analysis. AusAID (Manila and Canberra) should assist the FMC to facilitate triangular research relationships between Philippine institutes and other international research facilities with a strong background in the areas articulated in the ARRB report.

Next Steps

1. These Next Steps have been structured to aid in crafting modifications in the national MSA, provincial MOA and the FMC SOS to facilitate implementation of the above recommendations during the scheduled PRMF timeframe. PRMF is currently scheduled to end on August 2014, but the slow rate of expenditure to date may allow for approval for a no-cost extension.
 - a. The initial intent of these recommendations is to facilitate improved implementation during the current program period. However, it is the unanimous opinion of the IPR team that these recommended improvements in approach and management should also be viewed as basic building blocks for any future AusAID initiative in local development.
 - b. The approach to restructuring is taken from David Korten's 'Learning Process Approach'²⁸, which was developed in the Philippines in the late 1970s and has become a global standard in participatory public administration reform. The fundamental intent is to build upon the effective aspects of PRMF in order to ensure that the program becomes a more efficient and sustainable intervention with national impact.
2. The critical time period for agreeing on the nature of the changes to be introduced in the program management structure is from July 2012 to June 2013. This period is critical for two key reasons. First, the next local government elections will take place in May 2013. It would be prudent to have the structural changes in place to facilitate the preparation of new MOA to be signed by continuing or new Governors. A new MOA would ease the burden on AusAID, the FMC and DILG to explain any changes (particularly reductions) in financial assistance to partner provinces. Second, the Australian fiscal year is on a July to June cycle. Having all structural, base funding, incentive and output grant mechanisms in place would simplify donor budget preparation.
3. In order for a modified national MSA and provincial MOA to be ready for signature in July 2013, the following is a listing of the crucial restructuring steps that would need to be initiated before the end of 2012. No specified start/end dates or level of effort can be predicted by the IPR. These are suggestions for consideration by the PSC.
 - i. Existing FMC must complete the analysis of the M&E framework and baseline data collection process before departure
 - ii. Conduct a wide-ranging participatory Program Review and Renegotiation Workshop/s involving AusAID, DILG, partner PGOs, PSC members and selected research and training institutes (particularly PIDS) to review and finalise the draft program Theory of Change model and critical steps in implementation. The new FMC could be invited to participate as part of its preparatory activities. The workshop can also be used to initiate discussion on other issues and options, including the definition of roles and responsibilities for AusAID, DILG and Provincial Advisory Council and the purpose and shape of the Seal of Excellence in Local Road Management.
 - iii. Create the Provincial Advisory Council made up of the Governors of all participating provinces. The current provinces should be approached to assign staff members to assist in drafting the TOR for the Council. The first tasks to be assigned to the Council could be the creation of baseline data and performance benchmarking criteria.

²⁸ Korten, David. Community Organization and Rural Development: A Learning Process Approach, Public Administration Review, September/October 1980.

iv.Immediately embed the new FMC with DILG. The purpose here is to ensure the FMC undertakes all of its work in close collaboration with the Philippine government leading to a formal shift to a DILG-managed program by early 2014. The specifics of the changed management relationship will need to be worked out between DILG and AusAID.

v.Shift the focus of new Physical Works interventions from major rehabilitation to enhanced maintenance with selected works upgrades, using the new DILG guidelines (existing designs would be implemented as planned unless there is a strong objection from any province)

vi.Initiate review and evaluation of output-based funding models already used in the Philippines and other countries for PRMF reference/possible replication beginning with FY 2013-14.

vii.Determine and communicate the requirements for WIPS and begin work on compliance

viii.Create the framework for a distributed capacity development network of technical service providers under the oversight of the FMC, working initially with guidance from PAHRODF. Develop a self-assessment tool to use in calibrating training to provincial needs based on Focus Group Discussion with key provincial and national personnel to determine/validate training or capacity building needs

ix.Define the nature and purpose of an LGU Seal of Excellence in Local Road Management based on the new DILG road management guidelines and relevant governance criteria.

x.Design new incentive models to be introduced in FY 2013-14. Base the untied incentives on actual expenditures on road management. Base tied incentives to an output-based performance model, eventually linked to the Seal. A hiatus of tied and untied incentive assessments and disbursements in FY 2012-2013 is conceivable given the limited utilization of previous grants.

xi.Introduce cost of collection and cost of maintenance financial analytical tools and identify academic institutes with the capacity to initiate and guide their use by partner provinces.

xii.Support provinces to add municipal and barangay roads to the PRNDP and link this to the PDPFP using spatial planning tools

xiii.Introduce Participatory GIS tools and techniques to enhance the utility and empowerment aspects of the current GIS systems for helping communities to recognize their role and responsibilities in reducing road surface deterioration.

xiv.Establish a research communication strategy to build evidence needed to test a) the role of local roads in socio-economic development and b) the basic assumptions of the program regarding the cost effectiveness of various surface materials and maintenance contracting versus administration.

xv.AusAID staff should draft a concept note aimed at obtaining approval of a no-cost extension of PRMF to a point beyond its original completion date in order to fully utilize all remaining funds under the revised implementation modality.

ANNEXES

Annex 1	Terms of Reference
Annex 2	IPR Schedule and Key Persons Met
Annex 3	Program Theory

PROVINCIAL ROAD MANAGEMENT FACILITY (PRMF)**INDEPENDENT PROGRESS REVIEW****12 March- 8 June 2012****TERMS OF REFERENCE**

I. BACKGROUND

- 1.1 PRMF is a \$100 million, five-year bilateral grant facility that seeks to promote economic growth and improve public access to infrastructure services in the southern Philippines. The Facility contributes to this goal by (a) rehabilitating and maintaining a core road network in selected provinces, and (b) through strengthening provincial government systems. To achieve these complementary development objectives PRMF is focused on two components. Component 1: Capacity Building for Road Sector Planning and Management has the intended outcome that partner provinces have the institutional capacity and systems to develop and implement road sector plans. Component 2: Road Network Rehabilitation and Maintenance has the intended outcome that provincial roads are rehabilitated to a maintainable condition and are sustainably maintained on an annual basis.
- 1.2 Two key features of PRMF are: (a) an incentive program based on progress of provincial governments in meeting mutually agreed reform targets; and (b) the emphasis on strengthening and using Philippine government systems to deliver PRMF activities as much as possible.
- 1.3 PRMF started implementation in September 2009 and is scheduled to undergo an Independent Progress Review (IPR) during the first half of 2012. This is intended to be a **strategic review** to identify lessons and implications for future programming and strategy development.

II INDEPENDENT PROGRESS REVIEW OBJECTIVES

- 2.1 The objectives of the Review are:

A. To identify implications/recommendations for the design of ‘successor’ initiatives and inform sub-national strategy development. Key questions

include:

1. What are the appropriate objectives and scope for future sub-national program designs considering:
 - a. AusAID Philippines' country strategy objectives and the national-local institutional context for reform (e.g. the increased scope for reform under the current administration, other development partners' initiatives in sub-national governance, etc.)
 - b. What has already been established under PRMF and the need to ensure the sustainability of reforms for all provincial partners. Can the program (or specific components) be replicated and scaled up?
2. What is the appropriate delivery approach to support these objectives, including the intent of working through government systems?
 - a. What are the management model options that can balance the need to minimize transaction costs on one hand and ensure national (DILG) and local (provincial government) ownership on the other?
 - b. What are the implications on internal AusAID resourcing for the identified management options in 2a.?

B. To assess PRMF progress to date, including providing independent progress report (IPR) assessments and ratings on AusAID's standard IPR categories. This analysis should also inform the recommendations on the future direction as identified above¹:

1. Relevance - Are PRMF's objectives and approach relevant to the national and local government political-economic context? Is the program's link to GPh (Government of Philippines) agenda appropriate? Are the program's objectives and approach appropriate to the provincial political context especially in terms of advancing governance reform?

Was the original design assumption regarding the use of roads as an entry-point for reforms appropriate? Did the program pick the right areas for provincial government reform? Was the focus on the core network of provincial gravel roads for rehabilitation and maintenance appropriate?

2. Effectiveness- Are the objectives on track to being achieved?
Are the objectives and scope of the facility appropriate given the nature of the reforms targeted, time period for the facility to achieve the objectives and resources allotted?

Is the incentive program an effective 'carrot' for reform? How might it be improved to induce provinces to improve performance?

Is the approach to capacity building (significant upfront TA support across all provinces) suited to the program's intent to promote provincial ownership of reform and use of government systems? Are capacity development activities

supporting provincial government priorities? Are they supporting the objective to let provincial partners lead on PRMF implementation and sustain reforms- are the provincial targets on track to lead on the program?

Is PRMF's basic premise substantiated that for Philippines' provincial roads located in rural settings and carrying low traffic volumes, the most suitable and cost effective form of road paving is unsealed gravel construction, considering whole life cycle costs including initial capital cost and routine annual and periodic maintenance costs?

If the perception remains that concrete roads are better than gravel roads what are the influencing factors and is it based on verifiable and substantiated evidence?

Is the program's approach to rehabilitation and maintenance of provincial gravel roads helping to change perceptions regarding road maintenance and rehabilitation?

3. Efficiency- has the program implementation made effective use of time and resources to achieve intended program outcomes? Is the program sufficiently resourced to deliver on requirements? Are risks being managed and distributed appropriately?

Are program resources sufficient and allocated appropriately (i.e. between provinces and Manila) to meet program management requirements? Is the internal mix of AusAID resources sufficient in providing effective oversight over the program?

Is the system of two funding streams that comprise a fixed amount from the Base Program for each partner province and a variable amount from the Performance (Incentive) Program an effective and equitable way of allocating PRMF funds?

Is it appropriate to allocate each partner province an equal share of the Base Program funds regardless of the province's size, stage of institutional development or socio-economic status or would a more differentiated and nuanced approach to fund allocation be appropriate?

4. Sustainability- Are the local government reforms supported by the program sustainable? What is the potential for replication and scaling up of these reforms? What is the appropriate scale of resources and period of engagement with the provinces to sustain these gains? What role for DILG, the provinces and other stakeholders² will be needed to ensure the gains from the program can be sustained and replicated?

Are rehabilitation and periodic maintenance activities to a PRMF-appropriate standard likely to be sustained after the program ends?

III. SCOPE OF SERVICES

3.1 The team leader, M&E specialist and local governance specialist contracted consultants for the independent progress review team will each provide up to 49 days input (from 2 April to up to 8 June 2012) to undertake the following services:

A. Develop an evaluation plan outlining the team's approach for the review, including tools (e.g. questionnaires) to be used for the review.

B. Evaluate and rate PRMF implementation on the standard IPR categories identified in Annex 1. This includes focusing on key questions identified in this TOR for particular categories (where relevant).

C. Drawing on this assessment, identify implications and recommendations for future sub-national strategy and program development.

D. Facilitate a debriefing/peer review workshop with AusAID and other participants that may be selected by AusAID by 17 May 2012.

E. Submit the following to AusAID Manila:

1. Evaluation plan outlining the team's approach for the review, including tools (e.g. questionnaires) to be used for the review (by 11 April 2012)
2. Draft PRMF IPR aide memoire for the debriefing workshop (by 14 May 2012)
3. Final PRMF IPR Report of publishable quality⁵ (by 1 June 2012).

IV. REPORTING REQUIREMENTS

4.1 The contracted team must provide the following reports by the date, in the format and the number of copies indicated, in accordance with the clause headed **Reporting Requirements** in the Contract:

	Description of Report	Format	Qty	Due Date
(a)	Evaluation plan	Electronic copy	1	11 April 2012
(b)	Draft IPR aide memoire for the debriefing/peer review Workshop	Electronic copy	1	14 May 2012
(c)	Draft IPR report (comments from AusAID by 28 th May)	Electronic copy	1	21 May 2012
(d)	Final PRMF IPR Report	Electronic copy	1	8 June 2012

V. REVIEW TEAM COMPOSITION

- 5.1 Consultants to be contracted for the review will have collective expertise in evaluating local governance programs, road engineering expertise and addition to program and strategy development and design. This will also include knowledge and experience in the political economy of local governance reform in the Philippines as well as internationally.
- 5.2 In addition to these specialists, the team will include participation from the Department of the Interior and Local Government as the primary national GPh agency for PRMF.

Annex 2**IPR Schedule and Key Persons Met****Main Review Mission****Independent Progress Review (IPR)****2 April – 18 May 2012****Mission Team:**

Paul Lundberg (Team Leader)

Julie Hind

Rafael Coscolluela

Observers:

Tess Concepcion (DILG/OPDS)

Jenifer Galorfort (DILG/OPDS)

Mardi Suplido (AusAID)

Carmille Ferrer (AusAID)

DATE/TIME	ACTIVITY/AGENDA	COMMENTS
Week starting 2 April		
	Desk work	
	Entry meeting via telecom: AE + DILG	
9 April		
9:00AM – 10:30AM	Follow on meeting with AusAID (less DILG as GoP holiday)	Venue: AusAID
11:00AM – 12:00PM	Mission Team meeting (Carmille to join)	
1:00PM – 2:00PM	Courtesy call on Minister Counsellor Octavia Borthwick	
2:30PM – 3:30PM	Meeting with Titon Mitra (former AusAID Minister Counsellor)	
10 April		
8:30AM – 10:15AM	Meeting with the FMC	Venue: 19Flr Salcedo Towers
10:15AM – 11:00AM	Travel to BLGF office, Roxas Blvd	

DATE/TIME	ACTIVITY/AGENDA	COMMENTS
11:00AM – 12:00PM	Meet with BLGF Exec Dir/OIC Salvador del Castillo and Dir for Special Projects & Management Office Divina Corpuz	Venue: BLGF Office – 8Flr EDCP Bldg, BSP Complex, Roxas Blvd. Manila c/ Jo T 5272780
12:00PM – 2:00PM	Lunch and travel to Quezon City	
2:00PM – 4:00PM	Meeting with DILG team	DILG office c/ Beng Romero
4:00PM - 5:00PM	Meeting with Usec Panadero	Confirmed by Sherryl T 9250361
11 April		
9:00AM – 10:00AM	Telecon with Tyrone & Ron	AusAID Training rm (+61 3 9881 1652)
11:00AM – 12:00AM	Meeting with LPP Asst Sec General Jojo Villano	LPP Office
2:00PM – 3:30PM	Follow up meeting with the TMG (Sam Chittick)	Venue: AusAID Training room
12 April		
10:00AM – 11:00AM	Meeting with John Alikpala (Paul, Julie & Lito)	
11:00AM – 12:00PM	Telecon with Shayne McKenna (Paul, Julie & Lito)	Venue: AusAID meeting room 2
1:00PM – 2:00PM	Meeting with John Alikpala (Paul, Julie & Lito)	
2:00PM – 3:30PM	Telecon with Tyrone & Ron (Carmille & Tess)	
2:00PM – 5:30PM	IPR team meeting	
13 April		
9:00AM – 3:00PM	IPR team meeting	
3:00PM – 4:30PM	PRMF IPR Evaluation Plan meeting with Andrew	
16 – 20 April		
	SDN Travel – Paul, Julie, Lito, Tess, Jen, Carmille, Mardi	
23 – 27 April		

DATE/TIME	ACTIVITY/AGENDA	COMMENTS
	BHL – GUI Travel (2 teams) BHL – Paul, Julie, Jeni GUI – Tess, Lito	
30 April		
9:00-10:00	Meet Andrew Egan RE: Governors' Meeting	AusAID Conference Room
1 – 4 May		
30 April-11May	MOC – BUK Travel (2 teams) MOC – Julie, Tess, Tyrone, Lito (Lito returns to Manila for the Govs meeting) BUK – Paul, Jeni	
	PRMF Govs meeting - Manila. Lito to join	
8 May	Meeting with PRMF Implementation Team and PRMF-IPR Team	Venue: AusAID Training Room
9:00 AM 11:30 AM	Meet FMC, Makati Core Team and Michael Sadlon	Venue: PRMF, Makati Office
2:00 – 3:30PM		
9 May	Theory of Change workshop (half-day)	With DILG, AusAID subnat team and IPR team; venue – Didgeridoo Bar
10 May		
2:30 – 3:30	Meet Atty Al Agra re PPP	Venue: AusAID conf room
2:00 – 3:00		
11 May		
09:00 – 10:30AM	Meet TAF (Bing Bonoan, Jowil Plecerda)	Venue: TAF Office
14 May	Aide mem submission	
15 May 11:00 AM–12:00 PM	Debrief with SMT	Venue: AusAID conf room
16 May 16:00AM–17:30 PM	Debrief with DILG, USec Panadero	Venue: Local Government Academy

DATE/TIME	ACTIVITY/AGENDA	COMMENTS
18 May		
10:30AM – 12:30PM	Aide mem debrief DILG involvement TAF to participate	Venue: AusAID conf room

PRMF – draft program theory narrative

The Philippines Road Management Facility (PRMF) is an AusAID funded facility that seeks to contribute to increased economic benefits and improved access to public infrastructure in the Southern Philippines. The pathway to achieve this is through improving road sector management in Local Government Units (LGUs). The literature indicates that improved roads increases people's access and contributes to economic benefits. The underlying assumption is that if LGUs make improvements in five relevant reform areas they will have the capacity, capability and willingness to allocate sufficient budget to ongoing maintenance and rehabilitation of the local road network so that they are maintained in good working order. The five nominated reform area are:

- i. Implementing sustainable road maintenance and management practices;
- ii. Use of multi-year plans supported by annual accurate financial plans;
- iii. Establishing and strengthening internal control systems;
- iv. Implementing transparent procurement processes; and
- v. Implementing a comprehensive human resources development strategy.

to: a) institutionalise accountable and transparent planning, budget, and expenditure management systems; and b) allocate sufficient budget to ensure ongoing maintenance and rehabilitation of the local road network. This will result in the local road network being maintained in good working order. In turn, this will result in communities in those provinces in which PRMF operates experiencing improved access to public infrastructure and services, and enjoy increased economic benefits.

