Evaluation of Philippine Provincial Road Management Facility

MANAGEMENT RESPONSE

## Initiative Summary

| **Initiative Name** | **Philippine Provincial Road Management Facility** |
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| AidWorks initiative number | INI171 |
| Commencement date | 1 September 2009 | Completion date | 30 June 2015 |
| Total Australian $ | $94.5 million |
| Total other $ | N/A |
| Delivery organisation(s) | Coffey International Development Pty Ltd (until 30 September 2012) |
| Implementing partner(s) | Government of the Philippines Department of the Interior and Local Government |
| Country/Region | Philippines |
| Primary sector | 21020-Road Transport |
| Initiative objective/s | 1. Improve the sustainable GOP provision, management and maintenance of a core network of provincial roads in targeted provinces in Mindanao and the Visayas; and2. Strengthen the provincial institutional capacity and governance related to the provision and maintenance of provincial roads. |

## Evaluation Summary

**Evaluation Objectives:**

1. Identify implications and recommendations for the implementation of the current facility and design of ‘successor’ initiatives and inform sub-national strategy development.
2. 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.

**Evaluation Completion Date:** July 2012

**Evaluation Team:**

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**DILG and AusAID’s response to the evaluation report**

1. DILG and AusAID welcome the findings and recommendations in the Independent Progress Report of the Provincial Road Management Facility. The evaluation confirms that PRMF remains highly relevant; its approach of linking infrastructure investments to technical capacity building in order to spur governance reforms also represents an innovative way of managing a donor-funded local infrastructure project in the Philippines.
2. Although the independent review was undertaken at a time when AusAID and PRMF’s previous managing contractor, Coffey International Development, had already agreed to a mutual termination of contract, the findings in the report validate AusAID’s decision to institute new implementation arrangements in order to address chronic underperformance issues over the past three years of PRMF’s existence.
3. DILG and AusAID agree in principle with the IPR’s overriding recommendations to shift away from a supply-driven FMC-led program management approach and build DILG capacity to lead on PRMF implementation. Accelerating this shift in implementation approach will continue to be a priority in the future.
4. The overall objective for PRMF in the next three years is to take advantage of the current administration’s reform-oriented environment to transform the Facility into a Philippine government, performance-based local roads management program. AusAID and DILG will need to jointly design a DILG-led national program and manage the shift in PRMF management. This process, and DILG’s commitment, will be documented in a revised Memorandum of Subsidiary Arrangement.
5. We note and agree in principle or in part with most of the IPR recommendations on Facility implementation. We support a results-based approach for PRMF as well as injecting greater flexibility in PRMF’s physical works program, including refocusing on maintenance and revising PRMF’s performance targets to reflect what can realistically be achieved in the remaining life of the program. In addition, the IPR’s capacity development recommendations are consistent with our priority to have a differentiated approach across the PRMF provinces, tailoring support based on each province’s priorities, strengths and weaknesses. We have also started to invest in activities to build an evidence base for testing PRMF’s underlying assumptions and ultimately, inform DILG’s local roads management policy agenda.
6. Moreover, PRMF is still strongly committed to using Philippine government systems; and is actively working in partnership with DILG to achieve this goal in the future. Introducing significant modifications to existing implementation arrangements will need to be carefully managed in order to ensure that partner requirements/gaps are appropriately addressed and risks effectively mitigated. Conducting follow-on assessments and capacity building activities are a priority for 2013 and will inform the nature and timing of subsequent changes to implementation arrangements until the end of the Facility in 2015.

**DILG and AusAID’s response to the specific recommendations made in the report**

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| Overriding Recommendations | **Response** | **Actions** | **Responsibility** |
| A. Shift away from a supply-driven FMC-led program management approach. Recognize local leaders as the primary change agents and adopt a more indirect approach where the FMC works indirectly through provincial staff. | Agree, in principle. While specific recommendations need further study, AusAID and DILG are very supportive of taking a more differentiated approach in each province, tailoring support based on each province’s priorities and in light of their respective strengths and weaknesses.  | Accelerate shift in implementation approach in the next 12 months. Changes to physical works, capacity development and incentives strategies already initiated.  | AusAID/PRMF implementation team and DILG counterpart.  |
| B. Capacitate DILG to effectively use PRMF as a tool to develop a national consensus on a local road management agenda.DILG should be increasingly seen as the lead agent of PRMF. The Department 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.  | Agree, in principle. We agree that PRMF’s “improving local roads management” agenda should be linked to a strategy for national policy reform. This is consistent with DILG’s aspirations and also supports efforts to sustain and replicate the Facility’s gains beyond the current crop of partners.  | Support DILG in articulating its role in local road management policy framework (as a necessary precondition for any program of support that will be developed).Strengthen the capacity development framework for DILG under PRMF that will be consistent with the national policy framework for local road management. | AusAID team and DILG counterpart. |

| Specific Recommendations | **Response** | **Actions** | **Responsibility** |
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| A. Make base funding allocation equitable, not equal. Link province allocations to size, provincial classification, extent of dependence on Internal Revenue Allotment (IRA), length and (initial) condition of local road network, weather and other environmental factors, among others. Reduce base funds if improvements in overall road condition status are not periodically verified within an agreed time frame. Base fund allocations to lapse after two fiscal years if not utilized. Lapsed provincial funds would be made available as increased allocations to more efficient provinces.  | Agree, in principle.While we support the principle of a more rationalized fund allocation system, adopting significant changes in fund allocation requires further study. The transaction costs, including political implications of radical changes in fund allocation, will have to be balanced with the potential gains of introducing these changes quickly. | Review options for rationalizing base fund allocations.Review and propose amendments to the MSA and MOA. | AusAID/PRMF implementation team and DILG counterpart. |
| B. Focus the incentive program rewards on the end (improved local road management), rather than the means (governance reforms). 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. Introduce new incentive models (such as focusing on physical works targets for tied incentives and using percentage increase in budget utilization on road management as the basis for the untied incentive awards) by FY 2013-14. | Agree, in part. Shifting the focus of the incentive program to outcomes more directly linked to road management supports the core thrust of PRMF. In principle, we support a results-based approach for PRMF and this will be a key principle underpinning the PRMF “successor”.However, adopting a full OBA approach may not be immediately implementable, considering that appropriate systems and policies for implementing an OBA approach will need to be established first in order to manage the increased risks under such an approach. The Facility would need to carefully manage a shift away from governance reform incentive targets to ensure that the preliminary gains already made across the reform areas are not lost.  | Work through the operational implications of refocusing the incentives program.Study options for refocusing the incentive program for the remaining life of the facility, including output-based approach for local road maintenance. | AusAID/PRMF implementation team and DILG counterpart. |
| C. DILG to lead on PRMF.Over the next 18 months, DILG should be increasingly seen as the lead agent of PRMF. The new FMC should be immediately embedded in DILG and its (FMC) Scope of Services should be divided between direct technical and management responsibilities and building the capacity of DILG to take on all managerial functions within an 18-month period. | Agree, in part.We support a gradual shift to ‘house’ greater implementation responsibility within DILG. However, this needs to happen in a way and at a pace that makes sense for DILG. Changes in implementation arrangements need to be phased so that resource constraints and sustainability risks can be managed effectively. | Formalise new AusAID-DILG implementation arrangements in a new Memorandum of Subsidiary Arrangement that will be reflected in the scope of services for new contractor. | AusAID/PRMF implementation team and DILG counterpart. |
| D. Establish Advisory Council of Provincial Governors. 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. The League of Provinces could be tapped and financed to provide secretariat support for the Advisory Council.  | Agree, in part. We acknowledge the need to strengthen the facility’s governance arrangements in order to promote stronger engagement and ownership of our key partners. We agree that LGUs, particularly the Governors, should be driving how PRMF is implemented within their respective province. However, it is unclear what it would mean in practice to have the Advisory Council of Provincial Governors guiding “the equitable and efficient use of program resources” across the program and across ten provinces. Rather than create a separate Advisory Council structure, it may be possible to strengthen the existing governors’ quarterly roundtable to achieve the same objective. | Explore options to strengthen the existing governors’ roundtable in providing advice and inputs for PSC decisions | AusAID/PRMF implementation team and DILG counterpart. |
| E. Place provincial coordinators under provincial government management. The Provincial Coordinators (PC) should be shifted under the management of the provinces to act as staff support for the Governors’ inputs to Advisory Council activities as well as Facility activity coordinators. Alternatively, 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 provincial government is ready to take full control of program implementation in its province. | Disagree. We agree that the PC role will need to change as provinces (and DILG) progressively take on more responsibility for program implementation. However, we are not convinced that PCs should report directly to each Governor, in effect becoming a member of the provincial administration. There seems to be a real danger that the two-pronged model (Governors with significant program decision authority supported by Provincial Coordinators reporting directly to them) would be subject to ‘elite capture’ and would frustrate efforts to ensure a more inclusive approach to PRMF implementation and to governance reform by creating greater space for community and civil society engagement. | Review roles and accountabilities for PCs as PRMF transitions to a new managing contractor. | AusAID/PRMF implementing team |
| F. Exhibit greater flexibility and focus on road maintenance.Shift utilization of base funding for physical works from 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 slopes. In addition, reconsider the strong preference for competitive contracting. Consider other outsourced arrangements such as negotiated arrangements with other government entities. | Agree. The Facility has already started to refocus physical works to maintenance, providing this option to the 10 partner provinces.  | Consider other relevant and appropriate contracting options, taking note of requirements to safeguard fund use. | AusAID/PRMF implementing team |
| G. Revise program performance requirement on road rehabilitation. In order to speed progress and enhance program impact, consider modifying PRMF requirement regarding road segment rehabilitation, with the caveat that the program continues to work towards 1000 kilometres of road upgraded and maintained. | Agree. The program performance requirement for PRMF needs to be clarified and communicated to all stakeholders. Over the next three years, PRMF’s goal should be to deliver a cumulative total of 500 kms of roads rehabilitated and 700 kms of roads maintained. These new targets are considered realistic given the PRMF experience, and the remaining PRMF budget. They reflect the planned priority to be accorded to maintenance in the future physical works program; a focus on maintenance is the pathway to a DILG-led local roads management program.  | Communicate updated program performance requirement for PRMF to all stakeholders | AusAID/PRMF implementation team and DILG counterpart. |
| H. Create “Seal of Excellence in Local Road Management”. 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 DILG local road management guidelines and incorporating the improvements recommended in the ARRB report.  | Agree. In principle, this recommendation supports our intent to have a more results-based approach for PRMF (and its successor). However, the implementation of a “Seal” during this current facility will first need to work out the operational requirements for this approach including the performance measures that will be used. The timing for “Seal” development will also need to fit within DILG priorities and current resourcing. Nonetheless, we are open to piloting elements of a Seal where feasible under the current program and to inform the design of the PRMF “successor”. | Explore options for piloting elements of a “seal” and/or injecting a more performance-based approach in PRMF under the current program. | AusAID/PRMF implementation team and DILG counterpart. |
| I. Explore options that would enable direct disbursement to provinces for physical works under provincial design and management. The SOS can 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.  | Agree, in part. Direct fund disbursement to provinces will hinge on the results of fiduciary risk assessments for existing provincial government systems. The assessment of provincial public financial management and procurement systems is a priority for 2013. | Fast-track provincial public financial management and procurement assessments for PRMF provinces in 2013 | AusAID/PRMF implementation team |
| J. Adopt a ‘systems’ framework and build community ownership in road management. PRMF should consider all local roads (from provincial to barangay level) in its network management framework and provide technical guidance to interested partner provinces to facilitate a shift to a systems approach for local roads 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.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. Gender disaggregation of the issues surrounding land and road use should become a normal part of such assessments. | Agree. Taking a “systems” perspective to provincial road planning could be strengthened through the road network planning process regularly being undertaken by the provinces and supported by the Facility. We agree that PRMF can intensify its support to encourage provinces to create a coherent strategy which covers all local roads and links that strategy to achievement of MDGs, but we also need to take into account the reality of separate financing and management of those roads.In line with promoting the sustainability of road investments, PRMF will continue to support province efforts to improve the quality of community engagement in local road management and consider IPR recommendations in the updating of the Facility’s Gender Strategy. | Engage with partner provincial governments in strengthening their road network planning process through the Provincial Road Network Development Plan (PRNDP) or the Provincial Development and Physical Framework Plan (PDPFP)Explore options for improving support to provinces to improve community and CSO engagement and integrate gender considerations in local road management as may be required.Strengthen coordination with Coalitions for Change in supporting local coalitions for local road management. | AusAID/PRMF implementation team and DILG counterpart. |
| K. Shift from a model of FMC direct service provision to a distributed network of service providers, with provinces mentored to effectively self-identify capacity gaps and weaknesses. Immediately shift from a capacity development model wherein the FMC delivers training directly to a distributed network of service providers, adapted from one that is already functioning under the AusAID-funded Philippine-Australia Human Resource Organizational Development Facility (PAHRODF). Training interventions should quickly become dominated by on-the-job and coaching modes that are calibrated better to existing workloads. Include spatial planning and financial analysis as elective options available to provinces. | Agree. A closer interface between PRMF and PAHRODF has been initiated to inform the former’s approach to capacity development and enable better sharing of resources. A more province-specific ‘coaching’ approach to capacity development has commenced, starting with pilot activities in the 3 new PRMF partner provinces (Davao del Norte, Lanao del Norte and Aklan). This will inform replication in the other PRMF partner provinces.  | Continue close engagement with PAHRODF in PRMF implementation to maximize resource sharing and support AusAID program coherence.The revision of the capacity development framework will also articulate the coordination mechanism with PAHRODF. | AusAID- PRMF and HRODF teams.  |
| L. Review PRMF’s program theory with the view to developing an agreed theory of change that forms the basis of a revised monitoring and evaluation framework. A partner agreed theory of change should form the basis of a revised monitoring and evaluation framework. Provincial level monitoring and evaluation should become a management tool for the purposes of accountability and program improvement- 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.  | Agree, in principle. We will continue the process initiated by the IPR to review and update PRMF’s program logic and targets with key stakeholders as well as work with provinces to determine a more “fit for purpose” monitoring and evaluation system. As noted above, PRMF targets on physical works need to be revised and made more realistic in consideration of PRMF implementation experience to date, the remaining budget and the increased focus on road maintenance. Key program outcomes related to the devolution of management responsibility to DILG and the provinces also need to be adjusted, based on the results of detailed assessments that will be undertaken in 2013. | Formalize updates to PRMF’s program logic and targets in an updated M&E framework.  | AusAID/PRMF team. |
| M. Build the evidence base for PRMF. PRMF needs to develop its analytical base and research communication strategy to test assumptions regarding local road management and ultimately, inform DILG’s local roads management policy agenda.  | Agree. We have already started to build an evidence base to test PRMF assumptions such as through the technical review and whole of life cycle cost analysis done by the Australian Road Research Board as part of the IPR process; follow-up research activities should form part of a PRMF research agenda that can also be used to inform the design of the successor program. A road sector study has also recently commenced as part of a program of support to DILG intended to flesh out a national agenda on local roads management. | Finalize a research agenda with DILG to support GPH policy reform objectives. | AusAID/PRMF implementation team and DILG counterpart. |
| N. Fully implement all IPR recommendations within one year. Implement all IPR recommendations in a phased manner within one year 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. | Disagree. While we support a number of the IPR recommendations in principle, particularly the IPR’s views on the need to transform PRMF into a DILG and province-managed program, operationalizing all of these recommendations will have resource and capacity implications for AusAID, DILG and our provincial partners. The political implications of significant changes to the program in the short term will also need to be considered. Nonetheless, as noted previously, activities have already been initiated geared towards transitioning PRMF management to DILG and the provinces, with the focus initially on making sure that systems are sufficiently robust prior to use. AusAID support to DILG’s efforts to develop a sector-wide strategy for a new national local roads program is also expected to guide the amendments required for the AusAID-DILG Memorandum of Subsidiary Arrangement to give effect to a management transition. A more detailed transition schedule will be developed in partnership with DILG in the first half of 2013. | Continue implementation of assessment and capacity-building activities where required as a precondition for devolving management responsibility to DILG and provincial partners.Formalize DILG’s expanded role in PRMF management in a revised MSA and scope of services for the new managing contractor | AusAID/PRMF implementation team  AusAID/PRMF implementation team and DILG counterpart. |
| O. Extend PRMF. AusAID has to seek approval initially for a no-cost extension of PRMF in order to fully utilize all remaining funds under the revised implementation modality. PRMF can be considered at the appropriate time for a program extension and budget increase if evidence is shown over the next 12 months of improvement in the value for money generated and institutionalization of road management reforms at the national and provincial levels. | Agree, in part. AusAID Philippines Program has already secured spending approval for PRMF until 30 June 2015. An extension of PRMF will give the program time to catch up on delays in program implementation and help meet its targets, particularly on physical works. Rushing implementation, risks jeopardizing the quality of Australian assistance and negatively affects PRMF’s sustainability and potential for scaling up.It is anticipated that PRMF can work within its current budget allocation given that the bulk of program expenditure is attributable to road rehabilitation and maintenance works which is relatively predictable and controllable. | Monitor PRMF implementation to ensure within-budget and timely achievement of objectives. Recalibrate program workplan and fund allocation and communicate these changes to DILG and provincial partners. | AusAID/PRMF implementation team. |

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