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INTRODUCTION

The AusAID-World Bank Philippines Development Trust Fund (PH-PTF) is a four-year strategic partnership established by the Australian Agency for International Development and the World Bank in June 2009 to bring together their co-financed activities in the Philippines under one mechanism. It was set up with overall funding of up to A$50 million provided by the Australian Government and administered by the World Bank. The PH-PTF operates as a programmatic or “umbrella” trust fund administered by the World Bank that finances multiple grants to support analytical work, technical assistance, and investments that contribute to sustained and inclusive growth in the Philippines.

The concept evolved from a history of interaction and partnering between AusAID and the World Bank, as both sought to improve the quality and impact of their financial and technical support to the Government’s development efforts. The experience with their previous collaboration modalities had had mixed and the PH-PTF was seen as a way to streamline and expand their relationship and provide a more cost-effective and time-efficient way of doing business together.

For the World Bank, the PH-PTF was to be a means to augment technical assistance and analytical work in the Philippines in the face of the Philippine Government’s reluctance to take out loans for these purposes. For AusAID, it was to be a means to combine its financing and expertise with those of the World Bank, thereby enhancing its relationship with the Government in a number of key sectors.

The PH-PTF is part of the story of how AusAID is “elevating the ambition of what AusAID can do.” This ambition is reflected in AusAID’s increased funding to effective multilateral development partners, such as the World Bank, given the World Bank’s country presence and depth of technical and analytical resources. This strategy recognizes the importance of enhanced engagement with the multilateral system at the country level as a way to give Australia “a higher profile in development issues” and to get “more value in its development assistance”. Accessing global knowledge and technical expertise through multilateral institutions is intended to enhance the quality of AusAID’s own programs. Increasing AusAID’s prominence with a “seat at the table,” enabling greater influence and recognition
for its contributions, is stated repeatedly as a goal in working with the World Bank in particular as an effective multilateral partner.¹

The purpose of this Midterm Review is to help AusAID and the World Bank understand how well the PH-PTF is performing, particularly in terms of its governance arrangements and progress toward achieving the objectives set for it. In the absence of a formal Monitoring and Evaluation Framework for the PH-PTF, the performance assessment is based principally on extensive interviews with management and staff of both organizations and with their Government counterparts, supplemented with data from the World Bank’s reporting systems.

This report consists of five sections. Section 1 looks at the basics of the PH-PTF, and Section 2 at the projects it has supported. Section 3 discusses the relationships between AusAID and the World Bank on the one hand and between them and the Government on the other. Section 4 draws on the findings presented in the first three sections and evaluates the PH-PTF’s performance in terms of relevance, effectiveness, efficiency, impact, and sustainability. Section 5 focuses on immediate and medium-term issues that need to be addressed and recommends changes to improve the effectiveness of the PH-PTF.

In the end, the real story of the PH-PTF can be told from the perspective of how it arose and how it has been used in key sectors. It is a narrative principally of relationships — between AusAID and the World Bank and between them and the Government.

Thomas W. Allen
John J. Lipsey
July 2012

SECTION 1  THE TRUST FUND

The AusAID-World Bank Philippines Development Trust Fund (PH-PTF) is a single-donor programmatic trust fund administered by the World Bank that provides multiple grants for specific activities. It was set up to operate for four years from June 2009 to June 2013 with overall funding of up to A$50 million from the Australian Government through the Australian Agency for International Development (AusAID).

The World Bank administers the PH-PTF from the time the funds are contributed until they are eventually disbursed under terms outlined in the Administration Agreement between AusAID and the World Bank. At the contribution level, the World Bank performs the role of a Trustee, providing the common core of banking and financial services, including receiving, holding, investing, disbursing, and reporting on funds. These tasks are primarily performed by departments reporting to the Chief Financial Officer of the World Bank. Management responsibility of the PH-PTF program rests with the World Bank’s Country Management Unit for the Philippines, under the overall direction of the Country Director and the Portfolio and Operations Manager. World Bank staff act as Task Team Leaders for individual activities supported by grants funded by the PH-PTF.

The collaboration between the two organizations takes place on two levels. At the program level, PH-PTF allows for dialogue between the management and staff of AusAID and the World Bank across the breadth of the partnership and for agreement on broad thematic issues and frameworks. At the level of individual grants, World Bank and AusAID staff teams discuss and design project concepts, which a joint World Bank-AusAID Steering Committee reviews and approves. The teams subsequently collaborate in implementing or supervising the projects in coordination with Government counterparts.

1.1| Motivations for Establishing the PH-PTF

At the first meeting of the Steering Committee, on 25 June 2009, the Minister-Counselor for AusAID reiterated the key motivations for establishing the Trust Fund: *increased efficiency and enhanced cooperation between AusAID and the World Bank at both strategic and operational levels*². AusAID saw enhanced cooperation with the World Bank as a means for

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² The 2006 White Paper on Australian Aid emphasized the need for AusAID to “scale up” and strengthen its relationship with multilaterals.
improving the quality, impact and effectiveness of the two institutions’ programs in supporting the Government’s development efforts and for deepening its own relationship with the Government. It also saw the Bank’s strong technical expertise and extensive experience in working with the Government on policies as further attractions for a closer relationship.

The World Bank saw the PH-PTF as a means for accessing grant funds for its technical support to the Government and for its in-house work on Analytical and Advisory Activities (AAA). This was at a time that a new Philippine Government, after elections in May 2010, was expected to require considerable technical assistance for critical new or expanded programs.

1.1.1 | Alternative Modes of Co-Financing by AusAID

Before the establishment of the PH-PTF, AusAID collaborated with the World Bank in a number of projects through different modes, with mixed success.

A number of AusAID programs use Managing Contractors, typically consulting firms selected on a competitive basis, which take responsibility for the total execution of the program, including hiring consultants and supervising their work, procurement, financial management, etc. AusAID may have one of its staff lead a program being executed by a Managing Contractor (as it has in its Public Financial Management program) if the staff member has the appropriate skills.

AusAID uses a number of mechanisms including Managing Contractors in lieu of directly funding Philippine Government agencies to execute projects independently. It has also entered into arrangements with such major multilateral institutions as the World Bank, Asian Development Bank, and the United Nations Development Programme that have long-established procedures for dealing with projects executed by the Government and transferring funds to Government accounts.

In the past, AusAID also collaborated with the World Bank by providing Parallel Financing for Bank-financed activities. In these cases, AusAID appointed a Managing Contractor to manage its assistance programs that complemented World Bank programs. This mode was adopted, for instance, for the Land Administration and Management Project (LAMP) II, in which AusAID financed technical assistance activities while the World Bank financed the related investments.

AusAID and the World Bank have also set up Free-Standing Trust Funds for specific projects, with the funding provided by AusAID and the trust fund administered by the World Bank. The project, Support of the Philippine Basic Education Reform (SPHERE), provides grants to schools for construction of classrooms, acquisition of equipment, and improvement of teacher training. It is executed by the Department of Education under terms spelled out in
a Grant Agreement between the World Bank and the Philippine Government and guidelines and procedures agreed with the World Bank and spelled out in an Administration Agreement between AusAID and the World Bank. The trust fund is supervised along with the World Bank’s National Program Support for Basic Education (NPSBE) 2 Project. Two small components are executed by the World Bank to cover some analytical and advisory work (AAA) and incremental costs of supervising SPHERE.

AusAID and the World Bank have also entered into agreements for Externally Financed Outputs (EFO). Under this arrangement, AusAID provides financial support for specific activities to be implemented by the World Bank. AusAID remits funds to the Bank on an agreed schedule, and the Bank uses the funds in accordance with its policies and procedures. The World Bank has sole responsibility for outputs, providing progress and completion reports to AusAID. This mode is usually used for AAA of under $1 million.

AusAID has used the EFO mode for several AAA projects with the World Bank, such as the Public Expenditure Review in Basic Education and the Public Expenditure Review in Agriculture. This mode, while producing satisfactory results, has proved to be cumbersome and time-consuming to set up and somewhat inflexible to execute.

1.1.2 | Evolution of PH-PTF

Shortly after the release of a 2006 white paper in Australia on scaling up the Australian aid program, the AusAID office in Manila broached to World Bank Manila the idea of establishing a more flexible mechanism to fund and scale up joint efforts. As the World Bank’s and AusAID’s respective strategies in support of the Philippine development agenda had much in common and discussions were taking place on a number of sectors, similarities were apparent in the thinking of both institutions.

The concept of an “umbrella” or programmatic trust fund was suggested and agreed upon as one that would offer a flexible and pragmatic funding mechanism of both Bank-executed and Recipient-executed projects across a range of sectors consistent with an agreed thematic framework. It would provide a neutral ground for the relationship, and it would allow AusAID to get more impact and value for its ODA to the Philippines. Unlike other programmatic trust fund programs, which are managed out of Washington, the proposed trust fund would be managed out of the Manila offices of the World Bank and AusAID.

The amount finally agreed upon was up to A$50 million to support several programs being discussed at the time, such as social protection, local government, and institutional development, with sufficient allowance for possible unplanned activities and emerging needs.

On June 4, 2009, the AusAID-World Bank Philippines Development Trust Fund (PH-PTF) was signed and launched.
1.2 | **Objectives and Expected Outcomes of the PH-PTF**

By setting up the PH-PTF, AusAID and the World Bank seek to strengthen their longstanding strategic partnership to support their development programs in the Philippines. As specified in its administration Agreement, the PH-PTF’s **goal** is to **improve governance and support investments that contribute to a stronger foundation for sustained and inclusive growth in the Philippines.**

This goal is underpinned by two **key objectives:**

- To serve as an important tool for leveraging the assistance programs of the two institutions in support of the Philippines’ development agenda.
- To promote greater harmonization among the government and its development partners.

These objectives, in turn, are expected to lead to the following **outcomes:**

- Improved governance arrangements in agencies executing Bank- and AusAID-supported operations.
- Strengthened collaboration and more strategic use of resources provided by the two funding institutions.
- Greater harmonization in the policies and procedures of AusAID, the World Bank, and the Philippines Government.

1.3 | **Thematic Framework**

At the time of the PH-PTF’s establishment, the priorities articulated in the Australia Philippines Development Assistance Strategy (DAS) and the World Bank Country Assistance Strategy (CAS) formed the thematic framework for the PH-PTF. Both were anchored in the Government’s 2004-2010 Medium-Term Philippine Development Plan (MTPDP). Following the adoption of a new Philippine Development Plan under the Aquino Administration, both institutions have since formulated their new country strategies.

The three pillars of the **Australia-Philippines DAS (2007-2011)** were economic growth, basic education, and national stability and human security. The new **Australia-Philippines Development Cooperation Program (DCP)(2012-2016)** involves two strategic objectives: strengthened basic service for the poor; and reduced vulnerabilities arising from climate

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3 See Annex B. Administration Agreement.
change and conflict. The focus of the program will be on improved education; improved local
government capacity to deliver basic services; strengthened climate change adaption and
disaster risk management; and improved conditions for peace and security.

The World Bank CAS (2010-2012) has an overarching theme of inclusive growth. Its four
strategic objectives are stable macro-economy, improved investment climate, better public
service delivery, and reduced vulnerabilities, with a crosscutting theme of good governance.
The World Bank is now preparing its country partnership strategy for 2013-2015, and the
objectives are expected to be along the same lines as the previous CAS.

1.4 | Types of Activities and Beneficiaries

The PH-PTF aims to bring together under one mechanism all the co-financed activities of
AusAID and the World Bank. Three windows have been created under the PH-PTF to support:

- **World Bank-executed projects** for:
  - analytical and advisory activities
  - incremental costs for project development, appraisal and supervision activities.

- **Recipient-executed projects** for:
  - technical assistance, including project preparation
  - investments linked to World Bank supported investment operations.

- **Program Management and Grant Administration costs**.

Recipients could include Philippine Government agencies and eligible nongovernment
entities, including civil society organizations, in accordance with a work program agreed
between AusAID and the World Bank. Project proposals that originate from these sources
have to be sponsored by a World Bank task team to ensure strategic fit and adequate
appraisal and supervision.

A separate Grant is established for each approved activity, which is processed using the
Web-based Grant Funding Request (GFR) system. Activities under a *World Bank-executed
Grant* are administered in accordance with the provisions of the Administrative Manual that
apply to the World Bank’s administrative budget. Activities under a *Recipient-executed Grant*
are covered by a Grant Agreement between the World Bank and the Recipient. They are
implemented under operations policies and procedures that apply to IBRD and IDA financing,
with smaller size grants being subject to simplified and more cost-effective procedures.
World Bank Task Team Leaders are assigned to manage each Individual Grant, whether World Bank-executed or Recipient-executed. The Task Team Leaders must be duly accredited to manage the grants. The World Bank’s due diligence and quality assurance procedures are applied, as applicable. Within the scope of the objectives and activities of the project as approved, disbursement decisions in Recipient-executed Grants are governed by the grant agreement and disbursements letter.

1.5 Cost Recovery Arrangements

1.5.1 Costs of Administering the PH-PTF

As spelled out in the Administration Agreement, the World Bank deducts and retains for its own account a pre agreed percentage of the amounts contributed by AusAID into PH-PTF. This is used to help defray the costs of administration and other expense incurred by the World Bank under the agreement. In addition, the World Bank charges actual administration and program management cost over the life of the PH-PTF up to a maximum amount previously agreed between the two institutions.

PH-PTF administration and oversight comes from AusAID’s overhead budget. AusAID does not yet do activity-based costing, so it is not possible to separate or track clearly the staff time and costs associated specifically with its own activities relative to the PH-PTF.

1.5.2 Eligible Expenditures under PH-PTF

Eligible expenditures under Recipient-executed Grants are provided for in the relevant Grant Agreements between the World Bank and the Recipients, and follow World Bank policies and procedures.

Eligible expenditures under the World Bank-executed Grants are:

- Bank staff cost (salary, benefits, and overheads)
- Associated overheads
- Consultant fees (extended-term and short-term)
- Contractual services
- Travel expenses
- Media and workshop costs
1.6 | Governance Arrangements

1.6.1 | Steering Committee

A Steering Committee (SC) consisting of two representatives each from AusAID and the World Bank oversees the operations of PH-PTF. The representatives are:

- AusAID Minister Counselor
- AusAID Counselor for Economic Growth
- World Bank Country Director
- World Bank Portfolio and Operations Manager.

The functions of the Steering Committee, as outlined in the Operating Guidelines, are to:

- Establish/confirm annual priorities for use of the trust funds against the annual financial allocations advised by AusAID.
- Review summaries of the PH-PTF proposals at the identification and full application stages and approve, delay, amend, or reject proposals.
- Assess the performance of the portfolio of activities supported by the PH-PTF, including ownership by Philippine partners.
- Identify opportunities for strengthening joint engagement with the Philippine Government.
- Ensure the benefits of the AusAID-World Bank partnership are maximized, and resolve any matters compromising the high quality of the relationship.

The Annex to the Administration Agreement setting up the PH-PTF emphasizes the role of the Steering Committee in deciding on “the strategic themes to be supported by the Trust Fund and confirm alignment with the respective strategies of the Australian Government and World Bank and with county priorities.” The decisions of the Steering Committee are made by consensus.

There have been six Steering Committee Meetings since the establishment of the PH-PTF in June 2009. The first meeting, in June 2009, set up the guidelines for operations of the PH-PTF and confirmed details of the specific activities to be supported by the first tranche of funds received from the Australian Government.

In June 2010, a special meeting explored how the Bank and AusAID, through PH-PTF, could maximize the benefits of their support to the new Philippine Government administration after general elections in 2010. The discussions were kept at a strategic level and focused
around four pre-identified sectors of common interest: social protection, public financial management, local government and decentralization, and Mindanao. Metropolitan Manila was added later because of its high priority in the Bank’s program and AusAID’s disaster risk management programs in the Metropolitan Manila area. No funding commitments for specific activities were made.

The other meetings were principally transaction oriented, focusing on the performance of the ongoing portfolio and the approval of new projects for funding under PH-PTF.

1.6.2 | PH-PTF Secretariat

A PH-PTF Secretariat has been set up in the World Bank Manila office to handle the day-to-day administration of the Trust Fund; provide information, administration, and coordination support to Task Team Leaders; and to provide secretariat support the Steering Committee. The PH-PTF Task Team Leader performs the functions of the Secretariat under the direction of the Portfolio and Operations Manager, who is a member of the PH-PTF Steering Committee.

An AusAID Program Enabling Unit is responsible for liaison with the Secretariat, coordination within the AusAID Office on matters pertaining to the PH-PTF, and for administering AusAID contributions to the PH-PTF. These functions have also been assigned to one person.

1.6.3 | Project Identification and Approval Process

Projects have been identified principally at the initiative of Task Team Leaders at the World Bank in response to Calls for Proposals issued jointly by the World Bank country director and the AusAID Minister Counselor. Inasmuch as the activities are to be eventually managed by World Bank staff, project concepts have come mostly from Bank staff members, who then consult with AusAID counterparts (although the original impetus has involved AusAID in some activities). The situation is changing, however, with project concepts now emerging from joint consultations at the sector level.

In evaluating new proposals, the Steering Committee is principally guided by the extent of their alignment to the DAS, CAS, and PDP, and by their strategic importance in contributing to AusAID’s and the World Bank’s development objectives in the Philippines. In addition, the Operating Guidelines indicate that the Steering Committee will consider:

- Level of implementation risk
- Extent of compliance with World Bank and AusAID quality assurance measures
- Level of readiness for implementation
• Urgency of the activity and conformation that no other activity of the same description is underway or planned (this includes activities by any other donor or stakeholder)

• Overall cost and cost-efficiency.

Crosscutting issues relating to governance, gender, disability, and environmental safeguards are expected to be dealt with in same manner as for other World Bank projects. AusAID has similar requirements for its projects.

Grant amounts are confirmed by the Steering Committee based on, as applicable, regional coefficients for project preparation and supervision, the recommendations of sector managers and the Philippine country management unit, and the expected annual Australian aid allocations.

All new project-specific proposals to be funded under the PH-PTF require the Task Team Leaders to submit their Initial Proposals using the standard template presented in Annex D (although some have jumped straight to partial or full-blown Project Concept Notes, or PCNs) for review and approval by the Steering Committee. In the World Bank, the proposals would first need to be cleared with the appropriate Sector Manager and Strategic Objective Champion, and then submitted to the PH-PTF Secretariat Manager, who would liaise with the AusAID Program Enabling Team. AusAID has a parallel process. The Initial Proposal would be submitted to the Steering Committee for review and funding approval at one of their meetings. In special cases they may be approved by virtual review of the Steering Committee members after appropriate consultations (primarily by email correspondence).

Final approval by the World Bank Country Director is secured at the PCN Review meeting, which could also be conducted virtually in some cases, but with the involvement of AusAID. Peer reviewers from both institutions would be invited, as required. Further, in special circumstances, the Steering Committee could provide supplementary funding for activities for which Concept Notes had already been approved by World Bank management. Projects involving PH-PTF funds in excess of US$5 million are processed like World Bank investment operations and require the approval of the World Bank’s Regional Vice President.

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4 Under the Operating guidelines, after Preliminary Approval based on Initial Proposals, Final Approval would be given by the Steering Committee based on Final Proposals in the form of PCNs. This latter step has been dispensed with.
1.6.4 | Post-Approval Processes

Once final approval has been obtained, the World Bank Task Team Leader prepares an online Grant Funding Request (GFR), following the PH-PTF Grant Fund Request Guidelines. Recipient-executed projects will require executing a Grant Agreement with the Government.

Once the required online internal approvals from the World Bank Sector Manager and the World Bank Philippines Country Director have been obtained, Trust Fund Accounting issues the trust fund number for the grant. In the case of a World Bank-executed Grant, activation will come soon after. In the case of a Recipient-executed Grant, activation will await the countersignature of the grant agreement by the authorized government Representative.

The post-approval processes are fairly straightforward and involve little time and effort. In Recipient-executed projects, there are often delays in negotiating Grant agreements and obtaining countersignatures of the Government; however, Task Managers have generally not expressed any significant problems with the procedures.

1.6.5 | Monitoring and Supervision

Individual Grant Reports

Task Team Leaders of Bank-executed Grants and of Recipient-executed Grants required to complete at the end of June of each year a Grant Reporting and Monitoring Report (GRM) (see Annex D: Templates). The report follows a standard World Bank format, although some PH-PTF specific questions have been added as agreed between the World Bank and AusAID.

Task Team Leaders are also required to prepare Implementation Completion and Results Reports for grants with commitment values in excess of US$5 million, and Implementation Completion Memoranda for grants below US$5 million. The reports are of a standard World Bank format.
The reporting requirements by Recipient Managers of Recipient-executed Grants are specified in the Grant Agreements. The requirements principally cover progress, financial, procurement and completion reports.

These reports supplement the regular monitoring that Task Team Leaders, and their counterpart AusAID Portfolio Managers, will be undertaking at the project level.

**Progress Reporting to the Steering Committee**

The PH-PTF Secretariat prepares:

- A summary of implementation progress by Grant based on the GRM reports of the Task Team Leaders. These reports will be supplemented with information obtained directly from Task Team Leaders as necessary, as well as with data from the World Bank’s centralized system for commitments and disbursements.

- A financial report summarizing information on the receipts, disbursements and current balance of the PH-PTF by: (i) aggregate level; and (ii) Grant level, based on information readily available in the World Bank’s information system.

AusAID staff has real time access to the PH-PTF financial information at the aggregate level through the World Bank’s Donor Center. ([http://info.worldbank.org/donor](http://info.worldbank.org/donor)).

1.6.6 | Amendments and Reallocation of Funds

Amendments, extensions and reallocations among expenditure categories or grant activities, including dropping or adding new eligible categories or grant activities, follow applicable World Bank policies and procedures adopted for IBRD operations. However, amendments and reallocations that could affect the attainment of grant objectives and/or the associated outcome targets require the endorsement of the Steering Committee prior to securing the standard internal World Bank clearances. This should be reviewed in light of the changing nature of the approval process and the move toward simplification of the procedures.

1.6.7 | Government Consultations

As stated earlier, Task Team Leaders and their AusAID counterparts are in regular contact with the operating Government departments regarding the design and implementation of the activities supported by the PH-PTF that fall under their respective responsibilities.

At the managerial level, priorities for co-financing are validated with the Government during the World Bank’s semiannual programming discussions. Not yet done systematically is inclusion of AAA in separate discussions with the Government on the World Bank’s non-
lending program. AusAID also has its own regular programming discussions with the Government.

1.7 | Visibility Guidelines

The Administration Agreement is silent on public visibility. The only guidance that the PH-PTF has on publicity can be found in Provision 13 of the Operating Guidelines, which says: *World Bank planning around public events, or media releases, concerning Trust Fund-financed activities should include consultation with AusAID.*

Apart from one-off joint press releases on the progress of various projects, very little publicity is given to AusAID’s contribution to the PH-PTF projects and their outcomes.

AusAID and the World Bank have discussed the need to improve the recognition that AusAID receives for its contributions to the PH-PTF. AusAID has proposed an amendment to Provision 13 to read:

> *Building on the AusAID-World Bank Partnership Framework (signed September 2011), World Bank and AusAID in the Philippines shall jointly endeavor to increase visibility and recognition of the partnership in-country and where and when possible, at the regional and headquarter level. Specific to the Umbrella Trust Fund, this shall include joint planning of promotional activities and/or products, including public events, media releases, publications, websites, concerning Trust-Fund financed activities and will be guided by the principles and processes outlined in Annex G of the Operating Guidelines.*

AusAID in August 2011 released *Visibility and Recognition Guidelines for Multilateral Agencies* aimed at helping ensure that Australian Government funding is recognized appropriately. This, along with the AusAID-World Bank Partnership Framework, set out parameters that AusAID felt could ensure effective communication about the partnership and its outcomes in the Philippines. It also proposed a specific communications strategy for the PH-PTF (and presumably for activities supported by the PH-PTF).

The above proposals are in the works and the two institutions are expected to formulate a communications strategy acceptable to both of them in the near future. The World Bank accepts the need to address AusAID’s concerns regarding appropriate recognition of its financial and technical contribution to activities funded by the PH-PTF.
SECTION 2 PROJECT PORTFOLIO

This section addresses the nature of the portfolio and assesses broadly the characteristics and performance of the projects in light of the readily available data.

2.1 Approved Projects

To date, Grants have been activated for 23 projects with a total commitment of US$21,449,574. The details of the projects are summarized in Table 2-1. There are also three projects, with a total grant amount of US$3,779,800, that have been approved by the Steering Committee but as yet have no approved PCNs and no activated Grants.

The projects are at various stages of maturity. Four of the 23 activated projects have been completed, and three projects that together account for three-quarters of the allocated grants are in the very early stages of implementation. And so far, 17% of allocated funds have been committed or disbursed.

Table 2-1: PH-PTFActive Grants (data as of March 31, 2012)

<table>
<thead>
<tr>
<th>Grant #</th>
<th>Grant Name</th>
<th>SC Approval Date</th>
<th>PCN Approval Date</th>
<th>Grant Activation Date</th>
<th>Execution by</th>
<th>Execution Nature</th>
<th>Grant Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF095684</td>
<td>AusAID WB TF to Support Phil Dev't - Program Admin./Grant Mgmt.</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>16-Nov-09</td>
<td>Bank</td>
<td>PH-PTF Admin./Mgmt.</td>
<td>$295,891</td>
</tr>
<tr>
<td>TF095394</td>
<td>Review of the Philippines’ Social Protection System</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>12-Oct-09</td>
<td>Bank</td>
<td>AAA</td>
<td>$170,000</td>
</tr>
<tr>
<td>TF095547</td>
<td>Monitoring the Human and Social Impacts of Global Economic Crisis on the Philippines</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>27-Oct-09</td>
<td>Bank</td>
<td>AAA</td>
<td>$200,000</td>
</tr>
<tr>
<td>TF095548</td>
<td>Technical Assistance Program for the Philippines CCT</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>27-Oct-09</td>
<td>Bank</td>
<td>AAA</td>
<td>$1,636,000</td>
</tr>
</tbody>
</table>

5 This is as of May 10, 2012. This does not include the Grant for PH-PTH Program Administration Grant Management for US$295,891.
<table>
<thead>
<tr>
<th>Grant #</th>
<th>Grant Name</th>
<th>SC Approval Date</th>
<th>PCN Approval Date</th>
<th>Grant Activation Date</th>
<th>Execution by</th>
<th>Execution Nature</th>
<th>Grant Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF095632</td>
<td>Support for Strategic Engagement on the Philippines Discussion Notes</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>10-Nov-09</td>
<td>Bank</td>
<td>AAA</td>
<td>$80,782</td>
</tr>
<tr>
<td>TF096234</td>
<td>Improving data coverage &amp; quality of surveys in support of the Phil. System of Nat’l Accounts (PSNA) # Phase I</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>17-Feb-10</td>
<td>Bank</td>
<td>AAA</td>
<td>$50,000</td>
</tr>
<tr>
<td>TF099307</td>
<td>Basic Education Public Expenditure Review Phase I</td>
<td>25-Jun-09</td>
<td>17-Sep-09</td>
<td>23-Mar-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$200,000</td>
</tr>
<tr>
<td>TF096219</td>
<td>Agency PFM Benchmarking Assessment</td>
<td>30-Oct-09</td>
<td>18-Nov-09</td>
<td>15-Feb-10</td>
<td>Bank</td>
<td>AAA</td>
<td>$370,000</td>
</tr>
<tr>
<td>TF096272</td>
<td>Public Expenditure Review</td>
<td>30-Oct-09</td>
<td>18-Nov-09</td>
<td>24-Feb-10</td>
<td>Bank</td>
<td>AAA</td>
<td>$83,578</td>
</tr>
<tr>
<td>TF097103</td>
<td>Improving Poverty and Social Statistics</td>
<td>30-Oct-09</td>
<td>18-Nov-09</td>
<td>3-Jun-10</td>
<td>Bank</td>
<td>AAA</td>
<td>$120,000</td>
</tr>
<tr>
<td>TF098613</td>
<td>Improving data coverage &amp; quality of surveys in support of the Phil. system of Nat’l Accounts (PSNA) # Phase II</td>
<td>28-Oct-10</td>
<td>10-Feb-10</td>
<td>20-Jun-11</td>
<td>Recipient</td>
<td>TA incl. proj. prep.</td>
<td>$250,000</td>
</tr>
<tr>
<td>TF099107</td>
<td>Monitoring the Social Impacts of Tropical Storm “Ondoy” (Ketsana) and Typhoon “Pepeng” (Parma)</td>
<td>28-Oct-10</td>
<td>16-Feb-11</td>
<td>24-Feb-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$89,251</td>
</tr>
<tr>
<td>TF099426</td>
<td>AAA on Institutionalizing Incentive Systems for Local Governance and Performance</td>
<td>28-Oct-10</td>
<td>10-Mar-11</td>
<td>5-Apr-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$300,000</td>
</tr>
<tr>
<td>TF099839</td>
<td>Philippines: Strengthening Public Finances</td>
<td>28-Oct-10</td>
<td>4-May-11</td>
<td>6-Jun-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$250,000</td>
</tr>
<tr>
<td>TF099527</td>
<td>Public Revenue and Expenditure Review</td>
<td>18-Feb-11</td>
<td>18-Feb-11</td>
<td>25-Apr-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$200,000</td>
</tr>
<tr>
<td>TF010343</td>
<td>Technical Assistance Support to Philippines PPP Program</td>
<td>8-Apr-11</td>
<td>10-Jun-11</td>
<td>4-Aug-11</td>
<td>Bank</td>
<td>AAA</td>
<td>$3,260,000</td>
</tr>
</tbody>
</table>

6 PCN requirement was waived by the Steering Committee, noting that the proposed activity formed part of a bigger program whose Concept Note review had already been approved.
<table>
<thead>
<tr>
<th>Grant #</th>
<th>Grant Name</th>
<th>SC Approval Date</th>
<th>PCN Approval Date</th>
<th>Grant Activation Date</th>
<th>Execution by</th>
<th>Execution Nature</th>
<th>Grant Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF010351</td>
<td>Utilizing the KALAHI-CIDSS Community-Driven Development Approach to Improve Access to ECD and Basic Education Services in Targeted 4Ps Areas</td>
<td>31-May-11</td>
<td>22-Jun-11</td>
<td>8-Aug-11</td>
<td>Bank</td>
<td>Proj. dev., appraisal, supervision</td>
<td>$250,000</td>
</tr>
<tr>
<td>TF010352</td>
<td>Analysis and Preparatory work Supporting the Scale-Up a National Community Driven Development (CDD) Program; Bank Execution</td>
<td>31-May-11</td>
<td>12-Jul-11</td>
<td>8-Aug-11</td>
<td>Bank</td>
<td>Proj. dev., appraisal, supervision</td>
<td>$200,000</td>
</tr>
<tr>
<td>TF010541</td>
<td>Preparation of the National CDD Program (Recipient executed)</td>
<td>31-May-11</td>
<td>7-Dec-11</td>
<td>11-Jan-12</td>
<td>Recipient</td>
<td>TA incl. proj. prep.</td>
<td>$300,000</td>
</tr>
<tr>
<td>TF010382</td>
<td>Scale-up of Philippines International Road Assessment Program (IRAP)</td>
<td>7-Jul-11</td>
<td>12-Jul-11</td>
<td>2-Dec-11</td>
<td>Recipient</td>
<td>TA incl. proj. prep.</td>
<td>$250,000</td>
</tr>
<tr>
<td>TF011939</td>
<td>Utilizing the KALAHI-CIDSS Community-Driven Development Approach to Improve Access to ECD and Basic Education Services in Targeted 4Ps Areas</td>
<td>31-May-11</td>
<td>22-Jun-11</td>
<td>3-May-12</td>
<td>Recipient</td>
<td>Inv. linked to WB-supported inv. ops</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>TF011929</td>
<td>Technical Assistance for Gov. Reforms Supporting Frontline Agricultural Services and Investments under Mindanao Rural Roads Development Project, Phase 2</td>
<td>25-Jun-09 7</td>
<td>13-Dec-10</td>
<td>8-May-12</td>
<td>Recipient</td>
<td>Inv. linked to WB-supported inv. Ops</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>TF012170</td>
<td>Supervision for the TA on Governance Reforms Supporting Frontline Agricultural and Investments Delivery under MRDP2</td>
<td>25-Jun-09 8</td>
<td>13-Dec-10</td>
<td>15-Jan-12</td>
<td>Bank</td>
<td>AAA</td>
<td>$90,000</td>
</tr>
</tbody>
</table>

**Total** $21,449,574

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7 At the March 24, 2011 meeting, the SC reduced the funds allocated to this activity for lack of progress and because of demands from other proposed activities.

8 Grant amount approved virtually by SC on October 11, 2011, based on reduced grant amount and implementation period for related RE project.
The following three projects, while approved by the Steering Committee, do not yet have activated grants.

<table>
<thead>
<tr>
<th>Grant #</th>
<th>Grant Name</th>
<th>SC Approval Date</th>
<th>PCN Approval Date</th>
<th>Grant Activation Date</th>
<th>Execution by</th>
<th>Execution Nature</th>
<th>Grant Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>pending</td>
<td>Strengthening Organizational Effectiveness of DPWH through Corporate Modernization and Business Planning</td>
<td>30-Oct-09</td>
<td></td>
<td>Recipient</td>
<td>Inv. linked to WB-supported inv. ops</td>
<td>$1,092,970</td>
<td></td>
</tr>
<tr>
<td>Pending</td>
<td>Strengthening Organizational Effectiveness of DPWH through Integrity Strengthening Action Plan</td>
<td>30-Oct-09</td>
<td></td>
<td>Recipient</td>
<td>Inv. linked to WB-supported inv. ops</td>
<td>$981,240</td>
<td></td>
</tr>
<tr>
<td>pending</td>
<td>Independent Technical Audit for DPWH NRIMP 2</td>
<td>24-Mar-11</td>
<td></td>
<td>Recipient</td>
<td>Inv. linked to WB-supported inv. ops</td>
<td>$1,705,590</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,779,800</td>
</tr>
</tbody>
</table>

2.2 | **Nature of Approved Projects**

The breakdown of all the approved PH-PTF projects by thematic areas, selection process, and execution responsibility is presented in Tables 2-2 to 2-5.

2.2.1 | **Thematic Area**

Table 2-2 summarizes the breakdown of PH-PTF projects by thematic area while Table 2-3 maps the strategic areas under the corresponding World Bank CAS and AusAID DCP objectives. The approved projects fall over the broad spectrum of thematic areas and are all well within the scope of the assistance strategies of the World Bank and AusAID.

The mapping of projects by themes is presented in Annex F. Some of the projects contribute to more than one objective for both institutions. For example, with support for classroom construction forming a core program of AusAID in the education sector, the grant for KALAHI-CIDSS Additional Financing for School Buildings and Daycare Centers is being used by AusAID to test alternative means of providing additional classrooms to the traditional approach used by the Department of Education. Meanwhile, KALAHI-CIDSS project’s objective of empowering communities in the management and governance of public resources and in enhancing their access to village-level infrastructure and services is also in

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9 It was decided to use the new DCP as the basis for the AusAID assessment rather than the 2007-11 DAS to give a forward-looking perspective.
line with AusAID’s and the World Bank’s objective of improved local government capacity to deliver basic services.

Table 2-2. Approved Projects by Thematic Area

<table>
<thead>
<tr>
<th>Thematic Area</th>
<th>No. of Approvals</th>
<th>Grant Amounts</th>
<th>Commitments and Disbursements</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Sector Dialogue</td>
<td>1</td>
<td>$80,782</td>
<td>$80,782</td>
<td>100%</td>
</tr>
<tr>
<td>Education</td>
<td>1</td>
<td>$200,000</td>
<td>$124,906</td>
<td>62%</td>
</tr>
<tr>
<td>Social Protection (SP)</td>
<td>4</td>
<td>$2,126,000</td>
<td>$1,238,543</td>
<td>58%</td>
</tr>
<tr>
<td>Community Driven Development (CDD)</td>
<td>4</td>
<td>$10,750,000</td>
<td>$398,212</td>
<td>4%</td>
</tr>
<tr>
<td>Disaster Risk Management (DRM)</td>
<td>1</td>
<td>$89,251</td>
<td>$89,251</td>
<td>100%</td>
</tr>
<tr>
<td>National Accounts</td>
<td>2</td>
<td>$300,000</td>
<td>$293,177</td>
<td>98%</td>
</tr>
<tr>
<td>Public Financial Management (PFM)</td>
<td>5</td>
<td>$1,003,541</td>
<td>$705,376</td>
<td>70%</td>
</tr>
<tr>
<td>Institutional Governance</td>
<td>1</td>
<td>$250,000</td>
<td>$250,000</td>
<td>100%</td>
</tr>
<tr>
<td>Local Gov. &amp; Decentralization (LGD)</td>
<td>3</td>
<td>$3,390,000</td>
<td>$175,517</td>
<td>5%</td>
</tr>
<tr>
<td>Public-Private Partnerships (PPP)</td>
<td>1</td>
<td>$3,260,000</td>
<td>$293,934</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>23</strong></td>
<td><strong>$21,449,574</strong></td>
<td><strong>$3,649,698</strong></td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>Non-Thematic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Grant Admin. and Mgmt.</td>
<td>1</td>
<td>$295,891</td>
<td>$100,348</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>$21,745,465</strong></td>
<td><strong>$3,750,046</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

10 The three approved projects (by SC) without active (child) Trust Funds fall under Institutional Governance.
<table>
<thead>
<tr>
<th>Thematic Area</th>
<th>World Bank CAS</th>
<th>AusAID DAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Sector Dialogue</td>
<td>All objectives</td>
<td>All objectives</td>
</tr>
<tr>
<td>Education</td>
<td>Better public service delivery</td>
<td>Stronged basic services</td>
</tr>
<tr>
<td></td>
<td>– Basic Education</td>
<td>– Improved Education</td>
</tr>
<tr>
<td>Social Protection</td>
<td>Reduced vulnerabilities</td>
<td>Stronged basic services</td>
</tr>
<tr>
<td></td>
<td>– Social Protection Systems</td>
<td>– Improved education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Improved LG capacity to deliver basic services</td>
</tr>
<tr>
<td>Community-Driven Development</td>
<td>Better public service delivery</td>
<td>Stronged basic services</td>
</tr>
<tr>
<td></td>
<td>– Basic service delivery in poor areas</td>
<td>– Improved education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Improved LG capacity to deliver basic services</td>
</tr>
<tr>
<td>Disaster Risk Management</td>
<td>Reduced vulnerabilities</td>
<td>Reduced vulnerabilities</td>
</tr>
<tr>
<td></td>
<td>– Disaster risk management</td>
<td>– Strengthened disaster risk management</td>
</tr>
<tr>
<td>National Accounts</td>
<td>Stable macro-economy</td>
<td>Supporting foundations for accountable, transparent, effective governance</td>
</tr>
<tr>
<td></td>
<td>– Improved statistics</td>
<td>– linked to PFM</td>
</tr>
<tr>
<td>Public Financial Management (PFM)</td>
<td>Good governance</td>
<td>Supporting foundations for accountable, transparent, effective governance</td>
</tr>
<tr>
<td></td>
<td>– PFM reforms</td>
<td>– PFM</td>
</tr>
<tr>
<td>Institutional Governance</td>
<td>Good governance</td>
<td>Supporting foundations for accountable, transparent, effective governance</td>
</tr>
<tr>
<td></td>
<td>– Governance in selected national agencies</td>
<td>– PFM</td>
</tr>
<tr>
<td>Local Government &amp; Decentralization</td>
<td>Good governance</td>
<td>Stronged basic services</td>
</tr>
<tr>
<td></td>
<td>– Better local governance</td>
<td>– Improved LGU capacity to deliver basic services</td>
</tr>
<tr>
<td>Public-Private Partnership (PPP)</td>
<td>Improved investment climate</td>
<td>Supporting foundations for accountable, transparent, effective governance</td>
</tr>
<tr>
<td></td>
<td>– Enabling business environment</td>
<td>– PPP</td>
</tr>
</tbody>
</table>
2.2.2 | Selection and Approval Process

The Operating Guidelines adopted by the PH-PTF Steering Committee in June 2009 was designed particularly for a competitive call for proposals process (see Annex C: Operating Guidelines). A two-stage approval process through the Steering Committee was envisaged. It would begin with an open Call for Proposals in September of each year and finish with final funding approval the following April. This would be followed in May by a request for funds from AusAID for the next year’s total funding requirements, consistent with the decisions of the April meeting on new as well as continuing multi-year projects.

When the PH-PTF was established, AusAID indicated that it was prepared to make available A$500,000 on an annual basis for Bank-executed AAA (outside that for Project-Specific Funding) through the open Call for Proposals. This was supplemented with “savings” from some Project-Specific Funding proposals. As a result, more than A$1,500,000 was committed to Bank-executed AAA over the first two years through this process. No open Calls for Proposal were made last year, as AusAID felt that enough ideas were being generated from the sector dialogues and that in any event it would be best to wait and observe some of the results of previously funded AAA through the Call for Proposals.

In practice, a limited amount of funding has been made available through the open Call for Proposals. Most of the funding has been made available through Project-Specific Funding, which includes “carryover” projects from pre-PH-PTF programs jointly being considered by the World Bank and AusAID, and project proposals emerging from extensive “backroom” discussions and negotiations between AusAID and World Bank staff (and, where applicable, with Government counterparts), mostly under the direction or with tacit approval of management. Operating Guidelines have not been developed for this type of project.

Many of these project proposals are formulated in the context of sector strategies. Some are relatively complex and require significant funding, especially Recipient-executed project proposals involving “hardware” expenditures. Some are for project design and preparation. Some others are critical AAA activities.

Table 2-4 summarizes the breakdown by selection and approval process. The grants are dominated by Project Specific Funding, which accounts for nearly 93% of the allocated funds. Around one-third of this amount is for projects that are “carryovers” from before the PH-PTF was established.

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11 AAA activities were to be considered at a special January meeting.

12 Open Call for Proposals, following the Operating Guidelines, were still made in September for consideration in the October (or thereabouts) meeting of the Steering Committee. No special January Meetings to consider AAA have been held.
Table 2-4. Activated Projects by Selection and Approval Process

<table>
<thead>
<tr>
<th>Selection Process</th>
<th>No. of Projects</th>
<th>Grant Amounts</th>
<th>Commitments, Disbursements</th>
<th>Percentag e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project-specific funding</td>
<td>15</td>
<td>$19,886,745</td>
<td>$2,541,324</td>
<td>13% ‡</td>
</tr>
<tr>
<td>Competitive call for proposals</td>
<td>8</td>
<td>$1,562,829</td>
<td>$1,108,374</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>$ 21,449,574</strong></td>
<td><strong>$3,649,698</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

‡ All are Bank-executed AAA, except for PSNA Phase II for $250,000, which is Recipient-executed AAA.

The open Call for Proposals accounts for only over 6% of the allocated funds. All of the Calls for Proposals are World Bank-executed AAA, except for the Improving Data Coverage and Quality of Surveys for the Philippine System of National Accounts, which is Recipient-executed.

Annex E.2 outlines the cycle for the Call for Proposals over the years since the PH-PTF was established to illustrate this approval process. The data in this annex show that the rejection rate was quite high. In the first year, less than 50% of proposals were approved, in the second year 25%, and in the third year 66%.

The dominance of Project-Specific Funding is likely to continue, since most projects are now being assessed jointly by World Bank and AusAID staff — in conjunction with their government counterparts — within the context of sector strategies. Even a number of those approved under the open Call for Proposals have strong sector links and have emerged out of the trilateral dialogue.

### 2.2.3 | Execution Responsibility

Table 2-5 summarizes the PH-PTF approvals based on execution responsibility.

**Bank-executed AAA** accounts for just over two-thirds of the number of activated projects and one-third of the funds allocated. Almost half of these projects emerged from the Competitive Call for Proposals. The AAA’s are important foundations for the joint policy dialogues of both AusAID and the World Bank with the Government.

One **Recipient-executed grant linked to Bank-supported operation** accounts for close to half of the funds allocated. It has only recently been activated and implementation is yet to get underway. This will involve “hardware” investments in school buildings and health centers — the KALAHICIDSS Additional Financing for School Buildings and Daycare Centers
— and, given its very different disbursements profile and monitoring requirements compared with the other projects, there is reason to consider treating it under a separate window in the PH-PTF.

**Table 2-5. Activated projects by execution responsibility**

<table>
<thead>
<tr>
<th>Execution &amp; Nature</th>
<th>No. of Projects</th>
<th>Grant Amounts</th>
<th>Disbursements</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient-executed TA, including project preparation</td>
<td>4</td>
<td>$3,080,000</td>
<td>$800,000</td>
<td>%</td>
</tr>
<tr>
<td>Recipient-executed investments linked to Bank-supported investment operations</td>
<td>1</td>
<td>$10,000,000</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Bank-executed project development, appraisal and supervision</td>
<td>2</td>
<td>$450,000</td>
<td>$98,212</td>
<td>22%</td>
</tr>
<tr>
<td>Bank-executed AAA</td>
<td>16</td>
<td>$7,199,574</td>
<td>$2,751,485</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>$21,449,574</td>
<td>$3,649,698</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Recipient-executed technical assistance** accounts for 14% of total grant approvals. The three approved projects supporting governance reforms in the Department of Public Works and Highways that do not yet have activated Grants are also classified under this heading; if they were added, projects under this heading would account for 15% of the funds allocated.

There is only one Recipient-executed grant that is executed by a nongovernmental organization — the Scale-Up of the Philippines International Road Assessment Program. This involves inspecting high-risk roads and developing Star Ratings and safety plans, as well as providing technical support for capacity building and performance assessment. It is linked to the World Bank’s support to DPWH through its National Roads Improvement and Management Program (NRIMP) Phase 2. It is executed by the International Road Assessment Program, or IRAP, an international organization. The Bank supports IRAP through the Global Road Safety Facility. AusAID is one of the donors contributing to this facility, and the allocation specifically for the Philippine is recognized to be from AusAID.

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13 The Bank-executed Monitoring the Social Impacts of Tropical Storm “Ondoy” (Ketsana) and Typhoon “Pepeng” (Parma) was also carried out principally by a nongovernmental organization, the Institute for Philippine Culture.
2.3 | Financial Performance

2.3.1 | Commitments and Disbursements

Viewed in the context of total PH-PTF approvals, disbursement performance appears slow. Overall commitments and disbursements (see Table 2-5) as of the end of March 2012 were 17%. This figure is dominated by the two large Recipient-executed projects that have not yet started. Without these two, the figure is around 43%. A number of the ongoing Bank-executed Grants have also been slow in disbursing. The reasons are principally project-specific.

The major World Bank AAA Grant, for example, is the Technical Assistance Support to Priority PPP Projects, which has been allocated US$3,260,000. This accounts for nearly half of the AAA allocation. To date, only 2% of the PPP funds have been disbursed and committed. To a large extent this is due to the slower than hoped implementation of the Governments’ PPP program and to the significant support offered to the Government by other donors for this program. Furthermore, the grant was activated only in September of 2011. If this project is excluded from the computation, the overall commitments and disbursements under PH-PTF rise to around 64%.

Also a very slow-moving World Bank-executed AAA Grant is Strengthening Public Finances (US$250,000) with only 6% disbursed and committed since activation in June 2011, in part because the Government has secured funding from other development partners for the activities originally contemplated under this grant. Improving Poverty and Social Statistics, activated in June 2010, is also slow moving, with less than 50% disbursed and committed after two years. These two grants have now been re-designed to accommodate other priorities of the Government.

The two World Bank-executed Project Development Grants — preparatory work for the Scale-Up of the National CDD Program and for the KAHALI CIDSS CDD Approach to Improve Access to ECD and Basic Education Services in 4P Areas — are both relatively new. Disbursements are expected to pick up significantly in the coming months.

Apart from the above, disbursements and commitments are at acceptable levels. The disbursements and commitments of AAA under the Competitive Call for Proposals have reached a reasonable 71%, although most of these have been underway for over two years.

The cut-off date for commitments is 31 December 2012 and for disbursements 30 June 2013. Retroactive financing will have to play a big role in the Recipient-executed investments if there is no time extension of the PH-PTF. Some of these projects were approved recently.
2.3.2 | Breakdown of Disbursements under Bank-Executed Grants

The breakdown of disbursements by expense category under PH-PTF Bank-executed grants is shown in the following figure.

![Disbursement Breakdown Diagram]

World Bank staff costs have averaged around 24% of total disbursements. World Bank-implemented AAA projects necessarily have a significant Bank staff cost component, and AusAID considers the access to the technical skills in the Bank as one of the advantages of the partnership between the two organizations. Nonetheless, a close watch on the numbers may be warranted to ensure that PH-PTF brings in a balance of needed World Bank and external expertise.

The World Bank also has funded from its own budget technical assistance activities that directly support PH-PTF Grant activities in such areas as social protection, CDD, and public financial management. Task teams have also mobilized other Bank-executed Trust Fund resources to supplement the PH-PTF funds.

2.3.3 | Financial Contributions of AusAID to PH-PTF

The contributions of AusAID into the PH-PTF amounted to A$33,345,000 as of March 30, 2012. These are made normally as a tranche payment in June of each year, coinciding with the end of the Australian Government’s financial year (June 30th, the same as the World Bank’s).

The Operating Guidelines indicate that the World Bank would make a Call for Funds from AusAID in May or June for the next financial year’s funding, based on the needs of newly approved and ongoing projects. The Call for Funds was supposed to reflect the expected
total requirements for the year, itemized by project.\textsuperscript{14} With the predominance of Project-Specific Funding, AusAID’s tranche contributions have been mainly in response to funding needs expectations for these projects. The result, since the PH-PTF’s inception, is an annual flow of funds that does not necessarily show a one-to-one correspondence with needs in the following year:\textsuperscript{15}

- The first tranche in June 2009 of A$7.5 million provided for A$1.9 million for AAA, A$1.5 million for Social Protection Technical Assistance, and A$3.9 million for MRDP 2 Technical Assistance. These did not fully correspond to the actual requirements for the next financial year, and indeed the MRDP 2 Technical Assistance is not yet underway.

- The second tranche in June 2010 of A$7.2 million provided for A$1 million for AAA, A$2.5 million for two of the three DPWH projects, and a further A$3.5 million for MRDP 2 Technical Assistance. These also did not fully correspond to the requirements for the next financial year, as the DPWH projects are also not yet underway.

- The third tranche in June 2011 of A$18.2 million provided for A$14.1 million for the KALAHI-CIDDS CDD Additional Financing for School Buildings and Daycare Centers and A$1.6 million for the third DPWH project, although both have not yet started to date.

- The fourth tranche was a small one made in January 2012, amounting to A$404,000 for additional funding for Social Protection Technical Assistance.

When made by AusAID, payment is considered a full disbursement in the AusAID accounts by the Australian Government even if not disbursed from the PH-PTF. For financial reporting purposes, Canberra considers the PH-PTF as a singular initiative and account. Although a payment comes from a different AusAID funding envelope that is linked to specific outcomes, it is recorded as disbursed to the PH-PTF as specified in the internal accounting procedures. The Steering Committee subsequently ensures that these funds are allocated to activities that support the intended outcomes.

The PH-PTF thus allows AusAID to “pre-position” its funds, particularly toward the end of the financial year, so much so that the funds made available as of end-March 2012 exceeded

\textsuperscript{14} AusAID will, of course, need to give some early indication of the funds that are likely to be available at the end of each financial year so that the Steering Committee can make decisions on new project funding. By April or May AusAID would know what is available, and sometimes an indication can be given as early as January, with appropriate caveats.

\textsuperscript{15} All the tranches included an allowance for management and administrative fees.
total approvals as of that date. This ability to allocate and account for funds through the Steering Committee and temporarily “park” them in the umbrella trust fund, ready for disbursement through grants approved by the Steering Committee in subsequent years, makes the PH-PTF nimble, able to respond to initiatives or changes quickly, without having to ask the headquarters in Canberra and Washington for budget approval each time. It also allows the PH-PTF to be used for smaller AAA activities on a quicker-turnaround basis, as determined by the Steering Committee.

2.4 | Project Performance

2.4.1 | Completed Projects

Four projects have been completed to date. These are:

- **Support for Strategic Engagement on the Philippine Discussion Notes: Challenges and Options for 2010 and Beyond (Bank-executed),** for a grant amount of US$80,782.

- **Public Expenditure Review (Bank-executed),** for a grant amount of US$83,578.

- **Monitoring the Social Impacts of Tropical Storm “Ondoy” (internationally codenamed Ketsana) and Typhoon “Pepeng” (Parma) — Bank-executed — for a grant amount of US$90,000.**

- **Improving Data Coverage and Quality of surveys in Support of the Philippine System of National Accounts (PSNA) Phase 1 (Bank-executed) for a grant amount of US$50,000.**

All four have had satisfactory or highly satisfactory outcomes, and have been well received by the Government.

The **Support for Strategic Engagement on the Philippine Discussion Notes** project involved preparation of a set of 26 Discussion Notes on various sector topics as inputs to the Medium-Term Philippine Development Plan. It was done in anticipation of opportunities for reform that would arise as a result of general elections in the Philippines in May 2010. Along with funds provided through the PH-PTF, the World Bank committed US$130,791 of its own funds to it. In preparing the notes, the Bank engaged in extensive dialogue with academe, civil society organizations, and the private sector. AusAID staff was actively involved and provided direct technical input for two of the Discussion Notes.

The World Bank used the Discussion Notes to engage with the new Philippine administration on the Bank’s views on progress, challenges, and policy options for inclusive growth. The fruitful engagement was much appreciated by the government. The NEDA and other
government agencies applied the Notes as inputs in developing the new Philippine Development Plan.

The principal outcome sought in the Public Expenditure Review (PER) was guidance for the new administration in improving expenditure planning, reporting and monitoring, in the interests of raising the overall allocative efficiency of public expenditures and strengthening fiscal management. The review also aimed to build client analytical capacity and, in particular, support the development of a more informed debate on expenditure issues around the annual budget cycle. The PER began in June 2010 and was completed by the end of March 2011. It built on and synthesized previous analytical activities in this area and on previously completed public expenditure reviews of agriculture, transport, and basic education. The funds provided through the PH-PTF supplemented the Bank’s allocation of its own funds of US$318,967 and thus enabled a more extensive and in-depth coverage of critical topics in the review.

Specific policy reforms are being undertaken in line with the recommendations of the PER, and the Government has explicitly acknowledged its use to guide those policy reforms. It has been used intensively by the Government, especially by Department of Budget Management (DBM), in budget strategy and for 2011 budget proposals. The Congressional Budget Office has also commented on the usefulness of the report. Based on the recommendation in the review, a new oversight institution has been created (Tax Watch, modeled on its Australian counterpart) to scrutinize and analyze developments in tax policy and administration. There is also a greater emphasis on data provision and transparency. Follow-up capacity-building activities are in place.

Overall, the PER has a highly satisfactory outcome, has been very well received, and has many of its recommendations acted upon. A follow-on Public Revenue and Expenditure Review (PRER) that emphasizes revenue policy and administrative reform is also financed under the PH-PTF (US$200,000) and executed by the World Bank and nearing completion. Also ongoing is the PH-PTF-financed Philippines Basic Education Public Expenditure Review (BEPER) Phase II (US$200,000), a focused investigation of resource use at the school level through the School Based Management (SBM) model. BEPER is being carried out in partnership among the Department of Education, AusAID, and the World Bank.

Monitoring the Social Impacts of Tropical Storm “Ondoy” and Typhoon “Pepeng” involved assessing the living conditions and livelihoods of the affected people a year after the disaster, and the long-term impacts and effectiveness of disaster response. It was intended to help transform Metro Manila into a more protected area for the urban poor. The project was carried out by an interdisciplinary team from the Institute for Philippine Culture (IPC) and included members of Sociology and Political Science faculties of universities. In urban areas, the IPC partnered within civil society organizations. In rural areas, introductions to communities were facilitated by DSWD.
Completed in November 2011, it was a follow-on project to the rapid social impacts assessment done in affected areas as part of a Post-Disaster Needs Assessment by the Government in cooperation with international development partners, with funding from the World Bank Global Facility for Disaster Reduction and Recovery (GFDRR).

Overall, the project had a highly satisfactory outcome and the report was well received by the Government. How the outputs are integrated with the extensive ongoing work of other initiatives in disaster management is explored in Section 3.2.10.

**Improving Data Coverage and Quality of Surveys in Support of Philippine System of National Accounts (PSNA) Phase I** was completed in March 2012. The outcome was rated as satisfactory. The project developed a framework to improve the existing set of enterprise surveys to make them more useful and cost-effective and to bring them into line with international statistical standards. The new framework will enable the National Statistics Office (NSO), which is responsible for conducting the surveys, and the National Statistical Coordination Board (NSCB) to improve the PSNA by accurately capturing first-time variables, such as corporate level profit, intermediate value-added, and investment, in order to give a more accurate picture of the Philippine economy. This work has been well received by the Government.

The NSO is undertaking Phase II of this project with funding from the PH-PTF (US$250,000), with the objective of conducting the detailed design and pilot of the enterprise survey using the framework developed under Phase I. Progress on this follow-on project is running behind schedule because of delays in release of funds to the NSO from the Bureau of the Treasury and delays caused by new procurement approval procedures of DBM. Some of the slowdown is attributed to the need to seek approval of the PH-PTF Steering Committee for a reallocation of funds within the project.

These projects form part of a major government program to revise and rebase the national accounts system. The NSCB has adopted the requirements of the new system based on the latest methodology (SNA 2008) and is slowly shifting this from the 1968 SNA and 1993 SNA. Changing from one methodology to another requires a comprehensive updating of the entire National Accounts series, including updating the base year. The NSO is working to improve the quality of economic surveys as inputs into the PSNA, and the enterprise survey is an important component of this agenda. Without these reforms, the GDP series and statistical

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16 The original estimated cost of Phase II was US$500,000. This was cut to US$250,000 to keep the proposed budget at a manageable level. The Government will shoulder the balance. The Bank has put in only around US$19,000 of its own resources to supplement the grant funds.

17 The World Bank, through the multi-donor global Trust Fund for Statistical Capacity Building (TFSCB), is providing technical assistance and capacity-building funds for this purpose.
base would continue to become less accurate over time and become less useful as inputs to policymaking and development planning.

2.4.2 | Ongoing Projects

The latest ratings by Task Team Leaders as reported in the Grant Reporting and Monitoring (GRM) in June 2011 indicate that satisfactory progress is being made in projects underway. Recent consultations with Task Team Leaders confirm that this progress is being maintained, although slow disbursements to some projects would suggest that there are exceptions (see Section 2.3.1).

The GRM includes indicating the extent to which the projects have dealt with the crosscutting issues of governance arrangements, gender equality, and support for the disabled. The extent to which these are relevant depends on the nature of the project. The social protection projects, for example, have a strong gender emphasis in that the Conditional Cash Transfer (CCT) program promotes gender equality by directly providing cash to female grantees. The National Household Targeting System being used for all social services and being supported by the CCT projects has a significant impact on improving governance arrangements not only in DSWD but in all agencies that will use the targeting system. On the other hand, the institutional development and PFM projects contribute little to gender equality but have significant impacts on governance arrangements.

The impacts expected from the projects in these crosscutting areas are expected to be positive, but they have not been clearly measurable to date because implementation of many of the major projects has been delayed. However, it should be emphasized that governance, gender equality, and support for the disabled are part and parcel of all projects of the World Bank and AusAID, no matter how financed.

Of particular note are the four ongoing projects with grant amounts of over US$1 million each:

- **KALAHI CIDSS Additional Financing for School Buildings and Daycare Centers (Recipient-executed) for a grant amount of US$10,000,000.**

- **Technical Assistance for Mindanao Rural Development Project (MRDP) 2 (Recipient-executed) for a grant amount of US$3,000,000.**

- **Technical Assistance Support to the Philippines Public-Private Partnership (PPP) Program (Bank-executed) for a grant amount of US$3,260,000.**

- **Technical Assistance Program for the Philippines CCT (Bank-executed) for a grant amount of US$1,636,000.**
These four projects account for US$17,896,000 of the activated PH-PTF grants, just over four-fifths of the total.

The **KALAHI CIDSS Additional Financing for School Buildings and Daycare Centers**, executed by the Department of Social Welfare and Development (DSWD), is a recently activated project. It has strong support from AusAID, as it offers an opportunity to expand AusAID support for the Governments’ school building program through an alternative approach to that pursued through the Department of Education, which has been slow-moving. It is the largest project funded by PH-PTF and the only one that will involve a significant “hardware” component.¹⁸ A parallel US$250,000 Grant — **Utilizing the KALAHI-CIDSS Community Driven Approach to ECD and Basic Education Services in Targeted 4Ps Areas** — is being executed by the Bank for support AAA and incremental costs for project appraisal. The Bank has contributed US$1,500,000 of its own resources and just over US$500,000 from other trust funds.

The project aims to improve access of targeted poor communities to early-childhood learning and development activities. It will support the construction or rehabilitation of daycare centers and school buildings in areas where the KALAHI-CIDSS and CCT program are being implemented, using a community-driven development (CDD) approach. The success of this approach to development, the capacity of DSWD to deliver results, and the strong relationship established with the World Bank in supporting the CCT and CDD programs,¹⁹ were key factors in the desire of AusAID to pursue this project.

The **Technical Assistance for MRDP 2**, to be executed by the Department of Agriculture (DA), has also recently begun. The grant agreement was shared with the Government on 29 February 2012 but was signed only on 8 May 2012. The grant is intended to support capacity- and institution-building activities included in the **Investments for Governance Reform and Program Administration** component of the World Bank’s **Mindanao Rural Development Project (MRDP) Phase 2 (US$84 million)**. The Bank has allocated some US$725,000 of its own funds to complement the PH-PTF funds. The main activities under the grant were originally part of a loan-financed project in 2006 but were subsequently removed by the Government. These have been recently reappraised and found to be still sound and relevant. They include capacity-building support to the DA and local government units in: (i) preparation, review and implementation of MRDP2 sub-projects; and (ii) working with the private sector for PPPs in agro-fishery activities.

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¹⁸ The World Bank initially proposed a project for PH-PTF funding under the Community-Driven Development initiative involving, among other activities, construction of health centers. This did not fall within AusAID’s priorities, and AusAID proposed instead the construction of school buildings and daycare centers.

¹⁹ This relationship is explored fully in Section 3.2.
Before the PH-PTF was set up, AusAID was implementing a Provincial Roads Management Facility but wanted to find a way to supplement this with support for farm-to-market roads. It was initially thought that this could be done by co-financing MRDP 2, and an amount of US$10,000,000 was floated for this purpose. This cofinancing arrangement did not materialize but it did set AusAID to exploring ways to participate in MRDP 2 because of its support for the DA’s platform to devolve agro-fishery services and investments to LGUs in Mindanao, including through public-private-partnerships (PPPs). AusAID’s program placed high priority on decentralization and PPPs, as well as on Mindanao.

When PH-PTF was set up, A$3,900,000 was earmarked for the project from the first tranche released by AusAID in June 2009. A further A$3,517,760 was in the second tranche in June 2010. However, it took nearly three years before the project was firmed up, and by that time the priorities had changed. The Steering Committee decided to reallocate a large part of the funds earmarked for MRDP2 support to other initiatives. In the end, support for MRDP 2 was reduced to US$3,000,000\(^{20}\) and the remaining funds diverted principally to the new Government’s flagship Public-Private Partnership (PPP) program.

The **Technical Assistance Support to Philippines PPP Program** financed by the PH-PTF is yet to get underway; only around $US37,000 has been spent to date. The PPP Program is a centerpiece of the Aquino administration’s development strategy but it has been slow to take off.

The project aims to fund expert technical advice to line agencies and LGUs for their respective PPP programs, and capacity-building activities of selected implementing and regulatory agencies, principally through on-the-job training and learning-by-doing with “live” PPP projects. Support will also include analytical work and capacity-building support to develop PPP models for the service delivery sectors (e.g., electrical cooperatives, health services, education). Transactional advisory services are not expected to be a significant part of this support.

The **Technical Assistance Program for the Philippines Conditional Cash Transfer (CCT)** aims to enhance the capacity and ability of the DSWD to scale up and consolidate the roll-out of its CCT program to make it fully functional. It is part of a package of projects under the PH-PTF\(^ {21}\) to support the ongoing social protection agenda (see Section 3.2.7), all of which are integrated into the World Bank-financed operational support for the *Pantawid Pamilyang Pilipino* CCT Program, which has become the core social protection program of the Philippines. The project, activated in June 2009, is around two-thirds disbursed.

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\(^{20}\) The MRDP2 is being restructured to incorporate a provisioning for PH-PTF support.

\(^{21}\) The World Bank has provided some US$150,000 of its own funds and around US$500,000 in other trust funds to directly supplement these PH-PTF-funded projects.
The Governments’ CCT pilot program was launched in 2008 and was considered an intervention to address a multiplicity of development problems in the Philippines. Apart from supplementing the meager income of some of the poorest households, it addressed the problems of food insecurity and access to education and health services. The World Bank and AusAID provided technical support in its launch, and this set the basis for the more extensive cooperation facilitated by the establishment of the PH-PTF. The nature and impact of this cooperation is explored more fully in Section 3.2.7.

2.4.3 | Approved Projects Not Yet Activated

Three projects have been approved by the Steering committee but have not yet been activated:

- **DPWH Integrity-Strengthening Action Plan (Recipient-executed)** for a grant amount of US$981,240.
- **DPWH Corporate Modernization (Recipient-executed)** for a grant amount of US$1,092,886
- **DPWH Independent Technical Audit (Recipient-executed)** for National Road Improvement Program (NIMP) 2 for a grant amount of US$1,705,593.

These projects focus on streamlining and rationalization of the corporate structure and processes of the Department of Public Works and Highways (DPWH), mainly to reduce opportunities for corruption and to improve service delivery and accountability. Allocations for the Integrity Strengthening Action Plan and Corporate Modernization projects were made in AusAID’s second tranche (2010) and for the DPWH NRMP 2 Technical Audit in the third tranche (2011). While slow in getting underway, these projects have not suffered a reallocation. They complement the governance and institutional reforms supported by the World Bank’s ongoing National Roads Improvement Program (NRMP) Phase II with a loan of US$250 million.

These three projects were initiated as far back as 2007, when the World Bank requested support on the technical assistance component of NRIMP 2 through the Partnership for Economic Governance Reform (PEGR) program of AusAID. However, preparation was delayed, and financing under PEGR became moot when the program ended in 2010. A commitment was thus made to fund these under PH-PTF.

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22 Successor of PEGR was PFM
The Independent Technical Audit was delayed because it needed a certain number of roads to be constructed before it could be undertaken. The Corporate Modernization was held up by delays in finalizing the DPWH rationalization plan. The previous Government took some time to decide on what to do regarding the Integrity-Strengthening Action Plan, and the new Government wanted to do different things. These issues have been resolved and the projects are now expected to proceed without further hiccups.
SECTION 3  RELATIONSHIPS AND IMPACT

This section looks at the performance of the PH-PTF and of the projects it has financed in the context of their role in nurturing the relationship between AusAID and the World Bank and, in turn, their relationship with the Government. The status of these relationships has a major bearing on the quality of the dialogue and on the quality of the outcomes of projects and programs — even those not financed under PH-PTF — in various sectors. These relationships form mainly during the preparation and implementation stages of projects, and the benefits become apparent even before the projects are completed. This is so even if the projects are not big-ticket items. Many of the smaller AAA projects have had a major positive influence on these relationships.

The Steering Committee of the PH-PTF has played a major role in setting the tone for the relationships. The heads of the two institutions at the time of the signing of the agreement were the drivers in getting the PH-PFT up and running, and in setting the foundations for closer working relationships at the management and working levels, even though the intention to set up a trust fund was already well in the works when they came aboard.

However, the role of the projects in stimulating working relationships of the two institutions’ staff and in the benefits of their programs in the various sectors provides the real storyline. It is in the context of the sectors that the evolving relationships and their impacts can be observed. In some, the relationships have matured; in others, they are still in the embryonic stage.

There is often a fine line between productive relationships and accountability. For all trust funds it administers, the World Bank is responsible for following its policies and procedures and is held accountable for doing so. Responsibility is not shared with donor partners for decisions that are for the Bank alone to make, such as in procurement and disbursements, although it confers with the partners as necessary. By and large, this has not been a problem for the projects co-financed with AusAID under the PH-PTF.

3.1| Social Protection

The PH-PTF has played a key role in supporting the Social Protection agenda in the Philippines, particularly with the Conditional Cash Transfer (CCT) Program, poverty targeting, and analytical work to underpin the policy dialogue on social safety nets and poverty reduction. The World Bank’s partnership with AusAID in the PH-PTF has enabled continuous
technical assistance that has been integrated into Bank-financed operational support for the Pantawid Pamilyang Pilipino Program.  

The Pantawid Pamilya is a CCT program that provides cash for beneficiary households, subject to compliance with program conditionalities. It targets chronically poor households with children aged 0-14 years located in poor areas. To qualify for the cash grants — which range from PhP500 (US$12) to PhP1,400 (US$35) per household per month — beneficiary households must undertake certain activities that are meant to improve the children’s health and education, such as visiting health centers regularly, sending children to school, and undertaking preventative checkups for pregnant women. Started in 2007 as a pilot program by Department of Social Welfare and Development (DSWD), Pantawid Pamilya is now viewed more broadly as a vehicle for enhancing coordination within the Government in assisting the poor and for increasing the effectiveness of social protection programs in all line agencies, such as the Department of Education and Department of Health. The Pantawid Pamilya has proved very successful and has rapidly expanded to cover 2.3 million beneficiary households, or about 60% of the Philippines’ eligible households.  

The relationship between AusAID and the World Bank in the Social Protection sector started well before the PH-PTF. In 2008, AusAID provided funds to the World Bank, through an Externally Financed Output (EFO), for the Good Governance and Anticorruption in the Conditional Cash Transfer Program amounting to A$396,000, followed by a further amount of up to A$226,000. Although the possibility of an umbrella trust fund was under discussion at the time, it was decided to push ahead with the EFO because of the project’s urgency. The project was focused on providing technical assistance to DSWD in developing a set of anticorruption measures for the scale-up of the CCT program. A good working relationship between the World Bank and AusAID was established at this time, which set a strong foundation for the dialogue ahead. It was, in fact, this EFO that provided a platform for AusAID to enter into dialogue with the Government.  

When the PH-PTF was set up, a package of Bank-executed AAA projects was approved to support the ongoing social protection agenda:  

- Review of the Philippines Social Protection System (US$140,000)  
- Improving Poverty and Social statistics (US$120,000)  

23 The US$405 million Social Welfare and Development Reform Project (SWDRP), the World Bank’s largest-ever loan to the Philippines, supports the CCT program and CDD through the KAHALI-CIDSS program.  

24 These figures are 2011 targets.  

25 In AusAID’s program, these are categorized under one Social Protection Programmatic AAA project, approved for funding in 2010 for A$1,564,000 with a top-up in January 2012 for A$404,000
• **Technical Assistance Program for the Philippine Conditional Cash Transfer (CCT) System** (US$1,250,000)

• **Monitoring of Human and Social Impacts of the Global Economic Crisis on the Philippines** (US$200,000).

The *Technical Assistance Program* has a number of subcomponents, such as for targeting, monitoring and evaluation, policy notes study trips, and communications plan. AusAID has also funded mission-planning and field visits. The World Bank has budgeted US$150,000 of its own funds and around US$530,000 from other trust funds as co-financing for these projects.

AusAID has been deeply involved in the preparation and execution of these projects and has brought on board skills since early on in the program to enable an active participation in the more technical discussions. This participation allowed AusAID a “seat at the policy table.”

AusAID has turned the “seat at the table” into a “front seat.” DSWD was attracting donors, with ADB and others wanting to add their support to the CCT and other social protection and development programs. DSWD needed more effective coordination and technical support. AusAID stepped in.

AusAID has now set up a *Technical Assistance Facility for Social Protection*, to be led by DSWD, to serve as a platform for coordinating efforts of various players in the areas of social protection, including AusAID, the World Bank, ADB, UNICEF, and other development partners. A$5 million will initially be set aside to provide technical assistance through this facility.

The effective relationship between the World Bank and AusAID that has developed through these projects has translated into a productive working relationship with counterparts in the Government, particularly in the DSWD. This, in turn, has translated into a Social Protection program that is having a substantive impact on the ground. The strong communications and external relations team and strategy integrated into the program have been particularly appreciated by the Secretary of Social Welfare and Development and the communications group in the Office of the President, especially in dealing with negative media attention or scrutiny, and with questions and concerns that come up in Congress.

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26 DSWD initially wanted this to cover all of its activities, including livelihood, CDD, CCT, and gender, among others. AusAID said it would focus on CCT and CDD. A meeting was held in late 2010 to present the ideas to donors, which welcomed the concept.

27 ADB has also provided a US$400 million facility for CCT, with a companion grant component. Unlike the World Bank project, it does not require Government counterpart funding (and has a provision for financing DSWD’s World Bank counterpart-required funding).
A CCT Program Midterm Review is currently underway. It will provide more feedback on the role of the partners and on the future agenda.

3.2 | Public Financial Management

The Government has adopted a comprehensive Public Financial Management (PFM) reform agenda aimed at improving the efficiency, accountability, and transparency in use of public funds and at enabling better service delivery. This is laid out in the Philippine Public Financial Management Reform Roadmap: Towards Improved Accountability and Transparency. This roadmap was launched in February 2011; completion target is end-2015.

The roadmap is underpinned by the Public Expenditure and Financial Accountability (PEFA) assessment prepared by the World Bank in 2007-08. This was co-funded by AusAID through EFOs. The dialogue with the Government at this time was very much a World Bank dialogue, although AusAID developed a growing interest in PFM issues, and a strong, albeit embryonic, relationship evolved with the World Bank team.

The World Bank did not have resources available to follow up fully on this work. The setting up of the PH-PTF thus proved to be timely. At around the same time, AusAID saw PFM as a major area of focus, and AusAID, stepped up as a “champion” of the program.

Two key Bank-executed projects were approved under the PH-PTF that relate directly to the PFM dialogue with the Government:

- **Agency PFM Benchmarking Assessment (US$370,000)**

- **Government Integrated Financial Management Information System (GIFMIS) Learning Activities (US$99,963).**

These projects enabled the World Bank to bring in the technical skills necessary to help the Government firm up on its reform agenda and provide a basis for the policy dialogue to continue. AusAID colleagues were involved in these projects and, as a result, gained a proverbial seat at the policy table. It was also able to build up its relationship with the Government team, leveraging on the relationship it had built up with the World Bank team,

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28 The initial amount allocated to this project was US$170,000. The first output was a Department of Health PFM assessment. It was subsequently increased by US$200,000 to emphasize financial accountability and operational efficiency in individual agencies.

29 The World Bank allocated some US$500,000 of its own resources and US$87,000 of other trust fund resources to the PFM program.
which in turn had built up a strong relationship with the Government counterparts, particularly the Department of Budget and Management over many years of engagement.  

When the Government firmed up on its agenda, it was clear that it would need significant technical support. Yet, it was unwilling to borrow for this support and the World Bank had no grant funds for this purpose. AusAID stepped in, thanks in part, to the relationship established through the PH-PTF. The PH-PTF was thus able to increase its support for PFM, which led eventually to the launch of the Philippine-Australia Public Financial Management Program (PFMP). PFMP directly supports the Government’s PFM Roadmap by providing technical support in the key areas of reform. AusAID has committed up to A$30 million over five years (2011-2016). The assistance is agreed annually and aims to achieve four strategic objectives:

- Increase the efficiency and effectiveness of the allocation, utilization, and reporting of budgeted funds by oversight agencies.
- Improve PFM capability in selected departments and agencies to enable more effective utilization and accountability of public funds for service delivery.
- Generate more timely, reliable, and accessible public expenditure management information.
- Strengthen external oversight of public expenditure management linked to physical information performance.

The activities being funded include technical assistance, analytical work, capacity building (e.g., training, study tours), research grants, external oversight and monitoring, and co-financed activities with development partners, including the World Bank.

The World Bank team strongly supports this technical assistance program. It is envisaged that the PH-PTF will play a key role in funding specialist support of the World Bank to complement the work of the PFMP. A partnership arrangement is being explored, for example, for the Bank to perform a formalized advisory role in the GIFMIS project and provide quality assurance on the PFMP outputs. This would require periodic inputs/missions by World Bank professional staff.

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30 AusAID had also funded a precursor to its current PFM work with the Partnership for Economic Governance Reforms (PEGR), a grant program from 2005 to 2009 for A$30 million. This was implemented through a managing contractor, with NEDA and DBM as Government counterparts. PEGR supported governance reform initiatives on sound budget management and improving the investment climate for infrastructure.
The Bank will, of course, continue to be at the center of the policy dialogue, and funding through the PH-PTF will provide more budget flexibility for this. The partnership has succeeded by having respective focal points that have continuous discussions rather than mere reporting on activities through briefing and monitoring reports.

AusAID is now at the front line in the dialogue and has the confidence of both the Bank and the Government. However, its in-house technical support capacity is limited. There are consultants on the PFMP through a Management Contracting arrangement but they are not at the forefront in the policy dialogue.

Three other self-standing Bank-executed projects relevant to public financial management have been financed under the PH-PTF:

- **Philippines: Strengthening Public Finances** (US$250,000)
- **Public Revenue and Expenditure Review** (US$200,000)
- **Public Expenditure Review** (US$83,578).

Although AusAID staff has been involved throughout these projects, they have not been central to AusAID’s PFM agenda and therefore have not received much technical attention.

The **Public Expenditure Review** has been completed and been well received by the Government (see Section 2.5.1). The **Public Revenue and Expenditure Review** (to which the Bank contributed around US$250,000 of its own resources) is nearing completion. **Strengthening Public Finances** (for which the Bank has budgeted around US$37,000 to date) has been slow to get underway, but the new Task Manager intends to improve the pace and ensure that it is properly integrated with the PFM agenda.

PFM is a sector in which the PH-PTF has played a significant role in facilitating a working partnership between AusAID and the World Bank, and in which the technical input and engagement as a counterpart is instrumental in making the support for the Government program an AusAID-led initiative. The PH-PTF has enabled a scaling-up of AusAID’s involvement, expanding beyond the Trust Fund into a large and separately managed AusAID program: the PFMP.
3.3 | Improving Official Surveys and Statistical Systems

The two self-standing projects funded by PH-PTF under this thematic area:

- Improving Data Coverage and Quality of Surveys in Support of the Philippine System of National Accounts (PSNA) Phase I (Bank-executed) (US$50,000)
- Improving Data Coverage and Quality of Surveys in Support of the Philippine System of National Accounts (PSNA) Phase II (Recipient-executed) (US$250,000).

By design, AusAID has had little technical involvement in these projects. The engagement is more on an information basis.

AusAID recognizes the importance of this work, hence its willingness to provide financial support. This may be an area where it can start to play a more active technical role, especially since the independent assessment of the PSNA that underpins these projects and other reforms — which are carried out by the World Bank at the request of National Statistical Coordination Board (NSCB) — was undertaken in 2009 by Ross Harvey, former Director of National Accounts at the Australian Bureau of Statistics. Harvey found that the integrity of the National Accounts in the Philippines was compromised by three major issues: (i) discontinuities in the National Accounts series that render the GDP series non-comparable over time; (ii) use of outdated benchmarks and parameters that do not reflect the current state of the economy; and (iii) the data from National Accounts do not correlate well with other official statistics. He concluded that the reliance on the weak data raised the risk of making wrong decisions that could harm the economy. The current program to upgrade the PSNA — which the two PH-PTF funded projects support — addresses these issues.

The World Bank Task Team leader has built up a good relationship with his counterparts in NSCB and NSO and the central agencies. It is doubtful whether this relationship could have been maintained without the financial support for these projects through the PH-PTF, as the Bank’s limited budget and other donors’ lack of interest would have meant that the extent of support could not be maintained. The support through the multi-donor global Trust Fund for Statistical Capacity Building (TFSCB) has also been important, but it is generally hard for middle-income countries, such as the Philippines, to get TFSCB funding.

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31 See Section 2.4.24 for a description of these projects. The PH-PTF is also supporting a project for Improving Poverty and Social Statistics (US$120,000). This involves improving household surveys, which are important underpinnings of the PSNA. However, this has been included in the Social Protection thematic area because of its links to the CCT program.
3.4 | **Education**

Support for education is one of AusAID’s longest-standing contributions to development in the Philippines. Its DAS articulates continued support for basic education aligned with the spirit and intentions of the Philippine Government’s major sector reform initiative, the *Basic Education Sector Reform Agenda (BESRA)*, which began in 2005. AusAID has been involved in the planning of BESRA since 2006 and co-chairs the Philippines Development Forum (PDF) Education Workgroup with the Department of Education (DepEd).

The World Bank’s principal support to the Philippine education sector is a US$200 million loan — the *National Program Support for Basic Education (NPSBE)* — designed to facilitate a comprehensive set of reforms by DepEd under BESRA. The NPSBE began in January 2007 and is scheduled for completion in December 2012.\(^{32}\)

AusAID is providing parallel grant financing of A$41 million through a free-standing trust fund managed and administered by the World Bank and executed by DepEd — *Support for Philippines Basic Education Reforms (SPHERE)* — which also assists DepEd in implementing BESRA. There is also an AusAID-funded, World Bank-executed supervision grant of A$300,000. SPHERE began in June 2008 and will end in December 2012.\(^{33}\)

These two projects complement each other, and for AusAID they represent a shift in program delivery from stand-alone projects to a national-level, system-wide reform initiative. For AusAID, SPHERE is a means for supporting DepEd in reform efforts and for addressing issues related to efficient management of its funds. It is intended to use “country systems” — the financial and management systems of the Government and the staff of Government departments — and not contracted project staff.

A close working relationship has been maintained between staff of the World Bank and AusAID from design through to execution of SPHERE. Semiannual Joint Supervision Missions are undertaken for the two projects, involving the Government and the other donor partners that contribute to the education reform agenda. Joint consultations take place through the Education Working Group of the Philippines Development Forum (co-chaired by DepEd and AusAID) as well as directly with DepEd.

Because of AusAID’s extensive involvement in the education sector, it has played a key role in the policy agenda and developed a strong bilateral relationship with DepEd.

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\(^{32}\) *It was originally scheduled for completion in December 2011.*

\(^{33}\) *It was originally scheduled to end in June 2011, but was brought forward to coincide with the closure of NPSBE, principally because of delays in starting the project due to compliance procedures set by the World Bank and bottlenecks in Government processes.*
The SPHERE joint semiannual supervision missions, which have involved large thematic meetings with DepED management and technical staff, and extensive field visits in at least three provinces simultaneously, have enabled AusAID to play a more robust role in the policy dialogue. The combination of grant and loan has been important in pushing the reform agenda along, including mobilizing support from the central agencies in this endeavor.

Disbursements under SPHERE have been slow, and this has caused some concern at AusAID. DepEd has pointed mainly to World Bank conditions and procedures, but an Independent Progress Review of SPHERE (2010/11) commissioned by AusAID confirmed that the main reason is limitations in DepED’s capacities and internal Government procurement and disbursement procedures.

The review also assessed the relative merits of the different approaches to deliver funding support used in the three major programs of AusAID in the education sector, namely:

- SPHERE, involving the Trust Fund approach
- STRIVE (Strengthening Implementation of Visayas Education) involving the Managing Contractor approach
- EPIP (Education Performance Incentives Partnership), involving performance grants directly to DepEd.

The Managing Contractor mode used in STRIVE was found to be the most efficient and effective, and AusAID now prefers to use this mode over the dedicated Trust Fund approach in supporting the DepEd program.

Closure of SPHERE in December 2012 is unlikely to have any significant impact on the relationship between the World Bank and AusAID in the education sector. Both institutions have major ongoing programs in the sector and the relationship is mature enough to continue without a “formal” partnership through joint projects.

To date, the PH-PTF has not played a significant role in the relationship between the World Bank and AusAID in the education sector. When PH-PTF was set up, consideration was given to the possibility of integrating SPHERE into the umbrella fund, but no real advantage could be seen in doing so. However, anything outside SPHERE would fall under the PH-PTF.

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34 AusAID also had concerns about the flexibility of the trust fund, as shown by the difficult and time-consuming process of reallocating funds.

35 Other major initiatives that AusAID has undertaken in the education sector include BEAM (Basic Education Assistance for Mindanao-ARMM) and PRIME (Philippine Response to Muslim and Indigenous Peoples Education).
The Basic Education Public Expenditure Review Phase II, which was activated in March 2011, is the only AAA in the basic education sector undertaken so far under the PH-PTF. AusAID was involved in preparing the proposal and Concept Note, and it has joined the field visits. A Phase III proposal has been prepared but no action is envisaged on it until Phase II is completed.

With SPHERE closing down, the role of the PH-PTF is expected to become more important in financing critical analytical work and technical assistance for DepEd, such as for curriculum expansion, budgeting, and procurement.

The PH-PTF is also playing a more significant role in the education sector through the social development programs it supports. An example is the KALAHI-CIDSS Additional Financing for School Buildings and Daycare Centers (US$10,000,000), through which AusAID is able to test alternative means of providing additional classrooms, outside the traditional approach used by the DepED (see Section 3.2.8 on Community-Driven Development).

3.5 Community-Driven Development

The dialogue with AusAID in community-driven development is at an early stage. It is on two principal, related fronts.

The first front is the preparatory work for the scaling-up of the national Community Driven Development (CDD) program of the Government to be supported by the World Bank. The scaled-up program would build on the successful model developed under the KALAHI-CIDSS program overseen by DSWD and supported by World Bank financing. It is a core poverty-reduction strategy of the Government. Two projects are involved:

- Analysis and Preparatory Work Supporting the Scale-Up of a National CCD Program (US$200,000) to be executed by the World Bank, covering both AAA and incremental costs of project appraisal
- Preparation of the National CCD Program (US$300,000) to be executed by DSWD.

The World Bank has likewise mobilized its own funds to support these two projects.

The CCD programs have been adopted to address bottlenecks in the decentralization process, in which many poorer communities continue to suffer from limited resources, poor access to basic public services, and lack of opportunity to actively participate in local

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36 AusAID financed Phase I of the Basic Education Public Expenditure Review under an EFO arrangement with the World Bank, starting in 2008.
governance processes. Some programs use CDD to achieve specific sector objectives (e.g., MRDP, which supports devolution of certain functions of the Department of Agriculture to LGUs), while programs such as the KALAHI-CIDDS have used CDD for multi-sector approaches to achieve broader community empowerment objectives. Since it started in 2002, KALAHI-CIDSS has financed more than 5,000 community projects for basic services (such as water supply systems, school buildings, health clinics, and bridges) and provided support to the poorest 25% of communities in the 42 poorest provinces. It has worked closely with and through formal structures mandated by the Local Government Code and has been very successful in introducing more active community participation, bottom-up accountability, and greater transparency in local decision making and funds utilization. The objective is to expand the coverage of the CDD programs nationally and, in doing so, ensure that duplication of approaches is avoided and that institutional arrangements are harmonized.

AusAID has had little technical involvement in preparing the proposals for the above PH-PTF-funded projects and may not be geared for extensive involvement in their execution at this time. This is mainly because AusAID is still finalizing its sector delivery strategies where linkages may be more coherently defined. However, AusAID input is being sought at key junctures of the process, and the World Bank team has expanded the dialogue with relevant AusAID counterparts in key service delivery sectors as the program progresses. This is expected to take place with the AusAID education team (see below) and the social protection team (see 3.2.7), where the links are strong, and presumably down the line with the Sub-National Governance and the Mindanao teams.

The second front is use of the **KALAHI-CIDSS community-driven approach to improve access to early-childhood development and basic education services in targeted 4Ps areas**. Two projects are involved:

- **Utilizing the KALAHI-CIDSS CDD Approach to Improve Access to ECD and Basic Education Services in Targeted 4Ps Areas** (US$250,000) to be executed by the World Bank, covering AAA and incremental costs for project appraisal.

- **KALAHI-CIDSS Additional Financing for School Buildings and Daycare Centers** (US$10,000,000) to be executed by DSWD.

The World Bank has budgeted some US$1,523,000 of its own funds and around US$523,000 of other trust funds to support these projects.

AusAID has taken particular interest in these projects, as these are another modality in relation to the Department of Education’s approach to construction of school buildings. The World Bank and AusAID teams have worked closely with DSWD in preparing these projects. They will work in partnership to oversee their implementation, which is envisaged to include the following joint activities: (i) implementation-support missions; (ii) review of progress and
other reports as may be agreed with DSWD; (iii) preparation of the project completion report; and (iv) conduct of related analytical work. AusAID is interested particularly in the cost-effectiveness of the approach.

Both these fronts are closely related, and the work program in each reflects this. It remains to be seen if and how and the DSWD Technical Assistance Facility funded by AusAID will relate to CDD activities. The relationships of both AusAID and the World Bank with DSWD have been very productive, but DSWD may need a substantial increase in its capacity to handle the full implementation of this program and the social protection program.

3.6 | Local Government and Decentralization

Two projects fall under this thematic area:

- **Institutionalizing Incentive Systems for Local Governance and Performance (IISLGP)** (Bank-executed) (US$300,000)
- **Technical Assistance for Mindanao Rural Development Project (TA-MRDP) Phase 2** (Recipient-executed) (US$3,000,000).

The **IISLGP** project was activated in April 2011; about two-thirds of the funds have been committed or disbursed to date. It aims to provide analytical and advisory services that support the Department of Interior and Local Government (DILG) in institutionalizing incentive systems that (i) strengthen local governance and accountability for local government performance, and (ii) align local development initiatives with the national government development agenda and priorities.

The project supports the DILG’s plans to implement the LGU Performance Challenge Fund (PCF), which is conceived to provide low-income LGUs with grants that align local development programs with the priority programs of the National Government. The principal focus of the PCF is on attainment of Millennium Development Goals, maintenance of core road networks to boost tourism and local economic development, and compliance with the Philippine Disaster Risk Reduction and Management Act of 2010 and the Ecological Solid Waste Management Act of 2000. To qualify for grants, LGUs are expected to comply with a set of “good housekeeping” practices in planning, budgeting, revenue mobilization, financial management and budget execution, and procurement.

While the PH-PTF project does not provide the grant fund for this purpose — the funding comes from the Government’s own budget — it does support the technical design of the PCF program and provides “just-in-time” technical assistance to DILG to support its effective and timely implementation. It also supports the development of a national strategy for incentive
systems for local governance and performance, and the rapid assessment of the PCF program.

The World Bank is also managing a multi-donor *Philippine Decentralization and Local Government Trust Fund (DIALOG-TF)*, which was set up in 2010 to serve as a catalyst for furthering reform action under the PDF Working Group on Decentralization. DIALOG-TF’s objectives are to:

- Accelerate decentralization and local governance reforms by strengthening local public finance and management, improving LGU performance, and strengthening the legal and institutional environment for local governance through capacity building and analytical activities.
- Intensify government and development partner support for decentralization and local governance reforms by improving coordination and harmonizing resources and systems. AusAID (A$270,000) and CIDA (C$1,000,000) have contributed to the fund.

AusAID has played an active role in the PDF Working Group on Decentralization and on the oversight committee for the DIALOG-TF. It has also given input for the preparation of both of these projects and recently began to be actively engaged at the technical level in their execution. The Bank team meets regularly with its AusAID counterpart to discuss progress on the projects and emerging issues. The working relationship is excellent. The World Bank team leader said, “We see eye-to-eye and get on well.” AusAID is currently working with the DILG for options to support DILG’s local governance reform agenda. “

In the absence of a World Bank loan in this area, the IISLGP and DIALOG-TF projects and the Bank’s role as co-convener of the Philippine Development Forum Committee on Decentralization have been critical in allowing the Bank to pursue a productive engagement with the Government, particularly DILG. It was unlikely that the Bank could mobilize the funds from its own budget or other sources to pursue this engagement.

As indicated in Section 2.4.2 the self-standing **TA-MRDP** had a shaky start. The main activities were originally appraised back in 2006 when the World Bank’s Mindanao Rural Development Project Phase 2 (MRDP 2) was being appraised. The grant is intended to support capacity- and institution-building activities in MRDP 2’s component on Investments for Governance Reform and Program Administration. AusAID played a major role in designing the project. However, the project has not yet started implementation and

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37 The World Bank is the co-convener of this working group; the convener is DILG.

38 AusAID has built up its own relationships with DILG through the projects it has supported over the years. Its ongoing Provincial Roads Management Facility is oriented to making local government units more effective in providing reliable rural roads, more transparent in their general operations, and more accountable to poor citizens.
AusAID’s role in implementation is yet to be defined. The World Bank team is hoping for close involvement, especially as many lessons that can be drawn on AusAID’s experiences in implementing the Provincial Roads Management Facility.

### 3.7 Disaster Risk Management

Only one project has been carried out under the PH-PTF in Disaster Risk Management: *Monitoring the Social Impacts of Tropical Storm Ondoy and Typhoon Pepeng*. As outlined in Section 2.4.1, this is a follow-on activity after the rapid social impacts assessment carried out in affected areas as part of Post-Disaster and Needs Assessment. It was prepared by the Government in cooperation with international development partners.

AusAID was consulted in the preparation. A multidisciplinary reference group was assembled (including members from Government agencies, civil society organizations, and academe, as well as the World Bank and AusAID) to interact with the study team. The AusAID staff contributed significantly to development of research tools and the field guide, and provided inputs for the finalization of the report. The collaboration was cordial from design through to finish, and AusAID was kept well-informed of issues as they emerged.

Both AusAID and the World Bank place high priority on disaster risk management in their assistance programs. The Philippines is one of the most disaster-prone countries in the world, one of the least prepared and therefore highly vulnerable to natural disaster and climate change risks. After “Ondoy” and “Pepeng” struck one after the other in 2009, over nine million people were reported to be severely affected.

The Government has taken significant steps over the past few years to come to grips with the challenges posed by natural disasters and climate change. A Disaster Risk Reduction and Management (DRRM) Law was enacted in 2010 and a National DRRM Plan is forthcoming.

The World Bank has been engaged in supporting the Government on this issue for some time via technical assistance, emergency lending, and mainstreaming of risk reduction measures into its investment lending. In September 2011 the Bank Board approved a US$500 million *Disaster Risk Management Loan* with a Catastrophic Drawdown Option in the event of natural disaster. This operation builds on the enactment of the DRRM Law and preparation of the National DRRM Plan.

In addition, the World Bank has drawn on *Global Facility for Disaster Reduction and Recovery (GFDRR)*[^39], which it administers, to support an active portfolio of activities in the Philippines. A US$1.2 million technical assistance program funded by this facility has been ongoing since 2008 with the objectives of identifying the most vulnerable provinces in the Philippines and

[^39]: AusAID contributes to this global facility and has allotted funds specifically for the Philippines.
proposing appropriate instruments for LGUs to improve their disaster management capacity. In October 2009, following the impacts of “Ondoy” and “Pepeng,” the Bank drew on GFDRR and its own resources to join with the Government and other donors (including AusAID) in undertaking a comprehensive Post-Disaster and Needs Assessment. Following this, the Government requested support from the Bank to develop a Flood Management Master Plan for Metro Manila. This Plan, also supported by GFDRR and implemented in collaboration with AusAID and Japan International Cooperation Agency, will identify structural and nonstructural interventions over a 25-year horizon.

The Bank-administered *East Asia and Pacific AusAID Infrastructure for Growth Fund (EAPAIG)* has also been drawn on to support urban resilience and disaster risk management work in the Philippines.

AusAID has two major ongoing programs in this thematic area:

- *Building the Resilience and Awareness of Metro Manila Communities to Natural Disaster and Climate Change Impact (BRACE)*

- *Disaster and Climate Risk Management (DCRM)*.

There are a number of smaller initiatives, most of which are in partnership with Government agencies, UNDP, and civil society organizations.

*BRACE* is the flagship program in AusAID’s disaster risk reduction and climate change program. With a budget of A$30 million for 2010-2016, it aims to lessen the vulnerability of the urban poor to natural disasters through community-based preparedness trainings, risk and exposure analysis, land use planning, and securing the safety of poor families living in hazard-prone locations. It is piloted in Taguig City, Metro Manila.

*DCRM*, with a budget of A$3.2 million, aims to build the capacity of the Philippines on disaster risk management and climate change adaption through technical partnerships, training, generating new data, mapping and analysis, and developing vulnerability assessments and mitigation activities.

AusAID and the World Bank recognize that extensive collaboration is essential to ensuring that there is no unnecessary overlapping of their programs and that the programs are effectively synchronized. This would include synchronization of the initiatives under the global (GFDRR) and regional (EAPAIG) World Bank-administered trust funds.\(^{40}\) Steps have

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\(^{40}\) Australia is putting money into these multi-donor initiatives. Under the GFDRR, Australia is the only country that is supporting the Philippines. AusAID Philippines is consulting with the World Bank and with AusAID Canberra to improve consultations/coordination with the respective country offices.
been taken to do this, and both institutions have agreed to come up with a joint action plan. AusAID hopes that this will result in identifying research needs and actions that can be supported under the PH-PTF.

There is clearly an evolving spirit of partnership, which may need some push at the management level. AusAID will need to expand its technical capacity, given the extensive scope of work in the disaster risk mitigation and management/climate change agenda. The PH-PTF-funded Monitoring the Social Impact of Tropical Storm Ondoy and Typhoon Pepeng project was seen as a collaborative experience. It helped AusAID in the design of its BRACE program as envisaged, and AusAID saw it as representing a paradigm shift to a more collaborative relationship with the World Bank team.

The programs of support of both AusAID and the World Bank have been well-received by the various Government agencies involved in disaster risk management at both the national and local government levels, as reflected in the significant counterpart funding for the implementation and scale-up of activities supported by the two institutions and in requests for expansion of support and follow-up actions. The continued effective synchronization of the support programs of the two institutions — and of all donor support programs — is expected to be welcomed by Government.

### 3.8 Public-Private Partnerships

As stated in Section 2.4.2, the support for the Government’s flagship PPP Program through the PH-PTF-funded Technical Assistance Support to the Philippines PPP Program has not yet taken off, principally because of the Government’s delays in getting PPP projects underway.

Activated in June 2011, this Bank-executed technical assistance project (US$3,260,000) has disbursements and commitments of under US$50,000 to date. There is considerable interest in the PPP initiative among donors, including ADB, Japan, Korea, Singapore, and China, and this is likely to affect the PH-PTF disbursements. Some of the bilateral government donor interest may stem from their private sectors’ interest in participating directly in the PPP projects, which are in such sectors as education, health services, and agriculture, as well as the more traditional infrastructure sectors of power, transport, and water.

The thrust of the World Bank-executed project is provision of technical advice to line agencies (e.g., DPWH, DOTC, DoE, DA, DoH, DepED) and local government units to support initial PPP case analysis and project formulation, particularly for novel and priority deals. Support will also include initial analytical work and capacity-building support to develop PPP

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41 AusAID is developing the terms of reference for a panel of experts who can be made available to the Government and the World Bank.
models for the service delivery sectors (e.g., electric cooperatives, health services, education). It is not envisaged that transactional advice will be provided through this project.

The World Bank has kept AusAID abreast while designing the project, and this relationship is expected to continue once the program gets underway. The Bank could provide follow-on support to some of the initiatives financed through the PH-PTF project, in the form of loans or guarantees.

AusAID is also providing support to the Government’s PPP reform agenda through co-financing with International Finance Corporation (IFC) and ADB. AusAID has worked with the Government to enhance the policy and regulatory framework for PPP since 2007. AusAID aims to build on this work to support the Aquino Government’s efforts to pursue a strong PPP agenda, by channeling its assistance through the World Bank, IFC, and ADB:

- **The AusAID support to IFC** (up to US$4.5 million) principally provides line agencies with access to transactional advisory support to help fast-track high-priority projects through to contract award. The support is contingent on the IFC’s securing a mandate for specific PPP projects and matching the Philippine Government’s contributions, together with success fees from winning bidders.

- **The AusAID support to ADB** — the Project Development and Monitoring Fund (PDMF) of around US$7 million — has a technical assistance and capacity-building (principally to the Government’s PPP Center) component and a transactional component, the latter with a similar contingency requirement to the IFC. This project also aims to help improve private sector access to long-term financing for infrastructure projects, and pave the way for a credible risk guarantee mechanism.

Without the AusAID funding, it is doubtful whether the World Bank could have provided technical assistance support the PPP program to the extent that it does. The Bank has limited funds of its own for technical support, and the Institutional Development Facility (IDF) funds for capacity building, to which it has access, are also limited. Moreover, without

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42 IFC is the private sector arm of the World Bank Group. After discussions with the Government and AusAID, the World Bank and IFC prepared a joint proposal for PH-PTF funding. It was approved virtually and did not have to wait for a Steering Committee meeting.

43 For example, AusAID contributed to the development of a PPP framework for toll roads based on transparent competitive bidding.

44 However, the World Bank would be in a position to provide loans/guarantees to support specific projects. The Government has expressed interest in doing this, but is not yet ready to talk specifics.
AusAID’s involvement, it is doubtful whether such coherency in the agenda of support by the World Bank, IFC, and ADB to the Government’s PPP agenda could have been obtained.\textsuperscript{45}

When the PPP Program takes off, AusAID will likely interact regularly with the IFC and ADB as well as with the World Bank. At this stage, however, AusAID has provided no technical input into the sector work and has limited its involvement to the broader policy and institutional issues.

The ADB, which will be supporting the Government’s PPP Center and overseeing the Project Development and Monitoring Facility, will play a key role. With this support, the PPP Center is starting to exert its authority as the central coordinator of the PPP program. The donors’ interface with the Government will need coherence. AusAID could play a mediating role and its provision of significant financial support to the three key players would give it authority to do so.

3.9 Institutional Governance

The lone project currently underway under Institutional Governance is the Scale-Up of the Philippines International Road Assessment Program, which is being executed by an NGO. The project itself does not have a significant governance element but it is linked to three projects for DPWH that have been approved by the Steering Committee.\textsuperscript{46}

- Strengthening Organizational Effectiveness of DPWH through Integrity Strengthening Action Plan
- Strengthening Organizational Effectiveness of DPWH through Corporate Modernization and Business Planning
- Independent Technical Audit for National Road Improvement Program (NRIMP) 2 — to be executed by DPWH; linked to the World Bank’s NRIMP 2.

These projects are also closely linked to the PFM agenda and directly address governance issues, with particular emphasis on anticorruption and integrity measures. They are Recipient-executed (DPWH) and specific in their focus.

When implementation of these projects does get underway, the supervisory role will be done by the World Bank in parallel to the supervision of NRIMP 2. However, a relationship is

\textsuperscript{45} AusAID also played a role in calling together some of the bigger donors — WB, AusAID, ADB, JICA, and USAID — to clarify roles. This initiative was well received.

\textsuperscript{46} These projects have yet no active Grants. See Section 2.45.3 for the background to these four projects.
expected to be developed with the AusAID PFM team to ensure that the programs are in sync with one another and to exchange any lessons learned.

The relationship of DPWH with the World Bank is well established but these PH-PTF projects will be an important part of the ongoing governance dialogue with DPWH.

3.10 Multi-Sector Dialogue

The lone project under this thematic group is the Support for Strategic Engagement on the Philippine Discussion Notes.47

AusAID was involved in selecting the topics and provided direct technical input into two of the 26 Discussion Notes — Education and Public Financial. It was also involved in the review of the Discussion Notes and was invited to participate in the discussions with the Government. AusAID found value in the participation and the notes helpful in its own dialogue with the Government.

As stated in Section 2.4.1, the Discussion Notes were discussed extensively with Government counterparts and were well received at all levels, with the NEDA and other agencies using them as inputs for the new Philippine Development Plan. Being a “self-standing” project — not linked to other activities — it did not generate a more extensive relationship between the World Bank and AusAID in the wider policy context. However, it did reinforce the emerging relationship on a broader level and created a greater awareness of the in-house expertise and development agendas of both institutions.

47 See Section 2.4.1 for further comments on this project.
4.1 | Performance Assessment

The Midterm Review was designed to evaluate the performance of the programmatic structure as a platform for fostering the partnership between the two organizations in supporting the Philippine Government. It looked across the structure, portfolio, and projects to respond to the criteria of relevance, efficiency, effectiveness, sustainability, and impact of the PH-PTF. It also looked at a larger set of questions that drilled down into the specifics of how the Trust Fund was doing relative to its objectives and outcomes.

A key enabling condition for an effective performance evaluation is the upfront establishment of a Monitoring and Evaluation (M&E) framework that shows a clear link between objectives and expected outcomes and includes a set of measurable indicators that can be monitored to assess performance in achieving these objective and outcomes. No formal M&E framework was set up for the PH-PTF at the program level at inception. The Annex to the Administration Agreement indicates that monitoring and evaluation indicators for the individual activities to be supported by the Trust Fund would be developed jointly by the World Bank Task Team and AusAID counterparts in the course of project preparation, to be cleared by the Steering Committee at the time of project approval. This arrangement has not been implemented rigorously.

The Midterm Review therefore adopted an assessment approach based principally on analysis of feedback from the extensive interviews with management and staff of both organizations and with their Government counterparts, supplemented with data from the World Bank’s reporting systems, such as the GRM and procurement and disbursements monitoring.

The overall results of the performance assessment are presented in Table 4.1. There are only nuanced differences in some of these performance criteria — and it is not always clear on which criteria categories they fall most appropriately — but they do give a fairly good picture of the PH-PTF’s overall performance.

The following rating system, which is based on that used by AusAID, was applied in the evaluation and scoring of the questions:
<table>
<thead>
<tr>
<th>Satisfactory</th>
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<tbody>
<tr>
<td>6</td>
<td><strong>Very high</strong> rating of achievement or quality - needs ongoing management and monitoring only</td>
</tr>
<tr>
<td>5</td>
<td><strong>Good</strong> rating of achievement or quality - needs minor work to improve in some areas</td>
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<tr>
<td>4</td>
<td><strong>Adequate</strong> rating of achievement or quality - needs some work to improve</td>
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<tr>
<td>Less than Satisfactory</td>
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<tr>
<td>3</td>
<td><strong>Less than adequate</strong> rating of achievement or quality - needs work to improve in core areas</td>
</tr>
<tr>
<td>2</td>
<td><strong>Poor</strong> rating of achievement or quality - needs major work to improve</td>
</tr>
<tr>
<td>1</td>
<td><strong>Very poor</strong> rating of achievement or quality - needs major overhaul</td>
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</table>

**Table 4.1. Performance Assessment**

<table>
<thead>
<tr>
<th>Performance Criteria</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tbody>
<tr>
<td>1. To what extent has the PH-PTF proved to be a workable concept in bringing together under one mechanism co-financing and joint projects of AusAID and the World Bank and in linking these effectively with other related programs and projects of the two institutions?</td>
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<tr>
<td>2. How well integrated into the World Bank’s CAS and AusAID’s DAS are the projects funded by the PH-PTF?</td>
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<tr>
<td>3. To what extent has the PH-PTF enabled the relative strengths of AusAID and the World Bank to be reflected in the delivery of assistance to the Government?</td>
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<td>5</td>
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<tr>
<td>4. To what extent has the PH-PTF proved to be an important tool in leveraging the assistance programs of AusAID and the World Bank in support of the Government’s development agenda?</td>
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<tr>
<td>5. To what extent has the PH-PTF contributed to enhanced cooperation between AusAID and the World Bank?</td>
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<tr>
<td>Performance Criteria</td>
<td>Relevance</td>
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<tr>
<td>6. To what extent has the PH-PTF contributed to improved governance arrangements</td>
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<tr>
<td>in agencies executing World Bank and AusAID supported activities?</td>
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<td>7. To what extent has the PH-PTF led to a more strategic use of the financial and</td>
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<td>skilled manpower resources provided by AusAID and the World Bank?</td>
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<td>8. To what extent has the enhanced cooperation of AusAID and the World Bank through</td>
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<td>the PH-PTF led to a stronger voice for AusAID in the policy dialogue with the</td>
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<tr>
<td>Government?</td>
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<tr>
<td>9. To what extent has the enhanced cooperation of AusAID and the World Bank through</td>
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<td>the PH-PTF led to more effective policy dialogue and collaboration with the</td>
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<td>Government?</td>
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<td>10. To what extent has the PH-PTF contributed to a greater harmonization in the</td>
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<tr>
<td>policies and procedures of AusAID, the World Bank, and the Government in the design</td>
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<td>and execution of joint projects?</td>
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<td>11. To what extent has the PH-PTF led to scaling up on-going projects, follow-on</td>
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<td>projects, or expansion of activities beyond those financed by the PH-PTF that</td>
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<td>otherwise might not have occurred?</td>
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<td>12. To what extent has the PH-PTF served to enhance the engagement of the World Bank</td>
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<td>and AusAID with other donors or development partners?</td>
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<td>13. To what extent is the funding under the PH-PTF seen as additional to, rather</td>
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<td>than a substitute for, World Bank resources?</td>
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<td>14. To what extent has the PH-PTF made life easier or less burdensome than</td>
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<td>alternative funding mechanism that could be used (e.g., EFOs, grants, direct</td>
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<td>recipient grants)?</td>
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### Performance Criteria

<table>
<thead>
<tr>
<th>15. To what extent is the appropriate recognition, locally and internationally, given to the contributions of AusAID and the World Bank to the outcomes of the PH-PTF?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
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<th>Sustainability</th>
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<tr>
<th>16. To what extent has the PH-PTF achieved benefits more cost-effectively than if AusAID and the World Bank had acted independently?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tr>
<th>17. How effective is the governance and the management structure (Steering Committee, WB Secretariat, AusAID Program Enabling Team) in overseeing the approval and monitoring of projects funded under the PH-PTF?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tr>
<th>18. To what extent has PH-PTF proved to be a flexible instrument in responding to government initiatives and project needs?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tr>
<th>19. To what extent do the governance, management, administrative arrangements and procedures, and project selection and approval of the PH-PTF exhibit transparency, fairness, and accountability?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
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<th>Sustainability</th>
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<tr>
<th>20. To what extent is the competitive call for proposals an effective means of generating project proposals under the PH-PTF?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tr>
<th>21. How robust are the PH-PTF project approval and monitoring procedures to ensure quality in the design and execution of projects?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tr>
<th>22. How effective are the PH-PTF guidelines and procedures in the management of risks including fiduciary, environmental, social, and political concerns?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<thead>
<tr>
<th>23. To what extent do the progress and financial reports emanating from the evaluation and monitoring procedures of the PH-PTF serve to meet effectively the needs of AusAID and the World Bank?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<thead>
<tr>
<th>24. To what extent has the PH-PTF contributed towards aligning country-managed priorities with World Bank and/or AusAID regional, global, and/or HQ priorities and initiatives?</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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### Performance Criteria

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<tr>
<th>Performance Criteria</th>
<th>Relevance</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Impact</th>
<th>Sustainability</th>
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<tbody>
<tr>
<td>25. Have the projects financed under the PH-PTF been seen by the Government to have</td>
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<td>contributed significantly to their development agenda?</td>
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<td>26. How successful is the performance of the portfolio of projects financed under</td>
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<tr>
<td>the PH-PTF in terms of projects towards achieving the objectives and outcomes</td>
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<td>expected from the projects?</td>
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<tr>
<td>27. How successful is the performance of the portfolio of projects financed under</td>
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<td>the PH-PTF in terms of timely commitments and disbursements?</td>
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<td>28. To what extent do the projects financed under the PH-PTF adequately allow for or</td>
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<td>address cross-cutting issues such as gender, support for the disabled, and</td>
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<td>governance and anti-corruption?</td>
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<td>29. Do the objectives set for the PH-PTF continue to be appropriate in light of the</td>
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<td>changing political, economic, and social conditions of the country, and the evolving</td>
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<td>relationship of AusAID and the World Bank with the Government and other development</td>
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<td>partners?</td>
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<td>30. To what extent has the PH-PTF proven to be an effective vehicle for a sustainable</td>
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<td>relationship between AusAID and the World Bank, and with the Government, at both the</td>
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<td>structural and project levels?</td>
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### Average Scores for Criteria

| Average Scores for Criteria | 5 | 5 | 4 | 4 | 5 |

As can be observed, the overall average scores for the PH-PTF indicate:

- good rating for **relevance**
- good rating for **effectiveness**
- adequate rating for **efficiency**
- adequate rating for **impact**
- good rating for **sustainability**

The underpinnings of these assessments are summarized in the following sections in the context of these criteria.

### 4.1.1 | Relevance

*Relevance is defined as the extent to which the objectives and design of PH-PTF are consistent with its **goal** of improving governance and supporting investments that contribute to a stronger foundation for sustained and inclusive growth in the Philippines.*

The PH-PTF’s **goal** is to **improve governance and support investments that contribute to a stronger foundation for sustained and inclusive growth in the Philippines**. This goal is underpinned by two key **objectives**:  

- To serve as an important tool for leveraging the assistance programs of the two institutions in support of the Philippines’ development agenda.
- To promote greater harmonization among the government and its development partners.

These objectives, in turn, are expected to lead to the following **outcomes**:

- Improved governance arrangements in agencies executing Bank- and AusAID-supported operations.
- Strengthened collaboration and more strategic use of resources provided by the two funding institutions.
- Greater harmonization in the policies and procedures of AusAID, the World Bank, and the Philippines Government.

The design of the PH-PTF is consistent with the above goal. The PH-PTF has proved to be a workable concept in bringing together co-financing and joint projects of AusAID and the World Bank under one mechanism, and in linking these effectively with other related programs of the two institutions in support of the government’s development agenda. A flexible tool, it allows financing of projects — from Bank-executed research to Recipient-executed investments — in many sectors, and it can respond quickly to emerging needs.

The governance and administrative arrangements that have been put in place for the PH-PTF ensure that the projects selected are in line with the Government’s priorities and structured
where appropriate to improve governance arrangements in executing agencies. Once a project is approved, setting up a grant for it is a fairly straightforward and simple procedure. The World Bank’s long-used monitoring and reporting arrangements have been adopted, so management can keep track of progress of projects and act appropriately to ensure that the project-specific objectives are being met. There are improvements that can be made in these arrangements but, by and large, they serve their purpose satisfactorily.

In hindsight, some of these objectives and outcomes, while laudable, do not fully gel with the motivations for setting up the Trust Fund, and do not adequately reflect what could really be expected in practice from a facility such as the PH-PTF. And the link between objectives and outcomes is unclear, posing difficulties in making an effective performance assessment.\(^\text{48}\)

The first objective relating to the leveraging of assistance programs has proved to be an important one. However, there is no stated desired outcome to reflect it, although more strategic use of resources could be construed as such. The second objective relating to harmonization is found to be too broad to be effectively assessed without clarification. The PH-PTF has greatly enhanced relationships between AusAID and the World Bank and with the Government, but its “spillover” effects into the wider development community are difficult to isolate.\(^\text{49}\)

On the outcome side, the strengthened collaboration and more strategic use of resources has been a core output of the PH-PTF. However, apart from gains garnered by the two institutions through the more programmatic approach, improved governance arrangements in agencies stemming from the PH-PTF is no more or no less than through any other funding mechanisms and is very much a project-specific outcome no matter how financed. In greater harmonization of policies and procedures, it is unclear what the nature of the “policies” and “procedures” referred to is; in the performance assessment for this report (see Section 4), it was defined as in the design and execution of joint projects.

In looking forward, if the PH-PTF is to continue, a revamp of these objectives and outcomes is recommend to bring them into line with the way the PH-PTF has evolved, and to provide a more meaningful basis for assessing performance. This would set the basis a more formal Monitoring and Evaluation Framework.

\(^{48}\) No Monitoring and Evaluation Framework was set up for the PH-PTF.

\(^{49}\) Both the World Bank and AusAID have played important coordinating roles in various sectors, principally through the sub-groups of the Philippines Development Forum. AusAID has also played the role of “honest broker” with ADB in the social protection agenda.
4.1.2 | Effectiveness

Effectiveness would normally be assessed on the extent to which the PH-PTF has achieved, or is expected to achieve, the objectives and desired outcomes set for it. It is closely linked to relevance. The Midterm Review assessed the effectiveness of the PH-PTF in the light of how the Trust Fund and the projects it finances —

- fit in with the needs and priorities of the country as indicated principally in the Medium-Term Philippine Development Plan
- provide a means for enhanced collaboration of the World Bank and AusAID, and the more strategic use and leverage of resources of the two institutions in the delivery of their assistance
- Lead to a more effective policy dialogue and collaboration with the Government in its development agenda.

This brings the evaluation more into line with the motivations for setting up the PH-PTF and the way it has evolved.

Priorities articulated in the AusAID Development Assistance strategy (DAS) and the World Bank’s Country Assistance strategy (CAS) formed the thematic framework for the PH-PTF, both of which are anchored on the Government’s 2004-2010 Medium-Term Philippine Development Plan (MTPDP). In selecting projects for funding, the Steering Committee is obliged to ensure that they correspond to the priorities articulated in these strategies. The 23 projects approved to date for funding under the PH-PTF all fall within the scope of these strategies, and are clearly consistent with the needs and priorities of the Government.

The PH-PTF has certainly provided a means for broadening and deepening the collaboration between AusAID and the World Bank at both the management and operation levels. It is this aspect where the effectiveness of the fund is most pronounced. The Steering Committee has provided the principal forum for developing relationships between the two institutions’ senior management. This relationship, which initially centered on transactions, is becoming more focused on strategic issues affecting the programs of both organizations in supporting the Government’s development agenda. At the operations level, the PH-PTF has provided a flexible structure that facilitates staff cooperation in the design and execution of projects and programs, the strength of which is illustrated by the relationships that have emerged in a number of key sectors.

50 AusAID has recently revised its DAS, and the World Bank is in the process of revising its CAS. Both are anchored in the Government’s new PDP for 2011-2016.
The priority areas of AusAID correspond with the priority areas of the World Bank, but are a sub-set given the Bank’s wider development agenda. As indicated in Section 2: Project Portfolio, the projects approved to date under the PH-PTF all fall within the priority areas of both institutions and the government’s MTPDP, although AusAID is not actively engaged at the technical level in all of them. In most cases, this non-engagement in the technical aspects is by choice, with AusAID relying on the technical expertise of the Bank and concentrating its attention on other aspects of relationship, such as monitoring the use of funds, participation in project reviews and in the dialogue with the Government, and advocacy. In the areas in which AusAID is actively engaged, the projects for support under the PH-PTF are often reflective of extensive joint World Bank/AusAID assessments involving Government counterparts. It is expected that this will be even more so the case in the future as the relationships between the two institutions mature.

It is in the context of this collaboration that the scope for the more strategic use of resources is played out. The PH-PTF offers the flexibility needed to select, design, and move quickly on projects that are critical in the context of sector strategies, or in nurturing embryonic or ongoing programs with the Government. It has also led to bringing AusAID to the forefront of the policy dialogue in key sectors (e.g., Social Protection, Public Financial Management). The management- and operations-level forums for cooperation brought about by the PH-PTF also allow a broader appreciation of the programs and relative strengths of the two institutions, resulting in a much more rigorous assessment in the strategic use of their respective resources. The World Bank’s technical expertise and extensive experience and AusAID’s grant funds provided the initial grounds for cooperation, and the situation has since evolved dramatically. AusAID’s capacity to provide substantial technical input into PH-PTF-funded activities has grown significantly. The relative strengths of AusAID and the World Bank are now combined in the PH-PTF agenda.

It is also in the context of this collaboration that a more effective policy dialogue and collaboration with the Government has played out. Many AAA projects financed under the PH-PTF, though small, have had a major impact on the progress and quality of the policy dialogue with the Government (e.g., public expenditure reviews) or have helped give rise to important programs of support (e.g., National Accounts, Public Financial Management); without PH-PTF funding, it is doubtful whether many of these projects would have been undertaken. In the sectors where the relationships with the Government are more mature (e.g., Social Development, Social Protection), PH-PTF-funded projects have filled critical

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51 At the basic level, the AusAID grant funds under the PH-PTF fill a gap in the World Bank’s resources for providing critical analytical work and technical assistance, while the Bank’s expertise across sectors fills a lack in the depth of AusAID’s technical skills. This is changing, with AusAID building up its own technical capacity; in the sectors where this has taken place, the nature of the collaboration may have changed, but the relationships have remained strong.
gaps in the World Bank's programs of support, thereby ensuring a more effective policy dialogue and engagement with the Government for both the Bank and AusAID.  

It has been mooted that Government participation in the Steering Committee meetings could be considered. Given the extensive consultations and well-developed relationships with the Government at the working level and the number of forum at the management level — e.g., the Philippines Development Forum Working Groups (see box end Section 3), semi-annual programming discussions, etc.— this might have no added value and indeed might stifle the openness of discussions at the Steering Committee meetings.

However, sector agency participation in some of the sector discussions could be considered. One such agency is the National Economic and Development Authority (NEDA), whose officials show an interest in keeping track of sector allocations and projects and in having a full picture of the contributions of donor agencies and the directions of their funding. While leaving project and program decisions to the operating departments, they would want to be involved in decisions on strategic sector allocations and in reviewing approaches to dealing with critical crosscutting issues.

4.1.3 | Efficiency

*Efficiency is the extent to which the PH-PTF has converted its resources economically into results that achieve the maximum possible outcomes.* This would include assessing how well different parts of the administrative and governance system are working, as well as the overall cost-effectiveness, i.e., the extent to which the PH-PTF is achieving its results at lower costs than alternatives.

The structure of the PH-PTF has been found to be relatively efficient for managing the program. The procedures for approval of projects are fairly robust and have adapted to the changing nature of the way projects are conceived and designed, with the focus now more on their sector and strategic context. A reduction in procedural steps and a move toward virtual approvals has cut time lags that had caused problems in some cases. The adoption of World Bank procedures for reporting, monitoring, supervision and project implementation, which have shown their cost-effectiveness over time, has proved to be a wise step.

There is scope for improvement, particularly to meet AusAID’s need for more detailed costing data and more pertinent and timely reporting on the performance of the project portfolio. In this respect, Recipient-executed projects require special attention, since efficiency is often compromised by the procedures and capacity of the Government agencies.

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52 To date, there has not been a great “spillover” effect into collaboration with other donors. However, AusAID has played a role in facilitating dialogue with ADB in particular, especially in the Social Protection and PPP areas. Most of the donor coordination takes place through the sub-groups of the Philippines Development Forum.
involved. The PH-PTF seems to be most efficient in Bank-executed technical assistance and AAA projects.

While covering both Bank-executed and Recipient-executed projects has proven to be a workable concept, the treatment of Recipient-executed investments under a separate window is appropriate, especially those with a “hardware” component (e.g., school construction). The disbursement profile of these is very different from “software” projects (e.g., technical assistance and supervision). Recipient-executed projects usually require a longer, more patient, timeframe; require more coordination with the recipient; may encounter more obstacles to rapid or regular disbursement of allocated funds; may encounter capacity challenges within the implementing agency; and may require more dedicated supervision to see that things move along expeditiously and smoothly. For these reasons, Recipient-executed activities warrant special attention so they can be measured — and results and impacts monitored — separately and on their own merit.

Overall, management has shown considerable pragmatism in making the necessary changes to ensure an efficient and robust system. The Steering Committee has shown its willingness to reorient its role in line with the changing nature of the relationship of the two institutions, and to take full advantage the flexibility offered by the PH-PTF in responding to new Government initiatives. The PH-PTF Secretariat and AusAID’s Program Enabling Team work very closely together and provide effective support to the Steering Committee as well as to operations staff in adapting to any procedural changes.

Task Team Leaders have generally found the procedures to be working well and not too bureaucratic. The adoption of standard Bank procedures and guidelines ensures quality checks in the design and execution of projects, and in the management of fiduciary, environmental, and other risks.

Indicative evidence and feedback from persons with the most experience in AusAID-World Bank joint projects suggest that the PH-PTF is a much more cost- and time-effective mode for AusAID to fund activities with the Bank than such other modes as Externally Financed Outputs, Free-Standing Trust Funds, and Parallel Financing.

The eligible expenses are in line with most trust funds. Mechanisms are in place for their close monitoring. Bank-staff and related costs, including travel, are closely watched to ensure that they remain within reasonable levels.

There is no evidence that PH-PTF-funded projects have competed with or supplanted projects that the World Bank would have undertaken on its own. Many of the approved projects would not have taken place without the additional funding or would have had less extensive coverage.
There has been an increase in World Bank staff costs in proportion to disbursements in PH-PTF-funded projects (to 35% as of mid-2012 from an average of 15% in the previous two years). This could raise concern at AusAID but it could simply be because of use of skilled Bank staff in AAA work.

As will be noted in Section 4.1.4, there is general agreement that the time and financial costs associated with alternative modes of AusAID funding for the 23 project approved to date would have been considerably higher for both institutions. The setting up of the PH-PTF might have involved special additional costs because of its innovative nature, but the procedures involved in approving projects and setting up the Grants for each one are simple and straightforward, and the associated costs are thus kept well under control.

4.1.4 | Impact

Impact would normally be defined as the extent to which the PH-PTF has directly affected policy and development outcomes. However, since PH-PTF has not been in existence long enough for such impacts to materialize to any significant extent, a wider definition has been used in this assessment to include as well the extent to which PH-PTF has impacted parameters that have a significant effect on policy and development outcomes.

The slowness of some of the larger projects in getting underway and the low level of commitments and disbursements of some of the ongoing projects means that the direct impact of the projects to date has been minimal. Overall commitments and disbursements of the 23 approved projects as of end-March 2012 were only 17% of their aggregate grant amount, and thus most of the direct impacts of these projects are yet to materialize.

The four projects completed to date have had a significant direct and positive impact on policy and development outcomes. The Support for the Strategic Engagement on the Philippine Discussion Notes provided the basis for a fruitful policy dialogue with the new Aquino Administration and was adopted by NEDA and other government agencies as inputs into the preparation of the new Philippine Development Plan. The Government is undertaking policy reforms in line with the recommendations of the Public Expenditure Review. The Support of the System of Philippine National Accounts Phase 1 has led to a follow-up Recipient-executed project to implement the outcome of the Phase 1 work. Monitoring the Social Impacts of Tropical Storm Ondoy and Typhoon Pepeng was well-received by the Government, and is providing a significant input into its disaster management program.

A number of the other projects are having an impact even before completion. The policy dialogue and engagement with DBM and other government agencies in the execution of the

53 The Recipient-executed Projects, however, do require a separate agreement with the recipient executing agency.
Agency PFM Benchmarking Assessment and the GIFMIS Learning Activities projects, for example, have enabled the Government to make significant progress in its public financial management reform agenda. The ongoing projects in social protection — Review of the Philippines Social Protection System, Improving Poverty and Social Statistics and the Technical Assistance Program for the Philippine CCT System — have filled important gaps in donor support to the Government’s social protection agenda. Similarly, the Analysis and Preparatory Work Supporting the Scale-Up of a National CCD Program and the Preparation of the National CDD Program underpin the World Bank’s forthcoming additional investment support for the Government’s successful KALHI-CIDDSS program.

No definitive picture has yet emerged on PH-PTF’s impact on outcomes in crosscutting issues, such as gender, support for the disabled, and governance and anticorruption. Some projects address specifically one or more of these issues; for example, the DPWH and PFM projects directly address governance and anticorruption, while the CCT project emphasizes the role of women as financial recipients. A more concerted effort is needed across the board by both institutions to ensure that the issues are addressed adequately.

The most significant impact is the considerably enhanced engagement with the Government arising from the partnership between AusAID and the World Bank. The status of these relationships has had a major bearing on the quality of the dialogue and will have an important effect on the quality of the outcomes of the projects and programs — even some of those not financed under the PH-PTF — in the sectors supported. These relationships form mostly during the preparation and implementation stages of projects, and may not necessarily be the result of big-ticket items. Many of the smaller AAA projects executed by the Bank have had major impact on these relationships.

The strength of the relationships will have a major bearing on the impact or potential impact of PH-PTF-funded projects and programs on policy and development outcomes. The PH-PTF, by its nature, tends to align in areas where there are advocates and champions in both organizations. For AusAID, it enables funding in areas where AusAID may not have the in-country expertise but which are important to it. The PH-PTF lets it forge a role on the back of existing World Bank expertise and client acceptance. These roles are fruitful in that they often lead to a scaling-up of programs and provide the basis for adding such expertise where programs are growing. In fact, the World Bank has expressed keen interest in drawing on more technical input from AusAID and from Australian expertise in public institutions, universities, and the private sector. Likewise, there will be some self-standing projects in which relationships will not have a role to play and yet will have a positive impact because of their significance in the Government’s development agenda.
4.1.5 | Sustainability

*Sustainability is the extent to which the positive outcomes of the PH-PTF will endure beyond its lifetime, and the likelihood that PH-PTF will continue to be relevant and effective in the light of evolving conditions if its life is extended.*

There is no doubt that the PH-PTF has been an effective vehicle for a sustainable relationship between AusAID and the World Bank, and between them and the Government, at both the structural and project levels.

The rapport between the management of the two institutions has set the tone for the relationship, which has been institutionalized in the way the Steering Committee works. The relationships that have emerged at the working level in some key sectors have turned into real partnerships, while in others they are in various stages of maturity. The challenge for the future is to institutionalize these relationships, most of which still rely to a considerable extent on personal rapport.

The relationships have a positive effect on the quality of the dialogue with the Government and of the outputs of the projects and programs. This is recognized by all parties concerned and in itself is an argument for a longer life for the PH-PTF to allow the relationships to mature fully and be institutionalized.

The PH-PTF has proved to be a flexible and efficient vehicle or delivering financial assistance, which attests to its sustainability. It can turn concepts quickly into active programs or projects and can readily adapt and respond to changing political, economic and social conditions in the Philippines. It has also exhibited flexibility in adapting its procedures when warranted. It can address many strategic priorities individually or collectively, as illustrated by its ability and capacity to handle 23 separate projects in 10 different sectors.

For the foreseeable future, the World Bank will continue to benefit greatly from the grant resources that AusAID has to offer, and AusAID will continue to benefit from access to the technical expertise of the World Bank, although this is becoming less relevant as AusAID builds up its own skill base. The PH-PTF is considered the most cost-effective way of providing this link.

4.1.6 | Overall Assessment

The Midterm Review revealed a high level of satisfaction with the results and impact of the PH-PTF among all levels of World Bank and AusAID staff and counterparts in Government. The PH-PTF has thus far succeeded in bringing together co-financing and joint projects of AusAID and the World Bank under one mechanism and in linking these effectively with other related programs and projects of the two institutions. It has also been a highly effective
vehicle for a sustainable relationship between AusAID and the World Bank, and between them and the Government, at both the strategic and the operational levels.

In the context of the objectives set for the PH-PTF and the outcomes expected of it, the PH-PTF:

- Has led to a scaling-up of activities that otherwise might not have happened.
- Has strengthened collaboration between the World Bank and AusAID, leading to more effective policy dialogues and collaboration with the Government.
- Has led to a more strategic use of resources provided by the two institutions, and enabled the relative strengths of the two institutions to be reflected in the delivery of assistance to the Government.

It has also:

- Provided a more visible, effective, and sustained role “at the policy table” for AusAID in some key sectors.
- Resulted in well-designed projects that are effectively integrated into the development strategies of AusAID and the World Bank, and which are viewed by the Government as contributing significantly to its development agenda.
- Made life easier or less burdensome than alternative funding mechanisms that could be used and, as a result, has reduced costs and time in setting up and funding jointly agreed activities.
- Been a flexible instrument in responding to the needs of World Bank Task Team Leaders and AusAID counterparts, and to government initiatives.

The PH-PTF has also had some success in improving governance arrangements in Government agencies executing operations supported by the Bank and AusAID. This success is very much a project-related outcome and not so much an outcome of PH-PTF per se. However, in many cases, the projects might not have come about without PH-PTF funding.

Regarding two objectives — harmonization among the Government and its development partners and harmonization in the policies and procedures of AusAID, the World Bank, and the Government, there is insufficient clarity in how they should be interpreted and consequently the effect is less obvious.
On the downside are mainly the difficulty in getting some of the larger projects underway and the slow disbursements of some of ongoing projects.\textsuperscript{54} There is also scope for improvement in PH-PTF project approval and monitoring processes.

4.2 Important Features of the PH-PTF

Some positive key features of the Trust Fund account for some of its measures of success to date.

4.2.1 Responsiveness, Flexibility, and Innovation

By virtue of being resident and engaged locally on a daily basis, the AusAID and World Bank country-based missions have the best grasp of Philippine development needs. They have developed valuable relationships with Government and civil society counterparts and drawn important insights from working directly with them. The PH-PTF, being an in-country managed resource, is a tool for timely support of initiatives that reflect the most significant and pressing of the needs that are directly relevant to the mutual assistance strategies of the two institutions. As the 2011 IEG Evaluation of the World Bank’s Trust Fund Portfolio says, “trust funds established to aid a single country generally are well adapted to the country’s needs and conditions and work well in delivering aid aligned with a country’s own planning and programming” and work “well in filling financing gaps and deploying donor funds in line with recipient priorities.”\textsuperscript{55} This is shown again in the case of the PH-PTF.

One of the most promising features of the PH-PTF is how it has been used with nimbleness and flexibility to respond to emerging development agenda reforms and trends. With the streamlined administrative and approval process and as a source of funds that can be tapped readily, the PH-PTF allows for quick decision-making and mobilization when necessary. The structure likewise provides flexibility to reallocate funds across projects and programs as needs evolve, such as from Technical Assistance for MRDP 2 to Technical Assistance Support to the Philippines PPP Program (see Section 2.4.2). It also readily enables piloting of innovative approaches, such as the KALAHI-CIDSS Additional Financing for School and Daycare Center Buildings.

This nimbleness is particularly important, given the current reform-minded agenda of the Aquino Administration. It allows the World Bank and AusAID to step in and support desirable programs at an early stage, or where the Government indicates legitimate and urgent needs.

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\textsuperscript{54} There are legitimate explanations for the slow disbursements in most cases; see Section 2.4.2

This has been the case particularly in Social Protection, Community-Driven Development, and Public Financial Management. Their early decision to provide support has positioned the two institutions as development partners at the forefront of the issues.

4.2.2 | Institutionalizing relationships

In its early stages, the PH-PTF depended heavily on the good rapport and established relationships of current World Bank and AusAID staff and personalities. Many of the efforts succeeded largely on the strength and dynamics of relationships of key leads and champions with those who were enterprising in accessing the Trust Fund. Since then, relationships between the World Bank and AusAID have been solidified, and the PH-PTF has a great impact on the evolution of these relationships. It has provided a structure for the two organizations to coordinate their activities effectively, from collaboration on ideas and concepts, to discussions and discourse arising out of peer reviews and Steering Committee meetings. It has provided a forum for ongoing debate where ideas can be vetted across a number of sectors and where staff is encouraged to work together on promising propositions.

As noted in Section 3, the maturity of the relationships differs by sector. In some key sectors, the relationships have gone beyond interaction of the two institutions’ staff in preparing programs and projects, to a more effective interaction with Government counterparts, e.g., in Social Protection and Public Financial Management. True partnerships have emerged and have translated into productive policy dialogues and significantly effective programs in support of the Government’s agenda.

By virtue of the PH-PTF, AusAID has been able to engage substantively in a wider range of key areas and sectors, where previously it simply gave funds to Bank teams and waited for reports on results. The World Bank has a broader range of objectives in its CAS and has more widespread activities with more access to experts, while AusAID has a more focused set of objectives and key staff technical expertise in a number of areas. However, the areas where the most progress and impact have been made are where AusAID and the Bank have strong counterparts who regularly discuss and engage on ideas and projects.

With the PH-PTF, AusAID has earned a “seat at the policy table” with the Government in significant areas. It has joined the World Bank in being a preferred and sought-after partner in consultation and decision-making. In some cases, they are being affably referred to as a “dynamic duo.”

4.2.3 | Fostering Successful Programs

The role and impact that AusAID and the World Bank have cultivated is demonstrated in several sectors. Below are some examples.
• **Philippine Development Agenda:** One of the most formative activities supported by the PH-PTF was the development of the *Philippine Discussion Notes* that examined development challenges and options that the incoming Aquino Administration might need to face. It was well-received by the Government and provided a guiding document to shape discussion of critical issues.

• **Social Protection:** Most evident is the role in Social Protection that has been engendered by the support to CCT and assistance in establishing statistical standards in the Philippine Social Protection System. Before the PH-PTF-funded initiatives, AusAID had little presence in the Social Protection reform agenda. There is now frequent and direct communication and collaboration between AusAID and the Bank with DSWD. AusAID now directly supports a Technical Assistance Facility for Social Protection to serve as a platform for coordinating the efforts of the various donors, and it is now in the forefront of the policy dialogue.

• **Public Financial Management:** This sector has moved from a few hundred thousand dollars in PH-PTF technical assistance PTF to a full-fledged program run separately by AusAID: the A$30 million Australia-Philippines *Public Financial Management Program* (PFMP). In addition, a resident office has been set up in the Department of Budget and Management to help run the *Government Integrated Financial Management Information System* program. AusAID now is the key player in the policy dialogue on the Public Financial Management agenda. These might not have been achieved to the same extent without the PH-PTF.

• **Education and Community-Driven Development:** The PH-PTF has allowed the partners to take advantage of the push in Community-Driven Development, particularly by a large and innovative investment in a KALAHI-CIDSS program for school buildings and daycare centers. Many donors consider the KALAHI-CIDSS approach a very successful program.

Based on the leverage and impact achieved in these areas, it is highly likely that the PH-PTF partnership will have similar successes in evolving areas such as *Public-Private Partnership* and *Disaster Risk Management*.

Of particular importance is the enhanced quality of advice to and dialogue with the Government that stems directly from the PH-PTF. Not only has the PH-PTF supported important analytical work (e.g., Improving Poverty and Social Statistics, Public Expenditure Review), it has also facilitated the provision of technical assistance to the Government that otherwise might not have been forthcoming (e.g., Improving Data Coverage and Survey Quality of PSNA, Scale-Up of IRAP).
4.2.4 | Cost-Effectiveness

The World Bank and AusAID were unable to provide the financial data for a detailed assessment of the cost-effectiveness of the PH-PTF mode of financing compared with alternative modes of AusAID financing. However, there is general agreement that the time and financial costs associated with the bureaucratic and legal procedures involved in setting up individual financing arrangements for the 23 projects financed to date — be they Specific Trust Funds, Parallel Financing Operations, or Externally Financed Outputs — would result in costs to AusAID well in excess the costs of setting up the PH-PTF (a one-time cost) and the administrative costs paid to the World Bank. The procedures involved in setting up a grant for each project financed under the PH-PTF are simple and straightforward (although the Recipient-executed projects do require a separate grant agreement with the Government), and the associated costs are thus minimal and kept well under control.

There are further costs of staff time and expenses associated with approval of funding for projects to be financed under the PH-PTF; these are being brought under control with the more streamlined approval procedures. There is general satisfaction with these procedures.

The trust fund concept has benefits for both partners

<table>
<thead>
<tr>
<th>Benefits for World Bank</th>
<th>Benefits for AusAID</th>
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<tbody>
<tr>
<td>• Ability to augment in-country managed technical assistance funding in light of tight budgets</td>
<td>• Ability to have a better role in policy dialogue in the Philippines and to have more impact and strengthened position with the Government</td>
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<tr>
<td>• Ability to provide technical assistance alongside loan instruments where the Government was unwilling to include technical assistance in borrowed funds</td>
<td>• Ability to share World Bank access to policymakers, agency and department heads, and technical resources</td>
</tr>
<tr>
<td>• Ability of Bank staff to get funding for key initiatives for which they would otherwise have none</td>
<td>• Access to skills of World Bank, and help with ideas and concepts for funding from counterparts at the Bank</td>
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<tr>
<td>• Ability to respond to new Government initiatives and priorities (e.g., CCT, CDD, PPP)</td>
<td>• Alternative mechanism to transfer money directly to the Government, using World Bank oversight</td>
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56 These are over and above normal project preparation costs.

57 The World Bank retains 1% of the annual tranche deposits by AusAID to cover the costs of administration and other expenses incurred under the agreement. In addition, it charges actual administration and program management costs up to a maximum of US$295,891 over the life of the PH-PTF.
<table>
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<tr>
<th>Access to AusAID’s country knowledge and experience</th>
<th>Management and oversight handled by World Bank</th>
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**Mutual benefits:**
- Ability to align development strategies and increase impact
- Sharing of peer review of concepts and proposals
- Enhanced engagement with Government and other development partners and donors
- Streamlining of procedures and approval processes
- Reduced transaction costs
- Country management and empowerment
- Nimbleness of response to emerging issues and windows of opportunity
- Buffer during budget cycles
- Improved ability to do reliable multi-year budgeting
- Forum, through Steering Committee, to deal with issues of common concern
SECTION 5  RECOMMENDATIONS ON THE FUTURE OF THE PH-PTF

The PH-PTF has forged remarkable cooperation between the World Bank and AusAID for greater impact and more effective delivery of assistance programs. There seems to be little doubt that it should be continued and further funded. With a firming up of strategic focus and minor adjustments in administrative and governance arrangements, it can continue to forge productive and lasting relationships and serve as a catalyst for an effective and sustainable impact on the Government’s development agenda.

5.1 | Issues for Immediate Attention

PH-PTF expenditure commitments can be made only up to the end of calendar year 2012, and disbursements have to be made before 30 June 2013. However, five recently approved big-spending, Recipient-executed projects that account for two-thirds of the approved funds have not yet started implementation. There are also some significant projects that have been disbursing slowly but are poised to become significant movers of funds in the near future (see Section 2.4).

An immediate extension of the PH-PTF for two years is thus recommended. This would provide the projects with the necessary certainty of funding and should allow sufficient time for the projects to be fully executed. The Steering Committee approved two new funding proposals at its May 2012 meeting, which tends to suggest that it believes the PH-PTF should be extended. However, the Steering Committee should instruct the sector managers to ensure that the Task Team Leaders have a clear and workable timetable for the execution of the projects, especially the larger Recipient-executed projects that have yet to get underway.

At the time of preparing this report, AusAID has contributed A$33,345,000 to the PH-PTF. If AusAID will put into the PH-PTF the full amount of its commitment of up to A$50 million, a further contribution of around A$17 million will have to be made over the coming months.

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58 An extension for up to two years can be made at the Country Director level.
59 This should be done even if it is decided that the PH-PTF should continue for a longer period with additional funding (i.e., over and above the A$50 million currently committed), since this would require a new agreement and take longer to consummate.
60 These have not been included in this report.
It is recommended that if the time period is extended for another two years, then AusAID should complete the amount of a$50 million allocated for the PH-PTF, provided that suitable project proposals can be mobilized in the coming months and be completed in the extended life of the fund.

5.2 | Issues for Medium-Term Attention

5.2.1 | Rationale for Continuation of the PH-PTF

There appears to be a clear rationale for continuation of the PH-PTF beyond the next few years.

First, continuation of the PH-PTF would capitalize on the cooperation and goodwill that has evolved between AusAID and the World Bank, which has translated into more effective development support and enhanced interactions with Government counterparts. The PH-PTF has played a significant role in nurturing the cooperation between the two institutions and, if extended, could be expected to consolidate relationships in sectors that have matured into real partnerships and to mature those that are still embryonic. The Government recognizes the value of these relationships and the positive impact they have had on its development agenda.

Second, the PH-PTF has a management structure that has been successful. The Steering Committee is an effective mechanism for approving and monitoring transactions, and a venue for dealing with strategic issues in and across sectors of concern of both institutions. An extension of the PH-PTF would provide the rationale for this forum to continue.

Third, a continuation of the PH-PTF would enable AusAID to solidify and extend its role in the policy dialogue in key sectors. The relationships formed through PH-PTF have been a springboard for AusAID to gain a seat at the policy table, and a continuation of the Trust Fund would help consolidate this. It would also provide an impetus for AusAID to deepen its skill base as it develops a role in new sectors and programs, allowing it to have more input and impact.

Fourth, the PH-PTF has proved to be cost-effective and time-efficient, especially when compared with alternative financing modes for joint World Bank-AusAID projects. The procedures for setting up and administering the portfolio and individual projects are streamlined and standard. The “design cost” of setting up the PH-PTF would therefore not have to be repeated, and it is hard to envisage any other mode with anything like the simplicity of the procedures for setting up Grants for the projects under the PH-PTF.

Fifth, the PH-PTF has exhibited responsiveness and flexibility not often seen in more focused financing modes. As an umbrella trust fund, it allows substantial latitude to fund projects...
that have been found to be the most important to the development agenda of both institutions and the Government and can address many strategic priorities individually or collectively. It has quickly turned concepts into active program and projects, readily adapted procedures to reflect evolving needs, and responded effectively to changing political, economic and social conditions in the Philippines.

Sixth, the World Bank needs access to grant money for Bank-executed technical assistance, institution-building, and analytical work beyond its own budget and loan commitments. The Government wants to rely on grant funding rather than borrowing for much of the technical assistance and institution-building it requires. AusAID grant facilities thus provide an important medium for this, and the PH-PTF is an effective tool for it. AusAID gains access to World Bank expertise and rapport with the Government while it is building up its own capacities.

Seventh, the PH-PTF is financing some critical projects, and it is important to see these through. Some of these are now fully funded but are in early stages of implementation. Some are part of important programs that will require additional funding in the near future.

5.2.2 | Issues to be Addressed

There are a number of issues in the way the PH-PTF operates that should be addressed to improve its effectiveness. These are already recognized by its managers, who have shown considerable agility in responding to issues as they emerge and have been receptive to ideas that improve the operations and enhance the effectiveness of the PH-PTF.

It is beyond the scope of this report to detail the steps to be taken to deal with these issues, but some broad parameters are suggested for dealing with them. A PH-PTF Review Working Team from AusAID and the World Bank should be brought together to prepare an Action Plan and detailed proposals for consideration by the Steering Committee.

5.2.2.1 | Strategic Focus

To date, the Steering Committee’s agenda has been principally transactional, focused on the vetting of projects for funding under PH-PTF and the monitoring of their progress. While this responsibility cannot be avoided, a more strategic focus in its deliberations is warranted. Most of the projects are now emerging from sector deliberations at the operations level, which suggests that the Steering Committee should adopt a much more programmatic approach and redirect its attention to the broader thematic and sector agendas to ensure maximum development impact. The committee’s exercise of fiduciary responsibility in the approval and monitoring of projects, in most cases, can be done virtually or by delegation.

As a first step, recognition of the special relationship between the World Bank and AusAID should be reflected in the assistance strategies of the two institutions. The preparation of
the World Bank Country Assistance Strategy (CAS) 2013-2017 provides an opportunity for thinking through the implications of the relationship and the role of the PH-PTF — it can be an integral part of the plan forward. AusAID has the same opportunity in the implementation of its Development Cooperation Program 2012-2016. The strategies could highlight areas where strong relationships have formed and are expected to continue (e.g., social protection, public financial management), and areas where cooperation could prove highly advantageous to both institutions and to the Government (e.g., disaster management, local government and decentralization, economic governance).

The next step would be to incorporate more effectively decisions on the flow of AusAID funds into the PH-PTF in the budget preparation cycles of AusAID and the World Bank. The AusAID budgetary system makes it difficult to indicate clearly the amounts that may be available over any given year, which gives rise to uncertainties in the extent to which commitments can be made for proceeding with some projects and programs. However, it could perhaps commit funding over a two- or three-year horizon, which would give the Steering Committee more flexibility in PH-PTF funding decisions and allow the World Bank to make more effective budgetary provisions for projects and programs.

Certainty on the future flow of funds into PH-PTF becomes even more important as the Steering Committee moves to a more programmatic and strategic approach in its deliberations. Many of the PH-PTF projects have emerged from extensive sector discussions and negotiations between AusAID and the World Bank (and, where applicable, with Government counterparts) and have to be viewed in the context of the overall sector program for their full impact to be appreciated. The Steering Committee, therefore, could look more closely at the sector context of the projects and consider allocation as principally across sectors rather than across projects.

It is further suggested that the allocations of the core funding not include funding for Recipient-executed projects that involve bulky “hardware” expenditures, such as the KALAHI-CIDSS Additional Financing for School Buildings and Daycare Centers. These have very different disbursement profiles and complicate decisions on sector allocations. If AusAID would like to pursue such projects under the PH-PTF, then additional funding should be made available on a “one-off” basis and be treated as a separate window of the PH-PTF. This could come from PH-PTF funds that have not been committed to the core fund. Ideally, such projects should be of pilot or innovative nature.

Overall, it is critical to ensure that nimbleness and flexibility of the PH-PTF is retained, even in the context of sector allocations. One of the greatest benefits of the PH-PTF has been the ability to take advantage of the windows of opportunity and to readily reallocate funds as priorities change.
There are alternative approaches to the one outlined, and one of the tasks of the PH-PTF Review Working Group would be to review alternatives. The critical factor is to find a pragmatic and flexible approach that allows the Steering Committee to move from a transactional focus to a more programmatic and strategic focus.

5.2.2.2 | Project Approval Process

A shift toward a sector-based approach to the allocation of funds along the lines above would mean some modifications to the project approval process, although the current procedures already reflect a move toward project proposals emerging from extensive discussions that have been taking place in the context of sector strategies.

5.2.2.3 | Reporting System

The reporting system under the PH-PTF needs to be reconsidered in light of the suggestions above and of the need to ensure that it is providing relevant and timely data at the portfolio and project levels needed by both the World Bank and AusAID.

At the sector level, the annual reviews of progress of the sector action programs would be the medium for revisions to the programs and to funding allocations. As noted above, these reviews could be done at different times during the year. They would also provide the opportunity to assess the performance of projects according to the objectives set for them in the sector dialogue and engagement with the Government. Sector Leaders could prepare brief reports for the Steering Committee for this purpose.

The GRM reports do need to be supplemented with more regular reports on performance, or at least be readily available when needed. AusAID has expressed a desire for more appropriate performance indicators and more detailed cost breakdowns. Much of the financial information is available in the World Bank’s Donor Portal, but this has not been accessed by the Philippines AusAID office. More detailed information on commitments, disbursements and cost breakdowns (Bank staff costs, consultants, travel, workshops, etc.) for projects is also readily accessible in the World Bank’s reporting systems. Most of the information needed for tracking progress of the projects is available — the question is how to extract it, when needed, in a readily digestible format that will satisfy the reporting needs of both institutions. Additional information needed on any particular project could be followed up directly with the relevant Task Managers.

61 In special cases, the Steering Committee may want to have more regular reviews. It could delegate some or all of these reviews to the Operations Managers of the two institutions. Participation by Government counterparts could also be considered.

62 The Task Managers normally draw to the attention of the PH-PTF Manager any emerging problems.
5.2.2.4 | Visibility and Recognition

AusAID and the World Bank have discussed the need to improve the recognition that AusAID receives for its contributions to the PH-PTF. As stated in Section 1.8, AusAID has proposed an amendment to Provision 13 of the PH-PTF Operating Guidelines, to wit:

Building on the AusAID-World Bank Partnership Framework (signed September 2011), World Bank and AusAID in the Philippines shall jointly endeavor to increase visibility and recognition of the partnership in-country and where and when possible, at the regional and headquarter level. Specific to the Umbrella Trust Fund, this shall include joint planning of promotional activities and/or products, including public events, media releases, publications, websites, concerning Trust Fund-financed activities and will be guided by the principles and processes outlined in Annex G of this Operating Guidelines.

AusAID also released in August 2011 Visibility and Recognition Guidelines for Multilateral Agencies, aimed at helping ensure that Australian Government funding is appropriately recognized. This, along with the AusAID-World Bank Partnership Framework, sets out parameters that AusAID believes can ensure effective communication about the relationship and its outcomes in the Philippines.

The World Bank accepts that AusAID’s concerns relating to appropriate recognition of its financial and technical contribution to PH-PTF-funded activities need to be addressed. The public relations teams of AusAID and the World Bank are now working together to formulate a communications strategy that would focus on these concerns, reflecting the guidelines and parameters in the above documents.

The challenge will be to ensure that recognition is given not only for the outcome of the funded project but also for the impact it has on sector and overall development outcomes. The AusAID Minister-Counselor at a recent Steering Committee meeting highlighted the difficulty in getting across to the general public in Australia the full impact of many of the PH-PTF-funded projects: The Australian public would readily understand the value of hardware (e.g., school building) but not so the value of software (e.g., analytical work on national accounts). To illustrate the link between PH-PTF funding focus and its value and importance, it is imperative to explain clearly the role of technical assistance and capacity-building in achieving development impacts and outcomes.

5.2.2.5 | Objectives, Outcomes, and Performance

A revamp of the objectives and outcomes is recommended to bring them into line with the way the PH-PTF has evolved, and to provide a more meaningful basis for assessing performance. It is also recommended that the expected outcomes be directly associated with the objectives so that their relationship is clear, and that the expected outcomes themselves become the basis for the criteria for assessing performance.
The objectives could be centered on five themes:

- **Strengthened collaboration and more strategic use of resources of the two institutions**, which has proved to be, and continue to be, a core output of the PH-PTF.

- **Improved quality, and leverage, and responsiveness of the assistance programs of the two institutions in support of the Government’s development agenda**, which has also proved to be an important output of the PH-PTF.

- **Continued efficiency of the PH-PTF as delivery mechanism of the joint programs of the two institutions**, which, though not a current objective or outcome, was an important motivation for setting up the PH-PTF and should continue to be in focus.

- **Enhanced quality and effectiveness of dialogue and interface with the Government**, which in the end is a prime objective.

- **Maximum development impact of the projects financed through the PH-PTF**, to recognize the importance of outputs on the ground.

Once fine-tuned, it is recommended that the PH-PTF Review Task Force specify two or three outcomes expected from each of these objectives and develop an M&E framework that would be the basis for a regular assessment of the performance of the PH-PTF.

### 5.3 Other Considerations

In molding the future of the PH-PTF, management may wish to consider the following:

- How the AusAID-World Bank relationship can be fed more effectively into the overall donor dialogue, particularly through the Philippines Development Forum (PDF); and how the PH-PTF can be a catalyst for more effective donor coordination at the sector level, particularly though PDF sub-working groups. These have started to happen, as illustrated in the Decentralization and Local Government and Social Protection Working Groups.

- How other stakeholders (e.g., NGOs, academics) can be given a larger role. The PH-PTF makes provision for nongovernmental entities in project execution (under the Recipient-executed category) but there has been only one such project to date and only one Bank-executed project contracted out to an NGO. A larger role is possible at the sector level, particularly in some of the AAA.

- Whether Government representatives should be invited to or included in Steering Committee meetings or to separate consultations on PH-PTF issues. In most cases, Government counterparts have been closely involved in the design of projects and
their execution, and their presence in the sector reviews of the Steering Committee should be weighed carefully to avoid stifling committee discussions. The way in which NEDA could be involved in the sector allocations could also be explored.

Overall, the PH-PTF has lived up to expectations and proved to be an excellent mechanism for forging a cost-effective and productive relationship between AusAID and the World Bank and as a catalyst for a positive and sustainable impact on the Government’s development agenda. Action on the recommendations made should serve to improve the effectiveness of the PH-PTF.