



# Aid Program Performance Report 2012–13 the Philippines

## Key messages

This report summarises the progress of Australia’s aid program in the Philippines for the period January 2012 to June 2013. It reports on achievements under the new country strategy, the Australia–Philippines Development Cooperation Strategy 2012–2017, which was agreed through a statement of commitment with the Philippines Government signed in March 2012.

Consistent with Australia’s approach to assisting middle-income countries, our focus in the Philippines is on providing expertise and knowledge, supporting reforms to reduce poverty and helping the government to strengthen its service delivery systems. Active policy dialogue with the government and engagement with civil society underpins our program.

In support of Philippines President Aquino’s priorities to reduce corruption, improve governance and achieve more inclusive growth, Australia is contributing to:

- > improving education
- > strengthening local government capacity to deliver services
- > enhancing climate change adaptation and disaster risk management
- > improving conditions for peace and security in Mindanao
- > supporting the foundations for accountable, effective and inclusive economic management and governance.

We work with key government agencies to shape public spending and policy decisions for development outcomes. Our core government-to-government engagements are complemented by strong partnerships with civil society, multilateral organisations and the private sector. For example, we have established a new country partnership with The Asia Foundation and continue policy and analysis work with the World Bank. These partnerships enable us to better coordinate development efforts, share resources, extend our reach and leverage the expertise and comparative advantage of our partners.

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) reviewed Australia’s aid program in October 2012. The Philippines was chosen as the site visit for the review. The final report stated that:

*“The Australia–Philippines Aid Programme Strategy 2012–17 provides a clear and strategic rationale for Australia’s development co-operation in this middle-income country and has the long-term goal of institutional strengthening. It balances this with the need for short-term results, building on lessons learned from the evaluation of the previous bilateral programme”.*

The report goes on to say the Australia-Philippines Aid Program Strategy has championed change in other country programs and driven department-wide change.

Key achievements in this reporting period include:

- > establishing 410 community schools in remote and marginalised communities which is providing 12 000 children with their first opportunity to go to school, as part of the Basic Education Assistance in Mindanao program launched in 2012
- > cleansing the Autonomous Region of Muslim Mindanao (ARMM) electoral roll of 477 964 non-existent or ineligible voters<sup>1</sup> with civil society oversight, and monitoring a voter re-registration process. This paved the way for more orderly, honest, peaceful, and credible elections in ARMM, at a time when credibility is critical to negotiations for a new political entity
- > providing \$10.55 million to help more than 500 000 people affected by category five Typhoon Bopha
- > increasing the government's transparency and accountability by promoting and enabling civil society scrutiny and participation, including through a participatory audit of a government flood control plan, support for a coalition which lobbied successfully for passage of an important excise tax reform bill, and support for the Philippine application for Extractive Industry Transparency Initiative candidacy.

## Context

During 2012–13, the Philippines has benefited from improved economic fundamentals. Economic growth at 6.6 per cent was the highest in the South East Asia region in 2012 and the Philippines is on the point of graduating into upper-middle-income status. Based on its strong fiscal management, the country secured investment-grade status for the first time in early 2013.

The Philippines Development Plan 2011–2016 presents the Philippine Government's development priorities. President Aquino's social contract with the Filipino people identifies 16 priority development issues. In these documents, the government emphasises the importance of addressing poor governance and pervasive corruption as top priorities. The 2013 national budget (the administration's third), also supports these priorities, along with transparency, empowering the poor and generating more inclusive growth and jobs. The government has focused on these priorities and was able to improve the execution of its public investments in 2012, with overall spending increasing by 14 per cent.

To demonstrate its commitment to greater transparency, effectiveness and accountability, the Philippine Government was one of the founding members of the Open Government Partnership. The administration's focus on enhancing governance to improve economic and social outcomes is yielding some positive results. The Philippines climbed 24 places in Transparency International's Corruption Perceptions Index in 2012,<sup>2</sup> ranking 105<sup>th</sup> out of 174 countries, and overtaking Indonesia and Vietnam.

The following laws enacted in 2012 are critical to the sustainability of the government's reform agenda:

- > the Excise Tax Reform Act, which improves fiscal sustainability by raising taxes on tobacco and alcohol. The law is expected to deliver substantial annual revenue to the government, which will be allocated to cover universal health care costs
- > the Enhanced Basic Education Act, which has locked in the administration's kindergarten to grade 12 education policy

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<sup>1</sup> The roll was reduced 27 per cent from 1 778 443 to 1 300 479 voters.

<sup>2</sup> <http://www.transparency.org/cpi2012/results>

- > the Reproductive Health Act, which addresses maternal and child mortality and rapid population growth that is exacerbating poverty in the poorest and most vulnerable communities.

In October 2012, the Framework Agreement on the Bangsamoro, an important preliminary step towards resolving decades of armed conflict in central and western Mindanao, was signed by the government and the Moro Islamic Liberation Front. The agreement calls for the Bangsamoro to be established as a new regional political entity to replace ARMM.

These positive developments contrast with other results that have been mixed. Since 2006 the number (39 million) and percentage (44 per cent) of the population living on less than USD2 a day has remained largely unchanged highlighting the depth of entrenched regional disparities and social inequalities.

The United Nations Human Development Report 2013<sup>3</sup> ranks the Philippines at 114 out of 186 countries on the Human Development Index which is a drop of two places on the previous year. The country is currently unlikely to achieve the Millennium Development Goal targets for poverty reduction, education and maternal health. Current data for achieving universal primary education shows that three out of five indicators have a low probability of being achieved. For example, current indicators show that almost 30 per cent of school age children will not complete primary school. And three of the six indicators for measuring improvements in maternal health are off track.<sup>4</sup>

The January 2013 labour force survey<sup>5</sup> showed a lower unemployment rate of 7.1 per cent from last year's 7.3 per cent, and a net gain of 606 000 new jobs. However, the underemployment rate—the percentage of those who have work but feel the need to work more to make ends meet—increased from 18.8 per cent last year to 20.9 per cent in 2012.

Despite a net migration rate of -1.27 per cent, annual population growth remains comparatively high at 1.7 per cent. With a population of 95 million, the Philippines is second only to Singapore in having the highest population density in South-East Asia, placing stress on government services and the natural resource base.

The Philippines is the third most vulnerable country globally to natural disasters and the country continues to be heavily affected by adverse weather events. Typhoon Bopha was the 16<sup>th</sup> and most powerful storm recorded in the Philippines in 2012. Bopha affected large parts of Mindanao in December 2012, killing more than 1000 people. In August 2012 there was severe flooding in Luzon affecting more than four million people.

Elections for all congressional and local government seats and half of the senate were held in May 2013. The elections were generally considered to be free and fair, though there were reports of irregularities and election-related violence continued to claim lives. The results present a mixed picture of support for President Aquino's Liberal Party. Nine of the loose coalition of 12 senate contestants won a place in the senate, some long-standing dynasties were also voted out. However, the Liberal Party lost many of the local-level contests. While the president continues to enjoy strong popular support, it is likely that the administration's ability to push through significant reforms will decline during the second-half of his six-year term as elected representatives begin to turn their attention to the 2016 presidential elections. Nevertheless, there remains considerable potential for institutionalising the government's existing reform initiatives, many of which are being supported by the Australian aid program.

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<sup>3</sup> <http://hdrstats.undp.org/en/countries/profiles/PHL.html>

<sup>4</sup> [http://www.nscb.gov.ph/stats/mdg/mdg\\_watch.asp](http://www.nscb.gov.ph/stats/mdg/mdg_watch.asp)

<sup>5</sup> <http://www.census.gov.ph/content/employment-rate-january-2013-estimated-929-percent-results-january-2013-labor-force-survey>

## The Australian aid program in the Philippines

The two strategic goals of the Australia–Philippines Development Cooperation Program 2012–2017 are:

1. strengthen basic services for the poor
2. reduce vulnerabilities arising from climate change and conflict.

The program strategy<sup>6</sup> reaffirms Australia’s commitment to achieving these two goals through a more focused and consolidated program grounded in four sectoral objectives and underpinned by a cross-cutting governance objective (figure 1).

Australia is the second largest bilateral grant aid donor to the Philippines behind the USA. However, with a dramatic increase in the Philippines gross national income (GNI) Australian aid forms less than 0.03 per cent of GNI. It makes sense therefore that Australia concentrates on a small number of sectors where we can make a difference.

**Objective 1: Improved education.** Australia promotes opportunities for all by improving education outcomes and access and completion rates for elementary and secondary education. The Philippine’s education bureaucracy is being supported to deliver better policy, planning and delivery of programs aimed at all boys and girls, including the most vulnerable such as indigenous children and children with disability.

**Objective 2: Improved local government capacity to deliver basic services.** Australia seeks to improve transparency and accountability of local governments so they can efficiently provide quality services, particularly road infrastructure which is essential to facilitate better access for people to other services such as health and education.

**Objective 3: Strengthened climate change adaptation and disaster risk management.** Australia is working to ensure that the poorest and most vulnerable become more resilient to the impacts of disasters and climate change.

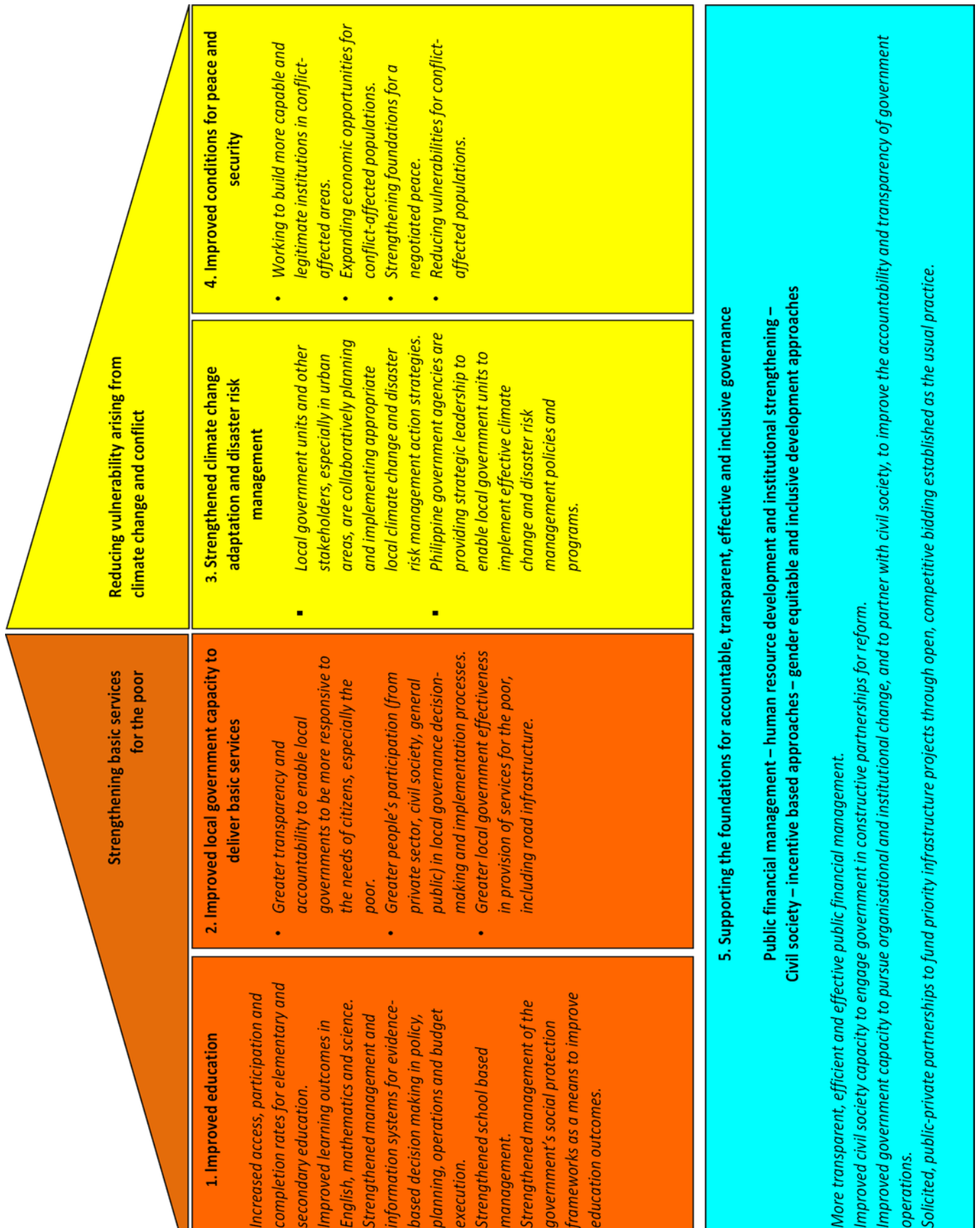
**Objective 4: Improved conditions for peace and security.** Australia is helping to create a more secure environment for social and economic development through a range of initiatives in conflict-affected Mindanao.

**Objective 5: Supporting the foundations for accountable, transparent, effective and inclusive governance.** Australia is helping to improve governance by building capacity within public institutions and facilitating partnerships between government and civil society to create stronger demand and a greater ability to provide accountability for change.

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<sup>6</sup> <http://aid.dfat.gov.au/Publications/Pages/australia-philippines-strategy-2012-17.aspx>

Figure 1: Strategic goals and objectives for the Australian aid program to the Philippines



## Key partnerships

Australia partners principally with the Philippine Government through long-standing partnerships with government agencies in agreed areas of strategic priority. These partnerships are detailed later in the sections of this report that provide an analysis of progress against objectives.

Complementing our government partnerships is support to and partnerships with a range of other organisations that have established reputations for delivering results. These include:

- > multilateral organisations that are highly rated by the Department of Foreign Affairs and Trade (DFAT)'s Australian Multilateral Assessment, such as the Asian Development Bank, the World Bank, United Nations Children's Fund and United Nations Development Programme
- > Australian and other international non-government organisations, such as the Australian Red Cross, The Asia Foundation, and BRAC (formerly Bangladesh Rural Advancement Committee) and local civil society organisations.

The more selective focus of the 2012–2017 aid program is driving us to develop deeper, more engaged and substantive partnerships. This is enabling us to better coordinate our respective development efforts, share resources, gain access to knowledge and analytical capacity and build trusted long-term relationships with other organisations. For example, we partner with the World Bank through the DFAT–World Bank Philippines Development Trust Fund which supports collaborative policy dialogue between the two institutions to determine thematic and sectoral priorities. DFAT and World Bank staff consider project concepts and designs together and a joint steering committee is responsible for project approvals and monitoring progress. An independent review of the trust fund<sup>7</sup> conducted in 2012 found that it strengthened collaboration between the Australian Government and the World Bank at both strategic and operational levels, leading to more effective policy dialogue with the government. In other key partnerships, Australia is playing a catalytic role in supporting the Philippine Government's public-private partnerships initiative through an agreement with the Asia Development Bank. A new partnership with the United Nations Children's Fund is allowing us to strengthen the Philippine's system of early childhood care and development and represents an important investment in better learning outcomes for Filipino children.

Australia is also expanding our civil society partnerships. For example, we have established a country-level partnership with The Asia Foundation that extends and builds on an existing relationship and enables us to benefit from the foundation's extensive network of local civil society and private sector partners. We have also entered into a partnership with the Philippine Business for Social Progress—the largest corporate-led, non-profit social development foundation in the Philippines—to support a classroom construction program by the private sector. Australia's Supporting Peace in Mindanao initiative is continuing to provide strategic support to local civil society organisations that are contributing to building peace in Mindanao.

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<sup>7</sup> Australian–World Bank Philippine Development Trust Fund mid-term review.

## Expenditure

Objective	\$ million	% of bilateral program
Objective 1 Improved education	52 968 916	59
Objective 2 Improved local government capacity to deliver basic services	7 268 344	8
Objective 3 Strengthened climate change adaptation and disaster risk management	7 575 136	8
Objective 4 Improved conditions for peace and security	2 088 534	2
Objective 5 Supporting the foundations for accountable, transparent, effective and inclusive governance	20 072 310	22

Table 1A: Expenditure 1 January to 30 June 2012

Source: Aidworks.

Objective	\$ million	% of bilateral program
Objective 1 Improved education	44 358 652	45
Objective 2 Improved local government capacity to deliver basic services	13 330 458	13
Objective 3 Strengthened climate change adaptation and disaster risk management	11 935 718	12
Objective 4 Improved conditions for peace and security	6 637 585	7
Objective 5 Supporting the foundations for accountable, transparent, effective and inclusive governance	22 910 512	23

Table 1B: Estimated expenditure in 2012–13

Source: Aidworks.

## Progress towards objectives

During the initial 18 months of implementing the Australia–Philippines Country Strategy 2012–2017, Australia made progress towards meeting four of the strategy’s five objectives. For objective 2, progress is less than expected for this point in time. Restorative action is necessary if it is to be achieved. This remediation is in train and is outlined in the narrative on objective 2 and in the management actions. For all other objectives, progress is as expected and it is anticipated that the objectives will be achieved within the timeframe of the strategy (see table 2).

Table 2: Rating of the program's progress towards the objectives

Objective	Current rating	Previous rating
Objective 1 Improved education	Green	Green
Objective 2 Improved local government capacity to deliver basic services	Amber	Green
Objective 3 Strengthened climate change adaptation and disaster risk management	Green	Green
Objective 4 Improved conditions for peace and security	Green	Green
Objective 5 Supporting the foundations for accountable, transparent, effective and inclusive governance	Green	Green

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

### Objective 1: Improved education

Progress towards this objective has been rated green. Solid progress has been made in increasing access, demonstrated by:

- > the number of children attending school who previously had no access to schooling
- > a reduction in the shortfall of classrooms affecting both access and learning quality
- > improved learning outcomes achieved through training teachers and administrators
- > organisational reforms and the introduction of better management systems in the Department of Education.

Delays in some areas result from a very challenging reform agenda but have been adequately managed so that overall progress towards this objective remains on track.

In 2012–13 the Philippine Government reaffirmed its commitment to making education the central strategy for reducing poverty and building national competitiveness. To realise this goal the government has embarked on the challenge of fixing an education system that has been under stress and under-resourced for more than two decades, while moving to an international standard 13-year education cycle. This entails a large financial investment as well as changes in curriculum, assessment, teacher development, and information and management systems. The government has substantially increased resources for education over the last two years, but significant shortfalls in funding and technical capacity to meet the needs of the Kindergarten to Year 12 reform remain.

In this context Australia is responding to the Philippine Government's education and poverty reduction agenda. We work primarily with the departments of Education and Social Welfare and Development where our partnerships contribute to:

- > donor harmonisation and whole-of-government cooperation
- > more responsive, transparent and accountable systems
- > better school readiness of pre-school children
- > increased demand for, and access to, quality education
- > improved access to basic education including by the most disadvantaged and marginalised children and communities in the Philippines.



The principal goals of our investment in education are to:

- > increase access, participation and completion rates for elementary and secondary education
- > improve learning outcomes in English, mathematics and science
- > strengthen management and information systems for evidence-based decision making in policy, planning, operations and budget execution.

The draft *Education Delivery Strategy 2012–2017*, to be finalised in 2013, will outline how Australia's investments in education in the Philippines have been consolidated into three main initiatives: the Basic Education Sector Transformation program which supports the national implementation of the Kindergarten to Year 12 reform (to be launched in late 2013), the Basic Education Assistance for Muslim Mindanao program to meet the demands in conflict affected areas (launched in November 2012), and the ongoing Social Protection and Early Childhood Care and Development program.

### **Strengthened management and information systems for evidence-based decision making in policy, planning, operations and budget execution**

The strength of management and information systems in the Department of Education has been increased as a result of Australian support in five areas. The first supports an organisational and workforce restructuring plan linked directly to a staff performance improvement program across the department. This restructuring plan is an important step in decentralising the department's implementation of the Kindergarten to Year 12 reform. Australia's partnership with the department helped to progress this contentious and highly political restructure with a high level of government ownership after it had been stalled for many years.

Second, technical assistance provided by Australia has improved evidence-based decision making in the department's planning and budget formulation processes.

Third, the national implementation of an enhanced Basic Education Information System (eBEIS) provides management with real time, rather than historical data, and has reduced the time taken for the budget planning cycle from 10 to three months. The eBEIS is an important component of the planned Unified Management Information System, a key deliverable for Australia's support to the education reform.

Fourth, the delivery of education resources to schools improved when the Australia supported Learning Resource portal went live on the department's website. This portal provides teachers, school heads and regional offices with timely access to quality Kindergarten to Year 12 learning, teaching and professional development resources.

Finally, Australia also contributed to standardising classroom construction business processes, including procurement, contract management, financial management, construction, consideration of environmental impact and use of disaster resilient materials. Better systems, procedures and guidelines have been introduced along with a manual providing guidance on planning and procurement for classroom construction. This will improve the timeliness and quality of the construction, which in the past has been hampered by failed bids and poor quality.

### **Increased access, participation and completion rates for elementary and secondary education**

The Department of Education has increased its reach to marginalised and disadvantaged children, including those in conflict-affected communities, by using community and non-government organisations to deliver basic education services and develop culturally-sensitive curriculum and teacher training for Muslim and indigenous communities.

The education department's recognition of non-formal education options now offers alternative legitimate pathways into the formal Kindergarten to Year 12 basic education system. The Australian aid program was instrumental in securing this recognition through our support to bring the Bangladeshi non-government organisation BRAC—which has a globally-recognised track-record in providing community-based, non-formal education—to the Philippines and through a continued partnership with the United Nations Children's Fund on community preschool education in conflict-affected Mindanao. Both of these initiatives are components of the recently launched Basic Education Assistance program for Muslim Mindanao.

The BRAC alternative delivery model of education complements the government's education provision in areas without public elementary schools. In just a year of operation, 410 community learning centres were established, providing access for over age children, out of school children, children in conflict-affected areas and marginalised communities.

Australia's support to education also addresses demand-side constraints. Technical assistance provided to the Department of Social Welfare and Development has helped it implement core social protection and poverty reduction programs. The Philippine's Pantawid Pamilya Conditional Cash Transfer program contributed to a 10 per cent increase in enrolment rates of three to five year old children and 4.5 per cent increase of six to 11 year old children of beneficiary households.

Australia is taking the lead in donor coordination by working closely with the World Bank and the Asian Development Bank. Australian aid is leveraging more than USD800 million in loan financing from the banks, as well as the Philippine Government's considerable investments in this conditional cash transfer program, focusing our grant support on flexible technical assistance and analytical work to influence policy dialogue on social protection.

Australia continues to support the Philippine's KALAHI CIDSS development project which is using community-driven development approaches to meet community needs, including through building classrooms and early learning facilities in poor communities where service delivery continues to lag.

We are also contributing to improved access and better learning outcomes through our classroom construction initiative. This is contributing to the Department of Education's commitment to eradicate a long-standing classroom gap and is testing private-sector-led and community-managed models for classroom construction. As well as improving the efficiency and effectiveness of construction, Australia is working with the Department of Education to improve the quality, safety and accessibility of its classroom designs using their Accessibility Design Guidelines.

Under the education objective, our program designs clearly set out strategies addressing gender and disability issues and are also reflected in monitoring and evaluation frameworks. In the Philippines Response to Indigenous and Muslim Education project, a gender, poverty inclusion and disability awareness strategy ensures gender equality and disability inclusion goals were given serious attention and consideration.

### **Improved learning outcomes in English, mathematics and science**

By including curriculum, assessment and teacher quality research on the senior executive committee agenda, the Department of Education has ensured that its policies and strategies to improve curriculum and teacher quality are informed by evidence. The department's secretary and chairperson of the Commission on Higher Education agreed to become members of the joint advisory board of the recently established research centres on teacher quality, curriculum and assessment. The centres will provide the government with high quality research products that will guide the implementation of the Kindergarten to Year 12 agenda. With commitment by the highest officials of the department and commission to the research centres, they will be

able to inform and influence policy and programming decisions. The new research centres are being established by Australian and Philippine universities: the Research Center for Teacher Quality is a partnership between the University of New England and the Philippine Normal University, while the Assessment, Curriculum and Technology Research Center is a partnership between the University of Melbourne and University of the Philippines.

While we have made good progress in improving access, progress has been substantially slower in:

- > implementing organisation and system reforms at the national level. The pace has been slower than expected because current departmental structures and workforce capabilities have not yet been fully realigned with the needs of the Kindergarten to Year 12 reform
- > securing Department of Education and ARMM personnel to take up positions in the Department of Education/Basic Education Assistance for Muslim Mindanao program management office. This has delayed implementation of the technical vocational training, classroom construction and basic education improvement components of the program
- > consolidating the individual components of the Basic Education Assistance for Muslim Mindanao program due to separate operating mandates of the implementing partners, the lack of a unified program communication strategy and absence of a unified monitoring and evaluation system.

## **Objective 2: Improved local government capacity to deliver basic services**

Progress towards objective 2 has been rated amber. Progress is less than expected and the required restorative action is in train to overcome implementation problems of one large program—the Provincial Road Management Facility. The resources that the Philippines program has committed are expected to put this back on track within the timeframe of the strategy. Development of other initiatives to strengthen local government effectiveness, transparency and accountability will be accelerated.

Australia supports improved local government transparency and accountability for better service delivery to the poor through the Provincial Road Management Facility. We are developing a number of other complimentary investments in partnership with the Philippine Government to influence policy as it applies to local government service delivery responsibilities and to leverage our relatively small funding to maximise impact. The Department of the Interior and Local Government is our key national partner and as the sections that follow demonstrate, we have established strong relationships with its senior leadership to inform national policy direction and at the operational level, impact on the government's subnational program implementation. The expected outcomes of this objective are:

- > greater transparency and accountability to enable local government to be more responsive to the needs of citizens, especially the poor
- > greater people's participation (from the private sector, civil society, general public) in local governance decision-making and implementation processes
- > greater local government effectiveness in provision of services for the poor including road infrastructure.

### **Greater local government effectiveness in provision of services for the poor including road infrastructure**

The Provincial Road Management Facility responds to the Philippines Development Plan 2011–2016 which highlights inadequate infrastructure, weak institutions and governance failures as major constraints to inclusive growth. The facility is also aligned with the Aquino

administration's reform agenda that promotes transparency and accountability for better service delivery. During 2012–13, the facility financed the maintenance and rehabilitation of 182 kilometres of provincial roads facilitating better access by households in targeted communities to markets, public utilities, health, education, and basic social services.<sup>8</sup>

Based on a qualitative assessment conducted in seven communities<sup>9</sup> adjacent to roads upgraded, the Provincial Road Management Facility has helped 51 000 families living in road-side communities save on travel costs and time. The same study found vehicle operating costs were reduced by between 20 to 50 per cent on upgraded roads, benefiting approximately 13 000 public utility vehicle operators, drivers and their assistants.

### **Greater transparency and accountability to enable local government to be more responsive to the needs of citizens, especially the poor**

Beyond the basic maintenance and rehabilitation of roads, the Provincial Road Management Facility has also helped enhance local government transparency and accountability in these key reform areas:

- > all 10 provincial governments are spending more of their own funds on maintaining core provincial roads with increased spending averaging over 35 per cent
- > procurement structures and systems have been put in place in all 10 provinces that comply with Philippine Government procurement law
- > provinces have developed and implemented multi-year human resource management and development plans to support local road service delivery, and improved the efficiency and accuracy of human resource transaction processing
- > six of the seven original provinces have consistently improved local revenue collection, with an average increase of 21 per cent.<sup>10</sup>

Challenges with the overall management of the Provincial Road Management Facility have delayed implementation. The rehabilitation and maintenance of roads is off track. Following the exit of the previous managing contractor, plans to transition to a new firm were disrupted by corporate developments with the firm. Under a transitional arrangement, the Australian Government has been directly managing the facility since October 2012 and has a robust performance management framework in place. Australian Government officers are embedded as senior Provincial Road Management Facility management—led by a counsellor working as a facility director—and constantly monitor program performance. Further performance oversight is provided by the facility's steering committee which is co-chaired by Australian Government and the Department of the Interior and Local Government, and monthly performance reporting to the Australian Government aid program executive. A public tender process is currently underway to engage a new contractor by August 2013.

An independent review<sup>11</sup> carried out in July 2012 affirmed the Provincial Road Management Facility's relevance and alignment with the Philippine Government's reform agenda, but recommended changes to its implementation to improve effectiveness and sustainability. Response to the findings of the review resulted in greater efforts by the Department of the Interior and Local Government to assume more responsibility for leading the initiative. As a result the department is now the procuring entity. Under the new management model, DFAT

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<sup>8</sup> Provincial Road Management Facility six-monthly report from July to December 2012, January 2013.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Provincial Road Management Facility Independent Progress Review, July 2012.

and the Department of the Interior and Local Government will work in partnership to direct the facility's strategy and operations through a Facility Management Group.

In the next year, the department will seek funding to launch a national program for local roads management modelled on the Provincial Road Management Facility.

### **Enhancing local governance**

We are supporting the Department of the Interior and Local Government's program to improve the performance of local governments through a performance and incentives facility that is planned to begin in 2013–14. This support involves technical assistance and capacity development to help expand its successful Seal of Good Housekeeping local governance transparency and accountability program. It will also inform policy decisions in relation to the Performance Challenge incentive fund (tied to the seal) and other unaligned incentive mechanisms in the department and in other government agencies.

Australia is also helping to design and implement the National Community Driven Development Program, a \$2 billion initiative implemented by the Department of Social Welfare and Development in cooperation with the Department of the Interior and Local Government, and jointly funded by the Asian Development Bank and World Bank. The program seeks to empower communities in targeted poor municipalities to improve access to services, including education, and participate in more inclusive local planning, budgeting and implementation.

Australia is also supporting the Department of the Interior and Local Government's new Empowerment Fund for Participatory Governance. This provides small grants to civil society organisations for capacity building and community organising to empower citizens to more effectively engage in participatory governance processes. At the department's request, Australia helped coordinate interested parties in the initial design and draft the program guidelines.

Completion of the *Sub-national governance delivery strategy*—which was not undertaken during 2012–13 due to the significant managerial requirements of Provincial Road Management Facility—will be a priority for the year ahead.

### **Objective 3: Strengthened climate change adaptation and disaster risk management**

Progress against objective 3 has been rated green. During the review period, progress has been made in strengthening climate change adaptation, disaster preparedness and disaster risk management in the Philippines. The effective government-led response to Typhoon Bopha and collaborative policy work on resettlement of informal settlers in flood-prone urban areas demonstrate gains made in preparedness, planning and disaster response since Typhoon Washi in 2011.

The Philippines is the third most vulnerable country globally to natural disasters and one of the top 10 at-risk of climate change. Unplanned and unregulated urbanisation exacerbates the problem with the Philippines ranked as the fastest urbanising country in the region. Australia has a long-standing commitment to assist the government and communities reduce the vulnerabilities of Filipinos who are adversely affected by natural disasters.

In 2013, this commitment was further defined in *The Road to urban resilience: Australia's delivery strategy for disaster risk reduction and climate change adaptation in the Philippines*. The programs in place to support this strategy are expected to achieve two outcomes. First, that local governments, working with stakeholders, collaboratively plan and implement disaster risk reduction and climate change strategies. Second, that national government provides strategic leadership and guidance to enable local governments to implement disaster risk reduction action on the ground. Australia will achieve these outcomes by assisting the

Philippines to develop and implement hazard and risk maps, community-based disaster risk management and land use planning, and inform and guide the construction of safer settlements.

The theory of change assumes that local governments are best placed to put policy into practice. Australia's grant funds will be used to experiment, modify and test better practice disaster risk reduction models. Subject to successful demonstration, the challenge becomes convincing other local government units to adopt the model, and for national government to adopt this as a performance measure of local governments.

As part of this strategy, Australia is implementing the Building Resilience and Awareness of Metro Manila Communities Against the Impacts of Natural Disasters and Climate Change (BRACE) pilot program. Its aim is to promote greater urban resilience to disasters and climate change, and test local models for safer settlements to inform national policy and funding. BRACE includes activities with partners at the national and local levels, particularly Taguig City in Metro Manila. The program has four interrelated components: risk analysis, community based disaster risk management, risk sensitive land use planning and building safer settlements.

During the period of this report, Australia began implementing the first three of the four BRACE program components. Construction for safer settlements has not started because of an unexpected dispute over land ownership in Taguig City and the challenge of ensuring resettlement risks are fully assessed and mitigated.

The BRACE model of an integrated package of programs to address informal settlement in high risk disaster areas is already gaining ground. The president made available Php50 billion to help informal settler families have access to safer homes. Currently, BRACE has shifted its safer settlement component from just piloting in Taguig City to helping the government deliver concrete action for the 20 000 families living in the most dangerous areas across Metro Manila. Australia was able to respond quickly to this presidential priority. It was able to influence the emerging policy trends being developed by the Philippines on low-cost housing finance, green technology, and disaster risk information. The opportunity arose because BRACE was designed before Philippine Government reforms began to take traction, and before other donors started taking an interest in urban resilience. This has confirmed Australia's lead in the sector. Australia is currently in discussions with the Department of the Interior and Local Government on the details of this program of support, which will be designed to create national policy and inform program implementation.

Australia also works at the national level in partnership with Philippine Government agencies to better understand the threat from disasters and climate change, reduce risks identified from assessed vulnerabilities and better prepare communities to respond to disaster. Australia's support is informed by the fact that better data, knowledge sharing, research, planning and preparation is needed to inform policies, decision making and investments. Our current support builds on the eight-year Disaster and Climate Risks Management initiative that started in 2006 and will soon end. A new initiative, the Technical and Policy Linkages program, will be designed in the coming year to build on the solid foundation of this initiative.

Major accomplishments achieved by this initiative during the period of this review include:

- > continuing promotion with Philippine Government partners of the multi-hazard approach in undertaking hazard and risk assessment and providing a venue for Philippine Government agencies, both technical and policy oriented, to collaborate and agree on methodologies. This approach has been institutionalised within the Philippine Government. The technical partnership has also led to the completion of multi-hazard maps for 27 vulnerable provinces which are now informing planning and investment decisions, as well as local disaster mitigation measures including those supported by other donors. As a result, communities have accurate information on which to base their disaster preparedness

and contingency measures. The project has made a substantial contribution to the early learning and development of the Philippine Government regarding what works and what does not in promoting multi-stakeholder and multi-hazard approaches to disaster risk management<sup>12</sup>

- > engaging in policy dialogue with Philippine Government agencies, particularly in harmonising the interlocking yet separate policies on disaster risk reduction and climate change adaptation. This guided the preparation of planning guidelines on integrating these two areas into provincial planning and local level land use planning processes. This is complemented by capacity building of 155 provincial and local planners and technical officers on risk information and planning, which produced 81 provincial disaster and vulnerability assessments. These are now the basis of planning policies and investment decisions to make localities more resilient
- > supporting the development of a post-disaster and emergency disease surveillance system (SPEED) which helped prevent the outbreak of diseases after Tropical Storm Washi in 2011, and the Southwest Monsoon and Typhoon Bopha in 2012. The system has been rolled out in all 17 regions and 81 provinces nationwide and was awarded the Philippines' best health innovation for 2012. Overall, SPEED is a remarkable accomplishment. Within the space of only two-years, a simple, inexpensive, and yet sophisticated surveillance tool has been developed, tested, refined and deployed nationally.<sup>13</sup>

Australia remains committed to assisting government and communities when natural disasters strike and has continued to provide considerable response and post-disaster support to address immediate needs and help communities on the path to recovery. After Typhoon Bopha, Australia's response included both immediate and life-saving interventions (food, water, hygiene kits, emergency shelter) and early recovery support (debris cleaning, food for work, cash for work, shelter and livelihood recovery) to help affected families and communities transition to longer-term recovery. Australia provided a total of \$10.55 million in assistance helping more than 500 000 people affected by this devastating natural disaster.

Australia's response contributed to the Typhoon Bopha Action Plan for Recovery, which was launched by the Philippine Government and the United Nations, as well as better donor coordination to ensure the most affected population and communities are served.

Through an innovative initiative, Australia prepositioned \$2 million worth of emergency stocks with partners including the Philippines Red Cross, World Food Programme and the United Nations Population Fund. This resulted in near immediate assistance to those in need when the typhoon struck.

Australia also supported reproductive health services in response to Typhoon Bopha through the emergency relief work of United Nations Population Fund: 25 669 women of reproductive age and 9522 pregnant and lactating women benefited from dignity and hygiene kits. In partnership with Handicap International, 2500 vulnerable families, particularly people with disability, were provided with access to emergency items and services after Typhoon Bopha.

The ongoing partnership between Geoscience Australia and Philippine Government technical agencies has been integral to building the capacity of the Philippines on natural hazard risk information under the BRACE program. This partnership is expected to increase in the coming years as the program also engages the Australian Bureau of Meteorology, the CSIRO and counterpart Philippine Government agencies to design a new technical linkages capacity

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<sup>12</sup> Hazards Mapping and Assessment for Effective Community Based Disaster Risk Management (READY) project, independent completion review, August 2012.

<sup>13</sup> Post-disaster surveillance in the Philippines: an external review of the SPEED program, 15 July to 10 August 2012.

development program. This program will help the Philippine Government to better forecast, prepare and respond to natural disasters through joint projects with counterpart Australian agencies.

The OECD-DAC reviewed the Australian Aid program in 2012 and commented that

The Australia–Philippines Program Strategy has championed change in other Australianaid program countries and driven agency-wide strategies, for example by integrating disaster risk reduction, climate change and the environmental approaches in order to protect development gains in a high-risk country. Australia is widely appreciated as a proactive, rapid and flexible humanitarian and recovery donor in the Philippines, underlined by its comprehensive response to tropical storm Washi.

#### **Objective 4: Improved conditions for peace and security**

Progress towards this objective has been rated green. Australia made an early contribution through multilateral mechanisms to programs which have maintained support for the Framework Agreement on Bangsamoro (peace agreement) on the ground. During the review period, progress has been made in strengthening institutions, particularly better human resource and budget management in the ARMM Department of Education. Australia supported voter registration and civilian monitoring of security sector reform. These relatively modest initiatives have helped improve conditions for peace and security.

The key drivers for Australia’s focus on peace and security in Mindanao remain. There are continued high levels of poverty (especially in ARMM), poor availability of basic services and limited employment opportunities, all underpinned by ongoing local-level conflict and unresolved peace processes. This results in a cycle of conflict, poor governance and underdevelopment, which is both economically and socially damaging. There are also many positive developments – the October 2012 signing of the Framework Agreement on the Bangsamoro, the improvements in the ARMM Regional Government, particularly on transparency and accountability, and reduced numbers of violent incidences in ARMM.

Beyond the wider benefits in Mindanao, the signing of the Framework Agreement on the Bangsamoro is a positive development for Australia’s ongoing investments directed at improving conditions for peace and stability in Mindanao. In response to the agreement, Australia provided an additional \$2 million to support the overall momentum for peace in Mindanao. These funds have been channelled primarily through multilateral agencies: the Mindanao Trust Fund and the Facility for Advisory Support for Transition Capacities. These two mechanisms are complementary—the trust fund will help deliver tangible results in basic services and livelihood assistance to conflict-affected communities in the short-term, while the facility will focus on technical assistance to the Moro Islamic Liberation Front and the Bangsamoro Transition Commission to ensure an effective and timely completion of transition arrangements.

In 2013, Australia’s commitment to improve conditions to peace was outlined the *Mindanao conflict affected areas delivery strategy*. The initiatives supporting this strategy are expected to achieve four outcomes:

- > working to build more capable and legitimate institutions in conflict-affected areas
- > expanding economic opportunities for conflict-affected populations
- > strengthening foundations for a negotiated peace
- > reducing vulnerabilities for conflict affected populations.



### **Working to build more capable and legitimate institutions in conflict-affected areas**

The ARMM Regional Government, appointed by President Aquino in 2011, is committed to reducing widespread fraud and corruption in government. Australia, in partnership with the World Bank, has supported this commitment by identifying weaknesses in the ARMM Department of Education's financial management processes and planning that are potentially denying communities access to much needed resources.

Australia supported the development of a human resource information system database which enabled ARMM officials to cross match payroll items with personnel data. In doing so, 500 'ghost teachers' were identified and removed from the payroll with significant savings in the personnel budget. As a result of Australian technical assistance, the ARMM Department of Education has been able to implement a new transparent process for teacher hiring and deployment which was previously highly vulnerable to corruption. Australian support has facilitated a significant improvement in the level of trust and the quality of budget dialogue among national agencies including the Department of Budget and the Department of Education, as well as ARMM Regional Government and the ARMM Department of Education. Closing the long standing trust gap has improved the release of funds for education in ARMM.

A clean-up of the electoral role in ARMM resulted in 477 964 non-existent or ineligible voters being delisted from the area's new list of voters, a cut of 27 per cent. The Australian Government aid program, through our partnership with The Asia Foundation, funded the civil society oversight and monitoring of this successful voter re-registration process. A civil society presence contributed greatly to the production of an audited book of voters for the first time in ARMM history, paving the way for a more orderly, honest, peaceful, and credible elections. A clean list of voters will not resolve all the problems of ARMM, but it does remove a fertile source of corruption, and provides a useful baseline for future elections as well as a reference point for service delivery agencies to cross-check lists of beneficiaries. This reinforces the synergies between Australian aid programs, whereby our partnership with The Asia Foundation enabled a more open and transparent voter registration to take place, supporting government reform and cleaning up a formerly corrupt system.

### **Strengthening foundations for a negotiated peace**

As a result of Australian funded security-sector reform activities, the chief of staff of the Armed Forces of the Philippines issued a directive to establish a civilian monitoring mechanism for the implementation of the Internal Peace and Security Plan. This institutionalisation of civilian monitoring in security sector reform signalled a significant shift for the armed forces—traditionally the relationship between the military and civil society organisations has been one of mutual mistrust, with limited opportunities to work together. Australia's funding for a network of civil society organisations has strengthened the transparency and accountability in the Armed Forces of the Philippines, as the civil society organisations work together with them to observe, report and recommend actions to ensure the reforms are followed through. The mechanism serves as a check and balance. Moreover, the continued presence of civil society organisations has fostered confidence and trust between the armed forces and the community. This unprecedented approach enables civil society organisations to play an active role in what was once a closed Armed Forces of the Philippines domain. The presence of these civil society organisations influences governance and security reforms in ARMM by ensuring that efforts towards peace are more respectful of the rights of civilians.

Australian aid activities have also helped women strengthen their voices in the peace process in Mindanao. Through the initiative, Another Mindanao is Possible, Australia is providing support to the Mindanao Commission on Women to help repair the torn social fabric through

peace-making and peace-building. The commission uses a social entrepreneurship model to organise peace circles through networks at national, regional, provincial and local levels, allowing women a substantive voice in the peace process.

Australia is a valued partner in development interventions in Mindanao with wide-ranging and constructive working relationships at all levels of government in conflict-affected areas. Australia has also developed a relationship with the Moro Islamic Liberation Front. Partnerships have been developed with strategic civil society organisations addressing current development challenges. These organisations will be important actors in the proposed transition to the Bangsamoro.

The Supporting Peace in Mindanao initiative is a deliberately flexible mechanism which supports key stakeholders to advance the peace agenda. However management of this initiative is administratively heavy for the Australian aid program. To reduce this administrative burden, in the coming year DFAT will streamline peace and security work in line with the *Mindanao conflict affected areas delivery strategy*.

### **Objective 5: Supporting the foundations for accountable, transparent, effective and inclusive governance.**

Progress toward this objective was rated as green. Good progress was made over the review period in modernising public financial management systems and increasing civil society scrutiny with direct support from our public financial management program. The Coalitions for Change program identified networks to support reform, which helped pass an important tax excise reform bill. Human resource and organisational development was advanced through the cross-cutting Human Resource and Organisational Development Facility. An independent review of this found its successes to be a positive example for other programs.

Recognising that weak governance places restrictions on accelerating development and the priority given by the current administration to addressing governance constraints, Australia has established a cross-cutting governance objective. Initiatives in place to support this strategy are expected to achieve four outcomes:

- > more transparent, efficient and effective public financial management
- > better civil society capacity to engage government in constructive partnerships for reform
- > improved government capacity to pursue organisational and institutional change, and to partner with civil society, to improve the accountability and transparency of government operations
- > solicited, public-private partnerships to fund priority infrastructure projects through open, competitive bidding established as usual practice.

#### **More transparent, efficient and effective public financial management**

The Philippines–Australia Public Financial Management Program works closely with central finance agencies and large spending departments to implement the Philippine Public Financial Management Reform Roadmap and improve the quality and accountability of public spending. This comprehensive public financial management reform agenda aims to simplify, improve and harmonise the financial management processes and information systems of the Philippines’ bureaucracy. Australia, through the program, is the lead donor supporting budgeting and expenditure management reforms. With Australian support, the Philippine Government made headway in 2012 to modernise its public financial management systems.

A conceptual design of the Government Integrated Financial Management Information System was prepared through the Philippines–Australia Public Financial Management Program and approved by the government. This system is one of the largest and most complex

public financial management projects ever undertaken in the Philippines. It is the centrepiece of the reform program and represents a significant investment to automate public financial management systems. When implemented from 2015, the system will replace current manual and paper-based processes, have more than 10 000 government users, and automate several million transactions each year.

Progress was made to improve centralised cash management and budget execution, and potentially enable significant fiscal savings to the government through the introduction of a Treasury Single Account. A functional review and business plan for the account was prepared by the Philippines–Australia Public Financial Management Program and approved by the government. Estimates show the account has the potential to yield savings to the country of up to \$75 million a year, as well as consolidate up to 9000 government bank accounts and shed light on an area severely lacking transparency.

The Philippines–Australia Public Financial Management Program also supported greater cooperation between the government and civil society through the Citizen Participatory Audit Project. Launched in 2012, this innovative initiative is enhancing transparency, accountability and citizen participation in the public audit process. Participatory audits of three government spending programs are planned in 2013.

### **Improved government capacity to pursue organisational and institutional change**

The Human Resource and Organisational Development Facility is designed to build capacity in government agencies. It is improving the effectiveness and sustainability of Australia’s aid programs through a suite of interventions in human resources and organisational development reforms for partner agencies. The facility is cross cutting and supports other sector-focused programmatic interventions by building the organisational capability of key Philippine Government agencies.

Activities include developing human resources plans and systems, improving strategic planning, promoting leadership skills, undertaking competency-based recruitment, and change management support. The change theory assumes that strengthening the human resources and organisational development systems of these partners enables them to be more effective in fulfilling their mandates and helps them achieve the development objectives of Australia’s aid program.

An independent review of Human Resource and Organisational Development Facility carried out in January and February 2013<sup>14</sup> found that:

*“AusAID<sup>15</sup> can be very satisfied with its implementation and be prepared to acknowledge that the facility represents a successful program, of which some aspects are transferable to other AusAID programs elsewhere”.*

In the same report, partners cited the Human Resource and Organisational Development Facility as the pioneer coordinated human resources/organisational development program for government agencies in the Philippines. In the review<sup>16</sup> the Philippine Civil Service Commission highlighted the facility’s role in establishing a competent and performing bureaucracy, which is an important step to implementing the country’s development plan. In

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<sup>14</sup> Philippines–Australia Human Resource and Organisational Development Facility, Independent Evaluation Report, February 2013.

<sup>15</sup> In November 2013 AusAID was integrated into the Department of Foreign Affairs and Trade (DFAT). In this report, ‘AusAID’ is used to refer to the achievements and performance of the organisation prior to the integration; ‘DFAT’ is used to refer to current and future aid commitments of the integrated department.

<sup>16</sup> Ibid.

this respect, Australia is leading reforms and has demonstrated its comparative advantage in this area.

### **Improved civil society capacity to engage government in constructive partnerships for reform**

To maximise opportunities arising from the current administration's commitment to expand government-civil society relations, we have initiated a new partnership with The Asia Foundation, a proven Australian aid program partner. A core part of the overall partnership is Coalitions for Change, which aims to contribute to positive change in policy formulation and implementation by supporting civil society-led coalitions and networks. Coalitions for Change leverages the joint programs of the Australian aid program and The Asia Foundation to:

- > facilitate and develop capacity for more constructive engagement between government, civil society and other stakeholders
- > expand stakeholder networks of both organisations to facilitate locally-driven policy reform
- > develop the capacity of, and increase knowledge sharing and collaboration between, the Australian aid program and The Asia Foundation
- > enhance the role of evidence in informing policy reform
- > establish more integrated approaches for civil society engagement in the design and implementation of programs in areas of common interest for Australia and The Asia Foundation.

During 2012–13 the Australian Government aid program and The Asia Foundation teams identified a range of coalitions and networks supporting reform agendas that are aligned to, and supportive of, aid program priorities. These included:

- > ARMM governance reform
- > local conflict mitigation
- > local road management in two Philippines–Australia Public Financial Management Program targeted provinces
- > informal settler family communities in Metro Manila
- > classroom construction in two cities.

At a critical juncture in the reform process, Coalitions for Change, with other development partners, supported a coalition of organisations backing the passage of a law that will deliver estimated additional revenues of \$796 million a year to cover universal health care costs through an increase of excise taxes on tobacco and alcohol, the first successful excise tax reform in 15 years. Coalitions for Change also supported a coalition that provided civil society oversight for the re-registration of voters in ARMM which helped improve the credibility of its electoral process. The partnership with The Asia Foundation also helped improve the lives of Filipinos with disability by helping increase their participation in the May 2013 elections through a campaign led by a coalition of civil society organisations, government, media and private sector actors. This campaign resulted in a 19 per cent increase in registrations of people with disability—more than 65 000 people. The Asia Foundation has also successfully taken on management responsibility for administering the Philippines–Australia Community Assistance Program, a long-standing Australian aid small grants program for local civil society organisations.

### **Solicited, public-private partnerships to fund priority infrastructure projects through open, competitive bidding established as usual practice**

Australian support to public-private partnership reforms helped the Philippine Government achieve its target of tendering eight projects with a combined value of around \$3 billion. Australian support has been instrumental in generating increased momentum in improving transparency, regulatory and governance arrangements for preparing and tendering viable projects. When compared regionally and globally, the Philippines public-private partnership program is making good progress in delivering key infrastructure projects. Australia worked through the Asian Development Bank, World Bank, and International Finance Corporation to leverage multilateral expertise for both policy and transaction advisory support. This is the first substantial co-financing arrangement between the Australian Government aid program and the Asian Development Bank in the Philippines for many years. A mid-term review of the public-private partnership program is currently being undertaken, and will provide recommendations to guide future support.

During 2012 Australia began supporting the Philippine Government to participate in the Extractive Industries Transparency Initiative. Small-scale support has been provided to a range of initiatives essential to the government's application for candidature to the initiative. The Philippines was accepted as a candidate country at the global Extractive Industries Transparency Initiative conference held in Sydney in May 2013. Now that this has occurred, Australia will continue to support the government through the candidature process through its contribution to the global multi-donor trust fund.

A key challenge in the year ahead will be producing a governance document that clearly articulates our overarching approach and logic behind cross-cutting governance initiatives.

### **Supporting gender equality and disability-inclusive development**

The Philippines program is developing gender and disability notes to guide work in these two areas. The notes, to be completed in 2013, will, where appropriate, identify entry points for gender and disability in further areas of the program.

### **Whole-of-government**

Approximately 2.9 per cent of official development assistance to the Philippines is delivered by other federal government agencies. Official development assistance to the Philippines was delivered through the:

- > Department of Foreign Affairs and Trade (three projects valued at \$55 500)
- > Australian Centre for International Agricultural Research (seven projects valued at \$1.45 million)
- > the Department of Agricultural, Fisheries and Forestry (one project valued at \$55 000)
- > Health and Ageing (two National Health and Medical Research Centre projects valued at \$0.47 million)
- > Immigration and Citizenship (one project valued at \$10 500)
- > Department of Industry, Innovation, Science, Research and Tertiary Education (two projects including one through Australian Nuclear Science and Technology Organisation valued at \$1.75 million)
- > Infrastructure and Transport (one project valued at \$64 000).

## Aid effectiveness

As part of the OECD-DAC review, a field visit to the Philippines was conducted. The review found that even though Australian aid is only a small fraction of the Philippine economy, the two countries maintain a trusted bilateral partnership built on clear mutual interests and a deep understanding of the political, social, economic and regional context. The review found that the Philippine Government values Australia's concentration on a limited number of key sectors. These include education and improving government capacity to deliver basic services at national and local levels.

The field visit found the Philippines program is preparing the ground for using country systems. Australia's 10-year commitment with the Philippines Government to develop capacity in the public financial management system and to reinforce government accountability in a country with weak financial execution rates was praised by several partners. The review also found that the Australian aid program is implementing part of its program using the Philippines' country systems. It has recently published an assessment of national systems, and has channelled performance-linked aid to provincial governments through the Provincial Road Management Facility. Further, Australia's support to the education sector is progressively being channelled directly to the Department of Education using government systems.

## Quality at Implementation ratings

Quality at Implementation (QAI) reports were completed for all 19 monitorable activities in the Philippines program. This year, QAI moderation was conducted by the director and the performance and quality manager from the Philippines Desk in Canberra. This increased level of scrutiny improves upon previous years and contributed to greater consistency in the ratings allocated. It also resulted in more useful activity descriptions. The comprehensive and systematic analysis of the program offered by the moderation process highlighted the significance of institutional systems strengthening, partnerships and policy dialogue across the program.

QAIs found that Australia's aid to the Philippines is relevant and effective. All activities rated relevance – *is this the right thing to do* – satisfactorily (a score of at least four) again this year, signalling that the initiative is a highly appropriate way to meet the priority development goals that Australia shares with the Philippines Government and other development partners. In terms of effectiveness – *are we making the progress we expected at this point in time* – all but one activity rated satisfactory achievement of outcomes, including the Public Sector Linkages Program which responded well to modifications to selection processes and stricter requirements imposed on the provision of evidence of outcomes in progress reports. This initiative is now a legacy program, being replaced by the Government Partnerships for Development program. Effectiveness remains unsatisfactory for the Provincial Road Management Facility (see objective 2).

Between 2011 and 2012, there has been a marked improvement in the achievement of a satisfactory rating for *efficiency – is the initiative making appropriate use of Australia's and other partners' time and resources to achieve objectives* from 56 per cent to 95 per cent, *gender equality* from 63 per cent to 90 per cent, and *sustainability – will the benefits last* from 75 per cent to 90 per cent. Improvement in the gender equality ratings reflects the effort of teams to address gender issues and to report against the pillars of the Australian aid program's gender policy.

The accessibility and reliability of *monitoring and evaluation systems* to provide robust performance information also improved from 75 per cent to 84 per cent. While monitoring and evaluation appears strong in most areas, there is room for improvement and strong steps

are needed to improve the quality of the monitoring and evaluation systems of three activities, as this category received the least number of satisfactory ratings. As the program matures, the capacity of these systems to draw conclusions about the quality, value and importance of activities will become more evident.

Of the 19 initiatives reported on, 15 (79 per cent) were given satisfactory ratings across all six quality assessment criteria. Three activities recorded unsatisfactory ratings against two or more of the assessment criteria. Of the 20 unsatisfactory ratings given in 2011, 14 (58 per cent) progressed to satisfactory in 2012–13. The four initiatives not reported on in 2011 received satisfactory ratings against all criteria.

## Management consequences

Progress in addressing the previous year's management consequences are outlined in the table at Annex A.

### Management consequences – general

In 2013–14 Australia will begin implementing some major investments. It will be important to ensure continued coherence of program objectives with DFAT and the Australian Government's strategic priorities, as well as with the Philippines' own priorities and the jointly agreed country strategy for 2012–2017.

These investments raise the importance of improving mutual accountability and results reporting. During 2013–14, the program must finalise a robust country strategy monitoring and evaluation framework which is capable of capturing Australia's contribution to the ambitious government reform agenda in a middle income country. The Philippines program must also develop the delivery strategy performance assessment frameworks for education and sub-national governance.

The strength of partnerships, a feature of the country strategy, will remain critical in 2013–14 to achieve results. Maintaining relationships with key partners will continue to require sustained attention across all sectors as well as the commitment of staff resources.

Across the program, strengthening the sustainability of reforms will be critical in the lead up to the next Philippine presidential elections in 2016. This will be achieved by helping partners identify and embed good policy formulation and implementation in core systems, and continuing to engage with reform champions during 2013–14 to promote institutionalisation of reform.

There will be a significant changeover of Australian-based staff with three of the five positions changing occupants. Effective hand-over arrangements will be required.

**Objective 1: Improved education:** In education, organisation and systems reforms will need to be driven with DFAT support to enable the Department of Education to implement the challenging Kindergarten to Year 12 reforms. Given the scale and complexity of Australia's education investment it will be important to monitor the effectiveness of activities as they roll out, managing risk and assessing progress and effectiveness. The Education Delivery Strategy will be finalised in 2013–14.

**Objective 2: Improved local government capacity to deliver basic services:** A priority for 2013–14 will be to hand over Provincial Road Management Facility operations to a new supporting contractor working closely with the Department of the Interior and Local Government, and to adapt the program based on lessons learnt over the past 18 months. The transition to a new contractor and management model for the facility will be a key management challenge, as will management of the contractor.

Divesting the program of direct Provincial Road Management Facility management will allow reallocation of resources to developing the broader sub-national governance portfolio. Development of a delivery strategy for sub-national governance, originally proposed for last year, will be undertaken in 2013–14. The overarching strategy will need to be cross-cutting and supportive of other sectoral and thematic priorities of the program, rather than be a stand-alone, sectoral strategy. This will be a further opportunity to drive consolidation within the program, and refocus activities on the core objective of improved local government capacity to deliver services through greater accountability, greater people's participation and better effectiveness, beyond the facility's focus on road infrastructure.

***Objective 3: Strengthened climate change adaptation and disaster risk management:***

Promoting greater urban resilience to disasters and climate change and testing local models for safer settlements is the aim of the BRACE program. Australia has begun implementing the first three of the four BRACE program components, however an unexpected dispute over land ownership in Taguig City, and the challenge of ensuring resettlement risks are fully assessed and mitigated, is preventing the fourth component from proceeding. This will either require the identification of a suitable alternative site or delivering on this commitment by working with other social housing providers.

***Objective 4: Improved conditions for peace and security:*** During 2013–14, the program will need to capitalise on the promising peace process in Mindanao. Australia needs to respond flexibly, within agreed priorities to emerging demands from key stakeholders. We should use our early contributions to multilateral facilities to promote donor coordination and support the Framework Agreement on Bangsamoro. While the Supporting Peace in Mindanao initiative still proves to be of strategic value for DFAT, there is a need to streamline projects into a more focused program in keeping with the Mindanao Conflict Affected Areas Delivery Strategy.

It will be important to maintain investment in monitoring and evaluation, research, and strategic communication in Mindanao. Monitoring activities is essential to ensure that the programs remain on track and that we can respond to rapidly changing environments and high levels of personal and program risk. Weak capacity in the ARMM Department of Education will need to be supplemented by implementing partners to maintain a momentum for reform.

***Objective 5: Supporting the foundation for accountable, transparent, effective and inclusive governance:***

Implementing the recommendations of the Human Resource and Organisational Development Facility mid-term review will be a priority to continue to improve this well regarded program, most notably actioning recommendations on planning for the sustainability of reforms beyond the life of the program. The development of a sector focused monitoring and evaluation plan for each component of the Coalitions for Change program is required to ensure we learn from the successes and failures of this innovative program. In 2013–14, the challenge for the public financial management program is to carry forward the solid foundation of strategic, analytical and planning work accomplished to date into successful project implementation.



Table 3: Risks associated with the program and management actions

<b>Most significant risks</b>	<b>Management response – What? Who? How? When?</b>
Government and other partners are unable to sustain and institutionalise reforms being supported.	Across the program we will seek opportunities to embed reforms within the core systems and processes of government and other partners.
Low capacity in ARMM Regional Government departments, political instability or conflict significantly delays program implementation.	We will increase the level and frequency of monitoring activities to ensure that the program remains on track and that we are able to respond to rapidly changing environments and high levels of personal and program risk. Weak capacity in the ARMM Department of Education will need to be supplemented by implementing partners to maintain a momentum for reform.
Unsuccessful transition to a new supporting contractor and management model for Provincial Road Management Facility.	DFAT and the Department of the Interior and Local Government will jointly direct Provincial Road Management Facility strategy and operations through a facility management group. Detailed transition plans will be implemented during a two month staged transition to a supporting contractor.
Inability of Taguig City to identify a suitable site for construction of safer settlements in the city.	Renew discussions with Taguig City officials to identify a new site, or deliver on our commitment by exploring options to fund an existing social housing provider already active in the area.
Pressures to broaden and diversify the Mindanao strategy, dissipating impact and desired results.	Streamline projects into a more focused program in keeping with the Mindanao Conflict Affected Areas Delivery Strategy.
Failure to implement the recommendations of the independent review of the Human Resource and Organisational Development Facility and Coalitions for Change.	Develop implementation plans and use these to track progress instituting the recommendations of reviews.

## Annex A

### Progress in addressing 2011 management consequences

Management consequences identified in 2011 APPR	Rating	Progress made in 2012–13
Delivery strategies: complete delivery strategies for each of the four objectives	Amber	The delivery strategies for disaster risk reduction/climate change adaptation and Mindanao Conflict Affected Areas are complete. The strategy for education was peer reviewed. Substantial feedback was received. It is currently being redrafted to incorporate this. Given the direct management requirements for the Provincial Road Management Facility, the delivery strategy for sub-national governance was not commenced, but will be completed in 2013–14 after the new management arrangement is in place.
Results: performance assessment framework for the country strategy and each delivery strategy in place	Amber	The country strategy and each completed delivery strategy have a performance assessment framework. Dialogue with the Philippines Government has taken place. A draft monitoring and evaluation framework incorporating a performance assessment framework has been prepared. These consider the contribution of policy dialogue and institutional systems strengthening at the strategic level to achieve the specified sub-objectives. The monitoring and evaluation framework will be finalised by the end of 2013.
Efficiency: further consolidation within the country program to address low efficiency ratings in the 2011 QAIs.	Green	QAI results for this year show improved efficiency ratings, from 56 per cent satisfactory or better in 2011 to 84 per cent satisfactory or better this year. Under Education, Australia is moving from a project based approach to a program and systems approach to development. Our initiatives have been consolidated into three main pillars.
Partnerships	Green	Partnerships and the time invested in them are central to our program achievements. As was evident in this report's narrative, we are developing deeper, more engaged and substantive partnerships that allow us to coordinate development efforts, share resources, gain access to knowledge and analysis. A review of our partnership with World Bank found greater alignment in our objectives. Our support to public-private partnership reform meant the first substantial co-financing arrangement between the Australian Government and the Asian Development Bank in the Philippines for many years.
Risk	Green	Each initiative has a risk register which is updated quarterly. These feed into program and division level risk plans. The management dashboard is regularly updated and is one of the key mechanisms employed by the leadership team to monitor and address risk at Manila Post. Approval to travel to high risk areas (physical security issue) is sought through both Manila Post and Canberra security and risk mitigation processes.

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

## Annex B

### Quality at Implementation ratings

Initiative name	Approved budget and duration	QAI year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
Philippines: Public Sector Linkages Program	\$6 269 006	2012	4	4	4	2	3	1
	19/02/2004 – 31/12/2015	2011	5	3	4	2	2	1
Supporting Peace in Mindanao	\$13 033 950	2012	5	5	4	3	4	3
	15/06/2005 – 30/06/2015	2011	5	5	4	3	3	3
Philippines: Disaster and Climate Risks Management	\$31 384 352	2012	6	6	5	4	6	4
	02/06/2006 – 30/12/2015	2011	6	5	4	4	6	4
Basic Education Sector Reform (SPHERE)	\$51 509 578	2012	6	5	4	4	5	4
	05/01/2007 – 30/06/2014	2011	5	4	3	4	4	3
Support to World Health Organization Country Program	\$5 008 000	2012	6	6	5	5	5	5
	01/05/2008 – 30/06/2013	2011	5	5	3	5	5	5
Muslim and Indigenous Peoples Education Program	\$19 989 063	2012	5	5	5	5	5	4
	01/07/2008 – 30/06/2014	2011	6	5	4	3	5	4
Basic Education Assistance for ARMM	\$89 637 520	2012	6	5	5	5	4	4
	01/09/2009 – 30/06/2017	2011	6	4	5	5	4	5
Provincial Road Management Facility	\$100 000 000	2012	5	3	3	4	3	3
	01/09/2009 – 30/06/2015	2011	4	3	2	4	3	3
Human Resource Organisational Development Facility	\$73 991 856	2012	6	5	5	5	5	6
	23/03/2009 – 30/06/2019	2011	5	4	3	5	4	5
Philippines Social Protection	\$15 503 266	2012	6	5	4	4	6	4
	03/02/2009 – 30/06/2016	2011	6	5	5	5	5	5
Australia–World Bank Philippines Development Trust Fund	\$50 000 000	2012	5	4	5	2	5	4
	01/06/2009 – 30/06/2016	2011	5	5	3	3	5	3
United Nations Maternal and Neonatal Mortality Reduction	\$12 270 000	2012	5	5	4	4	5	5
	30/05/2010 – 30/06/2013	2011	5	4	4	4	4	3
Australian Development	\$3 499 255	2012	6	5	5	5	5	6

Initiative name	Approved budget and duration	QAI year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
Scholarships – Philippines	01/01/2010 – 31/12/2013	2011	5	4	3	5	4	5
AusAID The Asia Foundation Partnership Philippines	\$13 630 000	2012	5	5	4	4	4	4
	01/07/2011 – 30/06/2020	2011	5	3	3	4	3	4
Building Disaster Resilience of Manila Communities*	\$27 054 399	2012	6	5	4	5	5	6
	14/01/2010 – 30/06/2019							
Basic Education Sector Transformation Program*	\$207 215 811	2012	6	5	6	4	5	6
	01/07/2010 – 30/06/2019							
Strengthening Public Private Partnership Program*	\$26 277 692	2012	6	5	4	5	5	5
	22/03/2011 – 30/06/2014							
Public Financial Management Program*	\$18 000 000	2012	6	5	5	5	5	5
	01/07/2011 – 30/06/2016							
Classroom Construction Initiative*	\$45 500 000	2012	6	5	5	4	5	5
	15/12/2011 – 30/06/2015							

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality (needs ongoing management and monitoring only)

■ = 5 = Good quality (needs minor work to improve in some areas)

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work (needs work to improve in core areas)

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

\* First QAI in 2012

## Annex C

### Evaluation and review pipeline planning

List of evaluations completed<sup>17</sup> in the reporting period

Name of Initiative	Aidworks number	Type of evaluation <sup>18</sup>	Date evaluation report received	Date evaluation report uploaded into Aidworks	Date management response uploaded into Aidworks	Published on website
Australia–World Bank Philippines Development Trust Fund	INI632	Mid-term review report	June 2013	26 June 2013	NA	Yes
Muslim and Indigenous Peoples Education Program	INH946	Independent sustainability review	September 2012	20 May 2013	7 December 2012	Yes
Supporting Peace in Mindanao	ING238	Independent progress report	March 2012	November 2012	NA	Yes
Philippines: Disaster and Climate Risks Management	ING581	Interim progress review	December 2012	20 May 2013	NA	Yes
Philippines: Disaster and Climate Risks Management	ING581	Independent external evaluation	August 2012	February 2013	NA	Yes
Provincial Road Management Facility	INI171	Independent mid-term review	July 2012	November 2012	14 June 2013	Yes
United Nations Maternal and Neonatal Mortality Reduction	INJ251	Independent progress review	October 2012	19 April 2013	NA	Yes
Human Resource Organisational Development Facility	INI294	Independent progress evaluation	February 2012	21 May 2013		Yes
Malaria Control and Prevention Project	INC357	Ex-post evaluation	October 2012	26 June 2013	NA	Yes

<sup>17</sup> ‘Completed’ means the final version of the report has been received.

<sup>18</sup> e.g. Mid-term review, completion report, partner-led evaluation, joint evaluation.

List of evaluations planned in the next 12 months

<b>Name of Initiative</b>	<b>Aidworks number</b>	<b>Type of evaluation</b>	<b>Purpose of evaluation<sup>19</sup></b>	<b>Expected completion date</b>
Basic Education Sector Reform (SPHERE)	ING912	Independent completion review	Assess initiative outcomes. Inform the development of future program/s	July 2013
Strengthening Public Private Partnership Program	INJ766	Mid-term review	Planning for sustainability	July 2013
AusAID The Asia Foundation Partnership Philippines	INJ839	Progress review	Inform the decision and key considerations for any additional funding and continue the partnership and its activities beyond June 2014	November 2013
Building Disaster Resilience of Manila Communities	INJ138	Independent completion review	Learning purposes and to inform the design of a new program	December 2013
Philippines: Disaster and Climate Risks Management (Integration Program)	ING581	Independent completion review	Learning purposes and to inform the design of a new program	December 2013
Basic Education Assistance for ARMM (Australian Government-GIZ delegated cooperation on school Health)	INH947 (11A450)	Independent progress review	Review implementation progress to inform preparation of FMA9-10 for additional funding of a possible scale-up	July 2013
Philippines Social Protection technical assistance unit for Department of Social Welfare and Development Social Protection Reform Facility	INI428 (55809)	Independent progress review	Review implementation progress to improve existing program	August 2013
Public Financial Management Program	INK078	Mid-term review	To inform decision on funding of the program for the next two years and beyond	Q1 2014

<sup>19</sup> E.g. To inform a future phase of program, to improve existing program; to verify program outcomes.