



Australian Government
AusAID

Australia–Philippines Development Assistance Strategy 2007–11

MAY 2007



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ISBN 978 1 920861 96 4

Published by the Australian Agency for International Development (AusAID), Canberra, May 2007.

This document is online at www.aisaid.gov.au/publications

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Designed by GRi.D, Canberra

Printed by Pirion, Canberra

MAIN COVER IMAGE: *Tagakaolo (an indigenous tribe) children attend the distance learning program at the Tribal Learning Center in Demolok, Malita, Davao del Sur.*

PHOTO: Ramon Bobier/BEAM Project

SMALL COVER PHOTOS

TOP: *First grade students listen intently to their class in Sitio Cabasagan, Matanao, Davao del Sur.* PHOTO: Rose Yngente/BEAM Project

MIDDLE: *Students in a private madrasah in Datu Odin Sinsuat, Maguindanao.* PHOTO: BEAM Project

BOTTOM: *Happy and beaming children of the Matigsalog tribe in their tribal learning center in Maluwan, Marilog District, Davao City.* PHOTO: Rolly Inciong

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Introduction

In April 2006 the Minister for Foreign Affairs launched the White Paper on the Australian Government's overseas aid program, *Australian aid: promoting growth and stability*. That paper provides a framework to guide the direction and delivery of the Australian aid program over the next 10 years. This document *Australia–Philippines Development Assistance Strategy 2007–11* implements White Paper priorities, themes and strategies.

The White Paper identified four organising themes for an expanding aid budget: accelerating economic growth, fostering functioning and effective states, investing in people, and promoting regional stability and security. It also identified the Philippines as the country in the Asia-Pacific region where Australia would intensify development efforts. By singling out the country, the Australian Government made explicit its concern about the serious implications for the Philippine people, and the wider regional impacts, of deterioration in the Philippines' international competitiveness, governance and economic management, poverty and inequality, and conflict and instability.

Australia recognises that in recent years the Philippines Government has taken important steps to improve development prospects, notably through fiscal consolidation. It is committed to building on this platform, which has delivered sound returns in terms of stronger economic growth since 2004. This progress provides an important opportunity for Australia to join with other development partners

to assist the Philippines to entrench long-term improvements in governance and growth, which are critical for reducing poverty.

Australia and the Philippines have a strong stake in stability and economic growth in South-East Asia. As regional neighbours, we share the benefits when the region prospers and the costs when economic and security shocks and natural disasters strike. Over the past five years bilateral relations have expanded and broadened. Two-way trade and investment flows are increasing, education exchanges are growing and skilled migration is rising. A higher level of political engagement focused on security, trade and investment interests culminated in the establishment of the Philippines Australia Ministerial Meeting in August 2005.

Over the same period Australian government participation in the development assistance program has expanded beyond core AusAID and ACIAR (Australian Centre for International Agricultural Research) programs. A number of agencies have established partnerships focused on policy and practical cooperation with their Philippine counterparts, importantly in defence and counter-terrorism, as well as trade and investment promotion. The departments of Finance and Administration, Foreign Affairs and Trade, Prime Minister and Cabinet, and Treasury now advise the Australian Government on aid policy.

During the five years of this development assistance strategy, Australia will make a much more significant



Community health nurse Enriquita Alabata weighs children and advises pregnant women about their health.
PHOTO: David Haigh

aid contribution to the Philippines than in the past. Our purpose is to make a clear contribution to improving the prospects for economic growth, poverty reduction and national stability in the Philippines. The government recognises that the serious development challenges the Philippines faces reflect longstanding and deep-seated problems.

Aid represents a very small proportion of the Philippines national income, around 0.5 per cent, and Australia's aid currently is less than 10 per cent of all Philippine official development assistance, though this will grow over the next five years. Australia therefore will take a strategic and selective approach to expanding aid, focusing it

where we can maximise our impact in partnership with other donors, particularly the multilateral development banks. We will also focus it where better governance and improved services can be expected to result in significant improvements in the lives and wellbeing of the people and in the prosperity and stability of the country.

This strategy is a whole of Australian Government strategy for development assistance in the Philippines. It identifies the key areas of focus for expanded Australian development assistance in the period 2007–11, and includes a framework for the management and regular review of program focus and effectiveness.

The Philippines development context

Over the four decades to 2004, the Philippines was unable to generate and sustain high enough economic growth to raise real incomes and reduce poverty. Although there were periods of reform and corresponding higher growth, gross domestic product per person grew on average by only 1.2 per cent a year from 1961 to 2004. This growth rate is much lower than the 5.4 per cent average for comparable East Asian economies.

The Philippines' disappointing economic record has been attributed to poor fiscal management and large budget deficits, high levels of public debt, weak institutions unable to deliver quality services, deteriorating international competitiveness, growing gaps in infrastructure, high population growth and longstanding conflicts.

In 2003, almost 23.8 million people, representing 24 per cent of Philippine families and 30 per cent of the population of almost 80 million, lived below the Philippines' poverty threshold. According to international data, 44 per cent of the population subsisted on US\$2 or less per day. Poverty is found predominantly in rural areas. Over two-thirds of the poor are in agriculture-dependent households, and an estimated 47 per cent of rural families live below the poverty line. Low growth in agricultural productivity and limited opportunities for off-farm employment contribute to these high rates of rural poverty.

Highly inequitable income distribution, combined with low economic growth, explains the Philippines'

inability to make significant inroads into poverty reduction. The wealthiest 20 per cent of the population have over half of national income, while the poorest 20 per cent have less than one-twentieth. There is also considerable regional disparity in income per capita and human development indicators. The poorest provinces are concentrated in the Visayas and Mindanao, though poverty incidence is also acute in the southern regions of Luzon, especially Bicol. The three regions with the highest proportion of poor families are all in Mindanao – Caraga 47 per cent, Autonomous Region in Muslim Mindanao 46 per cent and Western Mindanao 44 per cent.

Historically, education standards in the Philippines were above regional averages, and Philippine workers were recognised for their skill levels in national and international markets. But the government has relied for many years on expenditure compression to manage fiscal pressures. The resulting underinvestment in public education is eroding the competitiveness of the economy and exacerbating poverty. The ratio of pupils to teachers is high and growing, and student participation and retention rates are low and falling. The poor are disproportionately affected, further reducing their opportunities to escape from poverty. Over three-quarters of heads of poor households have no more than elementary education. School enrolment rates are 28 per cent lower for the poorest 20 per cent of the population than for the richest 20 per cent.

Health services have suffered from underinvestment in a similar way to education. Again, the consequences for the poor are disproportionately high. Infant and under-five mortality rates for the poorest 20 per cent of the population are 2.3 and 2.7 times higher respectively than for the wealthiest 20 per cent. In the Autonomous Region in Muslim Mindanao, conflict compounds systemic weaknesses. In this region average life expectancy is 10 years below the national average, and rates of maternal and infant mortality are 80 per cent and 30 per cent higher than the national average.

The lack of a national commitment to improving the provision of family planning services further impedes income growth and poverty reduction. Policy in this area is highly contested, with the Catholic Church playing a prominent role. The current population growth rate of around 2.3 per cent a year is well above the region's average and places strains on basic health, education and infrastructure services.

Inadequate infrastructure is a serious and growing constraint to economic growth and to investment, and an area where the Philippines rates poorly compared with its neighbours. For example, only 21 per cent of roads are paved, compared with 46 per cent in Indonesia and 76 per cent in Malaysia. The infrastructure problem has many dimensions – lack of public resources, inefficient use of existing ones, grossly inadequate allocations for maintenance, and poor long-term planning – and affects the poor disproportionately. Fewer than 10 per cent of the poor have access to adequate transport, power and sanitation services.

The underinvestment in infrastructure is one manifestation of a broader structural problem – low savings and investment. Investment rates are around 17 per cent of gross domestic product, about half those of faster growing East Asian economies. Such low rates act as a brake on growth. Public investment is only 2 per cent of GDP. From 1991 to 2003, consumption accounted for 86 per cent of growth. Business is reluctant to invest in the Philippines. In 2005 foreign direct investment was less than 2 per cent of GDP, one of the lowest rates in Asia. Surveys of investors cite a range of reasons for their

reluctance to invest, including macroeconomic instability, inadequate infrastructure, uncertain property rights, inconsistent application of regulations and laws, weaknesses in the financial system, the influence of vested interests over state institutions, and high levels of corruption.

Among its East Asian neighbours, only Indonesia is ranked lower than the Philippines in Transparency International's corruption surveys. Corruption in the Philippines undermines the social contract between the state and its citizens, with the integrity of political and electoral systems frequently called into question, and serious concerns about equitable access to justice.

One significant positive for the Philippine economy comes from the large number of Filipinos working in other countries – an estimated 8–9 million. Their remittances contribute well over 10 per cent of gross national product and a substantial share of foreign exchange earnings, equivalent to one-third of merchandise exports. The growing success of labour exports reflects both a lack of opportunities at home – unemployment persists at over 10 per cent and real wages in the public sector are low and falling – and global demand for the skills and English-language ability of workers. These people are reaping the benefits of past investments in education.

The Philippines rates highly in terms of national indicators for gender equality and empowerment of women. Gender is not a key factor in determining poverty status in the Philippines. In contrast to most developing countries, the incidence and severity of income poverty are lower among households with female heads than those with male heads. However, women's welfare is undermined by poor reproductive health services and, in particular geographic locations, gender differences in access to services are evident. For example, while there is no significant gender gap in literacy nationally, literacy rates are lower for females than for males in the Autonomous Region in Muslim Mindanao, and lower for males than for females in some parts of the Visayas and Mindanao. Women's participation in the workforce and in political processes is growing, although men generally dominate in management and decision-making roles.



Children from the evacuation site for victims of the 2006 Southern Leyte landslide now have access to safe drinking water. For many months, health and sanitation facilities were scarce in the area. PHOTO: Jaclyn Damaso

The persistence of armed conflict in Mindanao and threats to peace and security from the communist insurgency, together with the prevalence of violent crime and clan-based feuds, constitute serious additional constraints to economic growth and poverty reduction in the Philippines. The solutions to these problems are complex, and not all are amenable to support through development cooperation programs. But addressing the genuine grievances of Mindanaoans concerning their social and political exclusion and lack of access to basic services and economic opportunity is an appropriate role for aid.

Complicating the internal security challenges are the links between Islamic militants in Mindanao and international terrorist networks in the region, which represent a further threat to peace and stability in the Philippines and beyond, particularly in the South-East Asia region. Countering these threats requires ongoing improvement in the capacities of the Philippines' legal framework and institutions to manage people, goods and financial flows across borders and within the archipelago.



Quirino Atienza inspects 02 August 2005, the ripening seeds of an experimental rice variety grown at the International Rice Research Institute in Los Banos south of Manila. Rice is the staple food of billions of people through out Asia and the institute keeps the biggest collection of rice genomes, held in trusts for humanity. PHOTO: Jay Directo/AFP

The Philippines policy and donor context

The response of the Philippines Government to the country's poor development record is laid out in the Medium-Term Philippine Development Plan (MTPDP) 2004–10, which has clear directions for reducing poverty, enhancing economic opportunities and maintaining stability. The MTPDP sets an agenda for fiscal adjustment, job creation, access to quality education and infrastructure, and a more stable and peaceful nation.

During the period 2004–06, the Philippines Government made good progress in reducing its deficit and debt burden, so that by mid-2006 it was in a position to announce additional funding for MTPDP priority areas such as education, and launch a program of enhanced infrastructure investment. Economic performance has improved considerably, and 2006 was the third consecutive year in which growth exceeded 5 per cent – a significant achievement in recent history.

Donors are responding positively to these advances and are working with the government to help sustain this progress and build public trust while more fundamental development constraints are addressed. Experience in the Philippines is that the government has good capacity to develop and promulgate reform initiatives. But the track record on implementation is weaker because sustained political support for reform cannot be assured, and government institutions are hampered by politicisation and

administrative weaknesses that undermine their capacity to deliver on government policies, programs and projects.

An important vehicle for donor collaboration with the government is the Philippines Development Forum (PDF). Since 2005, the PDF has become the primary mechanism for substantive policy dialogue between government, donors and other development stakeholders. It is also the forum for government and donors to jointly monitor progress against agreed priorities. Australia actively engages in PDF working groups for all program focal areas, and co-chairs education and governance subworking groups with the Philippines Government.

Another important development occurred in 2006 when the World Bank, the Asian Development Bank and the Government of Japan began to prepare for the resumption of lending to the Philippines on the basis of the government's progress with fiscal consolidation. Australia has now joined these donors to provide coordinated support for the government's reform agenda.

Australia's strategy

PHILIPPINE PRIORITIES AND AUSTRALIA'S EXPERIENCE

The starting point for Australia's intensified development effort is the Philippines' own goals and programs for poverty reduction and sustainable development. The Philippines' poverty reduction strategy, summarised in the policies and programs of the MTPDP, focuses on promoting livelihoods, strengthening education, achieving fiscal stability, decentralised development, and sustaining national harmony. The MTPDP also includes commitments to address the problems of insufficient infrastructure, unemployment, and inefficient basic service delivery, which impede poverty reduction.

Another important point of reference for an expanded aid program is the historical strengths of Australian aid to the Philippines and the lessons learned from current and past activities.

The Philippines recognises as a particular Australian strength our practical approach to implementing government policies and programs. The July 2006 report *Rapid assessment of Philippines Country Strategy 2004–08* by the Office of Development Effectiveness reinforced this. It noted practical partnerships with counterpart organisations and local governments, well-managed initiatives, and good coordination with other donors as key positive features of Australian aid. Most initiatives judged to be successful involved long-term engagement – in eradicating foot and mouth disease, providing

basic education in Mindanao, and controlling malaria in Mindanao. Others making good progress – for example, in the areas of budget processes, counter-terrorism, land administration and rural development – would require more time and effort to show sustained impacts.

Australia's long-term support for community development in the Philippines is well regarded, and good results have been achieved for poor communities in identifying, planning and implementing development activities. The rapid assessment found that peace and conflict have been successfully mainstreamed into program activities as have several gender initiatives, although these achievements were not captured in performance data.

The rapid assessment noted that the program was highly responsive but lacked coherence and strategic management. It recommended the strategy for 2007–11 have a limited number of objectives that are supported with a rigorous performance assessment framework. Management of the strategy needs to be strong and involve closer engagement with national government partners and pay more attention to the coherence and impact of Australia's efforts sectorally and geographically. The rapid assessment advised that the strategy include close monitoring of the needs and resources available in Mindanao, as well as flexibility to shift resources to other high-poverty areas in the event of donor crowding there.



An elder leader of the Matigsalog tribe talks to the local children in their newly-inaugurated tribal learning center in Maluwan, Marilog District, Davao City . PHOTO: Rolly Inciong

OBJECTIVES AND COMPONENTS

Reflecting the extensive range of challenges, current opportunities to make progress in areas critical for long-term development and Australia’s experience in the Philippines, the strategy for 2007–11 places a strong emphasis on improving economic growth and basic education services.

Poverty reduction in the Philippines depends primarily on sustaining and improving on the current higher rates of economic growth. This requires continued strengthening of economic management, and encouragement of private sector investment including through provision of infrastructure and anti-corruption measures. To assist the poor to benefit from an improved economy, aid programs need to target rural areas where poverty is entrenched – an area in which Australia has valuable experience.

The Philippines’ priority of improving basic education services while increasing economic growth addresses a root cause of poverty and inequality. It also plays to the strengths and experience of the Australian aid program. Although other basic services are similarly weak, Philippine government policy and other donor support make education an

area where significant improvements can be made in the next five years.

A central plank of the bilateral relationship, as well as a high priority for the Philippines Government, is enhanced stability and security. Without progress in this area, the Philippines’ development prospects are fundamentally undermined. Therefore Australia’s aid program will strengthen its efforts to promote a more peaceful and stable country, and monitor this assistance closely to ensure we respond appropriately and in a timely way to emerging threats and opportunities.

Australia’s overarching objective is to contribute to improving the prospects for economic growth, poverty reduction and national stability in the Philippines.

To achieve this, the development program has three pillars:

- 1 economic growth
- 2 basic education
- 3 national stability and human security.

For each pillar, the strategy aligns Australia’s objectives with the Philippines’ objectives.

OBJECTIVES OF THE AUSTRALIA–PHILIPPINES DEVELOPMENT ASSISTANCE STRATEGY 2007–11

ECONOMIC GROWTH		BASIC EDUCATION		NATIONAL STABILITY AND HUMAN SECURITY	
Philippines	Australia	Philippines	Australia	Philippines	Australia
Improve the fiscal position of the Philippines	Government agencies are better able to implement transparent and efficient budgets	Provide universal access to quality basic education	The Department of Education is better able to manage its resources to support schools and teachers	Emergence of a peaceful, just and equitable society in Mindanao	Mindanao peace processes are reinforced through more effective participation by communities and institutions Enhanced basic services and livelihoods in conflict-affected communities
Improve the environment for private sector investment	Improved accountability, transparency and management of investments in transport infrastructure	Equitable delivery of quality basic education	Improved education opportunities for boys and girls in targeted areas	Promotion of peace, order and the rule of law	Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism
Improve economic growth opportunities at subnational levels	Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure, and growth of small–medium enterprises in targeted provinces			Strengthen health promotion and programs to prevent and control disease	Women's and children's health services more widely available in targeted regions Men and women better protected from the threat of HIV/AIDS infection
				Effective emergency and disaster management	The population is better prepared for and protected from natural disasters and an avian influenza pandemic

ECONOMIC GROWTH

Australia will expand and intensify its engagement on macroeconomic policy issues. We will be an active player in the partnership of multilateral development banks and bilateral donors that is supporting the Philippines Government's medium-term reform agenda through development policy loans.

Our contribution will help to sustain fiscal discipline and macroeconomic stability by expanding assistance for more transparent and efficient core budget processes in government agencies, especially through performance-based and multi-year budgeting. This will be reinforced with a program to strengthen internal audit practices, aimed at improving accountability and reducing corruption, as well as assistance to improve the environment for private sector investment. Australia will assist with strengthening government planning, management and business processes for infrastructure investments, including project preparation. We will also support community participation in procurement panels and contract monitoring.

Australia will develop a more coherent approach to local economic development in poor areas so that the rural population shares in the benefits of a stronger national economy. A new rural and private sector development program will build on current efforts and include more focus on improving the business environment at the local level. To strengthen the sustainability of these initiatives, Australia will support participative and responsive government and assist communities to participate in government processes.

The new program will include upgrading and maintaining infrastructure, as well as complementary activities to improve agricultural productivity, land administration and access to markets. This program will explicitly target women to ensure that they benefit equitably from expanded economic opportunities. The female participation rate in the Philippines is over 50 per cent, and females comprise a quarter of the agriculture workforce.

The rural and private sector development program will incorporate environmental sustainability in its work with local governments (through planning, policy and regulations) and in its support for infrastructure, agriculture and business development. Sound approaches to environmental management are particularly important for sustaining and enhancing farmers' incomes, because of the degradation of natural resources in the Philippines, the country's susceptibility to natural disasters and the high proportion of agriculture in fragile uplands.

BASIC EDUCATION

Australia will build on its track record of effective programs in basic education in southern Philippines. Our work to date has led to better education for children in targeted localities, but the education system's performance overall has been declining. It is therefore vital that the national education system be strengthened and now is an opportune time to assist with this.

The Philippines Government has given priority and additional budget funds to improve education, a comprehensive reform agenda has been agreed to get more children into school for longer and better quality education, and the World Bank has initiated a program loan for education that builds on earlier assistance to strengthen government accounting, procurement and budget systems.

Australia's support for systemic improvements will provide additional resources for the education sector and back these with enhanced sectoral expertise and policy engagement. Our resources will be focused on improving the governance of education through school-based management accountable to local school communities, and better functioning systems for managing government finances and supporting teachers and schools.

Subnational programs in Mindanao and the Visayas will focus on the educational achievements of boys and girls by providing learning materials and training for teachers and by refurbishing and constructing school facilities. Australia will increase support for the education of Muslim children in government and Islamic schools.

Australia will put additional effort into ensuring the national and subnational elements of its basic education assistance are mutually reinforcing, so that reforms at the national level are well implemented locally, and successful approaches to implementing change locally are taken into account when further improvements are made to the national system.

NATIONAL STABILITY AND HUMAN SECURITY

Australia will improve and strengthen its assistance for peace building in Mindanao. We will work closely with local institutions and other donors, recognising the complexity and sensitivity of the issues affecting peace building. Australia will take a lead among donors on peace and conflict analysis and the implementation of peace-building principles in aid programs. The main thrust of Australia's efforts will be more effective participation by men, women and youth in peace processes, and increasing the capacity of institutions in conflict-affected areas to better serve their citizens by providing basic services. Partnerships with local community, faith-based and non-government organisations will be central to our approach to participative peace building.

Australia will respond with appropriate resources in timely fashion to support a formal peace agreement between the Government of the Philippines and the Moro Islamic Liberation Front.

Australian government departments and specialised agencies have been providing practical assistance to enhance the capacity of Philippine institutions responsible for law enforcement, counter-terrorism, transport security and border control to counter threats from transnational crime. This support will be sustained and backed up by political and legal cooperation to help improve the capability of law and justice institutions to enhance the rule of law in the Philippines.

Australia will expand its support for successful programs that provide basic health and malaria prevention services for vulnerable women and children in poor areas of the Philippines. These health programs take a human security approach, helping to reduce inequitable access to basic services for poor and ill-served populations. Australia does not intend to provide resources for broader systemic strengthening in health, knowing that this is a priority for several other donors.

Given their importance for the success of Philippine development efforts and the wellbeing of Philippine women, Australia will fund family planning education and advocacy programs.

The poor are particularly vulnerable to the effects of natural disasters and other shocks such as pandemic diseases. As a regional neighbour, Australia will help to improve preparedness to manage and respond to shocks, and provide assistance when emergencies happen. Targeted assistance for managing HIV/AIDS will be available through regional initiatives.



TOP: Students in an Arabic Language and Islamic Values Education (ALIVE) class in Quezon Elementary School in Davao City.
PHOTO: Jaclyn Damaso
BOTTOM: First grade students listen intently to their class in Sitio Cabasagan, Matanao, Davao del Sur.
PHOTO: Rose Yngente/BEAM Project

Implementation of the strategy

Australia will intensify aid efforts over the next five years by increasing the level of funding and strengthening our policy and practical engagement with the Philippines Government in areas of program focus.

Increases in aid will be phased over the strategy's five years, in line with the Australian Government's policy to ensure increased resources are linked with aid effectiveness, better governance, and progress in tackling corruption. During this period, Australia's profile as a donor in the Philippines will be raised, reflecting both increased resource flows and more focused attention on well-defined objectives.

Resource allocations across the three pillars of development will reflect the costs of different programs and are likely to change over the years as new programs are developed and implemented. In the first year of the strategy, activities to promote economic growth are likely to consume 40–45 per cent of the Australian aid flows to the Philippines. This share will rise as programs to maintain and upgrade infrastructure are developed. Aid flows to education could expand quickly because significant preparatory work was done during 2006. Education is likely to account for 40 per cent of flows in the early years of the strategy. About 15 per cent of total flows will be for activities addressing national stability and human security. This is the area in which Australia will want to maintain greatest flexibility to respond to emerging priorities, opportunities and needs during the life of the

strategy. A breakthrough in the Mindanao peace process would require an increase in resources for this pillar.

In the White Paper, the Australian Government announced a policy to introduce **performance-based aid allocations**. The purpose of these allocations is to provide additional funding to accelerate progress on key reforms where partner governments are achieving success. Should this initiative be implemented in the Philippines, Australia would negotiate the appropriate area of focus and the triggers for release of performance allocations. Basic education has the potential to receive such performance incentives, given that the government has a clear reform program and associated performance targets.

Australia will **strengthen its engagement on core policy, governance and service delivery issues** with senior officials and other donor representatives. This will enable Australia to be better placed to provide well-targeted, timely and effective support. Australia will bring its policy and operational experience to the table and mobilise additional policy and sectoral expertise in the Philippines to support the expanding program, starting with experts in economics, education and infrastructure.

In implementing this strategy, Australia will build on its record of forging strong **partnerships with the national government and with local government units**. We will put additional effort into working alongside partner agencies, understanding their

institutional, policy and resource constraints, and identifying areas where Australia's aid resources would be most effective. Commonwealth government departments and agencies with established aid relations include AusAID, ACIAR, Australian Customs Service, Australian Federal Police, Attorney-General's Department, Bureau of Meteorology, Emergency Management Australia, Geosciences Australia and the departments of Agriculture, Fisheries and Forestry, Foreign Affairs and Trade, Immigration and Citizenship, and Transport and Regional Services. To reinforce the strategy's focus on economic management, the departments of Treasury and Finance and Administration will also consider opportunities to provide capacity-building assistance to counterpart Philippine institutions.

Australian aid programs will **complement and leverage other donors' efforts**, so that development partners provide consistent policy engagement and mutually reinforcing programs, thereby collectively helping the Philippines Government to achieve its objectives. New policy and sectoral expertise in the country will reinforce the effectiveness of Australia's contributions in the working groups of the Philippines Development Forum and the Development Policy Loan donor group.

Australia will embrace new approaches to delivering aid. We will identify options to increasingly **use and strengthen Philippine government systems** and thereby increase the sustainability and effectiveness of our aid. In moving down this route, we will carefully assess the associated financial risks and, when these risks are judged to be too high, use alternative modalities for systemic support. Australia will also channel funds through other donors with established practices for managing risk that Australia endorses. Australia's systemic support for education will be provided largely through a trust fund with the World Bank.

We will directly **fund programs of other development agencies** – for example, UNICEF, WHO and UNFPA – to improve women's and children's health. Most support for peace programs in Mindanao will be channelled through **joint funding initiatives**, such as the Mindanao Trust Fund administered by the World Bank and the UN ACT for Peace. Australia

will participate in managing and monitoring these programs to enhance their performance.

In the first year of this strategy, an **anticorruption plan of action** for Australia's aid program will be developed and agreed with the Philippines Government, consistent with the directions set in Australia's development assistance anticorruption policy, *Tackling corruption for growth and development*. Corruption is a major impediment to economic growth, effective government and poverty reduction in the Philippines, and it undermines aid effectiveness. The plan of action will draw on the Philippines National Anti-Corruption Plan of Action, the Philippines Development Forum's working group on anticorruption and governance, and other development partners' experiences. Australia will focus on minimising the risks from corruption to Australian aid funds, and instituting anticorruption measures directly relevant to the pillars of the program. They will include improved internal audit in partner institutions, and community participation in government procurement processes.

Australia has a history of providing Filipinos with **scholarships** to study at Australian tertiary institutions and to undertake specialised training programs. Over the past year, Australian scholarships have expanded to include more Endeavour Postgraduate Awards and Australian Leadership Awards, thus providing further opportunities for aid-funded study. AusAID will continue to manage scholarship programs so that they reinforce aid program objectives. Funding **volunteer programs** will be another mechanism for contributing to Philippine development objectives.

The **geographic focus** of Australia's aid to the Philippines will continue to be shaped by poverty incidence, development challenges, security constraints to aid delivery, and national interest. Programs at the national level will focus principally on improving macroeconomic management and strengthening systems in education, infrastructure, law enforcement, transport and border security. Subnational programs in the poorer provinces of Visayas and Mindanao will focus principally on health and education services, rural development and peace building. Better management and monitoring of the performances of the national and subnational

programs will help to ensure that the programs are mutually reinforcing. Policy and institutional issues that constrain development success at the local level will be raised at the appropriate national level, and good practice in implementing national policies locally will be brought to the attention of national authorities.

At present, about half of Australia's aid to the Philippines goes to Mindanao. Additional expertise will be provided to monitor and manage the coherence and effectiveness of the full range of Australian programs in Mindanao. This will also help to inform decisions about adjustments to the geographic focus as aid increases.

Conflict in Mindanao raises security and effectiveness risks that require ongoing assessment and management. Australian aid activities will strengthen their **conflict risk management** and build key peace-building principles, including peace–conflict dynamics monitoring, into all initiatives in conflict-affected areas. These principles will be based on AusAID's guiding principles for conflict-sensitive approaches to development assistance.

In line with White Paper policy, Australia's program of assistance for the Philippines will **mainstream gender** and collect gender-disaggregated performance information to inform program management decisions.

During the first six months of this strategy, AusAID will draft a **transition plan**, which will identify elements of the current Australian aid program that do not support the new strategic objectives. The plan will recommend approaches to managing legacy activities for joint consideration by the Philippines and Australia.



TOP: Kids from San Francisco, Southern Leyte are happy with their new sanitation facility. PHOTO: OXFAM
BOTTOM: Learning is a fun activity for the children from Matigsalog tribe in their tribal learning center in Maluwan, Marilog District, Davao City . PHOTO:Rolly Inciong

Management and review of the strategy's performance

The effectiveness and quality of Australia's aid will be accountable to the Australian and Philippines governments through a framework for performance management and review.

An annual report on program performance will be prepared by AusAID. It will draw on performance information from program initiatives and consultations across both governments and with aid partners. In Australia the report will be considered by the Office of Development Effectiveness and will be included in the Australian Government's Annual Review of Development Effectiveness.

An independent advisory group comprising Australian, Philippine and international development experts will be established. This group will review the annual performance report and provide advice to both governments on strategy directions and objectives.

Senior Australian and Philippine aid officials will meet formally once a year to consider the program's performance, and agree on any strategy and program modifications required to ensure Australia responds appropriately to changing circumstances and opportunities. This formal meeting will be reinforced by regular dialogue between AusAID and the National Economic and Development Authority.

Risks to the strategy

The major risks to the implementation and effectiveness of this strategy, which will be managed by ongoing performance review and dialogue between the governments, include:

- > **political instability**, interruptions to government functions due to elections, and a lack of sustained political commitment to fiscal discipline and macroeconomic stability
- > **security developments** that further undermine government, the economy and human security, as well as directly threaten the environment for delivering aid programs, and
- > **natural disasters and shocks** that set back development prospects, change development priorities, and interrupt implementation of aid programs.

AT A GLANCE

AUSTRALIA–PHILIPPINES DEVELOPMENT ASSISTANCE STRATEGY 2007–11

Australia's overarching objective is to contribute to improving the prospects for economic growth, poverty reduction and national stability in the Philippines.

ECONOMIC GROWTH	BASIC EDUCATION	NATIONAL STABILITY AND HUMAN SECURITY
Objectives		
<ul style="list-style-type: none"> > Government agencies are better able to implement transparent and efficient budgets > Improved accountability, transparency and management of investments in transport infrastructure > Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small–medium enterprises in targeted provinces 	<ul style="list-style-type: none"> > The Department of Education is better able to manage its resources to support schools and teachers > Improved education opportunities for boys and girls in targeted areas 	<ul style="list-style-type: none"> > Mindanao peace processes are reinforced through more effective participation by communities and institutions > Enhanced basic services and livelihoods in conflict-affected communities > Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism > Women's and children's health services more widely available in targeted regions > Men and women better protected from the threat of HIV/AIDS infection > The population is better prepared for and protected from natural disasters and an avian influenza pandemic
Focus		
<p>Economic governance</p> <ul style="list-style-type: none"> > Advisory and systems support for performance-based and multi-year budgeting, and improved internal audit practices in national government agencies <p>Infrastructure</p> <ul style="list-style-type: none"> > Financing infrastructure maintenance and upgrading in poor areas > Supporting communities' effective participation in monitoring infrastructure investments > Technical and systems support for governments to plan, finance, build and maintain infrastructure <p>Rural and business development</p> <ul style="list-style-type: none"> > Supporting agricultural research, extension and improved products > Initiatives to improve the productivity, competitiveness, and business environment for smallholders, agribusiness and small–medium enterprises, including land titling and land valuation systems 	<p>System strengthening and resource management</p> <ul style="list-style-type: none"> > Advisory and systems support to roll out national programs of reform > Assisting Islamic schools to achieve government accreditation in offering the integrated curriculum <p>Infrastructure</p> <ul style="list-style-type: none"> > Constructing and/or refurbishing additional classrooms and resource centres for teachers > Constructing community/tribal learning centres <p>Teaching</p> <ul style="list-style-type: none"> > Training in English, science and mathematics > Providing teaching and learning materials > Supporting the accreditation of Muslim teachers > Establishing a remote learning support network 	<p>Peace building, service provision and conflict prevention</p> <ul style="list-style-type: none"> > Funding peace-building and conflict-prevention programs > Training and supporting local governments, non-government organisations and communities in planning and budgeting to provide basic services and income generation <p>Transnational crime (including terrorism)</p> <ul style="list-style-type: none"> > Developing the capability of law and justice institutions, and supporting counter-terrorism, transport security and border control agencies <p>Health and population</p> <ul style="list-style-type: none"> > Supporting family planning advocacy and education programs > Funding improved women's and children's health services > Initiatives for HIV/AIDS prevention for injecting drug users <p>Natural disasters</p> <ul style="list-style-type: none"> > Providing technical advice, equipment and training for disaster management agencies, local governments and communities > Supplying early warning equipment > Initiatives to improve avian influenza preparedness
How we will work		
<ul style="list-style-type: none"> > Increase aid in phases, based on performance and analysis of development challenges > Expand policy and sectoral expertise to strengthen program coherence and impact > Collaborate with multilateral agencies and other bilateral donors to support common policy agendas > Embed anticorruption measures throughout the program > Balance efforts to achieve progress on the ground with engagement on policy-based impediments > Incorporate conflict-risk management and peace-building principles in Mindanao initiatives > Review strategy performance and relevance each year, jointly with the Philippines Government 		