

Provincial Road Management Facility Phase 2 – Management Response to Final Completion Report of 11 May 2016 prepared by The Louis Berger Group

The Provincial Road Management Facility (PRMF) was designed as an A\$100 million governance program to improve how provincial governments fund and manage road rehabilitation and maintenance. It was implemented from 1 September 2009 to 30 June 2016. During this time, Government of Australia (GOA) and the Government of the Philippines (GPH) changed policies and budgets which effected the design and implementation of the Facility. The Department of Foreign Affairs and Trade (DFAT) was responsible for ensuring the Facility was implemented effectively and efficiently, making performance count at the implementation level.

DFAT introduced significant improvements to the design of the Facility at the end of Phase 1 to adapt to the changing operating environment in the Philippines and the changes in the GOA funding. These changes included:

1. Increased support and technical assistance to the Department of the Interior and Local Government (DILG). There was a deliberate attempt to maximize the opportunities of a more reform-oriented GPH at the national level. The DILG Secretary was a champion for performance-based incentives for the Local Government Units (LGUs), but the agency needed more assistance in supporting provinces in Local Road Management (LRM). PRMF was redesigned to include more capacity development specifically for DILG to oversee LRM by LGUs.
2. Direct DFAT and DILG responsibility for PRMF. GOA and GPH agreed to provide strategic and operational direction for facility implementation through a Facility Management Group (FMG) comprising of DFAT officers (a Facility Director and Institutional Reform Manager) and DILG personnel (a Deputy Facility Coordinator and an Infrastructure Coordinator).
3. Change from Managing Contractor to Support Contractor. With DFAT and DILG leading the facility, a Support Contractor was agreed to assist implementation upon the direction of the DFAT Facility Director.
4. Focus on sustainability post-PRMF. Consistent with the greater support for DILG, the facility was designed to assist DILG develop a national government-funded National Incentives Program on Local Road Management, ensuring GPH resources were used to sustain facility gains in the future.

By the latter part of the Aquino administration, the Philippine economy was improving and creating fiscal space for the government. This environment and the national government's openness to provide direct performance-based fiscal transfers to LGUs, helped DILG's proposed national program for LRM gain traction. With PRMF technical assistance, the League of Provinces of the Philippines, together with DILG, the Department of Budget and Management, and the Commission on Audit secured national government funding of PHP 6.5 billion (A\$197million) for CY2016 for provincial road rehabilitation and maintenance through the KALSADA (meaning "road" in Filipino) Program. The Philippine Congress is deliberating the Duterte Administration's proposal to continue funding for LGUs for provincial road rehabilitation and maintenance in the 2017 national budget.

Upon completion on 30 June 2016, the total PRMF investment amounted to A\$81 million.

DFAT recognises that PRMF achieved significant results often under difficult working conditions. This completion report acknowledges the successes and failures of the facility, and provides DFAT with valuable evidence and lessons for future aid investments in infrastructure.