

**Second-Phase Country Level Evaluation (CLE 2) of the Implementation
of the Paris Declaration (PD) in the Philippines**

FINAL REPORT

Dante Canlas, Team Leader
Jaime Galvez-Tan, Health Sector Specialist
Lirio Abuyuan, Rural Development Specialist

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ACRONYMS

AAA	Accra Agenda for Action
AARNR	Agriculture, Agrarian Reform, and Natural Resources
ADB	Asian Development Bank
AIDS	Acquired Immunodeficiency Syndrome
AusAID	Australian Agency for International Development
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CIDA	Canadian International Development Agency
CLE	Country Level Evaluation
COA	Commission on Audit
CPAR	Country Procurement Assessment Report
CPBO	Congressional Planning and Budget Office
CPDG	Council for People's Development and Governance
CSO	Civil Society Organization
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBCC	Development Budget Coordinating Committee
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DOH	Department of Health
DOH-NEC	Department of Health- National Epidemiology Center
DOTC	Department of Transportation and Communications
DP	Development Partner
EC	European Commission
EDCF	Economic Development Cooperation Fund
E-NGAS	Electronic New Government Accounting System
ENR	Environment and Natural Resources
ERP	Economic Resiliency Plan
EU	European Union
FGD	Focus Group Discussion
GAA	General Appropriations Act
GAD	Gender and Development
GDI	Gender-related Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GIFMIS	Government Integrated Financial Management Information System
GNI	Gross National Income
GOCC	Government-Owned and Controlled Corporation

GOP	Government of the Philippines
GPPB	Government Procurement Policy Board
GPRA	Government Procurement Reform Act
GTZ	Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HEAD	Health Alliance for Democracy
HIV	Human Immunodeficiency Virus
HLF	High Level Forum
HQ	Head Quarters
IA	Implementing Agency
ICB	International Competitive Bidding
ICC	Investment Coordination Committee
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMR	Infant Mortality Rate
IP	Indigenous People
IRR	Implementing Rules and Regulations
JAC	Joint Appraisal Committee
JAPI	Joint Assessment and Planning Initiative
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
KOICA	Korea International Cooperation Agency
Lao PDR	Lao People’s Democratic Republic
LARP	Land Acquisition and Resettlement Plan
LGC	Local Government Code
LGU	Local Government Unit
M&E	Monitoring and Evaluation
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MfDR	Managing for Development Results
MMR	Maternal Mortality Ratio
MTEF	Medium-Term Expenditure Framework
MTPDP	Medium-Term Philippine Development Plan
MTPIP	Medium-Term Public Investment Program
NCB	National Competitive Bidding
NCIP	National Commission on Indigenous Peoples
NDHS	National Demographic and Health Survey
NDS	National Development Strategy
NEC	National Evaluation Coordinator
NEDA	National Economic and Development Authority
NGA	National Government Agency
NGAS	National Government Accounting System
NPS	National Program Support
NRG	National Reference Group
NSCB	National Statistical Coordination Board

ODA	Official Development Assistance
OECD-DAC	Organization for Economic Co-operation and Development- Development Assistance Committee
OPIF	Organizational Performance Indicator Framework
PBD	Philippine Bidding Document
PD	Paris Declaration
PDF	Philippine Development Forum
PEM	Public Expenditure Management
PEPFMR	Public Expenditure, Procurement and Financial Management Review
PER	Public Expenditure Review
PFM	Public Financial Management
PHC	Philippine Harmonization Committee
PhilGEPS	Philippine Government Electronic Procurement System
RB-COSOP	Results-Based Country Strategic Opportunities Programme
RD	Rural Development
RDC	Regional Development Council
RBME	Results-Based Monitoring and Evaluation
RME	Results Monitoring and Evaluation
SDAH	Sector Development Approach to Health
SEPO	Senate Economic Planning Office
SER	Socio-Economic Report
SPM	Strategy Planning Matrices
SWAp	Sector Wide Approach
TACT	Technical Assistance Coordination Team
TB	Tuberculosis
TOR	Terms of Reference
U5MR	Under Five Mortality Rate
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WB	World Bank
WBI	World Bank Institute
WTO	World Trade Organization

Executive Summary

The second-phase evaluation of the Paris Declaration on Aid Effectiveness investigates issues and themes bearing on three core questions. The first is on the factors affecting the relevance of the Paris Declaration principles of ownership, alignment, harmonization, managing for results, and mutual accountability. The second, which is on development processes and intermediate outcomes, attempts to determine the effects of the Paris Declaration on delivery and management of official development assistance or foreign aid. The third opens up an investigation of the contributions of aid to development outcomes, using the health sector and rural development as case studies.

To obtain insights into the core questions, the team relied on evidence obtained from varying sources, including, secondary sources of data, particularly, official socio-economic statistics; focused group interviews and findings from specialized surveys about use of official development assistance. The findings from a 2005 survey provided baseline data.

In relation to Core Question 1, the recent growth experience of the Philippines shows a respectable trend. However, a significant proportion of individuals and families continue to face economic difficulties. Unemployment and poverty incidence remain high. In this regard, the Government of the Philippines continues to tap grant-funded technical assistance largely for capacity building, and loan-funded capital assistance for major infrastructure projects.

Regarding Core Question 2, the Philippines scores high on ownership. Long before the Paris Declaration was adopted in 2005, both the government and its development partners in the donor community have adopted the Medium-Term Philippine Development Plan in formulating country partnership strategies. After 2005, both parties agreed to adhere to the Paris Declaration principles as basic guide for the conduct of aid-funded programs and projects. The government, however, needs to further broaden and intensify dialogue with Congress and civil society organizations to achieve a more meaningful country ownership.

Much progress has also been achieved in adopting country systems, particularly, in government procurement and some aspects of public financial management. The government, however, still needs to show improvements in budget execution and reporting, and combating corruption. Furthermore, current initiatives towards operationalizing an integrated results management system should be sustained.

Meanwhile, some bilateral donors must endeavor to deliver on their commitment to the untying of aid and reducing parallel implementation units.

The institutional arrangement under the Philippine Development Forum has been an effective forum for aid coordination, implementation, monitoring and

evaluation. It should be held regularly and without fail as agreed upon by the government with its development partners, including civil society organizations.

On Core Question 3, the emerging body of evidence from the two case studies, namely, health and rural development suggests great potentials from enhancing the effectiveness of aid in the two sectors. In health, serious efforts to organize assistance around the government's health sector reform agenda is yielding results, particularly for the health-related targets embodied in the Millennium Development Goals. But there's a lot of room to improve performance in meeting target for the maternal mortality ratio.

In rural development, fragmentation of aid therein has been reduced in the aftermath of the Paris Declaration, which inspired joint work among various donors in capacity building for the various implementing agencies involved in rural development. It has also led to a shared rural development strategy between government agencies and donor partners. Early donor initiatives, however, were not without friction as some staffs of implementing agencies resisted some donor-recommended systems in, for instance, financial management. Over time, however, progress in harmonization is being made.

Overall, the Paris Declaration has contributed positively to aid effectiveness. The process, however, is by no means complete at this time. But insofar as the government and the donor community continue to be mindful of the Paris Declaration principles in their continuing programming dialogues at various levels, the prospects for realizing desired development outcomes are very bright.

1.0 Introduction

The Philippines is considered a low middle-income country with a per capita income of about US\$1,847 in 2008. It has been making steady gains in the growth rate and level of per capita income since the start of the 21st century; however, it is still saddled with high incidence of poverty, unemployment, and inequitable income distribution. It is also lagging behind in some of its targets under the Millennium Development Goals (MDGs), including universal access to basic education and reducing the maternal mortality ratio (MMR).

To address these development challenges, the Government of the Philippines (GOP), under a succession of political administrations, has increasingly allocated funds from the national government budget and forged partnerships with various development partners that include country donors, local government units (LGUs), civil society, business, and academe. Given, however, the magnitudes of the challenges, the GOP has had to contend, for one, with recurring budget deficits that tend to threaten macroeconomic stability. In 2009, for instance, the decision to mount a fiscal stimulus to ward off the expected contractionary effects from the global financial crisis caused the budget to balloon to 3.9 percent of the country's gross domestic product (GDP).

In view of tight financial constraints, the GOP continues to tap official development assistance (ODA) in the form of technical and capital assistance in its efforts to achieve its development goals that are spelled out in the Medium-Term Philippine Development Plan (MTPDP). Technical assistance is usually in the form of grants, although with the country's per capita income of more than a thousand US dollars, access to grants has been diminishing over time. Meanwhile, the GOP taps capital assistance on concessional-loan terms in line with the dictates of prudent debt-management policy.

Both the GOP and its donor development partners are committed to ensuring that every peso unit of ODA is used properly and effectively. In this regard, the GOP and its development partners are agreed that achieving the targets under the 2005 Paris Declaration (PD) for Aid Effectiveness is vital to realizing shared development objectives. The Country Level Effectiveness (CLE) Part 2 reports on the status of the GOP and donor partners' PD commitments.

1.1 Philippine Engagement with the Paris Declaration and Accra Agenda for Action

The GOP endorsed the 2005 PD on Aid Effectiveness, as well as the succeeding Accra Agenda for Action (AAA) in September 2008. Compliance with these international commitments is steered by the Philippine Harmonization Committee (PHC), an inter-agency committee of the GOP.

The PHC, composed of representatives from oversight agencies (e.g., DOF or Department of Finance, NEDA or National Economic and Development Authority, DBM or Department of Budget and Management, and COA or Commission on Audit) was established in 2003 with the support of the development partners to oversee the government's harmonization agenda. The agenda covers a set of initiatives to strengthen country systems bearing on government procurement, public financial management (PFM), gender, land acquisition and resettlement; ensure results-orientation at various levels (e.g., planning, programming, budgeting, monitoring and evaluation, and performance and management audit); and address gaps in PD implementation.

In terms of monitoring and evaluating the implementation of the PD commitments in the Philippines, the NEDA conducted regular monitoring surveys of the 12 PD indicators, covering calendar years 2005 (baseline), 2006, 2007 and 2008. The Philippines also participated in the first phase of the evaluation of PD implementation in March 2007 to September 2008, which focused on early inputs and outputs.

This report presents the findings of a country evaluation team under the second-phase evaluation of PD implementation in the country, the concerns of which are mainly intermediate outcomes, and plausible contributions of PD implementation to development results.

1.2 Purpose and Scope

This second-stage evaluation focuses on outcomes and results, and endeavors to answer the critical policy question of whether the intended long-term effects of the PD are being achieved or advanced.

This report seeks to offer answers to the following three core questions:

- PD in context: What are the important factors that have affected the relevance and implementation of the PD and its potential effects on aid effectiveness and development results?;
- Process and intermediate outcomes: To what extent and how has the implementation of the PD led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?; and,
- Development outcomes: Has the implementation of PD strengthened the contribution of aid to sustainable development results? How?

1.3 Evaluation Approach and Methodology

The core questions are addressed in this report based on the following approaches and activities.

1.3.1 PD in context

The answers to sub-questions under Core Question 1 are based mostly on secondary sources of periodic country indicators, including, economic [e.g., per capita real Gross Domestic Product (GDP)]; social [e.g., Human Development Index (HDI), MDGs, Gender Empowerment Measure (GEM)/Gender-related Development Index (GDI), Gini index, poverty incidence data]; and governance [e.g., World Bank Institute (WBI) and Millennium Challenge Corporation (MCC) governance indicators]. These indicators are used to assess how a set of economic, social and governance factors have affected the relevance and implementation of the PD. Existing literature on the matter at hand were also reviewed.

In addition, key informant interviews with selected officials of the government and donor agencies were undertaken to identify major events that affected the implementation of the PD and the AAA, and to discuss the organization of aid delivery and management in the Philippines.

Survey of secondary sources on the level of ODA subject to PD vis-à-vis total financing for development [e.g., WB development database, Philippine budget documents, ODA Portfolio

Review Reports, National Statistical Coordination Board (NSCB) national income accounts] are shown to put in context possible impact of PD on aid effectiveness and development outcomes.

To be able to discuss the extent to which initiatives supportive of PD principles were implemented, relevant findings in PD monitoring surveys that the GOP has regularly undertaken were used. The team also surveyed reports from government agencies that have initiated activities supportive of PD principles (NEDA, GPPB or Government Procurement Policy Board, DBM, DOF, and COA) as well as reports from Technical Assistance and Grant-assisted projects that are committed to implementing the PD.

Accessibility to data on relevant country statistics as well as to stakeholder-generated information helped a great deal in the conduct of the CLE Part 2.

1.3.2 Process and intermediate outcomes

The extent to which PD implementation has led to an improvement in the efficiency of aid delivery, management and use of aid and better partnerships was assessed using primarily findings from the government-led PD monitoring surveys covering the years 2005 (baseline), 2006, 2007 and 2008. These findings are supplemented by a review of evaluation and thematic studies undertaken by donors and internal government reports on the progress of reform initiatives to establish and/or strengthen country systems on, for example, National Development Strategies (NDS), procurement, financial management, and fiduciary standards. Key informant interviews and focused group discussions were also undertaken to test hypotheses and derive supporting evidence on the ground. Views of various stakeholders, including, civil society groups, academe, and members of parliament were also solicited.

1.3.3 Development outcomes

To obtain supporting evidence that PD implementation has helped accelerate progress towards development outcomes, the evaluation used as case studies the health and rural development sectors.

The report shows the appropriateness of the sectors in terms of development effectiveness, using as criterion the relevance of the sector in achieving the MDGs as indicated by the magnitude of aid going to the sector and its performance.

Survey results on relevant health and rural development indicators and sector targets, as well as review of existing literature, provide baseline data for these sectors and changes from such baseline overtime.

Key informant interviews, focused group discussions, stakeholder consultations and review of evaluation studies and reports were undertaken to extract information about plausible contribution of PD implementation to achieving sector targets, allocating resources consistent with achieving development outcomes, and strengthening institutional and social capital.

1.4 Limitations

While the Philippines readily acceded to the conduct of the second PD evaluation, the evaluation proper took some time to commence due to unforeseen delays in the procurement of evaluation consultants. Once procured, the evaluation engagement had to settle for a very tight timeframe to conform to the prescribed international timelines for report submissions. In addition, the National Reference Group (NRG) emphasized that the results of the evaluation

should enhance the regular in-country dialogue among stakeholders, to underscore the need to produce a high quality report.

Given these considerations, the Team allotted a good deal of time focusing on Intermediate and Process Outcomes (Core Question 2), which involve several sub-questions and progress markers, to comply with quality-assessment standards of the NRG while also meeting international reporting timelines. Findings were also presented to and reviewed by stakeholders in several workshops, to generate comments as well as enhance the in-country dialogue on aid effectiveness among stakeholders.

As a further caveat, time and resources were not adequate to make conclusive findings about the plausible contributions of the PD to Development Outcomes (Core Question 3). Plausible contributions observed by the Team were largely in terms of the intermediate and process outcomes of the PD. Existing reports and studies on evaluating aid-assisted programs and projects, if development impact is reported at all, do not provide impacts of the PD beyond process outcomes. Available reports on development impacts of programs and projects in the health sector are largely focused on the achievement of the MDGs in health. In the rural development sector, available information is not sufficient to clearly determine the outcome of past and on-going development programs and projects.

1.5 Major Milestones

The following are the major milestones undertaken in the CLE 2 process:

- National Reference Group was convened on 8 June 2010 to review draft Terms of Reference
- Team was engaged on 9 July 2010
 - CLE Team met with NEC Support Team to discuss TOR details
 - Preliminary data gathering to gather data on country profile
 - Stocktaking of available literature
 - Discussion on evaluation approaches and possible case studies
- Inception Report and Work Plan was submitted on 16 August 2010
 - NRG reviewed Inception Report and Work Plan on 17 August 2010
- Key informant interviews and focus group discussions were undertaken during the period 2 September to 27 September 2010
FGDs with 9 development partners (WB, ADB, JICA, USAID, EC, AusAID, UN Agencies, GTZ and CIDA) and 4 implementing agencies (DA, DAR, DENR, DOH)
 - FGDs with 5 civil society groups (AidWatch, Ibon, Agham, CPDG, HEAD)
 - FGDs with oversight agencies (NEDA, DOF, COA)
- Interim findings was submitted on 15 October 2010
- Major Stakeholder Validation Workshop conducted on 22 October 2010
 - CLE 2 interim findings were reviewed by participants (30 from oversight agencies, 14 from development partners, 9 from implementing agencies, 11 from CSOs, and 11 from media and other practitioners)

- Technical validation workshop with civil society organizations conducted on 29 October (CSO Luzon), 1 December (CSO Visayas) and 14 December 2010 (CSO Mindanao)
- 3rd NRG Meeting reviewed the Draft Final Report on 12 November 2010
- Technical validation workshop with Implementing Agencies (DOH, DA, DAR and DENR) was conducted on 26 November 2010
- Participated in the Regional Workshop in Bali on 7 to 10 December 2010 to review the emerging findings of the country reports and plan for critical next steps
- A NEDA technical validation workshop on the draft report was held on 13 December 2010
- A technical validation workshop with Development Partners and the 4th NRG Meeting to review the Final Report were done on 21 December 2010

During its meeting on 21 December 2010, the NRG members accepted the report of the Country Evaluation Team and endorsed its submission to the International Team. On the third of January 2011, the National Evaluation Coordinator will submit the Final Country Evaluation Report.

2.0 Country Findings on the Core Evaluation Questions

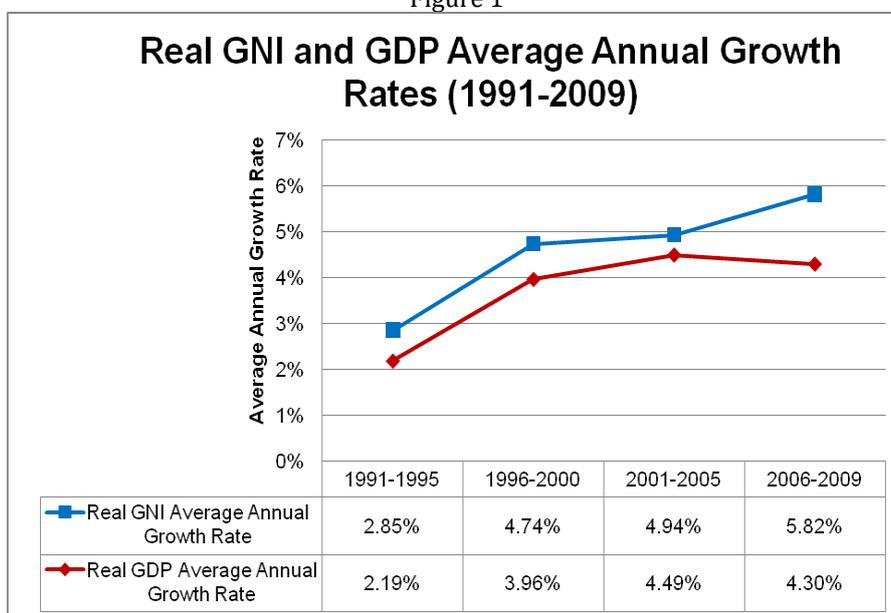
2.1 Core Question 1: Paris Declaration in Context

2.1.1 Key Country Characteristics

The Philippines enjoyed steady economic growth during the decade, but social disparities among income groups, regional areas, and between urban and rural population remain. Governance indicators also reveal that the country is rated high in terms of civil political rights and economic policy, but is rated low in terms of health and education expenditures.

During the period 1991-2009, the Philippine economy achieved significant economic growth (see Figure 1) with GDP adjusted for inflation growing by an average of over 4 percent and Gross National Income (GNI) growing by an average of over 5 percent during the last decade.

Figure 1

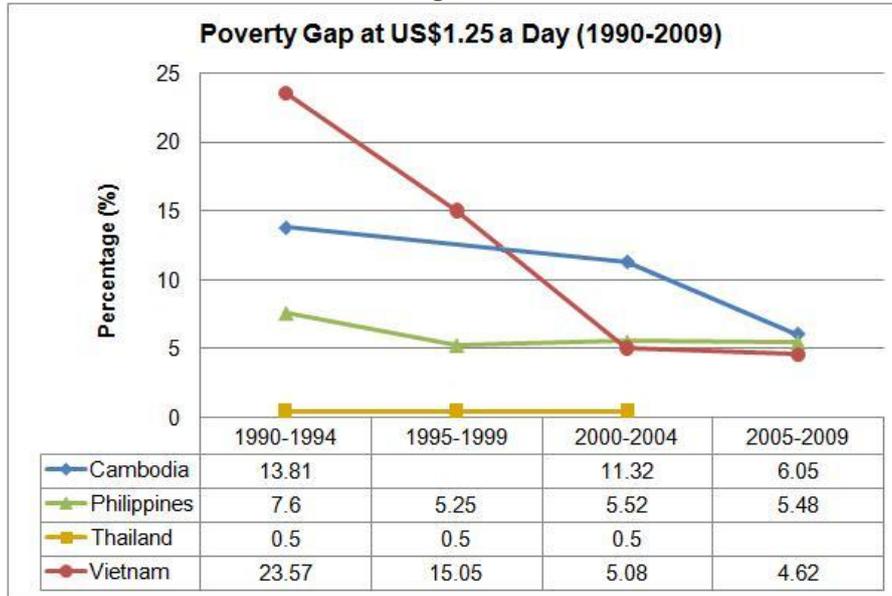


Source: ADB Key Indicators for Asia and the Pacific 2010

Despite steady economic gains, poverty incidence and inequality have been slow to decline.

Reducing poverty in the country lagged behind progress made in other countries in the region. As shown in Figure 2, Cambodia and Vietnam were able to reduce significantly poverty incidence to catch up on the Philippines.

Figure 2

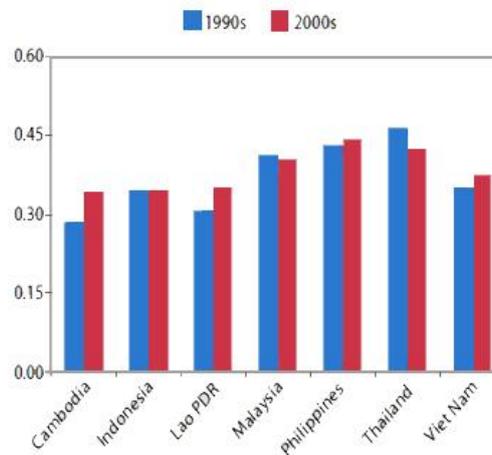


Source: WB's World Data Bank (2010)

Inequality is also high compared to other countries in the region (see Figure 3).

Figure 3

Gini Coefficient for Per Capita Income/Expenditure for Selected Countries



Lao PDR = Lao People's Democratic Republic.

Note: Data for Cambodia are for 1993 and 2005; Indonesia, for 1993 and 2002; Lao PDR, for 1992 and 2002; Malaysia, for 1993 and 2004; Philippines, for 1994 and 2003; Thailand, for 1992 and 2002; and Viet Nam, for 1993 and 2004.

Source: ADB (2007)

Economic growth did not benefit all segments of the population. Poverty incidence among rural households is about four times that of the rest of the population while poor households are concentrated in Visayas and Mindanao (ADB 2007).

Based on the Philippine Progress Report on the MDGs (2010) and as reported by President Aquino during the recent UN Summit in September 2010, the following targets had

been surpassed: improving access to sanitation, increasing tuberculosis-case detection, and providing equal educational opportunities for girls. Significant progress was also achieved in reducing mortality rate among children aged 5 and below, and in reversing the incidence of and death rate associated with malaria. On the other hand, more efforts are required in achieving universal primary education, improving maternal health, combating HIV/AIDS, as well as reducing the incidence of poverty and hunger. The report also highlighted disparities in achieving the goals across regions.

In terms of governance, the Philippines is rated above median in its country group in terms of “ruling justly” and “economic freedom”, but the country lags behind in “investing in people” (see Table 1). The good rating received by the Philippines is enough to merit fresh commitment of additional assistance from the MCC.

Table 1
Philippine Governance Score Card (2004-2009)

Rating relative to Median of Income Group	Ruling Justly	Investing in People	Economic Freedom
Above median	Political rights, civil liberties, government effectiveness, voice and accountability	Natural resource management	Regulatory quality, land rights and access, trade policy, inflation, fiscal policy
Along median	Rule of law	Girl’s primary education completion	Business start-up
Below median	Control of corruption	Immunization rates, health expenditures, primary education expenditures	

Source: Millennium Challenge Corporation Governance Rating System (2009)

Despite the economic gains and given the social disparities that remain, the country continues to experience chronic fiscal constraints. In July 2004, the State of the Nation Address of the President identified the most urgent problem to be the budget deficit. By that time, the government had been operating on a fiscal deficit for two decades except for the years 1994-1997 when privatization proceeds led to surpluses (NEDA 2004). In 2009, the decision to mount a fiscal stimulus to ward off the expected contractionary effects from the global financial crisis caused the budget to balloon to 3.9 percent of the country’s gross domestic product (GDP).

In view of tight financial constraints, the GOP continues to tap official development assistance (ODA) in the form of technical and capital assistance in its efforts to achieve its development goals that are spelled out in the Medium-Term Philippine Development Plan (MTPDP).

It must be noted, however, that while the Philippines is a recipient of aid, it is endowed with capable professionals who are tapped to provide technical assistance to other developing countries under some Third-Country Assistance Programs. Educational institutions in the country also serve as training partners/venues for development practitioners from other developing countries.

2.1.2 Major International and National Events

The following are major international commitments that focus on how aid should be delivered and managed:

- Millennium Development Goals (September 2000) where developing countries and development partners committed to prioritize eight (8) development goals.
- Monterrey Consensus (March 2002) where countries and development partners committed to, among others, increase international financial and technical cooperation for development
- Roundtables on Development Results (2002, 2004 and 2007) where principles and strategies in managing for development results were laid out
- Rome High-Level Forum (HLF) on Harmonization (February 2003) which laid out principles and strategies in harmonization and alignment
- Paris HLF on Aid Effectiveness (March 2005) where developing countries and development partners committed to reform aid delivery and management around the principles of ownership, alignment, harmonization, managing for results, and mutual accountability
- Accra HLF on Aid Effectiveness (September 2008) where developing countries and development partners agreed to an agenda for action as follow up to PD commitments
- Doha Declaration on Financing for Development (November 2008) which affirmed the Monterrey Consensus

The following are the major national events which have affected in one way or another effect of aid in the country:

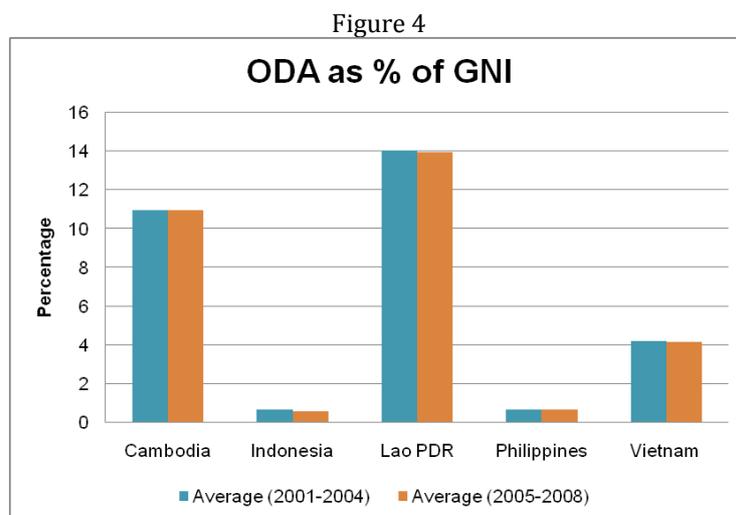
- Enactment of the Local Government Code (LGC) of 1991 which devolved responsibilities for providing certain government services (including in the sectors of health and rural development) to local government units (LGUs) – The national government and donors were required to formulate mechanisms to allow LGUs to access ODA funds, and strengthen the financial and technical capacities of LGUs in implementing development projects.
- Enactment of the ODA Act (1996), which exempts ODA loans from the foreign-debt limit of US\$ 10 billion imposed by an earlier law, as well as established country policies on ODA management (including monitoring and evaluation)
- Enactment of the Government Procurement Reform Act (2003) which instituted milestone reforms in the process of awarding government contracts
- Public sector reforms which involve primarily reforms covering public financial and expenditure management
- Economic Resiliency Plan (ERP) in response to the global financial crisis of 2008 which significantly slowed down economic growth in the Philippines

- Natural disasters such as the destructive typhoons in 2009 which resulted in increased financial commitments by the Government and the development partners

2.1.3 The Place of Aid among Other Sources of Development Finance

For the period 2000-2008, ODA accounted for less than one (1) percent of the country's GNI, from 0.7 percent in 2000 to 0.03 percent in 2008. Using this measure, aid is considered to be a small component of the country's total capital flows relative to other countries in the region.

ODA accounted for the least percentage of GNI in the Philippines compared to Lao PDR, Cambodia, Vietnam and Indonesia (see Figure 4).



Source: WB's World Data Bank (2010)

Remittances to the Philippines are more substantial accounting for almost 12 percent of the country's GDP in 2007.

ODA, however, has contributed more significantly in capital formation. ODA-assisted development programs and projects in 2009 reached PhP 35 B or 24% of the National Government's total capital outlay.

The place of aid, though, in development is not limited to the amount of capital flows. It also includes aid partners' contribution to institutional strengthening of the government bureaucracy.

2.1.4 Aid Delivery and Management in the Philippines

Programming of ODA is primarily undertaken by the oversight agencies of the GOP, namely the NEDA, DOF and DBM, guided by the MTPDP. The NEDA Board, with the GOP President as chair is the highest socio-economic policy-making body.

The NEDA Secretariat coordinates the preparation of the macroeconomic outlook while the DOF is largely responsible for the revenue program, including management of public-sector debt. The DBM formulates the resource allocation strategy within the expenditure program of the GOP. Coordination among these oversight agencies is undertaken in NEDA Board

Committees, primarily in the Investment Coordinating Committee (ICC) and the Development Budget Coordinating Committee (DBCC).

The DBCC sets the level and allocation of total development expenditure while the ICC reviews and approves specific major development programs and projects, including those assisted by ODA.

In the programming of ODA, the NEDA, in coordination with donor agencies, formulates the assistance framework consistent with the MTPDP. Projects supportive of sector goals are formulated by implementing agencies, usually with some technical assistance from donor agencies. Project proposals are then submitted to and reviewed by the NEDA, which recommends ICC action. After ICC approval, the project is appraised by the donor agency. The loan is then negotiated by DOF with the donor agency.

The DBM formulates the annual national budget with inputs from implementing agencies. The implementing agencies are required to allocate budget space to cover loan disbursement for the year. The national budget is submitted by the GOP President to Congress for its approval. Once approved, it becomes the General Appropriations Act or GAA. NEDA regularly monitors and evaluates ongoing ODA-assisted programs and projects and submits an Annual ODA Portfolio Review Report to Congress in June. This has been going on for the past 18 years.

National development dialogue, including aid coordination, is undertaken in the Philippine Development Forum (PDF). The PDF, with the DOF and the World Bank as chair and co-chair respectively, is the primary venue of the Government for facilitating substantive policy dialogue among stakeholders on the country's development agenda, as well as generating critical reform actions. It also serves as GOP's mechanism for aid coordination. The PDF process involves continuous dialogue on thematic areas through working groups; the latter hold meetings in between formal PDF meetings to follow-up on the issues and agreements at the last meeting.

The level of awareness and influence of the PD principles is high on the part of relevant officials of the oversight agencies. This is primarily due to their involvement in the PHC, which oversees initiatives supportive of the PD principles. Officials and staff from the implementing agencies (IAs), however, do not have the same level of awareness and influence of the PD. Thus, most IAs are not able to develop and implement PD initiatives or PD-compliant activities. The relatively low awareness at the IA level was observed, for instance, during the recent ODA Portfolio Review undertaken by NEDA. This Review attempted to conduct a survey on some PD indicators with implementing agencies as respondents. The IAs indicated difficulty in understanding PD principles and indicators, and were not able to respond to the survey accurately. PD awareness among project beneficiaries is likewise negligible.

2.1.5 Initiatives Supportive of PD principles

Reform initiatives supportive of PD principles were undertaken prior to the signing of the PD in March 2005. Findings from the Philippine CLE Phase I, which focused on inputs and early outputs, showed that the Philippines was fairly ahead in PD implementation as early as the baseline year of 2005:

Table 2
CLE Phase I Summary of Progress in PD Implementation

Principle	Baseline 2005	Progress 2007	Strengths	Challenges
Ownership	High	High	Development agenda clearly enunciated and supported by the government. An integrated set of policy and planning documents which include among others the following: the President's 10-pt Agenda, the Medium-Term Philippine Development Plan, the Medium-Term Public Investment Program 2005-2010, Medium-Term Public Expenditure Framework 2005-2010, Harmonization Action Plan 2007-2010; and, Various Sector Plans and Strategies	The policy and planning framework still to be aggressively disseminated at the lower levels of government and with the implementing agencies.
Alignment	Good	Good	Regular formal consultations on development issues conducted between the Government and the development partners (DPs). Government in advanced stages of implementing comprehensive PFM reforms. Government, with support from DPs, has developed and is in the final stages of rolling-out standardized procurement process.	Some DPs still constrained by HQ policies and requirements, particularly, with regard to using local systems. Some Government agencies are slow to adopt coordinated consultation processes.
Harmonization	Fair	Good	PFM system in place and being used by Government. Standardized procurement systems are developed in consultation with and support of WB, ADB and JBIC. System fully documented and supported by legislation. Simplified version being prepared for use at sub-LGU levels. Several major DPs using the system.	PFM system not fully adopted by LGUs. Few DPs able to use PFM systems due to constraints imposed by HQ and remaining concerns about fiduciary risk. Many bilateral DPs having difficulty adopting standardized procurement practices due to HQ resistance and remaining concerns about fiduciary risk.
Managing for Results	Good	Good	Government is implementing results-based management systems. DPs cooperating and collaborating in the process.	The roll-out of systems is challenging and is taking time to resolve some of the remaining management issues. The M&E processes need further development. Skills base is improving but requires further support.
Mutual Accountability	Fair	Good	Established DP-Government coordination mechanisms provide vehicles through which stakeholders can share information via the Philippines Development Forum	Formal M&E systems have yet to be fully developed although efforts are underway to address the issue. Degree of support varies among DPs.

2.2 Core Question 2: Intermediate and Process Outcomes

Various indicators considered under Core Question 2 serve to assess progress on eleven intermediate and process outcomes. These outcomes are further clustered into three headings: (a) country ownership over development covering the principles of ownership and alignment; (b) building more inclusive and effective partnerships covering the principle of harmonization among donors; and, (c) delivery and mutual accountability for development results covering the principles of managing for results and mutual accountability. Each cluster of outcomes includes a summary finding followed by a rating of each of the outcomes under each cluster based on several indicators. Lastly, the rating of each of the indicators is discussed.

Progress on these process outcomes is analyzed in this report using 2005 as the base year. The outcomes assessed in this report include also effects that are attributed to initiatives supportive of PD principles (PD-style aid) and not merely those that are due adoption of the PD. This is so since efforts supportive of aid effectiveness principles have been initiated and implemented in the Philippines prior to the adoption of the PD.

With the baseline rating and the progress achieved thus far, the report also made assessments on the present status of each indicator under intermediate and process outcomes. It should be noted that if the indicator's progress (2005-2010) is rated none or little, the status (2010) is rated the same as the baseline rating (2005).

COUNTRY OWNERSHIP OVER DEVELOPMENT

Among the three clusters of intermediate and process outcomes, the evaluation found the present status (2010) of process outcomes under country ownership over development to be the most advanced to date. This includes progress on process outcomes under the principles of ownership and alignment.

Under ownership, government is seen to have strong leadership in aid coordination with donors and in having an operational MTPDP (the NDS) linked to the MTPIP (through the Medium-term Expenditure Framework or MTEF). Progress from baseline is assessed only to range from "little to some," primarily because most of the initiatives to strengthen ownership were already in place in 2005. Significant efforts are required in the areas of parliamentary monitoring of MTPDP progress and consultative process in the formulation of the MTPDP.

Current status of alignment of aid to GOP priorities and country systems is rated as "good to high". The evaluation noted that most of the initiatives and efforts since 2005 have been focused on increasing alignment.

Process Outcome	Rating			Evidence and Challenges
	Baseline (2005)	Movement (2005-2010)	Status (2010)	
1. Stronger national strategies	Good to High	Little	Good to High	<ul style="list-style-type: none"> Operational PDF dialogue and working groups, MTPDP, MTPIP, OPIF and RME; Congressional oversight of particular programs and projects, and budget hearings; MTPDP consultation with CSOs, and CSO membership in RDCs. PDF plenary did not meet in the last two years; integration of results systems not yet operational; Congressional monitoring

Process Outcome	Rating			Evidence and Challenges
	Baseline (2005)	Movement (2005-2010)	Status (2010)	
				not on MTPDP progress and need to strengthen capacity of congressional staff; issues are still raised regarding genuine CSO participation.
2. Increased alignment of aid	Fair to Good	Little to Some	Good	<ul style="list-style-type: none"> • MTPDP as donor guide, review of donor strategy in bilateral consultations, ICC review and budget support assistance; donor use of harmonized Philippine Bidding Documents (PBDs), TAs supporting strengthened country systems • More work needed in alignment of International Competitive Bidding (ICB) method, procurement under some bilateral donors and grant-assisted projects; IAs need to be capacitated on the use of harmonized systems and procedures
3. Performance and accountability of country systems	Fair	Some to Substantial	Good to High	<ul style="list-style-type: none"> • Good on PFM (MTEF, OPIF or results-based budgeting, and country system on internal audit) and high on procurement [revised IRR of RA 9184, Philippine Government Electronic Procurement System (PhilGEPS) and Country Procurement Assessment Report (CPAR) findings] • Weaknesses on budget execution and reporting remains; Electronic National Government Accounting System (e-NGAS) discontinued and Government Integrated Financial Management Information System (GIFMIS) not yet operational; perceptions of corruption in procurement and need to improve enforcement

2.2.1 Stronger national strategies and operational frameworks

- Government leads in aid co-ordination at all levels with donors

The PDF evolved from the regular pledging sessions in the late 1990s wherein donors pledged their indicative programmed assistance for future years. These pledging sessions later became the Consultative Group (CG) Meetings, which started in early 2000s.

The PDF is considered a progress from the earlier version of pledging sessions as the former became a forum for wider participation that involves other stakeholders, such as, CSOs, academe and private sector. The PDF went beyond being pledging sessions and evolved into a more effective partnership among development actors.

While the PDF has not been convened for the past two years, PDF working groups remain active in discussing concerns in their respective thematic areas.

In the health sector, the Department of Health (DOH) chairs the aid coordination through several fora organized to facilitate dialogue among health sector partners. It is widely recognized that the DOH exercises strong leadership in aid coordination.

Policy continuity despite several changes in DOH management enabled the strong leadership of the sector strategy by DOH, as well as made possible incremental enhancements through regular evaluation of the sector strategy. This also enabled and encouraged donors to buy in into a strong health sector strategy.

In rural development, agencies prepare their respective Investment Programs based on their agencies' priorities and thrusts for the plan period. The donors use these documents as basis for development cooperation. This process pre-dates PD. With PD, donors are more responsive to the sector's identified programs. In some cases, donors tend to initiate and push strongly for specific projects which are eventually developed with the agencies' involvement.

- National Development Strategies (NDS) with clear, results-oriented strategic priorities and 'bankable programmes linked to MTEF

Through the years, the GOP formulated MTPDPs which contain the national development strategies. Six-year term Plans were formulated for the years 1993-1998, 1998-2004 and 2004-2010. The formulation of the 2010-2016 MTPDP is now ongoing.

Efforts have been exerted to come up with a results indicator system to measure progress of the Plan through the Strategy Planning Matrices (SPM). However, formulation of the SPM needs to be improved as some indicators are loosely linked to the Plan. There is also weak linkage of the SPM to the budget of implementing agencies.

Initiatives were started in 2009 to link various results-based systems in planning (MTPDP/SPM), budgeting (OPIF), and results monitoring and evaluation (RME). These initiatives are being piloted in the Agriculture Agrarian Reform and Natural Resources (AARNR) sector where an integrated-results framework has been formulated, and capacity assessment of four IAs were conducted. Identification of indicators and development of capacity building plans are ongoing. Similar activities are being replicated in the health sector.

- Increased monitoring and scrutiny through parliamentary processes of progress with the NDS

Monitoring and scrutiny of NDS progress is largely limited to particular programs and projects and focused on controversial issues such as alleged corruption incidents. Such scrutiny is done through regular parliamentary processes in view of Congress's oversight function over the executive branch and its control over the budget. Monitoring and evaluation of the Plan is primarily undertaken by the executive branch.

However, there is need to strengthen the technical capacity of Congress staff to monitor the progress of the NDS and as well as enhance their awareness of aid effectiveness principles.

- Fully consultative process including civil society organizations (CSOs) and those representing women and excluded groups, local authorities and the private sector in NDS development

Consultation with civil society organizations and private sector has been a regular feature of the MTPDP formulation through the years. While some groups are invited to multi-stakeholder meetings, their specific suggestions may not necessarily be reflected in the final draft. There are also reported instances where consultative processes of Plan formulation have been limited to specific CSO groups.

In August 2010, a collaboration of civil society organizations, with assistance from the UNDP, came up with a Citizen's Roadmap, which contains recommendations to the Government for the formulation of the 2010-2016 Medium Term Philippine Development Plan.

Consultation with local authorities is undertaken through the 15 Regional Development Councils (RDCs) and documented through the regional development plans. RDCs also include region-based CSOs as representatives. However, the government should see to it that there is balanced representation (business sector representation vis-à-vis CSO representing marginalized sectors) in line with the principle of inclusiveness.

In the formulation of specific programs and projects, target beneficiaries are also consulted.

- NDS and sector strategies respond to international commitments on gender equality, human rights, disability and environmental sustainability

The Guidelines for the formulation of the MTPDP (2010-2016) include as basic principles international commitments on gender equality, human rights, and environmental sustainability, as also espoused in the MDGs.

Gender, human rights, and environment are already mainstreamed even before PD. There are also parallel efforts at the international level to monitor compliance.

2.2.2 Increased alignment of aid with GOP priorities, systems and procedures, help to strengthen capacities

- Overall support based on partner NDS, specific related priorities of sectoral ministries and NDS/sector progress reviews

DP assistance strategy or framework is regularly reviewed by GOP to ensure consistency and responsiveness with the MTPDP. Likewise, the MTPDP serves as guide/framework for DPs in preparing their respective assistance strategies. In terms of specific project proposals, these are also reviewed at the ICC level to ensure consistency with and responsiveness to the objectives of the MTPDP, MTPIP and/or Strategy Planning Matrices (SPMs).

The ICC policy and guidelines requiring responsiveness and consistency with GOP priorities were in place prior to 2005.

In the health sector, alignment of assistance to GOP health strategy is primarily achieved in providing budget support type of assistance.

In rural development, the NPS modality is a definite improvement towards the alignment principle on the part of the donors as a result of the PD. However, in view of the additional tasks that need to be performed by the IAs to comply with donor requirements and without the expected additional resources as incentive, some resistance has been expressed. Under the phase 1 CLE, the resistance was reported at the Central Office level during program mobilization. The resistance has now shifted to the field offices, particularly on issues affecting financial management.

- Increased use by donors/agencies of country systems and procedures

Based on PD surveys, substantial progress was achieved in the following indicators:

Indicator	2005	2008	2010 Target
5A Use of country PFM systems (percent of aid)	74%	85%	70%
5B Use of country procurement system (percent of aid)	37%	85%	N/A
6 Parallel Project Implementation Units (number)	69	34	31

As early as January 2003, the GOP and the major donors (ADB, JICA and WB) agreed to initiate harmonization of procurement IRR, bidding documents, training and certification program, procurement manual, reporting format and licensing procedures.

In September 2009, the revised IRR of the GPRA became effective, which covers both locally and ODA funded procurement, unless stated otherwise by a treaty, international or executive agreement. The revised IRR is also expected to increase further use of country procurement system by mandating GOP negotiating panels to adopt as default position use of country system or at least selection through competitive bidding in loan negotiations.

In October 2010, a Joint Letter from the ADB, JICA and WB advised DBM and NEDA, copy furnished all implementing agencies, that procurement of civil works and goods funded by these DPs under NCB method is required to use the latest edition of the harmonized Philippine Bidding Documents prepared by the GOP.

Most of the progress was achieved with major multi-lateral development partners. Alignment under ICB procurement is still a work in progress. There are also reported instances, however, where use of the harmonized Philippine Bidding Documents was not followed under NCB procurement. In the case of bilateral donors, alignment is relatively more challenging because this will require changes in country-specific processes, systems and procedures.

The use of budget support type of assistance as a tool of alignment in the two sectors had varied results.

In the health sector, use of country systems is achieved primarily through increasing budget support to the national government treasury. By nature of the assistance, loan funds are utilized using country systems.

In rural development, on the other hand, budget support assistance to particular IAs was employed. Loan funds provided budgetary support but only to regular activities of the IAs that are supportive of certain reforms. For instance, the Diversified Farm Income and Market Development Project of DA provided budgetary support only to market-oriented activities. Due to the need to monitor compliance to such conditionality, similar but separate documentary requirements were required, which was also the case under the budget support assistance in the environment and natural resources. This contributed to the delays in utilizing budget support.

- Increased support to capacity-building of country systems

Based on the PD surveys (Indicator 4), the percentage of technical cooperation implemented through coordinated programs consistent with country's needs and strategies increased from 78 percent in 2005 to 93 percent in 2008. The global target for 2010 is 50 percent.

Some progress is observed in terms of development partners providing support to capacity building of country systems. Prior to 2005, most of support from development partners to capacity building has been fragmented or provided to specific implementing units and to particular country systems. Because of this, coherent capacity building strategies or programs for country systems began to be put in place.

In terms of country procurement, for instance, a national training program was formulated (including health and RD) by the GOP to be jointly implemented or delivered with the major development partners in the country. Assistance also focused on PFM, project quality at entry (environment, GAD, LARP), investment programming, MTEF, and managing for results.

In rural development, as part of the NPS implementation, past and current capacity-building efforts are in the areas of financial management, procurement and RBME.

2.2.3 Defined measures and standards of performance and accountability of partner country systems in PFM, procurement, fiduciary standards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application

- Strengthened financial management capacity

Notable GOP reforms in PFM have been progressively adopted across levels of government since 2002, and had positive impact on the transparency of the financial management system. Among the most recent reforms that the COA has developed is the adoption and implementation of the e-NGAS, which is a computerized version of the NGAS. It simplifies government accounting, yet provides adequate internal controls, and reliable and timely financial management information without sacrificing data integrity and fiscal transparency. It is now being rolled out in National Government Agencies (NGAs), LGUs, and GOCCs. Currently, there are about 189 NGAs, 164 LGUs, and 44 GOCCs who is using the e-NGAS. However, implementation of the e-NGAS was discontinued in 2008.

Other reform initiatives include formulation of MTEF, shift from input-based to output-based budgeting under the OPIF, and improvements on internal audit such as

the formulation of National Guidelines on Internal Control Systems and the Internal Audit Manual. Internal audit units were also established in 13 departments.

Recent efforts on strengthening the financial management capacity of the GOP are focused on the development of the Government Integrated Financial Management Information System (GIFMIS). It involves the linking of budget preparation and execution, accounting, cash management, reporting and auditing. This would mean the integration of the financial management information systems of three (3) oversight agencies involved in financial management, namely, the DBM, DOF and COA. This system is, however, still in the development stage.

A good governance study by the ADB (2010), however, finds that some weaknesses remain in terms of budget execution and reporting.

- Strengthened national procurement systems

The Philippines Country Procurement Assessment Report (CPAR 2008) found that the country's public procurement system has become more efficient and was able to minimize opportunities for corruption. One procurement reform identified by the CPAR contributing to improved efficiency and transparency is the Philippine Government Electronic Procurement System (PhilGEPS). The report cited the experience of the local government of Lo-on in the province of Bohol which uses online procurement for all its requirements. The use of competitive bidding by the Department of Education also reduced the cost of bulk purchases of textbooks by half compared to previous practice (CPAR 2008).

GOP (thru GPPB) came up with a revised Implementing Rules and Regulations (IRR) for the Government Procurement Reform Act, which became effective on 2 September 2009. The revised IRR now covers both locally and ODA-funded procurement, unless otherwise stated in the treaty, international or executive agreement. Revision of the IRR was guided by international best practices in procurement. In terms of simplifying procedures, for instance, eligibility requirements under the revised IRR are reduced to 5-6 documents with other requirements to be submitted during post qualification and prior to contract award.

- Increased use of mutually agreed processes to carry out diagnostics, develop fiduciary reforms and monitor implementation

The PDF and its working groups serve as unified venue to discuss reforms in country systems, if warranted. However, the evaluation did not reveal mutually agreed processes devoted specifically to conduct of diagnostics, develop fiduciary reforms and monitor implementation of country systems, except in the area of procurement.

The Country Procurement Assessment Report (CPAR), which is jointly prepared by the GOP and major development partners, aims to diagnose the progress of the existing public procurement system as well as provide the venue for dialogue among procurement stakeholders to agree on actions to push the needed reforms further. The first CPAR was released in 2002 with updates in 2003 and 2005. With the new public procurement system (GPRA or RA 9184) installed in 2003, another CPAR was released in 2008 assessing the progress of procurement reforms and formulating plans to build upon what has been already achieved thus far.

BUILDING MORE INCLUSIVE AND EFFECTIVE PARTNERSHIPS

Current status of process outcomes of harmonization initiatives in building effective partnerships among donors are rated as good in general. The evaluation finds that some progress was achieved since 2005. However, significant efforts are required in increasing delegation to lead donors for the execution of programs, untying of aid and limiting conditionalities.

Process Outcome	Rating			Evidence and Challenges
	Baseline (2005)	Movement (2005-2010)	Status (2010)	
4. Less duplication of efforts and rationalized activities	Fair	Little to Some	Good	<ul style="list-style-type: none"> • Use of donor comparative advantage during ICC investment programming and donor CAS; minimal fragmentation of donor assistance at baseline • Half of aid still tied; delegation to lead donors occurs in “silent partnerships” which are not institutionalized, and are based primarily on individual commitments of some donor staff; need to address possible disadvantages of consolidation of aid in a few donors
5. Simplified donor procedures, more collaboration	Fair	Some	Good	<ul style="list-style-type: none"> • Some progress on coordinated missions and evaluations, joint programs and common services are observed • Need for the government to promote and oversee collaboration and simplification of donor procedures
6. More predictable flows, changed conditionalities	Fair	Little to Some	Fair to Good	<ul style="list-style-type: none"> • Good on multi-year commitment of aid (existing predictability maintained) and fair on limiting conditionalities (some progress on program loans) • Few program support-type loans still contain difficult reforms
7. Sufficient delegation of authority to country office	Fair	Little	Fair	<ul style="list-style-type: none"> • Levels of delegation vary among donors. Major decisions predominantly done at HQ or partly decentralized to country offices
8. Sufficient integration of global programmes	Fair	Little to Some	Fair to Good	<ul style="list-style-type: none"> • Some progress on global programmes on HIV/AIDS which is aligned to GOP health strategy • Global programmes on climate change barely started

2.2.4 Less duplication of efforts and rationalized, more cost-effective donor activities

- Increased use of donor comparative advantage led by government and increased division of labor

The PDF is a venue used by Government in bringing together the various development partners in aligning and soliciting support for priorities it has identified. The PDF brings together the various development partners wherein discussions on complementation, partnership and harmonization in providing

assistance based on their respective comparative advantages are taken up. Representatives from the private sector and civil society organizations also participate in the PDF.

- Increased division of labor within the sector

In the health sector, division of labor in terms of comparative advantage is done through the Joint Assessment and Planning Initiative (JAPI). Each donor is now recognized to contribute in accordance with their own relative strengths.

In rural development, convergence initiatives among agencies in the sector complemented by the development of an integrated RD results framework are among the efforts to enhance division of labor in the sector.

- Increased delegation to lead donors for the execution of programmes, activities and tasks

Instances of silent partnerships could be observed but this is not an institutionalized practice. In some cases, a perception of donors leading the way is reported but this could be more a function of individual personalities of donor task officers or as a result of commitment to aid efficiency.

- Reduced fragmentation, overall

Evidence from Annual ODA Portfolio Reviews show that 80% of total ODA loan is provided by 20% of the number of donors (i.e., four largest sources) in 2009. This, however, is a regression from the average in the last 10 years, which is 90% of total ODA loan being provided by 20% of the number of donors.

- Reduced fragmentation within sectors

Under the Health Sector, the DOH under its Sector Development Approach to Health (SDAH), requested the various Development Partners working with them to align their support and assistance with the reform objectives and coordinate their reform activities under a single national implementation framework called F1 for Health. A Technical Assistance Coordination Team (TACT) under the DOH was tasked to coordinate different TA programs in the sector.

In rural development, four development partners are complementing their support in the sector.

- Increased untying of aid

Data from the Organization of Economic Cooperation and Development (OECD)-Development Assistance Committee (DAC) for the years 2005 – 2007 indicated that instead of an increasing trend, percentage of untied aid has been decreasing, from 63 percent in 2005 to 46 percent in 2007. Most untied aid comes from multilateral sources, although some bilateral partners are making efforts in this area. In-kind grants are considered as tied aid.

Based on recent ODA loans data, China, which provides tied loans, has increased its assistance to the country, from less than 1 percent of the portfolio in 2001, to 5

percent in 2005, and which was further increased to 11 percent in 2009. Loans extended by China to the Philippines are usually in the form of supply or negotiated contracts; loan agreements considered executive agreements.

The data indicates increasing trend of tied aid in the portfolio although there is growing disapproval among all stakeholders in contracting tied aid.

2.2.5 Reformed and simplified donor policies and procedures, more collaborative behavior

- Evidence of reforms and simplifications by individual donors in their own operations

Data from the PD Monitoring Survey indicates that there is an increasing trend towards conduct of joint missions and country analytic work among development partners. From a baseline of 22 percent in 2005 for coordinated missions conducted by development partners, this has increased to 48 percent in 2008. Relatedly, coordinated country analysis also increased from 27 percent in 2005 to 53 percent in 2008.

Evidences:

- Joint evaluation missions in Mindanao conducted by the UN system with AusAID to assess the impact of the third phase of the post-conflict joint program.
- In the health sector, external partners are conducting joint appraisal and joint review missions, and the Government has a mechanism to track these joint missions.
- ADB, JBIC, and World Bank engage in joint ODA portfolio reviews.
- In 2002, a Public Expenditure, Procurement and Financial Management Review (PEPFMR) -- an integrated PER/CFAA/CPAR -- was produced as a joint analytical product of the Government, ADB, and the World Bank. In 2003, a CPAR was published as a companion volume of the PEPFMR, with CPAR updates published in 2004 and 2005. The ADB and the World Bank also produced a joint Public Expenditure Review in April 2003 and jointly conducted an investment climate survey in 2004.
- Within the EU, joint evaluation and analysis are becoming more frequent. As of October 2006, external partners have posted 40 documents on the Country Analytic Work website.
- In 2007, IFAD jointly developed its *Country Programme Results Framework for 2008-2010* with concerned government agencies which culminated the broad-based studies and consultations carried out in 2005-2007.
- The GTZ and KFW conducted four analytical works regarding *Local Governance Performance System* (with CIDA), *Philippine Water Supply Sector Roadmap* (with ADB, USAID, WB, JICA, JBIC, KFW and UNDP), *Philippine Competitiveness Ranking* (with GTZ, IFC and USAID) and *Capacity Needs Assessment for Newly elected LGU Officials* (with WB, CIDA and USAID).
- The ADB conducted specific technical assistance and programs (e.g. GOCC Reform Diagnostics, Judicial Reform, Fiscal Issues/Tax Revenue Enhancement); Country Programming and Country Confirmation Missions.
- The WB Country Office conducted analytical works on *Public Expenditure Review for Rural Development and Environment Monitor (Health Sector)*.
- UNDP likewise conducted its *2007 Annual country Programme Review and Reports on the Peace Building in Times of Institutional Crisis and on the 2007*

MDGs Mid-Term Progress Report.

- Other analytic works were that of AusAID's *Philippine Country Program Gender Analysis and Policy Dialogue* by Korea (EDCF and KOICA).
- In March 2008 IFAD concluded the consultations that led to the finalization of the IFAD 2010-2014 Results-Based Country Strategic Opportunities Programme (RB-COSOP). The consultations was based on analytic work in areas like the indigenous peoples/marginalized groups, microfinance, farming systems/rural livelihood and environmental sustainability, and devolution and decentralization, as well as cross-cutting issues papers on rural institutions, remittances and gender, and review of sectoral priorities of the Government.
- USAID conducted the following:
Bus Rapid Transit Pre-Feasibility study - this study was conducted in support of the government's goal to find alternative public mass transport mode and to reduce vehicle emission and improve air quality in Metro Manila and other highly urbanized cities. This study was conducted in collaboration with ADB's air quality management program. Findings and recommendations were submitted to DOTC for action.

JICA and USAID jointly designed the Philippine Water Revolving Fund with GRP. JICA and USAID also conducted complementary studies that informed the design work. In particular, JICA conducted a demand study for water and sanitation projects, which became the basis for determining the initial capitalization of the revolving fund, while USAID funded the development of financing scheme options, which became the basis for the structure of the revolving fund.

In rural development, simplified procedures have been introduced under the NPS but these are still being reported as tedious by implementers. Examples of simplified procedures are: non-tagging of expenditures, funds downloading, easing up of procurement processes etc.

- Common or harmonized arrangements amongst donors at country level *[for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating & reporting to government on donor activities & aid flows]*

Based on PD surveys (Indicator 9), use of program-based approaches increased from 9 percent in 2005 to 42 percent in 2008. The global target for 2010 is 66 percent. Program-based approaches involve common arrangements among donors.

There are signs of a trend toward common arrangements among external partners. The World Bank and EC have agreed to use common appraisal, reporting, auditing and review procedures, and will undertake some pooling of funds. A wider group of partners, including ADB, and Germany through GTZ and KfW, has agreed to participate in joint planning and review arrangements for their support for the health reform program. The UN system is pursuing a harmonized and joint programming process in the Philippines to achieve better development results and reduce transaction costs. In addition to the ongoing program in Mindanao, joint UN programs are being developed for HIV/AIDS and Migration, Gender Responsive Local Governance and for a Disaster Risk Reduction framework. Common services, such as, travel, courier and procurement services are provided across the UN system. The Harmonized Approach to Cash Transfers, a common fund disbursement and reporting scheme will be rolled out by UNDP, UNFPA and UNICEF.

2.2.6 More predictable and multi-year commitments on aid flows to committed partner countries. Has the nature of conditionalities been changed to support ownership in line with the AAA commitment?

- Increase in proportion of aid being committed through multi-year frameworks

Multi-year programming of assistance is done in the country assistance strategies of a majority of the development partners.

- More timely and predictable aid disbursements

There is a decline in the ratio of aid scheduled for disbursement as a percentage of aid disbursed. External assistance alignment with the annual budgetary framework depends in large part on the Government producing the yearly budget on a timely basis. Reaching legislative approval of the annual budget has been a challenge in the Philippines. There have been years that approval of the budget has been delayed, resulting in a reenacted budget for those years.

All development loans are reflected in the relevant sector department's budget. However, not all grant financing is systematically recorded in the budget; only recipient-executed grants are reflected in the budget. Target disbursements are projected for each project but actual drawdowns are dependent on how fast implementation is undertaken as well as the absorptive capacity of the implementing agency.

With the NPS, disbursements are made more predictable as part of the agencies budgetary allocations. However, inefficiencies arising from difficulties in complying with financial reporting requirements, such as, in disbursements, liquidation and replenishment are among the common implementation issues.

Both DPs and Government should progressively work on improving realistic projections on volume and timing of disbursements. The comprehensiveness of the Government's recording of disbursements made by the DPs should also be one area to be enhanced.

- Limited set of mutually agreed conditions jointly agreed, made public and jointly assessed

Prior to 2005, policy-based program loans contain conditionalities that have to be complied with before loan tranche releases, such as Grains Sector Development Program, Metro Manila Air Quality Improvement Sector Development Program, Forestry Sector Loan, Health Sector Program, Energy Sector Loan, etc.

After 2005, tranche-based program loans no longer contain difficult policy and legislative reform conditionalities. However, a new program loan modality which provides budgetary support to particular implementing agencies (e.g., WB's National Program Support Loans) was developed. These program loans provide budgetary support only to reform activities of specific implementing agencies. However, difficulties in achieving reforms resulted in low utilization of these program loans.

2.2.7 Sufficient delegation of authority to donors' field staff, and adequate attention to incentives for effective partnerships between donors and partner countries

- Increased levels of delegation to country offices

Levels of delegation vary among donor agencies. Decision making is predominantly done at the headquarters or partly decentralized to the country offices. In the case of ADB, this is not a concern since headquarters and country office are both located in Manila.

- Increased capacity of staff in country offices to manage increased levels of delegation

There is some evidence of increased staff capacity in country offices.

2.2.8 Sufficient integration of global programmes and initiatives into partner countries' broader development agendas

- Global programmes work to strengthen country policy environment/institutions

Global programmes on HIV/AIDS are aligned with the government's health strategy, while global programmes on climate change barely started.

DELIVERY AND MUTUAL ACCOUNTABILITY FOR DEVELOPMENT RESULTS

Current status of process outcomes under managing for development results is rated as fair to good. Findings show that there is some progress from the baseline in terms of formulating results-oriented frameworks, linking aid to GOP results frameworks, and increasing support to capacity development for results. There is a need to sustain the momentum generated thus far.

Status under mutual accountability is rated fair. While improvements on PFM and procurement are noted, perceived corruption is still relatively high, enforcement of corruption laws is seen as weak, and accountability legislation, such as, on freedom of information are not yet enacted.

Process Outcome	Rating			Evidence and Challenges
	Baseline (2005)	Movement (2005-2010)	Status (2010)	
9. Stronger capacities for results-driven strategies	Fair	Little to Some	Fair to Good	<ul style="list-style-type: none"> • PD reinforced processes (RME requirement in ICC review, MTPDP and OPIF, review of donor CAS to ensure consistency with MTPDP; donors provided results management TAs • Need to sustain indicator formulation/selection, gather baseline data and capacity building of IAs on results management
10. Enhanced accountability to parliament and citizens	Fair to Good	Little	Fair to Good	<ul style="list-style-type: none"> • Congressional staff are members of MTPDP Planning Committees and Congress approves annual budget; ODA Review Reports publicly available online while

Process Outcome	Rating			Evidence and Challenges
	Baseline (2005)	Movement (2005-2010)	Status (2010)	
				<p>some donors established web-based ODA database systems</p> <ul style="list-style-type: none"> • Need to improve dissemination and access to information on aid flows and evaluations of programs and projects; need to strengthen capacity of Congress as well as its access to relevant statistical information
11. Less corruption, more transparency	Fair	Little	Fair	<ul style="list-style-type: none"> • Improvements on PFM and procurement • Perceived corruption high, enforcement of corruption laws seen as weak, and freedom on information legislation not yet enacted

2.2.9 Stronger partner countries' capacities to plan, manage and implement results-driven national strategies

- Results-oriented reporting and assessment frameworks for assessing the impact of development policies/ strategies

The GOP implemented the Managing for Development Results (MfDR) initiatives in 2009, which aim to formulate development results framework for the rural development and health sectors with the goal of linking the key development activities of planning, budgeting and implementation and monitoring and evaluation of programs and projects and national strategies. The MfDR initiatives also have capacity-assessment components intended to evaluate the concerned agencies, which include the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department Environment and Natural Resources (DENR), and the DOH capacities to manage development results. The MfDR for Rural Development is already in the process of finalizing its development indicators and formulation of action plans on the results of individual agencies' capacity assessments, on the other hand, development of results framework for the health sector is ongoing.

The OPIF is one of the reform components of the Public Expenditure Management (PEM) being implemented by the GOP. The OPIF is an approach to expenditure management that directs resources towards results and account for performance. The DBM leads this initiative in coordination with NEDA, Commission on Audit (COA) and all concerned government implementing agencies. OPIF adopts an analytical approach based on logical framework linking societal goal and sectoral outcomes to the agencies' major objectives and outputs.

As early as the late 1990s, the ICC guidelines and procedures in evaluation of development programs and projects includes a Project Evaluation Form No. 6 (Project Logical Framework), which captures target indicators for the objectives (goal and purpose) and the target outputs of proposed programs and projects. The NEDA Board also issued a resolution mandating the NEDA Secretariat to report on project outcomes and impact.

It has been recommended that more attention be given to the indicators and the availability of baseline data to measure results.

- Donor programming and resources increasingly linked to national level/ sector level development results

Prior to 2005, the Donors Country Assistance Strategy Review of WB, ADB, JICA, GTZ, and USAID were being conducted with regular participation of the implementing and oversight agencies, such as, NEDA, DOF and DBM. GOP ensures that assistance strategies are consistent with national and sectoral priorities.

- Increased joint support (analytic and financial) to capacity development for results

The GOP carried-out several capacity-enhancement activities intended to improve technical capacities to manage development results and improve project preparation, M&E and implementation. The GOP also received several Technical Assistance projects from Development Partners through the years with focus on capacity building on results management.

Joint analytic activities were also conducted by the GOP with development partners to strengthen GOP capacity for results. These include, among others, joint supervision implementations support missions with IFAD (started in 2008), joint ex-post evaluation with JICA (started in 2006), and the joint analytical work with ADB, JICA and WB (started in 2010) focusing on three cross-cutting issues such as start-up delay, funds-flow bottlenecks and LGU-related problems in implementation.

2.2.10 Enhanced respective accountability of countries and donors to citizens and parliaments

- Strengthened parliamentary role in NDS / budgets

Congress is involved in the formulation of the MTPDP through the consultative processes instituted by the executive. These multi-stakeholder consultations gather inputs from Congress through its regular technical coordination arms (SEPO or Senate Economic Planning Office and CPBO or Congressional Planning and Budgeting Office). Congress also exercises its power over the budget by reviewing the budget proposal from the executive. Through budget hearings, the members of Congress scrutinize the policies, programs and projects being proposed and implemented by the executive.

- Timely, transparent and comprehensive information on aid flows publicly available

The reports of the outcome of the Annual ODA Portfolio Review, which started in 1992, are publicly available in the NEDA website (www.neda.gov.ph). The reports contain data on net commitments, disbursement levels, financial and physical performance indicators, agency reports on results, cross-cutting issues and actions taken and to be taken to improve portfolio performance.

Development partners, in recent years, have been establishing web-based database systems providing information on ODA disbursements. The level of access by the public, however, varies and is largely limited.

- Increasing accountability and transparency to the public for development results

Through the years, the Annual Socio-Economic Reports (SER) has been the main public accountability document of the government for reporting development

results vis-à-vis the MTPDP. The Annual ODA Portfolio Review also reports on development results of particular programs and projects. COA Audit Report complements the ODA Portfolio Review, but more focused on accountability and transparency of inputs and outputs.

The demand by the public for development results is heightened by the country's efforts in achieving the MDG targets.

2.2.11 Less corruption and more transparency, strengthening public support and supporting effective resource mobilization and allocation

- Greater transparency in PFM and increased measures to address corruption

While progress on strengthening PFM systems are noted in this report, an ADB assessment (2010) on good governance observes that transparency is weakened by the use of special purpose funds and savings as well as weak PFM reporting due to fragmented manual and electronic financial management information systems. Furthermore, perceived corruption is still relatively high, enforcement of corruption laws is seen as weak, and accountability legislation, such as, on freedom of information are not yet enacted.

2.3 Plausible Account of how PD Implementation strengthened (or not) contribution of aid to sustainable development results

To situate aid in the health sector and rural development, both net commitment and annual disbursements of ODA loans in the sectors to the total loans portfolio are shown below:

Sub-sector	CY 2003				CY 2005				CY 2009			
	Net Commitment (US\$M)	%	Disbursement Levels (US\$M)	%	Net Commitment (US\$M)	%	Disbursement Levels (US\$M)	%	Net Commitment (US\$M)	%	Disbursement Levels (US\$M)	%
AARNR	1,753	17	232	22	1,755	17	141	14	1,535	20	114	13
Agriculture and Agrarian Reform	1,465	14	150	14	1,314	13	107	10	1,305	17	77	9
Natural Resources	288	3	81	8	441	4	34	3	230	3	37	4
HEALTH	74	1	26	2	310	3	8	1	114	1	7	1
Health, Population and Nutrition	74	1	26	2	310	3	8	1	114	1	7	1

This part of the report seeks to provide a plausible account of how PD strengthened the contribution of aid to sustainable development results, using tracer studies in the health sector and rural development, such as: (a) contributing to achievement of development impact; (b) improving prioritization of the poorest people; (c) enhancing institutional capacities and social capital; and, (d) changing the mix of aid modalities towards increasing development results.

To obtain supporting evidence that PD implementation has helped accelerate progress towards development outcomes, the evaluation used as case studies the health and rural development sectors. Time and resources, however, were not sufficient to make conclusive findings. Existing reports and studies on evaluating aid-assisted programs and projects, if development impact is reported at all, do not determine the distinct contribution of the PD, except in terms of process outcomes. Existing reports on development impacts of programs and projects in the health sector are mainly focused on the achievement of the MDGs on health. The Team did not find adequate evaluation of programs and projects in rural development which report at the development impact level of outcomes. More importantly, since aid effectiveness initiatives (e.g., reforms in systems and processes) are relatively recent, their plausible contributions at the level of development goals are not yet evident. Furthermore, some of these reforms are still ongoing concerns. The report endeavors to trace the PD contribution in terms of intermediate outcomes, as well as, the likelihood of contributing to development impacts.

A summary of the findings is presented in the table below, followed by a discussion of each of the PD contributions.

Plausible Contribution to Development Impact	Findings for Health Sector and Rural Development
1. Results in health sector and rural development enhanced	<ul style="list-style-type: none"> • MDG targets attainable for Goal 4 (infant mortality rate) and Goal 6 (HIV/AIDS, malaria and other diseases) but require special efforts for Goal 5 (improving maternal health). Geographic, cultural and income disparities taking longer time to address. • PD contribution: Reinforced processes already existing prior to PD
2. Prioritization of needs of poorest people improved	<ul style="list-style-type: none"> • Moderate progress in accomplishing output level targets but growth rate in agriculture sector relatively low. • PD contribution: In general, better results observed in aid-assisted projects than in locally-funded projects.
3. Institutional capacities and social capital enhanced	<ul style="list-style-type: none"> • GOP prioritization process based on MDGs. IP concerns mainstreamed at national level. • PD contribution: PD reinforced DP alignment to GOP prioritization (i.e., based on MDGs) through program-based approaches.
4. Lessons from evolution of aid modalities	<ul style="list-style-type: none"> • Poverty reduction has always been development priority under MTPDPs. Rural sector poor are logical beneficiaries of pro-poor programs. • PD contribution: Increased alignment of DPs to GOP focus on poverty reduction.
3. Institutional capacities and social capital enhanced	<ul style="list-style-type: none"> • Health services integrated into holistic health agenda under the sector-wide approach (SWAp) resulted in better partnerships among stakeholders and enabled DOH to coordinate initiatives. • PD contribution: Sector-wide approach is PD-style development assistance.
4. Lessons from evolution of aid modalities	<ul style="list-style-type: none"> • Integrated results framework is being developed for rural development, which would likely result in strengthened institutional capacities and social capital. • PD contribution: Results orientation at sector level is reinforced to a large extent by PD.
4. Lessons from evolution of aid modalities	<ul style="list-style-type: none"> • Sector-wide approach (SWAp) in the health sector facilitated harmonization among donors and their alignment to GOP priorities. • PD contribution: Sector-wide approach is PD-style development assistance.
	<ul style="list-style-type: none"> • Program-based approaches in rural development increased use of country system which would strengthen institutions. • PD contribution: With PD, interest in program-based approaches increased.

2.3.1 Discuss whether development results in health and RD selected programs were enhanced through the application of PD principles

Health Sector

The health-sector goals of the Philippines were formed to achieve the MDGs by 2015. Apart from the strong ownership of the government, the advent of the PD further enabled the government to enjoin the development partners to align with the same set of priorities. In this sense, the PD has influenced the current achievements for health.

Three of the eight MDGs are centered on health. These are Goal 4 (reducing child mortality), Goal 5 (improving maternal health), and Goal 6 (combating HIV/AIDS, malaria, and other diseases).

The Philippines, through the DOH, made the commitment to achieve the health-related target goals of the MDG by 2015. In this light, more attention was given to maternal and child health, fighting HIV/AIDS, TB, and malaria. Efforts of alignment and harmonization of development partners are maximized through the PD. Thus, it can be said that processes already existing prior to PD were reinforced by the PD.

Progress on the three MDGs is as follows:

MDG 4 – In 1990, infant mortality rate (IMR) was recorded at 57 deaths per 1,000 live births. Based on the 2008 National Demographic and Health Survey (NDHS), IMR is now at 25, nearly reaching the target of 19 by 2015. Under-five mortality rate (U5MR) decreased from 80 deaths per 1,000 live births in 1990 to 34 in 2008. The country is on track at achieving the target of 26.7 by 2015. However, regional disparities remain to be addressed.

MDG 5 – The country's MMR decreased from 209 per 100,000 live births in 1990 to 162 in 2006. However, the Philippines would require special efforts in order to achieve the target of 52.2 by 2015.

MDG 6 – Malaria remains a leading cause of morbidity in the country. Based on program data, malaria morbidity rate declined from 123 cases per 100,000 population in 1990 to 20 cases per 100,000 population in 2009. Mortality rate also declined from 1.5 deaths per 100,000 population in 1990 to 0.02 in 2009.

Mortality rate due to tuberculosis decreased from 38.7 deaths per 100,000 population in 1999 to 31.2 deaths in 2005. This however, increased to 41 in 2007. Case detection rate for the country was 75%, cure rate was 82%, while treatment success rate was 90.1% in 2007.

The Department of Health's National Epidemiology Center (DOH-NEC) noted 4,971 HIV positive cases in the country from 1984 to April 2010. In the first four months of 2010 alone, the country has already recorded 547 new cases, which constitutes 65 percent of the annual reported cases in 2009 (835).

Rural Development

Overall, moderate progress has been made in accomplishing planned targets at both the output level for ongoing projects and, on completing and completed projects in the RD sector. (One RD agency has proven to be more efficient in utilizing ODA resources, thus its rating on development effectiveness could be at the substantial outcome level.) With aid, there are indications that effectiveness of programs and projects has been more substantial.

While MDG efforts (within the context of the PD principles) have enhanced targeting of the vulnerable or the " chronic " poor living in the rural areas, the evidence of reducing the extent and degree of poverty, however, is very weak as reported in recent studies. More than half of the rise in poverty incidence of 1.58 points during 2003 and 2006 came from the rural areas. Income distribution in the rural areas has worsened. Most of the consistently poor consists are headed by agricultural workers where a majority are womenfolk.

Growth rate in the agricultural sector has been relatively low. Crop growers, in 2006, comprise 47.51% of total poor. Food and fuel prices in 2008 caused poverty to rise. Food prices increased by 13.6%; higher than the food inflation rate of 3.3% in 2007. Natural calamities

attributed to the effects of climate change have worsened the effects of the global financial shocks. Most donors are aggressively queuing in lending technical and logistic support and capacity building in climate change adaptation and mitigation efforts of the GOP. During the period of program/project gestation, a framework for Climate Change interventions from aid is critical to avoid pre-PD principles experience.

Water quality and sewerage/septage concerns in compliance with the Clean Water Act are now in the forefront of the environmental concerns of the ENR and Health agencies in partnership/collaboration with the relevant water and sewerage private sector providers. In these efforts, the development partners as well as the CSOs have been most supportive.

2.3.2 Discuss whether PD implementation helped the Philippines to improve prioritization of the needs of the poorest people, including women and girls.

Health Sector

The GOP prioritization process is responsive to the needs of the poorest people, including women and girls, as this is based on the MDGs. The PD reinforced DP alignment with the priorities of the GOP through program-based or sector-wide approaches. In this sense, the PD has assisted the country in improving prioritization.

Gender equality is already mainstreamed as every project and program implemented by the government should be gender responsive. However, there are reported instances where unmarried women may not have equal access to the same health-care services under the Maternal and Child Health Care Project.

Inclusion of IPs by the DOH occurs at the national level with the participation of the National Commission on Indigenous Peoples (NCIP) in the Joint Appraisal Committee (JAC) and Joint Assessment and Planning Initiative (JAPI), but appears to be untranslated at the local level. IP inclusion is also merely program-specific (e.g., tuberculosis and malaria) and is not holistic within the overall health sector strategy.

In line with IPs, an area of improvement is the manner of enforcement of birthing in facilities with a trained birth attendant. While it is true that such practices are highly encouraged in order to handle any possible complications and refer accordingly, and minimize maternal death, the operationalization at the LGU level greatly varies. There have been accounts that LGUs pass ordinances that penalize local traditional birth attendants either by a fine or imprisonment, and that these LGUs were even selected as finalists for the best practice in LGU award (*Gawad Pook*). Such extreme measures need to be reviewed for it antagonizes rather than complements traditional Filipino culture. The ideal setting would be to have trained IP members in midwifery or other health sciences professionals. While there are national level efforts for IP involvement, it has yet to manifest at the ground level. In the end, if such extreme measures of LGUs should be forced upon IP communities and goes unchecked, it would aggravate their exclusion or marginalization.

Rural Development

Pre-dating the PD, poverty reduction has always been at the highest level of the GOP's development priorities under its MTPDP. Individual programs and projects have also been consistently framed to address poverty reduction. Some assistance was also directed to poorest provinces and communities.

The rural sector poor, which in 2006 comprise 71% of the total poor, are the logical beneficiaries of pro-poor development efforts by both the country and development partners.

While in the past, there were limited efforts to do target group-focused interventions, the commitment to the MDGs puts emphasis on the more vulnerable poor, such as, women and girls. These are now reflected in the way programs and projects are being designed with substantial aid inputs and technical support from donors working individually or in tandem/collaboration with other donors.

2.3.3 Plausible Contribution of PD Implementation to Increases in Institutional Capacities and Social Capital to Respond to Development Challenges

Health Sector

In the health sector, reforms supportive of aid effectiveness principles were already ongoing even before the onset of PD. PD provided the institutional platform and paved the way for development partners to build upon previous initiatives.

Before PD, each stakeholder in the health sector pushed for different health reform initiatives primarily because some health services are devolved to LGUs and provided by several agencies. Because of the sector-wide approach, which is a strategy in line with the PD or PD-style aid, health services are integrated into a holistic health agenda. This resulted in better partnerships among all stakeholders in the sector, as well as, strengthened the capacity of DOH to coordinate the reforms.

Aid management and coordination in the health sector also became more systematic. The following are the different venues wherein government, development partners, CSOs and other stakeholders gather and discuss issues that concern the health sector:

- The Joint Appraisal Committee (JAC), convened twice a year, is represented by DOH as Chair, DILG, PhilHealth, government oversight agencies, NCIP, and CSOs.
- The Joint Assessment and Planning Initiative (JAPI), done twice a year, is composed of the members of JAC, mainly for monitoring and evaluation of health reforms.
- Monthly Health Partners Meeting
- Technical Assistance Coordinating Team (TACT)

The JAPI, which is the primary platform for dialogue, is faced with the following major challenges: (a) preferential attention on monitoring and perceived lack of focus on planning; and (b) too broad discussions rather than being strategic in setting directions.

With government initiated reforms in strengthening country systems, there is increasing trend in its use particularly in procurement and financial management. Likewise, development partners in the health sector do not allow creating parallel program implementation and monitoring units.

In terms of the capacity for reporting on results, one initiative is the institutionalization of rating implementation partners through self-assessment score cards for DOH, LGUs and development partners. The indicators of the score cards are results oriented in adherence to the PD principle of managing for results. Also, disjoint and overlapping efforts of DOH and DILG in reviewing the performance of LGUs were integrated. For instance, both DOH and DILG now utilize the same data for LGU budget allocated for health. Due to strong ownership on the part of DOH, the role of donors was relegated to information use.

Rural Development

Government intervention in rural development is primarily delivered by the three (3) major implementing agencies, namely, the DA, DAR and DENR. While these agencies have separate mandates, there is a recognized need for coherent and integrated delivery of services.

Prior to the PD, a convergence initiative among these agencies was espoused under the PDF Technical Working Group on Sustainable Rural Development. The initiative involves policy dialogue and consultations aimed at integrating delivery of services in the sector.

The convergence initiative evolved further with more focus on results orientation under the managing for results output of the ADB Technical Assistance on Harmonization and Development Effectiveness which is being implemented by the Philippine Harmonization Committee.

An integrated results framework for rural development is being developed by the three agencies. Capacity assessments were also carried out. Ongoing activities include formulation of rural development results indicators and capacity building programs.

Process outcomes achieved thus far could likely result in strengthened institutional capacities and social capital that would enable these agencies to respond to development challenges in the sector.

In the context of the implementation of NPS, however, aid has contributed to the introduction of mechanisms/processes that are new or in conflict with the IAs' normal financial reporting procedures. These have contributed to conflict situations and resistance on the part of the IAs' especially at the field levels. Capacity building has been made part of the interventions initiated by the project, but so far these have not yet generated the desired results. Procurement has also led to inefficiencies in project implementation, but these could not be attributed to aid. At best, the magnitude and volume of goods and services that need to be procured, as designed, may have challenged the absorptive and technical capacities of the implementing agencies. In this case, the issue becomes an issue of project and institutional readiness.

2.3.4 Lessons on Development Results from the Evolution of Aid Modalities

Aid modalities in the Philippines may be classified as either program-based or project-specific approaches, and each has varying implementation arrangements.

Program-based approaches are meant to support policy or reform initiatives. These are direct budgetary support to the national treasury or budget support to a particular implementing agency.

Project-specific approaches are designed to achieve specific objectives within specified resources and implementation schedules. Projects are either implemented by government agencies, directly implemented by development partners or implemented by contractors commissioned by development partners.

Program-based assistance, by this definition, uses country systems in line with the alignment principle while project-specific assistance may or may not use country systems depending on the provisions of the loan or grant agreement.

With the PD, there is an increasing interest in providing program-based assistance. By using country systems, it is expected that such aid modality would strengthen country institutions and systems. Interest was also generated among development partners to provide support to capacity building and other programs to strengthen use of country systems.

There is understanding among stakeholders that use of country systems is, of itself, a good practice. Lessons, however, point to some “transition costs” as initial challenges. First, use of country systems requires development partners, particularly bilateral donors, to make adjustments in their own processes. Second, it is imperative upon the GOP to exert significant effort in ensuring that the systems meet internationally acceptable standards, by determining aspects of current systems to improve or upgrade and refining them. Lastly, the capacity of implementing agencies to implement major development interventions using country systems should be strengthened to avoid delays in the short term and endanger achievement of results.

Since program-based approaches are relatively recent, its plausible contribution to development results is not yet evident.

In terms of coverage of the sector, another type of aid modality is the Sector Wide Approach (SWAp) in the health sector. This involves the pooling of donor monies into one resource envelope which is used to fund LGU health investment plans and priorities. Thus, donors no longer fund their own health initiatives separately. Through this approach, the donors complied with their commitments under the PD. The approach started in 2005 and is still being sustained.

2.4 Overall Conclusions

The Philippines welcomed the entry into force of the PD on Aid Effectiveness in 2005; it is a clear signal that ODA or foreign aid would continue to be a key component of the development partnerships between donor and recipient countries well into the 21st century.

The conduct of foreign aid in the Philippines has been evolving and going through some refinements over time. The main contribution of the PD to that process is to formalize the joint commitment of the development partners to observe principles with quantified targets, all of which are essential in achieving the desired outcomes and impacts of aid.

The various stages thus of the process of extending grants and concessional loans-- from the formulation of a country assistance strategy to its implementation, and to the evaluation of specific programs and projects—have since been guided by PD principles. The latter serve as a platform, tying together into a coherent framework all efforts at ensuring that aid truly helps its intended beneficiaries, namely the poor disadvantaged members of the country. In this context, the PD’s contributions to enhancing aid effectiveness are substantial.

These observations are evident in aid relationships and behavior among officials of the oversight agencies of the government and donor agencies. Officials and staff from the implementing agencies, members and staff of Congress and other stakeholders in the field, however, do not have the same level of awareness of and are not influenced as much by the PD. Thus, the GOP, with its development partners, must work towards greater implementation of PD principles at the field level.

In terms of the extent to which the principles of aid effectiveness are being practiced and promoted, ownership by the GOP remains strong. Some progress is also achieved in terms of alignment of donor processes to country systems as well as harmonization of efforts and

procedures among donor agencies. While initiatives towards an integrated results orientation of government systems and processes are promising, efforts are required to sustain and operationalize these reforms (e.g., in the health sector and RD) and replicating them in other sectors. More efforts are required for mutual accountability in terms of strengthened role for Congress, transparency, and governance.

On the other hand, the contributions of the PD at the level of development goals are not yet evident given that PD initiatives (such as, reforms in systems and processes) since 2005 are relatively recent. In fact, some of these reforms are still ongoing. Nonetheless, these reforms and initiatives have led to process outcomes in aid delivery, management and partnerships and are likely to contribute to the achievement of development goals.

On the downside, PD initiatives generated reforms which are new or in conflict with usual procedures or practice of implementing agencies (Rural Development experience on NPS). These led to some perception of aid-effectiveness fatigue, particularly, among implementing agencies in Rural Development. This perception of fatigue is mainly due to the implementation of the NPS, which added to their workload, especially, accounting and budget staffs at the field level. The new reporting systems have resulted in confusion, thereby generating resistance and avoidance of utilizing NPS funds. Evidence of this issue is the preference of IAs to implement activities not identified under NPS in view of the relative ease in financial accounting, reporting, disbursing, liquidating and replenishing funds using the pre- NPS financial management systems. The relative ease could be a function of familiarity with the regular GOP system rather than a question of efficiency and quality of development results. On the part of the development partners, in view of their commitment to the PD principles, closer supervision and monitoring of the NPS implementation has been observed as reflected in the increased frequency of supervision and implementation support missions and strict monitoring of indicator target compliance. More recently, flexibilities in tagging of expenditures and in downloading of resources at the regional/field levels are among the concessions made to loosen up the process. Harmonization efforts in the health sector such as pooling of donor funds, on the other hand, created difficulty in attributing results to particular development partners.

Moreover, while this evaluation finds that ownership remains strong, such ownership largely pertains to the government's ownership of the national development agenda. Consultations with stakeholders during the evaluation highlight the need for the GOP to broaden and intensify dialogue with Congress and CSOs to achieve a more meaningful country ownership. While some progress has been achieved under alignment, some bilateral donors need to intensify support to country initiatives towards greater compliance with PD principles.

3.0 Key Recommendations

In proceeding, to realize desired development impacts, aid-effectiveness stakeholders need to accord more attention to addressing the gaps and challenges identified in this evaluation. Focus must be given to the following key recommendations.

3.1 Formalize the mandate and structure as well as determine and support the institutional and capacity needs of the Philippine Harmonization Committee (PHC)

The Philippine Harmonization Committee is an inter-agency body that primarily oversees the implementation of the government's aid effectiveness agenda. The PHC primarily operates based on a memorandum of understanding among its member-agencies. It is fulfilling its role with the support of a Technical Working Group composed of bureau directors (NEDA, DOF, DBM and COA) and secretariat support from bureaus of the NEDA, DOF and DBM. However, there is a need to formalize its mandate and structure to ensure continuity of its work despite changes in the current administrations of the member-agencies. An organizational set-up which clearly defines the functions of each member-agency will also facilitate the implementation of the aid effectiveness agenda. Capacity needs of the secretariat must also be addressed. The aid effectiveness agenda seeking to address the gaps and challenges will serve as the country road map which will be the basis for support from development partners.

3.2 Re-convene the Philippine Development Forum (PDF), and either create a Working Group on Aid Effectiveness chaired by the PHC or include aid effectiveness as one of the main agenda items

Ownership of the development agenda by the country is well served under the Philippine Development Forum. While the working groups are still active, the plenary has not met for the past two years. The government must sustain this key venue of development dialogue and aid coordination.

Furthermore, it is also recommended that a Working Group on Aid Effectiveness to be chaired by the PHC be convened to include donor agencies, implementing agencies, civil society organizations and other stakeholders. The Working Group will serve as a regular forum where harmonization efforts of donors are reported and discussed, among others. An alternative option is to include aid effectiveness as one of the main agenda items rather than creating a separate Working Group, given that principles of aid effectiveness cut across all existing Working Groups under the PDF.

3.3 Undertake active advocacies of PD principles for implementing agencies, parliamentarians, and CSOs, to ensure broader ownership and wider implementation

To build on current gains, it is vital to broaden country ownership and promote the wider observance and implementation of the PD including at the field level. To this end, the government with the support of development partners must undertake active advocacies of the PD principles.

3.4 GOP to strengthen Congress's role and capacity (e.g., relevant committee staff) in monitoring MTPDP results, as well as, ensure effective dissemination of progress to the public

Strengthening managing for and accountability on development results entails active engagement of the Congress and the wider public. The government with the support of development partners must therefore strengthen both the role and capacity of the Congress, e.g., relevant committee staff and prospective member-champions, in monitoring the progress of achieving MTPDP results. Progress of the MTPDP targets must also be periodically and effectively disseminated to the public.

- 3.5 Incorporate results orientation in the MTPDP to enable monitoring of societal/sector-level outcomes as well as ensure that Plan outcomes are budgeted

The government must take the opportunity of the ongoing formulation of the successor MTPDP covering the years 2011 to 2016 to incorporate an integrated and operational results management system into the planning, budgeting and M&E of the government's development agenda. Such results management system would enable monitoring of societal/sector-level outcomes as well as ensure that Plan outcomes and outputs are adequately budgeted.

- 3.6 GOP to accelerate development and operationalization of the GIFMIS and other PFM reforms towards transparency and good governance

Improving transparency and good governance requires reforms of country systems on PFM. Thus, the government with the support of development partners must sustain its efforts. In particular, on improving financial reporting, the government must accelerate the development and operationalization of the GIFMIS.

- 3.7 GOP to continue efforts at pursuing an integrated capacity building framework to meet the requirements of public sector reforms

Strengthening of country systems involves building capacity to ensure that results from new systems and procedures are maximized as well as avoid or reduce "transition costs". Thus, the government must continue its efforts at formulating and pursuing an integrated capacity building framework that takes into account the requirements of the public sector reforms initiated so far. The framework should serve as a coherent basis and guide to development partners in assisting the government to improve its internal processes toward development results/effectiveness.

4.0 Key Implications beyond PD

The scope and conduct of ODA has been evolving in response to emerging challenges that impact on world development. Some of these challenges are in the nature of international public goods. That is, any action taken by one country tends to yield benefits or costs that extend beyond the country's own borders. A case of underinvestment is a real risk if third-party benefits are involved, which is an argument for increasing aid volumes and correspondingly, its effectiveness in support of international public goods.

The international economic environment is currently seeing a greater integration of commodity, financial, and to some extent, labor markets. In this setting, aid is a relatively small component of total capital flows to developing countries. Such flows include foreign-exchange earnings from manufactured exports, global outsourcing of raw materials and intermediate goods as well as some stages of production, foreign direct investments, and income remittances of overseas Filipino workers.

It seems clear, therefore, that economic policies of the Philippines must be conducive to increasing these capital inflows. Meanwhile, current policies that restrict their entry must be lifted.

On the part of the developed countries, it would help if they continue to open up their markets to exports, whether of goods or services, from the developing countries, consistent with MFN or most-favored-nation principle of the World Trade Organization (WTO).

These capital inflows are not, of course, without risks. Coordinated government efforts, for one, to avoid "pathologies," such as financial crises and contagion, need to continue.

Evidently, public investments that are aid-funded offer many opportunities to overcome poverty and raise living standards of every citizen. Efforts should be sustained at focusing and deepening evaluation of the contribution of PD principles to development impact, given that such is not yet evident at this time. Such evaluation would also serve as vehicle for deepening the dialogue among stakeholders. If PD principles are observed and the lessons learned ex-post are seriously weighed and considered, opportunities far more abundant than currently observed will open up in the future. It is crucial to note that these opportunities will further expand provided the Philippines observes policies and institutional reforms conducive to an increase in capital inflows from other, but much bigger, sources.

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