Australian aid to the Philippines

MID-TERM EVALUATION OF THE *AUSTRALIA–PHILIPPINES DEVELOPMENT ASSISTANCE STRATEGY 2007–11*

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Office of Development Effectiveness

The Office of Development Effectiveness (ODE) monitors the performance of the Australian aid program, evaluates its impact and contributes to the international evidence and debate about aid and development effectiveness.

Contents

Acknowledgements

The evaluation team would like to acknowledge AusAID's Philippines program staff for participating in the evaluation of Australia's country strategy for the Philippines. In particular, the team wish to thank Carmille Ferrer and Joy Valenzuela for their logistical support throughout the evaluation. The views contained in this report do not necessarily represent the views of the Australian Government or of the individuals interviewed.

Acronyms and abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BEAM	Basic Education Assistance for Mindanao
EQuALLS	Education Quality and Access for Learning and Livelihood Skills
GDP	gross domestic product
LGUs	local government units
MDG	Millennium Development Goal
M&E	monitoring and evaluation
MTPDP	Medium-Term Philippine Development Plan
NEDA	National Economic Development Authority
NCBTS	National Competency Based Teacher Standards
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
PACAP	Philippines–Australia Community Assistance Program
PFM	public financial management
SBM	school-based management
SPHERE	Support for Philippines Basic Education Sector Reform
SPIM	Supporting Peace in Mindanao
STRIVE	Strengthening Implementation of Visayas Education
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
USAID	United States Agency for International Development

Office of Development Effectiveness foreword

Country strategy and program evaluations are an important way for the Office of Development Effectiveness (ODE) to evaluate the performance of the Australian aid program. In 2007, the Philippines country strategy was the first to be evaluated by ODE. This evaluation follows on from that first one and provides an assessment of the *Australia-Philippines Development Assistance Strategy 2007–11*.

The evaluation team consulted widely during the preparation of this report and the draft evaluation has provided valuable input into AusAID's approach to developing a new country strategy for Australia's assistance to the Philippines. The new Philippines country strategy (2012–2016), which is expected to be released shortly, will, in effect, comprise the management response to this evaluation. Therefore ODE has not requested that a separate response be developed.

As the evaluation team notes, many of the report's recommendations can be usefully applied to other AusAID programs that are developing country strategies. ODE supports this view and commends this report to all staff who may be involved in the revision of guidance for, and the development of, new country strategies.

This evaluation was being finalised when the Government released its policy statement, *An Effective Aid Program for Australia: Making a real difference—Delivering real results*. It is worth noting that some of the core messages from *Effective Aid*, particularly those around the need for greater selectivity of focus and program consolidation, are supported and reinforced in the findings and recommendations of this evaluation.

I would like to sincerely thank the evaluation team for their effort, their commitment and their insights.

Dereck Rooken-Smith
Assistant Director General
Office of Development Effectiveness
March 2012

More ODE analysis

See more of the analysis that contributed to this report:

> Program evaluation report

> Gender report

> Theory of change report

www.ode.ausaid.gov.au

Executive summary

Background

The Office of Development Effectiveness (ODE) was established in 2006 to monitor the quality of Australia's overseas aid program and evaluate its impact. ODE conducts evaluations and reviews to assess the effectiveness of Australian aid to country programs and priority sectors, identify areas of good practice and highlight important lessons. In 2007, the Philippines country strategy was the first overseas aid program to be evaluated by ODE.[1]

This evaluation report provides ODE's assessment of the *Australia–Philippines Development Assistance Strategy 2007–11*. The report is based on analysis, field work and consultations that took place over a four-month period from August to November 2009.

Objectives of the evaluation

This evaluation assesses the results of the Australian aid program in the Philippines over the period 2007 to 2009. In particular it seeks to explore:

> how results were affected by the strategy development methodology

> the usefulness of the strategy document as a guide to program implementation

> how effectively AusAID managed program delivery

> the strengths, weaknesses and opportunities for improving strategy development and implementation processes.

Although the strategy was midway through implementation when this evaluation took place, the impending election in the Philippines (May 2010) and the fact that the Medium-Term Philippine Development Plan (MTPDP) 2004–2010 was ending, led AusAID to determine that a new country strategy was required. This evaluation provided input into the development of the new strategy (2012–16).

Methodology and limitations

The evaluation consisted of four interrelated components. The first was a workshop with program staff to clarify the aid-program objectives and generate evaluation questions. Component two drew on existing performance information and independent evaluation reports to assess program performance. Component three assessed, separately, the performance of the country program against its gender action plan. Component four was a strategic review aimed at answering questions identified through components one to three through a mix of semi-structured interviews, roundtables, document review and international research.

The evaluation took place over a four-month period (August–November 2009) and involved consultations in Australia and in-country with people internal and external to the program. The major limitations experienced were difficulties in clarifying aid program objectives and in assessing performance in the absence of specific data measuring progress towards aid objectives.

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1   Evaluation report available at www.ode.ausaid.gov.au

Country context

The Philippines is the second largest archipelagic state in the world. The country's approximately 90 million people are from 110 ethnic groups and speak 170 languages.[2] The country is predominantly Christian, although there is a significant Muslim minority, especially in the south. English is widely spoken.

The Philippines is a resource-rich country, with mineral, oil, gas and geothermal potential.[3] With its large population, the Philippines has a strong human-resource base. This is reflected in the high level of demand for its English-speaking workforce overseas. As of December 2007, approximately 8.7 million Filipinos were permanent residents or workers overseas. Although this creates remittance flows equivalent to approximately 10 per cent of gross domestic product (GDP), there is a downside to this migration, particularly the undermining of staffing in the health sector and the impact on families of absent parents.[4]

Natural disasters are a recurring danger in the Philippines. The country is hit by frequent seismic activity and by around 20 tropical cyclones a year. It is estimated that several hundred thousand people are displaced each year as a result of natural disasters. The Philippines is particularly vulnerable to the adverse effects of climate change, including increases in the intensity of floods, droughts and typhoons.

Ongoing internal conflict in the Philippines is centred in the Muslim south and has resulted in large numbers of people being displaced. Over the period 2000–2007, two million people were displaced as a result of ongoing conflicts in the country.

Over the past five decades, economic growth and poverty reduction in the Philippines have been disappointing relative to its middle-income neighbours, and to East Asia and the Pacific region as a whole. Between 1985 and 1997, poverty incidence declined an average of 3 per cent per year. Since then—despite an acceleration of economic growth, especially since 2002—poverty incidence actually increased, with some fluctuation, from 25.2 per cent in 1997 to 27 per cent in 2006.

Various factors have contributed to the lack of progress on poverty reduction in the Philippines. Some of these are:

> income inequality, which increased in the 1990s and remains relatively high—the poorest 20 per cent of the population accounting for only 5 per cent of total income or consumption

> an agriculture sector that has performed weakly and failed to raise the incomes of the rural poor

> growth that is primarily based on consumption rather than creating employment opportunities for the poor

> high population growth, which averaged 2.2 per cent annually over the past two decades, placing additional strain on household cost of living and demand for basic services

> inability of the government to provide sufficient basic services, especially to people in poorer remote regions.

The poor reside, overwhelmingly, in rural areas (75 per cent) and poverty among agricultural households is about three times higher than households in other sectors. While progress has been made towards several Millennium Development Goals (MDGs), the Philippines is unlikely to achieve goals relating to poverty, basic education and maternal mortality.

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2   H Hill, AM Basilican & SFA Piza, *The Philippines and Regional Development*, The Dynamics of Regional Development, the Philippines in East Asia: Ateneo De Manila University Press, 2009, p. 1.

3   World Bank, *Country Assistance Strategy for the Philippines 2010-2012*, World Bank, Manila, 2009, p. 12.

4   ibid, p. 12.

Australia's aid to the Philippines

Australia is one of the three largest bilateral grant aid donors to the Philippines, along with the United States and Japan. The Philippines is among Australia's largest development partners after Indonesia, Papua New Guinea, the Solomon Islands and Vietnam. Australia's aid to the Philippines increased in recent years, rising from US$52 million in 2006 to US$74 million in 2008. The Asian Development Bank (ADB) and the World Bank also have significant programs of assistance in the Philippines.

The Philippines is by no means aid dependent. Overall, Official Development Assistance (ODA) levels were equivalent to an average of 5.9 per cent of government expenditure during the decade 2000–2010.

The 2007–11 country strategy

The overarching goal of the 2007–11 strategy was 'to contribute to improving the prospects for economic growth, poverty reduction and national stability in the Philippines'. The strategy identified three pillars for action—economic growth, basic education, and national stability and human security—and, under each pillar, it set out a number of objectives (11 in total) for both the Philippines and Australia.

The arrangement of the strategy into three pillars may have encouraged support for activities that had only a distant connection to poverty reduction. This was most stark in the economic growth pillar, for example through the work on public and private partnerships. It was also apparent in some of the activities under the national security section of the national stability pillar.

Given the increase over the last two decades in the actual numbers of people living in poverty in the Philippines, it is the view of the evaluation team that an unambiguous focus on poverty reduction is warranted in the overarching goal. This would mean that new interventions should be considered in light of their potential impact on poverty reduction directly, rather than through a channel such as economic growth.

Achievements

The evaluation found a range of achievements that stemmed from Australia's aid to the Philippines. Achievements under the Basic Education pillar, which accounted for around 40 per cent of program funding, were found to be considerable, highly visible and well regarded by a wide range of stakeholders. Australia's engagement in this area has been focussed and sustained over a long period.

Achievements under the remainder of the program were mixed. Under the economic growth pillar there were modest achievements in laying the technical foundations for policies; procedures; and, a framework for public financial management, human resources and organisation development. Under the National Stability and Human Security pillar, there were achievements in peace and conflict resolution; basic services; health; disaster preparation and management; and port security but these were likely to be of limited depth and sustainability.

Box E1: Key developments in the Philippine education sector to which Australia has contributed.

Education was the best performing sector of Australia's aid engagement in the Philippines under the 2007–11 strategy. Through projects like the Basic Education Assistance for Mindanao (BEAM); Strengthening Implementation of Visayas Education (STRIVE); and Support for Philippine Basic Education Reforms (SPHERE); Australia worked in partnership with the Philippine Department of Education to support Philippine efforts to reform its basic education system and improve educational outcomes.

Some key results for 2008–09 to which Australian aid has contributed:

Improved opportunities for access to quality education

> National systems are beginning to support schools better through the rollout of school-based management (SBM) and school-resourcing reforms, and progress with national competency-based teaching standards.

> Teacher practices have improved through AusAID support for teacher training, resources and curriculum.

> A Unified Madrasah Curriculum has been developed and 37 Muslim schools assisted to reach Department of Education accreditation.

> Some 50,000 students are benefiting from the Arabic Languages and Islamic Values Education program and more than 5,000 from the basic-education curriculum for Indigenous children. Schools outside of the Basic Education for Mindanao regions are using project-developed curricula.

Improved participation rates

> 5,000 more children and 12,000 more adults now have access to basic education.

> Enrolment rates have improved by 12 per cent and elementary school progression rates have improved in AusAID project pilot schools in Mindanao. Elementary school completion rates have improved in project regions in the Visayas.

Educational outcomes

> Assessments of maths, science and English show a 21 per cent improvement in three project regions in Mindanao.

Development of the 2007–11 country strategy

The strategy development process is important for providing an analytical foundation for the aid program's choice of objectives and for ensuring a coherent approach across AusAID, other Australian government departments and the Government of the Republic of the Philippines (the Philippine Government).

The Philippines program commissioned or undertook substantial analysis of the development landscape in the Philippines. This analysis was strong in pinpointing development challenges. It was less effective in explaining how the Australian aid program could help address these challenges. The absence of this aspect of the analysis may have contributed to choice of objectives for the aid program that were, in the view of the evaluation team, overly ambitious. The evaluation team attempted to draw out objectives for the aid program that could realistically be achieved in

the timeframe of the country strategy. The results of this process form the basis of the effectiveness part of this evaluation.

AusAID's Philippines program consulted widely when developing the 2007–11 country strategy, including with other Australian government agencies. Despite these efforts, the evaluation team received feedback from some working in Australian government agencies that they did not believe the strategy represented a whole-of-government perspective. A key Philippine government counterpart also indicated to the evaluation team that the government felt that it was not consulted early enough during strategy preparation.

Usefulness of the strategy for program implementation

Geographic focus

The 2007–11 strategy stated that 'the geographic focus of Australia's aid to the Philippines will continue to be shaped by poverty incidence, development challenges, security constraints to aid delivery, and national interest'. This statement remains relevant as almost half of the aid program focused on Mindanao only.[5] This level of geographic concentration offers advantages, including the development of local knowledge, relationships and strong oversight. However, there are several practical constraints to achieving outcomes in Mindanao that mean that if the aid budget were to increase, consideration should be given to expanding the focus to other areas of high poverty such as Luzon and Visayas.

These practical constraints include:

> a reduction in AusAID's ability to monitor its projects in conflict-affected areas of Mindanao

> the expansion of work in disaster risk management, which focuses on areas outside of Mindanao

> ongoing assessment of where AusAID could add most value given the geographic focus of other donors and of government programs.

Entry and exit of aid projects

It is the view of the evaluation team that the broad definitions of the strategy's pillars and objectives made the strategy of limited use in guiding decision making. The evaluation team heard for example, that when the Local Government Development Program was under scrutiny for not fitting the country strategy objectives, arguments both for and against the project could be made based on the strategy.

Performance measurement

There have been welcome improvements in AusAID's performance-monitoring system that were in place during strategy implementation, but these were not sufficient to allow a systematic assessment of outcomes. The absence of any intermediate objectives (milestones) made it difficult for the evaluation team to measure the results of AusAID's assistance. Achievement of intermediate objectives would usually be used as performance indicators but this was not possible in the Philippine performance framework.

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5   Information provided by the Philippines program.

The best performing sector, basic education, had a clear objective underpinned by a well-developed plan for engagement. This allowed AusAID to respond to opportunities in the sector (e.g. in Indigenous education, see Box 5.2) in innovative ways and with flexibility without straying from the country strategy objective. This, along with the depth and breadth of AusAID's engagement in basic education, provided good results for the Australian aid program.

Management and program delivery

AusAID's management of the program

AusAID has a good reputation in the Philippines for effective aid management and for administrative responsiveness, particularly its cooperative and constructive approach to donor-coordination issues.

The Philippines program has made monitoring and evaluation a priority, with dedicated resources in Canberra and Manila. Excellent work has also been completed on developing anti-corruption approaches through the Philippines program, and on enhancing the livelihoods of people with a disability. Work on integrating gender equality into the aid program has also been a particular strength. These approaches will pay dividends in terms of improved aid effectiveness if they continue to receive priority attention. This may best be done through continuing to have a mix of dedicated staff resources and specified benchmarks for achieving delivery strategies.

Supporting reform

The minor role played by aid in the Philippines, together with a difficult governance environment means that supporting national-level reform through the aid program is challenging. This is reflected in the limited success of AusAID support for top-down reforms to date (see Chapter 2). However, when conditions are right, reform is possible. In disaster risk management, for example, there is an appreciation of the technical capacity that Australia brings to the Philippines and widespread support for improved capacity.

Over the life of the strategy there was an increased focus on working with subnational levels of government as this was where the program was found to be most successful. Reform at this level can lead to national-level reforms, as was the case in the education sector, where approaches were trialled at a subnational level and then picked up nationally. Given that many services are decentralised to the subnational level, an increased focus on this level of government was also consistent with an approach that takes service delivery and development outcomes for those living below the poverty line as a starting point for aid interventions.

Program scope and breadth of engagement

The evaluation team considered the spread of Australia's development assistance in the Philippines over the time period of the strategy. While there was an increase in initiatives, the aid program budget also increased significantly. There are risks that further increases to the number of aid activities could result in reduced management time for each and lead to decreased aid effectiveness.

It is the view of the evaluation team, that the gradual spread of the aid program across many sectors is a further consequence of the strategy's too-broadly defined objectives. The sectors

that have been added—mining and urban development being the main examples—have further dispersed, not concentrated, effort.

At the time of this evaluation, the system for obtaining additional funds through the Australian Government budget process may also have increased dispersion of the program. For example, the availability of funds for infrastructure through the budget reportedly influenced AusAID's decision to move into support for national roads in the Philippines. This is difficult to justify as a priority for AusAID even though the Agency's support in this area is modest, given the involvement of major donors such as the World Bank, the Asian Development Bank, and Japan who, it could be argued, have a comparative advantage in the sector.

Approaches to aid delivery

Overall, there was evidence that, in the past, the Philippines program did not give enough consideration to the choice of aid delivery approach. However, the openness of program staff in identifying the problems with facility arrangements (which in some cases led to a dispersion of effort and a focus on areas where there were few prospects of success) suggested this was changing. Specific analysis of the relevance and likely success rates of different aid approaches to AusAID's objectives could further enhance program delivery.

A better understanding of the resources that different approaches require in terms of AusAID's development expertise and management time is also required. For example, the trust fund with the World Bank was large relative to the bank's own resources in-country. If AusAID can bring relevant expertise to this relationship, by sharing lessons from implementing activities on the ground, then working closely with the World Bank could increase the impact of Australia's aid program. However, the time and expertise required to do this well should not be underestimated.

Major conclusions of the evaluation

The evaluation found that the Australian aid program to the Philippines had achieved a range of results. AusAID's contribution was particularly notable in basic education. Achievements under the economic growth pillar were found to be modest, and those under the National Stability and Human Security pillar were found to be, generally, of limited depth and sustainability. There is evidence that Australia, with partners, contributed to reducing malaria and worked effectively with conflict-affected communities; there were also reports of promising early results in disaster risk management.

The team learned there are high expectations of AusAID in the Philippines—internally, from other donors and the Philippine Government. A more targeted country strategy to better guide decision making and a deeper and more sustained engagement across fewer aid objectives should make it possible for the program to achieve more consistent results and build on its strengths. If the program were able to demonstrate more consistent results, it would support a case for the Philippines to be included in any future increases in the aid budget.

To achieve this, AusAID needs the analytical foundation and the skills to engage deeply in a limited range of aid objectives. These must be available to the Philippines program during the strategy-formulation stage and on an ongoing basis. To ensure the program keeps focused on real progress in meeting its development objectives and can better measure its progress towards these, there should be continuous reflection and, if required, adjustment to delivery strategies for development objectives.

Opportunities for improving strategy development and implementation processes

Major recommendations are outlined below. Many also apply to other AusAID programs that are developing country strategies. The closing sections of Chapters 3–7 contain detailed recommendations.

1. *Consultations within AusAID, with whole-of-government partners and with partners in the Philippines should begin early in strategy preparation.* The AusAID team responsible for developing the new country strategy should make clear what is expected from consultations within the Australian Government (see Section 3.6).

2. *Poverty reduction should be the overall goal of the aid program in the Philippines.* In moving from this overall goal to identifying specific aid objectives/sectors where Australia should focus its assistance, the strategy team should consider MDGs where progress is lagging, Australia's comparative advantage, the activity focus of other donors, prospects for success, basic service delivery outcomes, and the need for selectivity (see Section 4.5).

3. *The program should engage in fewer aid objectives with a longer-term commitment in each, and an emphasis on careful scaling-up of innovative approaches.* This will require a reduction in the number of sectors Australia supports, even if the overall program budget expands (see Section 5.14).

4. *Delivery strategies should be developed for each major aid objective.* These should consider the relevance of different aid approaches to the attainment of objectives, the likelihood of success and a better understanding of the resources that different approaches require in terms of AusAID's development expertise and management time (see Sections 4.5 and 5.14).

5. *Performance information should be gathered for intermediate outcomes.* This will require identifying the steps required to achieve aid objectives. Given the difficulties in identifying relevant indicators, this process would benefit from external assistance (see Sections 4.5 and 7.2).

6. *More strategic, sectoral and aid delivery skills need to be put in place, mainly at Post, to achieve deeper engagement in a more limited number of aid objectives.* A transition strategy should be developed, outlining the extent to which this can be achieved through developing existing staff, or adding or redeploying resources. The transition strategy should also make clear how the shift to a more focused activity program will take place (see Sections 4.5 and 6.8).

CHAPTER 1: Introduction

The Office of Development Effectiveness (ODE) was established in 2006 to monitor the quality of Australia's overseas aid program and evaluate its impact. Country strategy evaluations are an important part of assessing programs' overall effectiveness. In 2007, the Philippines country strategy was the first to be evaluated by ODE.[6] This evaluation follows on from that first one and assesses the *Australia–Philippines Development Assistance Strategy 2007–11* (2007–11 strategy).

Although this strategy was only midway through implementation when this evaluation took place, the impending May 2010 election in the Philippines and the fact that the Medium-Term Philippine Development Plan (MTPDP) 2004–2010 was ending led AusAID to determine that a new country strategy was required. This evaluation provided input into the development of the new strategy (2012–16).

1.1 Objectives of the evaluation

This evaluation assesses the results of the Australian aid program in the Philippines over the period 2007 to 2009. In particular it seeks to explore:

> how results were affected by the strategy development methodology
> the usefulness of the strategy document as a guide to program implementation
> how effectively AusAID managed program delivery
> the strengths, weaknesses and opportunities for improving strategy development and implementation processes.

1.2 Methodology

A new methodology was trialled for evaluating the Australian aid program's country program and strategy for the Philippines. This involved adopting a theory-based evaluation approach and using participative methods.[7] The aim of the participative methods was to draw on the extensive knowledge of AusAID staff and give them the opportunity to engage with the evaluation team on issues that may be relevant to the direction of Australia's aid program in the Philippines.

The evaluation was conducted through four interrelated components:

Component 1. Theory of change workshops (Manila, August 2009)[8]—to provide the opportunity for AusAID's Philippines program staff to describe their program logic, clarify their aid objectives and identify evaluation questions. These workshops were conducted by members of the evaluation team with AusAID staff over a five-day period.

Component 2. Program evaluation (Manila, October to November 2009)[9]—to determine the aid program's performance against its objectives by assessing the contribution of individual activities. The program evaluation was largely based on a desk review of documents provided by AusAID, supplemented by limited meetings with managing contractors and AusAID staff in Manila. Most activities had at least one independent midterm or progress evaluation. The majority of these were qualitative in nature.

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6   Evaluation report available at www.ode.ausaid.gov.au
7   The concept note for the evaluation is at Appendix A.
8   Available separately as a support document to the evaluation team.
9   Available separately as a support document to the evaluation team.

Component 3. Gender assessment (Manila, October 2009)[10]—to assess the performance of the country program against its gender action plan and to identify issues on gender that may need following up in the strategic evaluation (see Component 4).

Component 4. Strategic evaluation (the Philippines, November 2009)—to address strategic questions identified through components 1 and 2 and 3 and agreed with stakeholders. The strategic evaluation team spent two weeks in the Philippines, including a field trip to Mindanao to visit a project site and conduct interviews with key stakeholders in Davao City.

The evaluation team operated independently of the Philippines program staff. The team consisted of Michael Carter, Sue Funnell, Graham Walter and Jeanne Illo (consultants); and Cate Rogers and Emily Rudland (ODE). Professor Arsenio Balisacan (local team member) provided invaluable insights into the exercise.

Limitations of the evaluation

The major limitations of the evaluation process related to difficulties in drawing out program logic, compounded by the limited time available to work through the theory of change component for each of the 11 objectives of the 2007–11 strategy. Program staff expressed concern about time spent attempting to formulate program logic for objectives that were no longer relevant. The process was also limited by lack of available data (baseline data, results data, and data relating to the significance of AusAID's contribution). There was also limited time available to visit project sites and undertake more in-depth analysis of a selection of initiatives funded by Australia.

The timing of the evaluation (just after the midway point of the 2007–11 strategy) meant that performance information was limited. This, along with deficiencies in the strategy meant that results were difficult to attribute to Australia's aid program (see Chapter 4).

1.3 Report structure

This evaluation report is organised as follows:

Chapter 1—provides information on the background to the evaluation, country context, country development goals, the aid Australia provides to the Philippines and the broader relationship between the two countries.

Chapter 2—reports on program achievements over the life of the strategy to date.

Chapter 3—focuses on how the strategy was developed, including the preparation process and its analytical foundation; provides recommendations on how these may be improved in future.

Chapter 4—examines the strategy's content, focusing on its logical framework, and its effectiveness as an instrument for driving program choices and enhancing the impact of Australian aid; provides recommendations on how these could be improved in the next strategy.

Chapters 5 and 6—focus on how the strategy was implemented and adapted, including ways of working and management issues; provide recommendations on implementation and management issues.

Chapter 7—looks forward and reports on lessons learned from this evaluation that are relevant to the Philippines program and more broadly across the Australian aid program.

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10 Available separately as a support document to the evaluation team.

1.4 Country context

The Philippines is made up of around 7,100 islands and, after Indonesia, is the second largest archipelagic state in the world. The country's approximately 90 million people are from 110 ethnic groups and speak 170 languages.[11] It is a resource-rich country, with mineral, oil, gas and geothermal potential.[12] Based on land mass comparison, the Philippines is the fifth most mineralised country in the world with mineral resources ranked globally as third in gold, fourth in copper, fifth in nickel and sixth in chromite deposits.[13] The Philippines also has a strong human resource base. This is reflected in the high level of demand for its English-speaking workforce overseas. As of December 2007, approximately 8.7 million Filipinos were permanent residents or workers overseas. This resulted in remittance flows equivalent to approximately 10 per cent of gross domestic product (GDP).[14]

There is a downside to the high levels of emigration, however. There is evidence of 'brain-drain'—for example, in the health sector—whereby well-educated professionals permanently migrate. A study conducted by the International Labour Organization concluded that the health system was 'more fragile as a result of the rapid turnover and permanent loss of skilled and experienced health workers'.[15]

The tropical climate of the Philippines, combined with its many islands, makes the country vulnerable to the adverse impacts of climate change, including through increases in the intensity of floods, droughts and typhoons. In 2009, the Philippines ranked 12 out of 200 countries most at risk from tropical cyclones, floods, earthquakes and landslides in the Mortality Risk Index of the United Nations (UN) International Strategy for Disaster Reduction.[16] Many of the poor live in hazard-prone areas and are, therefore, extremely vulnerable to the impacts of natural disasters. On average more than 1,000 lives are lost each year, mostly as a result of typhoons. The large number of natural disasters also has a direct impact on economic growth. The National Disaster Coordinating Council estimates that between 1990 and 2006 the country lost on average 0.5 per cent of GDP per annum as a result of direct damage to agriculture, infrastructure and private property.[17] In addition, it is estimated that several hundred thousand people are displaced as a result of natural disasters each year in the Philippines.

The Philippines has a long running conflict in the south of the country between the government and Muslim (Moro) groups. The Moro and Indigenous people of Mindanao, now substantially outnumbered by immigrants from the north, share a widespread belief that they have been deprived of their land and resources. There is conflict between local clans and the two Moro movements—the Moro Islamic Liberation Front and the Moro National Liberation Front —as well as between clans fighting for local political control. A high level of criminal violence exists in the Philippines, particularly around illegal logging activities.[18] In addition, the southern Philippines is home to Asia's oldest insurgency group, the New People's Army. Conflict is fuelled by a large number of armed groups with easy access to small arms and ammunition.[19] The result has been destruction of infrastructure, loss of lives and loss of economic opportunity.

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11 H Hill, AM Basilican & SFA Piza, *The Philippines and Regional Development,* The Dynamics of Regional Development, the Philippines in East Asia: Ateneo De Manila University Press, 2009, p. 1.

12 World Bank, *Country Assistance Strategy for the Philippines 2010-2012,* World Bank, Manila, 2009, p. 12.

13 Philippines brief, viewed 20 January 2010, www.dfat.gov.au/geo/philippines/philippines_brief.html.

14 World Bank, *Country Assistance Strategy for the Philippines 2010-2012,* World Bank, Manila, 2009, p. 12.

15 International Labour Organization, *Migration of Health Workers: Country Case Study Philippines,* Institute of Health Policy and Development Studies Working Paper 236, Geneva, 2005, p. xi.

16 World Bank, *Philippines Quarterly Update November 2009*, World Bank, Manila, 2009, Box 1.

17 World Bank, Box 1.

18 P Kreuzer, *Political Clans and Violence in the Southern Philippines,* Peace Research Institute Frankfurt Report No. 71, Peace Research Institute Frankfurt, 2005, p. ii.

19 Internal Displacement Monitoring Centre and Norwegian Refugee Council, *Cycle of Conflict and Neglect: Mindanao's displacement and Protection Crisis,* October 2009, p. 8.

Vast numbers of people have also been displaced because of conflict in the southern Philippines. Indeed, the Internal Displacement Monitoring Centre estimated that from 2000 to 2007, two-million people were displaced as a result of ongoing conflicts.[20]

The high impact of natural disasters also displaces people from their homes. Displaced women are especially vulnerable to poor nutrition, and vitamin and iron deficiency, which can be fatal for those who are pregnant. The stress and disruption of natural disasters often leads to increased incidents of sexual violence and domestic abuse against women.[21] In conflict-affected areas women are responsible for the social protection of the family, undertaking livelihood projects, resolving family and community conflicts and promoting peace.[22]

Politics and governance

The Philippines is a democratic republic, with three equal branches of government: the executive, legislature and judiciary. Executive power is vested with the president, who is elected for a single six-year term. The president is both the Chief of State and Head of Government. Benigno Simeon Cojuangco Aquino III became the President of the Philippines in 2011. He took his oath of office on 30 June 2010, after having won in the elections conducted on May 2010.

The Philippine Government is frank in its own assessment of governance quality. In its MTPDP 2004–2010, Chapter 21 on Anti-Corruption states:

> *Graft and corruption are increasingly viewed as threats to the sustained growth and development of the country. Corruption distorts access to services for the poor, results in the government's poor performance and, consequently, low public confidence in government. The culture of corruption breeds the vicious cycles of poverty and underdevelopment.*

Recent independent data is consistent with this view, and suggests that the performance of the Philippines on a range of governance indicators is below the median for all countries and, despite some recent improvements, has deteriorated since 1996.[23]

The Philippines has embarked on a major program of decentralisation with the Local Government Code of 1991 and the Organic Act for Muslim Mindanao (1989). The Local Government Code covered the assignment of functions across government, revenue sharing arrangements between the central government and local government units[24], resource generation and utilisation authorities and the participation of civil society in various aspects of local governance. Under these arrangements many basic services became the responsibility of local governments. For example, primary health care and hospitals are now the responsibility of Local Government Units. Education, on the other hand, has remained a central government responsibility.[25]

The Philippines has a strong, vibrant and politically active civil society. It is comprised of People's Organisations (POs) and Non-Government Organisations (NGOs). The POs are typically more 'grassroots' in their approach and the NGOs act as intermediaries between them and the State. Since the mid-1980s civil society groups have received considerable support from government

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20 Internal Displacement Monitoring Centre and Norwegian Refugee Council, p. 8.
21 ADB, Canadian International Development Agency, European Commission (EC), National Commission on the Role of Filipino Women, United Nations Children's Fund (UNICEF), United Nations Development Fund for Women (UNIFEM), United Nations Populations Fund (UNFPA), 'Paradox and Promise in the Philippines: A joint Country Gender Assessment', Manila, 2008, p. xix.
22 ADB, Canadian International Development Agency, EC, National Commission on the Role of Filipino Women, UNICEF, UNIFEM, UNFPA, p. xx.
23 See: D Kaufmann, A Kraay & M Mastruzzi 2009: Governance Matters VIII: Governance Indicators for 1996–2008, graph in Appendix B.
24 LGUs and the Autonomous Region of Muslim Mindanao form the second tier of Government in the Philippines.
25 R M Mansan, Decentralization and the Financing of Regional Development in The Dynamics of Regional Development, The Philippines in East Asia, Atenio De Manila University Press, 2009, p. 276.

administrations. It is estimated that up to 500,000 civil society groups operate in the Philippines, although only a fraction are registered as NGOs or POs.[26]

Economic growth, poverty and the MDGs

Over the past five decades, Philippine economic growth has been disappointing relative to its middle-income near neighbours (see Appendix B, Table 1) and to the East Asia and Pacific region as a whole.[27] This slower-than-average growth is probably one explanation why poverty has not declined at the same rate in the Philippines as it has, for example, in Vietnam and Indonesia— neighbouring middle-income countries with historically high poverty rates. However, it also appears that the link between poverty reduction and growth is weak in the Philippines. Over the period 1985 to 1997, poverty incidence declined an average of three per cent per year. Since then— despite an acceleration of growth, especially since 2002—poverty incidence actually increased, with some fluctuation, from 25.2 per cent to 27 per cent in 2006.[28]

The Philippines' relatively weak performance in poverty reduction and the weak link between economic growth and poverty reduction[29] can be attributed in part to the high levels of inequality in the economy. The Gini coefficient for the Philippines is high relative to neighbouring countries and increased sharply in the 1990s. By 2006 it had reached 44.04 per cent.[30]

The poor reside overwhelmingly (75 per cent) in rural areas and poverty among agricultural households is about three times higher than in other sectors.[31] Around half of the population live on less than US$2 per day, indicating high vulnerability to poverty for many in the event of income shocks or natural disasters. Geographically, poverty is widely distributed, especially in central Luzon, the Visayas and Mindanao. Appendix B, Map 1 shows poverty incidence in 2006 by region.

High population growth has hindered poverty reduction efforts. The average annual population growth of 2.2 per cent over the past two decades has placed enormous pressure on essential services in health and education, and on job creation, as well as on the natural environment.

Progress is lagging in several key MDG indicators. While data issues are complex, it appears that MDG 1—halving the proportion of people living on less than US$1 a day between 1990 and 2015— will not be achieved. Data prepared by the Philippine National Statistical Coordination Board (NSCB)[32], Professor Arsenio Balisacan[33] and the ADB[34] suggest that the rate of decline of income poverty reduction would need to accelerate significantly up to 2015 if this MDG is to be achieved. The reality, however, is that the rate has been decelerating (or even turning negative) in recent years. Progress towards two other MDGs—basic education and improved maternal health—is also seriously lagging.[35]

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26 ADB, Overview of NGOs and Civil Society Philippines, 2007.

27 For more on the Philippines's status as a middle income country see Making a Difference in Middle Income Countries?: An ODE Assessment of future support to Indonesia and the Philippines – Issues and Implications, 2008.

28 Human Development Network, *Philippine Human Development Report 2008/09: Institutions, Politics and Human Development, 2009, p. 116.*

29 See also ADB, *Poverty in the Philippines: Causes, Constraints and Opportunities*, ADB 2009: Table 32: Growth Elasticity of Poverty Reduction.

30 The Gini coefficient is used as a measure of inequality of income distribution. A Gini coefficient of 0 implies perfect equality. The closer the score is to 1, the more unequal is the distribution of income. For more information, viewed 6 February 2009, http://www.nscb.gov.ph/ru10/teknotes/tnidi.htm.

31 World Bank, *Country Assistance Strategy for the Philippines 2010–2012,* World Bank, 2009, p. 18.

32 ADB, Appendix 2.

33 ADB, Appendix 2.

34 ADB, Appendix 8, data on 2005 Purchasing Price Parity basis.

35 See: Government of the Philippines and United Nations Development Programme (UNDP): *Midterm Progress Report on the Millennium Development Goals,* UNDP 2007.

Contraceptive prevalence is low in the Philippines. In 2006 only half of married women of reproductive age used contraceptives and practised family planning. The level of unmet demand for such services was 15.7 per cent. Survey data in the Philippine MDG Midterm Progress Report suggests that Filipino women across all socio-economic classes want fewer children and want access to modern contraceptives. Unplanned pregnancies can lead to increases in maternal mortality and figures suggest that induced abortion is the fourth leading cause of maternal deaths in the Philippines.[36]

Gender

The Philippines scores well on international gender equality measures. Women's educational achievement usually exceeds men's, and women are able to play prominent and independent roles in society. However, the country's lagging performance in maternal mortality is a very serious gender issue.

Lack of economic opportunity drives migration within the Philippines and overseas. Local domestic workers are among the least protected employees. In addition, the predominantly female workforce is prone to illegal recruitment, trafficking, exploitation and child and forced labour. Overseas migrants are also vulnerable and can pay a high price for their absence from their families. Children with absent mothers tend to do worse at school, for example.[37]

1.5 The development goals of the Philippine Government

The Philippine Government articulated its development goals for 2004 to 2010 in its MTPDP. The plan described the fundamental goal as follows:

Fight poverty by building prosperity for the greatest number of Filipino people. The country must open up economic opportunities, maintain socio-political stability, and promote good stewardship—all to ensure a better quality of life for its citizens.[38]

The plan set targets to be achieved by 2010, indicating the government's priorities to:

> increase livelihood opportunities through establishing jobs, supporting entrepreneurs and agribusiness

> ensure universal access to quality education, including by providing 3,000 new classrooms a year

> balance the budget and ensure spending occurs on the 'right things'

> decentralise development

> computerise elections to increase the integrity of results

> establish peace in Mindanao and all insurgency areas.

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36 Government of the Philippines and UNDP, pp. 34–35.
37 ADB, Canadian International Development Agency, EC, National Commission on the Role of Filipino Women, UNICEF, UNIFEM, UNFPA, Paradox and Promise in the Philippines: A joint Country Gender Assessment, Manila, 2008, p. xvi.
38 Government of the Philippines *Medium-Term Philippine Development Plan 2004–2010*. Government of the Philippines, Manila, 2004, p. 1.

1.6 Aid to the Philippines

The Philippines has traditionally not been aid dependent and has become even less so. Table 1.1 shows that from the 1960s to the 2000s, ODA as a percentage of GDP peaked at 1.8 per cent in the 1990s. As a percentage of government expenditure it peaked at 19.3 per cent in the 1980s. By the first decade of the 2000s it averaged 5.9 per cent of government expenditure.

Table 1.1: ODA ratio to GDP, government expenditure and gross capital formation

	1960s	1970s	1980s	1990s	2000s
GDP (%)	0.8	1.2	1.6	1.8	0.6
Government expenditure (%)	9.4	12.4	19.3	16.7	5.9

Source: World Development Indicators

Australia's aid flows as a proportion of total ODA are relatively small. Over the period 2002 to 2008 they averaged around 5 per cent of total aid flows. Nevertheless, in 2006 to 2007, Australia was the third largest bilateral donor to the Philippines after Japan and the United States. According to the National Economic Development Authority (NEDA), there were 229 grant-assisted projects across 60 different government agencies in the Philippines in 2008.[39] Graph 1.1 shows Australian aid flows to the Philippines over the period 2002 to 2008 and the steady increase in disbursements.

Graph 1.1: Australian aid to the Philippines 2002–08

Source: http://stats.oecd.org/qwids/

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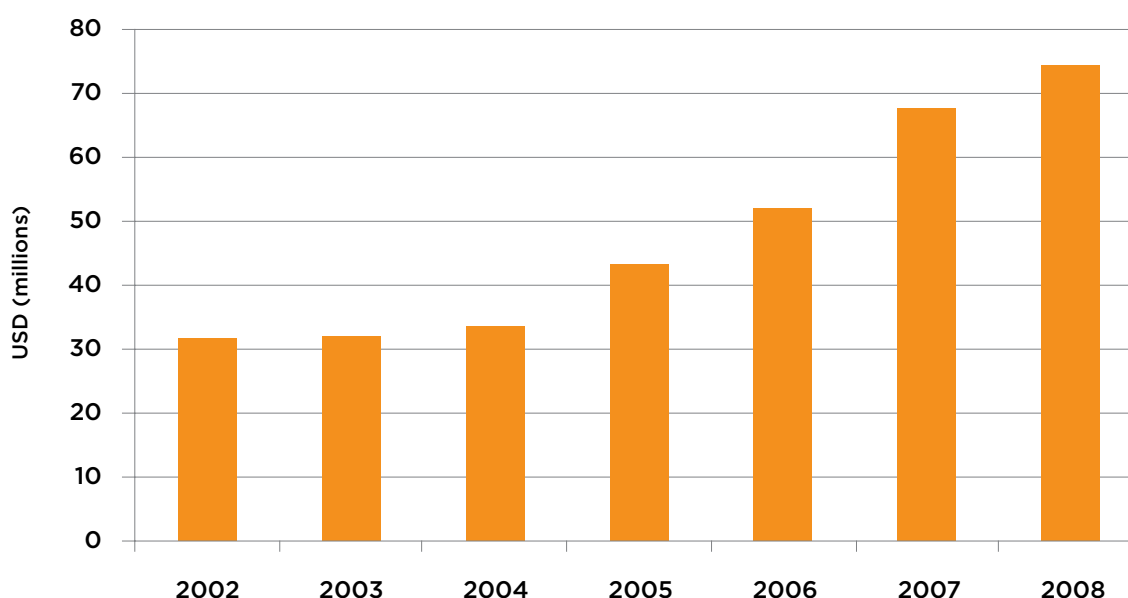
39 Government of the Philippines, '2008 ODA Portfolio Review', NEDA, Manila, 2008, p. 11

1.7 Commitment to aid effectiveness principles

The Philippines is a signatory to the Paris Declaration on Aid Effectiveness and took part in the first phase of the evaluation of the implementation of the Paris Declaration in 2007–08. The evaluation report noted that while the Philippines and its development partners are on track with implementation, more efforts are needed in the following areas:

> deepening in-country understanding of the Paris Declaration commitments and indicators

> progress in reducing development partner-established parallel Project Implementation Units

> country systems (procurement and public financial management)—more work with respect to bilateral development partners and sustained focus in engaging the local government units (LGUs)

> strengthening and enhancing common performance assessment frameworks (the Philippine Government and development partners) to include localising Paris Declaration indicators

> strengthening the partnerships between civil society organisations and government in aid delivery, particularly at LGU level.[40]

1.8 The relationship between Australia and the Philippines

Australia has had diplomatic relations with the Philippines since 1946, when it opened its first Consulate-General in Manila.[41] Ministerial visits have become more frequent and included a state visit by President Arroyo to Australia in May 2007. The second Philippines–Australia Ministerial Meeting was held in Manila in October 2008.

Bilateral merchandise trade was valued at $2 billion in 2008–09. Major Australian exports to the Philippines include crude and refined petroleum, copper ores and concentrates, and milk and cream. Imports to Australia from the Philippines include crude petroleum, copper, batteries and electrical accumulators, and telecommunications equipment. The Philippines is seeking to export tropical fruit to Australia, and commercial shipments of pineapple have started, following an import risk analysis by Biosecurity Australia.

Australian direct investment in the Philippines is concentrated in the minerals sector. Around 10 Australian companies have interests in mining.

Australia has a defence relationship with the Philippines. Activities include training of 130 defence personnel in Australia and visits by senior officials. The relationship focuses on counter-terrorism, maritime security and assistance to the Philippine Defence Reform Program.

The Australian Centre for International Agricultural Research (ACIAR) has been active in the Philippines since 1983. The main aim of ACIAR's engagement is to assist in increasing the productivity, marketability and international competitiveness of Philippine agricultural products. It also supports research that provides smallholder farmers and traders with increased cash income. Over the last five years, ACIAR programs have moved to the poorer areas of Mindanao and the Visayas, with strong links to research expertise in Manila and Los Baos. Improving the uptake of research in the Philippines is a major priority for ACIAR.

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40 Dr DE Canlas, LT Abuyuan & Dr JZ Galvez-Tan, *First Phase of the Implementation of the Paris Declaration*, 'Country Level Evaluation: The Philippines', 2008, Manila, p. 7.

41 Information in this section is mostly drawn from material viewed 11 February 2010.
www.dfat.gov.au/geo/philippines/philippines_brief.html

CHAPTER 2: Achievements

2.1 Introduction

This chapter presents the assessment of AusAID's achievements in the Philippines since 2007. It draws on the program evaluation; the gender assessment; the 2008–09 Annual Program Performance Report; interviews conducted by the evaluation team, mainly in the Philippines; and the documents to which the evaluation team was referred during interviews.

The chapter presents findings against the strategy's three pillars—economic growth, basic education, and national stability and human security—and summarises the themes that emerged across these pillars. A summary of the country strategy, including the pillars and activities within them, is in Appendix C and D.

These findings provide one reference point for assessing the processes used to develop and implement the strategy (see Chapters 3 to 6).

The distribution of the 2008–09 budget across the three pillars is shown in Figure 2.1.

Figure 2.1: Percentage of 2008–09 budget spent on each

- Pillar 1: Economic growth
- Pillar 2: Education
- Pillar 3: National stability and human security

47%
40%
13%
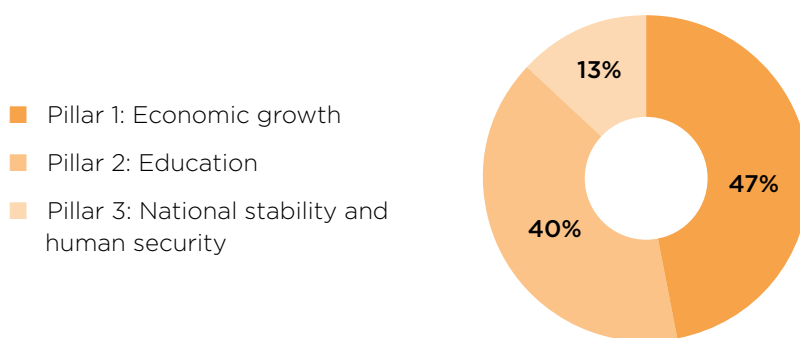
2.2 Pillar–by–pillar results

Pillar 1—Economic growth

Pillar 1 objectives in the 2007–11 strategy are stated as follows:

1. Government agencies are better able to implement transparent and efficient budgets

2. Improved accountability, transparency and management of investments in transport infrastructure

3. Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in targeted provinces.

AusAID aimed to achieve these objectives through the following initiatives: the Partnership for Economic Governance Reform; the Philippines–Australia Human Resource Development Facility; the Philippines Anti-Corruption Initiative (objectives 1, 2 and 3); the Philippines–Australia Local Sustainability Program (objectives 2 and 3); the Provincial Road Management Facility (objective 2); the Philippines–Australia Community Assistance Program (PACAP); the Land Administration Project; and the work of ACIAR (objective 3).

Assessment. Overall, AusAID's achievements in the economic growth pillar have been modest. The magnitude of the reforms AusAID is endeavouring to influence—especially given the amount of funding and the availability of technical expertise that AusAID can realistically contribute—are ambitious.

Highlights of AusAID's achievements across the three objectives are shown in Box 2.1. Modest achievements in laying technical foundations in relation to objectives 1 and 2 have been made, although the sustainability of these and the benefits to the people of the Philippines are questionable. Factors that may impact on the take-up or sustainability of this work include institutional constraints on implementation and effective use (e.g. for better resource allocation to improve services); low absorptive capacity; limited budgets; weak institutional capacity; and, possibly, threats to vested interests.

Box 2.1 Pillar 1: Economic growth

Some key results for 2008–09 to which Australian aid has contributed.

Development and rollout of policies, procedures and frameworks

> An Organisational Performance Indicator Framework has been rolled out to 20 national government departments, 34 executive offices, 16 fiscal autonomous agencies and state universities and colleges. Logical framework approaches are now being used by all budget-funded departments and agencies.

> A framework has been established for a pipeline of capital works to support Forward Estimates.

Improved transparency and accountability

> Transparent Forward Estimates have been used for three successive budgets.

> Automated financial management and internal auditing systems have been established in the Department of Public Works and Highways and national guidelines on internal control systems have been agreed and rolled out in two large spending departments (Department of Public Works and Highways and the Department of Education).

> Planning and budget system baselines have been established in seven provinces in preparation for the Provincial Roads Management program.

> Some technical foundations for reform of national transport infrastructure policy have been laid: policy and regulatory frameworks, processes, organisational capacity, and the establishment of a civil society group (Road Watch) to monitor integrity.

Human resource and organisational development

> Through the Philippines–Australia Human Resource Development Facility, 53 organisations and clusters of partner institutions have developed administrative, governance and other capacities through scholarships (446) and short term training (142 courses), generating 807 re-entry plans (60 per cent are operational) for implementation of learning-in-organisations.

Improved community livelihoods

> Community livelihoods have been improved (e.g. through increases in agricultural productivity, improved farm-gate prices, improved access to water, access to services, improved infrastructure) on a limited scale in five provinces through the PACAP and/or the Philippines–Australia Local Sustainability Program working in one province and/or ACIAR in Mindanao.

There have been many local projects at the subnational level in pursuit of objective 3 and many immediate local results. However, it is not clear that the results of individual projects add up to significant changes in particular areas of the country. Nor is there evidence to show that immediate results will be sustainable and used as a base for locally-driven development.

Pillar 2—Education

Pillar 2 objectives in the 2007–11 strategy are stated as follows:

1. The Department of Education is better able to manage its resources to support schools and teachers.

2. Improved educational opportunities for boys and girls in targeted areas.

AusAID aimed to meet these objectives through the following initiatives: Basic Education Assistance for Mindanao (BEAM); Strengthening Implementation of Visayas Education (STRIVE); the Education Performance Incentive Partnership; Support for Philippine Basic Education Reforms (SPHERE); support for the Philippines Basic Education Sector Reform Agenda through a World Bank Trust Fund; and the Philippines–Australia Human Resource Development Facility.

Assessment. AusAID's achievements with basic education have been considerable, highly visible and well regarded by a wide range of stakeholders. There are some issues around attribution (i.e. the extent to which AusAID can claim credit for improved test scores given, among other matters that the work of USAID overlapped). However, it seems likely AusAID can claim a substantial contribution to the reported results.

Other stakeholders also appreciate AusAID's way of working, including through its relationships with other donors, its focus on piloting initiatives at local levels with a view to contributing to national rollout, its delivery of on-the-ground results for schools, and its work through supporting partners such as Teacher Education Institutes.

Highlights of AusAID's achievements across the two objectives are shown in Box 2.2. With its focus on subnational work, many of the education program's achievements to date have been greatest in relation to objective 2, but increasingly, the adoption at a national level of approaches piloted through AusAID projects will assist with the achievement of objective 1 under this pillar. For example, there are now several examples of the Department of Education further developing for national application, models developed at the subnational level to improve education opportunities for boys and girls in targeted areas. However, history shows that progression at national level is very start-stop, quite fickle and heavily influenced by changes in personnel and politics.[42]

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42 See, for example, Human Development Network, *Philippine Human Development Report 2008/09: Institutions, Politics and Human Development,* 'Department of Education: when reforms don't transform', Manila, 2009, ch. 2.

Box 2.2 Pillar 2: Education

Some key results for 2008–09 to which Australian aid has contributed:

Improving Department of Education systems so that they are better able to support schools

> The Basic Education Sector Reform Agenda of the national government has integrated important lessons from BEAM and STRIVE projects in relation to SBM, and adaptation and rollout of the Human Resource Information System and National Competency-Based Teachers Standards. However, there are some gaps in terms of extent and quality of take-up of reforms.

> The new pro-poor Maintenance and Other Operating Expenses allocation tool has been rolled out with 70 per cent of schools having received expenses by August 2009.

> Through STRIVE, the Department of Education is now able to assess the SBM readiness of schools and has assessed 400 schools as being ready for SBM.

Improving access to educational opportunities

> Almost all of the Teacher Education Institutes have adopted National Competency Based Teacher Standards but training of teachers in non-STRIVE regions is in its early stages.

> The project has trained more than 53,000 teachers, assisted 21 Teacher Education institutes and developed resource guides and centres. Student-centred activity-based approaches have been introduced in all 29 divisions of the three Basic Education in Mindanao regions. These activities have contributed to improved teaching practices.

> BEAM assisted the development of the Unified Madrasah Curriculum, assisting 37 Muslim schools to reach Department of Education accreditation, making them eligible for government funding. It also contributed to the Indigenous Education Policy and curriculum. Some 50,000 students are benefiting from the Arabic Languages and Islamic Values Education program and more than 5,000 students are benefiting from the Basic Education curriculum for Indigenous children. Schools outside BEAM regions are now using project-developed curricula.

Participation rates

> More than 5,000 hitherto unreached children and more than 1,000 adults have accessed basic education through interventions such as the development of 236 community learning centres for early childhood education and functional literacy classes, and the Institute for Indigenous People's Education in Davao.

> Enrolment rates have improved by 12 per cent and elementary school progression rates have improved in BEAM pilot schools. Elementary school completion rates have improved in STRIVE regions.

Educational outcomes

> There has been a 21 per cent improvement in regional assessments of English, maths and science in the three BEAM regions.

Pillar 3—National stability and human security

Pillar 3 objectives in the 2007–11 strategy are stated as follows:

1. Mindanao peace processes are reinforced through more effective participation by communities and institutions

2. Enhanced basic services and livelihoods in conflict-affected communities

3. Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism

4. Women's and children's health services more widely available in targeted regions

5. Men and women better protected from the threat of HIV/AIDS infection; and

6. The population is better prepared for, and protected from, natural disasters and an avian influenza pandemic.

Key initiatives have included the Act for Peace Program (UNDP Trust Fund); the Supporting Peace in Mindanao program; the Mindanao Trust Fund (World Bank); Sixth Country Program for Children (UNICEF); two reproductive health advocacy programs (UNFPA); the Roll Back Malaria program; (World Health Organization); the Disaster Preparedness Response Facility; and the Port Security Capacity Building Project.

Assessment. The achievement of objectives under this pillar is highly variable. Many of the objectives achieved were through trust funds and, therefore, cannot be attributed to AusAID solely or even substantially. Transparency and accountability for results achieved by trust funds have also been an issue for some objectives. These outcomes combined with the low percentage of the budget allocated to a range of objectives and spread of activities means the depth and sustainability of impacts are likely to be limited, especially with respect to health outcomes

Highlights of AusAID's achievements across the six objectives are shown in Box 2.3. Progress appears promising in relation to peace and conflict and enhanced basic services flowing from the development and capacity building of peace and development communities, and other local groups. However, this progress is occurring in a highly fragile context and involves complex processes of social and cultural change. Progress is also vulnerable to shocks from outbreaks of conflict.

Women's and children's health services delivered through multilateral agencies have been contributing to enhanced capacity of health systems at a subnational level. However, even where there has been some increase in take-up of higher quality health services—such as facility-assisted births—little improvement has been evident in health outcome indicators at a population level.

AusAID is making a valuable contribution to the coordination and development of capacity of Filipino organisations involved in addressing national disasters. The Port Security capacity building project was considered a success, although concerns were raised about the ability of the Philippine Office of Transport Security to exercise its mandate for oversight of maritime and port security given its lack of legislative authority.

Box 2.3 Pillar 3: National stability and human security

Some key results by 2008–09 to which Australian aid has contributed

Peace, conflict and basic services

> Act for Peace is widely known and favourably perceived as a broad-based community-development and peace-building program with extensive reach into conflict-affected communities. Former combatants have become Peace and Development Advocates. More conflict-affected communities are being drawn into the mainstream and are, therefore, able to access institutional support.

> More than 200 Peace and Development Constituencies and around 300 community groups are now functional and running community projects that improve economic development and basic services. For example, 57 barangay health stations and 72 village pharmacies have been completed, serving nearly 19,000 vulnerable people; 16,850 families now have access to potable water through these projects.

> The capacity of Bangsamoro Development Agency has improved, assisting more than 40 barangays to identify, plan and implement projects and to resolve conflicts. A peace agreement between the Philippine Government and the Moro Islamic Liberation Front is needed for the Mindanao Trust Fund to be really effective.

> Supporting Peace In Mindanao projects have enhanced the peace-related capacity of Community Service Organisations, marines' and women's groups, and developed a Strategic Framework for Engagement to promote peace in Mindanao for use by the Mindanao Economic Development Council, the Office of Presidential Advisor on Peace Process, the Bangsamoro Development Agency and AusAID.

Health

> The World Health Organization rollback malaria program to which AusAID contributes has sustained significant achievements in relation to transmission, morbidity and mortality—a 32 per cent reduction in malaria cases and an 86 per cent reduction in deaths between 2000 and 2007, across the board. However, progress in the poorest areas of Mindanao and the Visayas is unknown.

Preparation for and management of disasters

> Preparation for disasters has improved through the READY project on hazard mapping, risk-based mapping, improved forecasting and earthquake damage control modelling, and strengthening the partnership of Filipino Natural Disasters agencies.

Port Security and counter-terrorism

> The project has assisted 113 international ports to comply with the International Ship and Port Facility Security Code. This is considered a prerequisite to international maritime trade with compliant countries.

2.3 Summary of themes emerging across the program

The review of results over the period 2007–09 suggested that four themes provide important lessons for the Philippines program. These are listed below and are expanded on in subsequent chapters.

The greatest impact is where engagement is deepest and sustained

Many individual projects within larger activities have been successful in their own right, although sometimes only on a small scale (e.g. Philippines–Australia Human Resource Development Facility, Philippines–Australia Local Sustainability Program and PACAP). These projects have responded to local demands. The greatest impact has been where engagement is focused, strategic and sustained. This includes developing and piloting models and developing a strategy for roll-out (by influencing central government and scaling-up activities). Basic education is the outstanding example.

Success is greatest at subnational level

In general, success has been greatest at the subnational level. This work has concentrated on changing systems and procedures to influence the public sector enabling environment (financial and human resource management, information systems, procurement processes and so on).

Success at the central level has not been as forthcoming, although there are some examples of improved service delivery and other results. These include assisting with the coordination of agencies with natural disaster responsibilities, take-up of SBM reforms and national competency standards with assistance from STRIVE, and adaptation and take-up of the Human Resource Information System developed by BEAM.

Attempts to support government reforms have not been coordinated

Attempts to support reforms have not been well coordinated and so have not achieved substantial on-the-ground results. These include facilitating changes to policies, procedures, frameworks and so on. They also include developing the capacity to implement new frameworks and applying that capacity for results. Different initiatives (e.g. Partnership for Economic Governance Reform, Philippines–Australia Human Resource Development Facility, Philippines–Australia Local Sustainability Program) have at times overlapped in parallel and unconnected ways (e.g. Public Financial Management).

AusAID has made considerable progress in incorporating gender and cross-cutting issues

AusAID has made considerable progress in incorporating gender and cross-cutting issues, such as anticorruption, and program design and implementation. However, it is too early to see better gender outcomes or reduced corruption.

CHAPTER 3:
Preparation of the country strategy

3.1 The operating context

In 2006, the Australian Government released a White Paper on Australia's aid program. The White Paper articulated this objective for Australia's aid program:

> *To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*[43]

The White Paper was a major influence on the development of the Philippines country strategy 2007–11. The paper drew specific attention to the Philippines, arguing that continued economic deterioration in the country may lead to instability, which would have regional implications. Increased assistance to the Philippines was flagged, particularly in the areas of health, infrastructure, and incentives initiatives.[44]

The White Paper identified upgraded country strategies as the main unit of account for performance, specifying that they were to:

> encompass all ODA eligible activity, including that delivered by Australian government agencies other than AusAID

> strengthen selectivity

> provide a more rigorous performance framework, articulating expectations at country level more clearly and providing a better basis for assessing the impact of aid efforts

> include agreement with partners on linking additional allocations to mutually agreed performance criteria.

The Philippines program was one of the first to develop a country strategy after the White Paper was released. A number of other major corporate changes were occurring in AusAID at the time, which influenced its design: these are outlined in Appendix E.

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43 Australian Government, *Australian Aid: Promoting Growth and Stability—A White Paper on the Australian Government's Overseas Aid Program*, Australian Government, Canberra, 2006, p. x.
44 ibid, p. 27.

3.2 Strategy development process and consultations

AusAID's Philippines program in Canberra took the lead in developing the country strategy for 2007–11, with substantial engagement and involvement by the team in-country. Table 3.1 details the major steps involved and shows that the process used to prepare the strategy was thorough and, for all intents and purposes, followed the limited AusAID guidance available at the time.

AusAID guidance recommended early and extensive consultations with a broad range of stakeholders. Different stakeholders will understandably have different perspectives on whether the level of consultation is adequate. Given this, it is a matter of individual judgement on what quantity is sufficient. Table 3.1 shows the consultation in the strategy- development process. The main groups consulted follow:

> Philippines program staff (past and present). This happened throughout the strategy-preparation process.

> Australian government agencies. A round-table was held in June 2006 and a working group formed. An options paper was shared and the draft strategy was peer-reviewed. Special efforts were made to engage with the Australian Treasury.

> The Philippine Government. The strategy development was first raised at senior levels in the National Economic Development Agency, AusAID's major counterpart, in July 2006.

> AusAID technical advisers and senior management. There was a reasonable engagement with advisory staff, particularly in sectors such as education and rural development. Senior management were given an outline of the proposed approach in June 2006 and engaged again later in the development process. At the time, however, the ODE suggested Principal Advisers were not engaged early enough:

> *An earlier peer review of principal advisers at the concept stage would have been beneficial. Our experience suggests that separate discussions with individual advisers cannot replace the contestability and robustness of debate that is provided by a formal peer review with written comments provided prior to the meeting and minutes recorded.*[45]

There are no records showing consultations in the Philippines outside of government, although it is likely that other stakeholders were consulted as background papers were prepared.

Feedback from stakeholders interviewed was mixed on the issue of the quantity and quality of consultation. At a roundtable with Australian government agencies, most indicated they had been consulted during the development of the country strategy. Several indicated that there were not aware of AusAID contacting their agency since the development of the country strategy. Commenting on the consultation, a representative from one Australian Government agency stated that:

> *The strategy process included engagement but it was not clear what was expected from other government departments. [We] [s]aw a draft and then it was amended several times.*[46]

The evaluation team also heard from several people within who were engaged in the strategy-preparation process that whole-of-government partners raised no concerns about the process of development or content of the strategy during preparation.

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45 ODE, 'Advice to AusAID Executive' 2007, Unpublished
46 Representative of Australian government agency, interview with the evaluation team, November 2009.

Consultations with Australian government agencies about the strategy-preparation process highlighted some confusion around the appropriate balance between the development needs of the Philippines and the domestic objectives of their own agencies. The OECD's Development Assistance Committee is clear, however, that to be reported as ODA flows they must '... [be administered] with the promotion of the economic development and welfare of developing countries as its main objective.'[47]

This definition rules out assistance where Australian agencies or the Australian community are the main beneficiaries.

The Philippine Government indicated it preferred to be engaged earlier in the formulation of the next strategy—before drafting takes place.

3.3 Analytical foundation of the strategy

The evaluation team examined documentary evidence and concluded that considerable effort was put into assembling and analysing information to form the foundation of the strategy.

One paper, for example, was prepared on poverty and included data by region. This paper identified Mindanao as the poorest part of the country, for a range of reasons:

> ... *poor productivity growth in agriculture, under-investment in rural infrastructure, unequal land and income distribution, high population growth and the low quality of social services lie at the root of rural poverty. Conflict and vulnerability to natural disasters were also identified as important factors in poverty in the Philippines.*[48]

Information was also captured on lessons from experience in-country. This included the record of the meeting held with current and former posted officers (March 2006) and a paper summarising lessons from AusAID and other donor reviews.[49] Work was also completed on what other donors were doing in the Philippines, including their goals, delivery approaches, partnership arrangements and existing connections with Australia's aid program.

An analytical paper, *Australian Aid Strategy to the Philippines, Final Analytical Report*, was commissioned by the Philippines program in May 2006. The main author of the 2007–11 country strategy stated that this paper was a major influence. The paper brought together information on the major development challenges in the Philippines and described a role for Australia's aid. The paper recommended that AusAID expand its core program in basic education and health. It further recommended that AusAID expand its work in economic management, support for poor communities and rural development, and develop synergies between activities by looking at inter-sectoral linkages within local government units or tackling national and local government issues within sectors.

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47 OECD, DAC, 'Is it ODA?', fact sheet, viewed October 2006. www.oecd.org/dac/stats
48 Internal AusAID document, Poverty, Philippines Country Program Issues Note, October 2006.
49 Internal AusAID, Lessons learned document, 2006.

The paper also made a strong case for the Philippines program to use incentives. It argued that work in economic governance, subnational reform for private sector development, infrastructure development, education, Mindanao growth program and, possibly, health should all have performance-based elements.

Other papers were completed on sectors and issues identified by program staff, including:

> education

> peace and development

> health

> counter-terrorism

> rural and private sector development

> infrastructure

> economic growth and performance.

The program also commissioned analysis on gender and anti-corruption. The analysis on gender drew on a comprehensive gender assessment already conducted by the ADB. The analysis on anti-corruption included work to identify the cause and types of corruption prevalent in the Philippines and recommended ways forward. This fed into the Philippines program's anti-corruption action plan (a formal requirement of each AusAID country program).

Overall, the evaluation team concludes that the analytical foundation of the strategy was strong. It might have been enhanced by analysis of likely development challenges over the longer term, especially those arising from the interrelated issues of population growth, environmental degradation and poverty.

Table 3.1: Timeline for the Philippines country strategy development

March 2006	April 2006	May 2006	June 2006	July 2006	August 2006	September 2006	December 2006	January 2007	March 2007
Current and former Philippines program staff discuss challenges and opportunities.	Desk/Post agree on the process for developing the new strategy and commissioning analytical work.	AusAID commissions: *Australian Aid Strategy in the Philippines: Final Analytical Report*, a major piece of analytical work on issues relevant to the Country strategy development issues. AusAID receives paper on the work of other donors. Principal Adviser of Education from Australia visits Post to develop a sub strategy for education. Director General visits for discussions with the Ambassador and other Australian government agencies in the Philippines.	Roundtable held with other Australian government agencies. Working group formed. Private sector and rural development strategy developed by AusAID advisers. Executive considers proposed approach to new strategy development.	Sub strategies developed for: 1. health 2. anti-corruption 3. peace and development. Programming visit for infrastructure and growth and confirmed inclusion of performance incentives. Terms of Reference finalised for the ODE Rapid Assessment of the Philippines country strategy. Draft options for the strategy shared with the working group. Consultations held between AusAID and the Philippine Government.	ODE Rapid Assessment takes place. Visit by AusAID advisers to develop Peace and Development strategy. Peer review of draft strategy by senior AusAID management.	Draft Country strategy finalised.	Draft Strategy submitted to Development Effectiveness Steering Committee. Draft strategy shared with the Philippine Government.	Strategy endorsed by Development Effectiveness Steering Committee. Strategy agreed to by the Philippine Government.	Philippine Government formally endorses the strategy.

3.4 ODE's Rapid Assessment

The ODE's Rapid Assessment was drawn-on while preparing the country strategy. The Rapid Assessment's major recommendations are in Box 3.1.

Box 3.1: Recommendations for country strategy development
> While maintaining a goal-level vision that aligns with the policies of the Philippine Government, a framework must be developed to monitor and assess the impact of Australian aid.
> Such a framework should be used to monitor annual progress against country strategy objectives.
> The analysis underpinning the country program strategy should describe clearly why Australia needs to engage in each of the selected focal areas.
> The strategy should follow the White Paper's recommendation not to engage in too many sectors.
> A process should be described for prioritising new assistance. This should be contestable and include Philippine Government and AusAID representatives from Canberra and Post.
> A mechanism should be established for effective high-level discussion on strategic and programming issues and described in the country strategy.
> The country program strategy should outline in detail how the program will improve its monitoring capability, particularly in Mindanao where high numbers of donors complicate the picture.
> The strategy must explain how it will manage those existing initiatives that do not fit the new approach. It must avoid broadening the scope of the country program strategy simply to accommodate all current initiatives.
> A mechanism is required to monitor the success of the mainstreaming of important cross-cutting issues in the program, particularly gender and anti-corruption.
Source: ODE: Rapid Assessment of Philippines Country Strategy 2004–2008, October 2006, p.26.

ODE's analysis of the final country strategy 2007–11 noted that the Philippines program had taken on board the majority of the recommendations made in relation to its development. ODE advised that implementation would need to be carefully managed given the potential tension between the Rapid Assessment's recommendation to remain selective and the pressure to expand into new areas, which may come from an increasing budget.

3.5 The gap between sectoral analysis and the country strategy

The background papers prepared as part of the country strategy development identified development challenges at a sectoral level. In some instances there was also a description of how Australia would help the Philippines meet those challenges. There was also analysis that showed that Australia's program was consistent with Philippine Government development objectives. However, there was limited documentary evidence of consideration of the following issues in the lead-up to the country strategy development:

> Australia's comparative advantage

> AusAID corporate or Australian government imperatives that might influence decision-making around sectoral engagement and relative scale of aid funding to different sectors

> explanation of the scale of investments in different sectors relative to the size of the development challenge

> AusAID resource constraints, the activities of other donors and what this might mean in terms of numbers of sectors in which AusAID could engage.

Without written documents addressing the issues identified above, it was difficult for the evaluation team to understand the rationale behind the choices of country strategy objectives given the breadth of development challenges faced by the Philippines and the activities of other development partners.

While the *Australian Aid Strategy to the Philippines, Final Analytical Report* picked up on some of these issues, its premise was that the program continue in the areas in which it was already engaged. It then discussed how the program should align with White Paper requirements. This approach, combined with pressures on the program to respond to new budget initiatives, opened the way for the program to increase its number of areas of engagement.

3.6 Detailed recommendations on future country strategy preparation process

The recommendations in this section focus on consultation and engagement for the new country strategies. Issues around the steps towards creating a robust strategic framework for the new strategy are dealt with in the recommendations section of Chapter 4.

> The new country situation analysis should include additional analysis of longer-term development challenges.

> There should be early guidance by AusAID senior management on issues such as the strategic priority of the Philippines program and the possible range of financing that may be available for it.

> The country strategy-preparation process should be led by senior officers in the Philippines program in Australia and at Post with clear accountability for strategy coherence and logic.

> There should be clear guidance to other agencies on what is expected of them. This should include guidance on:

– the objectives of seeking other Australian government agencies' involvement in-country strategy preparation, and the inputs required from them. It should be clearly specified that inputs should be in writing to allow for peer review.

– the level of representation and likely scope of engagement in-country strategy preparation. Ideally, representation will be at a sufficiently senior level to reach agreement on the main development challenges facing the Philippines and how Australia can support them.

CHAPTER 4: The strategic framework

4.1 Structure of the 2007–11 country strategy

The overarching goal of the 2007–11 country strategy is 'to contribute to improving the prospects for economic growth, poverty reduction and national stability in the Philippines'. To achieve this, the strategy identifies three pillars for action—economic growth, basic education, and national stability and human security. Under each pillar are objectives for the Philippines and for Australia. The objectives set out in the strategy and in the Philippine Government's MTPDP align (see Chapter 1).

The overarching goal stems directly from the White Paper, which placed substantial emphasis on economic growth and human development in Australia's development assistance to East Asian countries. The overarching goal is very broad, however, which raises the question: How much impact can Australia's relatively small assistance program (considerably less than 0.1 per cent of Philippine GDP) realistically have over a wide range of activities in the Philippines, especially given the country's complex federal structure? Part of the overarching goal is to contribute to improving the prospects for economic growth. This also raises questions: whether economic growth is an appropriate overarching goal for Australia's work in the Philippines, or whether supporting economic growth targeted towards benefiting the poor would be a better way of reducing poverty.[50] This issue is especially relevant given that recent data suggests the link between economic growth and poverty reduction in the Philippines is especially weak (see Chapter 1).

In addition to issues relating to the overarching goal, there are concerns over the three pillars. In hindsight, they are not as helpful as they could be in creating a framework for identifying activities Australia could support. The economic growth pillar, for example, could easily encompass a wide range and large number of activities: improving the investment climate, the quality of regulation and public expenditure; developing infrastructure and macro-economic management; and reducing corruption—to name but a few. The choices required to make the transition from the economic growth pillar to its three objectives for Australia—better budget implementation; improved accountability, transparency and management of investments in transport infrastructure; and improved economic opportunity for rural people—are not clear.

The national stability and human security pillar, also covers a wide range of disparate objectives—from reinforcing the peace process to health service improvements to disaster management—and so offers little help in setting priorities and making choices.

In contrast to the first two pillars, the basic education pillar is focused, with clear and sensible objectives. Post is aware of the difficulties with the pillars and the lack of cohesion within some pillars, especially the national stability and human security pillar. The evaluation team commends Post for its candour during discussions on the challenges associated with the pillars and its acknowledgement that it will be important to have a more coherent approach in future.

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50 The 2006 White Paper sets the overall objective of Australia's aid program as being: 'To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.'

All 11 objectives in the country strategy are overly ambitious and too general—an example of the latter being 'Women's and children's health services more widely available in targeted regions'. This is a fundamental flaw in the strategy's framework. The value of the objectives in helping AusAID management set priorities, plan, make programming decisions and assess outcomes is limited as a result. The evaluation team attempted to draw out objectives for the aid program that, while ambitious, could realistically be achieved with the contribution of the aid program within the timeframe for the country strategy. However, this is difficult to do in retrospect and should have occurred during strategy development.

Sector strategies should have played an important role in explaining how the 2007–11 strategy objectives would be delivered, and in supporting changes to the strategy during implementation. Ideally, such strategies would have re-assessed program content and approaches as the operating environment changed, and as lessons from experience and the changing sector context emerged. Several sector strategies were written in the development of the 2007–11 strategy (see Chapter 3 for details), but these did not explain how aid objectives would be met. The notable exception was in basic education. This clear sector strategy has contributed to the quality of program implementation.

Overly ambitious and overly general country strategy objectives have allowed the program to disperse and this has reduced the overall impact of Australia's assistance program (see Chapter 5). They may also have weakened ownership of the country strategy, because they were not useful in guiding the direction of the aid program, particularly in an environment with regular staff turnover.

Still, despite the weaknesses outlined, a number of activities undertaken by Australia under the strategy have delivered good results (see Chapter 2). Indeed, where the framework was strongest—in basic education—it has underpinned the successful implementation of a coherent set of activities. Therefore, the evaluation team's comments should be considered in context and as constructive, since for all concerned the development and implementation of country strategies is an iterative, learning process. The lessons learned from the 2007–11 strategy will assist in informing the development of the new, strengthened strategy.

4.2 Was it considered an Australian whole-of-government strategy?

The 2007–11 strategy was to provide a framework for Australia's development assistance to the Philippines—including activities being implemented by government agencies other than AusAID. However, Australian government stakeholders disagreed over whether it represented whole-of-government. The majority of comments made in interviews conducted by the evaluation team, on both the strategy's content and preparation process (see Chapter 3), suggested it did not. A typical comment representing this view is presented below:

> *Could be more whole-of-government with AusAID asking others for advice and others being proactive.*

The country strategy does not articulate the rationale for the development activities of other Australian government agencies. As one interviewee put it:

> *The paragraph in the current strategy is not a strategy for other government departments; it is a description of what they were doing.[51]*

One interviewee indicated that each Australian government agency wanted its own strategy objective linked to a particular project, which is why the strategy ended up with a relatively large number of objectives—several of which had only small (in value) activities listed underneath them. Comments such as this suggest that objective-setting was at least in part driven by ongoing or desired project activities, rather than the choice and design of activities being driven by clearly-articulated and agreed objectives.

4.3 Strategy Performance Assessment Framework

The strategy's Performance Assessment Framework has significant problems, especially around links between what AusAID does and indicators of its success. Many of these problems reflect the fact that the Philippines program has not developed its program logic sufficiently. A clear program logic would identify aid objectives that were ambitious but reasonable and achievable within the life of the strategy. It would also identify a series of steps with intermediate objectives. Indicators would then be identified to monitor progress towards and between those objectives.

The Philippines strategy performance framework is not explicit about the intermediate objectives for the strategy: to an extent these must be inferred from the indicators selected. In addition, some indicators appear to reflect workplans rather than outcomes.

Some of the measures included for improved livelihoods may reflect AusAID's belief that the Agency should be able to demonstrate direct outcomes for the population using social and economic indicators. These indicators are not appropriate for modest projects where the main objective is to contribute to improved quality of community participation, which might, in the long-term and in conjunction with many other factors, contribute to better livelihoods.

AusAID is to be commended for including some relatively measurable indicators in its framework. However, many indicators are not as easy to measure as they seem and their relevance to the outcome that AusAID wanted to achieve is not always apparent. It may be that pressure to come up with some indicators, for which there is data available, may have governed some of the choices of indicators, rather than their relevance to the desired outcome. In the long-term this could lead to 'goal displacement': where what gets measured gets done regardless of its relative importance in contributing to objectives.

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51 Representatives of an Australian government agency, personal communications with the evaluation team, November 2009.

4.4 Approach to risk management

The strategy identifies the main risks to implementation as political instability, security developments, and natural disasters and shocks. These risks are outside of the program's control and need to be monitored. They are unlikely to derail implementation, unless they occur in an extreme form. Therefore, the approach for addressing them through ongoing performance review and dialogue is appropriate.

The risk analysis section of the country strategy would have been stronger if it had addressed risks that could potentially arise from within the program's control, and explained how such risks would be minimised—for example through organisational, staffing, programming and process measures (including steps to incorporate lessons highlighted through the monitoring and evaluation system).

4.5 Recommendations on the strategic framework

During finalisation of the report, AusAID adopted a new approach to country strategy formulation. Box 4.1 summarises the main elements of the new country strategy architecture.

Box 4.1: AusAID's new country strategy architecture

In May 2010 AusAID introduced new country strategy architecture. Under this the term 'Country Strategy' now refers to a suite of interrelated processes and products including:

> **Country Situation Analysis:** an assessment of the opportunities and constraints to development and identification of those with most strategic importance for Australian ODA engagement (the why)

> **Statement of Commitment/Partnership for Development:** a publicly negotiated commitment by Australia and the partner government, where appropriate, to shared priority development outcomes (the what)

> **Delivery Strategies:** outcome-specific strategies detailing how Australia will deliver on the public commitments it has made and how aid objectives will be achieved.

Delivery Strategies should be developed for each priority development outcome identified in the Statement of Commitment. These outcome areas will generally align with sectors but it is possible that they may be thematic or cut across sectoral areas, for example service delivery, food security and public financial management.

The principles that should guide the development of a delivery strategy include that it:

> has clear intent—provides a coherent and cohesive approach that articulates how Australian aid will contribute to shared development outcomes

> represents a sensible use of AusAID's financial and human resources

> has a defined set of stakeholders and key relationships/partnerships

> allows for clearly identified policy priorities and methods for engaging in policy dialogue and processes.

Sources: AusAID 2010 Policy: Country Strategy Development effective 17 May 2010
AusAID 2010 Guideline: Delivery Strategy effective 17 May 2010

Given the issues identified in this chapter with the existing strategy, the evaluation team has made the following recommendations to be considered during the new country strategy-development process:

> Progress towards development goals in the Philippines will require long-term, sustained engagement, based on realistic expectations about what aid can achieve. These issues should be explicitly discussed during the formulation of the Country Situation Analysis.

  – The monitoring and evaluation (M&E) framework for the Philippines program should identify intermediate objectives with corresponding indicators.

> Agreement should be reached and articulated in the country situation analysis on a clear and simply expressed goal for Australia's aid program to the Philippines. The evaluation team believes the long-term goal should be poverty reduction.

> A set of priorities and their relative weightings should be agreed to long-term identify the aid objectives, in which Australia can engage over the long-term to achieve the long-term goal of poverty reduction. These could include consideration of:

  – key development issues relating to poverty reduction, especially MDGs where progress is lagging

  – areas where Australia has a comparative advantage

  – Australian government imperatives

  – the activity focus of other donors

  – the extent of focus on service delivery outcomes

  – the need for selectivity.

> Choices made will be a trade-off between the wide range of development challenges, with which Australia could help, and the need to ensure that, within constrained budgets, in-Post staffing is adequate (numbers and skills) to make Australia a substantive partner to government agencies, other donors and other development players, and to help ensure the quality of Australian aid. Australian government agencies would need to contribute (in writing to allow for more rigorous peer review) to the elaboration of aid objectives.

> Once aid objectives are agreed, a transition strategy should be developed covering the need to adjust ongoing activities, staffing and organisational structure.

> Detailed delivery strategies for each aid objective should also be developed—these would be living documents to be updated as required.

> There should be early and extensive consultations with the Philippine Government, relevant technical expertise and other stakeholders.

> Risks to the program achieving its objectives should be comprehensively analysed. The analysis should show how risk has impacted on choice of initiatives, approaches and choice of partners, and how the risks will be managed.

CHAPTER 5:
Implementing the strategy— design and delivery issues

Chapter 4 concluded that limitations in the strategic framework have constrained the overall effectiveness and impact of Australia's assistance to the Philippines. This chapter and the next examine how the current strategy was implemented, including choices of scope, entry and exit of activities and the different approaches adopted to deliver Australia's aid program. These topics are followed by discussions on the organisational and relationship issues around strategy implementation.

5.1 Adapting the strategy over time

Each financial year AusAID country programs undertake an Annual Program Performance Report (APPR) bringing together information on the performance and results of the country strategy implementation over 12 months and assessing whether the strategy needs to adapt to remain relevant. From 2008, guidance for conducting these reports required programs to indicate factors constraining implementation and detail management actions to address them. This included noting whether the country strategy needed to change and, if so, how and in what timeframe.[52]

The 2008 and 2009 Annual Program Performance Reports on the Philippines program identified factors requiring management action. These are highlighted in Box 5.1.[53]

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52 ODE *2008 Annual Program Performance Report*, draft template.
53 AusAID *2008 Annual Program Performance Report for the Philippines*, 2008; AusAID 2009 'Draft Annual Program Performance Report for the Philippines', 2009. Unpublished paper

Box 5.1: Management actions with implications for the country strategy

2008 Annual Program Performance Report

> Undertake a review of the country strategy in 2009.

> Better measure progress by articulating where AusAID would expect to be at the end of the strategy period against specific objectives, including development of annual milestones, which should be set under each objective in order to measure progress.

> Revise the Performance Assessment Framework to provide a better basis for improved performance- monitoring at initiative and program levels.

> Increase program coherence in conflict-affected areas by developing an engagement strategy and drawing a stronger link between peace and conflict development analysis and current and planned interventions.

> Explore options for increasing efforts on lagging MDGs.

> Undertake program development work in infrastructure, rural development and water supply, and sanitation drawing from current legacy projects.

2009 Annual Program Performance Report

> Respond to the global recession by focusing on education, budget execution, the Conditional Cash Transfer program and on integrating labour-intensive capital works into road maintenance/rehabilitation.

> Develop a new country strategy, with a stronger whole-of-government approach and improved coherence and harmonisation with donor partners. Examine the geographic focus of the program and the balance between national and subnational investments.

The 2009 review also flagged key priorities for work in 2009 that are relevant to strategy adaption:

> Further consolidate the program by bringing legacy projects to an end.

> Change the approach in the rural sector by focusing on existing sectoral engagements already targeted at rural areas rather than pursuing new activities in agriculture or rural industry.

> Implement the new health program strategy to focus support on maternal health through effective partnerships with UN agencies.

The evaluation team found that the Philippines program had gone a long way to implementing many of the management actions outlined in the Annual Program Performance Reports. Major achievements include consolidating work in the area of maternal health, attempts to integrate lessons learned from closing projects into existing programs and significant work on developing an engagement strategy for conflict-affected areas of Mindanao.

It is possible to draw inferences about the changes in strategy direction from the management actions set out in the Annual Program Performance Reports, although it is not possible to understand the rationale behind these changes. For example, the 2008 Annual Program Performance Report recommends an increase in rural development work; however, the 2009 Annual Program Performance Report suggests a change in approach away from pursuing new activities in agriculture and rural industry. In this instance it is not clear what changed between 2008 and 2009.

For accountability reasons, it may be useful if changes to the direction of a country strategy were recorded with explanations of why it was necessary to change (this could be recorded in an annex to strategy documents). It would also be good practice to routinely report on the progress of management actions from preceding years.

These changes would lead to greater transparency around decision making in the aid program. This is important if country strategies are to represent a whole-of-Australian-government approach to aid and if other Australian government agencies are to understand AusAID's program logic. Another benefit is the potential for stronger partner-government ownership of strategies. This would be further strengthened if partner governments are included in annual program performance reviews and discussions on adjustments to the country strategy.

5.2 The size of the program now and in the future

The 2006 White Paper recommended that Australia's aid effort in the Philippines be intensified. While the country strategy aligned with this, stating that Australia would 'make a much more significant contribution to the Philippines than in the past', it did not indicate how much more aid would be allocated. Still, Australia's aid flows to the Philippines increased significantly from 2006 (US$52 million) to 2008 (US$74 million).

Given the challenging operating environment in the Philippines and the mixed performance of the program, the size of the current program is appropriate. Looking ahead, a case can be made for increasing Australia's aid to the Philippines. However, the uneven performance of the aid program across different aid objectives should be addressed before an increase is implemented.

Given the modest size of Australia's aid program in the Philippines relative to the Philippines' own resources, Australia has been looking to leverage its activities for greatest impact. Designing activities with potential for expansion is an important way to improve the prospects for this. Working closely with the International Finance Institutions, including through the use of AusAID's grant-financing capacity is another. Both of these approaches depend on long-term engagement built on a deep understanding of complex development issues. The evaluation team believes that designing activities for expansion should become more central to the Philippines program; this would reinforce Australia's role as a development innovator and strengthen the case for substantial expansion of the program.

There are already a few examples of local, pilot activities supported by AusAID that are being expanded for wider application (for example the Human Resource Information System and National Competency-Based Teacher Standards under BEAM, being rolled out under STRIVE). It is not clear, however, whether in these cases the possibility of future expansion was assessed during the project design or pilot phases of the projects. Ideally, it should be. The approach taken to clarify and restructure the regional and divisional responsibilities of the Department of Education, supported through the STRIVE project, is a good example of how to pilot activities and then roll them out.

Piloting activities can provide benefits in terms of learning. However, the risks of taking pilot activities to scale require careful management. What works on a small scale may not work the same way, or at all, on a large scale. For example, the Conditional Cash Transfer program, being rolled out with AusAID support and large-scale World Bank funding aims to create increased demand for education and health services. However, the evaluation team heard concerns that the key constraint to increasing basic education enrolment may not be lack of demand—it may be a lack of supply of basic education places. If supply is an issue, it will be exacerbated by the program being expanded. Similarly, there may be concerns about the targeting of cash transfers as the program gets larger. In a program such as this, which carries significant fiduciary and reputational risks, it will be essential to ensure that robust data becomes available on the efficiency of targeting before major scale-up takes place, with close monitoring continuing through scale-upscale-up.

5.3 Program scope, entry and exit

The evaluation team carefully considered the scope of Australia's development initiatives in the Philippines, listening to arguments for and against broader engagement. Chart 5.1 plots the number of initiatives[54] over time relative to program size. The number of initiatives supported increased from 39 at the beginning of the strategy to 45 in 2009. Despite this increase, AusAID still has fewer activities in the Philippines than in several other country programs in the region such as Vietnam.[55]

Chart 5.1 further indicates that the average annual disbursement per initiative in the Philippines has increased. At this stage, the evaluation team does not, therefore, see the number of initiatives as a major concern. However, should the number continue to increase, it may add significantly to the administrative burden at Post and impact negatively on program quality. Careful management of the number of new initiatives is, therefore, important.

Chart 5.1: Program size and number of initiatives 2003–09
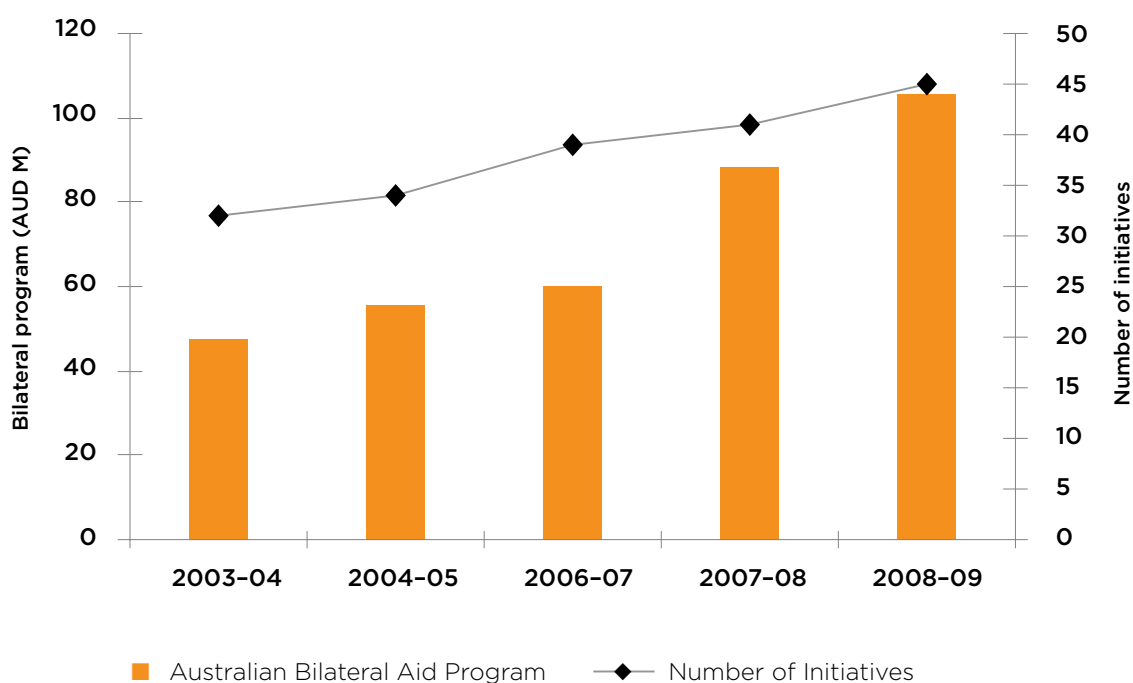
Source: Data from AusAID's statistics section

AusAID does not have an agreed definition of what is considered a sector in aid. The definitions used by the Development Assistance Committee (DAC) are either too broad, or go into far too much detail to be useful for aid management purposes. For example, the DAC sector titled Government and Civil Society includes public financial management, legal and judicial development, economic management and election issues, among others. In reality, aid programs would have different engagements in each of these areas, and each would require detailed knowledge specific to the development context.

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54 In AusAID's aid management system the term initiative refers to what is more broadly known as an aid activity. The term aid initiative and aid activity are therefore used interchangeably in this report.

55 Data supplied by AusAID's statistics section shows, for example, that in 2008–09, the Vietnam program expended against 67 initiatives. To some degree this may reflect how different programs arrange their initiatives in AusAID's program management system and so this should be considered as a guide only.

Knowing the number of sectors in which the aid program is attempting to engage is important for determining whether expertise and resources are being stretched too thinly across too many issues. Given this, the evaluation team defined a sector as being a group of activities that share a similar aid objective or that require a particular kind of expertise for engagement with the issues.[56] By this definition, the number of sectors in which Australia is engaged—around 14— is a concern. The evaluation team believes that this limits the program's ability to offer the level of engagement, oversight and substantive development skills required to work effectively in all these areas. There is, therefore, a strong case for more concentrated effort in a reduced number of sectors.

As mentioned in Chapter 4, the strategy has not been useful in guiding decision making on whether to add new activities or terminate existing ones. The evaluation team saw two main consequences of this. The first consequence is that, despite commendable discipline in deciding which new activities to initiate, those that have been added—mining and urban development being the main examples—have further dispersed, not concentrated effort.

AusAID also needs to consider whether the system for obtaining additional program funds through the Australian Government budget process increases pressure to disperse the program. For example, it could be argued that the availability of funds for infrastructure through the budget influenced AusAID's decision to move into support for national roads in the Philippines. While the Agency's support in this area is relatively modest, it is difficult to justify national roads being a priority when there are already major donors in the sector such as the World Bank, the Asian Development Bank and Japan which, it could be argued, have a comparative advantage in the sector.

The second consequence relates to two activities terminated during strategy implementation— the Land Administration Management Project and the Local Government Development Project. The strategy's framework did not provide a rationale for discontinuing either of these activities. If it had, this would have been helpful in explaining the reasons for discontinuing to the Philippine Government.

5.4 Australia's comparative advantage

The evaluation team explored perceptions of Australia's comparative advantage as an aid donor in the Philippines. The team concluded that Australia offers several strengths (often better perceived by those outside of AusAID) that should guide the design of its work. These include:

> a strong sense of the practical and a willingness to listen, learn and get things done

> Australia's willingness to support innovative approaches that may be scaled-up

> geographic proximity, especially important for support in emergency response to disasters

> technical capability in several areas, including disaster management, agricultural research and basic education

> Australia's facilitation role in aid coordination.

These strengths would be enhanced if Post developed its skills to engage in complex analysis of development issues.

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56 Appendix G shows Development Assistances Committee CRS codes mapped to sectors.

5.5 Visibility of Australia's support to the Philippines

The evaluation team were told by representatives of Australian government agencies of the importance of Australia's support to the Philippines being visible. Generally, AusAID's visibility and reputation as a donor in-country is very good—with government, donors, multilaterals and other stakeholders. In general, AusAID is seen as a team player and sometimes a leader. Its efforts, especially in education, are increasingly well coordinated with other donors such as USAID. With emergency response, AusAID has developed a reputation for responding quickly and effectively to natural disasters. The considerable goodwill towards the Australian aid program overall is positive for the broader bilateral relationship.

Visibility was raised with the evaluation team only in terms of the benefits it has for Australia's reputation. The risk to Australia's reputation of an aid program that is poorly managed or that supports activities that are not effective was not raised. Neither was there a consistent view on the type of aid intervention that is best for visibility. Some interviewed in Canberra and Manila felt that visibility could be achieved through a spread of small projects, allowing Australia to have a presence on the ground in many places. This was seen as a particular benefit of small-activity schemes such as those under the Philippines–Australia Community Assistance Program. This argument, however, gives more weight to visibility than to effective aid; it does not consider the possible disadvantage of visibility in the event that a small grant goes wrong.

A recent case study of the PACAP highlighted the problem of discerning development impact from a scattering of small grants provided through the program.[57] The tension between broad program reach (and, therefore visibility) and the possibility of low development impact was also picked up in the design of Phase 2 of the Philippines–Australia Human Resource Development Facility, which moved to adopt a more strategic approach to selecting projects by tying them to the organisational development of key partners. This approach may result in better development outcomes and provide lessons that can be used for future small-activity schemes.

Visibility can be achieved through a well-managed program achieving good results with positive development impact. Experience with AusAID's work in basic education, especially the BEAM project, about which the evaluation team heard universally positive assessments by interlocutors outside of the Australian Government, illustrates this well. It also supports the view that greater focus on long-term sustained support in a limited number of development areas is likely to best serve Australia's interest in generating positive perceptions of the country through its development work in the Philippines.

The evaluation team perceived several threats to AusAID's reputation, relating particularly to a lack of transparency around strategy and communication. There was feedback from a Philippine government official that AusAID was circumventing agreed communication channels (through the UN) too frequently in order to get additional information on program activities. Similarly there was a perception that the Philippine Government had not been consulted early enough in-country strategy preparation. Perhaps of most concern was the termination of the Local Government Development Project, partly because it came as a shock to the Philippine partners, who were surprised they had not been consulted more before the program was terminated (see section 5.3).[58]

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57 ODE, 'Draft Philippines Australia Community Assistance Program', case study, 2010, p. 26.
58 Personal communication with the evaluation team, November 2009.

5.6 Flexibility

The evaluation team heard universally that one of AusAID's key positive attributes is its flexibility, with the word 'flexibility' meaning different things to different interlocutors. Some believed it meant an ability to listen, to be culturally sensitive, to understand constraints faced by others, to adjust to evolving circumstances and to draw on local experience, skills and aspirations. Others believed it meant AusAID's willingness to respond to requests to take on new activities, or to design activities to accommodate a wide range of sub activities. The team agrees that the first definition reflects AusAID's work in the Philippines and gives the Agency a comparative advantage (see Box 5.2 for a case example). The team is concerned about the second definition in that it reflects a weakness of the strategy itself as an instrument for keeping the program focussed (Chapter 4), which may lead to wider dispersion of AusAID-supported activities.

Box 5.2: Case example of AusAID's flexibility: the Institute for Indigenous People's Education in Mindanao

Under the BEAM project, AusAID proposed a new high school for Indigenous students to improve their access to education. However this was opposed by congress. Under the project, a consortium of government and NGOs working on Indigenous education had been formed (in 2004). The project team asked this consortium to come up with alternatives to the high school as a way of improving access to education for Indigenous children and communities.

In consultation with schools and communities, the consortium identified the community's aspirations for Indigenous education and some principles to guide it. Examples included the importance of having globally competitive and ancestrally relevant values, integrating an Indigenous perspective into each competency, training Indigenous and non-indigenous teachers in Indigenous education and having non-Indigenous children learn alongside Indigenous children. These would enable Indigenous students, through their experience, to improve understanding and tolerance in the classroom. Elders were to be involved to foster tribal traditions.

These aspirations and principles were used to design and implement the Institute for Indigenous People's Education. The institute coordinates a wide range of activities including formal education, curriculum and resource development and learning centres for communities. Department of Education and other staff manage the Institute developing and running activities including its own cultural museum. The institute also works with local government to ensure conditions important to accessing schools are in place, such as roads.

Monitoring and evaluation has shown that the project contributes significantly to improved access and participation, reduced drop-out rates of Indigenous students, and higher scores on national achievement tests. Conflict in schools between Indigenous and non-Indigenous students has also reduced, while respect for Indigenous students among non-Indigenous students, and pride in their culture and self respect among Indigenous students has grown.

It is highly likely that the Institute will be sustainable because the Department of Education has progressively taken over the project with the consent of the consortium and the support of the BEAM project. Moreover, the National Department of Education, seeing what is being achieved, has asked the institute to develop a national policy on Indigenous education. This is to be implemented through the Philippine Governments' Basic Education Sector Reform Agenda.

5.7 Geographic coverage

The Philippines country strategy states that: 'the geographic focus of Australia's aid to the Philippines will continue to be shaped by poverty incidence, development challenges, security constraints to aid delivery, and national interest'. This statement remains relevant and underpins the current situation where almost half of the program focuses on Mindanao.[59] This level of geographic concentration offers advantages, including the development of local knowledge, local relationships and strong local oversight.

However, as mentioned in Chapter 1, poverty is widely dispersed in the Philippines, with high concentration in rural areas and in Luzon, Mindanao and the Visayas. Therefore, if Australia's aid program to the Philippines were to increase, a case could be made for this increase to be directed to areas with high poverty incidence outside of Mindanao. To an extent, the increased focus on disaster risk reduction will result in a natural change of focus away from Mindanao. However, there are other practical reasons for a targeted expansion in the geographic focus of Australia's aid to other areas with high poverty incidence. These include:

> limitations on AusAID's ability to monitor its projects in conflict-affected areas of Mindanao

> ongoing assessment of where AusAID could add most value given the geographic focus of other donors and government programs

Decisions on changing the balance of the geographic focus of Australia's aid program need include consideration of the risks of spreading the modest aid budget and management capacity across too many geographic areas.

5.8 Conflict sensitive approaches to aid

Australia supports several initiatives that aim to address conflict in the southern Philippines, most notably the Act For Peace Trust Fund, the World Bank Mindanao Trust Fund and activities funded through Supporting Peace in Mindanao. The BEAM project also has a peace-building element through strengthening community participation in managing schools and increasing access to education for former Moro National Liberation Front combatants. One interviewee noted that the BEAM project was well regarded for its attention to conflict issues and for institutionalising peace and conflict impact assessments.[60]

The Human Resource Development Facility also has a direct role in supporting peace efforts through building the capacity of relevant government agencies to oversee and coordinate peace, development and investment efforts in Mindanao.[61]

The PACAP stands in contrast to these effective initiatives. It was not designed to work in conflict-affected communities and does not have a strategy for doing so. The evaluation team received feedback from one interviewee working in the Autonomous Region of Muslim Mindanao that the small grants arm of the program, in particular, had potential to do 'more harm than good'. Given the international literature on the potential of development activities in conflict-affected areas to contribute to conflict, this perspective is credible.

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59 Information provided by the Philippines program.
60 Personal communication with the evaluation team, 19 November 2009.
61 G Walter, 'Philippines Country Strategy Review: Program evaluation', 2009.

Adopting a conflict-sensitive approach for development activities is critical since it cannot be assumed that reducing poverty will automatically contribute to peace.[62] A thorough conflict analysis may reveal, for example, that development money has inadvertently been distributed more to one group than another, causing resentment among excluded groups. When this occurs in areas dealing with many layers of conflict, including between clans, as is the case in the southern Philippines, it can put aid effectiveness at risk and harm donor reputation.

To avoid this, or lessen the chance of it occurring, systematic and regular examinations of the positive and negative impacts of aid interventions in conflict-prone environments are needed. While this analysis will involve more detailed consideration of AusAID-supported activities in conflict-affected areas, it need not be a costly exercise, particularly if it draws on conflict analysis conducted through other activities, such as the Provincial Roads Management Facility.

5.9 Cross-cutting issues

The Philippines country strategy provided for the mainstreaming of gender issues in the program and also stated that an anti-corruption strategy would be prepared. A Gender Action Plan was prepared to incorporate gender into existing strategy pillars. It aimed to allow reporting on gender equality outcomes for the program as a whole, and highlight activities succeeding in advancing gender equality and empowering women. More recently the program has started to examine how AusAID can make a meaningful contribution in the area of disability.

The gender assessment conducted as part of this evaluation, found that the Philippines program has successfully incorporated gender equality into its work—particularly in designs for new activities.[63] In addition, Philippines program staff a have high awareness of the Gender Action Plan. This good result can be attributed to the specific resourcing provided by the Philippines program for gender equality issues.

However, the evaluation process highlighted several areas where more analysis could underpin interventions:

> the high level of maternal mortality

> the impact on families of migrant work

> work with the UNDP and the Philippine Government on gender equality in disaster risk reduction.

The evaluation team noted that most emphasis is on inequalities as they affect females. It will be important for the program to give equal consideration to gender as it affects males.

The program's well-articulated Anti-Corruption Action Plan serves to ensure that this cross-cutting issue is incorporated into activity design. Some activities aimed at reducing the risk and incidence of corruption have already been launched (e.g. contributing to the design of conditional cash transfers by identifying vulnerabilities for corruption, establishing Road Watch and strengthening internal audits in some key departments). Although it is too early to identify how well these activities are being implemented and what effects they are having, the general direction is to be commended.

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62 P Woodrow & D Chigas, *A Distinction with a Difference: Conflict Sensitivity and Peacebuilding*, collaborative learning projects, p. 8.

63 J Illo, *Gender Assessment of the Australian Philippine Aid Program*, 2009, p. 16.

The evaluation team believes that Post should continue to integrate gender, disability and anti-corruption issues into the design, implementation and M&E of sectoral and other initiatives. Given the scale of AusAID's resources relative to the nature and size of these cross-cutting issues, however, the team does not consider it appropriate that the new strategy have separate aid objectives for improving gender equality, enhancing the livelihoods of people with a disability or reducing corruption in the Philippines. The strong approach taken by the Philippines program to issues of gender equality, anti-corruption and more recently disability will only pay dividends on aid effectiveness if they continue to receive priority attention by the Philippines program. This may best be achieved through continuing to have a mix of dedicated staff resources and setting specific benchmarks for achievement within delivery strategies. Given the high quality of the work on gender issues in the Philippines, the Philippines program should be encouraged to share its approach more broadly within AusAID.

5.10 Approaches to delivering assistance

The country strategy only briefly discusses how Australia will deliver its assistance to the Philippines—by using and strengthening, increasingly, Philippine government systems; by providing funding to UN agencies for women's and children's health; and by channelling most support for peace programs in Mindanao through the World Bank and UN Trust Funds.

More detail in the strategy on the issues considered when choosing approaches to aid delivery would have been helpful: to clarify the rationale behind decisions for proceeding with contracting assistance, when to work through other agencies and through trust funds, and when and how to begin to work through government systems.

5.11 Contracting assistance

The Philippines program has made considerable use of contracting assistance. Contracting assistance is common within the Australian aid program, so many of the comments that follow may apply to other parts of the Australian aid program as well. The Philippines program has included the use of managing contractors to implement projects, individual consultants to deliver technical assistance and facilities to manage a range of smaller activities or technical assistance.[64] Contracting assistance is understandable given the relatively small number of AusAID staff at Post and the wide range of areas (subject matter, geography, levels of government and so on) in which staff work. Through managing contractors and facilities, AusAID has access to expertise, experience and networks. However, AusAID may have paid insufficient attention to some important aspects of contracting out its work and service delivery. These include the need for AusAID, as purchasing agent, to retain ultimate responsibility for strategic direction and accountability. To resolve this, AusAID needs to:

> develop and communicate a clear perspective on priorities and achievable objectives linked to an overall strategy for change

> develop an understanding of the business contracted out and the contexts (political, social, practical and other) in which it will operate

> build the capacity to recognise when results are and are not being achieved, including through access to useful M&E information and other intelligence that can be used to judge success

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64 For example, through the: Partnership for Economic Governance Reform, Philippines–Australia Human Resource Development Facility, Philippines Australia Local Sustainability Program, and the Philippines Australia Community Assistance Program.

> assign sufficient resources to cover the transaction costs associated with steering contracted out work while at the same time ensuring AusAID does not micro-manage the work or become too much of a burden to those conducting the work

> develop an understanding of the transaction costs for partner agencies and the need for AusAID to sensitively manage the relationships between partners, contractors and itself[65]

> appreciate that contractors need to cover their own administrative costs, inefficiencies and inflexibilities and that this may reduce the cost effectiveness of contracting out

> assess, explicitly, the extent to which using a contractor could undermine local capacity development and mitigating measures.

It is important that contractors understand local circumstances and respond to them. This is one benefit of locally placed contractors. However, in some cases the use of contractors may have led AusAID to support projects that either cannot demonstrate how they contribute to strategy objectives or can only demonstrate relatively low value. The Human Resource Development Facility's work with industry associations and chambers of commerce is a case in point. While relevant to economic growth in general terms, the facility's work may not reflect the specific objective of the country strategy to support 'improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in targeted provinces'.

Using facilities to outsource the management of a large number of smaller interventions is understandable. However, it risks disempowering Philippines program staff on substantive development issues, dispersing effort and creating lack of focus. The 2009 Independent Progress Report on the Philippines–Australia Human Development Resource Facility, for example, found that while the facility continued to perform strongly against its objectives and had a commendable reputation for innovation, its focus had been compromised by the number of target institutions involved and the constraints this put on strategic engagement. By conservative estimate, 30 per cent (approximately) of the Philippines program is delivered through facilities.[66] It can be argued that this may have contributed to reduced impact.

Dispersion is a risk of the facilities particularly when there are no clear parameters or filters for choosing projects. Facility managers need to be able to refuse a request when it falls outside of AusAID's stated strategic directions. Saying 'no' can be challenging, however, and can compromise the contractor's local relationships.

Managing contractors can, at times, charge high overhead costs (e.g. the management costs for one program was around 22 per cent of the total facility cost). In some cases, contractors may have had an impact on the quality of relationships between AusAID and its Philippine government partners. The evaluation team heard about contractors slowing down or confusing reform processes by imposing their own model or, occasionally, being insensitive to the local context.[67] These situations may have affected relationships or resulted in technically feasible but politically unworkable solutions being proposed. Overall, however, they have not detracted from the positive image stakeholders have of AusAID.

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65 This issue came up in discussions with one government agency currently beginning a project to be implemented through a managing contractor.

66 This percentage comprises the addition of the annual expenditures of the Disaster Preparedness and Response Facility, Human Resource Development Facility, Philippines Australia Community Assistance Program, Philippines Australia Local Sustainability Program and Partnership for Economic Governance Reform.

67 Personal communications with the evaluation team, November 2009.

In using facilities and managing contractors, AusAID needs sufficient internal capacity to play an effective and efficient steering role. This includes the capacity to collect the right type of M&E information to make strategic decisions. It also requires relationships to be developed and maintained with the Philippine Government and other stakeholders to enable frank discussions about what activities are relevant to the country strategy and what are not.

5.12 Delivery by other partners

Aid delivery through other trusted and experienced partners, such as WHO, UNFPA and UNICEF, may at times be the best way for the Australian Government to achieve desired development outcomes. When other donors are also funding these agencies this can be one way to harmonise the approach and reduce the costs to the Philippine Government of managing many similar projects.

Funding initiatives to be delivered through partners can also reduce AusAID's management costs. AusAID must still, however, analyse whether this is the most appropriate approach. Factors to analyse include:

> the design of the project, clarity of objectives and how these fit with Australia's aid strategy

> whether the partners have the skills and capacity (for example through a pre-existing geographic network of staff) to deliver the outcome AusAID wants

> whether appropriate fiduciary and reporting arrangements are in place, including for M&E, to satisfy AusAID reporting requirements

> the method of coordinating the partnerships between different agencies and with the Philippine Government

This kind of analysis is not always undertaken. In the case of the proposed WHO—UNICEF—UNFPA maternal health program, an analysis should have been completed before deciding to proceed with this delivery approach. The evaluation team saw no evidence that it had.

5.13 Trust funds

There is a need for greater clarity about the role, costs and benefits of supporting the trust fund model. With trust funds, AusAID delegates responsibility for program management to a third party. The third party, in turn, relies to an extent on others (most usually government agencies) for implementation. For AusAID, this arrangement is appropriate in certain circumstances, such as where the Agency:

> is unable to implement activities directly (e.g. for security reasons in conflict-affected Mindanao)

> lacks the development knowledge and skills in that sector

> wishes to channel funds through government but share fiduciary risks with an experienced partner (as is the case with the SPHERE trust fund).

Proposals for trust fund arrangements should, therefore, be clear on why AusAID is choosing to use the trust fund model. They should also establish a rationale for scale-of-use and the amount of resources to be allocated, in line with AusAID's strategy in the Philippines.

Leveraging loan funding from another donor or an International Financial Institution has been advanced as one rationale for choosing a trust fund model (for example the World Bank-implemented Philippines Development Trust Fund). In the view of the evaluation team, a trust fund on its own is unlikely to encourage a level or design of lending by an International Financial Institution that would not otherwise have taken place. However, a cooperative approach, building on partners' respective comparative advantages can leverage the development impact that AusAID might have achieved working alone. Building this cooperative approach should not be the main justification for a trust fund, since cooperation can also be achieved through other means.

Experience with the Philippines Development Trust Fund, the Mindanao Trust Fund and Act for Peace underlines the importance of properly designing trust funds. Design should ensure that the role of donors in program oversight is defined, appropriate coordination arrangements are in place, expectations over outcomes are clear and fully shared, and adequate M&E arrangements are in place to assess outcomes. The Act for Peace Trust Fund is a good model to learn from. The recently completed operating guideline for the Philippines Development Trust Fund with the World Bank is also good practice. The evaluation team believes that a fuller appreciation of good practice would have enhanced the prospects of successful outcomes from the Mindanao Trust Fund, despite its difficult operating environment.

The Philippines Development Trust Fund represents a new approach, in that it provides funding that can be used across the sectors of interest to AusAID and the World Bank. This arrangement should result in reduced administrative costs for AusAID and has the potential to support a harmonised approach between AusAID and the World Bank in the Philippines. Its success will depend on AusAID ensuring that the Trust Fund activities are closely related to its own country strategy objectives. Given the large size of the trust fund relative to the World Bank's own administrative resources, there will need to be caution that the nature and scale of funding for Bank executed activities does not result in a weakening of the World Bank's own internal budget discipline or cost shifting of World Bank administrative costs to AusAID.[68]

5.14 Government systems

Post has taken a cautious approach to developing activities that could be implemented through government systems, and, therefore, the strategy's commitment to use these systems, increasingly, has only been met to a small degree. Given the difficult governance environment of the Philippines, this cautious approach is justified. However, the goal of greater reliance on government systems is important, given the central responsibility of the Philippine Government for development and the opportunities that working through government systems presents for achieving greater development outcomes than can be achieved by a donor.

Further thought is needed to map out the conditions under which the program can use government systems. An evaluation of the implementation of the Paris Agenda in the Philippines suggested that there is limited understanding across government of the aid-effectiveness agenda, the potential advantages of donors working through government systems more and options for doing so.[69] An interview with someone working in the education sector revealed it was initially hoped that the Basic Education Sector Reform Agenda would form the basis of moving to a sector approach but that the Department of Education was trying to 'projectise' the reform agenda.[70]

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68 This is especially important since this is a large trust fund—$A50 million over four years— compared to the World Bank's administrative budget for the Philippines of around $US6 million a year.

69 See Chapter 1, section 1.7, for discussion of the findings of the *First Phase of the Evaluation of the Implementation of the Paris Declaration.*

70 Personal communication with the evaluation team, November 2009.

Other issues to consider are:

> what is known about how public financial management and procurement systems work and interact on a national level, sector level and between different levels of government

> the degree to which donor funds would be treated differently to the government's own, and the possible implications of this

> the types of diagnostic tools available and/or already in use. As much of the diagnostic work involved in assessing partner-government systems is complex, costly and involves transaction costs for government, this is best approached jointly with other partners and in full consultation and cooperation with the government

> the types of transitional arrangements needed for AusAID to move from one point to the next. This requires an understanding of Philippine government priorities and processes as well as corporate limitations within AusAID.[71]

Even if the Philippine Government is not ready to move to sector approaches or other arrangements, there are still steps AusAID can take to work more through partner-government systems. These may include transitional arrangements such as providing funding for the government to use for implementation through trust funds, hence sharing monitoring and reporting arrangements with other donors (the SPHERE Trust Fund operates in this way), and consolidating projects. Where systems outside of the government are considered, there should be explicit consideration of the costs of establishing these and whether the benefits of a perceived reduction in fiduciary risk are real and outweigh the possible reduction in aid effectiveness.

Projects that are already underway could shadow government systems, with the aim of making the transition in individual areas during implementation as the government becomes ready. Exit strategies for projects also need to be prepared in partnership with the Philippine Government, including plans for institutionalising project activities. This type of approach is already being used in some areas—particularly in basic education.

5.15 Incentives

The strategy foresaw the possibility of introducing performance-based aid allocations. So far, there has been no effort to develop a link between the overall size of the program and the achievement of specified performance indicators. Given the scale and nature of AusAID's support to the Philippines, the evaluation team believes this is appropriate.

However, actions have been taken to introduce some performance-based allocations, such as those for provincial governments under the provincial roads program. Here the disbursements will come from a fixed pool with the size of individual allocations depending on the number of provincial governments that qualify under the program. This is a promising initiative, and consideration should be given to its wider application.

An AusAID internal review concluded that an incentive element introduced through the Education Performance Partnership was partially successful. The review noted that the partnership was designed in only three months, due to pressures related to the Australian budget cycle. As a result, insufficient time was spent determining appropriate milestones, resulting in one being more complex to achieve than was originally identified. As a result, the milestone was only partially met within the timeframe and the decision was taken to release the majority of the funds. The review concluded that:

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71 AusAID has a guideline on *Assessment and Controls for Using Country Expenditure Systems* available to staff.

...[p]artial payment of the performance grant can be an appropriate response where agreed milestones have only been partially met. Performance-linked aid is a repeated interaction. Preserving the credibility of commitment to performance is, therefore, critical, as is underscoring the importance of all interlocutors undertaking adequate preparation by understanding what will be required to meet each milestone. However, the mechanisms for a decision to release the partial payment and to decide on its level must be clear and a part of the agreement—it should not be ad hoc. The strength of our partnership allowed an agreement to be reached; however, for the future an agreed negotiation process will be included in our Letter of Agreement.[72]

The evaluation team believes that the review's conclusion, as noted above, is appropriate.

More generally, if AusAID wishes to use incentive programs involving disbursement of aid funds, it must ensure the Agency adequately assesses fiduciary controls. To do this it may be necessary for AusAID to enlist other development partners to help in the assessment. Risks may also be mitigated by keeping the scale of disbursements modest. In addition, experience underlines the importance of developing realistic milestones that go beyond what may have been implemented without an incentive scheme. These must be developed around a shared understanding of the constraints being addressed. With these caveats in mind, the evaluation team believes it is appropriate to build on initial experiences with performance incentives in individual activities.

5.16 Supporting reform

AusAID faces important choices as it considers how best its aid should be configured to support reforms that benefit the poorest members of society in the Philippines. Given the nature and size of AusAID's presence in-country, leveraging reform through national-level activities, especially when accompanied by significant conditions, has limited prospects for success.

Given the poverty-reduction goal, AusAID must ask how this can best be achieved. Should the Agency support national reform, for example, which may have a substantial positive impact on the effectiveness of public spending, but may be difficult to achieve? Or, should the Agency support the delivery of basic services, where there is a clear link between providing aid and alleviating poverty, even if for a limited number of people?

This evaluation found evidence that AusAID support for top-down reforms at a national level has not met with great success (see Chapter 2). Also, governance constraints—many of which are acknowledged by the Philippine Government (see Chapter 1)—suggest that AusAID should be selective in how it focuses its efforts at the national level. Instead, building on Australia's ability to help foster innovation and improving service delivery and development outcomes for those below the poverty line should be the starting point for activity design. National level reform efforts should predominately be identified through ongoing work in service delivery sectors and should aim to improve the service delivery outcomes. Activity selection and design should focus on the following factors:

> measurable improvements in ultimate outcomes for the poor

> local-level engagement

> a plan for scaling-up, based on assessment of initial results

> addressing, largely at a local level, systemic issues of key importance to activity success

> identifying through activity implementation what may be useful in building greater consensus around the design of national-level reforms

> where national-level reforms are considered, the organisational readiness and absorptive capacity of the agency should be considered, and the lead on the donor side be best taken by the international finance institutions.

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72 AusAID 2009: 'Review of Performance Incentives', February 2009, p. 12. (Unpublished)

AusAID already has experience—in basic education for example—of fostering reforms through its support for testing new approaches at a local level, and its willingness to support the Philippine Government's commitment to reform through scale-upscale-up.

On the broader issue of public financial management reform, AusAID has engaged in public financial management (PFM) work for a number of years. This has been conducted primarily through the Partnership for Economic Governance Reform. The work has concentrated on introducing outcome budgeting to the Philippine Government by working closely with the Department of Budget Management. Evidence suggests some progress (see Chapter 2), although there is no evaluation evidence on the impact of these reforms on budgeting.

International literature on budget reform cautions against purely technocratic approaches to budget reform.[73] A possible explanation for this comes from the 'Drivers of Change Approach' review conducted by the United Kingdom's Department For International Development (DFID) which notes that:

> ...[t]he budget is a political process rather than just a technical one, and ... there is a gap between formal institutions (how things are supposed to work) and informal practices (how things actually work).[74]

This suggests that reforms to budget and public financial management need strong, widespread support from within the government, the political class and civil society. This is especially relevant in the Philippines where political appointments are common within the bureaucracy. There are no signs that the requisite broad support exists for major reforms to the budget and public financial management at this time.

Further, large centrally focused PFM reform programs may not necessarily result in improvements to line ministry budgeting that may be required to improve the focus on service delivery results. A major review of aid to PFM notes that:

> ... the needs of line ministries to achieve quality and efficiency in spending within and across programmes and to combine financial and non-financial information, seem to receive less attention than the need to control overall government spending and improve allocative efficiency.[75]

Given this, the evaluation team would not advocate large-scale investments in public financial management at this time. If there is broad support for budget reform in the future, AusAID should encourage the international financial institutions to take the lead.

In the meantime, the evaluation team supports the Philippine programs' plans to treat public financial management reform as a cross-cutting issue, and identify reform opportunities as they emerge through AusAID's work in sectors such as basic education.

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73 C Pretorius, & N Pretorius (2008) A Review of PFM Reform Literature, London, United Kingdom Department for International Development (DFID), p. 21, for a discussion on lessons from implementation of performance budgeting.
74 C Pretorius, & N Pretorius, A Review of PFM Reform Literature, DFID, p. 13.
75 C Pretorius, & N Pretorius, A Review of PFM Reform Literature, DFID, p. 40

5.17 Targeting the poor

Poverty reduction is part of the overarching goal of the 2007–11 strategy and a consideration in geographic targeting. However, analysis of poverty issues has not been conducted on individual interventions on an ongoing basis. This evaluation found little analysis, for example, of the location of poverty or the challenges of ensuring that the very poor have the capacity to use funds effectively—all of which would help enhance the program's impact on poverty. Where information has been available about who has benefited it appears that the very poor have not been strongly represented among the beneficiaries (e.g. the Focused Community Assistance Stream of the PACAP).

The evaluation team found evidence of difficulties in designing programs to target the poor and limitations in the availability of relevant data. This may also indicate confusion around how to target the poor and what poor can reasonably be reached. The evaluation team were asked whether program focus should be on the poor—those with low incomes but, nevertheless, some minimal assets—or the very poor—those with even lower incomes and virtually no assets. A considered answer to this question requires more in-depth, up-to-date analysis of poverty in the Philippines than the evaluation team was able to carry out. This analysis should be a part of the preparatory work for the new strategy (as it was for the last), and carried forward through ongoing refinement of sector strategies.

A useful starting point for answering the question would be to decompose it along the lines of the MDGs. Questions might include the following:

> What are the characteristics of the social groups that currently fail to secure a basic education for their children?

> Are the characteristics such that different approaches are required for different groups if significant progress towards the basic education MDG is to be achieved?

The answers to these questions would be key drivers for the design of interventions. With basic education, the evaluation team is aware that some work of this type may already be planned or underway, to improve access for certain populations, especially Muslim and Indigenous ones.

5.18 Sustaining change

The 2007–11 strategy notes that:

> *... the government recognises that the serious development challenges the Philippines faces reflect longstanding and deep-seated problems.*

The evaluation team shares this view. While there is no simple formula, the team believes Australia will be able to support sustainable change if it engages over the long-term in a limited number of aid objectives and on a foundation of strengthened development skills. The experience with basic education supports this (see Chapter 2).

Achieving sustainable change also depends on activity design, including well-planned handover arrangements and alignment of project activities with government systems. The evaluation team saw good examples of this (e.g. the recently completed support to the Indigenous Peoples Institute in Davao). However, more can be done to ensure sustainability issues are systematically considered during design, and managed well during implementation.

5.19 Detailed recommendations from implementing the strategy—design and delivery issues

> Annual Program Performance Updates should include a section on significant changes in program direction from the original country strategy. Major changes should be attached as an annex to the country strategy.[76]

> In the context of an expanding aid program, Australia's aid program to the Philippines could increase. However this should be contingent on evidence of more broad-based and sustainable impact across the program. This in turn, would require consolidating and strengthening the program's focus.

> Activities that are designed for scaling-up innovative approaches should become a central part of the Philippines program.

> The portfolio of activities should be carefully managed to ensure that there are not too many aid activities, which could cause program quality to suffer.

> Visibility of the Australian aid program would be enhanced by a move towards a long-term sustained focus on fewer aid objectives.

> Poverty incidence should remain a reference point for the geographical distribution of Australia's aid to the Philippines, but other factors should be considered. There is no need to radically re-adjust the distribution of the program, although practical issues around security suggest that future expansion of the program should be outside of conflict-affected areas of Mindanao.

> To reduce the risk of doing harm by exacerbating tensions in conflict-prone areas in the southern Philippines, there must be a systematic and regular examination of both the positive and negative impact of aid interventions in these areas. There will be efficiency as well as development returns in reducing the spread of aid activities in conflict-prone areas, as where activities are collocated, common conflict analysis can be used.

> Gender, anti-corruption and disability benchmarks should continue to be integrated into delivery strategies, and the design, implementation and M&E of activities. They should not have separate aid objectives devoted to them in the new strategic framework.

  – Maintaining focus on these issues will require a mix of dedicated staff and specific benchmarks in delivery strategies.

> More analysis is needed on the best approaches to delivery, as input into delivery strategies. This includes:

  – assessing the capacities and value-added of particular partner organisations to determine if their approach suits AusAID and the Philippine Government

  – analysing whether the rationale for using trust funds is clear and establishing a rationale in relation to the scale of use, the allocation of resources within the trust fund and the M&E arrangements that suit all parties

  – mapping a route towards working through partner-government systems, including the milestones that must be met before advancing to a more integrated approach examining the potential for AusAID to use incentives more in the program. AusAID should consider whether it has capacity to adequately assess fiduciary controls—and, if not, it should partner with an organisation that can.

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76 Under AusAID's new country strategy architecture the appropriate document would be the Statement of Commitment.

> Detailed analysis of poverty in the Philippines should inform AusAID's overall aid program. This may be best achieved by focusing, for example, on the characteristics of the groups that currently fail to secure basic education and determining what needs to change for this to be addressed.

> Improved service delivery and development outcomes for those below the poverty line should be the starting point for activity design.

  – There should be a focus on local-level engagement and a game-plan for scaling-up of activities for better impact, based on assessment of initial results.

  – Local-level systemic issues that impact on service delivery should be addressed and where national level issues are identified as reducing capacity for service delivery at a local-level, these should be addressed through government-led national-reform programs, where the lead on the donor side should be taken by international financial institutions.

CHAPTER 6:
Implementing the strategy—Working with partners and organisational issues

The organisation of the aid program has a direct impact on the relationship with the partner government. Aid activities can strengthen and undermine partner-government systems, and donors can frustrate partner governments with high transaction costs and by being unreliable. Relationships with partner governments and other donors can be enhanced if donors offer consistent, reliable support and bring relevant skills to the policy discussions. This chapter examines these issues.

6.1 Partnering with government

Ideally, country strategies are developed jointly with partner governments—or at the very least in close consultation. This enables both governments to use the country strategy for reviewing if and how to respond to emerging requests during the life of the strategy. AusAID's capacity to engage with the Philippine Government in such a way was limited by the 2007–11 strategy's lack of detail.

Criteria for engagement need to be openly discussed when choosing which government agencies to partner and to what degree and in what manner. This should be the case for national and subnational engagements. In particular, the evaluation team believes that organisational readiness and absorptive capacity of different government agencies in the Philippines may have received insufficient attention in the past. The team received feedback from several sources of reform fatigue and how this could create setbacks to progress, including with the Partnership for Economic Governance Reform and the Basic Education Sector Reform Agenda. Other factors to consider when deciding on engaging with a particular agency, include the probability of success given the government's broad agenda and its demonstrated readiness to commit resources and adopt strategies that will sustain change.

6.2 Working with subnational government

To an increasing extent, AusAID's support to the Philippines involves working with different levels of government, including the local level. This is appropriate given that there has been a major program of decentralisation taking place in the Philippines since the implementation of the Local Government Code of 1991. Decentralisation has meant that local government units have responsibility for a range of basic services including primary health care, hospitals, water supply and sewerage. In the case of education, even though responsibility for the construction and maintenance of school buildings has devolved to LGUs, the central government retains responsibility for basic education. Understanding the extent and nature of decentralisation and working within this framework is essential to how AusAID works with subnational government. There are good examples of where relevant analysis has taken place, for example in the education sector (e.g. the Institute for Indigenous People's Education—see Box 5.2) and in preparations for the new Provincial Roads Maintenance Facility.

Working with subnational levels of government will be more labour intensive than a top-down approach via the central government as there are potentially many more stakeholders with whom to engage. To this end, ongoing AusAID management inputs to the PRMF should be monitored. Lessons from the Local Government Development Program, which aimed to build inter-sectoral linkages between LGUs should also be considered as some of these relate to AusAID's stakeholder management and communication with different LGU partners. In supporting reforms at the subnational level, for example in PFM, AusAID will need to be consistent with the direction of reform at national level and maintain a strong engagement with relevant central government agencies such as the Department of Budget Management.

6.3 Working with civil society

The evaluation team heard much about the important role civil society plays in the Philippines, including the suggestion that AusAID should provide direct support to civil society. While the evaluation team does not wish to pre-empt the upcoming country case study on this topic[77] the main issues that emerged from this evaluation related to the changing role of civil society in the Philippines. One issue was the 'professionalisation' of civil society, which may be resulting in large numbers of civil society organisations shutting down (some of which were small and dependent on donor funds). A second issue was the potential capture of civil society organisations by politicians wanting to take advantage of constitutional provisions for marginalised groups. A third issue relates to the view that civil society can at times be: '[m]ore focused on the processes of participation rather than the results.'[78]

These issues require AusAID to develop a strong understanding of the overall operating environment for civil society, including the civil society organisations the Agency supports. As Section 5.8 notes, this is especially important in conflict-affected communities.

The evaluation team was advised that the Philippines program is considering an initiative to strengthen civil society's capacity to question government and advocate changes in government policy—in particular around issues relevant to AusAID's country strategy objectives. Initiatives like this need to be open and include government sensitively. In the design phase they must also address the potential perceptions of Australia fostering dissent. Additional caution is necessary given the type of sentiment that follows about NGOs, but it could equally apply more broadly to any sort of civil society organisation

> *NGOs that focus exclusively on advocacy often lack the development experience to be credible. Donor funding may also compromise their credibility with governments and with the public. This suggests the need for instruments that create an arm's length relationship between donors and advocacy NGOs, leaving decisions on funding and similar matters to leaders of local coalitions fighting corruption and improving governance.[79]*

Similarly, the Overseas Development Institute (ODI) and others emphasise the importance of working with both government and civil society on issues of voice and accountability (see, for example, ODI's briefing paper 2879[80]). AusAID needs to demonstrate how new funding will work with government and civil society, for example by broadening its sector approaches to incorporate civil society (as in the pilot with Procurement Watch International as part of the broader education sector approach) and/or by partnering with intermediary organisations that have the legitimacy and knowledge to work with both civil society and government.

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77 A case study of AusAID's engagement with civil society in the Philippines will be conducted in 2010 as part of a multi-country evaluation of civil society.

78 Personal communication with the evaluation team, November 2009.

79 ODE 2007, *Approaches to Anti-Corruption through the Australian aid program: lessons from PNG, Indonesia and Solomon Islands. p.18-19*

80 ODI 2009, 'Citizen's Voice and Accountability: Understanding what works and doesn't work in donor approaches', briefing paper, February 2009.

6.4 Donor coordination

Donor coordination raises difficult issues in the Philippines as it does in many recipient countries. Responsibility for donor coordination in the Philippine Government rests with the NEDA, which has a leadership role in ensuring an appropriate division of labour among donors. On the donor side, interest in coordination is varied, and the evaluation team saw evidence of unhelpful donor rivalry or disinterest in coordination.[81.] Only limited progress has been made towards harmonising donor approaches, for example by moving towards sector wide approaches.[82]

Box 6.1: Donor coordination: good example of linking donor projects in education

This example of donor coordination is based on feedback received from a USAID education project in Mindanao (Education Quality and Access for Learning and Livelihood Skills or EQuALLS) on its constructive relationships with AusAID education projects (BEAM and STRIVE).

BEAM works across all schools in the regions in which it works as well as with teacher training institutes and in conjunction with the Department of Education. EQuALLS works more intensively with all schools in selected districts within regions. Many times the staff of the two projects have cooperated and coordinated to improve outcomes, ensure consistency of approach and avoid confusion for Filipino educators. Examples include:

> jointly designing and conducting a five-day training course for teachers

> undertaking joint school based management training.

EQuALLS also developed a reading program taking the best from its own approach and the best from BEAM's approach. This was implemented over two years in 24 schools with encouraging improvements in reading skills reported.

From EQuALLS perspective, AusAID's legacy through BEAM is that it has trained many school heads and developed the school financial management capacity of administrators. For its part, EQuALLS is helping institutionalise these practices through its in-depth and extended work with schools. EQuALLS reports that 'Basic Education Assistance for Mindanao's broad brush started the work and then we deepened the approach'.

EQuALLs also interacts with the STRIVE project so they do not reinvent the wheel. In doing so, EQuALLS learned about AusAID's approach to SBM and its Community Education Report Card System. EQuALLS is using what it has learned to adapt its approach in Mindanao.

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81 One major donor told the evaluation team 'we don't do coordination'.

82 Sector-wide approaches are a type of program-based approach to aid delivery. These aim to deliver aid based on the principles of coordinated support for a locally owned program of development, such as a national development strategy or a sector program. In principle, they provide a stronger basis for engaging in policy dialogue, and progressing the principles of partner ownership and alignment, donor harmonisation and results management. Program-based approaches share these features: 1) leadership by the host country or organisation; 2) a single comprehensive program and budget; 3) formalised donor coordination and harmonisation; and 4) greater use of local systems for program design and implementation, financial management and reporting.

The main mechanism for donors to consult with the Philippine Government on development issues is the Philippines Development Forum which last met in 2008. The meeting proposed for 2009 was cancelled by the Philippine Government. Under the Philippines Development Forum, there are a number of working groups, and under these subgroups. Australia is the development partner lead on the education and governance subgroups. In periods where there is an absence of strong government leadership on coordinating donors, it is important that Australia try to keep the education and governance subgroups active. More generally, it should be a priority for donors to try and gain early indications from the new government in 2010 about the future of the Philippines Development Forum and the related working groups.

Generally AusAID has performed well with donor coordination. The evaluation team received consistent feedback that the Agency has a cooperative approach to coordination issues (for example, see Box 6.1). In Mindanao, AusAID is quietly proactive in fostering greater consultation and communication within the donor community, and between donors, local authorities and other interested parties in the peace process. As a small donor perceived to be neutral, Australia has the potential to continue with these efforts. However, the risks of being prominently associated with this process should be considered as part of the risk analysis undertaken for the new country strategy.

Looking ahead, AusAID also needs to plan for providing some of its assistance through government systems, as indicated in the 2007–11 strategy.[83] Shifting the skill mix at Post to include skills relevant to using and strengthening partner-government systems would reinforce the effectiveness of Australia's aid coordination.

6.5 Monitoring and evaluation

The Philippines program has made M&E a priority and has dedicated staffing in Canberra and Manila. In their Quality at Implementation ratings for M&E, 11 of the 16 initiatives for which a 2009 report was available received a rating of adequate or better. However, since only two of these 11 initiatives were ranked as better than just adequate, there is clearly room for improvement.

The initiatives that had the best M&E performance were STRIVE and Act for Peace. Those with less adequate performance were the Land Administration and Management Project under the economic growth pillar; the Education Performance Incentive Partnership under the education pillar; and the UNFPA–UNICEF Support for Health initiatives, the UNICEF Sixth Country Program for Children in the Philippines initiative, and the Disaster Preparedness and Response Facility, under the national stability and human security pillar.

The ratings appear to be credible and consistent with the conclusions of independent reviews. Indeed, in some cases feedback from stakeholders and the evaluation team's review of documentation suggests ratings may err on the side of being conservative.

Positive feedback has been received from Philippine Government partners about the M&E capacity they have developed through association with AusAID (e.g. in relation to the Philippines–Australia Human Resource Development Facility). There are also examples of AusAID initiatives improving the M&E systems of government agencies and joint donor programs. For example, AusAID's 2009 Quality at Implementation report for the Philippines-Australia Local Sustainability Program notes that it has helped the Philippine Government pilot its Regional Program Monitoring and Evaluation framework down to *barangay* level. Feedback is also being provided to the NEDA to inform its ongoing analysis of its monitoring system. An Independent Progress Review of STRIVE project gave it a high rating on M&E and reported it had made significant progress in placing its own M&E systems within the broader context of Department of Education M&E systems and that project systems are being used at regional and division level.

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83 AusAID, *Australia-Philippines Development Assistance Strategy 2007–11*, May 2007, p. 15.

In relation to conditional cash transfers, the 2009 Quality at Implementation report comments that World Bank systems apply and that this has been effective when coupled with strong AusAID engagement in monitoring processes. Maintaining this strong engagement and influence will be challenging, however, as noted in the evaluation team's assessment of AusAID's involvement with trust funds.

The evaluation team received encouraging feedback that AusAID in general is known for its hands-on approach, which contributes to the Agency's grasp of important issues and practical considerations. This also applies to AusAID's approach to M&E. Multilaterals such as the UNDP consider AusAID to be a donor that is active in asking probing questions, providing insights and becoming actively engaged in programs such as Act for Peace. The response to natural disasters has also been an area of strong performance. In the case of the conflict-affected areas of the southern Philippines, security considerations mean that AusAID staff cannot always travel to projects for site visits or to verify M&E information coming from contractors and multilaterals. In such cases AusAID needs to make an explicit and thoughtful judgement about whether it is willing to accept the resulting risks to program implementation and effectiveness of no direct monitoring by AusAID staff.

6.6 Aid Advisory Council

The current Philippines country strategy states that:

An independent advisory group comprising Australian, Philippine and international development experts will be established. This group will review the annual performance report and provide advice to both governments on strategy directions and objectives.[84]

Box 6.2: The Terms of Reference for the Aid Advisory Council

The terms of reference for the council include the following:

1. Review, assess and comment on the analysis and conclusions of the Annual Program Performance Report.

2. Comment and advise on the Performance Assessment Matrix, especially the indicators used to track progress against objectives, and annual milestones to measure progress towards projected outcomes.

3. Advise on the implications for the strategic direction of the Australia–Philippines Development Assistance Program:

> economic, political and security developments in the Philippines

> key trends and events impacting on development prospects and performance in the Philippines, including the programs and policies of other donors

> emerging risks and opportunities, particularly in the program's areas of focus (including political and security risks, and the impact of national and international natural disasters and other shocks).

The Aid Advisory Council held its first meeting in October 2007. It is co-chaired by the Deputy Director General for investment planning at NEDA and the Minister-Counsellor at AusAID. Its members are predominately economists from think-tanks and universities, although there have

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84 AusAID, *Australia – Philippines Development Assistance Strategy 2007–11*, p. 18.

been recent moves to change this by including members with other backgrounds. The council has one Australian member, Hal Hill, the Professor of Southeast Asian Economies in the Research School of Asia and the Pacific at ANU.

The evaluation team examined meeting minutes of the Aid Advisory Council and concludes that it has the potential to be a valuable resource for AusAID's Philippines program. In particular, the council's insights on political economy issues and its capacity to connect AusAID with those who understand the sectors in which AusAID works are important.

However, in the absence of a targeted country strategy, there are risks that the council's advice may encourage greater fragmentation of the program. For example, the minutes of the May 2008 meeting include recommendations that AusAID invest in civil society, more substantially in infrastructure, in government-owned and controlled corporations and in the Community Based Monitoring System.

AusAID should reconsider how it draws on the skills of the council, collectively and individually. Over time, for example it may be possible to include council members who can supplement AusAID's own expertise or align more with the sectors of the country strategy. It would also be useful to draw more on the council's advice on the 'how' questions around aid interventions.

6.7 Australian whole–of–government issues

The evaluation team was struck by the limited interaction between AusAID and other Australian government agencies on development activities in the Philippines. To some extent, this may result from the country strategy, which does not always articulate matters clearly (see Chapter 4); it probably also reflects the normal challenges associated with the natural barriers to inter-departmental cooperation. A notable exception is the work in disaster risk management with Geoscience Australia, which stood out as an excellent example of a whole-of-government approach to aid (Box 6.3).

Many activities supported by government agencies other than AusAID—for example the port security project implemented by the Australian Department of Infrastructure—may be naturally 'free-standing' at the implementation stage. Even if this is the case, there should be clarity around project management, reporting and governance arrangements between Australian government agencies. The Independent Completion Report for the Port Security Project highlights the potential benefits for development effectiveness of greater communication between government agencies, noting that:

> *With knowledge of donor and project activities in-country development expertise and established networks and partnerships, AusAID Post could have provided strategic 'whole of country program' informed support, strategic direction and advice, which could have strengthened interagency communications and improved implementation effectiveness.[85]*

The interaction between ACIAR and AusAID is a case in point. ACIAR is implementing what, in many respects, is a very good program of development cooperation in the Philippines, involving long-term engagement and concerted effort to work in partnership with organisations in-country, with a resulting helpful impact on institutional development. The ACIAR corporate plan for 2008–2012 quotes the World Development Report of 2008 which states that:

> *... improving the productivity, profitability and sustainability of smallholder farming is the main pathway out of poverty in using agriculture for development.*

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85 AusAID, Philippines – Australia Port Security Capacity Building Project, Independent Completion Report, September 2009, p. 21.

A strong pro-poor focus in agricultural research support would be consistent with AusAID's objectives in relation to poverty alleviation. However, despite the proximity of the ACIAR and AusAID offices at Post, there appears to be almost no interaction between them at a strategic level, (there is evidence of interactions on the land care program and on mango fly, however). If supporting poverty reduction were to be the overarching goal for Australia's support to the Philippines, the impact of ACIAR's interventions might be further enhanced by a dialogue at the intervention-identification and design stage on likely poverty impacts, and by further focus on roll-out of results amongst low-income farmers (as was the case with land care groups).

Box 6.3: A whole-of-government approach to disaster risk reduction in the Philippines

Australia's engagement with disaster risk reduction in the Philippines stands out as a positive example of a whole-of-government approach to a development issue. Disaster risk reduction was identified by several donor partners in the Philippines as an area in which Australia has a comparative advantage.[86] Geographical proximity plays a role in this, as does responsiveness. After the Leyte Landslide in February 2006, Australia fielded an AusAID Landslide Assessment Team within 48 hours; the team included a representative of Geoscience Australia (GA). The team recommended the potential provision of technical support to Philippine Agencies involved in natural disaster assessment and mitigation. A subsequent visit was arranged for members of the Philippines Committee for Collective Strengthening of Community Awareness for Natural Disasters (CSCAND) to Australia to meet with relevant Australian agencies including Geoscience Australia.

AusAID had been working with Geoscience Australia for some time and encouraged the organisation to undertake preliminary work to determine the most vulnerable countries in the Asia Pacific for potential engagement in 2007. The recommendations of the Landslide Assessment Team supported the selection of the Philippines. In 2008, an options paper was collaboratively developed by the CSCAND agencies and GA to identify technical needs. In doing this GA considered that the Philippines had already developed its own program for disaster preparedness and that its role was to provide technical assistance to complement this. Under the program, GA experts have supported the National Mapping Agency (NAMRIA) to develop an information-system strategy for their Agency. They have also helped support PHILVOCS (the Philippine Institute of Volcanology) to develop capacity to assess the risk and impact from earthquakes. The work undertaken by GA is helping the Philippine Government to develop an approach to natural disasters that goes beyond mapping hazards towards determining the potential impact of disasters on human lives and property. This information then helps policy makers to make informed cost-benefit decisions regarding mitigation efforts. In this area, GA is recognised worldwide as having a significant strategic advantage.

Philippine government representatives saw that AusAID had played a major role in facilitating engagement with Geoscience Australia and later the Bureau of Meteorology. In their words 'they saw a need and brought them in'. This was confirmed by Geoscience Australia who stated that AusAID had been instrumental in their engagement with the Philippines. The strong professional links between Geoscience Australia scientists and their Philippine Government counterparts bodes well for a long-term relationship.

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86 Personal communications with the evaluation team, 16 and 23 November .

6.8 Staffing and organisation

The evaluation team did not examine organisational and staffing matters in great detail. Nevertheless, a few issues emerged during the team's discussions that are relevant to the delivery of results.

AusAID staff has a reputation in the Philippines for effective aid management and for administrative responsiveness. The evaluation team also concluded that locally employed staff at Post are well managed, motivated, benefit from appropriate delegation, and make a considerable contribution to the implementation of the AusAID program. These notable assets need to be built upon.

At the same time, the evaluation team concluded that the effectiveness of AusAID's program in the Philippines has been constrained by insufficient access to substantive development knowledge and experience at Post.[87] While there is scope to access skills through contracting, this should not be a substitute for building capacity at Post. These skills are needed for continuous reflection on delivery strategies, to conduct policy dialogue with counterparts, and to develop strategic interaction and form partnerships with multilateral agencies. Post has begun to address the skills issue by increasing the number of advisers internally. Senior management at Post recognises that considerably more is needed—including, in particular, the development of local staff, whose basic skills and local knowledge give them potential for greater impact.

The overall budget constraints at Post means accessing appropriate development skills is closely related to program concentration and focus. Despite earlier efforts to consolidate, there are still 45 ongoing activities; this makes it inevitable that the 40 staff at Post will spend a large part of their time on program administration. Further progress in strengthening development skills at Post will only be possible with a parallel move towards an even more limited number of activities and fewer aid objectives, each underpinned by a delivery strategy. If AusAID cannot engage substantively in a sector because of lack of relevant skills, there is an argument for moving out of the sector. This point was made by a senior representative of another agency—who noted that if AusAID does not have the expertise, then it should not be at the table.[88]

Accordingly, a major conclusion of this evaluation is that the effectiveness of the Philippines program would be well served by a more focused program, running hand-in-hand with a shift towards specific staff development skills. This will not be easy and cannot be achieved overnight. It is also not a process that should be seen as a threat to staff at Post, nor as leading to abrupt withdrawal from ongoing activities.[89] Rather, Post will need to develop a coherent transition strategy that allows for gradual change. The strategy should also be flexible enough to take advantage of opportunities as they arise. All up, this will result in a significantly different way of doing business by the end of the next country strategy engagement.

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87 For example, an important thrust of AusAID's work in the Philippines is on PFM. The recently departed economic adviser conducted some excellent work in this area but, because of his other responsibilities, was only able to spend about a quarter of his time on substantive PFM issues. It seems highly unlikely that AusAID will be able to make a significant contribution to an issue of this scale and complexity without a considerably larger substantive input.

88 Personal communication with the evaluation team, November 2009.

89 However, it obviously implies extreme prudence in starting new activities, which should only be initiated if the long-term resource envelope is sufficient and if the activities fit into clearly-defined focus areas, are limited in number, and take place where AusAID is prepared to engage over the long-term. New activities emerging of institutional interest to AusAID, but not likely to be best treated as a separate focus area for long-term major engagement by AusAID, may be dealt with by integrating them into existing activities. For example, the best practical contribution AusAID can make on disability issues may be to include pilot activities within ongoing basic education activities.

6.9 Detailed recommendations on implementing the strategy—working with partners and organisational issues

> AusAID should ensure that the next country strategy is sufficiently detailed to enable it to be the touchstone for reviewing new requests for assistance from the Australian and Philippine governments.

> AusAID should develop and discuss with the Philippine Government criteria for choosing with which government agencies the Agency will work. Criteria might include the likely development effectiveness of what AusAID can contribute given the broad agenda of the Philippine Government and demonstrated readiness of government agencies to commit resources.

> AusAID has already made PFM a cross-cutting issue. The evaluation team recommends caution around AusAID getting involved in large-scale public financial management projects, particularly in the absence of a clear and widely supported government reform agenda linked to improved service delivery outcomes.

> AusAID should continue to engage at the subnational level, ensuring that systemic reforms supported by the Agency are consistent with the direction of reform at the national level.

> Explicit consideration should be given to whether AusAID is willing to accept the risk to program implementation in conflict-affected Mindanao when travel restrictions prevent AusAID staff from directly monitoring activities.

> The Aid Advisory Council could include external experts whose skills supplement those of the Post, or align more directly with the sectors of the country strategy. Experts could also be consulted more on the issues of 'how' to take forward specific development issues.

> AusAID and whole-of-government partners involved in delivering the aid program should have more regular contact. This is especially important for ACIAR, since its interventions may be enhanced at both intervention and design stage through increased emphasis on likely poverty impacts.

> A mechanism should be put in place to ensure regular whole-of-government engagement in reviewing country strategy implementation. This should build on the current Annual Program Performance Report process.

> How the organisational, staffing and other resource issues guide strategy choices such as the number of sectors and the delivery approaches should be considered. The evaluation team believes that objectives and plans for staff recruitment and development to support strategic choices should be included in the new strategy documentation.

> AusAID should shift to a more focused program and staff should develop specific development expertise to enhance the effectiveness of AusAID's involvement in a smaller number of aid objectives.

CHAPTER 7: Looking ahead

7.1 Preparing for the future

As Chapter 1 makes clear, the Philippines faces a number of development challenges as it looks towards its next five-year plan and beyond. Uppermost among these are:

> high levels of population growth, with all the pressures this puts on government services, including education

> unacceptably high levels of maternal and neonatal mortality

> weaknesses in the health system, exacerbated by the high levels of migration of professionals

> a disproportion between growth and poverty alleviation that is linked to high levels of inequality

> declining performance across various aspects of governance

> the continued threat of natural disasters

> ongoing repercussions of conflict in the southern Philippines.

With overall ODA levels equivalent to less than 5 per cent of government expenditure donors can play only a small part in helping the Philippine Government tackle these challenges. The Australian aid program appears to hold a niche position in the Philippines— a donor environment dominated by the influences of USAID, the JICA, the World Bank and the ADB. AusAID is known for being a good partner, seen as a facilitator of coordination between other donors. The longevity and depth of its engagement in the education sector, together with its ability to support innovation, stand out as major reputational pluses.

Expectations of AusAID's performance are high both from other development actors in the Philippines and within AusAID itself. In this complex operating environment, a concern of the evaluation team is whether AusAID has an adequate analytical foundation for engaging in different sectors. This foundation must be available as the strategy is being formulated and throughout implementation.

7.2 Lessons for the Philippines program and AusAID more broadly

This is the second evaluation of AusAID's Philippines country strategy in four years, meaning that the evaluation team is uniquely placed to observe changes in program management, business and quality processes. This section focuses on possible lessons for the Philippines program and for AusAID more broadly.

As each of the subsections that follows demonstrate—the major finding of this evaluation is that AusAID must ensure it can access the skills required for strategy development, strategy implementation, and monitoring and evaluating performance.

7.3 Country strategy development

Chapter 3 details the steps taken by the Philippines program to develop its existing country strategy (2007–11). It is apparent that despite adopting a consultative approach across the Australian Government, the final country strategy was not considered by all agencies to represent whole-of-government. It is also clear that the country strategy did not go far enough in explaining how AusAID would deliver the aid program.

AusAID's recently developed country strategy architecture (see Box 4.1) should help address some of these concerns. This new architecture calls for more and different engagement with other Australian government agencies in identifying the main development challenges faced by a partner government and determining the priority sectors for engagement. A lesson from this evaluation is that the process of engaging other government agencies needs to be better managed to ensure there is an agreed position on the main development challenges facing the Philippines and how Australian aid might best address these. Although the approach of the new architecture may vary from country to country it remains important that:

> AusAID issues clear written guidance on what level and intensity of involvement is required from other Australian government agencies during strategy preparation and ongoing review

> there is clarity around what the country strategy means for other Australian government agencies and common understanding that the strategy is to form the basis for engagement on ODA—not on all aspects of the bilateral relationship. Where other agencies already have their own relationships with the Philippine Government, the country strategy will help them to better understand what the aid program is trying to achieve and how.

> it is well understood across different parts of the Australian government that there is a connection between the country strategy development and future access to ODA through the budget process

> written inputs be sought from other Australian government agencies and agreed at a senior level.

On the issue of providing greater detail on how AusAID will deliver the aid program against agreed priorities, the evaluation team is hopeful that the requirement for country programs to develop delivery strategies will help fill in the detail currently missing. To develop meaningful delivery strategies, the evaluation team believes more information and/or guidance should be made available to country teams on:

> different approaches to delivering aid, in particular on the real management costs of using facilities and trust funds, where it is often assumed that AusAID will be able to take a hands-off approach.

> working with partner-government systems, in particular how to approach partner governments on the issue and what the continuum of options are. This kind of information is vital if AusAID programs are to develop roadmaps for moving towards working more through partner-government systems.

> the process of setting realistic objectives and moving towards a results-based country strategy. The experience of other donors indicates this can require specific skills in M&E to help establish meaningful objectives and performance information. These skills need to be available on an ongoing basis—as determining the most appropriate indicators to measure progress is often an iterative process.

7.4 Country strategy implementation

In assessing the implementation of the 2007–11 country strategy, the evaluation team was struck by the fact that there was little ownership by the Philippines program of the document, even though it is only several years old. If, as this evaluation report recommends, the country strategy is to be the touchstone for future programming, it must remain relevant to AusAID and to the Philippine Government. AusAID must also consider what level of accountability it expects of program staff for implementation. Greater accountability of staff for implementing realistic country strategies is likely to increase the incentive to reference the strategy in programming decisions and ensure it continues to reflect development assistance priorities accurately.

AusAID's Annual Program Performance Report process already requires country programs to assess the continued relevance of country strategies and recommend any adjustments needed. This component of the Annual Program Performance Report could be strengthened. If partner governments were included in annual discussions around adjustments in-country strategy direction and if the agreed outcomes were annexed to the country strategy document itself, this would strengthen its value as a touchstone.

7.5 Monitoring performance and evaluation

A notable difference between the results of this country strategy evaluation and the last one is the improvement in performance information on the program. The quality reporting system provides detailed information on individual initiatives and the Annual Program Performance Report pulls this information together at sectoral level to report on the performance of the aid program against its objectives. The Quality Reporting System and the Annual Program Performance Report can both be used to further strengthen the performance orientation of the aid program.

The research undertaken for this evaluation demonstrated to the evaluation team that despite a wealth of initiative-level information, it is still difficult to tell a story about the overall performance of the Philippines aid program. The ODE's experience suggests that this finding is likely to be relevant to other country program areas.

The Philippines program was challenged in conveying a clear message about what Australia sought to do to support development in the Philippines and what it realistically expected to achieve in the timeframe of the strategy. This related partly to overly broad and ambitious strategy objectives. Having country-level goals in a performance framework can be important for reference. These help the program to remain focused in terms of monitoring the major issues confronting the country and the potential opportunities for the aid program to engage. However, a framework that has country-level goals that AusAID has little potential to influence is not meaningful as a direct measure of the Agency's achievements. Similarly, the focus on indicators collected through AusAID projects is also unhelpful unless there is a connection between these and the aid objective that the Agency is aiming to achieve.

The theory-of-change workshop, undertaken as part of this evaluation, identified ambitious development outcomes that AusAID activities could influence, and then looked for evidence of the Agency's contribution to these. A similar process, undertaken as the new country strategy is being prepared, would be relatively straightforward and could lay the groundwork for a stronger performance M&E system. This process would be most helpful at the point where delivery strategies were being developed. In this way the new strategy could help develop an agreed position on what the aid program is aiming to achieve and how this fits with the overall development of the Philippines. Program logic underpinning delivery strategies should be revisited as part of the Annual Program Performance Report and amended as needed, in light of M&E information and broader changes to the environment. Amendments to the country strategy, and the rationale for these should be well documented as a point of reference for AusAID implementation and M&E.

APPENDIX A: Concept note

Background

The Office of Development Effectiveness (ODE) was established in 2006 to monitor the quality of Australia's overseas aid program and evaluate its impact. ODE conducts evaluations and reviews to assess the effectiveness of Australian aid to country programs and priority sectors, identify areas of good practice and highlight important lessons. In 2007, the Philippines country strategy was the first to be evaluated by ODE.[90]

Returning to the Philippines in 2009 offers the opportunity to build on the methodology established in 2007. In particular, it is hoped to trial an approach that allows for more participation by AusAID staff in the evaluation. It is anticipated that this will result in an evaluation that is more accurate in representing the context in which the aid program works and in making recommendations that have a higher degree of ownership by the AusAID staff who will carry the recommendations forward in the next country strategy.

Philippine program context

The current 2007–11 Australia–Philippines Development Assistance Strategy was designed to focus on three themes: economic growth, basic education, and national stability and human security. These themes align with the key development challenges facing the Philippines and with the Philippine Government's Medium–Term Philippines Development Plan (MTPDP) 2004–10. Total Australian ODA in 2009–10 is budgeted at $A123.0 million, including an AusAID bilateral program of $A109.3 million.

Donor support to the Philippines is approximately US$635 million per annum (2007). Total ODA is less than 0.5 per cent of Philippine Gross National Income. The donor community in the Philippines is small with Japan, AusAID, USAID, the World Bank, the European Commission and the Asian Development Bank the dominant partners.

Purpose of evaluation

The purpose of the evaluation is to evaluate the performance of AusAID in implementing the Australia–Philippines Development Assistance Strategy 2007–11. The timing of the evaluation coincides with the end of the Philippine Government's own MTPDP. Thus it should be possible to begin to assess how the Australian aid program may need to change to maintain its relevance to Philippine government priorities.

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90 Evaluation report available at www.ode.AusAID.gov.au.

Methodology

The evaluation will be independent of the AusAID Philippines program and conducted in a participative manner. The aim of adopting participative methods, wherever reasonable, is to draw on the extensive knowledge of the program of AusAID staff and to give them the opportunity to engage with the evaluation team on issues that may be relevant to future directions of the Australian aid program in the Philippines.

The evaluation is broken into four interrelated components, described briefly below:

Component 1: Theory of change workshops (August 2009). The aim of this component is to engage with stakeholders of the AusAID Philippines program on their current strategy. The workshop will assist Philippines program staff to define their *program logic*, which is essentially a roadmap for what the Australian aid program is trying to achieve. To develop the program logic, it is necessary to first develop expectations about the changes the aid program will help make (known as the outcomes hierarchy) and then identify the assumptions underpinning the outcomes hierarchy (known as the theory of change). Evaluation questions will be framed around both the outcomes hierarchy and the theory of change. These questions will be addressed in the latter two components of the evaluation.

Component 2: Program evaluation (October to November 2009). The aim of this component is to determine the performance of the program against its activity level objectives. This will pull together existing information from AusAID's quality reporting system and draw on secondary data to form conclusions about the effectiveness of the program. Data on program performance from this component will feed into the strategic evaluation.

Component 3: Gender assessment (October 2009). The aim of this component is to assess the performance of the country program against its gender action plan and to identify strategic issues on gender than may need to be followed up in the strategic evaluation.

Component 4: Strategic evaluation (November 2009). The aim of this component is address the strategic questions identified through components 1 and 2 and agreed to between stakeholders (these questions are listed in Attachment A). These questions will likely focus on issues of engagement, sectoral priorities, partnerships and how successfully AusAID has sought to influence the development agenda. The answers will guide the strategic evaluation. If relevant, international literature on development effectiveness should be drawn on for comparative purposes. The strategic evaluation should include a set of draft recommendations that can be discussed with stakeholders before report finalisation.

Outputs

Each component will generate a separate output as follows:

Component 1: A report outlining the theory of change for the Philippines program and including a list of agreed possible evaluation questions.

Component 2: A document to inform the main evaluation report, which collates information on activity level results and attempts to relate these to performance against the agreed country strategy objectives.

Component 3: A gender assessment report as a companion reference, which will include implications of the findings/recommendations for the strategic evaluation and the development of the new country strategy.

Component 4: The final evaluation report. A summary will also be produced as a separate stand-alone document. If appropriate, these documents may include AusAID's management response to the report. The evaluation will be made public.

Team and roles

AusAID Philippines program

The AusAID Philippines program will provide the evaluation team with relevant documents for the review including, but not limited to: country strategy documents and background papers, a recent Performance Audit Report, Independent Completion Reports, Activity Completion Reports, Evaluation Reports that fall within the country strategy timeline, other analytical reports considered relevant.

The AusAID Philippines Program will participate in the theory of change workshops in August and will facilitate the evaluation team's ongoing work.

Office of Development Effectiveness

ODE will contract the team leaders of the theory of change and program evaluation components and provide a support role to the evaluation, together with the Philippines program.

Team members

Team Leader, Strategic evaluation: will be an independent consultant with substantial experience in development—particularly at strategic and policy levels. While the Team Leader is not required to have specialist evaluation skills, he/she must be comfortable working within a team of evaluators.

Team Leaders, theory of change and program evaluation: must have experience designing and undertaking complex evaluations. Will have substantial experience working on program logic, facilitating workshops with stakeholders and program evaluation.

Director of Evaluation, ODE: will participate in the evaluation and have responsibility for pulling together the final evaluation report, in consultation with team members. The final report will be agreed between all team members.

Local Consultant: will be a member of the Reference Group (see below) and will brief the team in-country during the strategic evaluation. May participate in some local meetings.

Local Gender Specialist: will be a Filipino gender specialist with experience in conducting evaluations and extensive development experience in the Philippines. Will participate in the theory of change and program evaluation components of the country strategy review.

Reference Group (see separate Terms of Reference)

Members of the Reference Group should include:

> Minister Counsellor, Philippines

> Counsellor, Economic Growth and Program Enabling, Philippines

> Counsellor, Human Development and Security, Philippines

> Philippine Government representatives

> Philippines local consultant

> Assistant Director General, ODE

> Principal Adviser, Performance Assessment, ODE

> Assistant Director General, Asia Bilateral Branch

> Director, AusAID Gender Unit

> External consultant.

Timing

It is anticipated that the final report will be available in draft by the end of December 2009.

Attachment A

A list of strategic questions was developed through the theory of change workshop, and integrated with standard country strategy evaluation questions. This list of questions was then prioritised by the program area and shared with the evaluation reference group. The consolidated list was used as a guide for the formulation of the interview questions.

Strategic evaluation questions for evaluation of Australian aid to Philippines 2007–09 (questions prioritised by the program are italicised)

Preparing and adapting the strategy

1. What was the preparation process?
   > What information did you use?
   > Who did you talk to?
   > Was there a representative sample of the Philippine Government and civil society?
   > How did you draw on past lessons?

2. What information (eg about distribution of poverty, sectors) and sources of information (eg World Bank) has AusAID used to set strategic directions, priorities, geographical focus objectives and targets?

3. How adequate has the availability, relevance and quality of the information been for such purposes?

4. Was the strategy based on an understanding of the development challenges?

5. Was learning from past experience integrated into the country strategy-development process

6. What has worked well and not so well in this relationship a) with respect to achieving objectives and b) as a basis for ongoing relationships?

7. Have we been a credible source of expertise under the life of the current strategy

Content

1. Was the program rationale, including its priorities, clear?

2. What principles and criteria were used to set priorities (eg by sector and within sectors, national or subnational, geographical location, target group), and make programming choices including taking on and phasing out initiatives over the life of the strategy?

3. Were the priorities set appropriate and did they take into account:
   > Australian Government priorities, including whole-of-government priorities and the need to promote aid effectiveness principles within a whole-of-government context?
   > Pressing needs such as poverty and relative needs within the Philippines in the medium term?
   > Capacity to add value to what else was being done (eg by other donors, the Philippine Government)?
   > Capacity to make a difference?
   > Other criteria and considerations such as the need to respond to internal and external changes over the duration of the program (eg for phasing out and taking on initiatives; shift from national to subnational)?

4. Were the objectives realistic?

5. What relative emphasis has the program placed on different general strategies and on different modalities to achieve its objectives?

6. Have these emphases changed over the duration of the strategy and, if so, why?

7. Was the choice of instruments appropriate given past lessons and political economy and governance issues?

8. What has AusAID done to scale-up and how effective has this been (looking for findings regarding legacy programs, fragmentation and or rationalisation of program, internal resources implications)?

9. How has the program responded to the recommendations of the 2006 Country Strategy Review regarding legacy initiatives?

10. Does the strategy appropriately deal with risks?

11. Given the long timeframes for achievement of many objectives, are they worth pursuing?

12. Has there been a clear-cut strategy for incorporating cross- cutting issues (corruption, and more recently environment and disability) in individual Development Assistance Strategy initiatives?

13. Is there a strategy for how cross- cutting programs will support Development Assistance Strategy institutions?

14. Is the country strategy sufficiently selective and coherent?

15. What is a realistic level of ownership of Australia's new strategy given the small relative size of Australian aid to the overall Philippine economy?

16. What is the level of the Philippine Government ownership and acceptance of the strategy (beyond NEDA)?

17. Has engagement with civil society under the current strategy improved the quality of the aid program?

18. Does the aid program need a more systematic approach to working outside government?

19. How is AusAID perceived (by other whole-of-government agencies; Philippine Government; development partners)?

20. What, if any, is AusAID's current sectoral comparative advantage in the Philippines?

21. Has the geographic focus on Southern Philippines increased the program's effectiveness?

22. Does the strategy strike an appropriate balance between a people-centred aid program and the pursuit of systems change? What balance should the new strategy have?

Implementation

1. Is the country strategy, including the pillar structure and descriptive nature, 'fit for purpose'?

2. How effective have the various strategies and mechanisms been for different programs and different circumstances?

3. To what extent has the strategy guided resource prioritisation and programming decisions?

4. Is the introduction of conditional cash transfers occurring in a way that ensures it is integrated into other AusAID initiatives (health and education)?

5. How well and to what extent has AusAID used the Philippine Government systems?

6. What has been the nature of the relationship with the Philippine Government?

7. How effectively has AusAID engaged with partners (World Bank and other donors in the Philippines)?

   Has the nature of relationships been cost effective (eg transaction costs, reputational risks, integrated sectoral planning, implementation across donors, partners and the Philippine Government, development outcomes)?

8. Has AusAID partnered with the right organisations?

9. How effective have the multilateral engagements been?

10. Has AusAID's role in relation to partnerships been appropriate, given the costs and benefits (right balance between leading and not, for example, positive role in coordinating efforts of donors)?

11. How comprehensively has the program implemented its Gender Action Plan?

12. Has engagement with civil society under the current strategy improved the quality of the aid program?

Management

1. How did Post organise itself to implement the strategy?

2. To what extent, and how, was the aid advisory group used?

Future looking strategic questions

1. What will be the impact of emerging new Australian government priorities on the program (eg disability)?

2. How flexible and responsive to emerging needs in the Philippines and Australian whole-of-government interests should the aid program be, given tensions between selectivity, program management costs and transaction costs?

3. Should the aid program in the Philippines, given its size relative to the national economy, seek to pursue an influencing strategy, or one which targets service delivery outcomes?

4. Should conditional cash transfers have its own objective in the country strategy?

5. Could a significant proportion of the overall aid program be made contingent on performance? How would such a program be managed (given the potential fluctuations in aid flows year-on-year)?

6. Going forward, is the comparative advantage of the World Bank relative to other partners as strong as implied by the level of co-financing?

7. How should we take our fledgling research/analytical agenda forward?

8. How should AusAID engage in controversial policy debates, particularly those that affect overall program effectiveness (eg corruption)?

9. Does the aid program need a more systematic approach to working outside government

10. What sectoral and/or geographic priorities should be in the new strategy?

What is the appropriate balance between flexibility and program coherence/ effectiveness?

Strategic evaluation questions by objective

Questions/objective
Economic growth

1. To what extent can improving the transparency and efficiency of budgets be expected to result in more effective allocation of resources for service delivery—given the total quantum of resources and other priorities?

2. Budget reform can be incremental. What time horizon is acceptable before evidence of significant change?

3. To what extent have government agencies been willing and able to undertake gender sensitive budgeting including participation of both women and men?

Accountability, transparency and management of transport infrastructure

1. Relevance: Given that AusAID's engagement with civil society as an integral part of improving policy, planning and transparency is quite recent, what has been achieved to date? What evidence was there that this approach was worth pursuing?

2. What evidence is there for partner-government commitment to pursuing service delivery reforms, including those related to transportation and gender policy?

3. Is there evidence that weaknesses in transport infrastructure and in accountability are significant impediments to investments in provinces, delivery of services and security associated with conflict?

4. The movement to increased work at the subnational level assumes that changes at the subnational level are sustainable without major constitutional/legal reform at national levels. Is this assumption realistic?

5. To what extent has the Philippine Government shown interest in pursuing Public Private Partnerships?

6. Has AusAID managed the risks associated with transport sector work at the national and subnational level? Has it capitalised on strengths?

FUTURE

1. What degree of ownership does the Philippine Government have of the transport sector reform agenda?

Improved economic opportunity for rural people

1.   Relevance: How appropriate has the focus on rural development been compared with a focus on sectors? Is AusAID making the right decision in expecting to move to a sectoral approach?

2.   Is there a culture in the regions of the Philippines that supports the types of reforms AusAID is working on?

3.   Land Administration and Management Program: What evidence is there that lack of tenure is hindering investments and that this was a useful area for AusAID to work in?

FUTURE

1.   Given the approach is demand led, what would be the implications of a non-alignment between AusAID's goals in relation to poverty alleviation, improved governance, community participation etc, as well as the goals of LGUs and civil society?

Education

1.   Relevance: has the allocation of a large percentage of the AusAID budget to the education sector been appropriate given expectations about the rate at which progress will occur and the long-term timeframe for demonstrable results?

2.   Sustainability: Has the strong investment in Mindanao driven change in the Department of Education? What is the likely potential for any changes to be institutionalised nationally and/or beyond Mindanao?

3.   What factors favour and stand in the way of likely institutionalisation? To what extent can the achievements in Mindanao be sustained without change at national level?

4.   How likely is it that the Department of Education will resource enough schools to cope with population growth? Does it have the population projection and other data necessary to do so and plans to do so?

5.   Do changes to national systems and processes support schools? Are the systems flexible enough to deal with local conditions?

APPENDIX B: Economic and social data

Table 1: Key indicators, 2008

	GDP, $ millions	Average annual GDP growth rate (1960–08)	Per capita GDP, $	Per capita GDP, $(Purchasing Price Parity measure)	ODA[a], $millions	ODAa (% of GDP)	Population below $1.25 a day,[b] %	Population below $2 a day,[b] %
Indonesia	514,389	5.6	2,254	3,975	796	0.2	21.8	54.7
Malaysia	194,927	6.6	7,221	14,215	200	0.1	0.5	7.8
The Philippines	166,909	4.1	1,847	3,510	634	0.4	22.6	45.0
Thailand	260,693	6.5	3,869	7,703	-312	-0.1	0.4	11.5
Vietnam	90,705	6.8	1,052	2,785	2497	3.6	21.5	48.4

[a] Reference year is 2007.
[b] Reference year differs: the Philippines and Vietnam—2006, Indonesia—2005, Malaysia and Thailand—2004.

Source: World Development Indicators, World Bank Poverty Net and Organisation for Economic Co-operation and Development statistics.
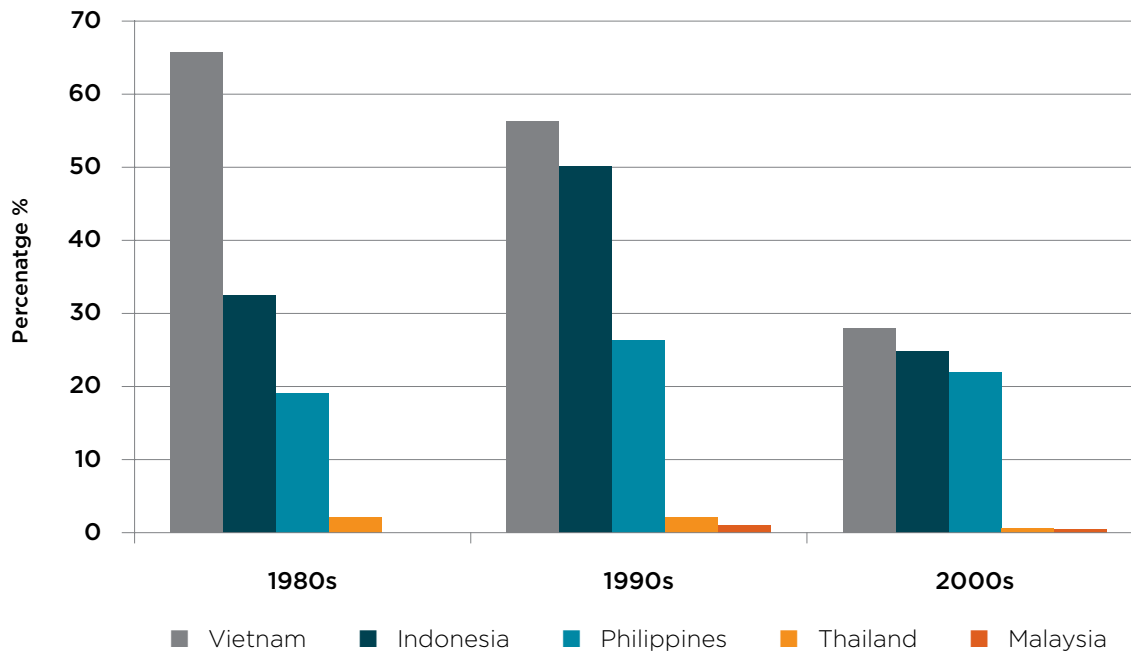
Figure 1: Population below $1.25 a day, %

Table 2: Income inequality

|	1980s	1990s	2000s
Indonesia	29.5	29.1	31.8
Malaysia	47.3	48.4	37.9
Philippines	40.8	44.3	44.9
Thailand	44.5	44.4	42.5
Vietnam	–	35.6	38.2

Note: The Gini indices shown here may deviate considerably from corresponding country estimates. This is due to the method used to calculate the comparative series.– No estimates available. Source: World Bank PovcalNet

Map 1: Poverty incidence by region for 2006
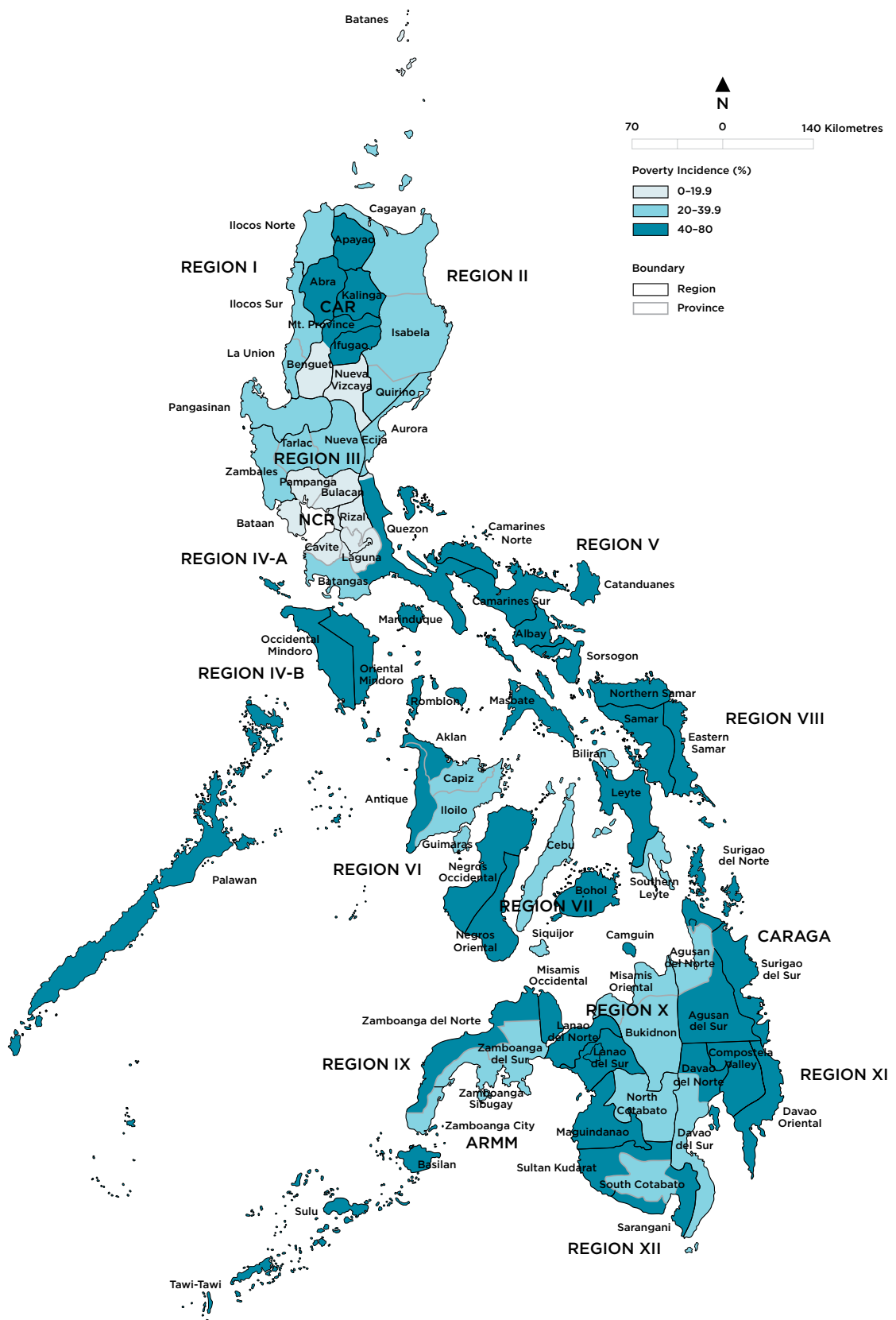
Graph 1: Philippines governance indicators

Comparison of 2008 (top tier) with 2004, 2000 and 1996 (bottom tier)
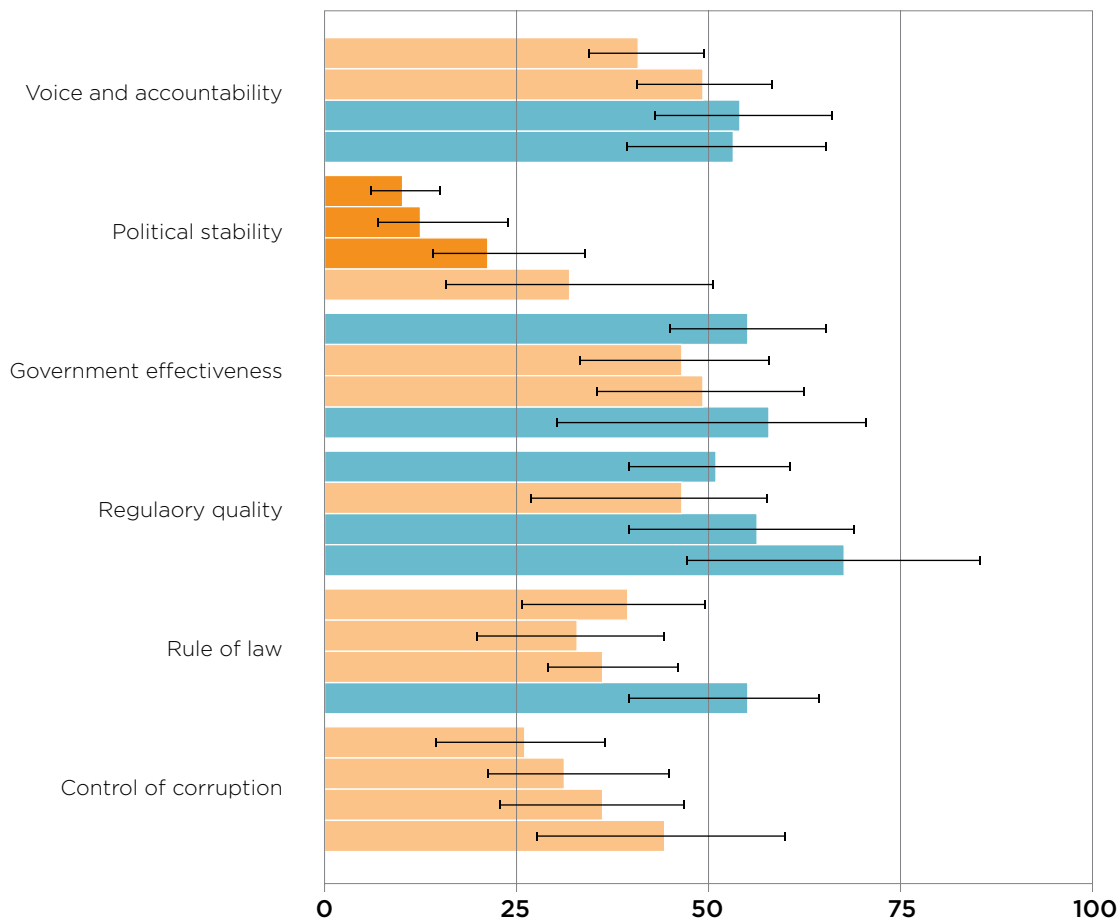
Country's percentile rank (0 to 100)

■ 90th–100th percentile ■ 50th–75th percentile ■ 10th–25th percentile
■ 75th–90th percentile ■ 25th–50th percentile ■ 0th–10th percentile

Source: D Kaufmann, A Kraay & M Mastruzzi, '2009: Governance Matters VIII: Governance Indicators for 1996–2008'.

APPENDIX C: The strategy at a glance

Australia–Philippines Development Assistance Strategy 2007–11

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

Economic growth	Basic education	National stability and national security
Objectives		
> Government agencies are better able to implement transparent and efficient budgets	> The Department of Education is better able to manage its resources to support schools and teachers	> Mindanao peace processes are reinforced through more effective participation by communities and institutions
> Improved accountability, transparency and management of investments in transport infrastructure	> Improved education opportunities for boys and girls in targeted areas	> Enhanced basic services and livelihoods in conflict-affected communities
> Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small to medium enterprises in targeted provinces		> Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism
		> Women's and children's health services more widely available in targeted regions
		> Men and women better protected from the threat of HIV/AIDS infection
		> The population is better prepared for and protected from natural disasters and an avian influenza pandemic

Focus	Basic education cont.	National stability and national security cont.
Economic governance	**System strengthening and resource management**	**Peace-building, service provision and conflict prevention**
> Advisory and systems support for performance-based and multi-year budgeting, and improved internal audit practices in national government agencies	> Advisory and systems support to roll-out national programs of reform	> Funding peace-building and conflict-prevention programs
Infrastructure	> Assisting Islamic schools to achieve government accreditation in offering the integrated curriculum	> Training and supporting local governments, NGOs and communities in planning and budgeting to provide basic services and income generation
> Financing infrastructure maintenance and upgrading in poor areas	**Infrastructure**	**Transnational crime (including terrorism)**
> Supporting communities' effective participation in monitoring infrastructure investments	> Constructing and/or refurbishing additional classrooms and resource centres for teachers	> Developing the capability of law and justice institutions and supporting counter-terrorism, transport security and border control agencies
> Technical and systems support for governments to plan, finance, build and maintain infrastructure	> Constructing community/tribal learningcentres	**Health and population**
Rural and business development	**Teaching**	> Supporting family planning advocacy and education programs
> Supporting agricultural research, extension and improved products	> Training in English, science and mathematics	> Funding improved women's and children's health services
> Initiatives to improve the productivity, competitiveness, and business environment for smallholders, agribusiness and small to medium enterprises, including land titling and land valuation systems	> Providing teaching and learning materials	> Initiatives for HIV/AIDS prevention for injection drug users
	> Supporting the accreditation of Muslim teachers	**Natural disasters**
	> Establishing a remote learning support network	> Providing technical advice, equipment and training for disaster management agencies, local government and communities
		> Supplying early warning equipment
		> Initiatives to improve avian influenza preparedness

How we will work

> Increase aid in phases, based on performance and analysis of development challenges

> Expand policy and sectoral expertise to strengthen program coherence and impact

> Collaborate with multilateral agencies and other bilateral donors to support common policy agendas

> Embed anti corruption measures throughout the program

> Balance efforts to achieve progress on the ground with engagement on policy-based impediments

> Incorporate conflict-risk management and peace-building principles in Mindanao initiatives

> Review strategy performance and relevance each year, jointly with the Philippine Government

APPENDIX D: Initiatives

Australia – Philippines Development Cooperation Program: Current initiatives

Economic growth

Provincial Road Management Facility (PRMF)	*A$100 million (Php3.8 billion), 2008–2013*	Assists the Philippine Government to rehabilitate and maintain more than 1000 km of provincial roads in up to 10 provinces in Mindanao and the Visayas.
Partnership for Economic Governance Reforms (PEGR)	*A$30 million (Php1.14 billion), 2005–2010*	Supports government agencies and other stakeholders undertaking budget management reforms and private sector development focused on improving the investment climate, particularly for transport infrastructure.
Philippines – Australia Human Resource Development Facility	*A$60 million (Php2.3 billion), 2004–2009*	Delivers long-term (in Australia) training and education awards, as well as targeted short courses to support administrative reforms and build better government institutions at both national and regional levels. About 80 Filipino scholars are awarded Australian Development Scholarships annually.
Philippines – Australia Land Administration and Management Project Phase 2	*A$34 million (Php1.3 billion), 2005–2010*	Aims to increase land tenure security and improve land administration services. Co-financed by the World Bank and implemented by the Department of Environment and Natural Resources, Land Registration Administration and Department of Finance.

Philippines – Australia Community Assistance Program	A$30 million (Php1 billion), 2005–2010
	Provides direct assistance to poor communities in the Philippines to empower them to pursue economic growth and achieve better standards of living. The PACAP started in 1986 and has benefitted millions of Filipinos nationwide.
Philippines – Australia Local Sustainability	A$31.4 million (Php1.2 billion), 1999–2009
	Strengthens community and local government unit partnership in resource planning and management, and provides resources for sustainable community livelihoods. Undertaken in partnership with the local government of Misamis Occidental.

Basic education

Support to Philippine Basic Education Reforms (SPHERE) Trust Fund	A$41 million (Php1.6 billion), 2007–2011
	Supports the Basic Education Sector Reform Agenda, which aims to improve the quality of schools and teachers, increase community involvement and support for schools, improve support to schools and teachers, and improve educational outcomes for Filipino children. Administered by the World Bank and implemented by the Department of Education.
Basic Education Assistance for Mindanao (BEAM)	A$53.4 million (Php2 billion), 2002–2009
	Contributes to improving the quality of teaching and learning in basic education and to implementing strategies that will increase access to quality basic education in three regions in Mindanao—Regions XI, XII and the Autonomous Region in Muslim Mindanao, particularly disadvantaged children from Muslim and Indigenous communities.

Basic education continued...

Strengthening Basic Education in the Visayas (STRIVE)	A$19.2 million (Php730 million), 2005–2010	Develops, supports and strengthens education management and learning support systems in the Visayas for improved access to quality basic education, within the national Basic Education Sector Reform Agenda.

National stability and human security

The Philippine Government – UN Multi-Donor Program/ACT for Peace	A$34.4 million (Php1.3 billion), 1997–2010	Assists in rebuilding conflict-affected communities in Mindanao through livelihood development, peace building and capacity building. Implemented by the UNDP in partnership with the Mindanao Economic Development Council, local governments and NGOs.
Mindanao Trust Fund-Reconstruction and Development Program (MTF-RDP)	A$700,000 (Php26.6 million)	Managed by the World Bank, the MTF is a pool of resources from several international partners in a single program to support the Moro Islamic Liberation Front – Philippine Government peace negotiations. MTF-RDP aims to promote effective governance processes and assist economic and social recovery in the Bangsamoro areas of Mindanao.

Initiative	Funding	Description
Supporting Peace in Mindanao	A$4 million (Php140 million)	Supporting Peace in Mindanao is an overarching program for a range of peace initiatives in Mindanao. Supports the important role of women, youth, media and interfaith groups in peace-building and conflict prevention in Mindanao. It includes support to Mindanao Commission on Women, National Interfaith Dialogue, and Conflict-Resolving Media Course for journalists.
Support to UNICEF's 6th Country Program for Children (CPC 6)—The Child Friendly Movement	A$24.7 million (Php938.6 million), 2005–2009	Supports a range of activities such as education, maternal and children protection including universal immunisation, pre-natal care, and child growth monitoring. Also provides support to LGUs in establishing legislated frameworks that give priority to children through adequate investment in basic services.
Roll Back Malaria	A$7.4 million (Php281.2 million), 2004–2011	Aims to reduce malaria transmission, morbidity and mortality in high incidence provinces of Mindanao by 50 per cent. Implemented in partnership with the World Health Organization and the Department of Health.
Advocating for a Stronger, More Responsive Population and Reproductive Health Policy and Program	A$1.29 million (Php49 million), 2005–2008	Supports advocacy for reproductive health issues and population, reproductive health, and gender programs. Implementing partners include the UNFPA, Population Commission and various private organisations.

National stability and human security continued…

Institutionalising Adolescent Reproductive Health through Lifeskills-based Education.	A$1.30 million (Php49.4 million), 2005–2009	Contributes to the improvement of reproductive health of Filipinos through education, schools and community based reproductive health services, and advocacy among the youth. Implemented in partnership with UNFPA and the Department of Education.
Strengthening Capacity to Respond to Pandemics	A$0.4 million (Php15.2 million), 2006 (Department of Health), A$0.2 million (Php7.6 million), 2008 (Bureau of Animal Industry and Food and Agriculture Organization)	Contributes to keeping the Philippines Avian Influenza (AI)-free and in strengthening the capacity of the Philippines to respond in the event of pandemics by providing personal protective equipment for health workers of referral hospitals (through the Department of Health), and improving veterinary services in field and laboratory surveillance on AI (through the Bureau of Animal Industry and Food and Agriculture Organization).
Emergency Response and Disaster Preparedness	A$11.7 million (Php409.5 million), 2006–2011	Supports the Philippine Government and other donor agencies, and local and international NGOs, to provide emergency response to help address the impacts of conflicts, crises and disasters on vulnerable populations, and support disaster risk reduction capacity-building in the country, including identifying and addressing multi-hazards aggravated by climate change.

Direct Aid Program (DAP)	Supports projects which directly contribute to the welfare and income-generating capacity of poor or disadvantaged groups, or enhance the long-term productivity and sustainability of the physical environment. Maximum of Php275,000 per project, in partnership with various organisations.
Australian Centre for International Agricultural Research (ACIAR)	Supports research initiatives in the Philippines which have made important progress in animal and plant health and productivity, post harvest grain handling and storage, fisheries, land management, forestry, and agricultural systems and economic management studies.
Australian Volunteers Programs	Australian volunteer groups operating in the Philippines are the Australian Youth Ambassadors for Development (AYAD), Australian Business Volunteers (ABV), and Volunteering for International Development from Australia (VIDA).

APPENDIX E:
Country strategy influences and guidance

The operating context

In 2006, the Australian Government released a White Paper on Australia's aid program. This provided a strategic framework for the direction and delivery of the aid program. The White Paper articulated the following objective for Australia's aid program:

> *To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*[91]

To achieve this, the aid program would be organised around four themes:

> accelerating economic growth

> fostering functioning and effective states

> investing in people; and

> promoting regional stability and cooperation.

The White Paper specified gender equality as an issue to be applied to all aspects of the new strategic framework. Emphasis was also given to strengthening the performance orientation of the aid program with upgraded country strategies nominated as the main method for assessing performance. Upgraded country strategies are to:

> include all ODA eligible activity, including that delivered by Australian government agencies other than AusAID

> strengthen selectivity

> include a more rigorous performance framework, articulating expectations at country level more clearly and providing a better basis for assessing the impact of aid efforts; and

> include agreement with partners on performance assessment frameworks linking additional allocations to mutually agreed performance criteria.

The White Paper also outlined implications for how aid would be delivered. It placed greater emphasis on devolution of aid management to Posts in-country. It noted that AusAID would have a greater overseas presence and would engage more directly in policy dialogue with partner governments and donors and be more active in aid program implementation.

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91 Australian Government, *Australian Aid: Promoting Growth and Stability—A White Paper on the Australian Government's Overseas Aid Program, 2009*, p. x

The White Paper was followed by an Agency Business Plan and a Director General's Blueprint in early 2007. These outlined accountabilities and responsibilities between Canberra and Posts, with Canberra taking responsibility for managing day-to-day relationships with the Minister, other government partners and Australian stakeholders, and also advising on major design reviews, evaluations, research and outreach. Posts would lead by engaging in policy dialogue in-country and maintaining local stakeholder relationships. They would also take the lead in program design, implementation, management and ongoing monitoring and performance assessment.[92]

Guidance to country programs on strategy development in 2006

The White Paper raised the profile of the country strategy document as the main unit of account for aid effectiveness However, the guidance for producing new ones lagged behind their production. Country program areas therefore mostly worked from the guidance produced in 2005 when producing the strategies. Box 3.1 shows an excerpt from an AusAID Toolkit produced in 2005 which recommended working through a set of questions to arrive at operational objectives.

A Suggested Approach to Developing a Strategy

1. Key poverty issue in the partner country/region as identified in poverty analysis
    > What are the current responses to the identified poverty issue (partner government and other major donors)?
    > What is the rationale for the Australian aid program addressing this poverty issue (eg past experience, positive niche role for AusAID)?
    > What Australian aid intervention(s) is proposed to address the identified poverty issue? (note: must consider resource implications)
    > What are the key risk (s) that may undermine/constrain the effectiveness of the proposed aid intervention?
    > What outcome(s) is expected from the proposed aid intervention(s)?
    > What indicators of performance will be used to measure achievement of outcomes(s)?
1. Based on the above, formulate the operational objective. This should be framed in terms of a proposed outcome(s).

Source: AusAID: Toolkit for the Production and Review of Program Strategies. August 2005.

In recognition of the changes resulting from the White Paper, the ODE drafted a guidance note in July 2006 for those preparing country strategies. The note emphasised the important need to:

> review and incorporate lessons learned

> ensure the preparation process was adequate and emphasised the adequacy of analysis, consultation and peer review

> be consistent with the White Paper; and

> ensure the adequacy of the performance framework.[93]

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92 'Country Program Strategies: ODE guidance note', July 2006 (Unpublished)
93 'Country Program Strategies: ODE guidance note', July 2006 (Unpublished)

APPENDIX F:
Development Assistance Committee codes mapped to Philippines program sectors

Development Assistance Committee Sub sector	Philippines program sub-sector
Education policy and administrative management Primary education	Education policy and administrative management and primary education
Sexually transmitted disease control, including HIV/AIDS	Sexually transmitted disease control, including HIV/AIDS
Reproductive health care Population policy and administrative management	Reproductive health and population
Health policy and administrative management Medical research	Health policy and administrative management and medical research
Economic and development policy/planning Public sector financial management Government administration	Economic and development policy/planning, public sector financial management, government administration
Security system management and reform	Security system management and reform
Civilian peace-building, conflict prevention and resolution	Civilian peace-building, conflict prevention and resolution
Road transport	Road transport
Agricultural policy and administrative management Livestock/veterinary services	Agricultural policy and administrative management, livestock/veterinary services
Small and medium-sized enterprises development	Small and medium-sized enterprises development
Rural development	Rural development
Material relief assistance and services Disaster prevention and preparedness	material relief assistance and services and disaster prevention and preparedness
Mineral Resources and mining	Mineral Resources and Mining
Housing Policy and Administrative management	Housing Policy and Administrative Management

APPENDIX G:
List of organisations interviewed

Note: The following list is of organisation names only, to protect the privacy of individual interviewees.

Australian Government

Australian Agency for International Development (AusAID)

Australian Centre for International Agricultural Research

Australian Customs and Border Protection Service (provided written input)

Australian Federal Police

Department of Defence

Department of Foreign Affairs and Trade

Department of Health and Ageing

Department of Immigration and Citizenship

Department of Infrastructure, Transport, Regional Development and Local Government

Defence Intelligence Organisation

Department of Budget Management

Department of Education

Department of Interior and Local Government

Geoscience Australia

Mindanao Economic Development Council

National Disaster Coordinating Council

National Economic Development Agency

Office of Transport Security

Office of the Presidential Adviser on the Peace Process

The Philippine Government

Multilateral organisations and International Financial Institutions

Asian Development Bank

United Nations Development Programme

United Nations Population Fund

United Nations International Children's Fund

World Bank

Donors

Canadian International Development Agency

European Commission

Japan International Cooperation Agency

United States Agency for International Development

AusAID projects

Institute for Indigenous People's Education for Mindanao

Strengthening Basic Education in the Visayas

Partnership for Economic Governance Reform

Support to Philippine Basic Education Reforms

Philippines Australia Community Assistance Program

Other donors projects

EQuALLS (a USAID-funded basic education project operating in Mindanao)

Civil society organisations

Asia Foundation

VERA Files

International Centre for International Transformation and Excellence in Government

Other

Aid Advisory Council

Philippine Institute for Development Studies

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