



2007–11 Philippines Strategy Program Performance Report

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The 2010 Philippines Strategy Program Performance Report

This Strategy Program Performance Report is the final report on Australia's assistance against the *Australia – Philippines Development Assistance Strategy 2007–11*. As such, it provides an overview of the major achievements and challenges over the life of the strategy. It details how the aid program evolved over the past five years, providing context for changes in approach and capturing the key results achieved and the lessons learned. This Strategy Program Performance Report complements the development of the new country strategy framework, currently underway, and the analysis occurring to inform that development. Previous annual performance reports for 2007, 2008 and 2009, called Development Cooperation Reports, are available on the AusAID website.

Summary

The Philippines enjoyed sustained high levels of economic growth during the period of the 2007–11 strategy. However, this did not translate into declines in poverty numbers, nor did it result in the country achieving substantial progress against a number of other Millennium Development Goal (MDG) targets. Poverty incidence increased from 24.9 per cent in 2003 to 26.5 per cent in 2009, compounded by the triple whammy of the 2008 oil and food price hikes, the global recession and the 2009 typhoons. High population growth rates undermined progress against the MDGs. This is evident in education, where basic education outcomes did not improve over the strategy period. Regional disparities in education attendance and achievement rates continued, most markedly in Mindanao.

Poverty rates in conflict-affected areas in Mindanao continued to be the highest in the country and there was little progress to solve the long-running conflict, with the peace progress stalling before being revived in 2010.

The Philippines fiscal situation deteriorated during the strategy period, with progress made in reducing government debt levels lost with the introduction of the government's stimulus package in response to the global recession. Tax revenues as a proportion of gross domestic product (GDP) fluctuated over the strategy period, but were insufficient to fund the Aquino Administration's social services agenda.

In power for most of the strategy period, President Arroyo's Administration demonstrated strengths in macroeconomic management. However, her tenure was marked by declines in quality of governance. The election of President Aquino in 2010 offers the promise of much-needed reform, demonstrated in the 2011 budget, which increased spending on education, conditional cash transfers and health programs.

Education remains the flagship sector of the Philippines Program. Over the last five years Australia has helped around two million young Filipinos to access schooling and raised the quality of education through improved curriculum, teacher training and teaching materials.

Other major results achieved over the strategy period include:

- > Introducing an Organisational Performance Information Framework across all national agencies to facilitate a performance-based budgeting system by linking agency budget allocations to achieving major outputs and outcomes.



- > Implementing a program supporting the Philippines Government to rollout a transparent public – private partnership framework for infrastructure investments.
- > Increasing enrolment by 12 per cent and reducing drop-out rates at most schools implementing a more culturally appropriate curriculum for Muslim and Indigenous students which Australia assisted to develop.
- > Eradicating foot and mouth disease, reducing production costs and improving productivity.
- > Strengthening community resilience to conflict in Mindanao. Australian support helped establish 278 Peace and Development communities, which improved access to clean water for 28 808 people through installing 97 water supply systems; created more than 1000 new jobs, more than 400 new community enterprises, and improved access to health services for more than 140 000 people.
- > Fully immunising 82 per cent of children aged 0 to 11 months old in 10 provinces.
- > Completing multi-hazard maps in 16 provinces, which have been used to mainstream disaster risk reduction and climate change adaptation into provincial development and land use plans, and into community-based disaster risk management activities.

The objectives set by the strategy are high level. To better determine Australian Agency for International Development's (AusAID) contribution to these objectives, annual performance assessment frameworks were developed. Progress against the indicators in these frameworks provided the basis for annual performance ratings. This is the fourth report of progress against the Philippines strategy and the only report to cover multiple years. The ratings for 2010 are summarised in Table 1. Results against individual objectives are detailed later in this report.



Table 1: Ratings of the program's progress in 2010 towards the strategy objectives

Objective	Rating in 2010	Relative to previous rating
Objective 1: Government institutions are better able to implement transparent and efficient budgets	■	Unchanged
Objective 2: Accountability, transparency and management of transport infrastructure investments improved	■	Unchanged
Objective 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	■	Unchanged
Objective 4: The Department of Education better able to manage its resources to support schools and teachers	■	Improved
Objective 5: Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education	■	Unchanged
Objective 6: Mindanao peace processes reinforced by more effective participation by communities and institutions	■	Unchanged
Objective 7: Enhanced basic services and livelihoods in conflict-affected communities	■	Unchanged
Objective 8: Improved women's and children's health services more widely available in targeted regions	■	Unchanged
Objective 9: Men, women and youth are better protected from and more resilient to natural disasters	■	Unchanged
Objective 10: Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism	■	Unchanged

Note:

- The objective will be fully achieved within the timeframe of the strategy.
- The objective will be partly achieved within the timeframe of the strategy.
- The objective is unlikely to be achieved within the timeframe of the strategy.

Management consequences

National systems have proven difficult to change in the Philippines. Australia's investments at a sub-national level through education, infrastructure and governance have demonstrated greater prospects for success. In many cases, sub-national successes are being used as models for national reforms. Consequently, investing in sub-national development will become a priority for the program.

Given that steady economic growth has not resulted in poverty reduction, the program will focus on helping the poor through direct interventions and transformative reforms. To achieve results at scale we will engage in fewer areas, but with greater depth, focusing on sectors where we have a track record and extensive understanding. Education will continue as the flagship sector, with a deep engagement in three other sectors; improving local government capacity to deliver basic services, disaster risk reduction and climate change adaptation, and improving conditions for peace and security. This in-depth sectoral engagement will be supported by a crosscutting initiative to strengthen governance through work on the Philippines' public financial management system (PFM) and human resource development.

In delivering the program, incentives-based approaches will continue to be developed, focusing at sub-national level where smaller investments have demonstrated greater impact. Program investments will be informed by more research and analysis to inform policy formulation and political economy analysis. Building in-house capacity and expertise will be important to our ability to achieve results.



Philippines program context

The *Australia – Philippines Development Assistance Strategy 2007–11* was prepared drawing on the strategic directions outlined in *Australian Aid: Promoting Growth and Stability, A White Paper on the Australian Government's Overseas Aid Program* released in April 2006.

The strategy sought to address a key issue identified in the White Paper:

... many countries in Australia's immediate region, such as Indonesia and the Philippines, need to generate sufficient growth to make inroads into poverty and reinforce the legitimacy of their democratic governments.¹

The White Paper emphasised economic growth as pivotal to poverty reduction, stating that 'generating broadly spread and sustainable economic growth is the single most important objective for Australia's region over the next 10 years'.² The Philippines country strategy identified three areas of focus to assist the Philippines achieve broad-based growth: economic governance; basic education; and national stability and human security.

While the Philippines enjoyed sustained, historically high economic growth during the strategy period, this growth did not translate into declines in poverty numbers nor did it result in the country achieving substantial progress against a number of other key MDG targets.

Annual growth rates of 7.1 per cent in 2007 and 7.6 per cent in 2010 were the highest seen in the last three decades. In 2008 and 2009, during the midst of the global economic downturn, the Philippines avoided going into recession. The average rate of growth for 2007–10 was 4.8 per cent—solid, but low relative to many of the country's South East Asian neighbours. Yet official poverty data (2009) show that from 2003 to 2009, an extra 3.3 million Filipinos became poor (in net terms), pushing the poverty headcount to 23.1 million. Poverty incidence increased from 24.9 per cent in 2003 to 26.4 per cent in 2006 and 26.5 per cent in 2009.³

During the strategy period, the poor were hit with a triple whammy—the 2008 oil and food price hikes; the global recession; and the 2009 typhoons, Ondoy and Pepeng.⁴ It is not clear whether the impact of the typhoons in late 2009 have been fully captured in the latest national poverty estimates. These external impacts aside, worsening poverty amidst economic expansion is unusual. In 2007 the Philippines was expected to meet MDG targets relating to poverty reduction, gender equality, nutrition, reducing child mortality, combating HIV/AIDS, malaria and other diseases and access to safe drinking water and good sanitation. However progress on the MDGs for basic education, maternal mortality and access to reproductive health services had been slow.⁵

The population growth rate is one of the highest in the region. High population growth significantly undermines progress against the MDGs. In 2010 the Philippines population was an estimated 94 million and is expected to reach 146.2 million by 2050.⁶ Meeting the health, education and infrastructure needs of a rapidly growing population placed huge pressures on an already overstretched budget during the strategy period.

¹ *Australian Aid: Promoting Growth and Stability, A White Paper on the Australian Government's Overseas Aid Program*, April 2006, chapter 5, Page 34.

² Ibid.

³ Philippines Quarterly Update, *Robust Poverty, Stubborn Growth*, January 2011, World Bank. Poverty incidence is the population whose annual per capita income falls below the annual per capita poverty threshold to the total number of population.

⁴ Internationally, Ondoy was named Ketsana.

⁵ Philippines mid-term progress report on the MDGs, 2007.

⁶ This is a figure from the United Nations Population Fund (UNFPA) publication *State of the World's Population 2009*, available on their website.



Trends in basic education indicators highlight this pressure. Basic education outcomes did not improve over the strategy period. The elementary school participation rate was 84 per cent in school year 2006–07 and declined to 83 per cent in 2010–11; for secondary, the participation rate improved slightly from 81 per cent to 83 per cent in the same timeframes. The completion rate for elementary school increased from 69 per cent to 72 per cent, but decreased from 72 per cent to 71 per cent for secondary school. And while overall enrolments increased by nearly 1.5 million students, between 2006–07 and 2010–11 this growth did not keep pace with the rate of growth of the school age population. In 2010–11, the Philippines remained far from meeting MDG 2 for achieving universal primary education.

Learning achievement levels in both elementary and secondary school improved little and are far from the United Nations' (UN) Education for All (EFA) goals, which the government has committed to.⁷ For both elementary and secondary school, only about 50 per cent of students achieve at least 50 per cent of the curriculum competencies.

Additionally, there are wide regional variances in access, participation and learning achievement indicators. In particular, these indicators for the Autonomous Region of Muslim Mindanao (ARMM) approximate those of the average of the 30 least developed economies.

A significant problem confronting the Department of Education over the strategy period was that the annual increase in national and local government funding for basic education averaged only 1.8 per cent while the school-aged population increased at an annual average rate of 2.3 per cent. Per student funding fell from \$187 in 2006–07 to \$175 in 2010–11.⁸ In some respects, and despite these constraints, the system has performed reasonably well to hold access and participation rates at 2006–07 levels. The 2011 budget of the new administration offered grounds for some optimism as the appropriation for basic education was increased by more than 18 per cent.

Throughout the strategy period, poverty rates in conflict-affected areas in Mindanao continued to be the highest in the country. In addition the region suffered from inadequate infrastructure, local governance problems, a weak private sector and poor basic service delivery. Conflict continued to limit development progress and constrained the capacity of authorities to establish functioning systems to deliver public goods and services.

There was little progress to resolve the long-running conflict in Mindanao.⁹ After stalling between 2008 and 2010, the national peace process was revived and reinforced by more effective participation from local communities and organisations. A lasting peace agreement between the Philippines Government and the Moro Islamic Liberation Front (MILF), however, has yet to be achieved.

7 EFA is a UN commitment, led by the United Nations Educational Scientific and Cultural Organisation, to: (a) expand and improve comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children; (b) ensure that by 2015 all children, particularly girls, those in difficult circumstances, and those belonging to ethnic minorities, have access to—and complete— free, and compulsory primary education of good quality; (c) ensure that the learning needs of all young people and adults are met through equitable access to appropriate learning and lifeskills programs; (d) achieve a 50 per cent improvement in adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults; (e) eliminate gender disparities in primary and secondary education by 2005, and achieve gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality; (f) improve all aspects of the quality of education and ensure the excellence of all so that recognised and measurable learning outcomes are achieved by all, especially in literacy, numeracy and essential lifeskills.

8 This measure is provided in constant 2006 prices.

9 Unrest in the south has been a constant feature of the post-independence Philippines. In 1996, the Philippine Government (under President Ramos) signed a peace agreement with the Moro National Liberation Front (MNLF). This agreement allowed for the creation of a revitalised Autonomous Region in Muslim Mindanao (ARMM), giving the Moro people, as Muslims in the Southern Philippines are known, limited powers of self-governance. However, unrest has continued since the creation of the ARMM, in particular under the umbrella of the Moro Islamic Liberation Front (MILF), a splinter group of the MNLF.



The Philippines fiscal situation deteriorated during the strategy period. Progress was made in reducing government debt before 2008, but the government's moderately successful economic stimulus package in response to the global recession added to the debt stock. Government debt servicing now consumes approximately 5.5 per cent of GDP, as does the public sector wage bill. These obligations account for the bulk of government expenditure, creating fiscal pressures. But the real driver of fiscal deterioration continues to be inadequate revenues. The tax take as a proportion of GDP declined from around 17 per cent in 1996 to 12.8 per cent in 2009, before increasing to 13.1 per cent in 2010. The big challenge is to return revenues to at least 17 per cent, on par with the East Asia regional average but still below the global average. Improved revenue collection and substantially improving the efficiency of government expenditure can only partially fund the government's ambitious social service expansion.¹⁰ Also needed are tax policy changes and increases to some tax rates.

The revenue story in the Philippines is symptomatic of a broader concern: a declining quality of governance. The World Bank Institute governance indicators show a downward trend for 2004–08 for control of corruption, political stability and voice and accountability. Other indicators, such as effective bureaucracy, fared better. Meanwhile, the Philippines ranked 134 on the 2010 Transparency International Corruption Perception Index, a modest improvement from 139 in 2009. Concerns over governance—coupled with high energy costs and poor infrastructure—impacted negatively on investor confidence. Tellingly, the years immediately preceding the strategy period (2002–07) saw the annual growth in total public, private, foreign and domestic investment average zero. In contrast, neighbouring countries posted investment growth ranging between 3 and 19 per cent per year. The situation did not improve markedly throughout the strategy period.

President Arroyo was in power until mid-2010. Her administration demonstrated strengths in macroeconomic management, containing the budget deficit and maintaining a degree of fiscal discipline. However, Arroyo's tenure was particularly marked by declines in the quality of governance. The election of President Aquino and the appointment of a capable, reform-oriented Cabinet offers the promise of improved governance in the Philippines. President Aquino has laid out a significant reform agenda which will be challenging to implement. Perhaps the most impressive accomplishment of the new administration is its 2011 budget which addresses the country's poverty challenge by increasing spending on education, conditional cash transfers and health, while maintaining overall fiscal discipline. The budget also takes some important initial steps to cut back programs which have failed to benefit the poor and are prone to rent seeking and corrupt practices. Importantly, the budget demonstrates the administration's anti-poverty, anti-corruption and economically responsible policies.

In this complex, and at times less-than-conducive operating environment, the Australian aid program achieved some major successes in the Philippines.

¹⁰ This includes expanding the basic education system to a 12-year model and scaling up the Conditional Cash Transfer program, budgeted to reach about 60 per cent of the poor by December 2011.



Results of the Philippines program

Economic governance and growth

Objective 1: Government institutions are better able to implement transparent and efficient budgets

Rating

 Objective 1 will be partially achieved within the timeframe of the strategy.

Australian assistance produced high-quality technical outputs which supported policy development and achieved some reforms in particular government departments. However, the lack of political will to move these areas forward under the Arroyo Administration stymied major reform. Consequently, this objective is rated as partially achieved.

Although the PFM system was reasonably capable of maintaining an overall fiscal position, its ability to support efficient planning and execution of the government's priority programs was limited. Weaknesses in the system were substantial. Government agencies had weak capacity to execute the budget and lacked accountability and transparency over the use of appropriated funds. The PFM systems were fragmented and largely paper-based with millions of manual transactions each year. In a fiscal environment where the government needs more frequent, detailed financial information to better target its limited resources, and demonstrate to citizens how public funds are being used, these systems were inadequate.

Australia sought to assist the Philippines Government to improve its planning and management of public resources. An effective PFM system needed to be built on a platform of reliable and timely budgeting and expenditure information. This required capable systems, organisations and people to inform decision-makers and for the effective provision of public goods and services. This information needed to be transparent and credible to both government and external observers, and properly linked to performance outcomes if government policy goals were to be met.

Over the strategy period Australia reviewed technical systems, supported systems development and capacity building, and assisted with policy and institutional development. These inputs were targeted at national budget planning and formulation and greater accountability and transparency in budget execution by large spending departments. The technical outputs funded by Australia have been of good quality, frequently attracting praise from government counterparts and development partners.

Major program achievements

- > An Australian supported budget strategy paper prepared early in the strategy period continues to be the principal tool for the Philippines Government in its efforts to integrate policy with strategic resource allocation. This has been complemented by Australian support to develop an enhanced system of forward estimates based on a Medium Term Expenditure Framework. The framework has been used to prepare budgets for successive years since 2007.



- > An Organisational Performance Information Framework has been introduced across all national agencies to facilitate a performance-based budgeting system by linking an agency’s budget allocations to achieving major outputs and outcomes. Twenty major departments, 114 attached agencies, 16 fiscal autonomous agencies and all state colleges have developed budgets linked to the delivery of major outputs.
- > An automated government accounting system has been established in the Department of Public Works and Highways. This has transformed a financial management system which had been a manual system involving about two million paper forms. This antiquated system was susceptible to graft and constrained real-time information on budget use.
- > National Guidelines on Internal Control Systems were developed and internal audit practices strengthened, which were implemented in the largest spending agencies, the Department of Education and the Department of Public Works and Highways.

While gains have been made in introducing multi-year budget planning, performance budgeting, electronic systems for accounting, and internal controls, there is still a significant amount of work required to meet international standards of good practice in PFM and to extend the progress made in a few select departments so there is bureaucracy-wide impact. Improvements at the department level are diluted by weaknesses in the overall PFM system. International experience suggests, however, that comprehensive reforms to a national PFM system can take a decade or more to achieve and require strong, consistent political commitment to reform.

During the final year of the strategy, and with the advent of the Aquino Administration, a number of important measures were taken to provide the basis for effective reform. A reform road map put in place the basic building blocks for a modern PFM system. It addresses the inefficiencies and vulnerabilities in the existing systems and has strong political commitment. A significant amount of external assistance will be required to help implement the road map. This includes the need for ongoing technical assistance, system design and training and capacity building to implement. The Aquino Administration has also committed to a more transparent and accountable budget process. The 2011 budget was a clear and tangible indication of this commitment. The context appears promising for additional Australian support in strengthening PFM systems.

Effective engagement in Philippines Government policy formation

An initial AusAID investment in a Public Expenditure and Financial Accountability assessment has led to the development of a major plan to reform the PFM system in the Philippines, which is arguably the most comprehensive package of PFM reforms in the post-Marcos era. The Public Expenditure and Financial Accountability assessment identified areas where the public expenditure, procurement and financial accountability systems required strengthening. It provided the basis for Australia and the World Bank to engage the Philippines Government in discussions on priority areas for PFM reform and informed the design of AusAID’s new PFM support program.

Estimated expenditure

Table 2: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Government institutions are better able to implement transparent and efficient budgets	19.62	4.8



Objective 2: Accountability, transparency and management of transport infrastructure investment improved

Rating

 Objective 2 will be partly achieved within the timeframe of the strategy.

Fully achieving this objective was not possible given the comparative size of Australian investment and the lack of reform momentum under the Arroyo Administration. This objective was partially achieved through Australia's support for analytical work which provided the foundation for major reform efforts when President Aquino came into power in 2010, and major work to improve road management in targeted sub-national governments.

Over the last decade, infrastructure investment has averaged only 2.9 per cent of GDP, well below the accepted benchmark of 5 per cent for a middle-income country such as the Philippines. Polls of business people have repeatedly shown that poor infrastructure (including transport infrastructure) is among the most significant impediments to investment in the Philippines. Philippine road infrastructure was considered one of the worst in the region with only 22 per cent of roads paved—way behind the benchmark of about 50 per cent for lower middle-income countries.¹¹ Despite the availability of external private and public sector financing, the Philippines has been unable to implement significant public – private partnership (PPP) projects which are important in addressing the significant infrastructure gaps. A lack of transparency in selecting and awarding PPP projects, poor project preparation capacity and inadequate consideration of contingent liabilities impaired competition and effective use of public finances.

Under this objective, Australia sought to improve the quality of decision making about infrastructure investments, particularly focusing on the roads sector. AusAID pursued this objective at national and sub-national levels. At the national level, support was provided in the form of technical assistance for the development of appropriate policies and processes. At the sub-national level, the Provincial Roads Management Facility (PRMF) started in 2009, using roads as an incentive to promote good governance reforms by combining technical assistance with significant capital transfers for road works.

Major program achievements

National level

In a difficult operating environment, Australia has helped lay the technical foundations for reform in these key areas including:

- > A policy framework to more effectively link and coordinate road, rail, sea and air transport.
- > A transparent PPP framework predicated upon competitive bidding to encourage greater private sector investment in toll roads. Complementary capacity building assistance was provided to strengthen government capacity in feasibility and risk analysis for infrastructure projects and to prepare and evaluate PPP projects.

¹¹ The quality of the Philippine road network is very poor. According to standardised World Bank data, 22 per cent of roads in the Philippines were paved in 2003. This compares to Thailand's 99 per cent in 2000, 58 per cent for Indonesia in 2002, and a global average of 48 per cent for lower-middle-income countries.

- > Development of a strategy to preserve national roads by reducing overloaded truck traffic, which deteriorates road quality and requires costly maintenance.

These outputs were completed relatively late in the strategy period and their impact on the way transport infrastructure is planned, implemented and maintained is yet to be realised. The new administration is pursuing an ambitious PPP reform agenda, emphasising solicited bids for major infrastructure projects through transparent and competitive processes. The Australian-supported PPP framework has informed this reform agenda and Australia is now financing the preparation of suitable projects for PPPs and assisting in developing a stronger policy, legal, institutional and regulatory environment for PPPs. This work is expected to continue into the next strategy period. The transport policy framework and approaches to minimising the impact of overloading on road infrastructure are now being considered by the new government in the Philippines.

Capitalising on opportunities to support change

Although this objective is focused on transport infrastructure, Australia seized opportunities to support change in other infrastructure sectors when the political context was conducive to reform. A key success occurred in the energy sector. Technical assistance was provided to the Department of Energy and Philippine Electricity Market Corporation to support start-up operations of the wholesale electricity spot-market, in monitoring the behaviour of market participants, updating regulatory rules and investigating anti-competitive behaviour. This support (about \$350 000) was integral to establishing the credibility of the spot-market. The Philippine Electricity Market Corporation has continued to conduct market surveillance, including investigations of market power abuse, demonstrating the sustainability of Australia’s assistance.

Sub-national level

The program’s largest stand-alone initiative, PRMF, started in September 2009. PRMF is not a typical roads program. It encourages provincial governments to invest in and change the way they do road maintenance and make local government more accountable in providing basic services. PRMF uses a substantial suite of incentives to encourage reform. At these early stages of the program, there are already some clear successes. With Australian support, provincial governments are introducing good governance reforms, including establishing transparent and effective financial and human resource management systems, increasing local revenues through strengthened tax collection and linking planning to budget availability. Approximately 80 kilometres of physical road rehabilitation works have been completed providing immediate and measurable impacts for beneficiary communities including access to health services and education facilities and reducing transport and vehicle maintenance costs. However, further time is needed to test the sustainability of these changes.

Estimated expenditure

Table 3: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Accountability, transparency and management of transport infrastructure investments improved	79.4	19.3



Objective 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

Rating

 Objective 3 will be partly achieved within the timeframe of the strategy.

While Australian assistance supported improvements at a sub-national level, policy reform nationally was not achieved, leaving this objective partially met.

Poverty in the Philippines is largely a rural phenomenon. At the start of the strategy period, two out of every three poor people lived in rural areas, depending predominantly on agricultural employment and incomes. Poverty incidence among agricultural households was roughly four times that of the rest of the population.

Land is a key determinant of poverty in rural areas. In contrast to regional trends, access to land is becoming less equitable, limiting the ability of poorer Filipinos to engage in agriculture.¹² Since 1960, average farm sizes have decreased and farms have become less productive as land is passed from one generation to the next.

Under this objective AusAID provided community grants to poorer rural households to increase access to employment opportunities and to better quality infrastructure (for example, water services and roads). Some initiatives supported discrete agricultural projects (for example, eradicating foot and mouth disease and undertaking crop, land care and pest control research pilot activities). AusAID also supported land administration and management reform.

Major program achievements

- > Through the *Philippines – Australia Community Assistance Program* (PACAP), Australia delivered 488 community development grants across 60 of the Philippines' 80 provinces, benefiting 332 000 poor Filipinos, 61 per cent of them women, and effectively doubling the median monthly income for poor household beneficiaries.
- > The *Philippines – Australia Local Sustainability Project* increased poor household incomes; financing 11 759 households to expand farming and livestock production; and improving access to potable water for more than 300 000 people.
- > Foot-and-mouth disease was eradicated in the Philippines, strengthening a \$2 billion livestock industry, and benefiting livestock producers, a large majority of whom are small rural farming households.
- > Through the *Land Administration and Management Project Phase 2* (LAMP2) Australia supported the passage of new land administration laws by providing analysis and technical assistance to draft the laws.¹³ Australia also generated a sector development framework to inform the Aquino Administration's land reform agenda.

¹² The Gini coefficient of land distribution has increased from about 0.53 in 1960 to about 0.57 in 2002, which compares unfavourably with a decline in the coefficient for East Asia and Pacific, from 0.47 to 0.41, over the same period.

¹³ AusAID contributed to the passage of the Residential Free Patent Law, which has real potential to spur domestic investment in the Philippines. The law creates a new land instrument to accelerate the issuance of title for residential lands (estimated to be between 3 to 5 million lots in the country) and government lands. Once implemented, free patents can collateralise local bank lending and unlock the 'dead capital' in the country.



Sub-national land administration: proving reform is possible

Attempts to promote land reform highlighted the greater potential for results at the sub-national level as the political will for significant institutional change at the national level was lacking. AusAID launched a sub-national pilot designed to ‘prove’ reform was possible when technical assistance and relevant technology was provided to progressive governments. Carefully selecting 16 progressive local governments through a competitive process, a small investment (\$2.5 million) over three years achieved:

- Speedier and more efficient local government-led titling, reducing the processing time for title issuance from two years to four months and the cost by 45 per cent.¹⁵
- Increased local revenues by an average of 16 per cent through more titled lands, a better method of valuing real properties, and reduced opportunities for corruption in the real property tax and business permit collections.

This experience has influenced the land sector development framework of the Aquino Administration. The challenge now is to implement the framework and empower local governments to take the lead in land administration and titling given the remaining 800 000 hectares of untitled lands.

Estimated expenditure

Table 4: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Improved economic opportunity for rural people through increases in productivity, access to markets, better infrastructure and growth of small-medium enterprises in targeted provinces	95.3	23.1

Note: This includes expenditure for a number of crosscutting initiatives, which contributed to other objectives, including community development funding to non-government organisation (NGOs) and other community sector organisations.

Lessons learned—economic governance and growth

While producing technically feasible, quality solutions is important, the political and institutional context largely determines the effectiveness of technical assistance to government. Political will and leadership to pursue reform is critical to achieving development outcomes. Australia’s work on PPPs during the strategy period illustrates the importance of political engagement. Our efforts to promote an open, transparent PPP framework for toll roads failed to trigger a single PPP project taken to market during the Arroyo Administration. It is only now with the Aquino Administration and a Secretary of Finance who is committed to pursuing an ambitious PPP reform agenda—emphasising solicited bids for major infrastructure projects through transparent and competitive processes—that Australia’s technical assistance is gaining traction.

Moving forward, the aid program should target technical assistance where there are clear and tangible indications that the government as a whole, and the specific institution concerned, is serious about reform. Australia should more strategically draw on a broader range of partnerships, with academia, private sector and civil society groups, to help create coalitions that advocate for reform, providing a more enabling environment for the effectiveness of our technical assistance.

¹⁵ In that province when compared to the national system.



Improving the PMF system remains critical to accelerating development in the Philippines. The weak capacity of government agencies to execute their budgets and deliver basic services to Filipinos undermines government efforts to translate economic growth into poverty reduction. Additionally, the lack of transparency and accountability over the use of public funds erodes public trust in government. Therefore, PFM must remain central to Australia's strategy in the Philippines. However, PFM reforms are difficult and inevitably take considerable time. In this context, donors must pursue PFM reforms over the long term and with sufficient flexibility to quickly support efforts where there is more momentum. The Aquino Administration's commitment to enhance budget transparency and accountability may provide one of the best opportunities for change in recent Philippine history.

There are many challenges to improving the quality of life for poorer Filipinos in rural areas. While improving agricultural productivity is important, the policy settings are still not conducive to deep reforms in the agriculture sector.¹⁶ Instead, the Australian aid program is well placed to tackle another key challenge: improving access to essential services for rural Filipinos. Building on the substantial investment through the PRMF, Australia can foster good governance reforms that improve service delivery at local level. This approach would enable Australia to directly support the Aquino Administration's reform agenda for local governments, help fill critical service gaps in rural areas, and help consolidate AusAID's engagement at sub-national level. Sub-national engagement should be targeted at local governments that have a demonstrated commitment to good governance and reform.

Education

Objective 4: The Department of Education better able to manage its resources to support schools and teachers

Rating



Objective 4 will be fully achieved within the timeframe of the strategy.

Australian assistance improved education access and quality throughout the strategy period. Classrooms were constructed, the Department of Education's information systems were strengthened and improvements were successfully modelled at sub-national level, leading to national replication. While overall education indicators for the Philippines did not improve, the achievements of Australian-supported programs were considerable, meaning this objective was met.

The Department of Education introduced its Basic Education System Reform Agenda (BESRA) in 2006 in response to concerns that the basic education system was on the brink of crisis. Concerns centred on the low levels of performance on the national achievement tests of grade 6 students in elementary school and of year 2 students in secondary, as well as high drop-out and repetition rates.

The emerging crisis was seen as the consequence of: poor management by Department of Education officials, especially at central office level; low levels of teacher competence; and grossly overcrowded classrooms. Poor levels of teacher competence were underlined by the

¹⁶ For example, the Philippines remains committed to achieving rice self-sufficiency, a policy that continues to distort agricultural markets and generate inefficiencies. Rice self-sufficiency is increasingly becoming an unattainable goal given rapid population growth and the country's status as the world's largest rice importer.



dismal performance of graduates from the teacher education institutes on teacher licensing examinations, where routinely only 20 per cent of candidates passed the examination. Department of Education management was seen as excessively centralised, over-regulated by administrative orders and memoranda, characterised by a lack of consultation with local system managers and school heads, and having inflexible processing systems. Essentially, the institution was seen to be driven by a compliance mindset with punitive sanctions as the remedial measure. Individual problem-solving action was constrained and innovation rarely encouraged.

Previous attempts at improving efficiency and effectiveness had been piecemeal and failed to bring about urgently needed system-wide changes in structure and process. In part, this was due to the difficulty of changing long-established practices in an organisation having a staff in excess of 500 000, and a network of 43 000 schools widely dispersed over a large and geographically complex country.

Australian assistance was aimed at assisting the Philippines to implement the BESRA by developing, supporting and strengthening education management, teacher development and student-learning systems to better support schools and teachers.

Major program achievements

Australia's assistance against this objective was provided mainly through three major interventions: the AusAID-managed regional project, Strengthening Implementation of Visayas Education (STRIVE); a World Bank managed trust fund; and an incentives program.

Key results include:

- > Developing key education financial and management systems. These included strengthening audit and internal control systems, designing, building and implementing on a regional basis a human resource information system, and enhancing the education management information system that collects statistical data on schools, teachers and students. The Enhanced Basic Education Information System developed by AusAID for Visayas has enabled regions, divisions and schools to plan and make timely, evidence-based decisions. The Department of Education will roll out the Enhanced Basic Education Information System nationally in mid-2011.
- > Implementing school-based management (SBM) for schools and a related school grants system in 75 per cent of the more than 43 000 schools in just three years. SBM involves the Department of Education providing grants to support improvement projects identified by the schools in conjunction with the school community and local government. These grants supported a range of activities, including the development of policy and operational manuals and training and mentoring of system managers and school heads. Guidelines for the use of SBM grants were developed and distributed in 147 divisions and in most division offices. The guidelines have been followed for school selection, proposal development and approval.
- > Developing and implementing quality assurance standards and related monitoring and evaluation processes throughout central, regional and district offices and encompassing school operational service standards.
- > Strengthening regional organisational structures and associated administrative systems in three regions of Visayas.



Objective 5: Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education

Rating



Objective 5 will be fully achieved within the timeframe of the strategy.

Improvements in enrolment and retention rates in Mindanao and Visayas through Australian-supported programs were particularly significant, leading to this objective being fully achieved.

While country-wide education indicators were poor, national averages masked persistent inequalities in all education indicators across socio-economic groups and geographic regions. For example, in Mindanao, it was estimated that 50 per cent of Indigenous children were dropping out of elementary school and just 20 per cent were reaching secondary school. The ARMM, where Muslim children are in the majority, has some of the worst education indicators in the country. Only 14.45 per cent of children in ARMM have some form of early childhood education compared to 64 per cent across the Philippines. While the elementary completion rate for the Philippines was 72 per cent, it was 37 per cent for ARMM. The mean national Achievement Test score for elementary was 64 per cent but only 47 per cent for ARMM. Australian assistance was provided principally under the program Basic Education Assistance for Mindanao (BEAM) to improve these indicators.¹⁸

During its seven years, BEAM assisted the Department of Education to improve the quality of and access to basic education across 5 822 elementary and secondary schools in the three target regions. The program successfully fostered active learning and introduced innovations that made education more relevant to both Muslim and Indigenous children.

Major program achievements

The 2009 Independent Progress Report for BEAM noted evidence of:

- > A 12 per cent increase in enrolment and reduced drop-out rates at the majority of schools implementing the BEAM-designed curriculum.¹⁹
- > Consistent annual improvements in learning achievement tests in English, science and mathematics for students in grade four of elementary and year two of secondary school in Regions 11, 12 and ARMM up to the conclusion of the project in 2009.

¹⁸ 2008–09 figures.

¹⁹ 2009 figure.



Improved access to a more culturally appropriate curriculum for Muslim and Indigenous Students

BEAM introduced many innovations that have made education more relevant to Muslim and Indigenous children. The development of the Arabic Language and Islamic Values program has reached more than 60 000 Muslim children, in 960 public schools across the country. When the program was first introduced, many parents were hesitant to enrol their children because it was new and different and there were fears it could hurt the community and their religion. But their worries were allayed when they saw the achievements of their children. There was a dramatic increase in enrolment from around 5000 in 2009 to 12 000 in 2010. The parent of Abdullah, a seven-year old boy from Jolo, Sulu in ARMM was quoted as follows:

We are so happy to see our son being able to speak both English and Arabic. We no longer have to pay for two schools, we are very happy that our son can now learn both secular and Islamic values in the same school and he now has more time with the family.

BEAM has also:

- > informed the development of a national Muslim education strategy
- > trained and equipped teachers with new teaching strategies in English, science and mathematics
- > developed culturally appropriate approaches for working with Indigenous students
- > trained teachers in the government system to teach Arabic Language and Islamic Values to make the overall curriculum more relevant and acceptable to Muslim children and their families
- > established a Distance Learning Program and 'school of the air' radio education program which is reaching most remote villages in the mainland provinces of the ARMM.

Both BEAM and STRIVE demonstrated the value of working sub-nationally. This approach allowed Australia to provide concentrated support in regions with lagging education indicators and thereby helped to accelerate implementation of remedial measures.

Parent's testimonial

Akmad, a parent of one of the distance program learners, said he was left with no choice but to keep his children at home because it was too risky to send them to school in his region which was conflict-affected. But now, he, and many other parents are happy that the community's children can access education. 'If education programs like this continue, the next generation will be carrying books and knowledge instead of weapons,' Akmad said.

Australia also provided technical assistance to the Philippines Government to design and implement a national Conditional Cash Transfer Program. The program provides cash grants to extremely poor households in marginalised communities subject to families sending their children to school and using basic health services. An initial impact evaluation of the program in 2010 showed an increase in school participation by 12 per cent and reduced drop-out rates. Under the Philippines – Australia Human Resource Development Facility, more than 400 scholarships for study in Australia were provided to increase the skills and knowledge of emerging leaders in the Philippines. One-third of these scholarships supported the strategy's education objectives.



Scholarships as an effective development tool

An inadequate supply of properly trained, quality teachers is a major factor driving the decline in learning outcomes in the Philippines. The situation is worst in Mindanao. During the strategy period, scholarships complemented basic education investments, achieving good results.

About 130 scholarships were targeted to teachers, professors and program heads from 21 partner teacher colleges identified through the BEAM program. These Filipino scholars studied graduate programs in: teaching English, science and mathematics; curriculum development; classroom assessment; teaching methods; Islamic education; and e-Learning.

On their return to the Philippines, scholars applied their new skills to strengthen classroom assessment tools, teaching strategies, existing curricula, and school administration practices in the 21 partner teacher colleges. Some of these teacher colleges are now considered to be industry/sector leaders by regulatory agencies such as the Commission on Higher Education and have been designated as 'models' for other educational institutions. They are now able to access additional financing to further improve their performance. As a result, better quality teachers trained in these colleges are now entering classrooms across Mindanao.

Lessons learned—education

Many valuable lessons were learned in implementing BEAM, Philippine Basic Education Reforms (SPHERE) and STRIVE and in working with the World Bank under a trust fund arrangement. Working at sub-national level under BEAM and STRIVE (in contrast to working at national level under SPHERE), has demonstrated that achievement of our objectives is far more certain. In part, this is a matter of scale but it is also a question of the degree to which regions are more prepared than is national office to change structures and processes, be innovative and respond quickly to new ideas. The STRIVE regions saw the need for change and responded positively to the leadership provided by the STRIVE team. Moreover, the STRIVE team worked cooperatively and collaboratively with the Department of Education, creating a sense of ownership for the reforms and improving investment sustainability.

It has also become clear that in the Philippines it is important to adopt a 'systems-thinking' approach to designing programs that comprise tightly-coupled components which add value to each other, where the effects of one component are amplified by the effects of other components. One implication of this is that it is necessary to move away from projects to programs. Moreover, in a basic education system as large, complex and diverse as the one in the Philippines it is essential to position programs in a longer timeframe than is commonly the case with projects. This is particularly true when a prime objective is to increase levels of learning achievement. A student's learning attainment at the end of elementary school reflects the sum of their school experience from grade 1 through to grade 6; hence, improving learning outcomes requires improvements that are sustained over the whole of that period. Programs also need to be flexible to adopt different implementation approaches as new circumstances emerge and new opportunities arise.

Our experience of implementing SPHERE under the World Bank trust fund arrangement has demonstrated that without significant improvement in PFM in the Department of Education, and other Government of the Philippines agencies concerned with financial management, implementing our programs using partner government systems will increase costs, incur lengthy time delays and constrain our capacity to meet objectives.

We had limited impact with our incentive program. In part, this was because of administrative inertia at national level that would not have been so evident if our support had been targeted sub-nationally. Just as importantly, our incentives should have been scaffolded with more assistance to overcome impediments to achieving the milestones against which incentive



Table 5: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
The Department of Education better able to manage its resources to support schools and teachers	160.5	38.9
Improved education opportunities for boys and girls, including Muslim and Indigenous communities, in targeted areas to access quality education		

Note: These figures are estimated expenditure— a number of crosscutting programs contributed to these objectives and other objectives and it is difficult to separate them. These figures include the crosscutting program to support human resource development.

National stability and human security

Objectives 6 and 7: Mindanao peace processes reinforced by more effective participation by communities and institutions; Enhanced basic services and livelihoods in conflict-affected communities

Rating



Objectives 6 and 7 will be partly achieved within the timeframe of the strategy.

Australia supported many community-level peacebuilding and development initiatives, however it was difficult to translate achievements into progress at the national level peace process, leaving this objective partially met.

The long-running conflict in central and western Mindanao has left a pervasive and ongoing sense of uncertainty which has impeded development and prevented a sustainable resolution. Peace and development has been repeatedly undermined by a host of factors, in particular: a strong sense of injustice within local communities; armed non-state actors; intense local political contestation that often involves violence; shifting political alliances within and between local and national actors; weak rule of law; a culture of impunity; pervasive corruption; resource battles (notably over land); and critically, an inability to arrive at a suitable autonomy bargain.²⁰

During the strategy period, conflict-prone parts of Mindanao experienced acute periods of humanitarian crisis and chronic poverty. The incidence of poverty in the ARMM is almost double the national poverty incidence. Less than half of the pupils who start grade 1 are able to reach grade 6. Education attainment levels are low and the out-of-school rate very high. In 2007 ARMM registered the highest child and maternal mortality rates in the country and the situation did not improve markedly throughout the strategy period. Only a little more than half the residents in ARMM had access to potable water resources compared to the national average of 80 per cent. The proportion of people with access to sanitation was barely 39 per cent. There were fewer doctors, nurses, teachers and well-trained government officials relative to the rest of the country.

The absence of governance in a number of areas in Mindanao allowed some extremist groups to operate, threatening security in the Philippines and the region more broadly.

Addressing the drivers of these conflicts is critical to long-term development in Mindanao, and the country as a whole. However achieving a measurable impact on such complex challenges with a small program of the size Australia was able to commit was difficult.

²⁰ The conflict groups—the MILF and the Moro National Liberation Front—both seek autonomy from the central Philippines Government.



Strengthening women to resolve conflict

The Mindanao Commission on Women is contributing to rebuilding the social capital of Mindanao by training women to be peacemakers and conflict mediators in their communities. Women leaders were mobilised to promote peace and multiculturalism in their communities through forming Mothers for Peace circles which involved Indigenous, Muslim and non-Muslim women as well as women from the different conflict groups. These circles advocated for peace and community-level improvements, such as cleaner elections in Iligan City; a coalition of Imams for peace; and changes to local laws to implement the national agreement on United Nations Security Council Resolution 1325 on Women, Peace and Security.

Furthermore, the Mothers for Peace launched a campaign which helped secure a ceasefire during a particularly intense conflict period. The Mindanao Commission on Women organised for women from Mindanao to travel around the Philippines advocating for a ceasefire by explaining the impacts of conflict on families and communities.

The Mindanao Commission on Women has empowered women to more actively campaign for peace in their communities, capitalising on the diverse networks each woman has to access funding for their peace and poverty reduction activities. Australian support helped build this unique commission, which tailors its work to the specific needs of a complex conflict-affected environment. The Mindanao Commission on Women commended Australia as 'responsive to the needs of a growing organisation', which delivered its assistance in the spirit of 'a true partnership'.

Lessons learned

Australia's interventions have been largely successful in and of themselves by building understanding of the drivers of conflict, strengthening resilience among conflict-affected communities, strengthening capacity of Mindanao development agencies, and training soldiers to more effectively manage conflict. However, given the difficulties of delivering aid in such an insecure environment and the difficulties in progressing the peace process, the overall impact on conflict-affected Mindanao has been limited.

To have a significant impact, donors that can only provide a limited amount of support to address needs—like Australia— have to work within a broader framework of support. This should be a government-led 'game plan' resourced from a number of sources (government, donors and the private sector) to help stabilise the situation and reduce potential conflict while the peace agreement is being negotiated. However, this was lacking for the duration of the strategy.

An effective game plan would need three key components.

First, it needs a suite of measures to help reduce conflict. These could include initiatives that: lower incidences of human rights abuses by state actors and state sponsored militia; strengthen mechanisms or institutions that can intervene in specific instances of conflict, such as the Committee on the Cessation of Hostilities; facilitate discussion between conflicting parties to seek non-violent resolution and inform and support the formulation and implementation of peace agreements.

Second, it required measures to enhance the legitimacy of existing institutions. These should be centred on the capacity of the state to provide basic services, justice, economic opportunity and security. This requires more than technical fixes and capacity building. It needs to address significant political issues that inevitably must lead to redefining roles and dealing with winners and losers in that process. Above all it requires considerable time.

Third, and despite best intentions, conflict may well break out and there is a need for capacity to deal with the consequences of conflict when it occurs. This requires measures that can meet



humanitarian needs, provide protection for the vulnerable, and help with recovery and rehabilitation when the situation stabilises.

Australia advocated to the Philippines Government that it adopt the approach described above and with our assistance a new Mindanao 2020 (development plan) has been produced. This, combined with a more concerted effort by the Philippines Government to address needs specifically in conflict-affected areas, provides an improved context for Australian aid.

Estimated expenditure

Table 6: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Mindanao peace processes reinforced by more effective participation by communities and institutions; Enhanced basic services and livelihoods in conflict-affected communities	11.4	2.8

Note: Other programs, including the human resource strengthening program, supported these initiatives, but are not reported on under these objectives. The education program delivered some important initiatives in Mindanao, however these is reported under objectives 4 and 5.

Objective 8: Improved women’s and children’s health services more widely available in targeted regions

Rating



Objective 8 will be fully achieved within the timeframe of the strategy.

Through support to multilateral partner-led programs, Australia has made a substantial contribution to the provision of better maternal and child health facilities, fully achieving this objective over the strategy period.

At the start of and during the strategy period, the Philippines was unlikely to meet its targets for MDG 4—reduce child mortality—and MDG 5—improve maternal health. In 2006, the maternal mortality ratio was an estimated 162 maternal deaths for every 100 000 live births. Only 44 per cent of births occurred in health facilities and 62 per cent were assisted by a health professional. The unmet need for family planning remained high; one in three births was either unwanted or mistimed and more than half of married women aged 15 to 49 years did not want another child. The contraceptive prevalence rate among currently married women was only 34 per cent.²²

Despite budget constraints the Department of Health slowly improved reproductive health services for the poor during the strategy period. However, it required the support of donors to supplement its limited capacities.

Since 2009 Australia has been the lead donor supporting the UN Joint Program on Reducing Maternal and Neonatal Mortality²³ in provinces where maternal and neonatal mortality rates are particularly high and in poor urban areas. This assistance continues to strengthen reproductive health and family planning services to reduce maternal and neonatal deaths.

Major program achievements

²² These figures are from 2006 and sourced from the Philippines Department of Health.

²³ This is delivered by the UNFPA, UNICEF and the World Health Organization (WHO).



In its second year of implementation, early results indicate that the UN Joint program has the potential to significantly contribute to addressing the high maternal death rate and unmet family planning needs in the Philippines. Achievements include:

- > 122 nurses and doctors trained on family planning in Mindanao and Mountain Province
- > 113 nurses' skills upgraded in essential obstetric and newborn care
- > 150 health professionals trained on managing sexually transmitted diseases in pregnancy
- > 6 hospitals, 23 regional health units and 5 *barangay* health stations in Eastern Samar provided with medical equipment to facilitate safe childbirth
- > 150 000 packets of contraceptive pills, 300 000 condoms and 180 000 contraceptive injections provided to the Department of Health
- > 340 poor mothers in Eastern Samar and Ifuago provided with tubal ligations.

From 2007–09 Australia supported the health, nutrition and HIV components of the UNICEF Country Programme for Children, UNFPA reproductive health projects and WHO's Rollback Malaria Program to improve women and children's health services in targeted regions.

Key achievements included:

- > full immunisation of 82 per cent of children aged 0 to 11 months old in 10 provinces supported by UNICEF and AusAID
- > improved access to safe drinking water and sanitation facilities for 26 000 school children in 70 public schools.

Combatting the prevalence of malaria

Malaria remains a major health and development issue in the Philippines and 58 out of 80 provinces are malaria endemic. The high malaria rate contributes to maternal and neonatal deaths. Since 2004 Australia has provided support for malaria preventative and treatment efforts through the Rollback Malaria Program in seven regions and 17 provinces where malaria is particularly prevalent. The program has made a significant contribution to reducing the national malaria caseload and death rate. Since 2007 malaria cases in program-supported provinces have reduced by 54.5 per cent and deaths have decreased by 92.3 per cent. The Rollback Malaria Program has also helped six provinces attain malaria-free status, increasing the number of malaria-free provinces in the Philippines from 16 to 22.

Lessons learned—health

Given Australia's modest health program budget, delivering health support through UN partners provided Australia with leverage and buy-in to programs AusAID could not implement on its own. To achieve impact in a sector where our contributions are likely to remain modest, we should continue to deliver health assistance through multilateral organisations.

In 2008 a review of Australia's health engagement found that broad sectoral support was achieving mixed results and that targeting engagement on one priority health issue—maternal and neonatal health—would be more likely to achieve improved aid outcomes and effectiveness. It is therefore appropriate that our engagement in the sector be allocated to the UN Joint Program on Reducing Maternal and Neonatal Mortality.

Australia should continue to encourage UN partners to invest in data collection on reproductive health data to strengthen the existing limited data. Australia's support has



assisted the UN Joint Program partners to use innovative small area estimates to provide baseline data for measuring the Program’s progress indicators.

The Aquino Administration is committed to improving access to reproductive health services, including family planning. President Aquino has started rolling-out a nationwide family planning program for the poorest Filipinos and improving reproductive health services, despite strong opposition from the Catholic Church. This environment is more conducive for the UN Joint Program on Reducing Maternal and Neonatal Mortality to make an impact on the specific geographic areas it is targeting.

Estimated expenditure

Table 7: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Improved women’s and children’s health services more widely available in targeted regions	19.61	4.8

Note: This includes funding to support the Conditional Cash Transfer social protection scheme, which has a health element.

Objective 9: Men, women and youth are better protected from and more resilient to natural disasters

Rating



Objective 9 will be fully achieved within the timeframe of the strategy.

Over the strategy period, Australian assistance has significantly informed the Philippines Government’s approach to disaster risk management, fully achieving this objective.

The Philippines is particularly disaster-prone. Its position in the Pacific Ring of Fire and in the typhoon belt of the western north Pacific basin saw the country experience frequent earthquakes and volcanic eruptions during the strategy period, with an average of 20 tropical cyclones a year, 5 to 7 of which were destructive.

Over the strategy period, the impacts and costs of natural disasters significantly eroded economic growth and drove a considerable number of people into poverty.

Australia’s support responded to the Government of the Philippines needs and aimed to develop the capacity of the government and disaster-prone communities to prepare for and respond to disasters, particularly focusing on highly vulnerable provinces along the eastern seaboard of the country. The disaster risk management program adopted a three-pronged approach to improve the country’s technical knowledge on hazards and disasters, supporting the government to ramp up its national disaster preparedness and working with communities to improve their capacity to prepare for and respond to disasters. The program is being implemented in partnership with key government, non-government and multilateral organisations, including Australian government agencies, to facilitate technical linkages.

Five main activities were implemented over the strategy period. These were:

- > Supporting the Hazard Mapping and Assessment for Effective Community-Based Disaster Risk Management (READY) project which provided immediate and reliable information to communities at risk of geological and hydro-meteorological hazards in target provinces.
- > Integration of disaster risk reduction and climate change adaptation in development planning.



- > The Enhancement of Tropical Cyclone Early Warning System project which aimed to improve the Philippine meteorological agency's weather forecasting capacity by introducing tropical typhoon track predication technology from the Australian Bureau of Meteorology.
- > Improvement of natural disaster risk analysis capacity of technical agencies with Geoscience Australia.
- > The Red Cross 143 project which aimed to improve disaster management capacities in target communities in six provinces.

Major program achievements

- > At the strategic level, partnerships with the newly established Philippines Climate Change Commission and the National Disaster Risk Reduction Management Council were forged through policy support, particularly for the preparation of the National Climate Change Framework Strategy and Action Plan, which will guide local actions and investments.
- > A multi-agency partnership was facilitated through the Collective Strengthening of Community Awareness for Natural Disasters and a multi-hazard approach to mapping introduced, providing a venue for five Philippine technical agencies to collaborate (these agencies had not worked together before). These partnerships and the project methodology have been mainstreamed into the Philippines government's business processes. Key results:
 - 16 provinces²⁴ now have a complete set of multi-hazard maps, with the remaining 11 provinces in various stages of map preparation. These maps inform other AusAID-supported projects and are used in other Philippines government and donor-funded activities.
 - Community-based early warning systems and signs on what to do during flooding and tsunamis established in at least 21 priority *barangays*, particularly coastal communities. Communities were oriented on hazards in their areas and provided with information and education materials on how to manage and cope with disasters.
 - Provinces and communities, which are beneficiaries of Australian assistance, exhibited better preparedness to disasters, including by establishing and maintaining early warning systems. Communities along the typhoon path in the eastern seaboard²⁵ now regularly conduct typhoon and tsunami drills and maintain their tsunami signage which indicates safe havens and evacuation sites during tsunamis and storms.²⁶ Communities not directly targeted by the project have replicated the tsunami signage and emergency drills, demonstrating their value.
- > Planners and other local officers in all 81 provinces and 17 regions now exhibit an understanding of integrating disaster risk reduction and climate change adaptation into their planning, and were trained on how to use a hazard and risk assessment tool called Rapid Earthquake Damage Assessment System. Provinces not targeted in the project also benefited from the rollout of the system as a risk assessment and mainstreaming tool.

²⁴ Aurora, Benguet, Bohol, Cavite, Eastern Samar, Ilocos Sur, Iloilo, Laguna, Leyte, Northern Samar, Pampanga, Rizal, Southern Leyte, Surigao del Norte, Surigao del Sur, Zambales.

²⁵ For example, Aurora, Leyte, Northern and Eastern Samar, Southern Leyte, Surigao del Norte and Sur.

²⁶ In recent typhoons, and in the case of the Japan tsunami warning, communities quickly moved to safer locations and pre-identified evacuation sites when storm and tsunami warnings were raised.



- Multi-hazard maps were used by provinces in mainstreaming disaster risk reduction and climate change adaptation into their provincial development and land use plans, and in their community-based disaster preparedness activities.
- > In the region, Papua New Guinea and Indonesia adopted the partnership and multi-hazard approach formulated in the READY Project in implementing their respective national hazard mapping initiatives. The Australia – Indonesia Facility for Disaster Reduction is also looking at the Rapid Earthquake Damage Assessment System as a tool for regional risk assessment.
- > Engagement by other Australian government agencies was facilitated and gained momentum with the Australian Bureau of Meteorology and Geoscience Australia partnering with key Philippines government agencies on disaster risk management.
 - The Philippines Weather Bureau, Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) adopted Australian Bureau of Meteorology tropical cyclone technology into its system, improving the accuracy of PAGASA’s weather forecasting capacity by 15 per cent. The technology enhanced PAGASA’s early warning capacity on tropical disturbance monitoring.
 - Risk analysis methodologies were introduced by Geoscience Australia to the Philippines Institute of Volcanology and Seismology through collaborating on the development of an exposure database, building typology, and the development of a vulnerability curve for Iloilo City. These tools allow for more reliable assessment of potential impacts of earthquake events in Iloilo City, which the city will use in their land use and emergency planning and actions. This methodology will be replicated by the municipalities of Pavia and Sta. Barbara.
- > The Red Cross 143 Project formed 24 volunteer groups in six target provinces.²⁷ These groups supported local councils to strengthen their capacity to handle and cope with disasters. In two municipalities, groups were mobilised for tropical storm Ketsana and played an important role in supporting the Government’s emergency response.

Over the strategy period, Australia supported humanitarian responses to natural disasters including:

- > \$11 million in humanitarian assistance to the Philippines Red Cross, UN Humanitarian agencies and local Filipino non-government organisation Gawad Kalinga to support victims of Typhoon Ketsana²⁸ in 2009. Assistance included food, water, sanitation services, immediate health care and shelter.²⁹
- > \$658 000 to the Philippine Red Cross for constructing 130 housing units in a safer location, training volunteers on community disaster preparedness and providing basic response equipment; and an additional \$342 000 through Community and Family Services International, Leyte Development Center Inc., Oxfam and UNICEF for livelihood support, psychosocial care, temporary play and day care centre, rehabilitation and construction of permanent water and communal sanitation facilities, provision of emergency health kits, and food assistance to victims of the Southern Leyte landslide in February 2006.

²⁷ These were Bohol, Cavite, Iloilo, Laguna, Pampanga, Zamboanga del Sur.

²⁸ Ketsana is the International name for the large typhoon which caused significant damage to Manila. In the Philippines, the local name for the typhoon was Ondoy.

²⁹ This support was delivered by working in partnership with UNICEF, the Philippines Red Cross, Community and Family Services Institute, Gawad Kalinga, the United Nations Development Programme and Oxfam.

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- > \$500 000 to the Philippine Red Cross to establish shelters, provide drinking water and other non-food, clothing and related emergency items for victims of Typhoon Frank in 2008.
 - > \$1 million in humanitarian assistance to Philippine Red Cross and UN humanitarian agencies for provision of shelter and generator sets for affected families and schools; and health, water and sanitation, and educational supplies for victims of Typhoon Reming in December 2006.
 - > \$50 000 to the United Nations Development Programme and the Philippines Red Cross to augment relief assistance for victims of Typhoon Milenyo in September 2006.
 - > \$193 000 in relief assistance through UNICEF for the provision of temporary shelter for families, day-care centres and school supplies for children; and the provision of medicine, water and sanitation equipment, and food for victims of the Guimaras oil spill in August 2006.

Lessons learned—natural disasters

While Australia's total investment for disaster risk management programs is small, the inter-agency coordination and cooperation mechanisms developed with Australian support and the experience and lessons learned from the activities implemented now guide disaster risk management activities across all levels of government in the Philippines. These approaches have also been incorporated into the Philippine Government's disaster risk management law (2010) and placed Australia in the forefront among donors in the Philippines on disaster risk management.³⁰

Momentum for action on disasters (and climate change) is building in the Philippines, driven by recent disasters that have had a major social and economic impact. While new institutions, laws, policies and plans have been developed, capacities remain low and there is still significant fragmentation of responsibility for disaster risk reduction between national and local Philippines government agencies. Resource constraints also remain chronic. Capacity to acquire and convert technical data into knowledge that can be used by planners and in implementation of plans on the ground is particularly weak. Political will, while growing nationally, is mixed at sub-national levels.

By drawing on Australian project implementation experience and our own domestic policies and technical capacities, we are well placed to further assist the Philippines on three levels:

- > supporting local governments (particularly in urban areas where the impact of disasters is potentially the greatest) to better plan for and manage disasters and climate risks;
- > building national technical capacity in risk analysis, weather forecasting, early warning and spatial data management to support planning;
- > providing policy development support by twinning Australian agencies with relevant national counterparts in the Philippines.

This multi-pronged approach would result in a more coherent approach and allow us to have a broader impact on disaster risk management, including for climate change adaptation.

Estimated expenditure

³⁰ This was commented on in the review of the Philippines Country Strategy completed by AusAID's Office of Development Effectiveness.



Table 8: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Men, women and youth are better protected from and more resilient to natural disasters	24.7	6

Objective 10: Improved capability of law and justice institutions, particularly to counter threats from transnational crime, including terrorism

Rating



Objective 10 will be partly achieved within the timeframe of the strategy.

Through initiatives delivered by other Australian government partners, transport security was improved during the strategy period. However, delays in passing the Philippines Transportation Security Authority (PTSA) Bill have led to this objective only being partially achieved.

The conflict in Mindanao has allowed some terrorist and communist insurgency groups to operate posing threats to the country, the broader region and to Australia’s national security.

To address this, Australia aimed to support the Philippines Government to strengthen its transport security arrangements and border control systems. Australia has also provided technical assistance for the development of security legislation.

Major program achievements

AusAID worked with a number of other Australian government agencies to deliver assistance to strengthen the capacity of key Philippines government agencies.

- > The Australian Department of Infrastructure conducted 15 workshops and training activities to improve aviation and maritime security arrangements in the Philippines. Training included aviation security screener courses and workshops for middle to senior management on how to be an effective manager, develop policy, manage security risk and prevention, and ensure air cargo security. This support contributed to transport security improvements including:
 - certification of 113 international ports and 26 domestic ports as compliant against International Ship and Port Facilities Security Code standards
 - development and implementation of port security plans and practices by 476 port authorities under the Philippines-Australia Port Security Capacity Building Project.
- > The Australian Attorney General’s Department Anti-Money Laundering Assistance Team strengthened law enforcement in the Philippines in partnership with relevant Philippine government agencies including the Department of Justice and the Anti-Money Laundering Council.
- > The Australian Department of Foreign Affairs and Trade promoted peacebuilding and social cohesion in conflict-affected communities to counter violent extremism. Initiatives encouraged grassroots interfaith discussion, built the capacity of peace advocates (including women and youth leaders) and supported the Philippine National Police to more effectively engage with communities.

Australia continues to support and advocate for the PTSA Bill which will create a legislative framework for the Philippines Office of Transport Security. The Bill was filed for consideration

in the 15th Congress, has been referred to the Transportation Committee of the House of Representatives and is awaiting a committee hearing. The passage of the Bill would see this objective being fully met.

Estimated expenditure

Table 9: Estimated expenditure in 2007–11

Objective	\$ million	% of bilateral program
Improved capability of law and justice institutions, particularly to counter threats from trans-national crime including terrorism	1.67	0.4

Note: Much of the funding for this objective was provided by Programs led by other government departments

Quality of aid activities

AusAID developed corporate processes for managing the assessment of the quality of aid activities in 2007 and identified dedicated resources in Canberra and Manila to promote and facilitate their use. The Philippines program developed tailored guidance for completing AusAID’s corporate annual initiative performance assessments³¹, sector reporting processes and capacity building activities. The Philippines is one of the few programs completing annual initiative performance assessments twice a year. The Philippines program maintained a high compliance record over the strategy. The majority of annual initiative performance assessments achieved satisfactory ratings (4 and above) across all categories (Table 10).³²

Progress against the strategy objectives were rated highly while individual initiatives contributing to those objectives were rated lower. Ninety-five per cent of initiatives were rated satisfactory for relevance and effectiveness.³³ The development of a new Philippines country strategy will incorporate a more coherent program logic covering how individual initiatives will contribute to higher-level strategy objectives.

It will be important for AusAID to develop information management systems that are easily accessible and then build staff capacity to conduct ongoing performance assessments appropriately. It will also be important to create a culture of shared accountability for performance assessment and ensure it guides implementation and decision making on higher-level program directions.

Partnerships

The partnerships which AusAID developed contributed to the successes of the Philippines program. AusAID developed positive relationships with senior members of relevant Philippines government agencies, providing high-quality technical advice and was responsive to requests for support. This positive relationship has carried over to the new administration and presented opportunities for us to engage in policy discussion on implementation of the Aquino Administration’s reform agenda in areas which align with our strategy. AusAID also invested in partnerships with multilateral organisations, to maximise our influence relative to

³¹ Termed Quality at Implementation reports, written by AusAID program staff based on inputs from a range of external and internal sources. The reports assess program performance and discuss actions to improve program management.

³² Unsatisfactory ratings (3 and below) remain in the categories of ‘Monitoring and Evaluation’ (29 from 32 per cent) and ‘Gender Equality’ (29 from 27 per cent), followed by ‘Sustainability’ (24 from 27 per cent) and ‘Efficiency’ (24 from 18 per cent).

³³ Note that the list of initiatives at implementation (and requiring Quality at Implementation) also changes annually.



inclusive education, research, and capacity building for disabled peoples' organisations as focus areas.

To date, activities that have included and/or will benefit people with disability, are:

- > Support for training and community-based employment opportunities for people with disability, community-based rehabilitation, alternative learning systems, training for special education teachers and for social workers, and provision of assistive devices such as audiometers.
- > Small grants for disability-inclusive development projects including *promoting inter-faith understanding of disability and inclusive development* (by influencing Muslim sermons), a project advocating deaf rights awareness-raising through distance education, and increasing voter registration of people with disability.
- > Integration of disability considerations into the design of the climate change and disaster risk reduction delivery strategy, recent education programming³⁸, the new civil society program³⁹ and the Human Resources Organisational Development Facility.

Corruption

Corruption remains pervasive in the Philippines, although the country's Transparency International Corruption Perception Index ranking improved five places from 139 (2009) to 134 (2010) out of 178 surveyed countries.

The Australia-Philippines Development Assistance Program Anti-Corruption Plan 2008–11, a framework for minimising political manipulation and enhancing government systems, was developed as a companion document to the Australia-Philippines Development Assistance Strategy. It has two objectives: strengthening local efforts to combat public sector corruption, and reducing the corruption risk to Australia's aid program. All interventions continue to adopt a 'zero tolerance for fraud' approach.

To provide accountability mechanisms for government procurement processes, the program has developed innovative partnerships with civil society organisations. For example, the Department of Education has partnered with the Philippines non-government organisation Procurement Watch Inc. to monitor the procurement of school furniture and equipment.

In 2010 AusAID contributed to the first automated elections for the Philippines Government through supporting civil society organisations to educate voters about the national elections and the new ballot casting technologies and election-day monitoring. This substantially reduced cheating in the tallying of votes.

Management consequences

The management consequences outlined in this section are drawn from the key lessons learned through the implementation of the Australian aid program to the Philippines over the strategy period (2007–11). These management consequences are key strategic issues that will be considered in the development of the next strategy.

³⁸ Basic Education Sector Transformation Program and Basic Education Assistance in Mindanao— ARMM programs.

³⁹ Coalitions for Change.



Objective

The Philippine development context calls for a rethink of the emphasis of our overarching objective. The basic hypothesis for the aid program still holds—broad-based growth is critical to poverty reduction. However, in the Philippines, growth has not been broad-based. It has been narrow, largely capital intensive and consumption driven. So while the country's economy has continued to grow, the growth has not translated into opportunities for the poor. Our previous emphasis on supporting economic growth is therefore perhaps less important than helping the poor and protecting those who are vulnerable to falling into poverty as the economy goes through the required and inevitably slow structural change. Australia can play a role by supporting initiatives that can have a major transformative effect and where there is a very strong appetite for reform on the part of the Philippines Government. But this should not be the major emphasis of the program. Our core thrust should still be on efforts that support direct poverty reduction.

Focus

The development needs in the Philippines are immense. But to maximise the effectiveness of our aid we need to be selective and engage deeply. Our involvement in the education sector illustrates this well. Australia is the largest donor in the sector and we have been working in education for more than a decade. As the aid program grew throughout the strategy period, we deepened our engagement and, in doing so, developed a strong understanding of what was required (and importantly what could be achieved) to strengthen the delivery of education services. Our involvement at the national level, where we focus on policy, systems and management reform, and our involvement in more direct service delivery support in regions, where education indicators are lagging, reflects our holistic and comprehensive approach to addressing needs. Our future aid program in the Philippines should retain education as the 'flagship' sector. In selecting other sectors for engagement, we should be careful to take on only a few and only those where we have a strong track record, a good appreciation of what can be achieved, and where we are willing to invest substantially and for the long haul.

Governance

At the heart of achieving development effectiveness in the Philippines is governance. Whatever sector we choose to work in, we need to address some of the binding constraints to effective government, including lack of evidence-based policy making, poor institutional capacity, and a human resource base and weak systems that impair transparency, accountability, efficiency and effectiveness. This will require us to: invest in research and analysis to assist policy formulation; strengthen our partner institutions by helping to develop program management, human resource, and financial information systems; and encourage and facilitate partnerships with civil society to create stronger demand and accountability for change. The scale and scope of our engagement with particular institutions and their programs should be calibrated to their commitment to good governance.

Political economy

Progress on development outcomes in the Philippines has significantly lagged behind expectations. Legislation, often considered best practice, fails to achieve anticipated results. Traditional approaches to policy reform, which are grounded in technical solutions and capacity development, are necessary but have proved insufficient. A more deliberate effort to analyse the political economy dimensions of reform is needed to: (a) better understand likely



List of Acronyms

ACIAR	Australian Centre for International Agricultural Research
ARMM	Autonomous Region of Muslim Mindanao
AusAID	Australian Agency for International Development
BEAM	Basic Education Assistance for Mindanao
BESRA	Basic Education System Reform Agenda
EFA	Education for All
GDP	gross domestic product
LAMP2	Land Administration and Management Project Phase 2
MCW	Mindanao Commission on Women
MDG	Millennium Development Goal
MILF	Moro Islamic Liberation Front
PACAP	Philippines – Australia Community Assistance Program
PAGASA	Philippine Atmospheric, Geophysical and Astronomical Services Administration
PFM	Public Financial Management
PPP	public – private partnership
PRMF	Provincial Roads Management Facility
PTSA	Philippines Transportation Security Authority
RBM	Rollback Malaria Project
READY	Hazard Mapping and Assessment for Effective Community-Based Disaster Risk Management
SBM	school based management
SPHERE	Philippine Basic Education Reforms
STRIVE	Strengthening Implementation of Visayas Education
UN	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children’s Fund
WHO	World Health Organization