

## INTRODUCTION

THE PHILIPPINES IS A MIDDLE-INCOME COUNTRY with a population of 89 million. In 2007, it had a gross national income (GNI) of USD 5 980 per capita (in purchasing power parity terms). The most recent poverty statistics released by the government report that the incidence of poverty increased by 2.9 percentage points – from 30.0% in 2003 to 32.9% in 2006. The Philippines is on track to meet Millennium Development Goals (MDGs) in seven areas: poverty; nutrition; child mortality; HIV and AIDS; malaria; access to safe drinking water and proper sanitation. However, it needs to increase efforts to meet MDGs on primary education, gender equality, and maternal mortality and access to reproductive health services.

The OECD Aid at a Glance reports that total net official development assistance (ODA) for the Philippines was USD 562 million in 2006, which accounted for 0.4% of GNI. However, this figure does not capture several important donors (such as China, which provides a significant amount of assistance). The 2008 Survey results reflect 17 out of the 28 donors in the Philippines that participated in the survey process, representing approximately 95% of total ODA disbursed. Japan, the Asian Development Bank and the World Bank were the top three donors.

| DIMENSIONS            | 2007     | CHALLENGES   | PRIORITY ACTIONS  |
|-----------------------|----------|--|---|
| Ownership             | High     | Fiscal limitations to implement development plan; reforms not evenly adopted across government   | Government to prioritise actions and continue mainstreaming reforms   |
| Alignment             | Moderate | Large portion of aid not recorded on the budget as some aid flows do not require appropriations; progress needed on predictability, untying and reducing parallel project implementation units | Improve information sharing and capture on aid; continue reforms to improve public financial management (PFM) and procurement systems |
| Harmonisation         | Low      | Variable commitment to programme-based approaches (PBAs); slow progress toward joint evaluations   | Bi-lateral donors to increase aid through PBAs; major donors to increase joint missions   |
| Managing for results  | Moderate | Lack of clarity of management of new systems; monitoring and evaluation processes not fully developed  | Complete roll-out of new systems; develop further monitoring and evaluation processes where necessary                                 |
| Mutual accountability | Moderate | Development partner support variable   | Establish a system for mutual assessment  |

## OVERVIEW

### Box 44.1:

### Challenges and priority actions

This is the first time that the Philippines has taken part in the Paris Declaration monitoring survey. Thus, the 2010 targets for most derive from the 2008 Survey and allow for the fact that the country has three (rather than five) years to meet these targets. The Philippines, on its own initiative, also collected data for 2005 and 2006. In some cases, it has used these data as a baseline to set more ambitious targets. The World Bank rates countries eligible for funding by the International Development Association (IDA) according to two reports: the Review on Results-Based National Development Strategies: Assessment and Challenges Ahead, and the Country Policy and Institutional Assessment. These ratings are the basis for setting targets for aid effectiveness indicators in other countries participating in the survey process. The Philippines has not received ratings from the World Bank. Thus, no specific targets are set for Indicators 1, 2a and 11.

## OWNERSHIP

**OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS** and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

### INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Because of its status as a middle-income country, the World Bank did not give the Philippines a rating for Indicator 1 in 2006. Thus, there is no baseline for setting a 2010 target. However, according to the World Bank's Aid Effectiveness Review, the blueprint for the government's economic and social development policy is set by the Medium-Term Philippine Development Plan (MTPDP) for 2004-10 – which is the main tool for government expenditure planning. The MTPDP establishes broad goals and preliminary targets for each area; however, it does not include a detailed prioritisation or costing framework. Thus, it is only loosely linked to the annual budget process and integration becomes increasingly difficult as more time elapses from the development of the MTPDP.

The MTPDP is accompanied by a Medium-Term Public Investment Programme (MTPIP) for 2005-10, which includes a three-year rolling set of priority activities (complete with cost estimates) to be implemented by government agencies and other entities. The National Economic and Development Authority (NEDA) oversees the formulation and implementation of the MTPDP and the MTPIP. Government agencies, corporations and institutions are generally asked to align their budgets with the MTPIP. However, a major challenge noted by the government is the inadequacy of fiscal resources to implement the MTPDP and projects laid out in the MTPIP.

To support implementation of the MTPDP, the government has committed to several reforms under the multi-year Public Expenditure Management Improvement Programme. The programme focuses particularly on using a medium-term expenditure framework (MTEF), which assesses macro fiscal planning and sectoral expenditure issues. The goal of the MTEF is to strengthen the link between planning and budgeting, thereby improving resource predictability. Under the reform programme, the government is also introducing a new system that uses log-frames to assess specific outputs and outcomes of agencies. This system aims to strengthen performance and guide resource allocation.

The government takes an overall lead in development assistance. It co-chairs, along with the World Bank, annual meetings of the Philippines Development Forum (PDF). Working groups led by government agencies feed into the PDF and continue dialogues between meetings. The government plays a leadership role in strategy development, working within the frameworks of the United Nations (UN) system, the World Bank and the Asian Development Bank, as well as with other co-operation programmes (such as those of Australia and Japan). It also regularly leads joint portfolio reviews, programming meetings and technical working group meetings with most donors.

The government includes other stakeholders in the development process. Representatives from NGOs, the private sector and civil society participate in planning meetings during the formulation of the MTPDP. In 2005, PDF meetings were opened up to a range of stakeholders, including NGOs, the national Congress and academia. Congress is further involved in the MTPDP implementation through the budget process. Economic committees of the House and Senate are responsible for overseeing all areas related to development planning.

Looking ahead to 2010, the government will need to maintain the momentum of reforms under way and continue to strengthen the institutional framework. It should mainstream recent reforms in government bureaucracies and more effectively link national, regional and local levels of government planning. Involving Congress in the development of the national development strategy could further strengthen the link between the budget and MTPDP. Addressing these challenges will allow the Philippines to even more firmly take ownership of its development process. ■

## ALIGNMENT

**FOR AID TO BE EFFECTIVE**, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

For the Philippines, performance on these indicators is uneven. Substantial reforms are underway to improve the PFM and procurement systems. However, limitations on capturing information on aid flows in the national budget exist as some aid flows do not require budget appropriations. Technical co-operation is well co-ordinated, and donors are using country systems. However, donors need to make more progress in providing predictable and untied aid, and in reducing the number of parallel project implementation units (PIUs).

## BUILDING RELIABLE COUNTRY SYSTEMS

### INDICATOR 2a

How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

As a middle-income country, the Philippines did not receive a CPIA score from the World Bank in the 2006 Baseline Survey. Thus, no specific 2010 target was set.

The Philippines has had PFM reforms under way for a number of years. Since 2002, the New Government Accounting System (NGAS) and the Electronic New Government Accounting System (e-NGAS) have been progressively adopted across various levels of government, and have improved transparency of the PFM system. The e-NGAS has improved the accuracy, reliability and timeliness of recording financial transactions and the timeliness of generating financial reports. The NGAS is now used by all government agencies; e-NGAS is used by more than 400 government agencies and units. Unfortunately, delays in approving the budget have undermined effective use of budget resources.

At the same time, systemic challenges remain. The rule of law needs to be strengthened and efforts to combat corruption need to be further pursued. In its 2007 Corruption Perceptions Index, Transparency International ranked the Philippines in the bottom one-third of countries. The MTPDP includes a number of anti-corruption and governance measures that are achieving some progress. A 2005 National Anti-Corruption Plan of Action sought to consolidate various measures being taken by the government, external partners, the private sector and civil society. Recently, a Procurement Transparency Group was created to monitor and evaluate government procurement activities, which are discussed below.

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

In the context of the 2008 Survey, the quality of a country's procurement system is assessed through the Methodology for the Assessment of National Procurement Systems, which was developed by the Joint Venture on Procurement. The methodology includes two components: the baseline indicators compare the country's systems to internationally-accepted good practice; and a new set of indicators assess overall performance of the system and compliance with national legislation and standards. The results of the procurement system self-assessment are expressed as grades on a four-point scale running from A (the highest) to D (the lowest).

Along with 8 of the 12 assessed countries, the Philippines received a C rating on a scale running from D (weak) to A (strong). The Philippine Public Procurement System exhibited strengths in five areas: legislative and regulatory framework; implementing documentation and regulations; a functional regulatory body; contract administration and dispute resolution provisions; and ethics and anti-corruption provisions. It was weakest in areas falling under Integrity and Transparency of Procurement System and Procurement Operations and Public Procurement Market Performance. The Paris Declaration 2010 target for the Philippines is to improve by one grade, from C to B.

The Procurement Reform Act of 2003 has improved transparency in the Philippines' procurement system and provided the framework for a standardised procurement process. Implementation rules and regulations were passed in 2003, along with capacity building measures and a national training programme. A Presidential Anti-Graft Commission, established in 2001, is strengthening the internal audit units of government agencies to ensure compliance with new procurement regulations. A Procurement Transparency Group has been established and is currently monitoring 43 public sector projects, with Civil Society Organisation (CSO) partners acting as observers. The government has also created the Government Procurement Policy Board to act as a single oversight body for public procurement, and adopted the Government Electronic Procurement System.

Several challenges remain, however. The Anti-Graft Commission has dismissed over 90% of its cases for lack of jurisdiction or evidence. The government's self-assessment found that regulating bodies and legislation were strong, but that actual procurement operations and practices still had significant weaknesses. The government needs to harmonise its procurement rules with the procurement systems of donors and ensure that reforms are implemented in local government units. The government should also focus on increasing the use of electronic procurement and consistently applying open competitive bidding methods.

## INDICATOR 2b

How reliable are country procurement systems?

## ALIGNING AID FLOWS ON NATIONAL PRIORITIES

## INDICATOR 3

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

TABLE 44.1:  
Are government budget  
estimates comprehensive  
and realistic?

|                        | Government budget estimates<br>of aid flows for 2007<br>(USD m) | Aid disbursed by donors for<br>government sector in 2007<br>(USD m) | 2007*     |            |
|------------------------|---|---|-----------|------------|
|                        | a   | b   | c = a / b | c = b / a  |
| Asian Development Bank | 0   | 419   | 0%        |            |
| Australia              | 0   | 0   | --        |            |
| Canada                 | 0   | 8   | 0%        |            |
| China                  | 0   | 105   | 0%        |            |
| European Commission    | 0   | 11  | 0%        |            |
| Germany                | 0   | 35  | 0%        |            |
| Global Fund            | 0   | 3   | 0%        |            |
| IFAD                   | 0   | 5   | 0%        |            |
| Japan                  | 0   | 449   | 0%        |            |
| Korea                  | 0   | 27  | 0%        |            |
| New Zealand            | 0   | 2   | 0%        |            |
| Spain                  | 0   | 14  | 0%        |            |
| Sweden                 | 0   | 0   | --        |            |
| United Kingdom         | 0   | 0   | 0%        |            |
| United Nations         | 0   | 12  | 0%        |            |
| United States          | 0   | 0   | 0%        |            |
| World Bank             | 0   | 384   | 0%        |            |
| Average donor ratio    | --  | --  | 0%        |            |
| <b>Total</b>           | <b>756</b>  | <b>1 474</b>  |           | <b>51%</b> |

\* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

In 2007, the aid disbursed by donors in the Philippines was twice as much as the government's budget estimate, yielding a disappointing score of 51% for Indicator 3. The 2010 target is to raise this ratio to 85%, the minimum acceptable standard agreed under the Paris Declaration. This large discrepancy in the Philippines relates mainly to the

limited information capture of aid flows in the budget. Under the General Appropriations Act (GAA), loan disbursements to government line agencies are recorded, but loans to other government bodies (including financial institutions) are not. As a result, ODA grants are automatically appropriated and not recorded in the annual budget. The government reports that 51% is a substantial increase from 2005 results. However, significant challenges remain to meeting the 2010 target. In the Philippine context, the GAA is not the appropriate tool to capture disbursements from donors to the government. The country report noted that, given the context, Indicator 3 may be less meaningful for the Philippines than for other countries, and that the NEDA's Annual ODA Portfolio Review Report (which is also submitted to Congress) would be a more appropriate source of information.

### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

### INDICATOR 4

|                        | Co-ordinated<br>technical co-operation<br>(USD m)<br>a | Total<br>technical co-operation<br>(USD m)<br>b | 2007<br>c = a / b |
|------------------------|--|---|-------------------|
| Asian Development Bank | 2  | 3   | 79%               |
| Australia              | 48   | 48  | 100%              |
| Canada                 | 8  | 21  | 38%               |
| China                  | 0  | 0   | 100%              |
| European Commission    | 11   | 11  | 100%              |
| Germany                | 11   | 13  | 86%               |
| Global Fund            | 0  | 0   | --                |
| IFAD                   | 5  | 5   | 100%              |
| Japan                  | 38   | 38  | 100%              |
| Korea                  | 4  | 4   | 94%               |
| New Zealand            | 2  | 2   | 100%              |
| Spain                  | 5  | 6   | 73%               |
| Sweden                 | 0  | 2   | 0%                |
| United Kingdom         | 0  | 0   | 0%                |
| United Nations         | 4  | 10  | 43%               |
| United States          | 69   | 69  | 100%              |
| World Bank             | 9  | 9   | 100%              |
| <b>Total</b>           | <b>218</b>   | <b>244</b>                                      | <b>89%</b>        |

Table 44.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

With 89% of USD 244 million in technical co-operation reported as co-ordinated, the Philippines exceeds the Paris 2010 target for Indicator 4. Donors have identified many opportunities for supporting capacity-building targets for discrete areas (e.g. anti-corruption and local governance) set out in the MTPDP and discussed at the PDF. At the same time, the country lacks a coherent capacity building strategy and related activities are largely fragmented.

### USING COUNTRY SYSTEMS

#### INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

**TABLE 44.3:**  
How much aid for  
the government sector  
uses country systems?

|                        | Aid disbursed<br>by donors for<br>government sector<br>(USD m)<br>a | Public financial management (PFM)   |  |                          |                         | Procurement                            |               |
|------------------------|---|-------------------------------------|--|--------------------------|-------------------------|--|---------------|
|                        |   | Budget<br>execution<br>(USD m)<br>b | Financial<br>reporting<br>(USD m)<br>c | Auditing<br>(USD m)<br>d | 2007<br>avg (b,c,d) / a | Procurement<br>systems<br>(USD m)<br>e | 2007<br>e / a |
|                        |   |                                     |  |                          |                         |  |               |
| Asian Development Bank | 419   | 325                                 | 0                                      | 0                        | 26%                     | 94                                     | 22%           |
| Australia              | 0   | 0                                   | 0                                      | 0                        | --                      | 0                                      | --            |
| Canada                 | 8   | 0                                   | 0                                      | 0                        | 1%                      | 0                                      | 4%            |
| China                  | 105   | 105                                 | 105                                    | 105                      | 100%                    | 0                                      | 0%            |
| European Commission    | 11  | 5                                   | 5                                      | 5                        | 51%                     | 5                                      | 51%           |
| Germany                | 35  | 0                                   | 0                                      | 0                        | 0%                      | 22                                     | 63%           |
| Global Fund            | 3   | 0                                   | 0                                      | 0                        | 0%                      | 0                                      | 0%            |
| IFAD                   | 5   | 5                                   | 5                                      | 5                        | 98%                     | 5                                      | 98%           |
| Japan                  | 449   | 409                                 | 409                                    | 409                      | 91%                     | 409                                    | 91%           |
| Korea                  | 27  | 21                                  | 21                                     | 21                       | 78%                     | 21                                     | 78%           |
| New Zealand            | 2   | 0                                   | 0                                      | 0                        | 0%                      | 1                                      | 44%           |
| Spain                  | 14  | 6                                   | 6                                      | 14                       | 63%                     | 14                                     | 100%          |
| Sweden                 | 0   | 0                                   | 0                                      | 0                        | --                      | 0                                      | --            |
| United Kingdom         | 0   | 0                                   | 0                                      | 0                        | 0%                      | 0                                      | 0%            |
| United Nations         | 12  | 0                                   | 0                                      | 0                        | 0%                      | 0                                      | 0%            |
| United States          | 0   | 0                                   | 0                                      | 0                        | 0%                      | 0                                      | 100%          |
| World Bank             | 384   | 373                                 | 250                                    | 373                      | 86%                     | 373                                    | 97%           |
| <b>Total</b>           | <b>1 474</b>  | <b>1 251</b>                        | <b>802</b>                             | <b>933</b>               | <b>68%</b>              | <b>945</b>                             | <b>64%</b>    |

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.



The Philippines performed well on Indicator 5a. In 2007, 68% of aid used public financial management (PFM) systems. This is impressive when compared to an average score of 40% for countries in the 2006 Baseline Survey. In the 2008 Survey, some 60% of donors in the Philippines used PFM systems for a portion of their funds; nearly 50% used PFM systems for the majority of aid disbursed. Financial reporting mechanisms were used significantly less than auditing and budget execution mechanisms.

The Paris Declaration 2010 target for Indicator 5a depends on the score for Indicator 2a, which the Philippines did not receive. Nonetheless, assuming the score would fall in the range of 3.5-4.5 (moderately weak to moderately strong), the 2010 target would be 70% (representing a one-fifth reduction in non-use of PFM systems). Based on its own data, the government has set itself an even more ambitious target of 83%.

The volume of aid – 64% in 2007 – using country procurement systems was also relatively high, with a higher proportion of donors (73%) using the procurement systems. This represents a sharp rise from figures recorded in the government’s own monitoring survey in 2007, and is most likely the result of significant progress in procurement harmonisation and other reforms driven by the 2003 Government Procurement Reform Act.

Use of procurement system targets for 2010 are set only for countries that received an A or B rating for Indicator 2b in the 2006 Baseline Survey. As the Philippines received a score of C, no specific target was set for 2010.

#### AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

|                        | 2007<br>(units) |
|------------------------|-----------------|
| Asian Development Bank | 0               |
| Australia              | 8               |
| Canada                 | 5               |
| China                  | 1               |
| European Commission    | 2               |
| Germany                | 0               |
| Global Fund            | 0               |
| IFAD                   | 0               |
| Japan                  | 0               |
| Korea                  | 0               |
| New Zealand            | 3               |
| Spain                  | 0               |
| Sweden                 | 3               |
| United Kingdom         | 1               |
| United Nations         | 10              |
| United States          | 0               |
| World Bank             | 0               |
| <b>Total</b>           | <b>33</b>       |

#### INDICATOR 6

TABLE 44.4:  
How many PIUs are parallel  
to country structures?

In 2007, the Philippines reported 33 PIUs. Following the Paris Declaration 2010 target of a two-thirds reduction in parallel PIUs, and taking into account that the country has three years (instead of five) to fulfil its obligations, the 2010 target for the Philippines is to reduce this number to 31.

Overall, the number of PIUs has decreased at an uneven rate since 2005. According to data reported through the government's own aid-monitoring process in 2007, the number of PIUs increased in 2006 and fell again in 2007. Progress has also been uneven amongst donors: most donors decreased PIUs in 2007, but some increased their number substantially. Nonetheless, the trend is clearly downwards: donors are taking steps to merge PIUs, move them into government line agencies, or use pre-existing structures.

### PROVIDING MORE PREDICTABLE AID

#### INDICATOR 7

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

TABLE 44.5:  
Are disbursements  
on schedule and recorded  
by government?

|                        | Disbursements recorded<br>by government in 2007<br>(USD m)<br>a | Aid scheduled by donors<br>for disbursement in 2007<br>(USD m)<br>b | Aid disbursed by donors for<br>government sector in 2007<br>(USD m)<br>for reference only | 2007*      |           |
|------------------------|---|---|---|------------|-----------|
|                        |   |   |   | c = a / b  | c = b / a |
| Asian Development Bank | 0   | 415   | 419   | 0%         |           |
| Australia              | 0   | 0   | 0   | --         |           |
| Canada                 | 0   | 8   | 8   | 0%         |           |
| China                  | 0   | 105   | 105   | 0%         |           |
| European Commission    | 0   | 34  | 11  | 0%         |           |
| Germany                | 0   | 30  | 35  | 0%         |           |
| Global Fund            | 0   | 0   | 3   | --         |           |
| IFAD                   | 0   | 5   | 5   | 0%         |           |
| Japan                  | 0   | 449   | 449   | 0%         |           |
| Korea                  | 0   | 0   | 27  | --         |           |
| New Zealand            | 0   | 2   | 2   | 0%         |           |
| Spain                  | 0   | 13  | 14  | 0%         |           |
| Sweden                 | 0   | 0   | 0   | --         |           |
| United Kingdom         | 0   | 0   | 0   | 0%         |           |
| United Nations         | 0   | 19  | 12  | 0%         |           |
| United States          | 0   | 0   | 0   | 0%         |           |
| World Bank             | 0   | 180   | 384   | 0%         |           |
| Average donor ratio    | --  | --  | --  | 0%         |           |
| <b>Total</b>           | <b>1 619</b>  | <b>1 262</b>  | <b>1 474</b>  | <b>78%</b> |           |

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

In 2007, 78% of what the government recorded had been scheduled for disbursement by donors and the intention communicated to the government. In this case, aid recorded exceeded aid scheduled for disbursement. This discrepancy is due to delays in programme implementation, in which case funds scheduled for earlier disbursement were carried over into 2007. Table 5 reveals a further inconsistency between government and development partner records of aid disbursed, with government estimates 10% higher.

The Paris Declaration 2010 target is to close the predictability gap by one-half. For the Philippines, a first-time survey participant with three (rather than five) years to meet the target, an appropriate level of ambition would be to increase predictability to 85% by 2010. Meeting this target should be possible, but will require donors and the government to improve information sharing and recording systems, as well as estimates of volume and timing of disbursements. Timely legislative approval of the budget, which has previously been a challenge, will also help donors align their assistance to the national budget.

## UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

In 2006 Baseline Survey, the average level of untied aid for participating countries was 75%. The most recent OECD data for the Philippines, covering 61% of aid provided by donors from OECD’s Development Assistance Committee (OECD-DAC), shows that a somewhat disappointing 46% of aid was untied in 2006; this is a significant drop from 2005 data that recorded 63% in untied aid. Given the low level of coverage in the 2008 Survey, the new figure may be inaccurate. Most untied aid comes from multi-lateral donors, although some bi-lateral partners are making efforts in this area. The European Community has partially untied its aid in recent years. The 2010 target is continued improvement from the baseline of 63% in 2005. ■

## INDICATOR 8

How much aid is untied?

## HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis. In the Philippines, there is an overall positive trend toward harmonisation, but baseline levels are generally low and considerable progress will be necessary to reach the 2010 targets.

### USING COMMON ARRANGEMENTS

#### INDICATOR 9

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

TABLE 44.6:  
How much aid is  
programme based?

|                        | Programme-based approaches (PBAs) |                            |                               | Total aid disbursed<br>(USD m)<br>d | 2007<br>e = c / d |
|------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------------------------|-------------------|
|                        | Budget support<br>(USD m)<br>a    | Other PBAs<br>(USD m)<br>b | Total<br>(USD m)<br>c = a + b |                                     |                   |
| Asian Development Bank | 325                               | 0                          | 325                           | 419                                 | 77%               |
| Australia              | 0                                 | 9                          | 9                             | 50                                  | 19%               |
| Canada                 | 0                                 | 0                          | 0                             | 21                                  | 0%                |
| China                  | 0                                 | 0                          | 0                             | 105                                 | 0%                |
| European Commission    | 5                                 | 0                          | 5                             | 33                                  | 17%               |
| Germany                | 0                                 | 3                          | 3                             | 35                                  | 10%               |
| Global Fund            | 0                                 | 3                          | 3                             | 29                                  | 9%                |
| IFAD                   | 0                                 | 0                          | 0                             | 5                                   | 0%                |
| Japan                  | 0                                 | 0                          | 0                             | 711                                 | 0%                |
| Korea                  | 0                                 | 0                          | 0                             | 27                                  | 0%                |
| New Zealand            | 0                                 | 0                          | 0                             | 2                                   | 0%                |
| Spain                  | 0                                 | 0                          | 0                             | 22                                  | 0%                |
| Sweden                 | 0                                 | 0                          | 0                             | 4                                   | 0%                |
| United Kingdom         | 0                                 | 0                          | 0                             | 0                                   | 0%                |
| United Nations         | 2                                 | 3                          | 6                             | 15                                  | 40%               |
| United States          | 0                                 | 21                         | 21                            | 89                                  | 23%               |
| World Bank             | 250                               | 5                          | 255                           | 384                                 | 66%               |
| <b>Total</b>           | <b>583</b>                        | <b>45</b>                  | <b>628</b>                    | <b>1 951</b>                        | <b>32%</b>        |

In 2007, 32% of aid to the Philippines was provided through PBAs, almost all of which was for budget support. Performance between donors was highly variable, particularly between multi-lateral and bi-lateral donors. Two-thirds of multi-lateral aid was provided through PBAs, compared to just 3% of bi-lateral aid. This is especially significant since bi-lateral aid accounts for more than one-half of total aid. The government notes that the country offices of some development partners encounter resistance from their headquarters in attempting to shift toward PBAs in their programming. Although performance on Indicator 9 is disappointing overall, it represents a significant increase over similar data collected by the Philippine government for 2005. To reach the Paris Declaration 2010 target of 66% of aid provided by PBAs, bi-lateral donors in particular will have to make significant efforts to increase their use of this approach.

### CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

### INDICATOR 10a

|                        | Co-ordinated donor missions*<br>(missions)<br>a | Total donor missions<br>(missions)<br>b | 2007<br>c = a / b |
|------------------------|---|---|-------------------|
| Asian Development Bank | 0   | 54                                      | 0%                |
| Australia              | 4   | 4                                       | 100%              |
| Canada                 | 0   | 7                                       | 0%                |
| China                  | 0   | 0                                       | --                |
| European Commission    | 4   | 23                                      | 17%               |
| Germany                | 1   | 3                                       | 33%               |
| Global Fund            | 0   | 4                                       | 0%                |
| IFAD                   | 6   | 9                                       | 67%               |
| Japan                  | 0   | 80                                      | 0%                |
| Korea                  | 30  | 34                                      | 88%               |
| New Zealand            | 0   | 2                                       | 0%                |
| Spain                  | 0   | 4                                       | 0%                |
| Sweden                 | 0   | 1                                       | 0%                |
| United Kingdom         | 0   | 2                                       | 0%                |
| United Nations         | 21  | 21                                      | 100%              |
| United States          | 11  | 18                                      | 61%               |
| World Bank             | 9   | 44                                      | 20%               |
| <b>Total</b>           | <b>65</b>                                       | <b>310</b>                              | <b>21%</b>        |

TABLE 44.7:  
How many donor missions  
are co-ordinated?

\* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

In 2007, 21% of the 310 development partner missions in the Philippines were co-ordinated. A relatively small number of donors, including the three major donors, were responsible for most of the missions not conducted jointly. There are signs of a trend towards joint missions, for example, in the health sector and in the Mindanao region. However, to meet the Paris Declaration 2010 target of 40% of missions being conducted jointly, concerted efforts will have to be made to increase co-ordination – especially on the part of major donors.

#### INDICATOR 10b

Indicator 10b shows that 33% of analytical work in the Philippines in 2007 was co-ordinated. Data collected independently by the Philippine government registers a steady increase of co-ordination from 2005. Encouragingly, the data also track a decrease in the overall amount of analytical work carried out. These results reflect several strong partnerships between external actors. For example, the ADB and the World Bank have participated in multiple joint reviews and surveys, as have a number of bi-lateral donors. Despite moving in the right direction, the Philippines is still some way from the 2010 target of 66% of analytical work being co-ordinated. ■

**TABLE 44.8:**  
How much country analysis  
is co-ordinated?

|                        | Co-ordinated<br>donor analytical work*<br>(analyses)<br>a | Total<br>donor analytical work<br>(analyses)<br>b | 2007<br><br>c = a / b |
|------------------------|---|---|-----------------------|
| Asian Development Bank | 0   | 2   | 0%                    |
| Australia              | 1   | 2   | 50%                   |
| Canada                 | 0   | 1   | 0%                    |
| China                  | 0   | 0   | --                    |
| European Commission    | 0   | 0   | --                    |
| Germany                | 4   | 6   | 67%                   |
| Global Fund            | 0   | 1   | 0%                    |
| IFAD                   | 1   | 1   | 100%                  |
| Japan                  | 0   | 0   | --                    |
| Korea                  | 0   | 1   | 0%                    |
| New Zealand            | 0   | 0   | --                    |
| Spain                  | 0   | 1   | 0%                    |
| Sweden                 | 0   | 0   | --                    |
| United Kingdom         | 0   | 0   | --                    |
| United Nations         | 3   | 3   | 100%                  |
| United States          | 2   | 6   | 33%                   |
| World Bank             | 1   | 3   | 33%                   |
| <b>Total</b>           | <b>9</b>  | <b>27</b>   | <b>33%</b>            |

\* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

## MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

The Philippines did not receive a rating from the World Bank for Indicator 11 as part of its assessment. Thus, no specific 2010 target can be set. Still, the World Bank’s assessment is optimistic regarding the Philippines’ system and data, while also noting some shortcomings. It indicates improvement in the quality and availability of poverty-related data: the national poverty monitoring system draws on data collected from various censuses, surveys and administrative records of government agencies. However, data from the National Statistics Office are often not disaggregated by gender or region, and poverty information beyond income-based data is often missing. Recent exercises have begun to address these weaknesses. For example, the 2005 Second Progress Report on the MDGs collected data disaggregated by gender and region, and used new systems to increase the involvement of communities and local governments in data collection and monitoring. Information on government policies, including the MTPDP, is easily accessible and disseminated regularly to government agencies, selected local governments, Congress and selected private sector organisations. All documents are available online in English on NEDA’s website.

The NEDA plays a central role in co-ordinating country-level monitoring and evaluation, and in formulating the MTPDP. Its secretariat annually prepares a socio-economic report that analyses progress on MTPDP implementation. Centralising these functions within NEDA facilitates communication with the Cabinet, representatives of which sit on the NEDA board committees. External partners are supporting the installation and dissemination of statistics software down to the local government level to improve monitoring, as well as the development of a web-based ODA information system to monitor ODA financing and projects.

### INDICATOR 11

Do countries have results-based monitoring frameworks?

The Department of Budget and Management (DBM) carries out the Organizational Performance Indicator Framework (OPIF), a system that provides a logical framework (log-frame) linking the outputs and outcomes of departments/agencies, thereby aiming to provide performance measurement to improve agency performance and guide resource allocation decisions. The direct output of the OPIF process is a log-frame for each agency, specifying societal goals, sectoral goals, organisational outcomes, major final outputs, and programmes and projects. The OPIF is designed to operate with links to existing planning processes (e.g. the MTPDP and strategic planning matrices) that establish broad goals for all areas of the plan and to provide preliminary output targets for each area.

Technical working group meetings, led by the government, use a shared results framework that focuses on specific outcomes. The working groups provide a useful platform for key activities such as deepening dialogue between government and donors, exchanging best practices, identifying and assessing beneficiary outcomes, determining appropriate indicators and targets, and identifying promising areas for co-ordination.

The Philippines is making progress on Indicator 11. However, the government notes that rolling out new systems for data collection and monitoring is challenging and that it is taking time to clarify how these new systems will be managed. Better incentives to use the systems would encourage implementing agencies to adopt them more quickly. Weak accountability for higher order results also remains a challenge. In the coming years, the government and donors will have to work together to more fully develop monitoring and evaluation systems, and continue building capacity to use these systems effectively. ■

## MUTUAL ACCOUNTABILITY

### INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

Although formal monitoring and evaluation systems are not fully developed in the Philippines, a mutual assessment of aid effectiveness is slowly taking place. Elements of such a system exist in some sectors and in some government-donor partnerships, but support from donors is variable. For example, the Philippine Harmonisation and Action Plan has been formulated and is currently being discussed with various donors. Several mechanisms that are more operational in nature are now in place, including the annual Philippines Development Forum and regular portfolio reviews. These steps are encouraging; however, both the government and donors will have to show a concerted commitment to make a full assessment possible by 2010. ■



## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE PHILIPPINES SHOWS SOME PROMISING RESULTS as a first time participant in the Paris Declaration Monitoring Survey, including strong ownership, substantial reforms in PFM and procurement systems, and a high degree of co-ordinated technical assistance. One main area to address is information sharing and capture: inadequate recording systems lead to inaccurate government estimates of aid flows. A relatively large proportion of aid uses country systems, but donors (particularly bi-lateral donors) need to increase efforts in three areas: co-ordinating aid through PBAs; conducting joint missions and country analytical work; and reducing the number of parallel PIUs. ■

| INDICATORS |  | 2007          | 2010 TARGET    |
|------------|--|---------------|----------------|
| 1          | Operational development strategies                 | Not available | Not applicable |
| 2a         | Reliable public financial management (PFM) systems | Not available | Not applicable |
| 2b         | Reliable procurement systems                       | C             | B              |
| 3          | Aid flows are aligned on national priorities       | 51%           | 85%            |
| 4          | Strengthen capacity by co-ordinated support        | 89%           | 50%            |
| 5a         | Use of country PFM systems                         | 68%           | 70%            |
| 5b         | Use of country procurement systems                 | 64%           | Not applicable |
| 6          | Strengthen capacity by avoiding parallel PIUs      | 33            | 31             |
| 7          | Aid is more predictable                            | 78%           | 85%            |
| 8          | Aid is untied                                      | 46%           | More than 63%  |
| 9          | Use of common arrangements or procedures           | 32%           | 66%            |
| 10a        | Joint missions                                     | 21%           | 40%            |
| 10b        | Joint country analytical work                      | 33%           | 66%            |
| 11         | Results-based monitoring frameworks                | Not available | Not applicable |
| 12         | Mutual accountability                              | No            | Yes            |

**SUMMARY**  
TABLE 44.9

## CONTRIBUTORS

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## ACRONYMS

|          |  |
|----------|--|
| CPIA     | Country Policy and Institutional Assessment    |
| CSO      | Civil Society Organisation                     |
| DBM      | Department of Budget and Management            |
| E-NGAS   | Electronic New Government Accounting System    |
| GAA      | General Appropriations Act                     |
| GNI      | gross national income                          |
| IDA      | International Development Association          |
| MDG      | Millennium Development Goal                    |
| MTEF     | medium-term expenditure framework              |
| MTPDP    | Medium-Term Philippine Development Plan        |
| MTPIP    | Medium-Term Public Investment Programme        |
| NEDA     | National Economic and Development Authority    |
| NGAS     | New Government Accounting System               |
| NGO      | non-governmental organisation                  |
| OECD-DAC | OECD Development Assistance Committee          |
| ODA      | official development assistance                |
| OPIF     | Organisational Performance Indicator Framework |
| PBA      | programme-based approach                       |
| PDF      | Philippine Development Forum                   |
| PFM      | public financial management                    |
| PIU      | project implementation unit                    |
| UN       | United Nations                                 |