
PHILIPPINES

INTRODUCTION

THE PHILIPPINES is a lower-middle income country with a gross national income (GNI) of USD 1 790 per capita (2009) which has grown at an average rate of 1% per annum since 2005 (WDI, 2011). It has a population of 92 million, 23% of whom (20 million people) lived under the 1.25 dollar-a-day income poverty line in 2006 (WDI, 2011).

May 2010 marked the beginning of a new administration in the Philippines following general and presidential elections. Net official development assistance (ODA) to the Philippines in 2009 totalled USD 310 million (OECD, 2011). Since 2005, net ODA has averaged 0.3% of GNI and 2% of central government expense (WDI, 2011). In 2009 the top five donors contributed 85% of the Philippines' core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. Some progress has been achieved in terms of alignment of donor processes to country systems, as well as in the harmonisation of efforts and procedures among donor agencies. More efforts are required for mutual accountability in terms of a strengthened role for congress, as well as transparency and governance.

General recommendations have been made during consultation with various stakeholders for: (i) closer collaboration between the Philippines and its donors to work towards achieving future progress on the Paris monitoring indicators, (ii) current efforts to be sustained and further operationalised down to the local levels, and (iii) soliciting the continued support of donors in order to enhance the implementation process as well as to build on current gains. ■

TABLE 1:
Baselines and targets
for 2010

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	--	--	B	B or A
2a	Reliable public financial management (PFM) systems	--	--	--	No Target
2b	Reliable procurement systems	Not available	C	Not available	No Target
3	Aid flows are aligned on national priorities	--	51%	26%	85%
4	Strengthen capacity by co-ordinated support	--	89%	98%	50%
5a	Use of country PFM systems	--	68%	72%	No Target
5b	Use of country procurement systems	--	64%	64%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	33	9	No Target
7	Aid is more predictable	--	78%	26%	No Target
8	Aid is untied	68%	81%	85%	More than 68%
9	Use of common arrangements or procedures	--	32%	53%	66%
10a	Joint missions	--	18%	28%	40%
10b	Joint country analytic work	--	33%	75%	66%
11	Results-oriented frameworks	--	--	C	B or A
12	Mutual accountability	Not available	N	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Achievement: A long-term vision is closely tied to the plans and processes of the national development strategy.	Priority action: To broaden and intensify dialogue with congress and civil society to achieve more meaningful country ownership.
Alignment	Challenge: Difficulties in complying with financial reporting requirements and documentation processes, among other common implementation issues.	Priority action: To establish a national capacity framework/programme that harmonises and links efforts from national government agencies, local government units and donors.
Harmonisation	Achievement: A larger group of partners have agreed to participate in joint planning and the review of previous arrangements.	Lesson: To use programme-based approaches in improving the co-ordination of donors' efforts and division of labour at the country level.
Managing for results	Achievement: Millennium Development Goals are being closely pursued and surpassed in a number of areas.	Priority action: Government and donors should work together to more fully develop monitoring and evaluation systems.
Mutual accountability	Challenge: Joint evaluation of both ongoing and completed projects by the government, various agencies and donors is relatively low.	Priority action: Formulate a time-bound action plan in order to increase joint analytical work

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 19 donors and 95% of the Philippines's core aid. The Philippines participated in the Paris Declaration Monitoring Survey for the first time in 2008. The 2011 Survey was conducted under the auspices of the Philippine Harmonization Committee (PHC) composed of various oversight agencies such as the Department of Finance (DOF), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) and Commission of Audit (COA). NEDA acts as the PD evaluation secretariat. On its own initiative, the Philippines also collected data for 2005 and 2006 where feasible (although this data was not included in the 2006 Survey). ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership 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 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

The Philippines received a rating of B for the year 2010. This means progress is being made to strengthen country ownership, although the basis exists for further substantive progress. There is no data available for indicator 1 (operational development strategies) from the previous surveys since the World Bank did not give the Philippines a rating given its status as a middle income country, and therefore it is not possible to assess progress over time for this indicator. The Philippines' national development strategy (NDS) is the Philippine Development Plan (PDP) 2011-2016 formulated in 2010. The formulation process for the PDP involved a variety of stakeholders through consultations. These were held at both national and regional level, and engaged key stakeholders from each sector. In addition the consultations allowed for civil society participation alongside that of government agencies and institutions. This collaborative process formally resulted in the 'Citizen's Roadmap', which details stakeholders' combined recommendations on the PDP.

The PDP is used as a reference point for budget planning, as well as for policy formulation and programme project planning. It encompasses a number of sector-specific and sub-national strategies, cross-cutting issues and the Millennium Development Goals. It is also used in the formulation of medium-term fiscal and expenditure frameworks.

INDICATOR 1

Do countries have operational development strategies?

The PDP is linked to the budget via a range of tools designed to provide a basis for performance orientation in budgeting. It is costed in the Public Investment Program, which is a component of the current medium-term expenditure framework. The targets of the PDP are prioritised, with a marked emphasis placed on enhancing consistency between objectives and institutional responsibilities. The priorities set out in the PDP provide a reference point for the review and approval processes of investment programmes and development plans at both sector and regional levels.

The Government of the Philippines is facing challenges in its attempts to broaden and intensify dialogue with congress and civil society organisations, in order to achieve more meaningful country ownership. Despite the challenges, however, there are grounds for optimism. On the whole, the Philippines is able to claim ownership over its development agenda and processes. The fact that it has recently developed clear, results-oriented strategic priorities and programs is indicative of this. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

The Philippines' performance on alignment indicators is uneven. Indicators on co-ordinated capacity development (indicator 4) and untied aid (indicator 8) reflect the most progress of all alignment indicators. This may be the result of increased co-operation between the government, donors and other stakeholders in recent years. On the other hand, indicators on the alignment of aid flows to national priorities (indicator 3), and aid predictability (indicator 7) have shown the least improvement. This may be due to domestic weaknesses regarding documentation processes.

INDICATOR 2 Building reliable country systems

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

INDICATOR 2a How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. 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).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system 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 with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

For 2010 no assessment was available on the reliability of public financial management systems. However, prior to the launch of the Paris Declaration, the Philippines had already started several country-led programmes on public financial management reform. Nevertheless, challenges remain in budget execution, accounting, reporting and auditing due to a lack of accountability and transparency, which remains inconsistent with international standards. For example, a Public Expenditure and Financial Accountability Assessment approved by the government in 2010 identified several PFM reform bottlenecks, such as: (a)

variable effectiveness of inter-agency co-ordination; (b) fragmented information systems; (c) frequent changes in the leadership of agencies involved in PFM; (d) a lack of strong reform impetus from the executive or legislature in that there is no PFM reform bill or policy mandating reform.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

The Philippines was not able to carry out an assessment of its procurement systems for 2010, and as such no formal rating can be given. However, the country was able to carry out a self-assessment in 2008 when the procurement systems were rated C. The Philippines has taken concrete steps to improve the reliability of its procurement systems, which include the enactment of the Government Procurement Reform Act (GPRA) in 2003 *i.e.* prior to the Paris Declaration. This act implemented reforms strengthening the Philippine government electronic procurement system, the central portal of all public procurement, and issuing the revised implementing rules and regulations for the GPRA. These steps have contributed to a more transparent procurement system, more efficient transactions and a more competitive environment, although weaknesses in implementation and enforcement of the GPRA remain.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget. Aid disbursed by donors to the Philippines was more than triple the government's budget estimate in 2010, which has resulted in the allocation of a score of 26% for this indicator. This falls far short of the 85% target, and also constitutes a considerable setback from the 2007 figure of 51%.

The discrepancies between the amount of aid disbursed by donors and government estimates can be explained in part by i) the exclusion of ODA grants and loans that go to government owned and controlled corporations and government financial institutions; and ii) the partial recording of grants in the budget of expenditures and sources of financing. As a result, this indicator may be less meaningful for the Philippines than for other countries.

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

Aligning aid flows on national priorities

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%)		
							c = a / b	c = b / a	
Asian Dev. Bank	27	38	--	--	--	--	71%		0
Australia	0	67	--	--	--	--	0%		18
Canada	0	5	--	--	--	--	0%		2
China	0	79	--	--	--	--	0%		0
Denmark	0	0	--	--	--	--	--		0
EU Institutions	0	1	--	--	--	--	0%		17
France	94	199	--	--	--	--	47%		0
Germany	6	32	--	--	--	--	18%		0
Global Fund	0	4	--	--	--	--	0%		0
IFAD	5	19	--	--	--	--	28%		0
Japan	178	662	--	--	--	--	27%		4
Korea	38	28	--	--	--	--		73%	0
New Zealand	0	1	--	--	--	--	0%		0
Spain	15	20	--	--	--	--	76%		11
Sweden	--	--	--	--	--	--	--		0
United Kingdom	13	0	--	--	--	--		0%	0
United Nations	0	29	--	--	--	--	0%		0
United States	6	74	--	--	--	--	8%		0
World Bank	62	472	--	--	--	--	13%		0
Average donor ratio			--	--	--	--	21%		
Total	444	1 729	--	--	51%	--	26%		52

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

INDICATOR 7
Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. 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 manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

The Philippines attained a score of 26% on the predictability of aid in 2010. Although there was no target for this indicator in 2010, this is substantially lower than the 2007 score of 78%. The stronger 2007 performance could be attributed in part to delays in programme implementation on various projects which resulted in funds scheduled for earlier disbursements being carried over to 2007.

Considerable efforts will be needed in order to improve the predictability of aid. On the part of government, it will be necessary to minimise under-reporting in the recording of actual disbursements, as well as to ensure timely legislative approval of the budget. Currently, not all grant financing is systematically recorded

in the budget – only recipient-executed grants are recorded in a systemic manner. Donor alignment with the annual budgetary framework also depends on the government's timely production of the annual budget. The comprehensiveness of government's recording of disbursements by donors should also be an area of priority.

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
			(for reference)	(for reference)	(for reference)	(for reference)	c = a / b (%)	c = b / a (%)		e = d / b (%)	e = b / d (%)
Asian Dev. Bank	0	42	--	--	--	--	0%	38	90%		
Australia	0	0	--	--	--	--	--	67		0%	
Canada	0	6	--	--	--	--	0%	5	92%		
China	0	70	--	--	--	--	0%	79		88%	
Denmark	0	0	--	--	--	--	--	0	--		
EU Institutions	0	3	--	--	--	--	0%	1	32%		
France	0	199	--	--	--	--	0%	199	100%		
Germany	1	32	--	--	--	--	4%	32		100%	
Global Fund	0	4	--	--	--	--	0%	4		93%	
IFAD	15	19	--	--	--	--	82%	19	100%		
Japan	100	638	--	--	--	--	16%	662		96%	
Korea	0	13	--	--	--	--	0%	28		48%	
New Zealand	0	1	--	--	--	--	0%	1	96%		
Spain	0	19	--	--	--	--	0%	20		95%	
Sweden	--	--	--	--	--	--	--	--	--		
United Kingdom	0	0	--	--	--	--	--	0	--		
United Nations	0	39	--	--	--	--	0%	29	74%		
United States	0	74	--	--	--	--	0%	74	100%		
World Bank	307	443	--	--	--	--	69%	472		94%	
Average donor ratio			--	--	--	--	11%			81%	
Total	423	1 601	--	78%	--	78%	26%	1 729	93%		

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

** Ratio is $e=d/b$ except where disbursements recorded by donors are greater than aid scheduled for disbursement ($e=b/d$).

TABLE 4:
Are disbursements on schedule and recorded by government?

On the part of donors, it is imperative to improve on information-sharing and recording, both amongst donors and between donors and government. In addition, it is important that donors make accurate and realistic projections of disbursements. Challenges remain in terms of difficulties in complying with financial reporting requirements, for example, in disbursements, liquidation and replenishment.

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation 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. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

INDICATOR 4
Co-ordinating support to strengthen capacity

TABLE 5:
How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	7	7	--	79%	100%
Australia	52	52	--	100%	100%
Canada	6	6	--	38%	100%
China	0	0	--	100%	0%
Denmark	0	0	--	--	--
EU Institutions	6	9	--	100%	74%
France	0	0	--	--	100%
Germany	14	14	--	86%	97%
Global Fund	0	0	--	--	--
IFAD	0	0	--	100%	--
Japan	55	55	--	100%	100%
Korea	4	4	--	94%	100%
New Zealand	1	1	--	100%	100%
Spain	5	5	--	73%	100%
Sweden	--	--	--	0%	--
United Kingdom	0	0	--	0%	--
United Nations	25	30	--	43%	85%
United States	138	138	--	100%	100%
World Bank	12	12	--	100%	100%
Total	326	333	--	89%	98%

In 2010, the Philippines exceeded the target with a score of 98% on co-ordinated technical co-operation, surpassing the 2008 Survey score of 89%. All donors providing technical co-operation to the country in 2010 scored highly. In recent years there has been an increased focus on co-ordinated technical support initiatives in the Philippines. For instance, a national training programme for procurement was formulated, to be jointly implemented with major donors. Co-ordinated assistance has also focused on developing capacity with regard to public financial management, investment programming, expenditure frameworks and managing for results.

Despite this strong performance, efforts should continue to ensure sustainable and consistent progress. The establishment of a national capacity development framework/programme would constitute a positive step towards linking the capacity-building programmes of national government agencies, local government units and donors. Additionally, the Philippines Development Plan has identified a number of capacity constraints. Plans for capacity-development are detailed in specific areas, such as the plans to support anti-corruption efforts. However, these plans are not yet integrated with other capacity-building programmes.

Furthermore, donors have identified opportunities for co-ordinated capacity-development efforts in a number of areas, such as in supporting local governments and improving the investment climate. Many partners, including the World Bank, have pledged to support the government's capacity-development in key areas, including the investigation and prosecution of tax in order to address the backlog of cases and achieve procurement reform.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits 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. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5
Using country systems

	Aid disbursed by donors for government sector (USD m) a	Public financial management						Procurement			
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) avg(b,c,d)/a	Proc. systems (USD m) e	2005 (for reference)	2007 (for reference)	2010 (%) e / a
Asian Dev. Bank	38	0	31	0	--	26%	27%	8	--	22%	21%
Australia	67	0	0	0	--	--	0%	0	--	--	0%
Canada	5	1	0	0	--	1%	5%	1	--	4%	15%
China	79	0	0	0	--	100%	0%	0	--	0%	0%
Denmark	0	0	0	0	--	--	--	0	--	--	--
EU Institutions	1	0	0	0	--	51%	0%	0	--	51%	0%
France	199	199	199	199	--	--	100%	0	--	--	0%
Germany	32	3	18	18	--	0%	41%	18	--	63%	57%
Global Fund	4	0	4	4	--	0%	67%	1	--	0%	14%
IFAD	19	19	19	19	--	98%	100%	19	--	98%	100%
Japan	662	576	576	576	--	91%	87%	576	--	91%	87%
Korea	28	11	11	11	--	78%	40%	11	--	78%	40%
New Zealand	1	0	0	0	--	0%	0%	0	--	44%	0%
Spain	20	20	20	20	--	63%	100%	20	--	100%	100%
Sweden	--	--	--	--	--	--	--	--	--	--	--
United Kingdom	0	0	0	0	--	0%	--	0	--	0%	--
United Nations	29	3	3	3	--	0%	10%	5	--	0%	16%
United States	74	0	0	0	--	0%	0%	0	--	100%	0%
World Bank	472	471	250	471	--	86%	84%	446	--	97%	94%
Total	1 729	1 302	1 130	1 321	--	68%	72%	1 103	--	64%	64%

TABLE 6:
How much aid for the government sector uses country systems?

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

In 2010, 72% of all development assistance utilised national PFM systems in – a slight increase from the 2007 figure of 68%. It is worth noting that although this progress appears to constitute a modest improvement, it does indicate that there has been sustainability in the use of country PFM systems. Moreover, it is reasonable to expect that there will be a future increase in the use of country systems if the government effectively implements current PFM reforms. For example, it is developing the government integrated financial management and information system, which aims to strengthen financial management capacity by linking budget preparation and execution, accounting, cash management, reporting and auditing.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

In 2010, as in 2007, 64% of aid made use of the Philippines' procurement system. Although no target was set for this indicator for 2010, figures collected independently by the Government of the Philippines show that 37% of aid used country procurement systems in 2005, this indicates that progress is being made.

INDICATOR 5a
Use of country public financial management systems

INDICATOR 5b
Use of country procurement systems

INDICATOR 6
Avoiding parallel
implementation
structures

Progress is likely to be the result of significant improvements in procurement capacity following the 2003 GPRA. Notable aspects of this act include the reinforcement of the role of the Philippine government electronic procurement system – a central portal for all public procurement activities, and the issuance of revised implementing rules and regulations.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by 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 development 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 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

TABLE 7:
How many PIUs are
parallel to country
structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	--	0	0
Australia	--	8	6
Canada	--	5	2
China	--	1	0
Denmark	--	--	0
EU Institutions	--	2	0
France	--	--	0
Germany	--	0	0
Global Fund	--	0	0
IFAD	--	0	0
Japan	--	0	0
Korea	--	0	0
New Zealand	--	3	1
Spain	--	0	0
Sweden	--	3	--
United Kingdom	--	1	0
United Nations	--	10	0
United States	--	0	0
World Bank	--	0	0
Total	--	33	9

In 2010, the Philippines reported that only nine parallel implementation units (PIUs) were in place, consisting of PIUs established by only three donors. This is a significant decline since 2007, when 33 were reportedly in place.

Taking into account previous data collected independently by the Government of the Philippines (which was not included in the 2006 Survey) the number of parallel PIUs has consistently declined since 2005, when as many as 69 were recorded. This suggests that donors are either taking steps to merge PIUs, move them into government line agencies, or use pre-existing structures, any of which would be encouraging steps towards reducing the number of PIUs. Of the three donors with PIUs, Australia had the highest number of parallel PIUs (six PIUs), followed by Canada (two PIUs) and New Zealand (one PIU).

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

INDICATOR 8 Untying aid

TABLE 8:
How much bilateral aid
is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	43.6	43.6	100%	100%	100%
Austria	0.3	0.3	86%	15%	100%
Belgium	2.7	2.7	51%	100%	100%
Canada	4.3	4.3	11%	97%	100%
Denmark	0.8	0.8	13%	100%	100%
Finland	0.3	0.2	--	--	80%
France	1.4	1.4	100%	92%	100%
Germany	30.4	30.1	72%	100%	99%
Greece	0.2	0.1	--	--	87%
Ireland	0.9	0.9	100%	100%	100%
Italy	2.7	0.0	--	5%	0%
Japan	667.0	667.0	100%	72%	100%
Korea	199.4	85.9	--	0%	43%
Luxembourg	1.1	1.1	100%	100%	100%
Netherlands	1.0	0.9	51%	59%	93%
New Zealand	0.9	0.9	100%	100%	100%
Norway	1.3	1.3	100%	100%	100%
Spain	37.1	11.5	99%	87%	31%
Sweden	5.0	5.0	100%	100%	100%
Switzerland	1.9	1.9	100%	100%	100%
United Kingdom	4.4	4.4	--	100%	100%
United States	147.2	112.5	22%	72%	76%
Total	1 154	977	68%	81%	85%

Source: OECD Creditor Reporting System.

The data on aid untying collected by the OECD shows that 85% of aid to the Philippines in 2009 was untied, which is considerably above the target of more than 68%. Among the top five bilateral partners, Australia and Japan performed better in this respect with 100% untied aid reported, followed by Germany with 99%, the United States with 76%, and Spain with 31%. Commercial loans and mixed credit of bilateral donors are in the form of supply or negotiated contracts which means that they are tied loans. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. 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 co-ordinate analytic work.

INDICATOR 9
Using common
arrangements

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another 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 two-thirds of aid flows are provided in the context of PBAs.

TABLE 9:
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
Asian Dev. Bank	0	0	0	38	--	77%	0%
Australia	0	5	5	67	--	19%	8%
Canada	0	0	0	10	--	0%	0%
China	0	0	0	79	--	0%	0%
Denmark	0	0	0	1	--	--	0%
EU Institutions	0	5	5	19	--	17%	25%
France	199	0	199	199	--	--	100%
Germany	0	15	15	32	--	10%	46%
Global Fund	0	60	60	60	--	9%	100%
IFAD	15	0	15	19	--	0%	81%
Japan	280	0	280	665	--	0%	42%
Korea	0	0	0	28	--	0%	0%
New Zealand	0	0	0	2	--	0%	0%
Spain	4	0	4	25	--	0%	17%
Sweden	--	--	--	--	--	0%	--
United Kingdom	0	0	0	1	--	0%	0%
United Nations	5	16	20	44	--	40%	46%
United States	0	30	30	140	--	23%	22%
World Bank	250	131	381	472	--	66%	81%
Total	753	261	1 014	1 899	--	32%	53%

Although falling short of the 66% target, the proportion of aid using programme-based approaches (PBAs) has increased substantially from 32% in 2007 to 53% in 2010. Of the largest donors, France and the World Bank used programme-based approaches the most, at 100% and 81% respectively. On the other hand, Japan and the United Nations scored considerably lower at 42% and 22% respectively.

There are signs of a trend towards common arrangements among donors. A wider group of partners, including the World Bank, Asian Development Bank, Spain, EU Institutions, Germany, USAID and the United Nations, have agreed to participate in joint planning and review arrangements regarding their support for government health reform programs. A trust fund in support of Mindanao's peace and development efforts was also established with the assistance of World Bank, USAID, EU, Sweden, Germany and the United Nations. Several UN joint programmes are already being implemented (*e.g.* MDG-Funds and Joint Programme on Maternal and Neo-natal Health).

One notable remaining challenge is that there has been no systematic study evaluating the disadvantages and benefits of the wide range of programme-based approaches (PBAs) in place in the Philippines, which impedes the government's ability to decide which modalities should be scaled up.

A common complaint of partner countries is that donors make too many demands on 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. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
Asian Dev. Bank	11	17	--	0%	65%
Australia	4	10	--	100%	40%
Canada	1	12	--	0%	8%
China	0	7	--	--	0%
Denmark	0	0	--	--	--
EU Institutions	1	12	--	17%	8%
France	0	2	--	--	0%
Germany	6	8	--	33%	75%
Global Fund	0	3	--	0%	0%
IFAD	5	5	--	67%	100%
Japan	0	17	--	0%	0%
Korea	0	18	--	88%	0%
New Zealand	0	1	--	0%	0%
Spain	0	0	--	0%	--
Sweden	--	--	--	0%	--
United Kingdom	0	0	--	0%	--
United Nations	17	24	--	100%	71%
United States	1	11	--	61%	9%
World Bank	5	36	--	20%	14%
Total	51	183	--	18%	28%

TABLE 10:
How many donor missions are co-ordinated?

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

The Philippines reported a 28% ratio of joint missions in 2010. This is below the 2010 target of 40%, but a 10% improvement on the ratio of 18% recorded in 2007. Despite this relatively poor result, responses from the survey indicate that some donors undertook joint missions that may not be represented here.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

INDICATOR 10b
Joint country analytic work

In 2010, 75% of analytical work in the Philippines was co-ordinated, which achieves and surpasses the 66% target. Data collected independently by the Government of the Philippines shows a steady increase in the ratio since 2005. In addition, during in-country consultation it was noted that while some donors are not included in joint analytical work, the results and findings of the co-ordinated analytical work are used in the preparation of their respective country strategy papers and in other studies. ■

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
Asian Dev. Bank	19	21	--	0%	90%
Australia	11	13	--	50%	85%
Canada	0	0	--	0%	--
China	0	0	--	--	--
Denmark	0	0	--	--	--
EU Institutions	0	0	--	--	--
France	0	0	--	--	--
Germany	2	2	--	67%	100%
Global Fund	0	1	--	0%	0%
IFAD	0	0	--	100%	--
Japan	2	3	--	--	67%
Korea	0	1	--	0%	0%
New Zealand	0	0	--	--	--
Spain	0	1	--	0%	0%
Sweden	--	--	--	--	--
United Kingdom	0	0	--	--	--
United Nations	36	36	--	100%	100%
United States	2	8	--	33%	25%
World Bank	5	16	--	33%	31%
Total	77	102	--	33%	75%

* The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

MANAGING FOR RESULTS

INDICATOR 11 Do countries have results-oriented frameworks?

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. The Philippines received a C score in 2010 for its results-oriented monitoring framework, thus falling short of the 2010 target of an A or B score. This can be attributed to the fact that, although the Philippines Development Plan (PDP) has a monitoring and evaluation framework (a results matrix) and institutional responsibilities regarding data collection in place, there have been shortfalls in reporting; although initial reporting procedures have been identified, they are yet to be firmly established and operationalised.

The results matrix emerged on the basis of the PDP, and it includes comprehensive sectoral information and wide geographic coverage. Progress is reported in a unified way via separate socio-economic reports (annual) and mid-plan updates (every three years). National statistical systems to support monitoring and evaluation include: a population census; a household survey; GDP; a poverty survey; and a labour survey – data collection for these occurs with moderate to relatively high frequency. However, available data do not fully meet the monitoring and evaluation requirements.

All information concerning the PDP, progress reports and public expenditure data is publicly available on the internet. The Philippines' monitoring and evaluation system tracks inputs, outputs and outcomes of the PDP. The mechanism for monitoring progress by outcomes is through annual socio-economic reporting, and monitoring by input and output includes the annual budget performance assessment report, annual ODA portfolio reviews and annual audit reports. Despite results matrices with measurable targets at the sector and sub-sector levels being included in the current PDP (2011 to 2016), challenges remain in making sector and sub-sector statistics more responsive to measuring progress against PDP targets, as well as in developing the necessary capacity to measure and monitor results at all levels. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

INDICATOR 12 Mutual accountability

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Although the Philippines has a mutual accountability framework in place, there is no single document setting out agreed approaches on the delivery of aid. In 2010, almost all of the countries that provided ODA to the Philippines had an existing aid policy or strategy agreed with the government on an individual basis. These country strategies rely on the comparative advantages of specific donors, and are aligned with the PDP.

The principles of the Paris Declaration on Aid Effectiveness are always taken into account during the preparation of new country strategy papers. However, adherence to the specific indicators of progress under the Paris Declaration cannot be guaranteed.

The Government of the Philippines and donors discuss the Paris Declaration commitments at the Philippines Development Forum, which has evolved from the consultative group meetings. This evolution is evidence of strengthened development co-operation between the Philippines and its donors. In comparison with the consultative group, the Philippines development forum is more effective in that it facilitates substantive policy dialogue on the country's development agenda among participants, which include national and local government units, civil society, academia, private sector, and international donors. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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