

National Economic and Development
Authority (NEDA), the Philippines

Evaluation of the Implementation of the Paris Declaration: Case Study of the Philippines

Executive Summary

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Country Level: The Philippines**

Executive Summary

1. Introduction

The Philippines is a signatory to the *Paris Declaration on Aid Effectiveness*. In this regard, it has put in place a monitoring system based on the principles spelled out in the Paris Declaration (PD). The Philippines has had a long history of development cooperation. The conduct of foreign aid has been evolving and undergoing refinements over time, all in the interest of improving aid effectiveness.

At the start, the way in which Development Partners conducted aid in the Philippines was largely based on the Marshall Plan implemented in Western Europe after World War II. That approach proved inappropriate since the Philippines was starting with a low human, physical, and technological capital base in the post-war era.

Raising the capacity of the government bureaucracy to manage the development process was urgent. At the same time, capital assistance was needed to meet the required social overhead capital.

As the development cooperation proceeded, concerns like donor or supplier-driven programmes and projects emerged. In addition, the government found parallel project implementation units (PIUs) worrisome, particularly if the latter was not integral to the implementing agencies of the government.

In this context, the Philippines acceded to the Paris Declaration and welcomed the document for its “clarity, coherence, and relevance”. It is essential, however, that the government monitors the Paris Declaration commitments on a regular basis to ascertain compliance with the targets.

At this juncture, however, the government acknowledges that acceptance of the Paris Declaration must be brought to the level of all implementing agencies of government, whether national or local, as well as civil society organisations (CSOs).

In line with the two-phase evaluation proposed by the OECD-DAC, the Philippines is now engaged in the first phase of the country-level evaluation. This evaluation seeks to determine whether or not the Philippines and its Development Partners are on track with their respective commitments under the Paris Declaration.

The first phase, scheduled to run from 2007-2008, focuses on input and output levels, while the second phase, timed after the third high level forum (HLF) in Ghana in 2008 to the fourth high level forum in 2010, will look into outcomes and impacts.

The methodology in the Philippine country-level evaluation incorporates a baseline survey conducted in 2007 and early 2008 (to set the baseline for 2005 and report on initial progress for 2006 and 2007). In addition, interviews with a selected sample of Development Partners, civil society organisations and government oversight and implementing agencies have been conducted.

Two sectors are looked into as case studies, namely health and rural development.

The first level evaluation sets the stage for the second-level evaluation by looking at targets that are on track, and suggesting possible mid-course corrections for targets that appear off-track.

This paper reports on the preliminary findings of the Philippine country level evaluation report.

2. Findings

2.1 Assessment of the Paris Declaration

2.1.1 Clarity

On the government side, the Paris Declaration commitments and indicators are clear at the national level especially among the members of the Harmonisation Committee (HC) consisting of oversight agencies, e.g. the National Economic and Development Authority (NEDA), the Department of Finance (DOF), the Department of Budget and Management (DBM) and the Commission on Audit (COA). However, at the level of the implementing and sub-national levels, knowledge about the Paris Declaration needs to cascade as there is limited awareness of the five principles. Outside of the HC, nobody champions the Paris Declaration. Advocacy still needs to be pursued in the legislative branch.

On the Development Partners' side, the Paris Declaration is widely known but the application is still limited to what their respective headquarters dictate. There exists a different understanding and interpretation of the indicators among the Development Partners. It would be meaningful to have a localised adaptation of these indicators, as well as a shared understanding at the country level. Furthermore, some indicators do not adequately capture the intended commitment set out under the Paris Declaration.

2.1.2 Relevance

Both the government and the Development Partners find the Paris Declaration commitments and indicators generally relevant in terms of addressing the limitations of aid delivery. The Philippines has tried to adhere closely to the indicators as defined by OECD-DAC, but a localised adaptation of these indicators should have been undertaken. Given this, the survey was not able to capture fully the intended commitments set out under the Paris Declaration. Evidently, it is important to see how and to what extent increasing harmonisation and alignment activities among and between Development Partners and the government are making a difference on the ground.

2.1.3 Coherence

The various Paris Declaration commitments pose no contradiction at the principle level. While the principles are coherent, some indicators do not seem to reinforce each other in achieving the Paris Declaration principles. In view of some

weaknesses in harmonisation, alignment, managing for results and mutual accountability, coherence among the five principles is in some instances compromised.

In procurement, for example, while some multilateral Development Partners have already adopted the new procurement law, other bilateral Development Partners are still lagging behind since they lack flexibility in applying HQ directives.

2.2 Emerging Results

2.2.1 Ownership

The Philippines finds the commitments and targets under the principle of ownership clear. Accordingly, the Development Partners have responded to this principle by using the Medium-term Philippine Development Plan (MTPDP) as a starting point for development cooperation. The current plan runs from 2004-2010 and is currently being updated by the Philippine government.

In the past, the weak link between the MTPDP and the annual national government budget rendered performance of some ODA projects is less than successful. The government, faced with tight budget constraints, failed at times to provide the necessary budget support to some projects that had been agreed upon with Development Partners as priority projects. Marred by suspension of project implementation, benefits could thus not be fully realised.

More recently, the Philippine government has made serious efforts to strengthen the links between planning and budgeting as embodied in a Development Partner-assisted technical assistance programme called *Philippine Effective Governance and Reforms* (PEGR). At the core of these efforts is the enactment of tax-enhancement measures like the reformed value-added tax, which was increased from 10% to 12%. With a significant improvement in tax collections, the government has been able to increase the budgetary allocation to health, education, and infrastructure, sectors that lie at the core values of Philippine society. Efforts to stamp out corruption at the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) are vital.

At this point, the government is rolling out further reforms in budget execution and linking it to the major capital projects, which generally call for ODA support. For example, the government has formulated a *Comprehensive and Integrated Infrastructure Programme* (CIIP). A public-private partnership is being adopted to leverage aid.

It must be noted that, at this point, some civil society groups find inadequate the consultation the government does on some aspects of social development, whether in health or in education. The Philippine government, meanwhile, continues to engage civil society groups in the context of the Millennium Development Goals (MDGs).

2.2.2 Harmonisation and Alignment

Both the Philippines and the Development Partners agree that successful development cooperation rests on the Philippines adopting international standards in its country systems which Development Partners ought to observe.

Some important progress is being made here. On the part of the Philippine government, it has legislated important reforms in government procurement that, judging by the Development Partners' responses, meet international standards. Discussions are also taking place with the government's COA to harmonise public financial management with international standards.

The challenges remain in the use of parallel project implementing units (PIUs). The Philippine government's surveys suggest very little progress in this regard as some Development Partners continue to have their own project management units not integrated with the executing agency of the government. Some Development Partners, however, point out that at this point that there are existing legal constraints on the disbursement of their respective government's funds to an agency of the Philippine government. Negotiations continue to be able to address these concerns on parallel PIUs.

Some Development Partners continue to earmark ODA resources for some projects that, while within the agreed-upon sector with the Philippine government, are not priority projects of the latter. This is one downside of the sector-wide approach. Some Development Partners tend to exercise a wide degree of latitude in the choice of actual projects to implement within a sector, some of which are not priority projects of the Philippine government.

Efforts among some Development Partners at having joint programming missions are also helpful. This, however, is not yet prevalent at this stage.

2.2.3 Managing for Results and Mutual Accountability

Meaningful progress is being made here. The Philippine government has initiated joint ODA reviews with the Development Partners to have a common understanding of the barriers to successful implementation.

The critical factors have been budgetary constraints on the part of the Philippine government and right-of-way issues, especially for infrastructure projects. Continuous dialogues help achieve an appreciation of the constraints facing both parties, thereby resolving implementation delays. In some cases, tax treatment of ODA funds delays implementation, if not suspension of projects. Again, regular dialogues have helped resolve the seeming impasse in a few cases in the past.

3. Sector Studies

3.1 Rural Development Sector

Rural Development (RD) is a complex sector, cutting across agriculture, agrarian reform, environment and natural resources.

Progress towards the Paris Declaration commitments, and subsequently towards development effectiveness in RD, necessarily depends on the enabling conditions, including institutional arrangements and policy environments prevailing in both the country and the Development Partners.

Achieving the Paris Declaration commitments is not smooth, as evident from the mixed records of success and failures across indicators and over time. A crucial factor is the fast turnover of officials and staffs responsible for the sector, especially when institutional arrangements are not well defined.

At this stage, the information generated from survey questionnaires and interviews tends to be anecdotal, isolated and opinion-based. The need for more precise indicators of progress with regard to the Paris Declaration target is required. Evidence that could lead to more conclusive results is also called for.

The weak linkage between the plan and the budget is due to: budgetary ceilings not always reflective of priorities within the sector, particularly in so far as Environment and Natural Resources (ENR) is concerned; constant turnover in top management positions in the concerned agencies leads to problems in prioritisation and programming of development interventions; questionable "ownership" of the RD sector's programme priorities; the difficulty of establishing a logical sequencing of programmes and projects due to changes in priorities set at the top; and, the difficulty of determining targets and monitoring performance on account of data limitations and inadequacies.

A practice that is discouraged by NEDA is that of Development Partners going directly to line agencies without the benefit of oversight steering. This practice distorts the system of prioritisation within the RD sector.

Development Partners have specific advocacies that they would consistently include in their development approaches, even if such advocacies are considered inefficient or ineffective or not accorded high priority by the concerned client agencies. Examples of these are gender, participatory processes and the active involvement of CSOs in programme or project-steering processes.

Although the oversight agencies such as NEDA, DBM and DOF encourage the use of programme-based assistance (PBAs), the implementing agencies have strong reservations against this modality. Resistance is mainly due to the following reasons:

- No additional resources going to the implementing agency, therefore no additional incentive;
- Additional burden from strict compliance with progress or milestone indicators that are made an integral part of the loan covenant;
- Implementing agencies still have to work within the budgetary ceiling set by the DBM; and

- Supervision missions are still conducted frequently, absorbing much of the scarce time and resources of the implementing agency.

Field-level workers in particular resist PBA because of a lack of familiarity with the way it operates and the close monitoring of milestone activities.

With the reduction of parallel project structures, problems of inefficiencies and neglect of project management functions are increasingly observed in the transition. These problems, however, are balanced by the prospect of improved chances of mainstreaming project outputs and enhancing the capacities of technical personnel within the organisation.

There are reports of practices among Development Partners that can run counter to the rationale behind the progress indicators. These are:

- Outsourcing of project management function results in strengthening the capacities of consultants rather than the regular personnel of the implementing agency.
- A project office that is manned by consultants hired by a Development Partner is cited as a parallel implementing structure reporting directly to the Development Partner.
- Cases of no reduction in transaction costs due to:
 - Absence of coordination among Development Partners in conducting reviews and supervision missions.
 - Supervision missions are still very frequent and time-consuming (sometimes of two-week duration), particularly when there are perceived implementation problems.

Procurement and funds disbursement practices are other areas that call for alignment. The rural development agencies claim that procurement manuals are available for their guidance. GOP guidelines are normally followed and adjusted for consistency with multilateral procurement provisions. The new government procedures introduced under the Procurement Law and the implementing manuals have resulted, to a certain extent, in the slowing down of funds disbursement.

Coordinated capacity-building support is not yet practised in the rural development sector. One issue that has been observed is the practice among Development Partners of not following through technical assistance support to its logical conclusion. According to an affected RD agency, this has led to a loss of momentum and a waste of resources.

Initial results-based management (RBM) efforts have yet to be done coherently based on an integrated RBM capacity-building plan. A substantial shift in the current orientation and mindset on physical and financial monitoring (inputs) to results (outputs) is indicated.

3.2 Health Sector

Health, along with education and infrastructure, constitutes the top priorities of the government. In this connection, Development Partners have expressed great interest in assisting the government to achieve its various health objectives. However, some CSO groups assert that the government is not adequately consulting them. Hence, health is a good case study in aid effectiveness.

Respondents both from the government and the Development Partners agree that the Paris Declaration shows clarity, relevance and coherence. All Development Partners adhere to the Health Sector Reform Agenda with the acronym FOURmula ONE for Health, which is the framework for health sector reforms in the Philippines. FOURmula One is designed to implement critical health interventions as a single package, backed by effective management infrastructure and financing arrangements.

Procurement reforms among the multilateral Development Partners have been impressive following the enactment of the procurement law; the bilateral Development Partners meanwhile are lagging behind in adopting the government procurement policies.

In terms of parallel PIUs, there are positive developments among the multilateral institutions but this cannot be said for some bilateral Development Partners. The presence of some PIUs leads to government personnel to queue up for positions in the PIUs, which normally offer better compensation than the government.

Development Partners show weak support for health regulatory reforms, especially in food and pharmaceutical drug regulation, hospital and health facility (laboratory, diagnostic centres, polyclinics) licensing and standards.

Delivery of results is affected by delayed and prolonged procurement processes, and the delayed hiring of external consultants (for bilateral Development Partners). Moreover, the re-enactment of the government budget for two years did not match the increased requirements of the sector.

4. Summing-up

While the Philippines and the Development Partners are on track, more efforts are needed in the following areas:

- Deepening in-country understanding of the Paris Declaration commitments and indicators;
- Progress in the reduction of Development Partner-established parallel PIUs;
- On country systems (procurement and PFM) – more work with respect to bilateral Development Partners and sustained focus in engaging the local government units (LGUs);

- Strengthening and enhancing common (GOP and Development Partners) performance assessment frameworks to include localisation of Paris Declaration indicators; and,
- On CSOs' role – the need to strengthen partnership with government in the area of aid delivery, particularly at the LGU level.

To further advance the aid-effectiveness agenda and enrich in-country discussions of Paris Declaration commitments and indicators, the government must continually engage the Development Partners and CSOs using established dialogue mechanisms.