

Evaluation Summary

Budget support operation for decentralization in the Philippines

Country: **Philippines**

Sector: **Governance**

Evaluator: **Oreade Breche**
Date of the evaluation: **July 2016**

Key data on AFD's support

Projet numbers: CPH 1001-1013

Amount: €261 million in sovereign loans

Disbursement rate: 98%

Signature of financing agreement: February 2010
and April 2014

Completion date: July 2016

Total duration: 4 years (1st program) and 2 years and
3 months (2nd program, without the TA)



Objectives

1. **Program 1 2008-2011: to increase efficiency and effectiveness of basic public services** delivered by the LGUs.
2. **Program 2 (2011-2016): to assist inclusive growth and poverty reduction** via improved service delivery by the LGUs, through four components.

Expected outputs

1. **Intergovernmental fiscal relations** in place
2. **Fiscal management, planning & public expenditure management** at national and LGU levels improved
3. **Adequate and equitable resource framework** for fiscal sustainability in place
4. **Efficient LGU service delivery**
5. **Good local governance**, transparency and accountability of LGUs

Context

The extension of public service delivery in local government units (LGUs) was limited despite the local government code (LGC) reform of 1991. This was mainly due to a lack of regulatory framework and of LGUs capacities.

The AFD budget support (BS), jointly with the Asian Development Bank, supported the government of the Philippines (GoP) mainly in **improving the effectiveness and efficiency of its decentralization process**.

Actors and operating method

The contracting authority was the Ministry of Finance.

The program was managed by the four core departments of the GoP:

1. Interior and Local Government,
2. Budget Management,
3. Finance,
4. and the National Development Agency.

Performance assessment

Relevance

Both decentralization and the Philippines were priorities in the AFD's strategy for 2009-2015. The AFD's association with an existing Asian development bank (AsDB) program clearly facilitated its entry into the Philippines Official Development Aid (ODA) landscape.

Budget support (BS) was a very relevant instrument for the AFD to use, in the sector and in the country, because it corresponded to the government of the Philippines' (GoP) financial and technical/support needs for policy design and implementation. **This BS still fully responds to the GoP's evolving needs, constraints and priorities**, as all policy matrices were jointly designed between all stakeholders. In addition, this BS was harmonized with other support from development partners in this sector through a working group on decentralization.

Effectiveness

Significant progress has been accomplished in public finance management both at national and local scales. Access to funding for LGUs was also improved, but internal revenue allotment (IRA) dependency is still significant particularly for Provinces and Municipalities.

In addition, one of the great contributions of this BS was its **support to the local government code (LGC) review**, which required considerable effort to identify all weaknesses of present regulations and propose amendments to solve them.

Progress for the **concrete implementation at LGUs level** is still outstanding.

Finally, this BS slowly enhanced LGU's **capacities for service delivery** and significantly enhanced **good governance**.

Efficiency

Most of the policy dialogue and TA was done jointly with the four national departments/agencies involved in the project. Besides this **joint approach**, the working group on decentralization is the forum where all the concerned institutions of the GoP, development partners and the civil society share their approaches and organize together their implementation in order to avoid overlaps. Finally, most of the time, **this policy dialogue fed the national decision-making process**, as the programs corresponded exactly to what was done by the GoP to improve decentralization effectiveness.

In terms of aid predictability, the loans were delivered at the end of each subprogram, based on milestones and triggers reached. As the GoP, supported by its partners, succeeded in reaching most of them, the payments were done in due time. **Intergovernmental cooperation** which was little developed in the past programs, should be developed in the future as the LGC review prepared regulation to solve this issue.

Sustainability

The political will (support of the programs and preparation of the LGC review) and the support of this process from the civil society suggests that **sustainability of what was achieved is good**.

On the financial side, some major concerns remain as Provinces and Municipalities are still highly IRA dependent. Over the period all financial instruments more or less disadvantaged the poorest LGUs. This should normally be tackled by the new regulation of the LGC review.

Added value of AFD's contribution

As the programs were joint interventions of the AFD and AsDB, it was very difficult to show the AFD added value. As regards the TA on the disaster risk management domain, for which AFD was alone, **the added value was implicitly recognized by the GoP** through the acceptance of a second TA in this domain, which will start in 2016 for four years.

Conclusions and lessons learnt

The programs were well designed and effective but were mainly process-oriented.

Future programs must pay more attention to **development results** at LGUs level. In order to achieve this, GoP and DPs have to make efforts to **monitor the effective changes** at LGU level that have been brought about by the reform measures implemented at central level, even though these changes may take several years.

This is particularly true in that case for the **measurement of the effects of the programs** in service delivery and access at LGU level, as well as poverty alleviation, which is the final goal of these interventions.