

# **Donor Collaboration in the Philippines: Solid Accomplishments, Promising Future**

**By**

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Calls for improvement in the way donors work together have been a standard feature of discussions on the quality of development assistance since the whole enterprise began. However, the standard lament may at long last be giving way to action.

- World Bank President Wolfensohn's proposal for a Comprehensive Development Framework (CDF) put Bank staff on notice that partnership with other development actors was really a management priority.
- At the same time, the UN system of agencies is testing the UN Development Assistance Framework (UNDAF). The UNDAF approach strives for coherence among UN agencies' development activities and emphasizes working with other partners.
- The volume of official development assistance (ODA) has dropped dramatically, while criticism of the value of ODA has gotten louder. Development agencies, particularly bilateral agencies, see a survival-based need to support each other and to care about the quality of development assistance as a whole.

Against this background, the Bureau for Policy and Program Coordination (PPC), U.S. Agency for International Development (USAID) began a study of USAID missions' experience in country level donor coordination. Our goal is to draw out the experience of missions and synthesize it with a view to distilling some generalizations about how a donor strategy is and should be developed. Missions have a tremendous store of knowledge and experience on coordination, but little time to reflect on it. PPC has considerable experience in working with other partners at the headquarters level to advance USAID objectives. Our study is an attempt to blend these two aspects of agency experience with donor partners in way that can enrich the cooperation capability of both missions and headquarters.

Based on PPC's first attempt to work with a mission on a donor strategy (USAID/Haiti, Nicholson, 1998), we posited a series of four stages of donor interaction: exchange of information; division of labor; common framework and common measurement. Our experience in subsequent donor strategy work with missions suggests that the greatest effort may be needed to bridge the second and third stage. Information exchange/division of labor represent the "first do no harm" aspects of donor coordination – avoidance of duplication and overlap. Common framework and common measurement involve an effort by donors to collaborate toward a common goal and to agree on when it has been reached. A critical factor in bridging the gap between division of labor and common framework is the stance of the host country. To be effective, the common framework should be that of the host country, government and people, around which development assistance efforts could coalesce.

The donor community in the Philippines seems to be in transition between division of labor and a common framework, that is, between coordination and collaboration. Exchange of information is widespread, facilitated by agencies of the Government of the Philippines (GOP) and by the donors themselves. At the project level, coordination/division of labor seems to be a natural and inevitable part of doing business. There is a general consensus on where the country and its donors want to go – political stability, economic growth, and poverty reduction. Moreover, the country has a plan, the Medium Term Philippine Development Plan or MTPDP, which provides a frame of reference for donors.

Among the factors contributing to the gap between a division of labor and a common framework are:

- Although there is general agreement on the broad goals, there remain important policy differences among the major development actors;
- The major bilateral donors seem to be focussed primarily on their relationships with the multilaterals (the Asian Development Bank (ADB) and the World Bank), but devote less time and attention to one another;
- The Government's mechanisms for managing donors are going through a period of realignment, leading to confusion among donors about which entity is responsible for which function.

USAID/Manila (the Mission) is well placed to provide forward movement in the donor community – to bridge the gap between coordination and collaboration. First, the Mission's programs command respect among other donors. In particular, Governance and Local Democracy (GOLD), Growth with Equity in Mindanao (GEM) and Accelerating Growth, Investment and Liberalization with Equity (AGILE) are activities to which other donors routinely refer positively. Another factor in the Mission's favor is its command of information on the activities of other donors and an unusually strong institutional memory. The combination of respect, knowledge and, perhaps most important, commitment by top management to increased collaboration, is impressive.

However, USAID as an institution has handicaps as a collaborator from which USAID/Manila is not entirely immune. Collaboration requires time and an investment in relationships as well as action. USAID has not yet found a good way to reward individuals or organizational units for the investment in sunk costs associated with collaboration. The challenge that USAID/Manila faces is to integrate collaboration into the achievement of results so that staff have a real incentive (other than pressure from above) to work toward a common framework with partner institutions.

## Part I: Recommendations

Based on PPC's interviews in Manila, we propose the following actions for Mission consideration as steps along the road from coordination to collaboration:

1. Because the Strategic Objective (SO) teams know and work with their partners well, there are quite a number of targets of opportunity for intensified collaboration. However, there is some danger of overextension and burnout. Good targets for collaboration are areas in which the government has as reasonably clear idea of what it wants to do, where we agree with them and have the technical edge to make it happen, and where other likeminded donors have new or reliably funded activities onstream. A few areas were mentioned frequently by others during PPC interviews were:

- Watersheds. Numerous donors are getting active in integrated watershed management, but they are not always calling it that. The ADB and European Commission (EC) are both moving in this direction.
- Health. Other donors seem to be expecting USAID to lead – to organize donor efforts in concert with the Ministry of Health and to figure out ways to solve problems in what a number of them describe as a problematic sector.
- Anti-corruption. This is a hot issue in the donor community worldwide and will be an increasingly popular topic for high level discussions. USAID has a great opportunity to lead, as other institutions begin to gear up for action.

*The Mission has indicated that each SO team will be asked to identify priority targets for donor collaboration that relate to the Mission's legislative (policy) agenda and fit in appropriately with SO team workloads.*

2. Take advantage of the conjunction of program revisions by important donor partners to solidify common objectives. Canada, the EC, Germany and the United Nations Development Program (UNDP) are all in the process of major revisions:
- Canada's five-year development plan expires next year. Indications are that the Canadian International Development Agency (CIDA) may increasingly emphasize projects and programs with a more explicit poverty orientation, although CIDA's work in governance and promoting the private sector is likely to continue. CIDA may well increase involvement in health and population and may be interested in exploring new types of interventions in this sector.

- The EC has hired a contractor to carry out what they term a “global review” of their development operations in the Philippines. The major in-country work of the contractor will take place in early 2000. The Mission may wish to consider asking USAID/Brussels to track progress of the work from the headquarters side.
- Germany is in the process of drawing up a country strategy that will cover all aspects of German development interaction with the Philippines. The Federal Ministry for Cooperation and Development (BMZ) in Bonn is responsible for formulating this strategy. The Mission may wish to seek USAID/W support in contacting the BMZ at the headquarters level for information on the progress of this strategy.
- UNDP’s country development framework is due for a mid-cycle review. The advent of Mark Malloch Brown as UNDP’s new administrator means that this review is likely to be a reasonably thorough one.

Since the Mission would ordinarily be asked to weigh in on the revision process for all these partners, very little extra effort is connected with this recommendation. Additional action would involve enlisting some assistance from USAID/Washington, USAID/Brussels and American Embassy Bonn.

3. Find a way to make available the experience of SO teams in their contact with other donors without creating an intolerable burden for either the teams or the Program Office. The Mission has made it clear that they are not interested in gathering information for information's sake.
4. Convene one small, informal focus group of key partners to see whether there is really a need for an additional donor mechanism between project cooperation and Consultative Group (CG) policy discussions. Opinions on the CG-related coordination system appear to vary widely.
5. Other bilaterals – The Mission may wish to intensify contacts with those Pacific Rim donors most active in the Philippines (Japan, Canada Australia) while keeping the channels of communications open to Europe , in particular, to Germany. Some additional focus on developing even closer relationships with the Australian Agency for International Development (AusAid) and CIDA might nicely complement the Mission’s additional efforts on Japan. There is already considerable collaboration at the project level. Both AusAid and CIDA have programs that tie in with USAID’s work (not necessarily in the same places), and both have offices in Manila that are staffed with development professionals who literally and figuratively speak USAID’s language. Extra effort on Australia, Canada and Germany might include getting a better sense of the potential action-forcing events in their calendars and, of course, sharing similar information about USAID.

- As part of their new strategy (introduced July 1999), **Australia** has set up a new governance facility (the Philippines-Australia Governance Facility, or PAGF) that has room, inter alia, for supporting the activities of anti-corruption and pro-democracy advocacy organizations. USAID/Manila might find it useful to encourage NGO and peoples' organization partners to learn more about this resource. Additional consultation between USAID democracy experts and the PAGF might yield more collaborative opportunities consistent with USAID's new strategy's approach to DG activities. The new Australian strategy calls for "progressive engagement" involving a gradual introduction of new activities in four priority areas. Programming missions for three of those priority areas (environment, rural development and health) will be coming to the Philippines soon and will call on USAID.
- In the case of **Canada**, in addition to tracking progress on the preparation of their new five-year strategy, the Mission might consider even closer linkages with the Canadian's Local Government Support Program (LGSP). The advantage of this program as a synergy prospect has to do with the stability of its funding; it is financed primarily by local currency generated by the sale of Canadian commodities, an activity likely to be part of Canada's portfolio under almost any assistance scenario. The LGSP is already slated to run through 2005.
- The **GTZ** implements technical assistance for the German Government and is not the lead in coordination (the Foreign Office does that) or development policy (run by the Ministry for Cooperation and Development). What the GTZ does have is extensive knowledge that could enhance USAID's collaborative efforts. They not only implement projects for the German Government -- they perform this service for multilateral institutions as well, including the EC and the World Bank. The GTZ office is staffed by development professionals who understand the realities of implementation, yet they also represent the distinctively European perspective on aid.

## 6. Multilaterals

- As far as PPC could see, the Mission's relationships with the **World Bank** and the **Asian Development Bank** already involve collaboration. This collaboration has deep roots -- a whole series of activities where USAID technical assistance and multilateral lending activities work together. There is also close consultation with both institutions as they work out country strategies. Mission comments on those strategies are candid, and come into play while the strategies are still at a formative stage. Poverty reduction and anti-corruption are increasingly important themes for both the ADB and the World Bank. These themes could encourage the two multilateral institutions to draw even closer to USAID, which has expertise in both areas.

- **UN agencies** have a strong institutional imperative to collaborate with other donors. In the Philippines, the UN agencies seem to value working with USAID, and to fully appreciate USAID's technical capabilities. Although these agencies typically have small programs in volume terms, they play an important role as political neutrals who can help to work out differences among donors.
- PPC encourages the Mission to maintain regular contact with the **EC**. The Commission serves as coordinator of members' aid programs. In addition, USAID and the EC have an ambitious seven part work program agreed in May 1999, several areas of which are of potential use in the Philippines (such as fostering cooperation between the Asia/Europe Meeting (ASEM) Trust Fund and USAID's Accelerating Economic Recovery in Asia (AERA) initiative). The USAID/EC consultations of 1998 agreed on a joint mission to the Philippines to explore opportunities for climate change mitigation activities. USAID/Brussels is still pursuing this, and we hope the Mission will work with the USAID Representative to see how this longstanding commitment could be reinvigorated in a way useful to both USAID and the EC with minimal additional effort.

## **Part II: The State of Collaboration in the Philippines**

The Government of the Philippines and its donor community are steadily building the foundations of a true partnership. Even measured against the ideals outlined in the World Bank's Comprehensive Development Framework or in the DAC's "Shaping the 21st Century," the GOP and its donors present an encouraging picture.

- The Government has a framework plan (the Medium Term Philippine Development Plan or MTPDP) which its donors acknowledge even if they do not give it the weight that a fully articulated CDF might have.
- The Government also makes a serious effort to manage aid flows according to this plan and in the context of the resources available to it from all sources. This effort is may not always be fully successful, but it certainly seems to be consistent.
- The International Monetary Fund consults closely with other donors in making recommendations to the GOP, and its letters of intent to the Government generally represent the consensus view of itself, the ADB and the World Bank. USAID reports a close and cordial relationship with the IMF in the Philippines.
- The donor community is anchored by the headquarters presence of the Asian Development Bank and by a World Bank office that houses the country director.
- Information flows freely, if occasionally from contradictory sources. Informal consultations are frequent and expected.
- The strong linkage between the Consultative Group process (which involves headquarters authorities) and in-country coordination mechanisms appears to be helpful in keeping communications open with the more centrally managed donors -- an important consideration in a country where Japan is by far the largest donor.
- USAID/Philippines has made important contributions to fostering the growth of a partnership environment. In addition to its commitment to maintaining institutional memory, the Mission has also demonstrated adaptability in repositioning USAID as a strong niche player after USAID's position as largest donor faded away.

In terms of PPC's categories of donor coordination (and generalizing across sectors), the donor community in the Philippines appears to be poised somewhere between division of labor and a common framework. USAID/Philippines has expressed the intention of choosing targets of opportunity, based on its policy agenda, for moving beyond coordination to collaboration. The outcome of USAID/Philippines' efforts will be of interest to us, to others in the Agency and to the rest of the donor community as well.

## A. The Donor Community, Autumn 1999

### 1. Volume

Around 90 percent of official development assistance (ODA) comes from three donors: Japan, the World Bank and the Asian Development Bank (ADB). Japan alone accounts for more than half. The remainder of the donors may be categorized according to whether they primarily provide grants (U.S. Canada, Australia, Germany, Belgium, the EC, the UN system agencies and others) or loans (Spain, France, Saudi Arabia and a few more). However the relative roles of donors are more complex than the stark volume statistics suggest.

Turning to total flows, net, from OECD/DAC statistics (ODA, other official flows and private flows at market terms), relative rankings shift. When all resources are added together, the United States is still they number one economic partner for the Philippines (based on 1997 data), with total flows, net, that are 75 percent higher than those of Japan. Germany stands out from the grant-maker pack as well, with total flows net that are four times higher than those of Australia and six times higher than those of Canada.

The large loan programs are not always the mode of choice for assistance. In the case of Japan most (though not all) loans are for infrastructure projects. While the two multilateral banks cover a wider territory with their loans, the Government of the Philippines has made it clear that it prefers to focus these more expensive loans on projects in the productive sectors and address the more soft social sectors with grants. The large lenders face important implementation hurdles as well. Lack of counterpart funding, slow procurement and other procedural delays have been the subject of repeated complaint by the lenders. As a result, their disbursement rates tend to be slow. Grant based programs that supply almost entirely technical assistance do not have the same difficulties with local red tape and can move more quickly in implementation.

### 2. Government's role

The Government of the Philippines is making an effort to manage ODA along with the other resources available to it to achieve its development goals. The respective roles of the three principal coordination actors (NEDA, DOF and CCPSP) can be confusing and contributes to a certain lack of consistency in the Government's dealings with donors. Part of this is based on history -- the CCPAP, predecessor of the CCPSP, was set up by donors at the time of a major surge of assistance to the Philippines (the Multilateral Assistance Initiative or MAI) and at a time when the leadership of NEDA was less convinced of the value of foreign assistance.

Questions have also been raised about the ability of these institutions to effectively coordinate the donor interactions of line ministries and about the ability of NEDA's regional offices to effectively work with LGUs. In fairness, it should be noted that the reorganization of the CCPAP into the CCPSP took place only in May 1999 and

that the GOP needs time to clarify the relationship between CCPSP and NEDA. Another hopeful note is that donors are making renewed efforts to strengthen these agencies. The three large donors (ADB, World Bank and JBIC) are making the strengthening of NEDA part of their coordinated approach to improving implementation performance in the Philippines.

**NEDA** seeks to manage aid at the macro level. It holds regular individual consultations with donors, semi-annually with the largest donors and at less frequent intervals for the others. NEDA reports to Congress annually on ODA to the Philippines and provides assistance to line ministries on how to meet donor requirements. It also provides information to local government units on how to access ODA. Although LGUs cannot borrow directly from donors (as they cannot command the full faith and credit of the central government), they can borrow from private sources and they can accept donor grants. NEDA provides LGUs with a guide to the availability of ODA grants, a matrix of ODA terms and conditions, a directory of ODA funding facilities, a matrix of ODA facilities for LGUs, a list of ODA pipeline projects and a list of ODA committed projects.

As secretariat of the Investment Coordination Committee, NEDA makes recommendations on the policy aspects of most projects where foreign borrowing is an important factor. NEDA will also go out and solicit technical assistance to complement important loan projects thus contributing to division of labor among donors. One of NEDA's other responsibilities, through its investment program division, is to formulate a Medium Term Public Investment Plan as a companion document to the Medium Term Development Plan. The PIP identifies which measures should be foreign funded or locally funded and is an integral part of development of the national budget.

The principal role of the **Department of Finance** in coordination is as the counterpart to the World Bank in the Consultative Group Process. DOF negotiates all conditionalities with donors and works to enforce compliance by line agencies with those terms.

The **Coordinating Council for Private Sector Participation**, created in May 1999 as a successor to the Coordinating Council of the Philippines Assistance Program, focuses on tracking ODA-funded projects at the implementation level. It tries to encourage private sector funding for projects that are commercially viable. Through the project development facility, the CCPSP prepares feasibility studies for projects at the LGU level in accordance with the MTPDP and thereby works to cut down on the number of unsolicited projects the LGUs must contend with.

The donor community in the Philippines has no shortage of project and program information. NEDA keeps track of donor commitments, both grants and loans. NEDA's program gap analysis matrix (PROGAM, partially supported by the GTZ and readily available by Internet), can break down assistance by sector and region to show where there are gaps in coverage. The CCPSP project management (PROM) system tracks projects at a more micro level, showing their implementation rate. This data base can be queried along a number of variables and is in the process of expanding to cover private

sector activity. In spring 1999, the World Bank did its own survey of donor activities, and is considering establishing another data base. The World Bank's matrix of donor activities against the elements of its Country Assistance Strategy made a useful contribution to the information already available by organizing it in an easy to use format.

### C. The Consultative Group process.

The annual CG, chaired by the World Bank and the Philippines Department of Finance seems to provide an opportunity for real policy dialogue and is more than just a pledging session. The themes for each year's CG are proposed by the GOP, then negotiated with the World Bank, which, in turn works through them with donors.

In-country coordination mechanisms are closely linked to the CG process. There are formal pre-CG and post-CG gatherings of donors' representatives. The Bank also calls donor community leaders together several times a year for informal breakfast discussions. Sectoral working groups feed into CG work and are considered affiliated with the CG process. Participants in the sectoral groups include representatives of donors, government and the NGO community. The poverty alleviation group (chaired by the World Bank, UNDP and the DOF) is one of these; it recently absorbed the Mindanao Working Group. At the 1999 CG, the World Bank called for the creation of a new group on Governance.

In addition, informal working groups (which may or may not include the government and the NGO community as participants) bring donors together for information exchange and some policy discussion. Currently these include groups on agrarian reform, local government finance, health, judicial reform and microenterprise. Sometimes the government takes the initiative in calling donors together in a group, but mostly the groups respond to perceived donor demand. The local World Bank office keeps a calendar of all donor groups, formal and informal.

A few interlocutors expressed concern that some of the groups were growing too numerous, too formal and the number of participants too large for any sort of meaningful discussion. The number of groups stretches the capacity of the more lightly staffed local donor offices. On the other hand, a few of the groups seemed to be gaining new vitality. The willingness of the new Under Secretary for Health to take an active role in the health working group was seen as a very positive sign (donor turnout was reported to be good for the meeting she called). Much was said about the agrarian reform group which is sponsoring a nationwide study and which seems to be the scene for some productive policy controversy.

## II. Sectors and SOs

Coordination at the project level is an organic part of the work of USAID/Philippines.

It was clear from the comments of SO teams that constant, almost automatic

consultation with other donors was the rule for virtually all their activities. All teams had made an effort to define their activities in terms of specific niches in the broader development effort. Other donors seemed to especially appreciate Mission activities that strengthened institutional capacity and had cross-cutting impact, such as AGILE and GOLD. PPC did not find evidence of common frameworks yet, but it could be that we did not ask precisely the right questions.

#### A. Economic growth

1. Mindanao. The donor community is focusing a considerable amount of resources and attention on Mindanao, scene of the highest poverty rates in the Philippines and of a major effort to integrate ex-combatants into the local economy. PPC regrets not asking more questions about Mindanao-related coordination activities, as there is undoubtedly an interesting story there. The denouement would also be interesting. The degree of concentration may almost be reaching the point of saturation. When and how should concentration be scaled back once the momentum gets going? Is collaboration really working or is there duplication of effort? In any case, USAID is phasing out by 2001.

2. A more stable and competitive economy. USAID is carefully positioned as a niche player in providing technical and management services to complement economic reform activities of the multilaterals. This was one area where the Mission thought the in-country coordination system was not particularly helpful.

#### B. Health

It proved rather difficult to get an idea of coordination in the health sector as a whole. There seems to be a subgroup for every subsector and one for almost every major disease. When other donors asked for a more active USAID role, it was never entirely clear whether they meant in a particular subsector or in general. Nevertheless, other donors who commented on the health sector were encouraged by recent moves by USAID and the Government of the Philippines. They noted that a new Under Secretary at the Department of Health had been put in charge of all foreign assistance projects. They appreciated the fact that the Mission Director was getting personally involved in reviving the population group.

#### C. Environment

Enhanced management of natural resources. The environment SO team had a clear approach to dealing with other donors for mutual benefit: innovate- incorporate. They would find a replicable way to deal with an environmental issue that met the government's needs and then would incorporate other donors into the scaling-up function. The Coastal Resource Management Program operated in this way. The team also invested effort in helping the local authorities (particularly local government units) to access the environmental programs of other donors, including by showing LGU officials how to write proposals for World Bank funding. The development of the Integrated

Watershed Management approach for the new strategy involved an extensive process of participatory consultation beginning with recommendations of local experts, taking on board comments of civil society and finally consulting current partners. One challenge in coordinating IWM may be to overcome the often artificial division of watershed management projects into "environment" projects and "agriculture" projects. PPC heard that the GOP was taking steps itself to overcome this division by starting a push for better coordination among the departments of agriculture, agrarian reform and environment/natural resources.

D. Democratic governance.

Just as USAID is phasing out the DG SO, other donors are gearing up for additional efforts in this area (as has been noted earlier). Mission consolidation will make sparing resources for coordination more and more difficult. PPC hopes that the Mission will continue to be as active as possible in governance coordination, particularly in anti-corruption where USAID is on the technical cutting edge and is already making an important contribution in moving the donor community toward collaboration.

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