



Canadian International
Development Agency

Agence canadienne de
développement international

PHILIPPINES - COUNTRY STUDY

Canadian International Development Agency
200 Promenade du Portage
Gatineau, Quebec
K1A 0G4

Tel: (819) 997-5006

Toll free: 1-800-230-6349

Fax: (819) 953-6088

(For the hearing and speech impaired only (TDD/TTY): (819) 953-5023

Toll free for the hearing and speech impaired only: 1-800-331-5018)

E-mail: info@acdi-cida.gc.ca

Canada 

Summary

PHILIPPINES - COUNTRY STUDY

Background

CIDA is planning a review of Private Sector Development [PSD] which is one of the six Official Development Assistance [ODA] priorities. Prior to the review, the Performance Review Branch is undertaking an Evaluation Assessment Phase of PSD. The Assessment Phase is best described as a three-part process comprised of data collection and analysis, preliminary studies of relevant aspects of PSD and a synthesis of the data and studies. The Philippines Country Study is part of this assessment.

Objectives

The main objective of the Philippines Country Study in Private Sector Development was to review the Canadian International Development Agency's [CIDA's] experience, approaches and results achieved in PSD programming in the Philippines over the past ten [10] years and to relate this to the contexts of the Country Development Policy Framework [CDPF], the Government of the Philippines [GOP] development plans, the Canadian Foreign and Trade Policy, and the Draft PSD Policy. Success factors, best practices and lessons learned, recommendations for future programming, and suggestions for the Terms of Reference [TORs] for the full PSD Review were also included in the country study.

Methodology

The methods used for the study consisted of the following: one-on-one personal interviews in Canada [25 interviews] and the Philippines [42 interviews] with individuals from the Canadian Executing Agency [CEA], Implementing Agency in the Philippines, Government of the Philippines officials, Canadian Government officials, Non-Governmental Organizations [NGOs], other donor country representatives and International Financial Institutions [IFIs] such as the World Bank and Asian Development Bank; the development of a comprehensive list of PSD projects in the Philippines [1989-1999]; the analysis of key CIDA documents pertaining to the projects included in the comprehensive list; the collection and review of a series of PSD documents on definitions, policies, poverty reduction, sustainability, priorities, evaluation and assessment, etc.; and, the gathering and review of social, political and economic information in the Philippines.

Framework Used For The PSD Assessment Phase

PSD Definition

Private Sector Development refers to promoting sustained and equitable economic growth, which makes an effective contribution to poverty reduction by supporting private sector development in developing countries.

CIDA's Policy Frameworks

Within the ten-year time span covered by this Report, two documents have guided CIDA's activities in the Philippines. The Interim Strategy for Canadian Cooperation with the Philippines [1986-1995] consisted of three elements: immediate direct impact community-based projects to support food production, income creation and employment generation in a variety of sectors; opportunities to assist the Philippines' overall economic development planning; and commodity programs to provide balance of payments support. The Country Development Policy Framework [CDPF] [1995-present] includes: promoting responsible governance; building Philippine private sector capabilities; and strengthening the capacity of democratic institutions, Non-Governmental Organizations and People's Organizations [NGOs/POs].

Philippines Development Plans

During the same time period, the Government of the Philippines [GOP] has had three Medium-Term Development Plans: [1987-1992]; [1993-1998]; and [1999-2004]. All three plans have recognized the private sector's role as initiator and prime mover of development with a reliance on the market mechanism to organize economic activity. The objectives have also remained basically the same throughout the years: maximum sustainable growth; employment generation; equity and social development; and justice.

Canadian Foreign and Trade Policy

The document "Canada in the World" guides the Department of Foreign Affairs and International Trade's [DFAIT] foreign policy with the Philippines and elsewhere. Bilateral trade between Canada and the Philippines has been greater than \$1 billion for each of the last two years, with the Philippines enjoying a very favourable balance of trade with Canada. DFAIT supports the efforts by the GOP in the direction of trade and economic liberalization leading to less government involvement and greater regulatory transparency and openness.

CIDA's PSD Projects

Over the past ten years, CIDA has had a very active PSD Program in the Philippines. The relationship between CIDA and GOP officials is very positive, based on the trust and goodwill that has developed, in part, due to CIDA's responsiveness to the priorities expressed by the GOP. In addition, Filipino's have not forgotten that Canada was one of the first countries to support the new Aquino Government in 1986 with a pledge of \$100 million in development assistance. CIDA has been most supportive of the GOP's efforts to develop the private sector in the Philippines to create employment and help reduce overall poverty. Over the past ten years, there has been twenty-one [21] Bilateral projects supporting PSD, some sixty-six [66] CIDA-INC applicants, nineteen [19] pertinent Institutional Cooperation/Non-Governmental Organization projects, eight [8] Regional projects, and a series of activities under the International Development Research Centre [IDRC]. CIDA has also supported a number of multilateral agencies, such as the World Bank, the Asian Development Bank [ADB], the United Nations Development Programme [UNDP] and others, that support the development of the private sector in the Philippines.

Private Sector Development Priority Analysis

Poverty Reduction and Sustainable Development

The primary and overriding objective of CIDA's support for PSD in a developing country is to make an effective contribution to poverty reduction through income generation and employment creation. The Organization for Economic Cooperation and Development's [OECD's] Development Assistance Committee [DAC] states that enterprise-based economic growth is essential for decisive reductions in poverty over time. CIDA's Policy on Poverty Reduction recognizes the importance of PSD in helping to reduce poverty by generating income and employment growth and, in the document entitled "Our Commitment to Sustainable Development", CIDA mentions that a large majority of countries now recognize that poverty reduction requires a vibrant private sector supported by an effective state. The Philippines Country Study illustrates that a number of CIDA's larger bilateral projects have a link to poverty reduction through Policy [macro-level] interventions, Focused [meso-level] programs and Targeted [micro-level] programs. However, the ways and means to effectively evaluate and monitor poverty reduction and sustainability do not appear to have been designed into most projects initially. The World Bank Group, which is a strong supporter of PSD in developing countries, is currently using a Comprehensive Development Framework to assess its effectiveness in measuring poverty alleviation and sustainable development.

Results and Key Success Factors

CIDA's Framework of Results and Key Success Factors was applied on a cumulative basis to CIDA's PSD projects in the Philippines over the past ten years. Overall, it can be stated that those projects with an operating history of more than four years have made a contribution to the development of the private sector, i.e., results have been achieved. A significant contribution has been made in strengthening national and regional cooperatives whose activities at the local level are with the poor. The establishment of well organized Local Government Units [LGUs] has helped attract new investment to their regions. Direct management and technical assistance to micro, small and medium enterprises [MSEs] has resulted in an increase in employment and new subcontracting opportunities. However, a lack of baseline or benchmark data at the beginning of projects makes it difficult to effectively assess the level of achievement - high, medium or low. The relevance of results, partnerships, appropriateness of resource utilization and sustainability of results are areas that provided sufficient information to show that a certain level of success had been achieved. Again, however, it must be appreciated that baseline data and solid poverty and social indicators need to be developed in order to properly measure benefits with respect to poverty reduction which is CIDA's overriding goal in its PSD Policy. The initial design of a number of PSD projects was not adequate in that there was a lack of attention paid to risk analysis [capacity of local participants, limited financial resources of local partners, etc.]; the length of time of most projects was too short; and, not enough attention was paid to lessons learned from elsewhere

Policy Relationships

CIDA's PSD programming in the Philippines, in most instances, conforms with the GOP Development Plans, CIDA's Country Development Policy Framework, CIDA's Draft PSD Policy for Developing Countries, Canadian Foreign and Trade Policy and other multilateral donor strategies. However, few of the key stakeholders have been made directly aware of CIDA's Draft Policy for PSD in Developing Countries. Also, as the Draft PSD Policy is currently written, it will not provide the kind of direction required to implement a PSD strategy. If the Draft Policy

does not change, then those CDPFs which have a major PSD focus will require a more concise statement on PSD to guide all stakeholders to have a similar approach, facilitate coordination and avoid duplication of efforts. Canada's efforts, through CIDA, appear to have a relatively high profile in the Philippines, not only among specific GOP Departments and certain NGOs, but with other multilateral institutions and foreign donors as well. In recent years the multilateral institutions have shifted their policy focus to poverty reduction and greater equity, which is more in line with CIDA's Policy and CDPF.

Performance Measurement Mechanisms

Results-based management [RBM] is accepted by project managers and many find that it helps them focus on how they are going to achieve their results and provides them with a framework for better overall planning. However, RBM and the required reporting within CIDA are given different levels of importance by the individuals involved [CEAs, Filipino counterparts and CIDA officers]. RBM cannot function effectively as a management approach unless it is included in initial project design with a complete buy-in by all project stakeholders. Setting realistic expectations for projects, determining appropriate project durations, and defining clear and attainable results are all dependent on the up-front analysis that occurs at the time of project design. It would appear that the Annual Project Progress Reports [APPRs] have not fully captured the appropriate detail for PSD projects. There are a host of reasons for this, one of which is the lack of importance allocated to the Report by all those involved. The lack of baseline data at the outset of a project makes it difficult to provide definitive numbers, hence there is a need to develop methodologies for developing baselines that can guide project officers at the time of project design. Consideration must also be given to the fact that it takes time for certain PSD projects to show results. It is recognized, however, that obtaining quantitative data from MSEs and SMEs is very difficult. Therefore, when assessing results for PSD, both quantitative and qualitative factors need to be combined.

Institutional Delivery Networks

Canada and the Philippines have a good relationship and this year marks the 50th Anniversary of diplomatic relations between the two countries. In Canada, CIDA relies heavily on the Filipino community [population of 234,195 according to the 1996 census] through business, cultural and social organizations as part of its network. Canadian universities and colleges, NGOs, cooperatives, business associations and private companies all add to this network. In the Philippines, the institutional network is made up of a diverse group of NGOs, cooperatives, women's networks, human rights and democracy groups, business associations, key government departments, private sector companies, industry associations and other donor countries. Annual consultations are held both in the Philippines and in Canada between the National Economic and Development Authority [NEDA] and CIDA to discuss current and future CIDA projects in the Philippines. NEDA is the Philippines' highest social and economic development planning and policy coordinating body.

Cross-Cutting Themes

PSD projects in the Philippines have included cross-cutting themes of gender equity, environment and technology transfer as part of their RBM reporting. However, those involved in the projects give the issues different levels of importance, depending on how they view their particular project. Gender equity receives the most prominence among the different cross-cutting themes. Although there is a recognition of the importance of cross-cutting themes and a concerted effort to address them, there is a lack of good quantitative information to show

concrete results. What is needed are models to reference so that the CEAs and others will have a better appreciation of what results are expected.

Private Sector Development Category Analysis

To help ensure consistency within CIDA's reporting requirements, the PSD programming is disaggregated into five PSD categories. The percentage of PSD Bilateral, Partnership and Regional activities in the Philippines by Priority Coding between 1989 and 1999 is:

501	Enabling Environment	10.8%
502	Capacity, Skills and Productivity Enhancement	30.3%
503	Canadian and Developing Country Private Sector Linkages	26.2%
504	Local Enterprises	27.1%
505	Economic Integration	5.7%

A definition of each category, record of PSD projects included in each category, current situation, suggestions for future programming and lessons learned by category are included in the main Report.

Findings And Recommendations

Main Findings

Highlights from the main findings in the Report show that few of the stakeholders involved in private sector development had seen the Draft Policy for Private Sector Development in Developing Countries, nor does everyone share the same definition of what is meant by private sector development within CIDA's Official Development Assistance priorities.

CIDA's relationship with the GOP is very positive due to ongoing consultations and a network of Government, private sector and NGO contacts that has built up over the past ten or more years.

Certain results in PSD projects have been achieved, but at exactly what level [high-medium-low] is difficult to assess. There is evidence that if CIDA supports a particular sector over a long period of time, overall results will not only be enhanced in the developing country but will be accrued to Canada as well. Little baseline or benchmark data is collected at the beginning of a project which makes it difficult to measure results, evaluate/monitor sustainability, monitor cross-cutting themes, evaluate reliability of results and allocate attribution.

RBM cannot function effectively as a management approach unless it is included in the initial project design with complete buy-in by all project stakeholders. Setting realistic expectations for projects, determining appropriate project durations, and defining clear and attainable results are all dependent on the up-front analysis that occurs at the time of project design. There needs to be more participation from local partners and beneficiaries in project conceptualization.

Results from PSD projects will not show up immediately, especially for those projects categorized under Enabling Environment, Private Sector Linkages and Economic Integration. Since very little information is available on the impact of PSD projects, there is a need for CIDA to develop methodologies to conduct impact analyses in the short, medium and long-term.

As of 1998, there were 187 ongoing foreign-assisted projects in the Philippines with a total commitment of US \$11.38 billion. Out of the total commitment, Japan accounted for 53%, the World Bank Group for 23% and the Asian Development Bank for 22%. CIDA's contribution is part of the remaining 2% which also includes other multilateral organizations and bilateral donors. Therefore, to obtain the best value for the limited amount of funds invested, CIDA PSD projects should focus in areas in which Canada has the best expertise.

Lessons Learned

A summary of the key lessons learned from PSD projects in the Philippines is as follows: the CEAs involved must have a cultural, political and economic understanding of the country; the success of the project is significantly affected by the Project Manager in the Philippines; there must be an ongoing effort to market PSD services; projects must be congruent with the GOP's development plans; enterprises that have the potential to export have a greater impact on poverty reduction and sustainability; use the latest technology when appropriate; community "ownership" is essential for sustainability; and, there needs to be collaboration and information sharing between CIDA's Public Sector Governance and PSD projects as well as the Development and Commercial Sections of the Canadian Embassy.

A number of adjustments have been made to current PSD projects as a result of some of the following lessons learned: the need to narrow the focus of activities in a project in order to promote synergistic linkages among SMEs through cluster or sectoral development; the need to work with leaders with a clear vision and sense of direction; the need to 'pull' micro and small enterprises [find a market and help the enterprise meet the market demand] rather than 'push' them [improve technical and managerial skills without knowing if there is an expanded market for their product]; the lack of funds within local NGOs, government departments and organizations working on CIDA projects which is affecting the short-term results and, unless addressed, will affect the long-term sustainability of the projects; and, the need to work with NGOs and associations with sound business practices - not just a social approach - in order to deliver successful projects to microenterprises and small business in the Philippines.

Program Recommendations

A PSD Strategy is required for the Philippines in order for CIDA to guide future programming, to ensure that existing projects are operating at the right level to maximize their leverage, and are complementary with other CIDA PSD projects as well as PSD projects delivered by other multilateral and bilateral donors. The PSD Strategy should draw from, and make more specific, the contents of the CDPF which will assist in bringing together the efforts of all stakeholders active within the Philippines country program.

More input is required from local experts in the design and implementation of projects, since ownership is essential for a project to be successful in the short-term and sustainable overall. The design of a project must also include guidelines to establish benchmarks to ensure that quantitative outcomes and impacts can be identified. Baseline data and solid poverty and social indicators need to be developed in order to properly measure the benefits occurring from programs and projects in private sector development with respect to poverty reduction. Sustainability should be built into a project at the outset, including an exit mechanism for the CEA. PSD bilateral projects should have a minimum term of five [5] years, with specific objectives to be met at mid-term so CIDA has the option of making necessary changes, if need be. There needs to be a clarity of what results are expected by stakeholders. Showing longevity

and a long-term commitment to a specific PSD area will likely have better results in the medium and long-term than a number of short-term projects.

Future programs designed by CIDA need to take into consideration those models of programming that are emerging over time that are more successful than others. More replication of these successful models should occur by developing and disseminating knowledge on what these models are.

Whenever feasible, CIDA should consider coordinating certain PSD projects with other donors and IFIs to give limited resources the maximum leverage. This is particularly relevant for PSD Enabling Environment programming, such as improving the legal framework, introducing tax incentives and improving investment rules and regulations, since the added support and cooperation with others will enhance the possibility of having the recommendations first being approved and, secondly, being implemented.

CIDA staff training programs should be based more on a case study approach using actual projects rather than the more traditional academic approach to training sessions.

To avoid duplication, to learn from each other's experience, and to provide some strategic focus to developing the private sector in the Philippines, stakeholders involved in CIDA PSD projects should meet annually in different regions of the Philippines. Cooperation and a closer integration of CIDA PSD projects should also occur within the ASEAN countries. Information of value, such as key contacts, potential partners for Canadian companies, business opportunities, etc., should be shared with the Commercial Section of the Canadian Embassy on a regular basis.

Recommendations for the Draft TORs for the PSD Comprehensive Review

Options available for the PSD Comprehensive Review include conducting country studies, PSD project analysis, or a combination of both. Country studies would likely provide a better evaluation of CIDA PSD in that they allow for a comprehensive analysis of overall CIDA projects and programs. Country studies provide a much broader picture of how CIDA operates and will offer more insight into the planning and coordination of CIDA's country and regional programs, working with the recipient country government and working with other donor countries and international financial institutions. Country studies should allow for a better understanding of CIDA, since CIDA allocates its bilateral Official Development Assistance [ODA] on a country basis. A review of PSD in countries with "different degrees" of political and economic development would provide a better appreciation of where PSD programs are more or less effective, i.e., enabling environment, etc. It was stated in the 1998 Report of the Auditor General of Canada that it is important to describe the significance of specific projects in the context of the overall development program for the country.

If project analysis is the approach used by CIDA, versus country analysis, for the PSD Comprehensive Review then the following suggestions for developing a list of projects should be considered: have projects from different regions of the world; consider the enabling environment in those countries in which the chosen projects are operating; give priority to those projects in their second or third phase; projects must have an operating history of at least three years if they are in their first phase; there should be a good mix of Bilateral, Partnership and Regional projects; projects should be chosen from countries with PSD as a priority in their Country

Development Policy Framework [CDPF]; all five PSD categories should be represented; and, there should be a good mix of projects which address PSD at all three levels of intervention - macro, meso and micro.

The PSD Comprehensive Review must focus on key issues, such as poverty reduction, sustainability and leverage. In particular, a basic set of criteria needs to be identified and recognized as showing a commitment and linkage to poverty reduction. This criteria analysis would serve as a support document to CIDA's Framework of Results and Key Success Factors. An assessment of each of the five PSD categories is recommended regarding what types of interventions work best in different enabling environments, and why. Different phases of PSD projects [concept, design, start-up, implementation, adjustments, completion] should be evaluated regarding key issues and lessons learned. Included in the evaluation of the different phases would be the performance of the CEA, local partners, monitors, mid-term and final evaluators and CIDA personnel. Key risk factors, by category, should be identified. Evaluate the quality of information gathered on lessons learned and whether it needs to be better analyzed and disseminated among CIDA personnel and the CEAs involved in delivering PSD projects.

Evaluate what methodologies are in place to gather information on impact analysis in both the medium and long-term as it is important to learn if longer term development impacts are being achieved. The 1998 Report of the Auditor General of Canada stated that CIDA does not systematically continue to monitor projects after their completion to determine whether the results expected in the short and long-term have been achieved, i.e., impact analysis.

During the course of the Review, mechanisms should be identified which would enhance cooperation within CIDA's PSD projects between CIDA Bilateral, CIDA Partnership, CIDA Regional CIDA Central and Eastern Europe and DFAIT.