

***2015 Development Policy Financing Retrospective
Consultation Meeting***

FEEDBACK SUMMARY

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| Date: | June 5, 2015 |
| Location (City, Country): | Manila (Taguig), Philippines |
| Total Participants: | 35 (face-to-face consultation) |

Overview and General Reactions:

This document summarizes the input and feedback received from stakeholders via email and from the meetings held on June 5 in the morning with multi stakeholders and in the afternoon with the Philippine Movement for Climate Justice.

There is a general impression that DPOs are working well, and that they have improved through the years. Budget support was in the past known to be restricting and difficult to execute. Now DPOs are perceived to be more focused and affording clients more flexibility.

Stakeholders provided feedback about the following areas: government ownership of the DPOs; the platforms for coordination between and among government and development actors; measuring results; the balance between the use of policy lending and investment lending; and specific national issues such as capacity building for local government units and the role of the judiciary and legislature.

Summary of Stakeholder Feedback

1. To what extent have DPOs contributed to your country's development results and what can be done to further enhance their contribution?

- Ensure that DPOs are owned by government and are part of the national agenda. DPOs enhance and strengthen country systems. They also encourage government to take ownership and be accountable. The policy reforms that they promote must, however, be part of the Philippine Development Plan, which describes the country's overall development framework. Capacity building should effect a paradigm shift so that government develops the "mentality" to own a reform.

- An engaged country team, one that understands the developmental needs of the country, can help develop a strong and relevant DPO framework. Such a framework also benefits from an open-minded, flexible, capable and supportive development partner.
- DPOs, by their nature and focus on policy reforms, have provided government a good platform to coordinate, consult and engage with various bodies and agencies. DPOs encourage oversight agencies to work together with implementing agencies. They establish a more cooperative and consultative partnership.
- Key to the effectiveness of DPOs is the leadership of a central agency, typically the Department of Finance, which from its vantage point is able to appreciate and provide direction on a whole gamut of reforms involving implementing agencies in various sectors. These agencies are in charge of implementing the reforms and achieving the results.
- The value of DPOs is not only the financing, but also the knowledge and expertise offered by the World Bank. DPOs are a source of expertise and technical advice, helping government focus on policy reforms. World Bank provides significant value-added in providing insights into how other countries tackled similar issues, for example “sin taxes”.
- DPOs are good at policy level, but policy changes are not always translated at program and project implementation levels. There should be a balance between DPOs at policy level on one hand, and broader monitoring and evaluation, ownership, and dispersion at local and implementation levels on the other.
- Multilateral and bilateral donors have put in huge development investments in the Philippines since after World War II. However, the value-added of development financing (including DPOs) to the Philippine economy, environment, and society may not have been optimal. The government and the country failed to curb leakages (corruption), as well as state and regulatory capture. Donor financing, on the other hand, is sometimes driven by political and other considerations. The combination of both has severely impaired the value-added to the country of the development support it receives.

2. What, in your view, can be done to further strengthen the Bank’s risk management in the context of DPOs?

- There needs to be better coordination or mechanism for the assessment of policy reforms (by government, civil society, private sector and development partners) and a way to consolidate these assessments and prioritize what needs to be done.
- Monitoring and evaluation is difficult because there are no baselines for many expected results. How does one measure success in these cases?

- Development partners must respond to the changing landscape of the Philippines: 1) the country's increasing fiscal space, and 2) the prospects offered by the investment-oriented lending instruments of the Asian Infrastructure Investment Bank.
- DPOs should not impose loan conditionalities involving the legislature. Congress will not yield to pressure of passing a law just because it is what is contained in a loan agreement. Instead, the loan agreement may contain a statement that a law is to be submitted for consideration of a particular legislative committee.
- DPOs need to promote effective coordination and interdepartmental mechanisms that facilitate the "crossover" between the three branches of government.
- Political capacity is important. Reforms are complex, and they invariably involve vested interest. Discussing a particular policy reform with the legislature, for example, is the role of the executive branch, not of development partners. In the Philippines even the Supreme Court lends its voice in many projects.
- The World Bank should more proactively engage citizens and communities in the design and execution of programs and projects. This should also involve capacity building to civil society.
- The World Bank could do a better job at supporting advocacy work in achieving a reform objective, which is the more difficult part relative to the technical work. For example, there was a missed opportunity when the Bank was asked to support the formation of a coalition on fiscal reforms in the early years of the current administration, but did not respond with adequate support. Now, fiscal sustainability is threatened by a slew of revenue-eroding measures without any compensating mechanism. The World Bank can help by becoming more proactive in advancing a fiscal reform agenda that has a strong civil society and private sector component.
- The World Bank champions good governance. It is very active in promoting open government. But it shies away from the more controversial issues that likewise matter, for example, electoral reforms.

3. Does the Bank pay adequate attention to the environmental and social aspects of the reforms supported by DPOs in your country?

- It is the regulatory and policy framework of the Philippines rather than DPOs that determine environmental impact. Therefore, the question should be to what extent have DPOs helped guide government in protecting the environment and promoting environmental sustainability, for example, in mining, climate change, and even in the implementation of laws.
- The World Bank must ensure that proper consultation, citizen participation, and transparency are promoted when DPOs are used. The government received budget

support in the form of a supplemental financing operation following typhoon Haiyan. Even though these resources were not earmarked for any specific purpose, the Bank should be aware that thousands of families have been displaced as a result of the rehabilitation and reconstruction following typhoon Haiyan.

- In DPOs the national government communicates with the local government units, but the local government units do not necessarily communicate with communities. This gap must be addressed.
- Government ownership and leadership are necessary, especially in determining the impact of reforms on the environment. For example, there might be issues related to private sector participation in social protection, or to energy pricing. Government must be able to establish the policy mechanism for such, for example, through an energy regulatory board. There may also be trade-offs between efficiency and pricing in the energy sector. These must be considered in DPOs.
- An example of an innovative and responsive DPO is a loan facility that is under consideration, which could include an insurance component that will be triggered when a disaster hits the Philippines. It is an immediate financing available in the event of major disasters.
- The environmental aspects of DPOs are not always entirely clear, with the exception of catastrophe-deferred draw-down option (CAT DDO) that address disaster risk management issues. Social aspects are typically clearer and receive more attention, specifically in DPOs for social protection.
- The poverty and social impact assessment method is useful in evaluating a policy reform, considering channels and effects, particularly impact on the poor and the non-poor.

4. How have recent Bank reforms contributed to the effectiveness of DPOs?

- The World Bank is more open than it used to be in listening to Filipinos, beyond the confines of government.
- The World Bank is sensitive to the challenges in working with the bureaucracy. Changes do not happen as quickly. The DPO instrument provides the government some flexibility in the time it requires to implement certain programs, noting that these programs have themselves internal timelines within government.

5. Any other suggestions to make use of DPOs more effective?

- There needs to be balance between development policy loans and investment loans, and the sequencing of such interventions.

- Some possible areas of cooperation and reform: governance, agriculture, capacity building for local government units, and disaster risk reduction and management. In particular, facilitate the integration of climate change adaptation and DRRM. In the Philippines, these two are managed by two separate agencies.
- The Philippine government is decentralizing budget allocation and expenditures. This government initiative may be considered as an area of reform.
- The judiciary in the past did not want to receive funding directly from the World Bank as this could be a possible conflict of interest because there had been cases lodged before the courts concerning World Bank-assisted projects. DPFs just might be an option for government to engage with the Bank on judicial reform, without the judiciary receiving specific funding allocation for such.
- There is more to the Philippines than just its government. The World Bank needs to develop assistance pedagogies that “hear” and engage directly with the communities.
- Development partners must coordinate and harmonize their approaches. Specifically, they should develop a unified approach in the water and energy sector.
- Consider greater emphasis on capacity building. A literature review indicates that there is a gap in this area.
- Consultations on DPOs should also be held outside of the capital city of Manila.
- Greater efforts could be made to make information available and useful to citizens. This could be achieved by collaborating with local academic institution.

Annex



**2015 Development Policy Financing Retrospective
Consultation Meeting**

Date: June 5, 2015

Location: Manila (Taguig), Philippines

Total Participants: 35

PARTICIPANTS LIST

| Participant Name | Organization Represented | Organization Type | Signature |
|----------------------------|---|--------------------------|------------------|
| 1. Mr. Niwa Noriaki | Japan International Cooperation Agency | Development Partner | |
| 2. Mr. Tomonori Sato | Embassy of Japan | Development Partner | |
| 3. Mr. Bumpei Sugano | Embassy of Japan | Development Partner | |
| 4. Mr. Farnhammer Hans | Delegation of the European Union in the Philippines | Development Partner | |
| 5. Mr. Hasper Michael | Embassy of the Federal Republic of Germany | Development Partner | |
| 6. Mr. Selles Vicente | AECID | Development Partner | |
| 7. Mr. Blanchot Christophe | Agence française de développement AFD - French Development Agency | Development Partner | |

| Participant Name | Organization Represented | Organization Type | Signature |
|----------------------------------|--|--------------------------|------------------|
| 8. Mr. Daniel Feathersson | Department of Foreign Affairs and Trade-Australian Embassy in Manila | Development Partner | |
| 9. Mr. David Yap | Asian Institute of Management Policy Center | CSO | |
| 10. Honorable Artemio Panganiban | | CSO | |
| 11. Mr. Manuel P. Aquino | House of Representatives - Congressional Policy and Budget Research Department | Government | |
| 12. Dr. Sonny Domingo | Philippine Institute for Development Studies | Government | |
| 13. Ms. Alma Rita Jimenez | Management Association of the Philippines | Private Sector | |
| 14. Mr. Jonathan Uy | National Economic Development Authority | Government | |
| 15. Mr. Carl Mangilin | National Economic Development Authority | Government | |
| 16. Mr. Lawrence Tibon | National Economic Development Authority | Government | |
| 17. Mr. Bien Ganapin | National Economic Development Authority | Government | |
| 18. Mr. Roberto Tan | Department of Finance - International Finance Group | Government | |
| 19. Ms. Stella Laureano | Department of Finance - International Finance Group | Government | |
| 20. Ms. Donna Minimo | Department of Finance - International Finance Group | Government | |
| 21. Mr. Richard Bolt | Asian Development Bank | Development Partner | |
| 22. Mr. Mark Garcia | Silliman University | CSO | |

| Participant Name | Organization Represented | Organization Type | Signature |
|-----------------------------|---|--------------------------|------------------|
| 23. Ms. Nikka Mae Loreto | National Economic and Development Authority | Government | |
| 24. Ms. Leonie Claezman | Agence Française du Développement | Development Partner | |
| 25. Mr. Allan C. Galang | National Economic and Development Authority | Government | |
| 26. Amiel Sarne | National Economic and Development Authority | Government | |
| 27. Ash Malimit | National Economic and Development Authority | Government | |
| 28. Ish Villanueva | National Economic and Development Authority | Government | |
| 29. Renz Garda | National Economic and Development Authority | Government | |
| 30. Pacia Matungahan | National Economic and Development Authority | Government | |
| 31. Mr. Victor Arola | Philippine Economic Society | CSO | |
| 32. Stephanie Anne Margallo | The World Bank | | |
| 33. Moira Enerva | The World Bank | | |
| 34. Bai Zonaga | The World Bank | | |

Separate One-on-One Meeting

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|------------------|---|-----|--|
| 35. Mr. Kevin Yu | Philippine Movement for Climate Justice | CSO | |
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