

7 *Philippines*¹

BRINGING CIVIL SOCIETY INTO CAPACITY DEVELOPMENT

Introduction

The present assessment of technical cooperation (TC) in the Philippines takes a broad reading of the term capacity development. It looks at capacity as the ability to achieve several aims, including analysing and setting goals, and identifying the tasks and functions to reach these goals. Capacity also includes the ability to establish effective processes and mechanisms for participation and accountability, and to institute norms and values, rules and incentive structures to improve performance or realize a goal. This study looks into the “whose capacity” issue, and recognizes that these capacities can be vested within individuals, groups, and institutions – all contributing to capacity at the national level. Finally, this study also looks at the “for what” issue, interpreting capacity development as either a means or an end, as improvement of abilities to perform tasks or functions, as well as creating an environment that aids the development of “national goal-seeking capacity” (UNDP/UNICEF 1999).

This chapter summarizes the modalities of technical cooperation practices in the Philippines and the impact of TC on capacity development. It also comments on the evolution of official development assistance (ODA) practices in relation to the Government and NGOs, addressing key areas of TC reforms and covering innovations

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and policy issues. The report closes with a reflection on the contributions of the Philippine case study to a better understanding, not only of how TC works at the country level, but more importantly, how certain elements have worked particularly well in the Philippines.

Background

The Philippines is composed of 7,107 islands, many of them mountainous. The geography and topography of the country account for its underdeveloped physical infrastructure and the high cost of transporting people and goods. With 78 million inhabitants in 2000, the Philippines is the most densely populated country in Southeast Asia: 263 people per square kilometre. Almost 59% of its people live in urban areas, 11 million of them in Manila. The population speaks a total of 111 languages and dialects, all of which belong to the Malayo-Polynesian family. Filipino, which is derived largely from Tagalog, a language spoken in Metro Manila and nearby areas, is the national language.

The Philippines has been the slowest-growing country among the members of the Association of Southeast Asian Nations (ASEAN). Between 1989 and 1998, its real GDP grew by 2.7% per year. The 10-year period was marked by a slowdown in the early 1990s, followed by a short-lived resurgence from 1993 to mid-1997. The annual growth rate peaked at 5.8% in 1996, just before the financial crisis that hit East Asia. In 1998, at the height of the crisis, GDP contracted by 0.6%. It has since grown by 3.4 to four percent a year (ADB 2001).

The Philippine economy has been plagued by weaknesses. They include comparatively low rates of domestic savings by Southeast and East Asian standards; stagnating agriculture; a “hollowing-out” of the industrial sector, with growth concentrated in non-tradables such as transport, construction, and real estate; and the concentration of exports in a narrow band of commodities (such as electronics and transport equipment) that use few domestic inputs and in which the Philippines is losing competitive advantage. The economy also suffers from a chronic current account deficit and high volatility resulting from an inflow of portfolio investments fuelled by the liberalization of the Philippine capital market. Ever-increasing foreign debt depletes the domestic resources used to service it (Illo 1999). All these weaknesses were unmasked by the financial crisis of the late 1990s, which provoked a new wave of poverty.

Income poverty consistently declined from 1985 to 1997, but increased again in 2000 (see Table 7.1). In rural areas where poverty levels are significantly higher, El Niño brought an additional setback. Three years after the beginning of the crisis, the proportion of poor rural families was higher than 1994.

In terms of capacity development, the country offers several important features. There is a well-educated work force, and an adult literacy rate of 95% for both men and women. There are also many deeply committed non-government organizations (NGOs) and a well-developed public bureaucracy. These institutional strengths, however, are undermined by excessive politics within the Government as well as the NGO community.

TABLE 7.1: POVERTY INCIDENCE, 1985-2000

	1985	1988	1991	1994	1997	2000
Number of poor families (in millions)	4.355	4.23	4.781	4.531	4.511	5.22
Poverty incidence among families (%)	44.2	40.2	39.9	35.5	31.8	34.2
Urban	33.6	30.1	31.1	24	17.9	20.4
Rural	50.7	46.3	48.6	47	44.4	47.4

Source: Family Income and Expenditures Survey, National Statistics Office

Public commitment to basic services such as health, housing and food still falls short. More needs to be done to improve the quality of education. Financial responsibility for training in a trade or occupation still falls largely on individuals or families, and is shaped as much by foreign job opportunities as by domestic labour market factors. Moreover, the Government promotes overseas employment as a source of foreign exchange remittances, thereby reducing the skills available to the domestic public and private sectors.

Addressing graft and corruption is an urgent priority as it contaminates the civil service, undermines the effectiveness of governance, and raises costs of doing business in the country. Additional capacity development issues for the Government include the need to rationalize the distribution of personnel and the compensation system. This includes the need to make civil service salaries competitive with those of the private sector, the need for more meritocracy, and ending the near-universal practice of patronage politics in the hiring and promotion of personnel. Devolution problems, including patronage politics and the share of local governments in tax revenues, must also be addressed. The Government also needs to rationalize the education sector, including its management, financing and incentives structures, and investments in school facilities. Finally, there is a need to improve the programme development and management capacity of government agencies.

There is likewise a need to address the high incidence of poverty, particularly in rural areas. In this connection, capacities are needed to help farmers improve the productivity of agriculture and other rural enterprises. These capacities would enable the Government's agriculture agencies, NGOs and communities to plan, design, manage and implement agricultural programmes and projects, help local governments access and negotiate TC, and facilitate cooperation between the Department of Agriculture and local government units (LGUs).

In view of the central role that they play in poverty alleviation and people empowerment, NGOs also need assistance in building various skills across management, advocacy and participation in public planning and decision making processes.

Aid and Technical Cooperation

Despite declining official development assistance (ODA) levels worldwide, donor interest in the Philippines remained high for the period 1989 to 1998. This attention stemmed from donor support to the return to democracy and the rule of law under the Corazon Aquino administration. It also illustrated the relatively good performance of the Philippine Government in its utilization of ODA resources. Rates of disbursement were high between 1989 and 1996 – at 79% – but fell to 74% in 1997 and 66% in 1998 (Gonzales 1998, 2000).

For 1989 to 1998, total ODA commitments to the Philippines totalled \$20.9 billion, or an average of slightly over \$2 billion a year. This amount was almost 14% of foreign exchange earnings from exports. It also supported 16.7% of the budget, and accounted for 3.5% of GDP.

During the period 1986-1999, ODA flows to the Philippines came from 28 donors. The largest sources of ODA were Japan (44%), the World Bank (22%), and the Asian Development Bank (18%). Other large donors were Australia, Canada, France, Germany and the United States. The United Nations system contributed 0.7% of the \$27.81 billion that flowed into the country during the 13-year period.

Technical cooperation accounts for a relatively small percentage of the total aid – in most years less than 10% (see Table 7.2). Australia, the European Union, and UNDP are the largest contributors. For 1989 to 1998, their total TC contributions reached more than \$1.3 billion. The TC funds generally supported capacity development under a governance facility such as the Australian Government's overseas aid programme (AusAID) and the Canadian International Development Agency (CIDA), as part of an integrated area development programme (EU), or as an integral part of capital assistance projects (ADB and World Bank).

From 1986 to 1996, the social sectors (mainly health and education) received 29% of total TC. The agri-industrial sector (composed of agriculture, agrarian reform, natural resources, industry and tourism, and science and technology) got 23%, and infrastructure, 15.7% (see Table 7.3). Substantial portions of the water resources and integrated area development projects, however, were in fact agricultural in nature and their capacity development components pertain to the building or strengthening of rural organizations and institutions, and training for livelihood and skills development.

Since its creation in the early 1970s, the National Economic and Development Authority (NEDA) has managed ODA in the Philippines. As the key planning agency, NEDA has to ensure two things: that projects which receive ODA loans, grants and other forms of external assistance are in line with the Government's economic programme; and that proposals which emanate from line agencies result from an investment plan supporting strategic medium-term goals in their respective sectors.

Projects approved by the NEDA board for funding are formally endorsed by the Government. The donor appraises the proposal and makes its funding decision. The

TABLE 7.2: TOTAL ODA AND TC, 1992-1998

Year	TC (US\$ millions)	ODA (US\$ millions)	TC as % of ODA	TC as % of GDP	TC as % of budget
1992	58	1,504	3.9	0.1	0.5
1993	161	1,186	8.8	0.3	1.3
1994	175	1,927	9.1	0.3	1.4
1995	293	2,370	12.4	0.4	1.9
1996	232	1,397	16.6	0.3	1.5
1997	173	2,654	6.5	0.2	1.0
1998	153	1,862	8.2	0.2	1.2
Totals	1,245	12,900	9.6	0.3	1.3

Sources: OECD/DAC website for TC; Gonzales (2000) for ODA; NSO Philippine Yearbook for the GDP and GOP budget raw data.

TABLE 7.3: SECTORAL DISTRIBUTION OF TC COMMITMENTS (IN GRANTS) FOR 1986-1996

Sector	Total grants (US\$ millions)	Percent of total (%)
Agri-industrial development	774.6	23.0
Of which, agriculture and agrarian reform	(381.9)	(11.4)
Social sectors	987.0	29.4
Infrastructure development	527.6	15.7
Of which, water resources	(249.0)	(7.4)
Integrated area development	214.5	6.4
Development administration	180.8	5.4
Disaster mitigation, commodity aid, and others	676.6	20.1
Total	3,361.1	100.0

Source: Gonzales (1998).

donor then informs the Government through diplomatic channels of the projects that they have chosen to support, and the amount they are pledging. Negotiations follow. The Department of Finance holds loan discussions with the donor; in the case of grant agreements, NEDA usually takes the lead in representing the Government in negotiations. The loan or grant agreement is signed once the donor has approved funding for the project. The agreement stipulates the commitments made by both the donor and the Philippine Government.

Since 1992, the Government has conducted annual portfolio reviews to identify and address factors affecting the country's absorptive capacity for ODA. The process begins with individual project reviews between NEDA and the Department of Budget

and Management on one hand, and project management offices (PMOs) on the other. The process ends with the presentation of the annual report to the NEDA Board, including recommended measures for improving implementation performance.

Although the Philippine Government has established policies, processes and procedures covering ODA and TC, it recognizes that each donor agency is also subject to those of their respective Governments and governing councils.

Donor Management Practices

The major aid donors to the Philippines maintain an office in the country. Most multi-lateral agencies have delegated management responsibilities to their country offices (the ADB, with its headquarters in Manila, opened a separate Philippine office in September 2000). Bilateral aid agencies, however, observe differing practices. The United States Agency for International Development (USAID) resident mission oversees all United States TC contracts, whereas, until very recently, AusAID contracts were managed in Canberra. The Japan International Cooperation Agency (JICA) and CIDA Philippine offices also have limited management control over projects.

Day-to-day management of TC projects again differs by donor. The varying degrees of involvement of government agencies are evident in the following project management modes.

- **Organic Project Management Offices** – Loans and very large TC projects are often run by a project management office that is composed of organic staff (or permanent agency personnel) and contractual consultants/staff. The PMO is usually headed by an agency official, with the assistance of a team of contractual staff.
- **Co-management** – In projects supported by JICA and the EU, a Japanese or European is named as co-coordinator or co-director of the project alongside an official designated by the Philippine implementing agency. The field staff, however, can consist of locally hired administrative staff (clerical and financial), fieldwork personnel, short-term local consultants, and short- and medium-term foreign consultants.
- **Expatriate executing or management firms** – In projects funded by CIDA or AusAID, a Canadian or Australian firm executes or manages the project. In CIDA projects, the PMO may be headed by either a Canadian or Filipino consultant, but the executing agency is represented in the Philippines by a Canadian. In AusAID projects, an Australian firm normally opens an office on site that is headed by an Australian consultant.
- **Direct and/or local administration** – Unlike many bilateral aid agencies, USAID manages its contracts or grants either directly or through project administration by a local agency which USAID monitors. The experience of USAID and other agencies with local executing agencies have proven this

mode to be inefficient. Fund disbursement is slow as a layer of donor bureaucracy is superimposed on the local bureaucracy.

Where the local implementing agency does not manage the project, an opportunity is lost to build that agency's management capacity. This loss needs to be weighed against efficiency and ease of project administration, including smoother fund flows, timeliness of delivery of inputs and outputs, and similar benefits to both donors and the final beneficiaries of the project.

Co-management can help develop local project management capacity. The EU and its medium- to long-term projects provide the implementing agencies ample opportunities for on-the-job learning about project formulation, implementation, and monitoring and evaluation. In contrast, JICA's shorter-term TC activities are less appropriate for the institutional development of local agencies.

Regardless of the mode of project management and implementation, TC projects hire consultants for technical advice, to guide the implementing agency or group through activities such as training or organizing, or to conduct studies and craft project reports and documents.

Many – if not all – bilateral aid organizations are bound by their Governments' policies regarding procurement of equipment and materials and hiring consultants. This means that despite official commitment to untied ODA, much of TC is, in fact, tied aid. Except in very small TC contracts, bidding for consultancy services takes place in donor countries among firms that are qualified according to their rules (such as being listed in the Australian stock or securities exchange, in the case of AusAID). Winners of the bids usually contract part of the TC services to Filipino experts.

In sharp contrast to this practice by some bilateral agencies, multilateral agencies and USAID open the bidding of TC projects to all qualified firms, regardless of nationality. To strengthen their bids, foreign-based firms often pair with local consulting firms or invite local experts to join their roster of consultants.

The UN agencies follow a different system of contracting consultancy services. For projects generated locally, UNDP and other UN agencies generally hire local consultants, with inputs from the implementing agency. Technical cooperation coming out of headquarters usually involves expatriate consultants who partner with local consultants recommended by the Philippine office.

The fielding of nationals by bilateral aid agencies is purportedly based on the premise that the former have knowledge, skills and practices that they can share or of which they enjoy comparative advantages. This may be true in the Department of Budget and Management's e-procurement project with CIDA, and in AusAID's distance education or technical-vocational training projects. But there are fields wherein local expertise is already equal, if not superior, to that of expatriates. This includes gender, community organizing, institutional development and policy analysis.

Despite the comparative advantage and lower costs of hiring local consultants, the national policies of certain bilateral aid organizations compel these donors to continue fielding their citizens. Japanese firms or consultants doing development studies or TC-type projects, however, often hire local individuals or groups to conduct background research that requires local knowledge, or to do basic data gathering. Other funding agencies take advantage of the less expensive and more grounded local consultants to deliver training services, provide management and development advice, and undertake community organizing and institutional development activities on site.

Several factors are deemed to have contributed to the increasing employment of Filipino consultants by funding agencies. These include the shift by donors to area-based programming, which creates a demand for local (provincial or regional) consultants who know the area; greater contracting autonomy in the country offices; participation of local stakeholders in the selection of consultants; and increasing concern among some donors over cost-efficiency.

In addition, there are several local institutions that can provide capacity development services in specific areas. For governance, CIDA projects have tapped the Asian Institute of Management, the Ateneo de Manila University School of Government, the Development Academy of the Philippines, and the University of the Philippines. Agricultural and agrarian reform projects have collaborated with the University of the Philippines (Los Baños) and other universities with agricultural colleges. Urban poverty, gender and child labour projects draw on the Institute of Philippine Culture at the Ateneo de Manila University.

Policy Analysis

Part of TC from bilateral and multilateral donors is in support of policy analysis and reform. Some agencies have mechanisms for policy-oriented TC. Other agencies have programmed part of their TC for policy reform without creating a specific facility for it. UNDP funding for policy analysis and reform is a good example. Policy-related inputs can also be provided in the course of general project implementation. USAID support to the energy sector required building up enough capacity to craft the country's energy policy, and for Congress to formulate an energy or power bill. Another example is CIDA's project with the Bureau of Customs, which resulted in a policy of making customs regulations available online. This made information widely available and accessible to the public, thereby limiting misinformation and corruption. It also helped the Philippines to comply with World Trade Organization (WTO) requirements and support its anti-corruption drive.

At the sub-national level, UNDP worked with NEDA offices on regional development planning. CIDA, USAID and AusAid have assisted local governments in crafting local policies and legislation.

Working With NGOs

One of the major features of the Aquino administration's structural reforms addressed people's involvement in the decision making, planning and implementation of programmes,

especially through community organizations and NGOs. This objective was enshrined in the 1987 Philippine Constitution and in various laws passed by the Philippine Congress.

Gonzales (1998) classifies NGO funding mechanisms from aid sources into *responsive funding*, or resources that support activities initiated by NGOs and participating communities; and *contractual funds*, which are provided by donors or government agencies to NGOs to carry out certain tasks pre-determined by the funds holder. This distinction is important. Under the first type of funding, the project belongs to, or is owned by the NGOs; in the second instance, the NGOs are treated as contractors and assume the role of a for-profit, private consulting firm.

Responsive funding systems are of several types. First and foremost are foreign NGO-to-Filipino NGO co-financing schemes, which is the traditional means of channelling ODA to NGOs. The second type consists of embassy funds, in the form of the ambassador's discretionary fund or small grants schemes. The third type is composed of donor-managed NGO funding mechanisms. This includes USAID's Private Voluntary Organizations Co-Financing Programme, AusAID's Philippines Australia Community Assistance Programme, and area-based funding mechanisms managed by a project management office (such as the Antique Integrated Area Development Programme in Antique Province). The fourth type pertains to NGO-managed funding mechanisms. CIDA provides numerous examples of this category of NGO financing. Of the four types of financing, the NGO-managed funding scheme provides the greatest opportunity for building the capacity of the NGO sector as a whole (Quizon 1997, cited in Gonzales 1998).

It is difficult to ascertain the exact amount of ODA funding for NGOs, given the sheer volume of transactions in co-financing schemes, and the mixture of private and public contributions. However, NGO co-financing schemes contribute the largest portion of responsive ODA funds (Gonzales 1998:93). These schemes alone generated over \$50 million per annum during the first half of the 1990s (Gonzales 1998:90).

Drawing on the results of a survey of 35 NGO funding programmes conducted by the Association of Foundations, Gonzales (2000) reports that among 17 programme areas, gender received the highest priority (in 63% of programmes), followed by livelihood and enterprise (in 57%), agriculture and agrarian reform (in 51%), and health and indigenous peoples (43% each).

Why do donors fund NGOs? Donors interviewed for this study as well as those interviewed by Gonzales (2000) cite several reasons for working with NGOs. Strong grassroots links and long-term commitment to poor and marginalized groups make NGOs attractive to funding agencies with community-oriented and poverty reduction programmes. Another set of reasons often cited pertain to the nature of NGOs and NGO operations: flexibility, innovation, process orientation, and expertise in community organizing. The relatively small size of NGOs makes for less red tape and more cost-effective projects.

Funding agencies have also encountered a number of problems with NGOs. They find it hard to distinguish between "fly-by-night" and authentic NGOs. Bad experiences

with the former have compelled donors to impose stringent reporting and accountability requirements. Other problems relate to a lack of institutional systems and mechanisms, their inability to provide counterpart funding, and long-term, heavy dependence on external funding. Finally, donors sometimes find NGOs too self-righteous, highly politicized, or unwilling to adapt to the management style of donors.

These problems notwithstanding, the involvement of NGOs in the development process, and the willingness of the donor community to assist NGOs, particularly in community-level TC activities, offer a good case study in TC practices. NGOs expand the potential sources of expertise that can be tapped for capacity development, particularly of communities. Meanwhile, the presence of highly respected training institutions and a large pool of actual and potential capacity development consultants create opportunities for local support for national capacity development.

The more vibrant NGOs and training establishments have profited from previous TC projects that allowed them to develop their programmes and competencies. Scholarships and training opportunities helped make possible the large base of skilled men and women who can be tapped for TC work. Finally, innovative TC practices have generated changes in the way government works and in the way people and communities participate in issues that matter to them, including development.

TC and Public Sector Reform

The Philippine civil service comprised 1.4 million employees in 1997, or two percent of the total population. This translates to one civil servant per 51 Filipinos, which is slightly lower than in other ASEAN states such as Malaysia or Thailand.

Key public sector oversight agencies are the Department of Budget and Management (DBM), the Civil Service Commission (CSC) and the Department of Interior and Local Government (DILG). DBM is the lead agency in the task of promoting quality spending and pursuing fiscal and management reforms. Aside from budget management, it also administers compensation and classification systems and assesses the organizational effectiveness of the bureaucracy (DBM n.d.). DILG assists the President in the exercise of general supervision over local government.

The CSC is meant to play a key role in civil service reform, since one of its tasks is to develop capacity for efficient public service. Its training programmes concentrate on two areas: skills, including supervisory development; and values, such as ethics and accountability. The CSC focuses on piloting training programmes with service-wide applications. It does not undertake training directly, but accredits training service providers. Agencies are free to develop and conduct staff development programmes with the assistance of these service providers. Since most of the accredited training groups are located in Manila, however, government agencies have tapped non CSC-accredited institutions for training programmes in other regions.

Human Resource Management officers (HRMOs) are the links between the CSC and other government entities. Although HRMOs ensure that CSC policies are followed, the CSC itself has no say in the hiring of human resource personnel. Agencies simply have to adhere to the quality standards set by CSC for the position. HRM practitioners in the public sector have marginal influence in senior management decisions. They are reportedly identified more with clerical rather than technical roles. It seems unlikely that front-line CSC staff face demands for technical advice.

In practice, the Philippine bureaucracy has been judged to be over-politicized. This description applies at all levels and affects recruitment, promotion and performance evaluation. Currently, less than 40% of senior executive positions are filled by qualified career officers (World Bank, n.d.). In 1997, elective officials constituted 1.5% of the 1,378 million government personnel. They brought in about 19,000 officials and 153,000 “casual” or “contractual” workers. These political appointees accounted for 12.5% of the government work force (BLES 1998).

Political appointment is but one form of political patronage; the other, more insidious form appears through graft and corruption. These persist even as the Government pronounces its commitment to an honest and competent bureaucracy. The Medium Term Philippine Development Plan (MTPDP) for 1987-1992, for instance, vowed to shift away from “a system which provides incentives on the basis of accessibility to power to one which gives importance to efficiency and equity considerations”. Its successor document stresses the need for an administrative framework that enables private enterprise to operate under a system of impartial and consistent rules, and that enforces contracts or resolves disputes fairly and quickly (MTPDP 1993-1998:5). Although observers have noted greater transparency, graft and corruption continue to flourish.

To protect public service from patronage politics, various presidents have attempted to create a permanent, apolitical civil service through the Career Executive Service Officer system. This requires individual civil servants to obtain qualifications, through examination and experience, prior to appointment to tenured posts. Higher-level appointments require candidates to complete training courses from institutions accredited by the Civil Service Commission. Among them are the Asian Institute of Management, the Ateneo de Manila University School of Government, the Development Academy of the Philippines, and the National College of Public Administration and Governance (NCPAG) of the University of the Philippines.

Related to the issue of patronage politics, graft and corruption have been the major challenges to good governance in the country. The Social Weather Station surveys from 1986 to 2001 listed the failure in fighting corruption as a major source of public dissatisfaction, second only to the failure to control inflation (Mangahas 2002). Transparency International, however, notes a decrease in the perception of graft and corruption from 1998 to 2001. This might be due to the removal from power of former President Joseph Estrada as well as the frequently reiterated promise of the current President, Gloria Macapagal-Arroyo, to promote governance based on improved moral standards.

The Government's procurement system has been identified as a key to reducing opportunities for graft and corruption. The current system is beset with problems including inconsistent and fragmented rules and regulations, non-transparent practices and abnormally long approval processes (World Bank, n.d.).

A positive development relevant to growing efficiency and transparency in public service is the increasing use of information technology. As of October 1997, more than 100 agencies were connected to the Internet. Administrative Order No. 332 was issued to promulgate the 'RPWeb' as the nucleus of the Philippine Information Infrastructure, and directed all government agencies down to field offices to interconnect through the web (MTPDP 1999-2004). Information ranging from drivers' licenses to tax records can now be more rapidly obtained from connected offices.

In addition to problems of corruption, there are other issues that are pertinent to capacity development:

- **Need to rationalize the distribution of personnel** – The bureaucracy is perceived to be bloated primarily because of poor deployment of personnel across regions and occupational groups. In 1997, 66% of the government workforce was employed by the national government. About 40% were teachers and police officers, with a majority of the remaining work force assigned to non-technical or administrative positions. Even at the national government level, the number of non-technical personnel has declined over the years (MTPDP 1999-2004).
- **Need to rationalize the compensation system** – Average wages in the civil service rose by over 75% between 1994 and 1998 as a result of the salary standardization process mandated by the 1987 Constitution to align public sector salaries to private sector levels. However, salaries of senior officials are typically 60% below market rates (World Bank, n.d.). This does not reward commitment to public service, and leads to low morale and lack of continuity in programmes.

Several government institutions have also sought exemptions from the Salary Standardization Law (SSL), causing wide discrepancies between salaries of officials in these agencies and those in non-exempted ones. The Government Service Insurance System, for example, was exempted by Congress in 1997. It granted itself pay increases such that the salary of a senior GSIS official is now four times that of a Cabinet Secretary (World Bank, n.d.).

- **Need for meritocracy** – The near-universal practice of patronage politics in the hiring and promotion of workers has undermined efforts to institutionalize the Career Executive Service Officer system. Because of low salaries at the senior executive level, those who are induced to seek careers in the civil service may not be the most creative or efficient.
- **Need to address devolution problems** – One of the more important initiatives since the return to democracy in 1986 has been to bring public services into

closer contact with users, for greater responsiveness to their needs. The enactment of the Local Government Code of 1991 vested local governments with substantial powers for self-governance. Although no systematic evaluation has been done of actual performance, the Galing Pook Foundation, administered by the Asian Institute of Management, has published case studies showing how devolution has pushed local authorities to improve service delivery.

A pressing problem is the internal revenue allocation to local governments. Its current formula is deemed to benefit richer areas, and is not related to the actual cost of delivering devolved services or to different needs across the various regions of the country. Patronage may also be a problem, considering that 25% of local employees are contractual workers. With local elections held every three years, lack of continuity can be an even greater problem at the local than at the national level (World Bank, n.d.).

- **Need to rationalize the education sector** – Reviews of the education and training sector have identified problematic issues ranging from management, financing and incentive structures, to investments in school facilities. Specifically, there have been instances of ill-advised official support and recognition of substandard universities. Further issues include inadequate incentive structures for teachers, particularly those in underserved areas and those handling science and technology subjects, and inadequate support for public elementary and secondary education. Moreover, considering that four out of five technical and vocational education and training providers are privately-owned, there is little support from the Government to these institutions (ADB/WB 1999).

Within the Government, key respondents interviewed for this study cite weak programme development and management capacity as a major problem. The World Bank identifies lack of capacity in procurement and financial management, particularly at the local government level, and extremely slow project preparation and implementation in the social sector as factors that increase costs for the Bank and the Government (World Bank, n.d.). Capacity development interventions to sustain and strengthen the devolution process remain critical (Brillantes 2001; World Bank, n.d.).

Considering the factors that influence governance, the Government's public sector reform plans have focused on the creation of a civil service based on merit. This includes the adoption of a more appropriate compensation scheme, improvements in management systems with a focus on its procurement system, and continuing capacity development, particularly for local government units. The frequent changes brought about by normal rotations in administration as well as through "people's power" revolts, however, have disrupted implementation of public sector reforms. Stability, continuity and sustainability in implementation must be present for these reforms to succeed (Brillantes 2001).

In public service reform, the main partners have been USAID, CIDA and AusAID, all of whom have provided assistance at both central government and local levels. GTZ

has targeted the central institutions, and JICA funded an area development programme. The Civil Service Commission, Department of Budget and Management, the Department of Interior and Local Governance and the National Economic and Development Authority are among those that have benefited from these programmes.

The TC provided under these programmes has contributed to improving the competencies of civil servants and management systems at the national and local levels. Foreign-assisted project staff of three agencies (CSC, DBM, DILG) all agreed that skills had been enhanced among individuals in project management offices as a result of training programmes and study tours, as well as from the performance of work assignments within their respective projects. These skills included project development and management, and preparation of terms of references. For DBM, the experience of implementing TC has made staff realize that their financial policies and procedures are sometimes too cumbersome.

Retaining personnel trained under these projects, however, has been a problem, particularly at the local government level. Turnovers in key staff with every change of administration have exacerbated the problem, virtually guaranteeing almost no capacity retention despite the multiplicity of training programmes. Many municipal employees (particularly in poorer municipalities) leave the public service after completing the two years of service required by the training grant, because they find it difficult to build careers in local government. Meanwhile, with new competencies, it becomes much easier to find work outside the civil service. In the Visayas, for instance, project development and management trainees of local governments easily found employment in several local development banks.

The lack of clarity in the training priorities and needs of local government is also a concern. Training is currently supply-driven, as national agencies promote their sectoral concerns instead of responding to needs identified by local government units. The governance facilities of aid agencies, however, are increasingly funding local government initiatives. With the focus shifting from projects to sites, funding facilities are providing TC to help local governments in assessing their capacity development needs and designing programmes. This type of TC is reportedly improving local government performance as it builds real organizational capacity, and not just the capacity of politicians whose terms in office can be very limited.

NGOs and Public Sector Reform

With graft and corruption a critical issue in governance, the contributions of NGOs become vital. NGOs have played key roles in the political landscape, especially in exacting accountability from the Government, either directly or through the community groups they help organize. NGOs were instrumental in developing the strategic actions that led to the ouster of former President Estrada, and some NGO leaders have been appointed to key positions in the present Government. It is not surprising, therefore, that an increasing number of donors are now opening opportunities for engagement with civil society.

One such undertaking is the Philippine Governance Forum (PGF), a collaborative project of UNDP, the Ateneo School of Government and the Ateneo Center for Social Policy and Public Affairs. The Forum is undertaking several initiatives to promote transparency and good governance, including Government Watch, which monitors government projects; Budget Advocacy, which seeks to build up the budget literacy of NGOs and legislators; and the Transparency and Accountability Network, a coalition of 19 organizations engaged in good governance efforts.

Aid has clearly encouraged the growth of civil society organizations. With the return to democracy in 1986, several donors such as CIDA and AusAID created funding windows to help NGOs build their capacity to deliver services for poverty alleviation, as well as to advocate for reforms and provide a venue for the voices of marginalized sectors.

Fighting graft and corruption has increasingly become the focus of several donors (the World Bank and UNDP, among others). Most initiatives have incorporated civil society as watchdogs for good governance. Government Watch does “spot monitoring”, focusing on actual accomplishments versus targets, outputs, costs and time frames. Results are discussed with agencies and commitments are secured in terms of their response to identified backlogs. Implementers plan to link up with Rotary Clubs across the country to ensure sustainability once UNDP funding ends.

Moreover, the opportunities for NGO-government partnership in service delivery that are offered by some foreign-assisted projects (such as AusAID’s street children programme) have led to a better understanding of the Government’s operational mechanisms. This can help NGOs in designing monitoring and evaluation tools for their roles as watchdogs.

There are complaints that TC to NGOs does not generally produce measurable outputs. Capacity development of the NGO is seen more as an end in itself, and this serves as a disincentive to donors. Most of the funds allegedly go to salaries and not to services for targeted clients. NGOs argue that it is the process of organizing communities to decide how best to take a series of actions and utilize local resources, that brings about people-led change.

TC Processes and Practices

Most respondents saw no problem with donors having their own TC agendas as long as these fit the priorities of the recipient agencies and organizations. In the area of governance and public sector reform, most donors approached the recipient agencies with offers of assistance. Priorities are defined by the domestic agencies and articulated in the Medium-Term Philippine Development Plan, and discussed with donors and civil society or private sector groups.

Donors are seen to have an increasingly open programming process, with UNDP credited by many as having set the example. Most donors, including the World Bank

and the Asian Development Bank, now hold consultations about their country assistance strategies and specific programmes.

Many believe that the Government is now more in the “driver’s seat” in the process of identifying and prioritizing projects to fund, even if the projects themselves are designed by donors with the active participation of agency staff. The counterpart agency has a principal role in needs identification, project selection and initiation, with the help of consultants (both foreign and local) provided by the donors. A major anti-poverty project currently under negotiation with the World Bank was prepared by the Department of Social Welfare and Development without a single foreign consultant.

In the efforts to strengthen decentralization, however, there have been instances where donors pushed their agendas when local governments were not ready. An example is the implementation of water and sanitation projects in the Autonomous Region of Muslim Mindanao. The project failed to consider lack of capacity in local government for financial management, and it is unclear how the funds were utilized. Local conflicts in the area also make auditing difficult.

Some also claim that the processes of consultation on projects are neither inclusive nor transparent enough. This concern is particularly strong when it comes to projects funded through loans, the share of which has been steadily increasing.

Decisions in staffing project management structures are normally left to the recipient agency. For the Civil Service Commission and the Department of Budget and Management, “organic” project management offices (those created from existing staff resources) usually handle project management. Evaluation is done both by consultants and internally by the PMO, while agency staff handles accounting and financial reporting if funds are involved.

Organic PMOs are seen to be more conducive to technology transfer and more efficient at records management. The problem, however, is providing adequate time for project concerns without neglecting other regular functions. “Inorganic” PMOs (with their own contractual staff) can concentrate fully on project management since staff members have no conflicting concerns. In both arrangements, there have been no problems with salary differentials, since agency personnel do not receive honoraria for work on the projects.

The use of organic PMOs was promoted through a DBM policy banning the hiring of contractual staff beyond the salary grade of division chiefs. All PMO managers are now organic personnel. Contractual personnel of some PMOs have the same salaries as regular personnel, since they are covered by the Government’s social security scheme. Before the DBM policy, salaries of such personnel were 20% higher than those of regular staff.

Employment and Availability of Local Experts

The employment of foreign consultants from donor countries is often cited as an indication that development aid is “tied”. Yet, as noted above, bilateral donors still employ

significant numbers of expatriate experts. Foreign consultants provided by donors have been generally effective and culturally sensitive. Many of those interviewed, however, believe that foreign consultants should be hired only when there is no available local expertise, since the costs of foreign consultants are significantly higher than those of local experts.

Local expertise in the domain of governance can be found in academia and civil society. The Ateneo School of Government and Institute of Philippine Culture, the University of the Philippines' National College of Public Administration and Governance, the Development Academy of the Philippines and the Asian Institute of Management are some of the institutions that have provided expertise in capacity development for public sector reforms. A major problem lies in the lower rates set for national consultants – ceilings set by donors are sometimes too low to attract good local consultants. Local consultants also rarely become team leaders.

Project vs. Programme Approaches

Most donors are beginning to adopt a more programmatic approach, and many bilateral donors now agree to more “progressive” engagements. After a preliminary, diagnostic TC, they proceed into one that looks at change management before providing further assistance. This allows for a better identification of key problems and the design of interventions. Agency diagnosis is seen as critical. This progressive engagement also builds relationships of trust with recipient agency champions.

One of the agencies that has benefited from the programmatic approach is the Department of Interior and Local Government. Most of the agency's projects before the 1990s were related to capital assistance. Now, many include institutional development or capacity building components, and DILG staff have come to view capital assistance as a tool for capacity development. Most projects provide local and international training for DILG staff and local government officials.

Aid Management

Coordination with donors in ODA programming is undertaken by NEDA. A donors' meeting on the Medium-Term Philippine Development Plan is usually convened to inform them about government priorities and obtain feedback on donor concerns. NEDA has begun joint programming meetings with the World Bank and ADB, and ODA portfolio reviews with the World Bank, the ADB and the Japan Bank for International Cooperation. Multilateral donors currently hold multi-sectoral consultations previously convened on a per sector basis. More bilateral donors have also begun to consult with the Government on a regular basis regarding their country assistance strategies. CIDA holds annual consultations. Germany does so every two years, and Spain every three years. Likewise, there is more frequent coordination among donors' task managers, leading to greater focus and sharing of resources (as in twinning arrangements).

In the arena of ODA review, NEDA has an important role as the official social and economic development planning and policy coordinating body. One of its units, the Public

Investment Staff (PIS), provides support in the coordination and review of ODA flows to ensure consistency with national development priorities. Current project monitoring practice, however, focuses more on physical accomplishments and disbursements rather than outcomes. According to a former PIS head, NEDA needs to develop social assessment as well as project monitoring skills. A recent World Bank-funded project enabled a multi-disciplinary team from the Ateneo de Manila University's Institute of Philippine Culture to partly address this need.

Institutions involved in the capacity development of local and national government officials have strong interests in TC initiatives, since the latter provide revenues for these organizations. Government agencies involved in capacity development include the Development Academy of the Philippines, the Civil Service Commission and the National College of Public Administration and Governance. Private institutions include consulting firms and various universities with schools for government, public administration and the social sciences.

Local consulting firms are naturally in favor of strictly enforcing a requirement giving preference to Filipino firms and consultants in the implementation of ODA projects, as prescribed under the Official Development Act of 1996. They acknowledge, however, that bilateral donors must also consider their respective countries' policies regarding ODA. Establishing linkages with donor country consulting groups is one strategy often adopted to improve chances in competitive bidding.

Technical Cooperation in Agriculture

Agriculture has always been a major sector in the Philippines. It continues to account for more than a fifth of the country's GDP, and until recently, absorbed more than half of the employed population.

The Philippine rural sector has long been plagued by several interrelated problems. Flawed policies and chronic neglect were the result of post-war development strategies that preferred industrialization over agriculture.² Defective incentive structures for farmers and other rural producers created by the concentration of land ownership among a few families and institutions (including the Catholic Church) remain structural issues. Soil erosion brought about by deforestation and the destruction of watersheds; periodic typhoons and droughts; inadequate marketing support for agricultural commodities; the massive conversion of agricultural land to residential subdivisions or industrial estates; and the retreat of government support to agriculture, compound the sector's problems (De Guzman 1999, Gordoncillo and others 1998,

² The pursuit of import-substitution and/or export-oriented industrialization tended to favour overvalued currencies that placed agricultural exports at a disadvantage. Credit was rationed and industrial enterprises were prioritized in credit allocation. More resources went to infrastructure for urban centers, leading to the neglect of rural infrastructure. Thus, rural areas are sorely lacking in reliable farm-to-market roads, and post-harvest facilities and irrigated land area declined in the 1990s (Habito and others 2001). At times the emphasis on industrialization led to the systematic exploitation of agriculture. The devaluation of 1962 and the progressive devaluations in the 1970s were accompanied by the imposition of export taxes. Increased earnings from exports due to the devaluation were reallocated to industrial enterprises. Taxes were also imposed on agricultural imports.

Paunlagui 1999). Despite attempts at change such as agrarian reform, dismantling monopolies and deregulation, these problems persist.

The agricultural sector has also suffered from issues related to capacity at the institutional, personnel and community levels. At the institutional level, failures to produce results have been traced to mismanagement (MTPDP 1987-1992), politicized bureaucracy (Tolentino 2001b) and weaknesses in the institutional structure of government (David, Ponce and Intal 1993). Inadequate research and development infrastructures and a low ratio of extension workers to total rural population also contributed (MTPDP 1987-1992). The sector faced major constraints in planning, implementation, monitoring and evaluation (ADB 1996a). Key stumbling blocks cited were the absence of integrated agricultural development plans at the regional and local government levels, and a long-term agricultural strategy. Other important constraints included inadequate database and information systems, and no clearly defined linkages and mechanisms for policy and programme formulation and implementation between the Department of Agriculture and local governments (ADB 1996a).

Problems at the personnel level are associated with high turnovers of managers and technical staff because of the instability of leadership at the Department of Agriculture, and recruitment by the private sector and aid agencies. Contributing to the problem is the inadequate in-house capacity to conduct policy studies and craft policies (ADB 1996a), or to design and deliver agricultural support services. Ineffective agricultural extension services is identified among the main causes of low productivity among Filipino farmers.

At the community level, institutional capacity development has become an important issue as post-Marcos administrations sought to bring about “the transformation of the poor into self-reliant and productive citizens capable of actively participating in the total development effort” (MTPDP 1987-1992:3). Considering the lack of budgetary support to agriculture and the low ratio of agricultural extension workers to the growing rural population, the need for organizations of farmers and other rural producers as well as other members of the rural sector has a practical rationale.

Weighed against these challenges are at least three positive factors. First, the Philippines has an excellent public agricultural university (the University of the Philippines Los Baños) and several private universities with respected agricultural colleges. For the past three decades at least, students from Asian and African countries have attended these institutions on scholarships from their own Governments, international foundations or aid agencies. The Philippines also has a network of state agricultural schools, training institutions and research facilities throughout the country. In addition, the International Rice Research Institute, which has trained hundreds of Filipino researchers over the years, has its headquarters close to the Los Baños campus.

Second, the Philippine educational system is turning out an average of 12,000 agricultural graduates per year. Many seek employment in Government or the private sector rather than farming. In the past two decades, a significant number of Ph.D. holders from foreign and local universities served as advisers or consultants, or occupied

top leadership positions at the Department of Agriculture and other departments. This may no longer hold considering that fewer young professionals seem to be going into postgraduate training. This trend may undermine the staffing of agricultural colleges and universities; the supply of consultants and technical staff; and the number of reflective analysts, commentators and critics.

A third source of support for the country's agricultural capacity development agenda is civil society, notably NGOs. Their considerable expertise and experience in community organizing has helped the Government establish agrarian reform communities and various groups of rural producers. In many instances, however, general community organizing skills are not sufficient, as the organizers have to be knowledgeable about technical issues, including, for example, irrigation construction and management, or credit sourcing and financial management. Grassroots organizations, like farmers' cooperatives and rural women's groups, also contribute significantly to local capacity development.

Plans and Strategies

The Medium-Term Philippine Development Plan articulates broad policy directions and national and sector development strategies. The plan generally treats agriculture as part of the broader rural, agrarian and natural resources sector. In consultation with NGOs, the private sector and other stakeholders, the Department of Agriculture crafts the sub-sector plan for agriculture and fisheries; The Department of Environment and Natural Resources for forestry, natural resources and the environment; and the Department of Agrarian Reform for reform entailing land title transfers and support to agricultural production. The three departments also provide leadership in the preparation of the investment plans (listing of prospective projects and possible funding sources) for their respective sub-sectors.

In 1997, the Philippine Congress passed the Agriculture and Fisheries Modernization Act (AFMA), which serves as the framework developing both sectors. The law provides for reform and reorientation in the provision of public production and marketing services. Key among these reforms is the creation of Strategic Agriculture and Fisheries Development Zones (SAFDZ) based on the natural resource characteristics of particular areas, rather than political boundaries. Each SAFDZ is mandated to craft an integrated development plan that maximizes natural resources.

The MTPDP identifies general capacity building areas under "human resource development" (education, health and nutrition) and cites sectoral training and capacity development needs as part of the broad strategies for the sector. For 1999-2004, agriculture and fisheries used AFMA as its framework for needed institutional reforms, the provision of various support services and for capacity development in the agricultural sector. Two areas that pertain directly to capacity development are the rationalization and strengthening of the National Agriculture and Fisheries Education System (NAFES) for quality agriculture and fisheries education; and the promotion of a dynamic, client-responsive National Research and Development System in Agriculture and Fisheries under the Department of Agriculture.

In the MTPDP 2001-2004, these and other capacity building concerns are integrated as part of the broader strategy for modernizing agriculture and fisheries. A few examples of capacity development components include:

- Improvement of support service delivery and the promotion of demand-driven capacity development through extensive use of information and communication technologies (access to information, extension services, procurement and regulatory systems).
- Continued rationalization of the research, development and extension systems into “one system - one programme”.
- Protection of the most vulnerable from the adjustment shocks of modernization and globalization by expansion of non-farm livelihood training.
- Development of the capabilities of partner institutions and ensuring the continued full participation of stakeholders in the implementation of AFMA. This includes facilitation of technology transfer from research institutes to local government units, cooperatives and peoples’ organizations; and the delegation of responsibilities for project formulation, implementation, monitoring and evaluation to cooperatives and peoples’ organizations.

NGO Participation

In line with the participatory and consultative approaches of the Aquino and Ramos administrations, the Government sought the assistance of NGOs to organize community groups and to help in the delivery of agricultural services. During the Ramos Presidency, however, the opportunities for Government-NGO collaboration declined. At this time, the Department of Agriculture focused on agribusiness and the promotion of globally competitive crops, while NGOs concentrated on traditional crops and food security.

On their own, NGOs play an active role in Philippine agriculture. During the Marcos regime and the early years of the Aquino administration, many NGOs prioritized policy advocacy and dedicated a large part of their efforts to the pursuit of a genuine agrarian reform programme. Foreign funding agencies financed these activities in order to promote human rights and social justice. In the 1990s, the passage of a watered-down agrarian reform law, the shift of ODA funds to newly-independent Eastern European countries and the imperatives of globalization pushed most NGOs to devote their energies to sustainable livelihood projects that aimed at increasing incomes of small farmers. Early NGO strategies featured integrated rural development approaches, but with resource constraints, many NGOs moved to less costly and more specialized interventions.

According to a leader of a national farmers’ organization, NGOs working on sustainable agriculture differ in their understanding of issues or approaches. Some view sustainable agriculture in terms of sustainability of sources of income, while others are biased against any form of modernization.

Role of Local Government

Apart from the Department of Agriculture, local government plays an important role in TC for agriculture. Before the passage of the Local Government Code in 1991, the Department of Agriculture had provincial and municipal offices with their complement of technical and administrative staff. Since 1991, these offices were turned over to local government units that are now mandated to plan and implement agricultural programmes. The devolution of functions and personnel, however, was not accompanied by commensurate devolution of resources. In many instances, this meant the allocation of a large portion of the local agricultural services budget to personnel costs, leaving little for the purchase of equipment or transport. Not surprisingly, the post-devolution performance of most LGUs in terms of agricultural extension has been spotty at best. The few LGUs that have been able to deliver significant agricultural services are those with more resources at their disposal and/or strong leadership.

Tensions between the Department of Agriculture and local government persist. There is much that still needs to be done in order to improve cooperation between national and local government, even in the area of maximizing the utilization of TC for agriculture. One initiative that is currently being implemented is the appointment of provincial and municipal coordinators among the regional Department of Agriculture staff.

The Role of TC

The major sources of TC grant assistance are the EU, Japan and China, although Japan, the ADB and the World Bank are also major sources of loan assistance (with and without TC components). A significant proportion of TC is channelled through the Department of Agriculture and its constituent offices and agencies.

Technical cooperation for the agricultural sector has improved research and development capacities of several agricultural agencies through the upgrading of facilities and training of local researchers. It has also built competencies in project management, monitoring and evaluation within agricultural agencies and among the development industry.

At the personnel level, capacity development occurred as a result of formal training and/or scholarships, or as people did their jobs. Many of the local consultants and professors in agriculture received their doctorates on TC scholarships, and a number of officials at the Department of Agriculture received training at Philippine institutions or overseas. Too many scholars and trainees, however, either never returned to their home institution, or left soon after they completed their service period.

At the field or community level, TC projects have supported community-organizing efforts that established farmers', fishers', and rural women's organizations. The institutional development component of irrigation projects is a good example of capacity development outcomes of capital assistance to the agricultural sector. However, partly as a result of the devolution of responsibilities for farmer-owned communal irrigation

systems in 1991, confusion reigned and support for communal systems declined. So did the functionality and performance of these systems and the irrigation associations.

There are, however, three ways in which TC can diminish capacity development:

- Technical cooperation projects often fail to take into consideration local government development plans and therefore undermine them. Local governments, on the other hand, accept any form of assistance that comes their way, even if the assistance is out of line with local needs. The long-standing differences between the Department of Agriculture and LGUs also hinder the national agency from adequately providing assistance to its local counterparts.
- The attractive salaries and work environment of the funding agencies often lead to personnel leaving the public sector to join foreign funding agencies or research institutions. This is especially true for younger and more qualified personnel at the Department of Agriculture. Personnel sent abroad for higher degrees on TC grants return only to complete their service contracts before moving on to better-paying jobs.
- Donors continue to rely on expensive foreign consultants more than is justified by available local expertise.

This survey points to the following elements as necessary for ensuring that TC leads to capacity development:

- A framework for development and/or capacity development, whether at the national, sectoral or local level.
- Institutional mechanisms for ensuring that proposed TC projects are in line with the development framework and that they build capacity.
- Adequate and experienced personnel.

These points can be demonstrated by contrasting the experience of local government and the Department of Agriculture. The latter has all of the above elements in place, so it can ensure that TC projects are aligned with the priorities of the administration and that they do build capacity. Local government units, on the other hand, lack some of the elements above. While most local governments have development plans, approved TC projects often diverge from these plans because local authorities are not part of the TC planning process.

Two other elements have been found to help bring about capacity development through TC projects. One is the presence of mechanisms and processes for selecting and designing projects independently of the priorities of foreign aid agencies. The Department of Agriculture's practice of hiring local consultants for project development has created a market for expertise. Another element pertains to the increased sensitivity of donors to domestic priorities and processes. This enhances institutional capacity and supports efforts to install transparency and accountability into TC projects.

Lessons and Conclusions

The review of policies, processes and practices of TC in the Philippines indicates the importance of preparing a national development agenda, and the process by which this is done. The Government agenda includes the broad outlines of national capacities that are required for achieving national goals. It actively seeks the participation of various sectors of society, notably NGOs and people's organizations, in planning as well as implementation. It also generates processes of consultation with funding agencies for performance reviews of aid portfolios, programming and negotiating for ODA (including TC). Donors, for their part, generally harmonize their country assistance plans with Philippine priorities while pushing for global considerations and their own areas of concern.

Persistent poverty, slow growth, inequitable distribution of income, law/order problems, and corruption in Government impede progress in the Philippines. Official development assistance, including TC, has supported Government and non-government initiatives to address these issues. Moreover, donors have gone into joint programming and multi-donor ODA and TC in specific regions (such as Mindanao) or issues (safe motherhood, HIV/AIDS and agrarian reform).

Following Philippine rules, bilateral and multilateral aid agencies fund the programmes and projects not only of central government but also those of NGOs and local government. The establishment of special funding facilities by donors such as CIDA and AusAID, area-based programming by the EU and AusAID, and other innovations have enabled development aid to respond to broad national concerns and to immediate needs within specified areas. Despite the difficulties donors encounter in dealing with NGOs, the latter are still perceived as easier to deal with than the Government, especially since NGO agendas reflect grassroots concerns.

The commonest forms of TC continue to be technical advice from consultants hired either by the donor or by the project, support for research and development, and various training and institution building activities. While donors are increasingly utilizing the services of local institutions and experts for TC, most funding agencies continue to hire expatriates despite the availability of expertise in the Philippines. A large portion of TC is in kind and involves the importation of equipment or materials from donor countries. Furthermore, TC projects often require the creation of project management offices, although several of these are "organic" or staffed and run by regular staff of implementing agencies. Some projects are managed by firms from donor countries or co-managed by an official from the Philippine agency and a national of the donor country. In all cases, these PMOs are staffed with locally contracted administrative and technical personnel.

In many funding agencies, governance is a recurrent theme. It has also influenced the ways donors manage their aid programmes. Funding facilities and other programmes and projects have steering or management teams/committees that draw their membership from the donor agency, the Government and NGOs.

Impact of TC on Capacity Development

The links between TC and national capacity development are by no means systematic or comprehensive, but there are some important exceptions. Technical cooperation for public sector reform has yielded at least two positive general outcomes. These are improved government competencies and systems, and increased capacity of NGOs to advocate for, and monitor public sector reforms. The first has resulted in better performance (such as increased rates of collection), while the second has produced a vigilant monitor eager to stop corruption.

At the local government level, some TC projects have created a multiplier effect, albeit limited, of good practices in local governance. A local-level outcome in Naga City has seen greater transparency in local governance through the provision of computer access to information.

At the field or community level, a number of TC projects or have supported efforts that made possible the formation of farmer, fisher, women and youth groups. While a number of these organizations have become moribund at the end of the project, some have persisted. The countless stories of irrigation associations that have helped the National Irrigation Administration (NIA) design more workable irrigation systems, or have taken on the operation and maintenance of irrigation facilities – with or without official guidance – provide good examples of capacity development outcomes related to the TC component of capital assistance to the agricultural sector (Korten and Siy 1989, De los Reyes and Jopillo 1986).

Some of the positive examples of TC-supported innovations and best practices in the field are captured in manuals. The process of selecting best practices forms part of a culture of learning.

At the individual level, capacity development occurs as a result of formal training and/or scholarships, or on-the-job learning. Scholarships and study tours have yielded both unfavourable and favourable results. A number of scholars and trainees never returned to the country or to their home agency or institution. Many, however, did come back, some to serve in Government in elective or appointed positions, and others to return to their NGOs or academic institutions.

Yet there are various factors inhibiting the impact of TC on capacity development. Bureaucratic inertia is one, and is applied to both the Government and donors. With respect to the Government, red tape prevents speedier implementation of projects, fund disbursements and the commitment of counterpart funds to projects. Moreover, government agencies do not always show their commitment to TC or are resistant to greater donor harmonization.

At the local government level, problems include overhauls in key staff with every change of administration and the lack of clarity in priorities for training. Except in a few places, training at local government level is supply-driven, as national government agencies advocate their own sectoral concerns instead of responding to the priority

needs of local governments. Capacity retention remains an obstacle: the difficulty of building careers in government service, particularly at the local level, drive civil service officers to the private sector or international aid agencies.

On the donor side, several factors have been identified as actually or potentially hindering capacity development, although some pertain to ODA in general.

- Policies can be so rigid and decisions so centralized that local donor offices cannot take advantage of opportunities to respond to emerging TC issues or to enter into partnership with other donors.
- The nature and responsiveness of funding is affected when personnel of funding agencies are generalist bureaucrats rather than development practitioners.
- Field operations and TC project commitments are adversely affected by political decisions (made at headquarters or in donor countries) to divert previously committed funds to more strategically expedient areas.
- Different planning cycles constrain possibilities for joint programming and multi-donor assistance initiatives.
- Lack of transparency in the selection of TC consultants or contractors persists. In some instances, the consultant/contractor is selected even before bidding begins.

This survey also revealed a number of positive factors that enhance the impact of TC on capacity development. Technical cooperation works better when:

- It is lodged in existing units that are responsible for the relevant functions, and training is focused and customized to agency needs.
- It is approached sectorally, with donors selecting parts of the whole programme of intervention to support.
- Inputs of expatriate experts are maximized only when they possess knowledge and/or skills that are not available locally, and when they are culturally sensitive and can communicate effectively.
- The selection of TC providers is transparent.
- Use is made of the contacts of national or regional consultants to determine capacity development and other beneficiary needs.

Ownership

The Philippine study indicates that the concept is complex and multidimensional. Technical cooperation projects and/or donors that promote a certain notion or level of ownership may have mechanisms that undermine it, or fail to identify the strategic partner or “owner” of the TC project.

- **Priorities and counterparts** – The Government and its TC donors claim to have instituted processes and mechanisms that would encourage ownership of the TC agenda by the Philippine Government and other relevant organizations. They point to the donors’ use of the MTPDP and results of consultations with various groups as bases for the donors’ country programming. However, this is tempered by the fact that the Philippine agenda is but one of the many inputs to a donor’s country strategy. In the case of NGO funding, the NGO agenda is upheld only in cases where the funding mechanism allows this. Another indicator of ownership that donors and Philippine proponents mention is the latter’s counterpart to the TC. Donor requirements differ, however, and it is difficult to say whether projects that require counterparts are truly “owned” by the implementing agencies.
- **TC conceptualization and design** – Another dimension of the ownership issue pertains to the origin of the TC request, and inputs to project planning and design. In the Philippines, donors vary in the amount of control they wield regarding the content of projects. In some instances, donors offer TC and local groups accept it, sometimes reluctantly. In others, donors send consultants to develop the project. Some donors seek the inputs of the beneficiary agency or group on the scope of work and selection of consultants that will deliver the TC, while other donors fund TC as requested by the Government or NGOs. A number of donors, however, require TC to be provided by their nationals and that equipment be brought in from the donor country.
- **Project execution** – Yet another issue related to ownership concerns project management or execution. Using this yardstick, the different modes operating in the country denote varying degrees of control (or ownership) of the project by the implementing agency. At one end are TC donors that encourage organic project management offices, and at the other are donors that leave project management to firms based in their own countries. In between are donors that set up co-management systems. However, even when PMOs are organic or co-management is in force, the TC may be supplied almost exclusively by expatriate consultants or experts – with the Philippine co-director or manager a mere figurehead.
- **Identity of the strategic partner** – The last issue relates to the question: Whose ownership? Until the mid-1990s, consultations meant meeting with central government agencies and their senior officials, although a few donors were already seeking the inputs and commitments of local governments and NGOs. By the late 1990s, several donors had area-based or sub-national programmes or projects in addition to TC to national government agencies. Their interest was to foster the commitment of the TC beneficiary group, be they local governments, communities or a national government agency.

Making the Philippine partner institution or group feel committed to the capacity development initiative often involves a time-consuming process. Donor agencies that

truly want to engage in this process often find themselves in a quandary, as they also have to meet deadlines and keep project costs within approved budgets.

Donor Coordination

The Philippines has more than 20 ODA sources that provide TC, but Japan accounts for more than half of ODA, especially if its contribution through ADB-initiated projects is included. The Government periodically meets with donors separately or in groups for country programming and joint programming exercises, and the NGO community also invites donors to discuss prospective and current programmes.

As funding agencies respond to the priority needs identified in the current MTPDP, they are likely to formulate programmes around similar themes. Since the late 1990s, these have been poverty, governance, the Mindanao situation and economic growth. Many donors did channel funds to address these issues. Fortunately, other large TC donors continued to pursue area-based programming outside Mindanao, good governance work in the provinces considered among the poorest in the country, and to support policy research in a wide variety of sectors.

Donors also confer among themselves, particularly when they plan to allocate TC and other ODA funds to a particular region (such as Mindanao), or to address a particular issue. Joint programming or multi-agency assistance initiatives can reportedly minimize the red tape that each donor must contend with. The decision on whether or not to participate in these initiatives is hampered by different programming cycles and the degree of autonomy each donor can exercise.

Over the past six to seven years, more and more funding agencies have begun to move toward programme-based assistance. Japan is the most recent. Programme-based assistance requires that a certain amount of decision making take place in the local office of the donor, and it can only work with a greater delegation of responsibility. Some donors are moving towards operating local funding facilities, a model spear-headed by CIDA. Funding facilities can help local offices become more responsive to addressing the emerging needs of recipients.

Many of the donor representatives interviewed believe that TC can fill gaps in various areas. It can help usher in new structures, new ways of thinking and new practices. What it does, therefore, is make available to recipient countries expert services in areas that have been deemed important. The expertise can come from within the agency, from the recipient country or from another country.

As aid budgets get tighter, bilateral donors have found it necessary to become more accountable to taxpayers. While cost-effectiveness should favor the hiring of more local expertise, it is also politically important to continue dispatching donor country experts and maintaining a high level of visibility in recipient countries.

However, all the donor agency officials interviewed for this study claimed that their agencies have been hiring more Filipino consultants and contracting local universities

and training institutions for capacity development. The recourse to local expertise has been facilitated by at least two factors: a large and highly diversified pool of professionals and institutions, and relatively lower costs. While donors are hiring university-based professionals, NGO workers, or independent consultants for short- or medium-term TC services, they have also been tapping the public sector for longer-term assignments or posts. A job with a donor agency is highly coveted as it pays at least four times the salary of a technical staff member or a senior government official.

Sustainability

To ensure sustainability, funding agencies often require the Government to provide counterpart funding. Because of chronic budget deficits or cutbacks, this has not always happened. When it has, there have been delays or reductions in the release of the funds. The problem is compounded in the case of foreign-assisted local government projects. As JICA has discovered, local government budgets are often inadequate to sustain the project or activity. There are also no guarantees that succeeding governments will support projects their predecessors (who may be political rivals) have endorsed.

In any project, the core staff should be supported by the host agency. The project should also provide for additional (contractual) staff for project management or short-term technical inputs, but who would be phased out. This way, project-related costs do not burden the institution by way of expanding staff. A question related to sustainability arises when capacities developed among contractual PMO staff are not transferred to the staff of the implementing agency.

The Importance of Change Management

The design of TC must pay attention to the need for managing the change process, meaning the change introduced while TC is ongoing, as well as the change that is expected after the life of the project. The importance of building in mechanisms for institutionalizing TC outputs cannot be overemphasized. Recommendations must always include follow-through activities that should consider the environment in which such recommendations would be implemented. Recommendations should also include plans to enhance management's commitment and capacity to drive the change process. Impact evaluations should be factored in.

The process for implementing TC must also be adequately discussed among all parties involved. Real partnerships must be in force for significant capacity development to occur. Early in the process, a champion from within the agency should be identified. S/he must occupy a position high enough to be able to initiate changes and mobilize resources to sustain TC outputs. In cases where a change in management is foreseen, potential second-generation champions must be identified and cultivated.

To develop an overall framework for reform or capacity development initiatives, it is important to know where the agency is headed in the next five years. As such, it is better to have a "diagnostic initiative" first before developing or implementing specific

projects. This progressive engagement is more manageable and less expensive, since losses when the agency is not up to par are kept low.

Sustainability of outputs is a common concern among all stakeholders of TC initiatives. Characteristics of sustainable TC include the following:

- Sustainable TC projects respond to the mainstream functions of agencies, and more generally, the beneficiary groups (communities, NGOs and local governments). If the focus is on mainstream functions, budgets for follow-through activities are more likely to be included in regular appropriation. Since they concern core functions, such TC is not isolated. With greater ownership, significant commitments in resources are more likely.
- Sustainable TC is usually lodged in existing units that are responsible for such functions. Artificial PMOs are not created. This allows for greater capacity development of the institution.
- Sustainable TC initiatives usually approach problems sectorally. A more holistic approach that looks at change incentives and sanctions, plus technology needs, is essential. Large sector studies have been helpful, and have allowed donors to fund parts so as to complete the entire programme of intervention.
- Training provided in TC projects should be more focused and customized to the needs of the agency or beneficiary group. It is best for training programmes to be anchored on the change process in an agency.

This country study has highlighted several features of the Philippines that make it an interesting case study. First, the country has a large and diversified pool of professionals and local expertise that can be tapped for various capacity development TC: public sector reform, sectoral TC (agriculture, health, education), and thematic issues (gender and environment). Foreign donors, however, seem to be tapping the same experts.

Second, the country institutionalized participation of the private sector, NGOs and people's organizations in governance matters, including ODA and TC processes. The country study, however, shows the contentious nature of government-NGO relations, as NGOs still view themselves more as watchdogs than as partners (despite the incorporation of NGO agendas and former NGO leaders in high-level official positions).

Third, there have been several innovations in TC for capacity development. One example is the creation by donors of funding facilities that afford them greater flexibility within specified programme areas. Another is the increasing transparency of a number of funding facilities and TC projects. Donors consult with various stakeholders – weaving the donor agenda with the Government's priorities and other stakeholders' interests – and collectively select the consultants or providers of capacity development services. Yet another innovation is the conduct of joint or multi-donor assistance initiatives that allow donors to support respective parts of large sectoral TC projects.

Finally, mechanisms governing NGO participation in ODA and TC respect the autonomy of NGOs, reflect the Government's confidence in the capacity of NGOs to police their ranks, and allow NGOs to seek their own funding. Funding windows or facilities for NGOs allow them to pursue their developmental and change agenda, unlike sub-contracting components of government or donor projects and programmes.

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