

**Organizational Meeting of PDF WG Lead and Co-Lead Conveners**  
Thursday, October 23, 2008, 2:00 - 4:00 p.m. (Manila time)

**A. Opening Messages**

Mr. Bert Hofman of World Bank, co-chair of the PDF and host of the meeting, opened the meeting by welcoming the various representatives at the meeting, noting the importance of discussing the PDF process and how the working groups are functioning. He underscored the need for the process to be effective, for the overall PDF to focus on the development issues that the Philippines is facing.

Director Teresa Habitan of DoF, Chair of the PDF, stressed the importance of the development partners' support to the government since the 1<sup>st</sup> PDF to the present, specifically on the many reforms espoused during the PDF session which are now helping the country weather the current global financial turbulence. She expressed hope that the partnerships through the PDF will assist the government survive the current global uncertainties.

Bert reaffirmed the support to the government through the PDF. He mentioned substantive meetings that helped in moving the agenda forward such as the special PDF in August on the Fiscal, Social Protection and Food Security Programs, and the recent IMF-WB annual meetings in Washington where some discussions were held on contingency planning Philippine delegation led by Secretaries Teves, Andaya, Recto.

**B. Updates on the PDF Working Groups**

**1. MDG's and Social Progress**

Secretary Esperanza Cabral, representing the DSWD as Convenor of the MDGs and Social Progress working group, reported the following issues and commitments made during the PDF on creating opportunities for more inclusive growth:

- Enhancing the financing for basic primary education public health and social protection
- Improving governance and harmonization and coordination across sectors and levels of government
- Implementation of the social protection, risk mitigation, and comprehensive, peace and development strategies
- Increasing efforts to address MDGs that are less likely to be achieved
- Harmonizing development programming in Mindanao

*Highlights of Subgroup Accomplishments:*

**a. Health**

- Implementation of Province-Wide Investment Plan for Health (PIPH) in the 16 FOURmula One for Health sites and 21 roll-out sites.
- Ongoing baseline survey for the implementation of Monitoring for Evaluation for Equity and Effectiveness (ME3) systems.
- Ongoing integration of Maternal, Neonatal and Child Health and Nutrition (MNCHN) Strategy.
- Implementation of PhP100 Drug Treatment Package
  - Seminars/workshops on the project were conducted to 16 FOURmula One sites and 23 Non-FOURmula One sites
  - PGMA's signing of the Cheaper and Quality Medicines Act of 2008 in 6 June supporting the PhP100 Drug Treatment Package program

**b. Social Protection**

- Firming up of the National Social Protection Strategy

- A.O. 232 and 232-A (signed by the President) on the creation of a National Social Welfare Program cluster, chaired by the SSS Chairman with DSWD as coordinator and secretariat
- Development of a comprehensive targeting system for the poor
  - DSWD's proposal for the National Household Targeting System for Poverty Reduction already submitted to Sec. Margarito Teves of DoF for funding
- Implementation of a conditional cash transfer program to achieve joint objectives of poverty reduction and social protection
  - DSWD's Pantawid Pamilyang Pilipino Program (4Ps) already rolled out in 203,587 out of 321,000 household beneficiaries targeted for 2008 (data as of 22 October).
  - Distribution of initial cash grant amounting to PhP367,044,800 to 203,587 household beneficiaries will be completed by 15 November 2008.

### **c. Education**

- Continued implementation of the Basic Education Sector Reform Agenda (BESRA)
  - Noted increase in pupil participation rate from 83.2% in SY 2006-07 to 84.8% in SY 2007-08 for Elementary and from 58.6% (SY 2006-07) to 61.9% (SY 2007-08) for High School. Target participation rate for SY 2008-09 is 85.2% for Elementary and 63.6% for High School.
  - Increase in pupil achievement rate from 60% (SY 2006-07) to 65% (SY 2007-08) based on the National Achievement Test results.

### **Upcoming activities**

A WG meeting is being organized for November 2008 (being coordinated with Ms. Eden Lumilan of UNRC)

### **Comments**

The positive turnaround in the enrollment rates, even if small, was noted. The importance of the poverty targeting system, which will be valuable across working groups once the mechanism is in place, was also highlighted.

## **2. Growth and Investment Climate**

On behalf of Department of Trade and Industry, Convenor of the Growth and Investment Climate (GIC) working group, Kim S. Jacinto-Henares, representing the WBG as Co-convenor presented an update of the activities of the WG:

- Leading up to the 2008 Philippine Development Forum (PDF), the GIC-WG has drawn up a work plan to guide its work for the year. In the said work plan, it was agreed that WG would concentrate on the following themes: (1) Accelerate and Widen Investments, (2) Expand Trade, (3) Strengthen Institutions and Governance, (4) Provide Adequate Financing Support, and (5) Raise Quality and Productivity thru Innovation and Technology. And the activities of the GIC-WG over the months after the 2008 PDF have been undertaken under the following four themes:
- **Theme 1: Accelerate and Widen Investments** - The government has decided to focus and concentrate on the development of four sectors, namely, offshoring and outsourcing (O & O), tourism including health and wellness, mining and agribusiness. In relation to these four sectors, it have been agreed that Technical Working/Discussion Groups will be organized to tackle these sectors, determine its sectoral roadmaps have already been done, if not, to help the drawing up of said plans, determine the gaps/barriers to their development, determine what is needed for a local government unit to be competitive in said sectors, coordinate with other Working Group of the PDF and/or feed the plans to the other Working Group such as the Infrastructure working group to help address the barriers or the basic logistics required.
- The technical working groups for the four sectors have been regularly meeting. Since the National Competitiveness Council has also identified the four sectors of the GIC-WG among

the industrial sector that it would like to concentrate on, the work of these working groups were used as the basis for discussion with the LGUs as part of the program of the LGU Summit that was held in early October.

- Aside from the GIC-WG, the Sustainable Rural Development Working Group has also convened a technical working group on Agribusiness. Since the Department of Agriculture and the Department of Agrarian Reforms are Chairs and co-convenors of the SRD-WG, it was agreed that the DTI and GIC-WG should let the Agribusiness technical working group of the SRD WG spearhead the discussion, and that DTI and the GIC-WG would just actively participate bringing in the business or investment aspect and expertise to the discussion.
- **Theme 2: Expand Trade** - Two major strategies are to be undertaken, namely (1) working towards the implementation of the National Single Window - taking off from the new round of computerization being undertaken by the Bureau of Customs, there is a need to reengineer and/or computerized the process of other government agencies who are required to issue permits and/or licenses for the importation/exportation of goods, and (2) accession by the Philippines to the Revised Kyoto Convention (RKC) , the international conventions for the simplification and harmonization of customs procedures for trade facilitation - it is pending with the Senate for ratification. Accession to the RKC will require the adoption and institutionalization of reforms in BOC.
- **Theme 3: Strengthen Institutions and Governance** –
  - As a result of the Doing Business 2009 survey, there is a buy in among government agencies - national and local - to simplify and harmonize rules and procedures for business registration. The GIC-WG is working closely with the Decentralization WG and the Department of Interior and Local Government and LGUs specifically those in the National Capital Region in simplifying and harmonizing the implementation of National Laws by LGUs in the area of business registration and permitting.
  - Accelerate and enhance the implementation of the Philippine Business Registry from one of merely that of data warehousing to that of being transactional - the aim is that a person/entity will need only to enter data once and he will be registered with all the government agencies that he needs to be registered with.
  - Assist in putting coherence into the multitude of competitiveness criteria specially for the Local Government Units.
  - Coordinate and harmonize the activities of various development agencies who are very active in providing assistance in the business permits and licensing activities of LGUs
- **Theme 4: Provide Adequate Financing Support** – The Credit Information System Act has been passed by Congress and should be signed into law by the President before the end of October.
- **Under Theme 5: Raise Quality and Productivity Through Innovation and Technology** – Activities under these themes have not been identified, although it should tie up with the requirement to make us competitive in the four sectors identified and GIC-WG should probably provide inputs to the MDG-WG for education.

### 3. Mindanao

Ms. Janet Lopez of MEDCO, Convenor of the Mindanao working group, reported on the working group's recent accomplishments anchored on four common advocacy areas including: commitment to peace process; strengthening local government capacity linkage with rural decentralization; strengthening Mindanao socio-economic development; and, expanding particularly to conflict affected areas and improving aid effectiveness with donor coordination.

- Development of common M & E framework for both government and donors particularly in Mindanao (supported by AusAID).

- Regularized the convergence effort at different levels using the human security as the framework of efforts of various government and agencies at the level of local government, project management offices and has established regularized convergence mechanism among civil society organizations in Mindanao, as partners in the peace and development initiative at the community level.
  - With CIDA support, the WG will be coming up with the establishment of the knowledge management mechanism for the Mindanao Working Group to further strengthen the WG to effectively achieve the main objectives. This is still a work in progress.
  - The WG will be coming up with a joint effort for the Mindanao Peace and Development framework. Currently at the first phase and supporting the assessment of the Mindanao 2000 targets. The 2<sup>nd</sup> phase would be the drafting of the common Mindanao Peace and Development framework.
  - The WG will consider some recommendations on strengthening of donor coordination in the light of the current development in Mindanao:
    - Strengthen coordination mechanism between the donor and agencies in the government and at various levels and with the MCC.
    - Implement a more coherent and a targeted response to the Mindanao current situation, current needs and at the same time not lose focus on a long term and role-based peace and development interventions.
    - Support community-based economic development programs and encourage early implementation of role based on peace dialogue in the committees as a commitment effort to the peace process.

### **Comments**

The question of the implication of the EO transferring MEDCO from the Office of the President to NEDA was raised. Executive Director Lopez informed that they are still awaiting issuance of the implementing rules and regulation of the EO.

### **4. LGU: Decentralization and Local Government (DLG)**

Mukami Kariuki, Co-convenor of the DLG working group reported that in line with the 2008 theme of the PDF, the DLG working group had focused the first part of the year on a collaborative assignment with the Growth and Investment Climate (GIC) working group. As reported by the GIC working group, the LGU Summit on Competitiveness was organized on the anniversary of the Local Government Code. The summit focused on improving LGU competitiveness and identified priorities and actions for LGUs to take in support of the national competitiveness agenda.

The DLG working group also arranged a series of workshops around the four themes of the DLG working group. The first workshop held on October 22 focused on LGU performance and looked at progress made in updating the LGPMS indicators. The entire LGPMS system is also being updated to make it more friendly to LGs. The DLG working group also worked to ensure that the DOH health indicators are integrated into LGPMS, and that DOF financial indicators are integrated into LGPMS. The remaining workshops will focus on the themes of access to finance, capacity building and policy.

- The working group also discussed the proposal to improve CBMS coherence with LGPMS and noted that further work is required to resolve this issue. Finally the group noted that the joint memorandum circular on planning, budgeting, resource mobilization, etc., has improved links between planning and budgeting. This should simplify the use of LGPMS as an input to the planning and budgeting cycle.
- The working group is also reviewing a draft policy on performance based grants prepared by the DOF based on an initial concept designed with support of the World Bank. The policy aims to provide a framework for monitoring different performance-based instruments that are currently being piloted in the Philippines.

- Finally, it was noted that remaining topics to be tackled include a review of IRA and a review of the tax code under Local Governance Code (see additional comments below). Efforts are also being made to operationalize the multi-donor TF proposed during the 2008 PDF, with initial indication of support from CIDA and the Spanish government.
- With respect to the other four themes of the working group, the following issues were highlighted by DILG Undersecretary Austere Panadero, Convenor of the WG.
  - The collaboration with GIC on the LGU Summit, led to resolution of the procedures for the release of the LGU share of the national wealth from mining activities (also an agenda item of the working group). The BTR, BIR, DENR have agreed with DBM to formulate new procedures (simplified) to allow local government to get their share of national wealth. It was also agreed that capacity building of LGUs is necessary if the country is to attract investment and create a business friendly environment - several proposals for further streamlining procedures are being explored with LGUs.
  - In addition, it is expected that the study on IRA formula will be completed and dissemination / consultations will be undertaken in October; the non-fiscal component of the code has been revised and draft proposals will be completed to be ready for discussion before March or April 2009 with probable submission to Congress before 2010 elections.
  - A capacity building issue that emerged pertains to LGUs capacity in attracting investment and creating a business friendly environment with efforts to further streamlining procedures

## **5. Sustainable Rural Development**

The group was divided into sub working groups on upland development, land management and agri-business:

- Upland development: planning and water shed management in upland protected areas, as well as irrigation
- Land management: land policy, agrarian reform and distribution, service land administration and management
- Agri-business
- Rural credit and technology

It also noted the assistance of ADB and WB on agrarian reform/natural resources in client management system and climate change. The WG has included representatives from civil society, NGOs, local government and various agencies. The WG also proposed a possible theme for the 2009 PDF: "Sustainable Development in the Changing World in the Philippines"

## **6. Infrastructure**

Assistant Director Tanate of NEDA reported on behalf of ADG Reynoso of NEDA. He mentioned that after the PDF, the groups from World Bank, AusAid, Embassy of Japan and NEDA met last May and June to firm up the TOR and agenda of the group. The primary mandate of the working group is to support the implementation of a comprehensive and integrated infrastructure program.

It has also been agreed that in order for the group to deliver on its mandate, five key areas must be given focus, namely: fast tracking of the infrastructure projects through resolution of technical, financial and legal issues; implementation of competition policies in infrastructure provision; capacity building in infrastructure development; improving the linkage between planning, programming and budgeting processes; and pursuing the triple bottom line in infrastructure development. As agreed, NEDA will be the chair of the working group and Japan would co chair.

Asst. Director Tanate reported the creation of three sub-working groups namely: transportation, water, and energy which comprise the major components of the total infrastructure investment

requirements. The NEDA infrastructure staff was designated secretariat. Updates were as follows:

- The water sub-working group was convened last Sept. 4. Updates on this sector was discussed specifically the regulatory reforms for the Philippine water sector. It was reported that the Philippines supply water sector roadmap is being finalized.
- Updates on the on water sanitation summit were presented. The sub-working group on water agreed to focus momentarily on water supply sanitation and expand in other areas in the future and address other issues such as irrigation and flood control.
- The work plans for these sub-working groups are being drafted and scheduled to be submitted by the end of October to the working group.
- The sub-working group on transport convened last Oct. 20. In the meeting, the national policy framework and the general work agenda was presented. The sub group must come up with a definite work agenda which will be discussed in the next meeting on the 3<sup>rd</sup> wk of Nov.
- The sub-working group on power has yet to convene to discuss its work plan.

## **7. Governance and Anti-Corruption**

Mr. Joven Balbosa of ADB, Convenor of the Governance and Anti-Corruption (GAC) working group, reported that the last meeting for the GAC Working Group took place last January 2008, in preparation for the March PDF meeting in Clark, but the two sub-working groups under it are continuously having meetings on their own.

- **Governance Sub-Working Group (chaired by DBM and co-chaired by AusAID)**

In the area of public expenditure management, PAGC with funding support from World Bank has already completed the Generic Internal Audit Manual (GIAM) and has conducted a series of workshops. Agencies such as DPWH, BoC and even DSWD are now into customizing their own Internal Audit Manual using the GIAM as the framework.

On the other hand, DBM with funding support from AusAID has come out with a draft manual on National Guidelines on Internal Control Standards (NGICS) which will be finalized and piloted soon by DBM over selected agencies.

Agreements have already been reached as to harmonization of the GIAM and NGICS with DBM as the lead agency.

- **Procurement Sub-Working Group (Chaired by GPPB and co-chaired by World Bank)**

Several meetings have been conducted by the Procurement sub-working group in line with the move to come up with harmonized Rules for Foreign Funded Procurement which was the main commitment at the last March PDF Meeting. Issues have been identified and policy proposals for Goods, Works and Consultancy coming from the different development partners, the Government and the Civil Society, have been drafted. A draft Implementing Rules and Regulation-B (IRR-B) is already in progress and the group is hopeful in beating the deadline of March 2009.

The draft IRR-B will be shared with the main working group together with the update on the Country Procurement Assessment Review (CPAR) Action Plan.

On the level on the main working group, the group is revisiting the agencies that had undergone Integrity Development review (IDR) in the hope that we can further improve the tool before we customize one for the Local Government, being one of our commitments to the PDF. With funding support from US-AID, focus group discussions among key officials and process owners of BoC, BIR and DoH was conducted at ADB in order to assess the factors that affected the conduct and success of IDRs. There are also some informal discussions on the possibility of harmonizing

IDR with Integrity Development Action Plan (IDAP) of Presidential Anti-Graft Commission (PAGC).

The WG is also working with the judiciary on their version of the IDRs called Review and Enhancement of Procurement Integrity (REPI). They are also progressing on their work with the government on the justice sector reform program that will be out sometime December and come up with one major reform program. In addition to this, OMB will share with the main working group some notable post IDR reforms on the different agencies subject to IDR.

## **8. Fiscal And Economic Reforms**

Director Teresa Habitan of DoF, Convenor of the working group, stated the challenges faced on the Reformed VAT in terms of the expanded part dealing with the petroleum and power industry.

- So far, the GOP has managed such challenges by being open to where the proceeds of VAT are going, showing the people that their taxes are not wasted and are used for programs in the social services.
- As of end September, the government's reported deficit of Php53-B is heading towards an overall deficit for the year of Php75-B. The GOP hopes to improve and strengthen the revenue performance program especially the tax revenue performance. Through the assistance given by the development partners, especially in providing technical support such as computerization and automation of the two major collecting revenue agency (BIR and BOC). Tax administration has attained its performance improvements in 2008 and the GOP continues to pursue improvements in tax administration by both BIR and BOC.
- Complementing such efforts are private partnerships with different institutions present and on the part of BOC called portal or the portal transparency alliance where exporters and importers meet regularly with the management of BOC to look at facilitating the flow of cargo to the ports and minimizing instances of corruption in the ports.
- On the BIR, they have partners, e.g. a group of taxpayers that they regularly with Secretary Teves and the BIR Commissioner to find ways and means to further cut down on the number of transactions in the BIR and enhance the service component of internal revenue service. This strengthens the fear factor and may increase conviction rate for tax evasion cases.
- In the medium term, there is a proposed bill in congress on excise tax reform. DoF has held discussions with the lower house where the bill has to come from, and the lower house signified support for the bill. On the rationalization of incentives, this has passed the committee members in the lower house, and hopefully will be signed soon.

## **C. Discussions on Moving Forward**

*Comments/Suggestions on the PDF Working Groups:*

- PDF WGs should focus on strategic issues.
- Establish and sustain linkages among WGs and the PDF agenda (e.g. health, MDG and local government agenda; DOH and DSWD under the conditional cash transfer program) Look at result areas as reports focus on process and meetings rather than results.
- Need to consider providing resources to working groups as those which are successful are well-equipped -- AUSAID has provided support to the governance and anti-corruption working group and the education sub-working group and is considering doing the same to the infrastructure working group.
- Working group action plans should be focused on real actions.
- Enhance PDF website to make it more interactive and useful to working groups.
- Consider E-distribution of PDF announcements to working group lead conveners.

*Comments/Suggestions on Theme and Format of the Main PDF*

- Consider whether a theme is needed at all for the PDF and if so, whether it should be broad or specific.

- A possible theme for the next PDF could be to examine how ODA partners have contributed to the goals of the MTPDP.
- Consider big picture issues like social expenditures and their impact on the quality of social services.
- The PDF should be the pinnacle of the working groups' yearlong activities, so there is need to link the WG discussions to the breakout sessions at the PDF as well as to the overall theme of the annual PDF.

*Conclusion:*

It was agreed that a small group of volunteers from the development partners and the government would take the suggestions into consideration and come up with recommendations on two main process areas: firstly, on how effectiveness of the various working groups could be enhanced; and secondly, on how the WG discussions can be linked more closely to theme and agenda for the next PDF. A meeting of the small group will be arranged soon.

**D. Closing Messages**

Bert Hofman closed the meeting by noting the accomplishments based on the substantive updates shared by the working groups. He noted the area for improvement on the processes that can enhance the quality of PDF discussions.

Dir. Habitan of DoF agreed that the process is as important as the substance of discussions. With the increase in the number of PDF working groups to eight, the effectiveness of the PDF should be enhanced. She was glad to note that development partners continue to support the PDF and to focus on enhancing its effectiveness. Director Habitan noted that the PDF is an important vehicle in moving towards one goal which is a world without poverty, or in our case – a Philippines without poverty.