Report Number : ICRR0020753

1. Project Data

Country
Philippines

Practice Area(Lead)
Macro Economics & Fiscal Management

Programmatic DPL

Planned Operations: 3

Approved Operations: 3

Operation ID
P118931

Operation Name
PH Development Policy Loan

L/C/TF Number(s)
IBRD-80500

Closing Date (Original)
31-Mar-2012

Total Financing (USD)
250,000,000.00

Bank Approval Date
19-May-2011

Closing Date (Actual)
31-Mar-2012

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	250,000,000.00	0.00
Actual	250,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID
P126580

Operation Name
PH - PH Development Policy Loan 2 (P126580)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-80500,IBRD-82380,IBRD-83280	28-Feb-2014	300,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
19-Mar-2013	30-Jun-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	800,000,000.00	0.00
Revised Commitment	800,000,000.00	0.00
Actual	800,000,000.00	0.00

Operation ID	Operation Name
P147803	Philippines DPL3 (P147803)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-82380,IBRD-83280,IBRD-84350	31-Dec-2015	300,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
26-Sep-2014	31-Dec-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	300,000,000.00	0.00

2. Program Objectives and Policy Areas

a. Objectives

According to the Program Document of DPL1, the development objective of the DPL series was to help the Philippines achieve sustained inclusive growth through (i) better fiscal management, an improved investment climate and better governance for faster growth, and (ii) investments in human capital to enable the poor to

take better advantage of emerging growth opportunities (p. 49).
DPL2 maintained the overall goal of achieving sustained inclusive growth, but with a slightly different articulation of the means: (i) enhance and strengthen fiscal risk/debt management, (ii) increase private and public investments notably to help promote job creation, (iii) improve PFM to enhance the accountability and effectiveness of public spending more broadly, and (iv) strengthen public resource allocation for education and health outcomes (p. ii, Program Document of DPL2).
DPL3 upheld the objective of supporting sustained and inclusive growth, but added job creation as an explicit objective, and aimed to achieve the objectives through increasing physical and human capital investment; tackling regulatory barriers in land, labor, and capital markets; and all in the context of ensuring fiscal sustainability and boosting fiscal governance and transparency (p. 17, Program Document of DPL3).
The Loan Agreements did not provide a statement of program objectives.
This Review assesses the efficacy of the program in achieving four stated objectives as follows: (i) better fiscal management, including risk management; (ii) improving the investment climate for faster growth; (iii) improve PFM to enhance the accountability, transparency and effectiveness of public spending; and (iv) improving access to and quality of health and education services.

b. Pillars/Policy Areas

There are four policy areas.

1. ***Strengthening of public revenue mobilization and fiscal risk management***. The main threats to macroeconomic instability in the Philippines were from the fiscal side, particularly a weak revenue mobilizing capacity. The DPL series supported the government's efforts to strengthen revenue mobilization, focusing on tax administration measures to boost compliance and some policy measures. It also supported the Government's pursuit of a major program of institutional capacity building to improve the management of fiscal risks.
2. ***Reducing the costs of doing business and raising infrastructure investment efforts***. To improve its investment climate, the DPL series supported several reforms aimed at streamlining procedures and computerizing registration systems, including improving central and local government coordination. To address infrastructure bottlenecks, the series initially supported government efforts to re-energize public-private partnerships (PPPs), but later shifted the focus back to public investment in priority infrastructure.
3. ***Improving public financial management, budget transparency and accountability***. The public expenditure reforms were part of the government's agenda to fight corruption and improve governance. The DPL series supported efforts to increase the efficiency, effectiveness, transparency and accountability of government spending by strengthening the budget preparation process, budget execution data production and publication, transparency and accountability of local government expenditures, and program evaluation function and overall performance-orientation of the budget.
4. ***Improving access to and quality of health and education services***. To expand the coverage and quality of education and health services, the DPL series support government programs on strengthening public resource allocation to education, including PPPs for education provision, and improving enrollment and benefits of poor households in the national health insurance program.

c. Comments on Program Cost, Financing, and Dates

The three loans of $250 million, $300 million, and $300 million in the programmatic series were approved on May 19, 2011, March 19, 2013, and September 26, 2014, respectively. On December 6, 2013, a supplemental financing of $500 million to DPL2 was approved to support recovery activities post typhoon Yolanda. All loans were fully disbursed, and closed as scheduled on March 31, 2012, June 30, 2015 (closing date for DPL2 supplemental financing), and December 31, 2015, respectively.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives were highly relevant to the country context and government strategy in the Philippines, where vigorous economic growth since 2001 has not translated into substantial poverty reduction. To deliver on its promises of the Social Contract, the 2010-2016 Philippine Development Plan (PDP) sought inclusive growth and poverty reduction through sustained high growth, greater equity of access to opportunities for all Filipinos, and effective social safety nets. The overarching objective of the DPL program was closely aligned with that of the PDP, with the first three pillars of the series supporting the PDP's growth agenda and the fourth pillar the social agenda.

The objectives were also fully aligned with the strategic objectives of the World Bank Group's FY10-12 Country Assistance Strategy (extended to FY13 with the CAS Progress Report) in terms of stable macro economy, improved investment climate, better public service delivery, and the cross-cutting theme of good governance. They continue to be relevant to the current FY15-18 Country Partnership Strategy, where the first three engagement areas are transparent and accountable governance, empowerment of the poor and vulnerable, and rapid, inclusive and sustained economic growth.

Rating

High

b. Relevance of Design

The DPL program had a well-designed results framework. The Program Document explained in detail the rationale for the choice of actions supported under the program and how they would contribute to the objectives. The results chain was clear; the prior actions and the triggers could reasonably be expected to deliver the expected outcomes (as measured by the results indicators) during the program period. For instance, to strengthen public revenue mobilization, the series supported actions to improve large tax payer services and tax incentives (DPL1), performance management of the Bureau of Internal Revenue services (DPL2), and further tax reforms (DPL3).

The outcome targets were appropriate for measuring achievement of the objectives. However, the changes to the results framework introduced in DPL3, which realigned the program to evolving government priorities, also made the results less relevant for assessing the overall achievement of the DPL series as the new outcome targets were narrower in scope and captured mainly the actions in the previous loan.
At the time of appraisal of DPL1, the macroeconomic situation in the Philippines was deemed to be adequate for the DPL series. The country recovered quickly from the 2008-09 global financial crisis, registering a growth rate of 7.3 percent in 2010, its highest in more than 30 years. Although growth was projected to be more modest with the winding-down of the stimulus package introduced earlier, the overall prospect was favorable. The government was looking toward a gradual fiscal consolidation through higher tax revenues and improved efficiency in public spending. The balance of payments remained robust, showing a strengthening reserve position and a gradually declining external debt. Some of the main sources of fiscal risks, including weak tax efforts and contingent liabilities, were to be tackled under the DPL program. The macroeconomic situation improved during DPL2 and DPL3. In concluding the Article IV Mission to Manila in August 2017, the IMF team stated that the economic performance of the Philippines continued to be very strong and that the medium-term macroeconomic outlook remained favorable.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Objective 1 Better fiscal management, including risk management

Rationale
Overall, there is evidence of some progress in tax administration and improved risk management, but substantial challenges remain in revenue mobilization.
Public revenue mobilization. To achieve fiscal stability and consolidation, the government focused on revenue increases rather than expenditure compression. The DPL series supported the restructuring of Large Taxpayer Services (DPL1 prior action), the adoption of Key Performance Indicators in tax administration (DPL2 prior action), the rationalization of fiscal incentives for investment (DPL1 and DPL3 prior actions), and the implementation of tobacco and alcohol excise tax reform (DPL3 prior action). The expected outcomes as defined by the indicators were significantly modified during implementation. The ICR reports that in 2010- 2015, the Bureau of Internal Revenue (BIR) revenues increased from 9.1 to 10.8 percent of GDP and excise taxes from alcohol and tobacco increased from 0.63 to 1.2 percent of GDP, exceeding the targeted increases of 1 and 0.4 percentage point of GDP, respectively. However, while this suggests an enhanced tax effort, the evidence on strengthened public revenue mobilization is weak. Overall tax collection increased from 12.1 to 13.6 percent of GDP in 2010-2014, less than the targeted increase of 2 percentage point of GDP. The ICR also notes an erosion of the tax base due to existing fiscal incentives and new tax breaks, and concludes that the government is unlikely to achieve its tax revenue

target of 16 percent of GDP in 2016.
Fiscal risk management. To improve the management of fiscal risks, the DPL series supported actions to better understand risks, incorporate risk mitigation measures in fiscal planning, and build risk management institutions. These included the publication of fiscal risk statements (DPL1 prior action), promotion of financial viability and fiscal discipline of government owned and controlled corporations (GOCC) (DPL1 and DPL2 prior action), and disclosure of broad risks and budget allocations for risk management programs (DPL3 prior action). The GOCCs improved fiscal governance through performance evaluation contracts and contributed a surplus of 0.2 percent of GDP in 2014 (target was zero deficit) as compared to a deficit of 0.7 percent of GDP in 2010. Although influenced by many factors and not attributable to the operation, public sector debt as a ratio to GDP fell from 58 to 49.8 percent in 2010-2014 and the international credit rating agencies upgraded the Philippines to two notches above investment grade (the first time for the country). However, evidence based stakeholder awareness of key tax expenditures and fiscal risks (an indicator introduced in DPL3 without a baseline or target) did not increase as anticipated due to limited dissemination of fiscal risk statements and a long time lag in publishing tax expenditure data.

Rating
Substantial

Objective 2
Objective
Objective 2 Improving the investment climate for faster growth

Rationale
There is evidence of reduced time for starting a business and of advances in implementing public infrastructure investments, although significant difficulties remain regarding the latter as evidenced by stalled progress in 2014 following a natural disaster and legal disputes.
Costs of doing business. Reducing the time and cost of establishing a business was consistently supported throughout the DPL series. The prior actions focused on adopting an online business registration system (DPL1), linking the system with two local government units (DPL2), and improving the system's functionality (DPL3). The ICR reports that a nationwide streamlining of the Business Permits and Licensing System has led to significant reforms at the local level, reducing the time needed to register a sole proprietor business from 35-45 days to only 1-3 days, exceeding the target of less than 10 days.
Infrastructure investment. Although the need to improve the stock of infrastructure was recognized from the start of the DPL program, support in this area started in DPL2 and there was a major shift of focus from PPP to public infrastructure spending through the national budget. DPL2 had one prior action, which called for strengthening of the capacity of the Department of Public Works and Highways (DPWH) to prepare and implement public infrastructure projects, and to execute the budget allocation in a timely manner. DPL3 expanded the number of prior actions to three and continued to focus on timely implementation of the public infrastructure program by DPWH, delivery of contract works under the tourism road infrastructure program plan, and a requirement in the annual budget that DPWH implements the farm-to-market road program.
The ICR reports good progress despite continuous challenges in public investment implementation, including

a Supreme Court ruling that declared certain aspects of the Disbursement Acceleration Program unconstitutional (the ICR does not provide the reasons for this ruling), leading to a collapse of public investment spending in 2014. Between 2010 and program close in 2015, overall and DPWH infrastructure investments rose from 1.5 to 4.3 percent of GDP and from 1.5 to 2.1 percent of GDP, respectively, surpassing the relevant targets. The ICR also reports an improvement in DPWH investment portfolio prioritization between 2010 and 2013 (latest data available), with the share of budgeted contracts bid in the first half of the fiscal year increasing from 31 to 51 percent of the annual budget, and in the quality of infrastructure spending as evidenced by the introduction of spatial targeting in four selected infrastructure programs.

Rating
Substantial

Objective 3

Objective
Objective 3 Improving public financial management (PFM), transparency and effectiveness of public spending

Rationale
The DPL series supported transparency and accountability enhancing initiatives. These included a mandate in the annual budget to post budget implementation and fund utilization information by the departments and agencies on their websites (DPL1 prior action), approval by the Inter-Agency Committee of a PFM reform roadmap action plan, publication by the Department of Budget and Management (DBM) of obligated expenditure data and gaps (DPL2 prior actions), adoption and implementation of a Unified Account Code Structure for accounting, budgetary and treasury transactions, and operationalization of the Philippines Open Data Portal (DPL3 prior actions). The target of establishing a Unified Account Code Structure was met (a DPL3 prior action). The ICR reports that the DBM regularly publishes acceptable budget execution reports on its website, although these are incomplete. The 2016 Public Expenditure and Financial Accountability scores related to budget classification (improving from D to C), public access to key fiscal information (improving from C to A), and quality and timeliness of in-year budget reports (improving from D to D+) suggest varying degrees of progress in PFM.

Rating
Substantial

Objective 4

Objective

Objective 4 Improving access to and quality of health and education services

Rationale
The DPL series supported measures to improve public resource allocation for education and health services and to expand the conditional cash transfer (CCT) program. Substantial progress was achieved in both areas.
Education. To expand the coverage and quality of basic education, the DPL series focused on updating the medium term expenditure framework of the Department of Education (DepEd) to reflect the resources required to implement its policies, programs and strategies, increasing DepEd's budget allocation for a program that combine public financing with private provision (DPL1 prior actions), increasing per-student subsidy to participants of the public-private education program, safeguarding spending of the DepEd (DPL2 prior actions), expanding the CCT coverage to poor children up to 18 years old, and advancing the preparation of the National Household Targeting System for Poverty Reduction (NHTS-PR) (DPL3 prior actions). Thanks to the allocation of more resources for hiring teachers and construction/maintenance of school facilities, the student-teacher ratio and the student-classroom ratio both declined significantly (between 10.6 and 28.4 percentage points) between 2010 and 2014 at both primary and secondary levels. Net enrollment rose by 7.1 and 5 percentage points for primary and secondary schools respectively, which met the target of 6 percentage points for primary, but missed the ambitious target of 16.4 percent for secondary.
Health. To support the government’s objective of universal health care, the DPL series supported improved coverage of poor Filipino families under the National Health Insurance Program (NHIP). This included adoption by PhilHealth (an insurance corporation) of a Board Resolution for the implementation of a partial insurance premium subsidy program for the near-poor (DPL1 prior action), enrollment of families under the CCT program in the NHIP for receiving enhanced PhilHealth benefits (DPL2 prior action), and utilization of NHTS-PR to target at least 3 major government programs to the lowest 40 percent of the population (DPL3 prior action). The ICR reports significant progress in rolling out of the NHTS-PR program as evidenced by: (i) the coverage of individuals targeted under NHTS-PR by PhilHealth increased rapidly from 21 to 92.6 million in 2010-2015, (ii) the number of individuals registered with a primary care benefit provider increased from zero to 28.2 million against a target of 9.5 million, and (iii) the proportion of healthcare claims by NHTS-PR families at Philhealth-accredited providers rose from 20 to 32 percent, against a target of 27 percent.

Rating
Substantial

5. Outcome

Both the PDO and the specific objectives were highly relevant to the country context, and aligned with the government’s development program and the World Bank Group’s strategies. Program design was substantially relevant for achieving the stated objectives based on a demonstrable causal link between the actions supported by the series and the expected results. Efficacy of all objectives is rated substantial; considerable progress has been achieved by program closure despite remaining challenges in some areas. The ICR reports that by 2015, growth is translating into stronger job creation and faster poverty reduction.

a. Outcome Rating

Satisfactory

6. Rationale for Risk to Development Outcome Rating

Risk to development outcome varies across policy areas. There is substantial consensus on reforms in health, education, fiscal transparency, and fiscal risk management; consequently, there is limited risk of reversal to the outcomes achieved under the DPL program. However, considerable vested interests and disagreements exist with regard to tax and fiscal incentives reforms, which threaten the sustainability of the advances made in this area. Similarly, institutional constraints, including coordination challenges and capacity constraints, may slow down reform progress in reducing the cost of doing business and improving the implementation of priority public spending, and even temporarily reverse some of the outcomes achieved.
The Program Document of DPL3 discussed continued budget support from the World Bank (DPL4 and 5) to deepen the policy reforms. These DPLs did not materialize as the government's determination to push through difficult legislative reforms waned with new elections nearing. The ICR mentions that a new DPL series is under discussion with the current administration.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

Program design reflected lessons from previous DPL series (insufficient country ownership of the reform program, inadequate coordination with other development partners in the context of a joint policy matrix and insufficient analytical underpinnings of certain measures). The choice of policy areas not only originated from the government's program to ensure ownership, but also benefited from in-depth analytical work, including discussion notes on growth and poverty, a report on *Fostering More Inclusive Growth*, a discussion note on public spending, a *Public Expenditure Review – Strengthening Public Finance for More Inclusive Growth* and its follow-up *Public Revenue and Expenditure Review*, a *Basic Education Public Expenditure Review*, an *Agriculture Public Expenditure Review*, a discussion note on tax policy and administration, and a report on *Transport for Growth – An Institutional Assessment of Transport Infrastructure*. The DPL program was complemented by several lending and trust funded activities. The background analyses and supervision reports carried out under these projects, such as the National Program Support for Tax Administration Reform, Education, and Health projects, provided additional analytical underpinning for the DPL program. The risk assessment identified the key risks affecting the success of the DPL program, but did not propose mitigation measures for the risks associated with a fragile political system or limited institutional capacity, both of which materialized to some extent. Disaster risk was correctly identified with appropriate but ultimately inadequate mitigation measures proposed. Eventually, when Typhoon Yolanda hit, an additional $500 million (nearly 60 percent of the total amount for the programmatic series) was mobilized by the World Bank in the form of a supplemental financing to DPL2.

The M&E design was broadly appropriate with measureable indicators (see Section 9 below). Implementation arrangements were adequate, with the Department of Finance (DOF) as the main counterpart, sharing implementation responsibilities with the DBM, the National Economic and Development Authority (NEDA), and other relevant agencies.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The preparation of subsequent loans in the DPL series was the main supervision mechanism, although an Implementation Status Report was filed in July 2014 following a midterm review of DPL2. The ICR indicates that regular supervision was ensured through a cross-sectoral team engaged in a close dialogue with counterparts, good transition arrangements when task leadership changed between DPL1 and DPL2, and field presence of the task team leader for DPL2 and DPL3. Dialogue led to some adjustments in terms of the supported policies and the results indicators, relatively minor in DPL2 but quite substantial in DPL3. The ICR does not mention the role of complementary lending, analytical and technical assistance projects from the World Bank and partners, which appears to have been substantial, in the effective supervision of reform implementation.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The government demonstrated strong ownership of the reform program and remained in the driver's seat throughout the implementation period. The ICR notes that although reforms in certain areas, such as fiscal incentives and business registration, met more challenges than expected, the government remained committed, and pushed forward despite many delays. The oversight agencies (DOF, DBM and NEDA) provided the necessary guidance, while the line agencies demonstrated continuous engagement to deliver on their respective targets.

Inter-agency coordination posed the most challenges, and was a main cause of slower progress in areas that required multi-agency collaboration.

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

The program was implemented by the government as a whole. No separate assessment is made of implementing agency performance.

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design was clear and largely appropriate. Although some of the outcome indicators were ambitious, they were at a level commensurate with the objectives. For the most part, they were measurable with baselines and time-bound targets. The ICR notes some limitations in M&E design, particularly inadequate attention to data availability as some indicators were not part of any standard information release, leading to missing baselines and actual values.

b. M&E Implementation

During the preparation of DPL3, the results framework was substantially modified. Only four of the original outcome indicators remained among the final set of 23. The new indicators were well aligned with the DPL3 prior actions, but their ability for measuring the impact of the entire DPL series and for gauging achievement of the objectives was weakened in general. For example, increased excise tax collection was directly linked to a DPL3 prior action and indicates advances in domestic resource mobilization, but it does not capture the results of other reforms supported under the series such as efforts to improve large tax payer services or to rationalize fiscal incentives. It thus provides a weaker measurement of the overall impact of the series for achieving enhanced public revenue mobilization in the Philippines.

The ICR reports that results monitoring took place mainly during preparation of subsequent loans, as well as of the ICR. Adjustments to the program content and the results framework indicate active M&E implementation.

c. M&E Utilization

Data collected through the monitoring system were used to make adjustment decisions in DPL2 and DPL3. In addition, the ICR reports that continued monitoring and reporting on results has supported a continued discussion around policy implementation and resource prioritization.

M&E Quality Rating
Substantial

10. Other Issues

a. Environmental and Social Effects
The DPL series was not expected to have significant environmental effects, although increased infrastructure investments could negatively impact the environment, forests or other natural resources. The Program Document of DPL1 noted that the government had put in place reasonable environmental safeguard systems, which was confirmed by Bank reviews. The ICR does not address the issue.
The DPL series was expected to deliver a poverty reducing impact over the medium term. The ICR focuses on three prior actions that would have direct poverty and social impact: farm-to-market roads, social protection, and the sin tax reform.

b. Fiduciary Compliance
According to the Program Document of DPL1, the PFM and public procurement systems were adequate for the operation. The DPL series directly supported reforms in some of the weaker areas of PFM, whose progress was confirmed by improved PEFA scores.

c. Unintended impacts (Positive or Negative)
NA

d. Other
NA

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Negligible	Substantial	Risk is substantial in some areas, e.g. fiscal incentives, public investment execution, continued business environment reforms
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR distills the following main lessons:

- A programmatic multi-year DPL can provide an effective platform to support reforms and institutional development.
- Complementary knowledge and technical assistance, as well as close coordination among different teams and partners are vital for results.
- M&E frameworks need to take into account data gathering constraints.
- When supporting enhanced fiscal management, a careful balance needs to be struck between the risks and criticality of supporting legislative reforms, and between revenue and expenditure in budget management reforms.

IEG concurs with these lessons, which are grounded in the experience of this operation. In particular, given the complex political economy in the Philippines, they underscore the importance of broad consultation and consensus building that needs to involve the legislature from the outset in the discussion of critical policy reforms, when these depend on legislative endorsement.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a candid assessment of the DPL series. It covers most parts of the program in sufficient detail and distills useful lessons for future DPLs in the Philippines and elsewhere.
At 68 pages, including the data sheets, the ICR is too long.

a. Quality of ICR Rating
Substantial