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Report No: 35445-PH

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$200.00 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR A

NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION PROJECT

May 22, 2006

**Human Development Sector Unit
East Asia and Pacific Region**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 14, 2006)

Currency Unit = Philippine Peso (Php)

US\$1 = Php 52

US\$ = SDR 1

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	MDG	Millennium Development Goals
ALS	Alternative Learning Systems	MDS	Modified Disbursement Scheme
ARMM	Autonomous Region of Muslim Mindanao	MOU	Memorandum of Understanding
AusAID	Australian Agency for International Development	MTPDP	Medium Term Philippine Development Plan
BEAM	(Philippines-Australia) Basic Education Assistance in Mindanao	NAT	National Achievement Test
BEIS	Basic Education Information System	NCA	Notice of Cash Allocation
BESRA	Basic Education Sector Reform Agenda	NCB	National Competitive Bidding
BIS	Baseline Indicator System (procurement)	NCBTS	National Competency Based Teacher Standards
BTR	Bureau of Treasury	NEAP	National Educators Academy of the Philippines
CAS	Country Assistance Strategy	NEDA	National Economic and Development Authority
CBTS	Competency Based Teacher Standards	NETRC	National Educational Testing and Research Center
CFSP	Child Friendly Schools Program	NGAS	New Government Accounting System
CHED	Commission on Higher Education	NGO	Non-Governmental Organization
CIDA	Canadian International Development Assistance	NPSBE	National Program Support for Basic Education
COA	Commission on Audit	NSBA	National Sample Based Assessment
		ODA	Official Development Assistance
CPAR	Country Procurement Assessment Report	OECD	Organization of Economic Cooperation and Development
CSC	Civil Service Commission	PAD	Project Appraisal Document
CSR	Corporate Social Responsibility	PAGC	Presidential Anti-Graft Commission
DBM	Department of Budget and Management	PBD	Philippine Bidding Document
DCA	Development Credit Agreement	PDO	Program Development Objectives
DepEd	Department of Education	PFM	Public Financial Management
DPL	Development Policy Lending	PhP	Philippine Peso
DPWH	Department of Public Works and Highways	PHRD	Policy and Human Resources Development
EC	European Commission	PIP	Project Implementation Plan
ECCD	Early Childhood Care and Development	PMO	Project Management Office
EDPITAF	Education Development Projects Implementing Task Force	PS	Procurement Service
EFA	Education For All	PTCA	Parent-Teacher-Community Association
EMIS	Education Management Information System	PPP	Public/Private Partnership
eNGAS	Electronic National Government Accounting System	PRC	Professional Regulations Commission
EQIP	Education Quality Improvement Project (Cambodia)	PROBE	(Philippines-Australia) Project in Basic Education
ESC	Education Service Contracting	QA	Quality Assurance
ESFMA	Education Sector Financial Management	RA	Republic Act

	Assessment		
FLEMMS	Functional Literacy, Education and Mass Media Survey	RBEC	Revised Basic Education Curriculum
FMR	Financial Monitoring Report	RELC	Regional Education Learning Centers
FMS	Financial Management Services	SBD	Standard Bidding Document (of Bank)
GAA	General Appropriations Act	SBM	School-Based Management
GASTPE	Government Assistance to Students and Teachers in Private Education	SBTP	(JICA-supported) School Based Training Program
GDP	Gross Domestic Product	SD	Standard Deviation
GOP	Government of the Philippines	SEDIP	Secondary Education Development & Improvement Project
GSB	Government Servicing Bank	SEF	Special Education Fund
GTZ	Gesellschaft für Technische Zusammenarbeit	SEMP	Social Expenditure Management Project
ICB	International Competitive Bidding	SFI	Schools First Initiative
ICT	Information Communications Technology	SGC	School Governing Council
IDA	International Development Association	SIML	Sector Investment and Maintenance Loan
INSET	In-Service Training	SIP	School Improvement Plan
IPs	Indigenous Peoples	SOE	Statement of Expenditures
IRA	Internal Revenue Allotment	STRIVE	Strengthening Implementation of Visayas Education
IRR	Implementing Rules and Regulations	TEDP	Teacher Education and Development Program
IT	Information Technology	TEEP	Third Elementary Education Project
JBIC	Japan Bank for International Cooperation	TESDA	Technical Education and Skills Development Authority
JICA	Japan International Cooperation Agency	TIMSS	Trends in International Mathematics and Science Study
KRTs	Key Reform Thrusts	TWG	Technical Working Group
LGC	Local Government Code	UNFPA	United Nations Population Fund
LGU	Local Government Unit	UNICEF	United Nations Children's Fund
LSB	Local School Board	USAID	United States Agency for International Development
M&E	Monitoring and evaluation	VAT	Value Added Tax
MOOE	Maintenance and Other Operating Expenses	WB	World Bank

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PHILIPPINES
NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION PROJECT

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PHILIPPINES

NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC

EASHD

Date: May 22, 2006	Team Leader: Dingyong Hou
Country Director: Joachim von Amsberg	Sectors: Primary education (60%), Secondary education (40%)
Sector Manager/Director: Christopher J. Thomas	Themes: Education for all (P)
Project ID: P094063	Environmental screening category: Not Required
Lending Instrument: Sector Investment and Maintenance Loan (SIML)	

Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): 200.00

Proposed terms: FSL

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER	0.00	0.00	0.00
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	190.00	10.00	200.00
Total:	190.00	10.00	200.00

Borrower:

Republic of the Philippines

Responsible Agency:

Department of Education
 UL Complex, Meralco Avenue
 Pasig City, Manila
 Philippines

Tel: (63-2)633-7208/633-7228

Fax: (63-2)636-4876

Estimated disbursements (Bank FY/US\$m)							
FY	2006	2007	2008	2009	2010	2011	
Annual	5.00	45.00	60.00	60.00	20.00	10.00	
Cumulative	5.00	55.00	110.00	170.00	190.00	200.00	
Project implementation period: Start October 1, 2006 End: June 30, 2011							
Expected effectiveness date: October 1, 2006							
Expected closing date: December 31, 2011							
Does the project depart from the CAS in content or other significant respects? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD A.3</i>							
Does the project require any exceptions from Bank policies? <i>Ref. PAD D.7</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No							
Have these been approved by Bank management? <input type="checkbox"/> Yes <input type="checkbox"/> No							
Is approval for any policy exception sought from the Board? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No							
Does the project include any critical risks rated "substantial" or "high"? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD C.5</i>							
Does the project meet the Regional criteria for readiness for implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD D.7</i>							
Project development objective <i>Ref. PAD B.2, Technical Annex 3</i> The project development objective is to improve quality and equity in learning outcomes for all Filipinos in basic education.							
Project description <i>Ref. PAD B.3.a, Technical Annex 4</i> Component 1: Strengthened School-Based Management: Supports the development and implementation of school-based management (SBM), legislated in The Governance of Basic Education Act of 2001 (RA 9155). Component 2: Improved Teaching Effectiveness: Seeks to improve teaching effectiveness through two major policy interventions: <ul style="list-style-type: none"> • Refine current work on teacher competency standards and apply them to performance appraisal, training needs, promotion, hiring practices, pre-service training and licensing. • Achieve a more equitable distribution of teachers across schools through application of principles identified by DepEd for improved teacher deployment. Component 3: Enhanced Quality and Equity through Standards, Assessment and Support: Applies standards-based approach to address the growing disparities in both inputs and outcomes of basic education. Component 4: Effective Resource Mobilization: Seeks to improve budget planning and management and resource mobilization by restructuring the DepEd budget.							
Which safeguard policies are triggered, if any? <i>Ref. PAD D.6, Technical Annex 10</i> Indigenous People.							
Significant, non-standard conditions, if any , for: <i>Ref. PAD C.7</i>							

Board presentation: None.

Loan effectiveness:

1. Adoption of a final PIP and Operations Manual.

Covenants applicable to project implementation:

1. Carry out training for staff at all levels.
2. Submit an independent validation report to the Bank, no later than three months after the end of each fiscal year, in scope, detail and under terms of reference, satisfactory to the Bank, including an opinion as to whether the School grants have been awarded according to the criteria set forth in the Operations Manual.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Background. The Philippines has considerable natural and human resources. For decades, the country was acclaimed as one of the most highly educated developing countries. Its enrollment rates at all levels of education were higher than those of other countries with comparable, or even higher, income levels. It achieved near universal access to primary education, its best educational institutions enjoyed a high reputation, and its trained human resources were very competitive in a global market place. Yet in recent years overall development outcomes have fallen well short of potential. Economic growth measured on a *per capita* basis has been lower than in neighboring countries, poverty reduction has been modest,¹ and *average* student achievement has been disappointing.

A challenge for education. Any advantage that the Philippines might have had in its human capital has been eroding. In spite of several highly successful projects in basic education, their results have not been translated into system-level improvements in quality. Thus, the Trends in International Mathematics and Science Study (TIMSS) in 2003 ranked the Philippines in the lowest 10 percent of participating countries in both subjects in Grades 4 and 8, well below Asian neighbors. Internal tests administered by the Department of Education reported that only 40 percent of 4th Grade students had mastered 3rd Grade competencies in English, Mathematics and Science and only 30 percent of first-year high school students had mastered 6th Grade competencies in those subjects.

Reasons for a decline in competitive advantage need to be understood if education policy makers are to design a strategic reform agenda to turn this situation around. In the past decade, the Philippines Department of Education (DepEd) has introduced policy actions to mitigate input shortages, such as textbooks and school buildings, revised the basic education curriculum, and promulgated new instructional policies. Yet these policy actions have not produced better outcomes: real *per capita* government spending on basic education continues to lose ground to population growth and inflation; DepEd has made only incremental gains in achieving a more equitable deployment of the large teaching force; and the bureaucracy has been slow to implement decentralization in line with the *Governance of Basic Education Act of 2001*.

Quality and equity. Are there other fundamental factors in the delivery of education in the Philippines that have impeded its expected level of development? A striking feature of education in the Philippines is growing inequality (see Annex 1). Levels of resourcing, quality of instruction, and student achievement vary greatly across different regions of the country, between rural and urban areas, among different ethnic groups, and among different types of schools. The authors of the 2006 *World Development Report* argue that “many inequalities not only violate people’s concern for fairness, but actually have costs for the development process ... (since) ... unequal opportunities are associated with inefficiencies and wasted economic potential.”² Hence a plausible explanation for the erosion of the comparative advantage once enjoyed by Philippine education is a growing inequality that has not been arrested to date by the education bureaucracy’s attempts to improve quality.

¹ World Bank (2005) *Country Assistance Strategy for the Republic of the Philippines*, Report No. 32141, Washington DC, p. 1.

² World Development Report 2006. *Equity and Development*. Washington D.C.: The World Bank.

Resource allocations made at the central level do not take into account the capacity of parents and Local Government Units (LGUs) to support their schools, or the logistics of staff deployment across diverse geographic areas. Consequently, there are wide variations in student-teacher ratios, access to classrooms and learning materials, and the quality of education delivered. These significant variations in inputs result in marked inequality in outcomes. Striking evidence of such inequality is provided by results of the 2003 TIMSS: 4th Grade pupils in the Philippines had the highest *spread* of achievement among all 25 participating countries. Similarly, 2003 functional literacy rates varied from 95 to 63 percent across the country's 17 regions.³ In recent years, there has been no improvement in drop-out rates, and cohort survival rates remain below 70 percent in elementary schools. Retention rates in secondary school are low, and significant and extensive pockets of educational disadvantage remain.

Weak governance. A pervasive factor in the sub-sector's poor performance and growing inequality is weak system governance. There is limited provision for disadvantaged communities, little empowerment of local school communities, and favorable treatment of selected communities, which receive strong political support. With slow implementation of decentralization, decision-making on education remains largely regulated by central prescriptions—administrative memos and orders. Under the centralized system, there is no clear accountability structure. Moreover, inefficiencies exist in resource management, and schools are unable to respond flexibly to local needs.

Financing gaps. Problems stemming from weak governance have been exacerbated by a significant fiscal challenge in the education sector. Despite an average nominal increase of 4.5 percent in the DepEd budget between 2000 and 2004, real spending per student fell by an average 3 percent *per annum* over that period. The DepEd spending plan completed in 2005 indicates that existing fiscal pressures will worsen over time and will impair the country's ability to progressively achieve its 2015 Education for All targets. While overall secondary school enrollment grew, migration of students from the private sector to public schools, following the 1997 Asian financial crisis, has placed additional strain on public resources. Progress has been further frustrated by continued rapid growth in the population (around 2 percent per year), and by the high proportion of the budget devoted to personnel costs (e.g., 89 percent in 2005).

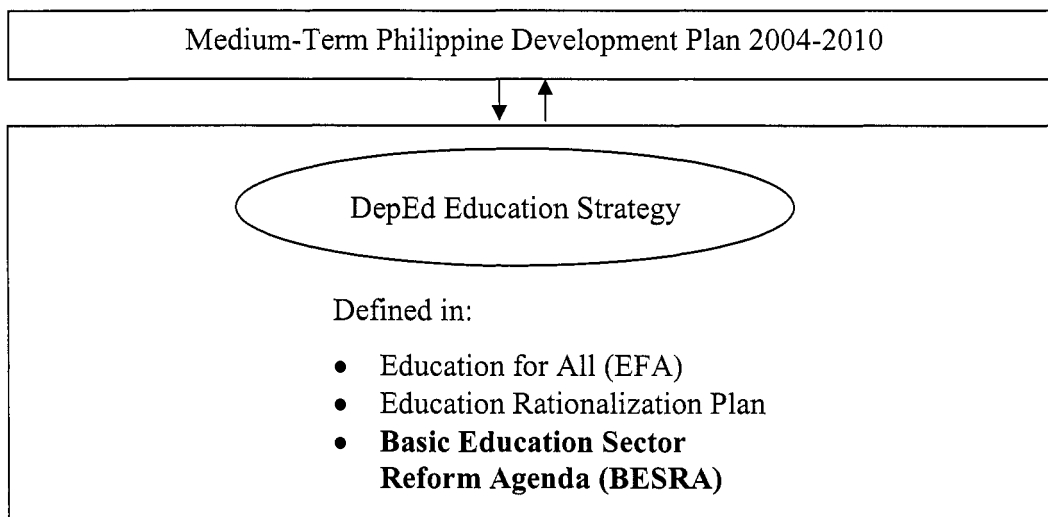
Response of Government. The Philippines development and poverty reduction strategy is defined in the Government's Medium-Term Philippines Development Plan (MTPDP) 2004-2010. It gives high priority to achieving universal basic education. The country's education strategy is guided by the National Education for All (EFA) 2015 Plan and is intended to contribute to the achievement of the Millennium Development Goals (MDGs). The former provides an overarching policy framework for basic education with a vision that all Filipinos will acquire basic competencies, while the latter sets out two broad goals in the area of primary and secondary education: the attainment of universal primary education and the elimination of gender disparity at the primary and secondary levels.

While remaining committed to its overall development and poverty reduction strategies, the Government has acknowledged the particular challenges for basic education described above. Important initiatives on rationalization were introduced by DepEd administration following the passage of the *Governance of Basic Education Act (Republic Act RA 9155)* in 2001 with its emphasis on decentralization and its declaration that "the school shall be the heart of the formal

³ 2003 Report on *Functional Literacy, Education and Mass Media Survey (FLEMMS)*

education system”. The reform proposals were progressively refined, and by 2005 there was widespread consensus on the need for urgent sector-wide strategies that would place schools first and empower local communities to take initiatives to achieve school improvement. The strategies were articulated in a policy called the *Schools First Initiative* (SFI) and translated into policy actions under the Government’s Basic Education Sector Reform Agenda (BESRA), as shown in Figure 1.

Figure 1: GOP Basic Education Sector Reform Agenda



The BESRA strategy has been informed by international and local research on school improvement in a decentralized environment and by good outcomes from successful pilots in the Philippines on school-based management (SBM). The present operation (the National Program Support for Basic Education or NPSBE) is designed to strategically support BESRA over a five-year period (2006-2010).

The overall objectives of BESRA encompass universal access to basic education schooling and success for children in that age group, with community support enabling effective school-based management and the provision of universal functional literacy for adults using alternative learning schemes. The policy actions of BESRA (Annex 11) are collected under five Key Reform Thrusts (KRTs): (i) continuous school improvement facilitated by active involvement of local stakeholders; (ii) better learning outcomes achieved by improved teacher standards; (iii) desired learning outcomes enhanced by national curriculum strategies, multi-sector coordination, and quality assurance; (iv) improved impact on outcomes resulting from complementary early childhood education, alternative learning systems and private sector participation; and (v) a change in DepEd culture from prescribing actions through orders and memos to facilitating school-based initiatives and assuring quality.

2. Rationale for Bank involvement

Building on the lessons of the past and aligned to the Government’s MTPDP, the new Country Assistance Strategy (CAS) 2006-2008 seeks to achieve economic growth and promote social cohesion. While improving education in general will contribute to this overall objective, support for BESRA has a strategic focus since it tackles two key challenges: fiscal reform in the short

term and making public institutions more effective in the longer perspective. The strategy is designed to support the Government's overall, coherent reform agenda and in particular to align Bank assistance to those strategic priorities in the existing national budget that address reforms to achieve fiscal stability and improved governance. This approach requires a shift from financing discrete *projects* towards support for coherent *programs*. The Bank assistance through the National Program Support for Basic Education (NPSBE) will facilitate implementation of reforms furthering decentralization and rationalization of the system of basic education in ways that improve equity, quality, governance and financing of basic education services. With its *program* approach, the NPSBE can provide the impetus to launch system-wide reforms. It will also sharpen the Government's policy framework for coordination of donor assistance and provide a roadmap for subsequent additional financing from the donor community for implementation of the reform agenda.

The strategy will be supported by cross-cutting and sector specific initiatives at national, local and private sector levels. A number of cross-cutting reform initiatives have been launched recently: fiscal reforms to improve tax policy and administration; budget and expenditure reforms through development of the Medium-Term Expenditure Framework, performance-based budgeting and sector efficiency reviews; and civil service and institutional reforms through rationalization of functions within the civil service with incentives linked to merit-based performance. These cross cutting elements have created a favorable macro environment for implementing strategic sector-specific reforms.

A major justification for Bank assistance is that it has the capacity to add value to the Government's reform agenda. In recent years, significant funding shortfalls in the basic education sub-sector, combined with weak governance in a large and centralized bureaucracy, have limited the delivery of education services and resulted in poor student outcomes. With insufficient resources from central government to fund system-wide quality education, the funding gap has necessarily been financed by local government units (LGUs), with varying capacities, and by households, resulting in wide disparities in participation, completion and student achievement. The Basic Education Sector Reform Agenda (BESRA) focuses on improving quality and equity in student outcomes within budgetary projections obtained from the Five-Year Education Spending Plan prepared by a Bank team working with the DepEd. The project will add value to the reform agenda by targeting strategic policies and monitoring their implementation to ensure there is (a) greater effectiveness in the use of existing resources; (b) a higher proportion of the budget available for recurrent expenditure related to implementation of the reforms, with a corresponding reduction in the proportion of fixed costs; and (c) effective use of savings from policy interventions and additional resource mobilization to enhance quality and equity in student outcomes.

The Bank is well placed to support the reforms, having been an active contributor to education sector policy development in the Philippines. Over the years it has developed a strong knowledge base and comparative advantage through integrated policy advice and innovations in investment lending, including education policy notes, medium term investment planning and innovations in school-based management, quality enhancement and governance improvement under the Third Elementary Education Project (TEEP) and Social Expenditure Management Projects (SEMP 1 and SEMP 2).

3. Higher level objectives to which the project contributes

The project is closely aligned to the CAS objectives to foster economic growth and social inclusion through improved governance, together with fiscal reform. Greater fiscal stability, accompanied by highly transparent operations in the delivery of education services, will enable public schools to become more effective and directly accountable for student outcomes.

The project seeks to improve the capacity and effectiveness of the DepEd system through a coherent package of reforms to address issues of equity, quality, governance and financing of basic education. Successful implementation of the reforms will facilitate more equitable opportunities for excluded and disadvantaged groups to access social services and quality learning. In this way, learning outcomes will be improved for all Filipinos, thus contributing directly to the goals of economic growth and a socially inclusive society.

Project support for decentralization and governance improvement will also enable DepEd to increase its capacity and efficiency to better manage expenditures and service delivery through strengthened systems for procurement, fiduciary control and accountability in line with the agency's core mandate.

B. PROJECT DESCRIPTION

1. Lending instrument

The lending instrument that has been selected is Sector Investment and Maintenance Loan (SIML). This loan aims to bring sector expenditures, policies and performance in line with the Country's Basic Sector Education Reform Agenda (BESRA). The instrument choice is based on the agreement with the Government on the sector investment program for 2005-2010, which is predicated on a medium-term expenditure framework and sector policy reforms necessary for the program to succeed. As BESRA is designed to bring fundamental change to the way education is delivered across the sector, it was important for the current operation to finance line item expenditures critical to implementing BESRA in order to achieve sector wide results and impact. The choice of SIML is reinforced by lessons learned from the previous Country Assistance Strategy (CAS) and the new CAS proposals for a graduated response to policy scenarios so that the Bank may achieve systemic impact and enable public institutions to be more effective. The new assistance strategy will support elements of the Government's own program *within* budget financing. In other words, the loan will not provide additional financing to the education sector, but rather will help guarantee the delivery of budgeted items critical to the reform agenda during a time of fiscal stress.

2. Project Development Objectives and Key Indicators

The project development objective is to **improve quality and equity in learning outcomes for all Filipinos in basic education**. The project will assist the Borrower in the implementation of DepEd's reform by financing priority items from four components drawn from the Basic Education Sector Reform Agenda. The project emphasizes improved governance through effective school-based management, enhanced teaching, quality assurance, and better resource mobilization, including greater involvement of local governments and more systemic support from private sector partnerships. This objective will be measured against a set of selected key outcome indicators tracking elementary and secondary participation and completion rates, drop-out rates, and student learning achievement (Table 2 in C3 below).

Progress towards the overall development objective will be measured by monitoring annual achievements (Table 3.2 in Annex 3), including achievements within project components (Table 3.3), both in terms of milestones completed (such as policies in place, agreements formalized through memoranda) and quantitative measures of progress (e.g., percentages of schools with school improvement plans or issuing school report cards).

3. Project components

The project has four components:

Component 1: Strengthened School-Based Management.

Component 2: Improved Teaching Effectiveness.

Component 3: Enhanced Quality and Equity through Standards, Assessment and Support.

Component 4: Effective Resource Mobilization.

Interventions in these areas will spearhead strategic reforms in support of DepEd's Basic Education Sector Reform Agenda (BESRA). The four components of the project and their policy actions were selected because they are the *pillars* of the government's reforms in education and are founded on all five Key Reform Thrusts (KRTs). Equally important, they focus on those *strategic* elements that strengthen school-based management, use *lessons learned* from international research and previous Philippines projects, and address objectives that are *achievable* within the time period.

Costing has been based on selected DepEd budget items closely linked to reform actions in the policy matrix as explained below. Details of the costing are provided in Annex 5.

Component 1: Strengthened School-Based Management (SBM) (US\$71 million)

Component 1 supports the development and implementation of school-based management (SBM), legislated in *The Governance of Basic Education Act of 2001* (RA 9155). SBM is central to DepEd's emphasis on decentralization and meaningful community participation. The principal target group for this Component is the school and its community, encompassing individual parents, the Parent-Teacher-Community Association (PTCA), local government, the private sector, and Non-Government Organizations (NGOs). Under Component 1, the NPSBE focuses on the following policy actions:

- Develop and implement a system of School Improvement Plans (SIPs), along with Annual Improvement Plans.
- Support schools through increased Maintenance and Other Operating Expenses (MOOE), subject to schools meeting readiness criteria, with adjustments for equity based on needs and incentives based on performance.
- Build capacity by training heads of schools or heads of school clusters to implement SBM, and by training school and division staff in financial accountability and the use and maintenance of databases.
- Increase accountability by requiring that schools report to their communities (e.g., via a School Report Card) on inputs, processes and outcomes relative to national standards, performance within their divisions and regions, and targets in their own school improvement plans.

The project will finance: the development of policy on school-based management, as well as grants to schools (called the Schools First Initiative Fund) to establish the rudiments of school-based management; a proportion of MOOE to eligible schools to enable them to implement their School Improvement Plans; and training on effective school-based management, particularly for school heads. The project-related outcome is enhanced learning outcomes for all, resulting from improved efficiency, transparency, fairness, accountability and responsiveness in the local delivery of education services.

Component 2: Improved Teaching Effectiveness (US\$23 million)

This component seeks to improve teaching effectiveness through two major policy interventions.

- Refine current work on teacher competency standards and apply them to performance appraisal, training needs, promotion and hiring practices, pre-service training and licensing.
- Achieve a more equitable distribution of teachers across schools through the application of principles identified by DepEd for improved teacher deployment.

The target group for Component 2 comprises basic education teachers. The project will finance the development of policy on the refinement and use of competency-based standards for teachers. It will also support training on the use of such standards. To facilitate a more equitable distribution of teachers, the project will finance a hardship allowance for teachers moved to hard-to-staff schools, as currently committed within the 2006 DepEd budget. Following policy development on incentives to encourage staff mobility to hard-to-staff locations, the project will also support transfer costs for teachers required to move so as to enhance equity in deployment. The project-related outcomes for this Component are teachers with higher professional standards resulting in enhanced student learning, and a more equitable distribution of teachers across schools.

Component 3: Enhanced Quality and Equity through Standards, Assessment and Support (US\$96 million)

This Component applies a standards-based approach to address the growing disparities in both inputs and outcomes of basic education. To mitigate the risk that SBM could exacerbate inequity—well-resourced communities are better able to support school-level interventions than are poorer communities—this component seeks to monitor inputs and outcomes, and then tailor support to the particular needs of communities to ensure that standards are met.

This component has three elements that fall under a Quality Assurance (QA) framework.

- Develop nationwide standards for key learning areas based on the Revised Basic Education Curriculum (RBEC). Also, set minimum service standards for inputs (such as classrooms, textbooks, student readiness, community participation, and operating costs).
- Provide support to assist achievement of the standards under the QA framework. In particular, develop and implement national strategies to support learning in the English language, the Filipino language, Mathematics and Science, and enhance the operations of regions with divisions devoted to supervising and supporting schools carrying out improvement plans.
- Develop a comprehensive Information Communications Technology (ICT) framework to provide ready access to information—including norms for divisions, regions and national

level—giving schools the feedback needed to promote transparency, improve governance, permit evidence-based advocacy, and encourage meaningful accountability.

In addition to policy development, the loan will finance grants (MOOE) related to the development and promulgation of standards; the central provision of key textbooks and learning materials; training related to analysis and use of feedback from databases on performance, as well as hardware and software to facilitate such feedback; advocacy and technical assistance related to quality assurance; and communications (internet, workshops, transport for school visits) for regional and division offices to support schools. The project will provide complementary funds for the school building program to help schools meet minimum standards. The key target group for Component 3 comprises basic education learners and the project-related outcomes are improved quality and reduced variability in traditional indicators of performance in basic education (retention, completion and achievement).

Component 4: Effective Resource Mobilization (US\$2 million)

Under Component 4, the NPSBE will seek to improve budget planning and management and resource mobilization by restructuring the DepEd budget. Normal recurrent costs such as salaries and operating expenses will continue to be listed as budget items as at present. However, whereas historically the DepEd budget also included numerous items for isolated projects, the restructured budget will focus on major reform programs and their implementation within multi-year plans. Such a strategy will enable DepEd to provide funding predictability for the reform agenda and to manage its system-wide implementation more effectively.

Under this Component of NPSBE, the following policy actions will be undertaken.

- Develop a financing framework to ensure effective delivery of education as well as systematic planning through continuing support for major reform programs.
- Develop policy/mechanism to promote cost sharing between national and local governments and to generate incentives for public-private partnerships.
- Integrate elements of demand-side financing into the financing framework to improve the effectiveness of existing interventions and promote school-based initiatives to provide needy or vulnerable children with access and encourage their retention, as part of their school improvement planning.

The project will support policy development to encourage cost-sharing arrangements with local governments, in line with an equity-based formula (e.g. school construction). The component will also finance policy formulation and its application to options for the delivery of demand-side interventions (e.g., school feeding) and public/private partnerships (e.g., Government Assistance to Students and Teachers in Private Education or GASTPE) in a decentralized environment. Component 4 targets schools and their stakeholders, and the project-related outcomes are improved planning and implementation of key programs, access to increased resources and more effective use of them in improving retention and completion rates. More details on project components are provided in Annex 4.

4. Lessons learned and reflected in the project design

Basic education programs and projects in the Philippines⁴ provide many relevant lessons and research evidence informing the vision behind the *Schools First Initiative* and its policy reform component, the *Basic Education Sector Reform Agenda* (BESRA), which provides the overall framework for the NPSBE. Lessons relevant to project design include:

- School-Based Management (SBM)—piloted in the Third Elementary Education Project (TEEP), Basic Education Assistance in Mindanao (BEAM) and in the Secondary Education Development and Improvement Project (SEDIP)—has been shown to enhance teaching and learning, prompt communities to make sound educational decisions in response to prevalent needs, and enhance learning outcomes. These projects have developed good models of change management related to criteria associated with SBM and school improvement.
- For SBM to promote school effectiveness, schools require adequate and appropriate resources, including physical facilities (e.g., school buildings, learning materials), financial support (e.g., school operating expenses), trained human resources (e.g., school heads, teachers, support staff) and technical support (especially from division and regional offices).
- Participation of local stakeholders in school improvement planning and implementation is critical to achieve desired learning outcomes and to mobilize much-needed resources.
- Clear delineation of roles and responsibilities within a decentralized environment is critical to the success of a reform strategy, and institutional capacity development is best achieved through local ownership of, and accountability for, management decisions.
- Experience from the Social Expenditure Management Projects (SEMP 1 and 2) in improving procurement efficiency and financial management accountability will facilitate the assessment of improvements in the country and sector fiduciary system as well as the identification of areas where further capacity building is needed.

Lessons learned on project/program implementation include:

- The implementation of Bank-funded projects can be seriously impeded if capacity for implementation and management oversight is not developed in the implementing agency.
- Fully committed and trained staff members are needed to coordinate the implementation of the project components so as to avoid delays and assure quality of outcomes.
- The SEMP experience highlights the importance of giving responsibility to the organization's regular/organic staff to ensure institutionalization and mainstreaming of policies/programs.
- To support the reform agenda, changes in institutional culture are required to encourage schools to take initiatives based on reasoned analysis of what will yield the best outcomes for learners, instead of simply following departmental orders.

⁴ Examples include PROBE, TEEP, BEAM, SEMP 1 and SEMP 2, SEDIP and CPC V

5. Alternatives considered and reasons for rejection

The Bank-financed Third Elementary Education Project and Social Expenditures Management Projects pilot tested innovations and identified successful strategies for enhancing quality, decentralizing, managing expenditures and improving governance. Evaluations of the outcomes and impacts of these projects and other ODA-financed education projects in the Philippines show that, to maximize development impact, lessons learned must be implemented sector wide, which involves scaling up in a sustainable manner. Decades of ODA assistance have resulted in a stock of “successful” project innovations in the sector, none of which has been institutionalized. This has perpetuated a cycle of project-type interventions, leading to still more new pilot projects. The current design therefore deliberately adopted a program-based approach carefully aligned with the country’s basic education sector reform agenda.

More importantly, the educational reforms under the project are designed to yield significant payoff in terms of accelerated economic development and improved efficiency. Current inequalities in basic education have costs for the development process by creating inefficiencies and depleting economic potential. Since the reforms focus on improving quality and increasing equity across the system, they can be expected to foster economic growth in the longer term.

As the country continues to confront its fiscal challenges by balancing the budget and striving to close resource gaps for the provision of basic services, the Government seeks assistance from the multinational institutions in the form of low cost financing for its urgent budgetary needs. The Government’s official request was for financing within budget to assist implementation of the sector reform agenda. The project is designed to provide financing for priority expenditures within the restructured budget for the period 2006-10 in connection with on-going work on the Government’s Medium Term Expenditure Framework and the move towards multi-year budgeting of a performance-based sector budget.

The potential benefits of the project will add value by (a) ensuring savings through monitoring of management reforms and their implementation (notably enhanced teacher deployment and local government implementation of school building programs); (b) protecting priority expenditure items essential to the reform agenda; (c) expanding the resource base and improving the predictability of resource flows and spending for these priorities; and (d) enhancing DepEd’s capacity to manage service delivery and expenditures effectively.

These potential gains are far more likely to be realized if there is a coherent package that brings political support and mainstreamed financial and technical assistance designed under the project.

6. Loan Financing

Table 1 provides an indication of the scope of the proposed financing by component.

Table 1. Project Financing by Component (US\$ million)

Component	Indicative Bank Financing in US\$m.
1. Strengthened School-Based Management	71.00
2. Improved Teaching Effectiveness	23.00
3. Enhanced Quality and Equity through Standards, Assessment & Support	96.00
4. Effective Resource Mobilization	2.00
Unallocated	7.50
Total Project Costs	199.50
Front-end Fee	0.50
Total Bank Financing	200.00

Specific items were selected from within the 2006 budget documents to support the financing of key elements in DepEd's reform agenda, while also taking into account current institutional capacity for more effective service delivery. The selection was based on two criteria: (i) to leverage those policy actions based on key reforms that would also enhance capacity building enabling school-based management to succeed; and (ii) to finance those education inputs and actions that are critical for achieving improved learning outcomes and that demonstrate greater efficiency in allocating and managing resources and greater effectiveness in achieving outcomes.

Indicative expenditures can be classified under two groups of budgetary items (see Annex 5). The first group comprises grants or allocations that directly support capacity building for school-based management and those that facilitate school operations stemming directly from devolved responsibilities. This group of items will be financed initially through Schools First Initiative (SFI) grants to develop mechanisms to facilitate effective SBM (such as developing a school improvement plan; putting a school-community decision-making partnership in place; developing an acceptable mechanism for minimum financial management and reporting) and through a form of adjusted Maintenance and Other Operating Expenses (MOOE) to enable eligible schools to implement their School Improvement Plans. Following a review of current programs, at a later stage, additional grants could be provided to eligible schools to implement school-based initiatives (such as feeding programs) to encourage regular attendance and retention of disadvantaged children.

The second group of budgetary items will be those that support the reform agenda at all levels of DepEd through coordinated policy development, training, resource distribution, and monitoring and evaluation. This group could include items such as:

- policy formulation, program planning and standards development (US\$10 million);
- training and assistance for key staff in regions and divisions on monitoring, supervision, and providing direct support to schools as part of quality assurance (US\$12 million);

- provision of hardware, software and training to enable information from databases to be used in planning, school improvement and enhanced reporting (US\$6 million);
- training for school heads on school-based management (US\$20 million);
- textbooks, teaching and learning materials including e-materials (US\$47 million);
- in-service training for teachers (US\$15 million);
- building and/or rehabilitation of classrooms (US\$26 million); and
- incentives for teacher deployment, such as allowances for teachers to serve in hard-to-staff schools and assistance with transfer costs (US\$7 million).

The provision of these items will build on progress already made towards an improved policy framework and reinforce good practice in managing public expenditures as well as procurement services with greater efficiency and more effective results.

C. IMPLEMENTATION

1. Partnership arrangements

As set out in B3, the GOP's Basic Education Sector Reform Agenda is now serving as the overall framework for a coordinated sector-wide approach, involving the participation of donors and other partners. The Donors' Working Group on Education comprises key ODA agencies including ADB, AusAID, British Council, CIDA, European Commission, GTZ, JBIC, JICA, Spanish Cooperation Agency, UNFPA, USAID, and UNICEF through their Sixth Country Program for Children, and the WB. The DepEd was recently included as a regular member of this Donors' Working Group. The group has been apprised of DepEd reforms under BESRA, and agencies with current education initiatives (notably AusAID, UNICEF, JBIC, JICA and the Spanish Cooperation Agency) have sought to align these within the BESRA/NPSBE framework. During appraisal, potential donor partners identified components matching their comparative advantage and priorities. Modalities of financing were explored, including options for grants (AusAID) and program loans. DepEd has committed itself to coordinating with participating donor partners and agreeing with them on the nature and scope of their technical and financial support to BESRA.

2. Institutional and implementation arrangements

The project will be implemented for a period of five years. Overall responsibility for the project is vested with the DepEd, which is ultimately responsible for meeting the objectives of the BESRA Program. The DepEd units at the central office, regional offices, division offices and schools will be responsible for their respective roles as defined in RA 9155, reflected in the DepEd's Rationalization Plan, elaborated in the BESRA, and translated through the Basic Education Development Plans prepared at each DepEd level. More details are provided in Annex 6A.

An assessment has been made of the institutional capacity of DepEd at all levels to undertake the extensive reforms planned through BESRA/NPSBE. This assessment of capacity (see Annex 6B) gives confidence that DepEd has built the foundations required for implementing the reforms. Involvement of decentralized units in planning the reform agenda, including participation in joint DepEd/WB workshops, has ensured local ownership of the reforms and an allied commitment to their successful implementation. A Steering Committee, chaired by the DepEd Secretary and including the Undersecretaries and Assistant Secretaries for Planning, Programs, Finance and

Regional Operations, will provide the strategic overall directions for the project, review its progress and solve major issues that arise. A Management Committee that already meets on a regular basis, made up of regional and central office managers, will serve as a policy advisory committee to the Steering Committee.

Operational units at the central, regional, division and/or school levels will implement the project components. The restructured Education Projects Implementing Task Force (EDPITAF)⁵ within DepEd will be in charge of overall coordination of project activities. The EDPITAF will (i) support and facilitate the expeditious implementation of each component; (ii) facilitate monthly project monitoring and ensure the completion and timely submission of agreed monitoring reports; (iii) liaise with implementing units to ensure that agreed benchmarks are met; and (iv) oversee loan withdrawal applications from implementing units and track use of funds. The EDPITAF will be staffed by a core group of central and regional personnel with monitoring, coordination and accounting responsibilities. Technical Working Groups have been appointed to undertake the policy development and substantive implementation arrangements for each component.

Expenditure will be controlled, tracked, accounted for and reported using the Government's own financial system. Some additional expenditure tracking will be applied to specific budget items funded under the loan that are central to the reform agenda, and that might be assessed as potentially vulnerable since they have not been included as line items in DepEd budgets in previous years (such as Schools First Initiative grants). Expenditures for loan financing in the first year were selected according to a model that looks at and gives preference to inputs for priority policies, feasibility for implementation with high impact, and capacity development for difficult reforms to take place.

The accounting and reporting of project expenditures will be subject to the Government's accounting policies and procedures as defined in the National Government Accounting System (NGAS) (see Annex 7). Financial Monitoring Reports (FMRs) will be produced quarterly. Within DepEd, institutional capacity building activities will be carried out in collaboration with a restructured National Educators' Academy of the Philippines (NEAP), linked to the principals and school heads institute and coordinated at regional and division levels.

A Project Implementation Plan (PIP), to be completed and revised as necessary, will guide the implementation. The PIP describes Annual Work and Financial Plans and defines implementation mechanisms, procurement, financial management, and monitoring and evaluation mechanisms. The external auditor for the project will be Commission on Audit (COA), and annual audit reports and management letters will be submitted to the Bank within six months after the end of each fiscal year.

3. Monitoring and evaluation of outcomes/results

Given the project's reform thrust and the need to monitor implementation progress in real time, as well as evaluate outcomes, the monitoring and evaluation scheme is designed to measure the outputs of the reform agenda in terms of policy action milestones, and the outcomes of system improvement in terms of quality and equity. A set of selected *output indicators* is shown in Table 2 and elaborated in Annex 3.

⁵ EDPITAF or its successor in the rationalization plan.

Table 2. Key Outcome Indicators to be Used to Measure Progress Towards Project Objectives

Dimensions	Key Outcome Indicators
<p>Participation and completion (disaggregated by gender, grade, region, wherever appropriate).</p>	<p><i>Elementary</i></p> <ul style="list-style-type: none"> ▪ Participation rate 6-11 years. ▪ Cohort survival (EFA formula). ▪ Completion rate. ▪ Dropout rate. <p><i>High school</i></p> <ul style="list-style-type: none"> ▪ Participation rate 12-15 years. ▪ Cohort survival (EFA formula). ▪ Completion rates (based on Grade 1; based on First Year for secondary). ▪ Dropout rate.
<p>Quality, efficiency and equity (disaggregated by gender and region, wherever appropriate).</p>	<ul style="list-style-type: none"> ▪ Student achievement (means and SDs) in Grade 6 in Mathematics, Filipino, English, Science and Social Studies (Hekasi). ▪ Inter-quartile ratio of pupils/students to teachers, using school as unit of analysis.
Dimensions	Key Output Indicators
<p>Implementation of reforms</p>	<p><i>School-Based Management and Improved Governance</i></p> <ul style="list-style-type: none"> ▪ % of schools by division with effective school-based management (i.e., meeting all criteria). ▪ Proportion of schools receiving a Maintenance and Other Operating Expenses (MOOE) allocation at the school level. <p><i>Teaching Effectiveness</i></p> <ul style="list-style-type: none"> ▪ % of teachers by division meeting defined competency based standards. ▪ Numbers of training materials delivered to schools and numbers of in-service programs delivered by region to achieve competency based standards for teachers. ▪ Five-year school-level staffing projections completed and updated annually. ▪ % reduction of teachers in excess and % reduction in schools with teacher shortages, by division. <p><i>Enhanced Quality and Equity</i></p> <ul style="list-style-type: none"> ▪ National standards framework developed. ▪ All regions monitor performance and report to DepEd on performance improvements. ▪ Annual report from Regional Offices summarizing their work with divisions and supervisors to support schools not achieving outcome targets. <p><i>Effective Resource Mobilization</i></p> <ul style="list-style-type: none"> ▪ % increase in SEF and increased proportion flowing to school-led priorities. ▪ % of classrooms built on cost sharing arrangement with local government in line with revised policy. ▪ Revamped policies completed on Demand Side Financing and on Public Private Partnerships following review of current schemes. ▪ % of schools by division providing assistance for needy students from (i) national programs; and (ii) local sources.

The DepEd will provide information on the progress of reforms and the system-wide impact of the reform agenda through reports on the achievement of policy action milestones, regular

monitoring using indicators derived from their existing comprehensive Basic Education Information System (BEIS), results of annual national achievement testing, and selected qualitative studies of school-based management.

A joint annual review process will assess progress against the targets of agreed outputs and against the designed outcomes to identify issues to be addressed and plans for the next steps in implementation. A mid-term review will be conducted during the third year to assess progress and any need for mid-course adjustment. An implementation completion review will be carried out by the end of the project implementation period to allow a full evaluation.

With a five-year time span for the proposed financial support, there is scope to assess the impact on student achievement scores. National assessments are administered to Grade 6 pupils and Year 4 students (as of 2005) and will be used to track changes over time⁶. Other tests have been used by DepEd for different purposes and TEEP administers achievement tests in target and control group schools. These data are available and can be used for additional studies.

Concern over an equitable distribution of teachers across schools was described in section B3. The BEIS reporting currently displays variations in student-teacher ratios pictorially as a spectrum across eight categories and this color spectrum is used to deploy or transfer teachers to schools with teacher shortages. The DepEd now computes an inter-quartile ratio⁷ from BEIS data as a measure of equity in teacher deployment. This index is included as an important outcome measure in Table 2. Qualitative studies of school effectiveness and pupil progress (such as those planned by UNICEF) are also most worthwhile and are recommended to donors or research groups.

Using additional questions within the BEIS, trends in education expenditure (e.g., maintenance and other operating expenses—MOOE—per pupil/student spending, and LGU contributions via the Special Education Fund or SEF) will be monitored to ensure the availability of MOOE at the school level. Such data can be most effectively used at the division level, where results and comparative data provide fuel for advocacy with local government and force local education managers to be accountable. At a national level, the project will monitor key policy programs under BESRA and their implementation through reports against specified milestones.

Although annual reports will be prepared (see Annex 3), as much as possible information will be collected, analyzed and reported in ways that provide meaningful feedback for decision makers at all levels. Guidelines will be developed as part of the implementation of school-based management within BESRA. Schools require national, division and school level information on inputs and outcomes so they can report with meaningful accountability in School Report Cards. Conversely, divisions and regions need to interpret data at their respective levels to provide accountability to central DepEd as well as to their constituents. The monitoring and evaluation (M & E) of project outcomes will be based on the same data, collected for stakeholder purposes and to reinforce the system's transparency and accountability. It is inherent in SBM that the best form of M&E is participatory, involving a range of actors: monitoring and evaluation occurs

⁶ Currently, the National Education Testing and Research Center that develops and analyses the national tests does not “test equate” from one year to the next. However, it has the technology to do so and such processes will be necessary to monitor changes over time.

⁷ Defined as the proportion of teachers available to the most favored 25% of students among individual schools/proportion of teachers available to the least favored 25%

each time a school reports to its community and the community responds or takes action based on that report.

4. Sustainability

The project will finance key expenditure items (selected inputs and reform actions) required to implement DepEd's BESRA (see Annexes 3 and 5). Since these items are already included in the DepEd budget, and since BESRA is a conscious effort on the part of the DepEd to institutionalize and sustain the reform movement, they are likely to continue to operate beyond the life of the WB support. If multi-year budgets are achieved and if the DepEd budget is restructured as described in B3, reforms are even more likely to be sustained and institutionalized. Most importantly, the reform program is designed to improve the efficiency and effectiveness of sector spending and thereby reduce threats to sustainability resulting from budget shortfalls.

The DepEd is cognizant that the full and timely realization of the BESRA reforms is dependent on the political will and priorities of subsequent administrations as well as the management and leadership of the Department. Hence the DepEd has focused on eliciting strong participation, involvement and ownership from front-line managers at all levels, teachers, and other local stakeholders (parents, communities, LGUs, private sector partners). Commitment has been secured through the participation of stakeholders in designing reforms related to school improvement planning, including DepEd/WB workshops on the refinement of BESRA and the preparation of NPSBE. Stakeholders will also be involved in the implementation of these plans. Building capacity among key implementers at the school level will ensure a sustained reform movement for the entire education system. Support of these stakeholders is critical in maintaining incentives for transparency, accountability, continuity and sustainability.

5. Critical risks and possible controversial aspects

Overall, the risk of the proposed operation is assessed as moderate, as set out in Table 3. The experience of projects using school-based management is that, even in disadvantaged areas, schools and their communities respond very well to the challenge of identifying and prioritizing their needs in school improvement plans. Where schools have been given funds to implement their improvement plans, experience has shown that most are able to leverage additional resources from local partners and outcomes have been very positive. Hence the major risk is lack of continued support for the reform agenda at the national level. However, the level of ownership of the reform agenda at all levels of DepEd is sufficiently strong to ensure sustainability. Through the *Governance of Basic Education Act* (RA 9155), there is also a legislative basis for decentralization.

Table 3. Risks to Project Success and Their Ratings

Risks	Risk Mitigation Measures	Risk Rating
<i>To project development objective</i>		
Reform process influenced by legislative or executive actions at the national level beyond the control of DepEd leading to considerable uncertainty or a reluctance by Government to pursue reforms.	Expand advocacy and social marketing efforts and continue conducting education summits involving legislative and executive branches.	M
Current commitment and support for reform may not be sustained.	Cultivate ownership of DepEd field implementers, especially at the region, division, and school levels. Invite Leagues of LGUs to sign Covenants with DepEd to commit to their efforts to support reforms.	M
Lack of capacity to implement/enforce implementation of decentralization and limited capacity to absorb changes brought about by decentralization.	Undertake capacity building as a key function of implementation; clearly delineate roles and responsibilities of different levels of DepEd; phase the transfer of responsibilities to correspond with demonstrated responsibility to take on new roles.	M
Decline in other stakeholder support for reform.	Foster wide stakeholder support among parents, PTCAs, NGOs, and private sector partners. Sustain participatory process of stakeholder commitment to validate, refine, and implement the reforms.	M
Deteriorating fiscal situation threatens implementation of the reform agenda.	Design the reforms to enhance efficiency and cost effectiveness.	M
Corruption and collusion pose significant challenge for government expenditures.	Build on the progress of joint efforts by the Government and Bank to implement the action plan to increase civil society involvement, improve public sector management of procurement, budget and expenditure program and audit, decentralize delivery of service with accountability and improve partnership with private sector.	H
<i>To component results</i>		
Lack of capacity or willingness on the part of implementers to assume <i>new</i> roles and	Undertake adequate and up-front capacity-building and provide	M

responsibilities in keeping with decentralization; lack of strong leadership/capacity in the different Department levels to model and enforce new roles.	continuous technical assistance and support; institute performance-based assessment measures linked to new roles and responsibilities.	
Institutional instability and/or lack of continuation of reform program and/or policies of department leadership.	Reform project and policies widely regarded as priorities. Key stakeholders and field implementers must be encouraged to push for continuity of reforms.	M
Delayed release of cash for project implementation.	Targeted cash release program and direct payments where possible.	M
Delays in the implementation of the agreed reforms.	Agree on the reform milestones and timetable.	M
<i>Overall risk rating</i>		M

6. Loan/credit conditions and covenants

Effectiveness Conditions:

- Adoption of the final Project Implementation Plan and Operations Manual.

Legal Covenants:

- Management –
 - Carry out training for staff at all levels.
- Financial –
 - Submission of quarterly Financial Monitoring Reports consisting of the a) statement of sources and uses of funds; b) physical progress report; and c) procurement status report no later than 45 days after the end of each calendar quarter.
 - Submission of annual audited project financial statements consisting of the balance sheet and statement of sources and use of funds together with the notes to the financial statements and management letter no later than 6 months after the end of each fiscal year.
 - Annual independent validation report will be submitted to the Bank, no later than three months after the end of each fiscal year, in scope, detail and under terms of reference satisfactory to the Bank, including an opinion as to whether the school grants have been awarded according to the criteria set forth in the Operations Manual.
- M & E
 - Launch the baseline survey.
 - Carry out an annual implementation review and a Mid-term Review.
 - Conduct *ex-post facto* impact evaluation.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

Economic. The economic justification for the National Program Support for Basic Education (NPSBE) is that implementation of the BESRA reforms will yield a significant payoff in terms of accelerated economic development and improved efficiency (see Annex 9). There are two aspects to this claim. Firstly, Section A1 cited evidence of growing inequality in the Philippines and quoted authors of the 2006 *World Development Report* who argued that inequalities have costs for the development process because unequal opportunities lead to inefficiencies and deplete economic potential. In as much as the NPSBE supports the BESRA educational reforms focusing on improving quality and increasing equity, the program can be expected to foster economic growth in the longer term. However, these benefits are either very difficult or impossible to quantify.

Secondly, many of the management reforms are designed to improve efficiency and effectiveness in the delivery of education services resulting in substantial cost savings. These benefits, however, *can* be quantified and are sufficient to justify the project. At least two of the key reform actions under the BESRA are designed to help the DepEd achieve efficiency gains: (i) better teacher deployment and (ii) local government unit (LGU) implementation of the school building program. By supporting these elements of the reform agenda, the NPSBE is expected to generate savings, or to release funds from less efficient use to more efficient uses.

Better deployment of teachers. A more aggressive redeployment of teachers is one of the key actions in the NPSBE policy matrix. The Basic Education Information System (BEIS) showed that there were 78,188 “excess” teachers in School Year 2003-2004, leaving considerable scope for re-assignment of these teachers from teacher-surplus schools to teacher-deficit schools. Although this transfer process started in 2002-2003 in accordance with a color coding scheme that identifies schools with the greatest need for new teachers, DepEd’s teacher deployment program can still be improved by (i) transferring more unfilled teacher positions in line with needs of schools, (ii) moving some incumbent teachers to achieve greater equity, and (iii) reassigning teachers currently doing administrative work back to teaching. Although Republic Act 4760 (Magna Carta for Public School Teachers) prohibits the transfer of teachers without their consent, discussions with Division/Regional DepEd officials indicate that further actions are possible even without amending the Act.

The Department has also taken steps to transfer teacher positions in teacher-surplus divisions/schools that have become vacant because of retirement to divisions/schools that are short of teachers. Redeployment of “excess” teachers will not only improve equity significantly but will also generate substantial savings relative to existing practice. The medium term spending plan of the DepEd projects that the amount of resources needed to meet the EFA targets would be reduced by PhP2.1 billion to PhP9.4 billion (or US\$38 million to US\$171 million) yearly in 2006-2010, even if only half of the existing number of “excess” teachers were redeployed (see Annex 9 for details). When compared with the size of the project loan, these figures suggest that the economic rate of return from a more efficient deployment of teachers is high. The rate of return from better teacher redeployment is 50%, even if only a quarter of so-called “excess” teachers are redeployed to schools that are more in need.

Resource mobilization for school building. The institution of cost sharing arrangements between the national government and LGUs on school building construction under the NPSBE is

expected not only to help generate more resources from LGUs but also to help generate savings from LGU implementation of the school building program. In particular, LGU implementation of the school building program is estimated to result in savings equivalent to PhP2.4 billion to PhP3.4 billion (or US\$43 million to US\$62 million) yearly, assuming LGU construction costs are on average 20% lower than those of the Department of Public Works and Highways, as demonstrated in previous studies by Manasan (2000) and Alonzo (1998). When compared with the size of the project loan, these figures indicate that the economic rate of return from LGU implementation of school construction is high. Without considering the benefits attributable to other components, the economic rate of return from this reform action is estimated to be equal to 70% in 2006-2010 (see Annex 9 for details).

Non-quantified benefits. The experience of the Third Elementary Education Project (TEEP) suggests that the NPSBE can expect gains in the quality of basic education outcomes following the system-wide application of school based management (SBM) and additional school inputs in the form of classrooms, furniture, textbooks, other instructional materials and teacher training. Significant gains in the performance of the TEEP schools have been achieved subsequent to the implementation of the project. Although the overall mean percentage scores of TEEP schools were not significantly different from those of non-TEEP schools at the start and in the early years of the TEEP (1999-2003), the overall mean percentage scores of TEEP schools were found to be significantly higher than those of schools in non-TEEP divisions in 2004 and 2005, regardless of whether the National Achievement Test (NAT) scores or the National Sample Based Assessment (NSBA) scores were considered (see Annex 9 for details).

Step-wise regression analyses of the achievement scores of students in TEEP schools in 2005 suggest that school building repair, funded school improvement initiatives and textbooks are associated with higher mean percentage scores on the NSBA. In addition, improvements in the participation, drop-out, and completion rates of TEEP schools are evident in 1999-2003 data (Education Policy Notes on SBM, 2003).

These findings are validated by recent qualitative evidence provided by the TEEP evaluation team which reported that TEEP field officers and division and district officials found it much easier to mobilize and institute school-community partnerships after the provision of the resource-intensive inputs such as school buildings, school furniture and even textbooks. The more conducive physical learning environment greatly motivated the students to stay in school and resulted in a surge in participation rates and a decline in dropout rates—at least immediately following the delivery of these inputs. With their children now opting to stay in school, the parents, LGUs and community members indicated that they felt encouraged to forge partnerships with school officials and teachers to maintain this learning-conducive environment and mobilize resources to ensure that their children also learn in school.

Currently, non-personnel recurrent funding (MOOE) is allocated to schools on a *per capita* basis without regard to the capacity of LGUs to supplement resources through the Special Education Fund (SEF) and other means. SEF resources vary greatly (see Annex 9) and are also spent in diverse ways. A reform proposed under the NPSBE to allocate DepEd maintenance and operating expenses to schools according to a normative financing formula that takes into account LGU capacity and school needs, in addition to enrollment, will help secure greater equity in student outcomes.

Financial. The Philippines faces a significant financial challenge in the education sector. Although national government funding for the basic education sector is relatively protected as compared to other sectors—the DepEd budget even grew by 3.4% yearly on average in nominal terms in 2000-2004—*real* DepEd spending per student fell by 3.8% yearly on average over the same period.

The medium term spending plan of the DepEd that was completed in early 2005 indicates that existing fiscal pressures will likely persist over time and will impair the country’s ability to progressively achieve its Education for All (EFA) 2015 targets. On the positive side, the funding gap in the basic education sector will most likely be narrowed by the projected improvements in the central government’s overall fiscal position following the enactment of new tax measures (namely, the higher excise tax rates and the reformed Value Added Tax or VAT law in 2005) and the increase in the VAT rate from 10% to 12% in early 2006.

Nevertheless, the amount of resources needed to meet EFA targets will most likely exceed the budget projected to be made available to the DepEd for most of the period 2006-2015 (see Annex 9). This project is designed to support GOP initiatives associated with strategic elements in the implementation of DepEd’s basic education reform agenda, and not to provide additionality *per se*. A key challenge is to support changes that will result in savings on current budget items that can then be used to finance not only particular interventions in support of the BESRA but also part of the more general financing gap in achieving EFA targets as identified in the Basic Education Spending Plan for 2006-2015 (DepEd/WB, 2005). Based on a worst-case scenario modeled under this Spending Plan (see Annex 9), the gap is projected to vary between PhP 16 billion and PhP 31 billion over the period 2006-2010—equaling 13 to 21 percent of the projected DepEd budget for those years. Under a best- case scenario, the gap is projected to be smaller, varying between PhP 14 billion and PhP 22 billion over the period 2006-2010, which equals 12% to 15% of the projected DepEd budget in those years.

One of the policy initiatives is to restructure the DepEd budget on a multi-year basis to support comprehensive reforms and their implementation, rather than to deal with multiple project-type initiatives. This strategy is designed to: improve budget planning and management by providing policy continuity and secured funding for major reforms; shield such reforms from economic, social and political exigencies; and increase efficiency and effectiveness in service delivery.

Fiscal impact. Since the current loan is provided within budget, the project will have no additional impact on future recurrent allocations for the DepEd budget. If some of the reforms promising greater efficiencies in service delivery and options for cost sharing with local government and the private sector are realized, the Government will be better placed to close the gap between the funding required to provide the minimum resources for quality education and the budget allocated to DepEd.

2. Technical

The technical design of the project rests on the selection of strategic, substantive elements from DepEd’s broad reform agenda for basic education and the inclusion of these elements in a coherent framework. The NPSBE’s four components effectively engage with all crucial aspects of the system-wide reform. However, it is essentially issues of *governance* associated with decentralization and the benefits of SBM that form the focus of the national support program for basic education. Evidence suggests that, by allowing schools and the communities they serve to

prioritize resource use and by having accountability mechanisms for both inputs and outcomes at this level as well, participative monitoring and evaluation by the local community provides strong assurance for relevance, flexibility, transparency, advocacy and accountability.⁸

The design of the project takes into account a potential unintended consequence of school-based management, namely, further inequity resulting from the higher capacity of well-resourced schools to generate additional funds and apply them more effectively than schools in disadvantaged locations. Hence, while maintaining an emphasis on *quality* through the inclusion of a quality assurance framework with defined standards, the design gives due regard to *equity* through policy actions leading to positive discrimination in the allocation of central resources for staffing of schools, construction of classrooms and allocation of MOOE.

The design also takes into consideration the capacity of the institution to implement the components as described in section B and, in particular, those aspects that require considerable initiative and responsibility at the school level. Strong evidence of institutional capacity for successful school-based management and transformational change comes from evaluations of previous basic education projects in the Philippines⁹.

3. Fiduciary

Assessments were conducted during project preparation of the financial management and procurement capacity of the DepEd under its decentralized structure.

Financial management. An Education Sector Financial Management Assessment for the proposed Philippines National Program Support for Basic Education (NPSBE) was carried out in accordance with the guidelines by the Financial Management Sector Board. Overall, the project meets the minimum Bank financial management requirements. The financial management capacity across the education sector institution is found to be adequate. The assessed financial management risk is considered moderate.

The assessment concluded that the financial management capacity could be further strengthened by addressing issues highlighted in the Commission on Audit's report on the DepEd's accounts. The Financial Management Service Unit of DepEd has commenced this work. A list of immediate actions to be taken during the project implementation is provided in an Action Plan in Annex 7. Implementation of these actions, together with proposed capacity building measures, will enhance the financial management system at DepEd.

Procurement. The evaluation builds on the results of the successful harmonization effort with the Government and donors as well as the recent Country Procurement Assessment Reports. Following passage of the Government Procurement Reform Act, the national procurement system meets an acceptable standard defined on the basis of the baseline indicator system

⁸ For example, see Marshall, J. H. (2004). *EQIP School Grants Program Evaluation: Final Report*. Kingdom of Cambodia: Ministry of Education, Youth and Sport.

⁹ Notable examples include the Bank-supported Third Elementary Education Project (TEEP) and the AusAID-supported Basic Education Assistance in Mindanao (BEAM).

(BIS).¹⁰ Similarly, application of agency procurement performance indicators establishes that the country's procurement system as used for DepEd can be relied upon.

Hence, all procurements other than International Competitive Bidding will use the Government's own procedures, with the exception of 8 provisions in the national law which are not acceptable to the Bank, in line with the Bank's desire to expand the use of country systems¹¹ and to use procedures which are most appropriate in terms of fairness, economy and efficiency, transparency and accountability. In summary, procurement will be guided by the Country Procurement Assessment Report and its most recent update of March 2005, and will use the baseline indicator system (BIS) assessment to achieve prescribed standards for the Government's public procurement system in general. It will also be carried out following the DepEd's procurement manual.

Although the DepEd has considerable experience in implementing foreign and locally assisted projects, there may still be some interim problems associated with newly created organizations. The Procurement Service (PS) will act as a one-stop-shop to oversee procurement in the central office and to provide support to sub-national offices. Under the project, schools will also do their own procurement. Past experience indicates that well-trained and closely supervised schools can deliver good procurement results. However, the number of schools involved in a system-wide project poses a challenge of scale and hence the overall procurement risk assessment for the project is moderate.

The PS is expected to benefit from the soon-to-be finalized customized procurement manual for DepEd, defining responsibilities and delineating roles for different units and stakeholders. The issuance of Philippine bidding documents (as harmonized with ADB, JBIC and WB) has made procurement through national competitive bidding more manageable. The project will provide further capacity building to the PS as well as to the schools. The PS needs enhanced capacity in the area of procurement planning and monitoring, while schools (i.e., the Principal-led School Building Program) need simplified procurement and record keeping.

4. Social

a. Opportunities, constraints, impacts and risks in the socio-cultural environment. The NPSBE is designed to improve access and success for poor and disadvantaged Filipino students by making the system more responsive to their needs and by mobilizing the resources of parents, communities and local government units in partnership with schools/learning centers. The school-based management (SBM) approach allows local stakeholders to participate in setting priorities within school improvement plans and to monitor outcomes, thus enhancing accountability. Such stakeholder participation renders basic education more responsive to the needs of disadvantaged sectors such as indigenous peoples, including options for enhanced Alternative Learning Systems (ALS). Local stakeholders are likewise expected to build collective responsibility for harnessing local resources, not only for education but other related services such as health, nutrition and early childhood development. These participatory

¹⁰ The BIS came from collaborative work between the Bank and OECD and includes 12 baseline indicators of good practice for procurement, each accompanied by a set of criteria, used to assess the quality of a country's procurement system under National Competitive Bidding.

¹¹ See World Bank, *Expanding the Use of Country Systems in Bank Operations – Issues and Proposals*. R 2005-0018/2, March 8, 2005.

approaches will initially demand new ways of thinking and more time and effort from school staff members who are used to acting on official DepEd updates, memos and orders.

As noted in the World Development Report 2006, improved governance and empowerment of local communities is consistent with greater accountability and the capacity to provide “checks on predatory behavior of political and economic elites.”¹² However, decentralized educational management could inadvertently benefit elites in the communities as they might be over-represented in school governing councils and would have the skills to dominate decision-making. These potential threats will need to be carefully monitored within the NPSBE through qualitative studies as part of the M & E framework.

Disadvantaged families and communities might be initially reticent to participate in school-based management since this could intrude on their time for economic activities and require out-of-pocket expenses such as transportation to meetings. Also, disadvantaged families and communities might not see themselves as qualified to participate in seemingly professional or technical discussions, considering this as solely the role of the school. Such attitudes are understandable manifestations of long years of disempowerment.

The Department of Education (DepEd) recognizes the importance of such constraints and risks. The preparatory studies and consultations will serve as a basis for DepEd to formulate a change management plan and social marketing strategy to proactively address these potential constraints and risks. Measures to manage change will include capacity building for school heads and staff; development of participatory tools and mechanisms to ensure meaningful representation in school governing councils or Parent-Teacher-Community Associations (PTCAs), as well as more responsive and equitable school improvement plans; social marketing activities to advocate for more responsive use of support from local government units (through their mandated Special Education Funds and their Internal Revenue Allotments); forums and information exchange activities to encourage feedback and critical analysis from various local stakeholders; building institutional linkages and networks with organized civil society organizations (including non-governmental organizations, private groups and community-based organizations) and leagues of LGUs; and enhancing local reporting to highlight the importance of local stakeholder participation in monitoring for accountability.

The positive lessons learned from the pilot-testing of previous projects emphasizing school-based management give reason to believe that the above concerns can be adequately addressed under NPSBE. The results of these projects, as well as similar NGO projects, will be consolidated and used to develop manuals, design capacity building, and create other operational guidelines to ensure that the potential constraints/risks are adequately managed.

b. Participation of key stakeholders. Broadening the participation of various local stakeholders is an essential operational principle permeating the preparation, implementation, monitoring and evaluation of the BESRA/NPSBE. The preparation of the reform program involved a series of consultative workshops with a range of stakeholders at all levels. The DepEd incorporated feedback from these consultations into the design of the reform program. The stakeholders’ views are being systematically analyzed and further consolidated as part of the preparatory studies, supported by a PHRD grant. The resulting consultative working paper will be used in formal communication and consultation with a broad range of stakeholders, including LGU

¹² World Development Report 2006. *Equity and Development*. Washington D.C.: The World Bank.

officials, teachers, PTCAs, student organizations, indigenous peoples' organizations, agencies for corporate social responsibility, and civil society organizations. These consultations have been conducted on the three main islands of the Philippines (i.e., Luzon, Visayas and Mindanao). Part of the consultations focused on the discussions of the Indigenous Peoples Planning Framework (IPPF) with the participation of local IP representatives, selected in coordination with the National Commission on Indigenous Peoples.

Based on the consultation reports, there was overall acceptance of the BESRA-NPSBE as well as the IPPF among the participants. The participants also expressed appreciation for the consultative process and strongly recommended that similar consultations be carried out throughout project implementation. On the basis of the consultation outputs, a Social Marketing and Change Management Plan was formulated to ensure broad participation in the project.

The BESRA/NPSBE will ensure broad multi-sectoral representation in school-governing councils, including representation from civil society organizations and disadvantaged sectors such as the indigenous peoples, with the aim of preventing elites from dominating the councils. Operational guidelines will be developed on membership, roles and responsibilities. Participatory decision-making tools and processes will be adopted and developed into operational manuals to assist implementation in schools. The manuals will give due regard to equity and social inclusion, with specific reference to indigenous peoples, people with disabilities/special needs and gender equality.

Mobilization and capability building activities will be conducted to develop competence among disadvantaged families/communities and other local stakeholders for participatory situation analysis, planning, budgeting and resource mobilization, among others. This will be undertaken in coordination with other departments/units of local government, particularly those with responsibility for community-based programs/projects. An inventory of potential partners, such as civil society organizations, will be developed to identify opportunities for resource mobilization, external monitoring and community mobilization.

School officials and staff will similarly undergo capability building to ensure relevant and responsive participatory management competencies. School performance monitoring will likewise be participatory to promote transparency and accountability among the local stakeholders. Guidelines will be developed for schools to report to their communities through a school report card as well as through school/community assemblies. School level reporting will include information on the school as well as normative data for division, region and national levels. School reports will include information on inputs against minimum service standards to encourage community advocacy for equitable provision of resources as well as information on outcomes to ensure school-level accountability for effective use of resources.

c. Consultations or collaborations with NGOs and other civil society organizations. Non-government and civil society organizations were involved in the various stakeholder consultations as part of the preparatory activities under the PHRD grant. Their local representatives will be included in school governing councils in addition to their involvement in the PTCAs. The advocacy/social marketing activities will also focus on strengthening and expanding all aspects of public-private partnerships in support of schools and learning centers.

d. Monitoring performance in terms of social development outcomes. The monitoring and evaluation framework is designed to track social development outcomes of the project through a breakdown of performance indicators by gender, region, and education level. Categories of

major disadvantaged groups (e.g., indigenous peoples, persons with disabilities, students with special needs) will also be monitored through selected qualitative studies of the impact of the reforms on at-risk sub-groups. Performance indicators will similarly be supplemented by measurements of participation in school-based management and its effectiveness in a range of local activities and functions.

5. Environment

The Project is not envisaged to have any significant environmental impacts beyond those associated with the rehabilitation and construction of school buildings, which may generate minor impacts during civil works (see Annex 10). The Project has put in place environmental guidelines that will be strictly adhered to by the Department of Education and its contractors during implementation.

6. Safeguard policies

Table 4 lists the safeguard policies and indicates that only one applies directly to NPSBE.

Table 4. Safeguard Policies and Their Relevance to NPSBE

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)		X	
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Cultural Property (OPN 11.03)		X	
Indigenous Peoples (OD 4.20)	X		
Involuntary Resettlement (OP/BP 4.12)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

The reform agenda addresses both quality and equity, and seeks to enhance learning outcomes, especially for poor and disadvantaged groups, including indigenous peoples. The reforms are designed to benefit these groups through a more enabling education policy environment, with specific interventions to enhance opportunities for indigenous people to acquire the skills and competencies necessary to participate equally in social and economic development. The mechanisms to ensure participation of indigenous people during the project and to address their concerns are central to the proposed reforms (see Annex 10).

7. Policy exceptions and readiness

None

Annex 1: Country and Sector or Project Background

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

A. Basic Information

The Republic of the Philippines, with its capital in Manila, has a population of around 84 million people. The country has two official languages—Filipino and English. The Philippines has a representative democracy modeled on the US system. Despite recent declines, the country continues to have a high fertility rate by Asian standards (3.5 percent). As a result, population growth (2.3 percent in 2005) remains one of the highest in the region.

Gross Domestic Product (GDP) in 2004 was estimated at US\$84.6 billion, up 6.1 percent from 2003. GDP *per capita* in 2004 was estimated at US\$1,025. The major economic sectors include agriculture and industry, especially food processing, textiles, garments, electronics and automobile parts. The unemployment rate in April 2005 stood at 7.5 percent. After falling considerably in the past decade, inflation is once again on the increase and is expected to reach nearly 7 percent in 2005—up from 5.5 percent the previous year. The economy is dominated by the service sector, representing 54 percent of GDP. Over 37 percent of workers in the economy are self-employed. The country's currency is the Philippine Peso (exchange rate of around US\$1.00 = PhP52).

B. Sector Background

In 2004/05, there were almost 19.5 million students enrolled in schools in the Philippines, an increase of 8 percent over the previous year. Approximately two-thirds of these were at the elementary school level and the remainder at the secondary school level. Elementary and secondary public schooling (since the late 1980s) are 'free' in that students do not pay fees to attend. Elementary schooling is compulsory. The bulk of students attend public schools, although the private school sector is significant—particularly at the secondary school level, where approximately one in five students attends a private school. The school age population continues to grow rapidly—over 2 percent per year—as a result of the country's high population growth rate.

Under the 'trifocalisation' policy introduced in 1995, jurisdiction over education is split across three government agencies, with the Department of Education (DepEd) responsible for overseeing elementary and secondary schools (as well as Alternative Learning Systems at this level), the Commission on Higher Education (CHED) responsible for overseeing higher education, and the Technical Education and Skills Development Authority (TESDA) responsible for overseeing technical and vocational education.

The DepEd, with offices at national, regional and divisional levels, plays a number of roles, including regulating school level education, running government schools, and coordinating, monitoring and evaluating basic education. It also provides the bulk of the financing for the school sector in the Philippines and disburses funding to the Fund for Assistance to Private Education (FAPE), which administers the various private education funding schemes.

In 2005, the total DepEd budget was PhP112 billion. This represented approximately 2 percent of GDP and 18.5 percent of the total GOP budget net of debt service. Spending on teacher

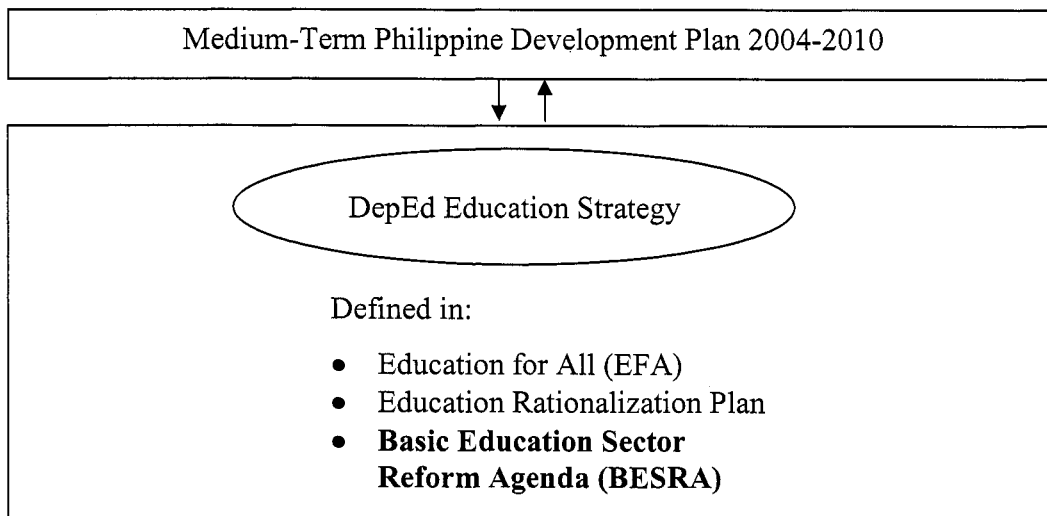
salaries and other personnel services made up 89 percent of the DepEd budget. A further 4 percent was spent on educational infrastructure such as school buildings—a cost that was supposed to be borne by Local Government Units (LGUs). The remaining (only) 7 percent of the DepEd budget was available to cover other recurrent costs such as operating expenses, teacher in-service training and the purchase of instructional aids. The DepEd budget for 2006 provides an additional PhP7 billion for designated additional priorities related to the reform agenda and will have the effect of reducing the proportion spent on fixed costs (salaries and personnel benefits).

C. Country Education Strategy

The Philippines development and poverty reduction strategy is defined in the Government’s Medium-Term Philippine Development Plan (MTPDP) 2004-2010, which places high priority on achieving universal basic education. The country’s education strategy is anchored to the National Education for All (EFA) 2015 Plan and attainment of the Millennium Development Goals (MDGs).

The former provides an overarching policy framework for basic education with a vision that all Filipinos will acquire basic competencies, while the latter sets out two broad goals in the area of primary and secondary education: the attainment of universal primary education by the year 2015 and the elimination of gender disparity at the primary and secondary education levels. **Figure 1.1** portrays diagrammatically the key elements of the GOP’s Basic Education Strategy, including the Basic Education Sector Reform Agenda on which the NPSBE is based.

Figure 1.1: GOP Basic Education Reform Agenda



The EFA 2015 Plan is complemented by a number of recent policy initiatives such as the Schools First Initiative (SFI) that gave rise to the Basic Education Sector Reform Agenda (BESRA), Alternative Learning Systems (ALS), and the Rationalization Plan for Education. All of these initiatives will contribute to the attainment of the EFA goals and provide a coherent, over-arching framework for policy reform. They are designed to focus on achieving the EFA goals by improving the policy environment for producing quality outcomes and by improving governance and financing of service delivery with measurable benchmarks.

For example, the vision of the SFI, translated into policy actions in the BESRA, is built on the successful pilot of School-Based Management (SBM) under the Third Elementary Education Project (TEEP). SFI is characterized by a focus on learning outcomes, principals or school heads working closely with parents, teachers, and the local community, and by the supportive role played by local education managers. This approach empowers teachers, school heads and local communities by providing them with a voice in decision-making and greater discretion and control over the use of resources. It also decentralizes the system by distributing accountability across national, regional and school levels.

The Basic Education Plan targets for the Philippines for 2005 and 2010, as outlined in the MTPDP, are set out in Table 1.1.

Table 1.1: Basic Education Plan Targets, Philippines, 2005 and 2010

MDG Target	Indicator	Baseline 2002 (Percent)	Indicative Target (Percent)	
			2005	2010
Achieve universal primary education by 2015	Net Intake Rate in Grade I	N/A	N/A	N/A
	• Public (6 yrs old)	N/A	N/A	N/A
	• Private (7 yrs old)	47.1	52.38	61.19
	• Public & private (6 yrs old)			
	Participation Rate (Net Enrol. Ratio)			
	• Elementary (6 – 11 yrs old)	90.05	91.02	93.01
	• Secondary (12 – 15 yrs old)	58.03	67.48	83.73
	Cohort Survival Rate			
	• Elementary (Grade 6)	69.84	73.33	78.00
	• Secondary (Year 4)	65.83	67.96	71.51
Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education by 2015	Drop out Rate (School Leavers Rate)			
	• Elementary	7.34	5.52	4.32
	• Secondary	13.10	11.24	8.14
	Functional Literacy			
	• Population Aged 15-24			96.60
	• Population Aged 15+			93.10

Source: NEDA (2004) *Medium-Term Philippine Development Plan 2004-2010*

D. Country and Sector Issues

The Philippines has considerable natural and human resources. Despite this, overall development outcomes have fallen short of potential. Economic growth measured on a *per capita* basis has been lower than in neighboring countries and poverty reduction has been modest.¹³ The performance of the Philippine education system in recent decades has mirrored that of the wider

¹³ World Bank (2005) *Country Assistance Strategy for the Republic of the Philippines*, Report No. 32141, Washington DC, p. 1.

economy. Although recent decades have seen impressive gains on educational indicators such as access to elementary education and literacy rates, the overall performance of the education system in the country remains disappointing and trends in educational performance are worrying.

Two broad areas of concern are the country's fiscal and budget situation and its modest progress in reducing poverty. Both of these have a direct bearing on the school sector and educational outcomes, even if these issues are not specific to the sector itself. In addition, the school sector faces a number of challenges specific to that sector. These include:

- the poor quality of education delivered;
- concerns with the quality of the teaching force;
- poor internal efficiency (i.e., high drop-out rates and low high school completion rates);
- shortages of educational inputs such as classrooms and teaching materials in some schools and regions; and
- weak system governance.

Equity is also a major concern, with large disparities among schools and divisions on a wide range of input and outcome indicators, including teacher/student ratios, access to classrooms and learning materials, quality of education delivered and student outcomes.

Fiscal and Budget Situation

A key contextual issue is the country's weak fiscal position. This is a major source of concern for both the country's public finances and macroeconomic stability and has serious implications for the amount of money available to finance social services such as health and education. The country's high levels of public debt leave it vulnerable to shifts in investor sentiment, as well as internal and external economic and political shocks. Further uncertainty followed the resignation of a number of Cabinet secretaries, including the Secretary for Education, in July 2005. Another key concern for the Philippines is its inability to collect sufficient tax revenue. Between 1997 and 2004, tax revenues as a share of GDP dropped from 17 percent to 12.3 percent. Legislated increases in VAT during 2005 were only approved in October of that year after a Supreme Court ruling over-turned a challenge to the proposed increases, and introduced in February 2006.

As already noted, the DepEd budget¹⁴ in 2005 was set at PhP112 billion, representing around 2 percent of GDP and 18.5 percent of the total GOP budget, net of debt service. The recently completed DepEd spending plan indicates that existing fiscal pressures will worsen over time and will impair the country's ability to progressively achieve its Education for All (EFA) targets, set for 2015.

The low level of funding available for education is exacerbated by three factors. The first of these is the structure of current spending on education, described in section B above, with a very high proportion allocated to fixed costs (salaries and personnel benefits).

Second, the continued rapid growth in the school age population has diverted money away from efforts to lift quality. In effect, the school system has had to "run faster" simply to keep up with enrollment growth. While nominal government spending on education and the share of the national budget dedicated to the DepEd have both increased significantly in recent years (see Table 1.2), this nominal increase has not translated into significantly higher real *per capita*

¹⁴ This includes the Basic Education Infrastructure Fund, previously known as the Schoolbuilding Program.

spending. Although real *per capita* spending in 2000 prices did increase in the mid-1990s, it fell from a peak of PhP6,610 in 1998 to PhP5,260 in 2004 as a result of inflation and continued rapid enrollment growth (see Table 1.2).

Third, the fiscal challenges faced by the Philippines have been exacerbated by the relative and absolute (since the mid 1990s) decline in the size of the private secondary education sector in the Philippines. Since the mid to late 1980s, the share of enrollments in the private secondary sector has dropped from over 40 percent to around 20 percent, while the absolute number of enrollments in private schools has fallen throughout the 1990s, only stabilizing in recent years. This is largely attributed to the migration of private secondary school students to public schools following the 1997 Asian financial crisis.

Table 1.2: DepEd Budget and Real Spending *Per Capita*, 1995-2003

	DepEd Budget (PhP '000)	DepEd Spending as a Percent of Total GOP Budget (Percent)	DepEd <i>Per Capita</i> Real Spending in 2000 prices (PhP)
1995	51.5	17.2	5,586
1996	60.5	17.8	5,845
1997	77.3	18.7	6,799
1998	85.4	19.5	6,610
1999	88.6	18.7	6,182
2000	95.9	17.7	6,134
2001	100.4	18.9	5,945
2002	105.9	19.1	5,867
2003	107.9	18.0	5,579
2004	109.5	18.6	5,260

Source: Department of Education

Lack of Progress in Reducing Poverty

The poverty rate in the Philippines, as measured on a household consumption basis, was 26.1 percent in 2003, being highest in four regions: the Autonomous Region of Muslim Mindanao, Western Mindanao, Bicol and Eastern Visayas. Poverty is most prevalent in the agricultural sector and is highly correlated with low educational attainment. The Philippines has made little progress in recent years in reducing poverty. Although the incidence of poverty declined from 27.6 percent to 26.1 percent between 2000 and 2003, it remains above the 1997 level of 25.6 percent, which preceded the Asian economic crisis.

The lack of progress in reducing poverty reflects two factors. First, the Philippines has not enjoyed the strong *per capita* economic growth experienced by many of its Asian neighbors. Annual *per capita* GDP in the Philippines grew by just 1.4 percent between 1961 and 2003, compared to 5.4 percent for seven East Asian comparator countries over the same period. Second, high inequality (the poorest 20 percent of households account for only 6 percent of national income in the Philippines) means that the poor do not enjoy many of the benefits of economic growth. Although economic growth has increased in recent years (averaging 4.5 percent in 2002/2003 and reaching a 15 year high of 6.1 percent in 2004), there are questions as to whether these recent high rates of economic growth are sustainable.

Poor Quality Education

The persistent and long-standing under-performance of the Philippine education system has been well documented. Notably, the very low ranking of the Philippines in both Mathematics and Science in the Trends in International Mathematics and Science Studies (TIMSS) in 1999 and again in 2003 has received wide publicity. The TIMSS provides recent, readily accessible comparative data on achievement for Grades 4 and 8. In spite of overall gains from 1999 to 2003, in 2003 the Philippines ranked 34th of 38 countries in the Grade 8 Mathematics test and 43rd of 46 countries in the Grade 8 Science test. For Grade 4, the Philippines ranked 23rd of 25 participating countries in both Mathematics and Science. To underline the *extent* of poor performance, for example, in Grade 4 Mathematics, fewer than 5 percent of Filipino students – only the very best - reached the standard achieved by *average* Grade 4 students in Singapore. Other recent evidence for low achievement comes from tests administered by DepEd when it was reported that only 40 percent of 4th Grade students had mastered third-grade competencies in English, Mathematics and Science and only 30 percent of first-year high school students had mastered 6th Grade competencies in those subjects. While concerns have become more acute in recent years, evidence suggests that the poor quality of education in the Philippines is not new, with achievement tests dating back to the 1970s revealing long-standing and persistent under-performance in Mathematics and Science by Filipino students.¹⁵

Teacher Related Concerns

There are several concerns related to the teaching profession in the Philippines. The first area of concern relates to teacher qualifications, especially at the secondary level. A large proportion of teachers in “hard-to-staff” subjects such as Science and Mathematics do not have the relevant subject training. For example, in 2004/05, only 80 percent of public secondary Mathematics teachers had a mathematics qualification. Problems were more pronounced in the sciences, where only 44 percent, 34 percent and 27 percent of Biology, Chemistry and Physics teachers respectively had majors in their subject areas.¹⁶

A second concern relates to the existing pay structure for teachers. As in most countries, teacher pay in the Philippines depends largely on a teacher’s age and qualifications. The absence of performance-related pay makes it difficult to reward top teachers. In addition, the national, non-differentiated pay scale for teachers makes it difficult to encourage teachers into “hard-to-staff” schools and subject areas and difficult to attract and retain top teachers.¹⁷

A third concern relates to the quality of pre-service training, including the quality and relevance of the curriculum, the theoretical nature of some training and the quality of facilities.¹⁸ Finally, a key weakness is the current method used to deploy teachers, whereby teachers are able to decline transfers, even from over-staffed schools, because of the provisions of the Magna Carta for Public School Teachers (dating from 1967).

¹⁵ World Bank (2004) *Improving the quality of basic education*, Education Policy Notes: Philippines, September, p 1.

¹⁶ National Economic Development Agency (2004) *Medium-Term Philippine Development Plan*, p. 195.

¹⁷ World Bank (2004) *Teachers’ development, recruitment and performance: Key to improving Philippine basic education*, Education Policy Notes, pp. 4-5.

¹⁸ World Bank (2004) *Teachers’ development, recruitment and performance: Key to improving Philippine basic education*, Education Policy Notes, p. 1.

As a result, student/teacher ratios vary greatly across schools and divisions. In 2003/04, the average student/teacher ratio was 36:1. However, this figure masked significant variation across provinces. For example, Mountain Province enjoyed a student/teacher ratio of 25:1 at the elementary level and 26:1 at the secondary level. In contrast, the student/teacher ratio at the elementary level in Antipolo City was 61:1, and 85:1 at the secondary level in Bayawan City.

Poor Internal Efficiency

A key weakness in the Philippine school sector is its poor performance on measures of internal efficiency such as drop-out and completion rates, as identified in several reports.¹⁹ Despite high rates of entry into primary school, comparatively few students make it through to the end of high school as a result of high drop out rates and poor transition rates between the two levels of education. In short, the Philippines has been successful in attracting students to school but has been considerably less successful in keeping them there.

As shown in Table 1.3, participation rates in 2002/03 at the primary level were much higher than at the secondary level (94.02 percent versus 63.88 percent) and drop-out rates were 7.34 percent at the elementary level and 13.1 percent at the secondary level. As a consequence, based on 2002/03 data, only 50 percent of students beginning primary school graduate from high school. While the trend in completion rates is upward, it remains unacceptably low. Secondary school participation rates in the Philippines lie below those in neighboring Asian countries such as Malaysia, Vietnam, Korea and Indonesia.²⁰

Table 1.3: Measures of Internal Efficiency, Philippines, 1998/99-2002/03

	Elementary Level			Secondary Level		
	Completion Rate (Percent)	Participation Rate (Percent)	Drop out Rate (Percent)	Completion Rate from First Year (Percent)	Participation Rate (Percent)	Drop out Rate (Percent)
1998/99	68.99	95.73	7.57	69.98	65.22	9.08
1999/00	68.38	96.95	7.72	69.89	65.43	9.55
2000/01	66.13	96.77	7.67	70.62	66.06	8.50
2001/02	66.33	94.31	6.51	71.01	69.35	8.53
2002/03	66.85	90.05*	7.34	59.79	58.03*	13.10
2003/04	62.20	88.58*	8.90	58.22	61.16*	14.20

Sources: Fact Sheet: Basic Education Statistics, DepEd, 11 March 2005

2003 data from DepEd Research and Statistics Bulletin

* Based on 6-11 yrs. and 12-15 yrs. population, compared with 7-12 yrs. and 13-16 yrs. previously

Shortages of Educational Inputs in Some Schools/Regions

In addition to shortages of teachers, many schools and divisions suffer from shortages of other educational inputs, including classrooms, desks and textbooks.

Weak System Governance

Weak governance has greatly hampered the performance of the basic education sector in the Philippines. Effective governance structures and a strong policy framework are critical to the

¹⁹ World Bank (2004) *Philippines, Education Policy Reform in Action: A Review of Progress Since PESS and PCER*, pp. 3-4 and National Committee on Education for All (1999) *Philippines: Education for All EFA 2000 Philippine Assessment Report*, pp. 34-35.

²⁰ World Bank (2005) *Regaining an Educational Advantage – Investing in the Philippines' Economic Future*, Draft Note, p. 1.

delivery of education policies and programs. Although RA 9155, the Governance of Basic Education Act was passed in 2001, implementation has been slow. Decision-making within the system remains largely centralized and existing structures and agencies, including regions, divisions and schools of the DepEd, lack the capacity to operate successfully in a more decentralized environment.

In recognizing these shortcomings, successive Department of Education administrations have progressively refined a set of reform strategies to make the system more responsive to local needs and demonstrate greater commitment to improved learning outcomes. By 2005, there was widespread consensus on the nature of reforms that would empower local communities to take action to achieve school improvement and to monitor results. The reform strategies were translated into policy actions under DepEd's Basic Education Sector Reform Agenda (BESRA). The actions have been validated by reference to the international literature on school improvement and by successful local pilots on school-based management. The policy actions of BESRA are summarized under five Key Reform Thrusts (KRTs) as follows: (i) continuous school improvement facilitated by active involvement of local stakeholders; (ii) better learning outcomes achieved by improved teacher standards; (iii) desired learning outcomes enhanced by national curriculum strategies, multi-sector coordination, and quality assurance; (iv) improved impact on outcomes resulting from complementary early childhood education, alternative learning systems and private sector participation; and (v) a change in DepEd culture from central prescription requiring compliance to facilitating school initiatives and assuring quality.

The proposed reforms supported through the NPSBE are easily traced to the five KRTs of BESRA, although there is not simple one-to-one correspondence. The four components of NPSBE were selected because:

- they cover the full extent of the BESRA reforms;
- they focus on strategic elements that strengthen school-based management;
- they use lessons learned from international research and previous pilots in the Philippines; and
- they address objectives that are achievable in the time period.

The NPSBE's major objective is improved system governance, which can be achieved by emphasizing school-based management (SBM), introducing teacher standards associated with improved deployment, focusing on improved quality and equity through a quality assurance mechanism, and managing resources more effectively. The teacher standards and quality assurance mechanisms are specifically directed at improving student achievement.

**Annex 2: Major Related Projects Financed by the Bank and/or other Agencies
PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION**

Table 2.1 Major related projects financed by the Bank and/or other agencies

Sector Issue	Project	Latest Supervision (ISR) Rating
Bank Financed		
Support the provision of basic social services in the aftermath of the East Asia crisis and initiate procurement and financial management reforms.	First and Second Social Expenditure Management Projects (SEMP 1 and 2).	S
(Jointly with JBIC). Improve access and quality of education in 23 poorest Project provinces.	Third Elementary Education Project (TEEP).	S
(Jointly with ADB). Improve the quality and coverage of early childhood development services in 3 regions with lowest ECD indicators.	Early Childhood Development Project.	S
Other Development Agencies		
<p>Asian Development Bank (Jointly with JBIC) - Secondary Education Development Improvement Project (SEDIP).</p> <p>Australian Agency for International Development (AusAID).</p> <p>Basic Education Assistance for Mindanao (BEAM) (Phase 1; now mid-term Phase 2).</p> <p>Strengthening Implementation of Visayas Education (STRIVE) (launched 2005).</p> <p>UNICEF - Sixth Country Program for Children incorporating the Child Friendly Schools (CFS) Program.</p> <p>JICA - School-Based Training Project.</p> <p>USAID – Equalls.</p>	<p>Improve the delivery of secondary education.</p> <p>Strengthen basic education through support for SBM, management training and improve access for disadvantaged communities through ALS (e.g., Learning Centers).</p> <p>Emphasis on supporting students at risk; includes use of tracking system for drop-outs or mobile students.</p> <p>School-based professional development for teachers including ICT delivery.</p> <p>Improved access and livelihood skills in alternative learning in Muslim Mindanao.</p>	

Annex 3: Results Framework and Monitoring
PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

Table 3.1: Results framework

<i>PDO</i>	<i>Project Outcome Indicators</i>	<i>Use of Project Outcome Information</i>
<p>Achieve higher quality and greater equity in learning outcomes for all Filipinos in basic education by assisting the Borrower to implement the Basic Education Sector Reform Agenda (BESRA).</p>	<p>Reduced drop-out and higher completion rates for students in elementary schools and in transition to high schools or alternative learning systems.</p> <p>Enhanced quality shown by improvements in average achievement levels in annual national assessment tests and improved equity as shown by reduced variability in test scores.</p>	<p>In addition to tracking system-level improvements in quality and equity of learning outcomes, the achievement measures will be used by</p> <ul style="list-style-type: none"> • individual schools to monitor and report to communities their progress against defined standards; • divisions to monitor and report progress to DepEd; and • regions to monitor outcomes relative to inputs so targeted support can be provided to assure quality.
<i>Intermediate Outcomes</i>	<i>Intermediate Outcome Indicators</i>	<i>Use of Intermediate Outcome Monitoring</i>
<p>Outcome 1: Schools/school clusters function more effectively by taking responsibility for learning outcomes as part of school-based management.</p>	<p>Outcome 1:</p> <ul style="list-style-type: none"> • % of schools by division with an effective school-community partnership (evidenced by school improvement plan, governing council, head of school trained in SBM, transparent financial management and evidence-based reporting to community (parents, citizens, LGU) through a school report card). • Improvements in student outcome indicators by division (retention, completion, achievement, transition to high school). 	<p>Outcome 1: By providing information on inputs against defined minimum service standards, the report card encourages community advocacy for additional resources. By communicating achievement against objectives in the School Plan, the report card strengthens governance and accountability at the local level.</p>
<p>Outcome 2: Professional standards developed for teachers and applied to appraisal, in-service training, identification of training and support materials, staff promotion, pre-service curriculum, and hiring practices.</p>	<p>Outcome 2:</p> <ul style="list-style-type: none"> • % teachers per division who meet designated standards. • Numbers of training materials delivered to schools and numbers of in-service programs offered by region to accommodate training needs analysis based on professional standards. • % divisions who modify appointment and promotion procedures to incorporate professional standards. • % teacher education institutions that respond to the professional standards through revised curriculum including extended practicum provisions. 	<p>Outcome 2:</p> <ul style="list-style-type: none"> • Teachers motivated to gain recognition. • In-service training made more relevant and use made of materials from past projects. • Reform of recruitment and promotion to ensure it is merit-based. • Reform of pre-service training and teacher licensing.

<i>Intermediate Outcomes</i>	<i>Intermediate Outcome Indicators</i>	<i>Use of Intermediate Outcome Monitoring</i>
<p>Outcome 3: Five-year rolling projections for school staffing needs used to deploy teachers more equitably, using a range of strategies and incentives as necessary.</p>	<p>Outcome 3:</p> <ul style="list-style-type: none"> • Five-year school-level projections completed and updated annually. • % reduction of teachers in excess. • % reduction in schools with staff shortages for qualified teachers. • Reduction in spread (inter-quartile ratio) of pupil-teacher ratios across all schools. 	<p>Outcome 3:</p> <ul style="list-style-type: none"> • Planned approach to teacher supply and demand in place. • Increased teacher mobility. • Increased equity in teacher deployment.
<p>Outcome 4: Minimum service standards for inputs defined at a national level and applied to resourcing of schools.</p> <p>Minimum outcomes defined in terms of education performance (participation, completion, achievement).</p>	<p>Outcome 4:</p> <ul style="list-style-type: none"> • % schools using format provided in guidelines for School Improvement Plans and School Report Card (guidelines include headings for standards), including inputs against standards, and outcomes against set targets. • % schools achieving School Improvement Plan targets for inputs and outcomes. 	<p>Outcome 4:</p> <ul style="list-style-type: none"> • Basis for community advocacy for resources. • Schools held accountable for achievements.
<p>Outcome 5: Regions, working with division and district supervisors, engaged in monitoring performance and providing targeted assistance to ensure quality.</p>	<p>Outcome 5:</p> <ul style="list-style-type: none"> • All regions monitor performance and report to DepEd on performance improvements • Regional Offices work with divisions and supervisors to support schools not progressing towards output standards. 	<p>Outcome 5:</p> <ul style="list-style-type: none"> • Regions use monitoring data to provide accountability to DepEd. • Regions follow up schools requiring additional inputs and mobilize assistance.
<p>Outcome 6: Information Communications Technology (ICT) policy framework in place and applied to system-level improvements.</p>	<p>Outcome 6:</p> <ul style="list-style-type: none"> • Policy developed, with consultation, and widely disseminated. • Action plans drawn up for all DepEd levels and agencies and implemented with progress reported, using database feedback, against yearly targets. 	<p>Outcome 6:</p> <ul style="list-style-type: none"> • All levels and sections of DepEd introduce IT-led reforms. • Documented gains in communication, efficiency and quality assurance.e
<p>Outcome 7: Multi-year national budget framework adopted with transparent school-level baseline allocations related to needs. Policy developed and agreed on additional financing linked to cost sharing arrangements with LGUs and other providers.</p>	<p>Outcome 7:</p> <ul style="list-style-type: none"> • % schools receiving annual direct Maintenance and Other Operating Expenses (MOOE) based on equity factors • % increase in SEF and greater proportion flowing to school-led priorities. • % classrooms built through national and local government cost sharing. • % schools introducing externally funded initiatives in line with financing framework policy. 	<p>Outcome 7:</p> <ul style="list-style-type: none"> • School better able to implement SIPs. • Schools leverage additional LGU resources. • DepEd School Building Fund supports additional school construction. • Schools enter partnerships to promote community and private sector support.
<p>Outcome 8: Policy developed for demand-side financing to target needy families through national programs and local initiatives.</p>	<p>Outcome 8:</p> <ul style="list-style-type: none"> • List of national programs for demand-side financing and extent of support. • % schools introducing assistance for needy students from local sources. • Improvements in retention and completion rates. 	<p>Outcome 8:</p> <ul style="list-style-type: none"> • Students better able to stay at school.

<i>Intermediate Outcomes</i>	<i>Intermediate Outcome Indicators</i>	<i>Use of Intermediate Outcome Monitoring</i>
Outcome 9: Review, expand and reform private sector participation in delivery of basic education.	Outcome 9: <ul style="list-style-type: none"> • % increase in GASTPE-funded places in private high schools. • Extension of Educational Service Contracting models to include elementary schools, pre-schools, ALS, and other service delivery (e.g., health, IT). 	Outcome 9: <ul style="list-style-type: none"> • Cost effective provision of access to secondary education. • Increased access for other levels of basic education in cost effective ways.

Arrangements for results monitoring

DepEd is well placed to monitor results at the school level following the introduction of the Basic Education Information System (BEIS) that collects and reports data on key variables at a school level. Aggregation of BEIS data at higher levels of the system allows monitoring, reporting and intervention by divisions, regions and DepEd central, in line with the responsibilities defined under RA 9155 for each level. In addition, the NPSBE will support the introduction of a School Report Card whereby schools will be accountable to their local communities, in line with best practice as established in trials of school-based management (SBM) in previous projects.

Institutional issues. Having the BEIS in place is a major advantage for institutionalized monitoring. However, the Planning Unit of DepEd will explore the extent to which the data currently collected under BEIS facilitates monitoring of reform, and will introduce changes as required to what data are collected, when, how they are analyzed, and how reports can be accessed (including by schools). Guidelines for the School Report Card on format and frequency will provide an objective way for schools to report to their communities (parents, LGUs, donors, NGOs, other partners) and hence institutionalize accountability for school-based management and advocacy for resources. Since the local school, through its governing council or PTCA and with direction from the head of school, will have responsibility for compiling the School Report Card, there will be a high level of participatory monitoring and evaluation (M & E).

Data collection. The BEIS will remain the major source of data collection on school performance. Achievement data will be provided via reports based on national assessments through the National Education Testing Research Center (NETRC). Regions and divisions will supplement test results with school visits to undertake qualitative assessment, carry out case studies, and engage in follow-up action in collaboration with division and district supervisors. UNICEF, under its Child Friendly Schools Program, has developed some qualitative assessment models.

Capacity. Monitoring school-level performance and providing support based on that monitoring to ensure quality will involve regions and divisions working with front-line supervisors at division and district levels who have regular contact with schools. The NPSBE will develop capacity for regions and divisions, using data from BEIS and other databases within the ICT policy, to:

- deliver in-service training for teachers and others following a training needs analysis;
- implement with schools an expanded tracking system, in collaboration with UNICEF;
- assist schools to access and interpret data on standards to improve learning and teaching, report to communities, and set realistic targets; and
- use available data to improve deployment within the division/region.

The following table (Table 3.2) summarizes monitoring arrangements.

Table 3.2 Arrangements for Results Monitoring of Outcomes

Outcome Indicators (Government schools)	Target Values					Data Collection and Reporting			Responsibility for Data Collection	
	Baseline 2003- 2004	YR1 2006- 2007	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments		
<i>Elementary participation</i>										
▪ Partic. rate, 6-11 years	88.58%	90.0%	91.0%	92.0%	92.5%	93.0%	Annual – reported in DepEd website and database accessible to all levels of DepEd	BEIS data collection	Central DepEd (Planning & Development), with divisions and schools	
▪ Cohort survival (EFA)	63.57%	65.0%	68.0%	71.0%	75.0%	78.0%				
▪ Completion rate	62.06%	64.5%	67.0%	71.0%	74.0%	77.0%				
▪ Dropout rate	8.9%	7.0%	6.5%	5.8%	5.0%	4.3%				
<i>High school participation</i>										
▪ Partic. rate, 12-15 years	61.16%	67.5%	71.4%	75.5%	79.8%	83.7%	Annual – reported in DepEd website and database accessible to all levels of DepEd	BEIS data collection	<i>Ditto</i>	
▪ Cohort survival (EFA)	63.11%	65.0%	67.5%	69.0%	70.6%	71.5%				
▪ Completion rate (Yr 1)	58.22%	61.0%	63.0%	65.0%	67.0%	69.0%				
▪ Dropout rate	14.3%	12.2%	11.4%	10.5%	9.2%	8.1%				
<i>Quality and efficiency</i>										
Gd 6 Achievement										
(2005) (mean & SD) ²¹ in										
Mathematics	59.1						Annual – reported through DepEd database to be made accessible to all schools as part of BESRA	National assessment	Central DepEd (National Education Testing and Research Center), with divisions and schools	
Filipino	61.7									
English	59.1									
Science	54.1									
Hekasi (Social Studies)	59.5									
Inter-quartile ratio ²² for elem. schools	2.00	1.90	1.75	1.60	1.50	1.40				
Inter-quartile ratio for high schools	2.54	2.40	2.30	2.15	2.00	1.80	Annual – indicators derived from enhanced BEIS database	BEIS data collection	Central DepEd (Planning & Development)	

²¹ Assumes the National Education Testing and Research Center will test equate to allow valid comparisons across years; only means reported for 2004-2005

²² Defined as the proportion of teachers available to most favored 25% of students among individual schools/proportion available to least favored 25%

Table 3.3 Results Monitoring of Inputs, Processes and Outputs by Component and Sub-Component

Results Indicators for Each Component	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Component 1.1: <ul style="list-style-type: none"> Schools/clusters with a SIP Schools/clusters meeting SBM criteria 		<ul style="list-style-type: none"> 30% 30% 	<ul style="list-style-type: none"> 50% 50% 	<ul style="list-style-type: none"> 50% 50% 	<ul style="list-style-type: none"> 70% 60% 	<ul style="list-style-type: none"> 80% 75% 	Annual	Additional requirement for BEIS as part of BESRA	Central DepEd (Planning & Development), with divisions and schools
Component 1.2: <ul style="list-style-type: none"> Schools/clusters eligible to receive school grants Schools/clusters with adequate FM system 		<ul style="list-style-type: none"> 20% 20% 	<ul style="list-style-type: none"> 25% 25% 	<ul style="list-style-type: none"> 40% 40% 	<ul style="list-style-type: none"> 50% 50% 	<ul style="list-style-type: none"> 65% 65% 	Annual	Additional requirement for BEIS as part of BESRA	Central DepEd (Planning & Development), with divisions and schools
Component 1.3: <ul style="list-style-type: none"> Schools/clusters where school heads have been trained in SBM 		25%	50%	65%	75%	85%	Report from training sessions	Record of completion	Training agency (rationalized NEAP)
Component 1.4: <ul style="list-style-type: none"> Schools/clusters using School Report Card Divisions engaged in tracking students at risk 		<ul style="list-style-type: none"> 20% Trial 	<ul style="list-style-type: none"> 25% 20% 	<ul style="list-style-type: none"> 40% 33% 	<ul style="list-style-type: none"> 50% 33% 	<ul style="list-style-type: none"> 75% 33% 	Annual Annual	<ul style="list-style-type: none"> Addition to BEIS Survey 	Central DepEd (Planning & Development), with divisions and schools
Component 2.1: <ul style="list-style-type: none"> Teacher performance standards developed and agreed Divisions where CBTS used in at least 50% of schools CBTS applied to pre-service training CBTS used in promotion and hiring 		<ul style="list-style-type: none"> DepEd Admin Order Trial MOU with CHED 	<ul style="list-style-type: none"> Used to self appraise 25% New curric. Trial and refine 	<ul style="list-style-type: none"> 50% Implement Revise and refine 	<ul style="list-style-type: none"> 65% Revise and refine 	<ul style="list-style-type: none"> 85% Revise and refine 	Annual reports from Technical Working Group	Surveys and feedback	Teacher Education and Development Program Working Party

Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<p>Component 2.2:</p> <ul style="list-style-type: none"> 5 year staffing plan devised for allocation and redeployment of teachers Improved equity in pupil/teacher ratios Strategies devised: teachers' compensation, incentives and benefits 		<ul style="list-style-type: none"> Plan devised Transfer allowance policy approved 	<ul style="list-style-type: none"> Plan Updated 25% Div. improve Wide consultation 	<ul style="list-style-type: none"> Plan Updated 50% improve Request to Congress 	<ul style="list-style-type: none"> Plan Updated 75% improve Before Congress 	Annual updates Data transparent through use of ICT databases, accessible by all levels of DepEd	BEIS	DepEd at central and division levels	
<p>Component 3.1:</p> <ul style="list-style-type: none"> National strategies and Action Plan (includes teaching materials) English proficiency for teachers Student achievement standards defined Schools receive feedback from national assessment 	<ul style="list-style-type: none"> Policy in place Base measure DepEd policy DepEd policy 	<ul style="list-style-type: none"> Phase 1 rollout Support target Phase 1 INSET 	<ul style="list-style-type: none"> Phase 2 rollout Support target Phase 2 INSET 	<ul style="list-style-type: none"> Phase 3 rollout Support target Phase 3 INSET 	Annual updates through EMIS	Reports made available using ICT to provide each school with information for the school, as well as normative data for the division, region and national levels	Regions working with their divisions		
<p>Component 3.2:</p> <ul style="list-style-type: none"> National standards framework developed for inputs (minimum service standards) and outcomes (participation, completion, achievement) Divisions (with their schools) receive feedback from EMIS 	<ul style="list-style-type: none"> Policy in place 	<ul style="list-style-type: none"> 50% 	<ul style="list-style-type: none"> 60% 	<ul style="list-style-type: none"> 67% 75% 	Annual updates through EMIS	Reports made available using ICT to provide each school with information for the division, region and national levels	Regions working with their divisions		
<p>Component 3.3:</p> <ul style="list-style-type: none"> ICT policy framework developed Policy implemented 	<ul style="list-style-type: none"> Policy in place 	<ul style="list-style-type: none"> Phase 1 rollout 	<ul style="list-style-type: none"> Phase 2 rollout 	<ul style="list-style-type: none"> Phase 3 rollout 	On completion and when approved – policy framework		Central DepEd - Technical Services (ICT)		

Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Component 4.1: <ul style="list-style-type: none"> Financing framework developed Cost sharing between GOP and LGU applied to classroom construction, including equity factors 	<ul style="list-style-type: none"> Policy in place Development of guidelines 	<ul style="list-style-type: none"> 10% of class-room constr. follows scheme 	<ul style="list-style-type: none"> 25% of class-room constr. follows scheme 	<ul style="list-style-type: none"> 40% of class-room constr. follows scheme 	<ul style="list-style-type: none"> 65% of class-room constr. follows scheme 	Part of the annual Budget submission process	Budget submission with supporting documents	DepEd Central	
Component 4.2: <ul style="list-style-type: none"> Demand side financing mechanisms introduced to support needy students and their families 	<ul style="list-style-type: none"> Review existing policy and guidelines 	Use results of the policy review to apply finance to feeding programs or other demand-side interventions. New policy should guide those applied centrally and those to operate through school improvement plans. Listing of national and local programs annually. Monitoring and evaluation of impact of programs on student outcomes as well as evaluation of efficiency and effectiveness				Annual report	National program reports plus surveys for local initiatives	DepEd Central working with divisions and their schools	
Component 4.3: <ul style="list-style-type: none"> Private sector participation 	<ul style="list-style-type: none"> Review of current Educ. Service Contracting Scheme (ESC); policy set in place for future Other private sector schemes listed with baseline data 	<ul style="list-style-type: none"> Depending on review, ESC extended to offer extra high school places 	<ul style="list-style-type: none"> Subject to policy review, ESC principle extended to other areas of basic educ. provision 	<ul style="list-style-type: none"> Subject to policy review, ESC principle extended to other services (health, nutrition, ICT, etc) 	<ul style="list-style-type: none"> Policy reviewed based on M & E of schemes 	Annual reports	National program reports (ESC, Adopt-a-School, etc) plus Corporate Social Responsibility (CSR) databases	DepEd Central, Divisions and League of Corporate Foundations	

Table 3.4 Policy Matrix Corresponding to Project Actions

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
1. Strengthened School-Based Management	1.1 Developing school-community partnerships	Develop and implement a system of school-community partnerships (e.g., likely to include mechanism for involving community in school improvement planning; SIPs with suggested items for inclusion; mechanism to account for expenditure; mechanism for schools to report to their communities including feedback from BEIS and achievement databases; strategies for schools to influence and monitor use of SEF)	Develop guidelines for school-community partnerships (aspects to be included) plus criteria for achieving quality in process. Amend Implementing Rules and Regulations (IRR) for RA9155 to incorporate checklist for SBM Issue DepEd Administrative Order giving guidelines for role and functions for DepEd representation in School Boards Seek MOUs between DepEd and Leagues of LGUs on more proactive role for LGU at the school level (cf Synergeia model).				

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
			20% of schools initiate some form of school improvement planning (includes TEEP and BEAM schools)	50% of schools use school improvement plans	65% of schools use school improvement plans	75% of schools use school improvement plans	80% of schools use school improvement plans
			20% of schools achieve designated standards in SBM activities (called readiness criteria)	50% of schools achieve readiness criteria for school-based management	60% of schools achieve readiness criteria for school-based management	67% of schools achieve readiness criteria for school-based management	75% of schools achieve readiness criteria for school-based management
	1.2 Structure of support and accountability	Using the current per pupil/student MOOE as a baseline for schools meeting readiness criteria, increase schools' MOOE in line with (i) equity based on schools' needs; (ii) incentives based on performance against SIPs	Relate to policy milestone in 4.1	Roll out school-level MOOE to schools meeting readiness criteria (20%)	Roll out school-level MOOE to schools meeting the readiness criteria (cumulative 60%)	Roll out school-level MOOE to schools meeting the readiness criteria (cumulative 67%)	Roll out school-level MOOE to schools meeting the readiness criteria (cumulative 75%)
		Introduce school financial accountability system	FM capacity (in some form) achieved in 20% of schools	FM capacity (in some form) achieved in 50% of schools	FM capacity (in some form) achieved in 60% of schools	FM capacity (in some form) achieved in 67% of schools	FM capacity (in some form) achieved in 75% of schools
	1.3 Capacity building	Develop capacity of school or cluster heads to implement SBM	25% of heads of schools or clusters trained	50% of heads of schools or clusters trained	65% of heads of schools or clusters trained	75% of heads of schools or clusters trained	85% of heads of schools or clusters trained

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
		Building on the experience of NEAP, develop a framework to offer accredited training to higher-level education managers from public and private sectors	DepEd approved plan and strategy for implementation (beyond rationalization)	Phase 1 roll out	Phase 2 roll out	Phase 3 roll out	Phase 4 roll out
	1.4 Quality with equity at the school level	Provide schools with sufficient feedback to allow them to report on inputs and outcomes relative to national standards or policies as well as against their SIPs	DepEd approved plan for schools and divisions/ regions to access key BEIS, assessment and other databases in line with ICT policy (see 3.3). Supported by training in accessing and using databases.	Build capacity of NETRC to provide feedback on national assessment items Build capacity of schools to use DepEd databases and phase 1 roll out	Improve systems in line with ICT policy to streamline feedback to schools through database access Phase 2 roll out	Phase 3 roll out	Phase 4 roll out
		Using the experience of UNICEF with CFS, introduce to schools a tracking system for at-risk students, with Division assistance	DepEd approved plan for tracking students at risk Operate in a group of trial divisions and their schools	Operate tracking system in 20% of divisions and their schools	Operate tracking system in 33% of divisions and their schools	Continue to operate tracking system in 33% of divisions and their schools (assumes need for formal tracking and follow up will have a ceiling)	Continue to operate tracking system in 33% of divisions and their schools

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
3. Quality and Equity through Standards, Assessment and Support		Through improved deployment practices, improve equity in pupil/teacher ratios in schools	All divisions establish baseline ratios and set targets and strategies to improve equity	50% of divisions report greater equity in pupil/teacher ratios against baseline	75% of divisions show greater equity in pupil/teacher ratios against baseline		
		Through in-service training and upgrades in hiring practices, schools staffed with higher proportions of teachers meeting standards	Baseline databases show % teachers achieving CBTS by school, division and region	33% of divisions report significant improvement in % teachers achieving CBTS over baseline	50% of divisions report significant improvement in % teachers achieving CBTS over baseline	65% of divisions report significant improvement in % teachers achieving CBTS over baseline	80% of divisions report significant improvement in % teachers achieving CBTS over baseline
		Introduce strategies to achieve over time compensation, incentives and benefits for teachers	Conduct a labor market study to ascertain factors to attract and retain quality teachers	Technical work completed on conditions of service; consultation; communications strategy	DepEd makes formal representation to congress	Action by Congress	Implementation of new conditions of service and compensation, incentives and benefits for teachers
	3.1 National standards framework	National strategies developed and implemented to support learning in <ul style="list-style-type: none"> English language Filipino language Maths and Science 	National strategies developed and announced with an Action Plan for 3 years; build on current work for upgrading science and maths teaching; ensure adequate textbooks and teaching materials through national provision	Roll out of Action Plan for Phase 1 – to cover one third of schools	Roll out of Action Plan for Phase 2 – to cover next third of schools	Roll out of Action Plan for Phase 3 – to cover remaining schools	Review of national standards framework for learning outcomes and policy revision

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
		English proficiency standard set for teachers	Baseline data collected on teachers' English proficiency and targets set for each division.	Divisions support teachers to achieve targets and results reported – Phase 1 roll out	Divisions support teachers to achieve targets and results reported – Phase 2 roll out	Divisions support teachers to achieve targets and results reported – Phase 3 roll out	System-wide review of strategy to support teacher English language proficiency
		Standards defined for student achievement in basic skills (e.g., reading by Grade 3; achievement levels in Maths, language and science related to national assessment tests)	National assessment tests designed to measure and report achievement relative to the standards Policy set on future of TIMMS	Results of national assessment reported by level (school, division, region) and used in reporting to communities and stakeholders	Regions work with divisions to support schools with below-standard achievement	Regions work with divisions to support schools with below-standard achievement	Strategy on national assessment testing reviewed and future policy recommended
		Schools receive results of national assessment and use these for improving learning and teaching, and for reporting to communities	Capacity building provided for NETRC DepEd provides policy document on providing national assessment data to schools	Phase 1 INSET provided for school heads and key teachers on using assessment feedback to improve learning and teaching, and reporting; reaching 33% of schools	Phase 2 INSET provided for school heads and key teachers on using assessment feedback to improve learning and teaching, and reporting; coverage extends to 66% of schools	Phase 3 INSET provided for school heads and key teachers on using assessment feedback to improve learning and teaching, and reporting; all schools included	
3.2 QA framework		National standards set for inputs (service standards) and outcomes (key indicators); schools receive feedback (see 3.3) on national,	DepEd develops standards Trial divisions and schools use databases to analyze inputs and report outcomes; provision includes hardware, software	Phase 1 rollout to 33% of divisions and schools; includes hardware,	Phase 2 rollout to 66% of divisions and schools	Phase 3 rollout to 100% of divisions and schools	National review of policy on standards setting and use of information by schools

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
	3.3 ICT policy	region and division progress towards these BEIS and NETRC data DepEd ICT policy developed for teaching and learning, INSET, management information, and financial accounting and access to EMIS used to provide transparency and improve governance	and training Draft policy developed and widely consulted on. Action Plan developed for rollout and tested in a trial set of schools (linked to 3.2)	software and training Rollout Phase 1	Rollout Phase 2	Rollout Phase 3	Rollout Phase 4
4. Effective resource mobilization	4.1 Financing framework and budget process	DepEd budget framework developed to include multi-year estimates and simple format covering (i) personnel, (ii) recurrent costs (MOOE), and (iii) national priority programs with sound implementation plans and adjustments for performance	Multi-year expenditure framework developed Plan for rationalization of MOOE completed Agreement with DBM on DepEd budget restructuring framework (funds flow, program approach)	Application of the new budget framework, phased if necessary, to reflect multi-year planning and simplified to include priority programs rather than multiple projects.			

Component	Sub-Component	Policy Actions	Initiated in 2006	Initiated in 2007	Initiated in 2008	Initiated in 2009	Initiated in 2010
		Financing framework developed to encourage cost sharing between GOP and LGUs and incentives for public-private partnerships	DepEd develops policy and accompanying communications strategy	Phased rollout in line with policy recommendations			
	4.2 Demand side financing	Policy developed on demand-side financing, distinguishing national programs (requiring economies of scale) from local initiatives (e.g., funded through MOOE, in line with SIPs and responsive to local needs)	DepEd develops policy based on wide consultation Initial application to current school feeding programs	Guidelines implemented for (i) national programs (ii) local initiatives			
	4.3 Private sector participation	Expand current Educational Service Contracting Scheme (ESC) and extend the principle to other areas Include current initiatives such as Adopt-a-School program; Corporate Social Responsibility programs	ESC expanded for secondary provision	ESC principles extended to other areas of basic education	ESC principles extended to provision of services (e.g., health, nutrition, ICT, libraries, work enterprise, work experience)	Policies reviewed through national evaluation of private sector participation and recommendations made	Revised policies implemented

Annex 4: Detailed Project Description

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

The NPSBE will assist the Borrower in the implementation of its Basic Education Sector Reform Agenda (BESRA) by financing priority initiatives. Within the Medium Term Philippine Development Plan, the basic education sector defined targets to achieve Education for All (EFA) goals by 2015, and established an overall strategy for reform based on principles ensuring that schools come first. In keeping with the emphasis on providing resources as directly as possible to learners through SBM, BESRA organizes policies and actions for carrying out those policies into five categories called Key Reform Thrusts (KRTs). The KRTs essentially define the change agents and environments conducive to reforms: schools, teachers, social support to learning, complementary interventions, and DepEd's institutional culture. The four components of the NPSBE focus on improved governance through SBM, enhanced teaching effectiveness, improved quality and equity, and effective resource mobilization. They are readily traceable to the KRTs but were categorized differently to represent strategic actions where financial support and associated monitoring can make a decisive impact on the reform agenda.

The four components of the NPSBE are:

Component 1: Strengthened School-Based Management.

Component 2: Improved Teaching Effectiveness.

Component 3: Enhanced Quality and Equity through Standards, Assessment and Support.

Component 4: Effective Resource Mobilization.

Interventions in these areas will spearhead the reforms within DepEd's Basic Education Sector Reform Agenda (BESRA). The four components of the five-year (2006-2010) NPSBE are distillations of the five Key Reform Thrusts (KRTs) within BESRA. The four components of the NPSBE and their sub-components were selected for the following four reasons:

1. They *encompass* all of the GOP's proposed reforms in that they are based on the five Key Reform Thrusts (KRTs).
2. They focus on *strategic* elements of BESRA where budget support, policy initiatives and educational innovation provide an optimum opportunity to launch the reform agenda.
3. They build on *lessons learned* from successful basic education projects in the country.
4. They are *achievable* since they can be implemented within the time period, provided there is political will and professional commitment, and within the time period.

Component 1: Strengthened School-Based Management (SBM) (US\$71 million).

Component 1 is designed to support the implementation of school-based management (SBM), legislated in *The Governance of Basic Education Act of 2001* (known as RA 9155). Although only experimented with in projects at this stage, SBM is the keystone of the DepEd's reform agenda, with its emphasis on decentralization and meaningful community participation.

The principal target group for this Component is the school and its community, in line with the principle of placing schools first. DepEd's reform agenda places a priority on decentralization, with the school entrusted to implement school-based management (SBM) while other levels of the system provide resources (staff, infrastructure and Maintenance and Other Operating

Expenses or MOOE), monitor progress and offer support to ensure quality with equity. The project-related outcome is enhanced learning outcomes for all resulting from improved efficiency, transparency, fairness, accountability and responsiveness in the local delivery of education services. Under Component 1, the project will finance: policy formulation on school-based management as well as grants to schools (called the Schools First Initiative Fund) to establish the rudiments of school-based management; a proportion of MOOE to eligible schools to enable them to implement their School Improvement Plans; and training, particularly for school heads, on effective school-based management. The four sub-components are described below.

Sub-Component 1.1 Developing School-community Partnerships.

The reform agenda seeks to develop an effective, practical framework for SBM and then to accelerate implementation. Initially, structures need to be developed to facilitate community participation in school-level planning. School Improvement Plans (SIPs), renewed annually, are familiar in Philippine schools and TEEP has demonstrated their effectiveness in introducing change when accompanied by resources allocated to schools. Under the NPSBE, mechanisms for forming school-community partnerships (e.g., School Governing Councils (SGCs) or Parent-Teacher-Community Associations (PTCAs), use of SIPs, schools reporting to their communities, and so on) will be fostered for all schools/school clusters and corresponding guidelines developed, as part of SBM. All levels of the system will have a role in this process, as officially defined by RA 9155. Policies and guidelines will be developed centrally with project finance. The 17 regions will assure quality by monitoring, providing feedback, and offering support including training. The 184 divisions will have responsibility for phased implementation, including both fiduciary and educational input, and schools will implement their versions of SBM based on priorities within their own SIPs. Most importantly, schools will be accountable to their communities (parents, LGUs, donors) for achievements measured against their SIPs and against national standards. The project will finance SFI grants to assist in establishing school-based management.

In line with goals to improve governance, the NPSBE will explore an expanded role for LGU-level Local School Boards (in line with initial work undertaken by the NGO *Synergeia*), allowing them to become involved with and responsible for education outcomes, as well as resourcing. To this end, mechanisms will be pursued for enhanced school representation on Local School Boards with the intention of influencing and monitoring the use of the Special Education Fund (SEF), set at one percent of LGU property taxes under the Local Government Code.

Sub-Component 1.2: Structure of Support and Accountability.

School-level Maintenance and Other Operating Expenses (MOOE), although modest, can provide a significant impetus for implementation of SIPs, particularly if well targeted and supplemented by other sources. Currently, pressure for expenditure at higher levels frequently results in a meager or even non-existent MOOE allocation for schools from the General Appropriations Act (GAA). Using the current per pupil/student MOOE as a baseline, and by funding a proportion of the MOOE “drilled down” to schools, the NPSBE will support a quarantined MOOE allocation to schools with progressive increases in line with (i) equity based on schools’ needs; (ii) incentives based on performance against SIPs. Sub-Component 4.1 will explore strategies to supplement this MOOE through GOP/LGU cost sharing and public-private

partnerships. To be eligible to manage MOOE funds rather than having them administered by the division office, schools will need to meet prescribed readiness criteria (e.g., a mechanism for partnership and shared decision-making with the community, a functional SIP, an acceptable system for financial accountability, a school head trained in SBM, and a strategy for reporting to the community).

Sub-Component 1.3: Capacity Building.

SBM will require capacity building among the primary change agents, including school managers and community members. Although the reforms under BESRA encompass capacity building at all levels of the system, NPSBE financing under this sub-component is primarily for training to develop the capacity of school heads to operate effectively in a decentralized and self-managing school environment. As SBM is rolled out and supported by regions and divisions, the NPSBE will also assist capacity building at these levels through formal and on-the-job training, as costed under Component 3.

Sub-Component 1.4: Quality with Equity at the School Level.

The school will engage in a number of actions to ensure progress toward nationally defined standards. A mechanism (e.g., a School Report Card) will be devised for the school to report to its community on levels of inputs and outputs/outcomes, assisted by comparative feedback on division, region and national norms drawn from BEIS databases. Such reporting on inputs will provide an objective basis for the community to advocate for additional resources from the LGU and other partners. By reporting on outputs and outcomes, the report card also provides a direct mechanism for the school's accountability in terms of student outcomes, against targets set in the SIP on the basis of progress towards national standards.

Other actions at the school level related to quality and equity include:

- tracking and assisting students at risk, based on strategies developed and tested in the Philippines by UNICEF's Child Friendly School (CFS) Program; and
- using feedback on national assessment data to improve teaching and learning (supported under sub-component 3.1).

Component 2: Improved Teaching Effectiveness (US\$23 million).

This component focuses first on improving teaching effectiveness by refining current work on teacher competency standards, and then applying the standards to performance appraisal, training needs, promotion, hiring practices, pre-service training and licensing. A second aspect aims to achieve a more equitable distribution of teachers by applying principles identified by DepEd for their deployment.²³ The target group for Component 2 comprises basic education teachers, including those working in Alternative Learning Schemes (ALS). The project-related outcomes for this component are teachers with higher professional standards, resulting in enhanced student learning, and a more equitable allocation of teachers to schools.

The project will finance the development of policy on refining and using competency-based standards for teachers. It will also support training on the use of such standards. To facilitate a more equitable distribution of teachers, the project will finance a hardship allowance to teachers

²³ Genito, D., Roces, L. & Somerset, A. (2005). *Reducing Disparities in Teacher Provision in the Philippines: Progress and Constraints*. Department of Education.

transferred to hard-to-staff schools, as currently committed within the 2006 DepEd budget. Following policy development on incentives to encourage mobility to hard-to-staff schools, the project will also help underwrite transfer costs for teachers required to move and other incentives to enhance equity in deployment.

Sub-Component 2.1: Professional Standards for Teachers.

Teacher qualifications are frequently used as a surrogate for teacher quality, in spite of the fact that qualifications vary depending on when (how long ago) they were earned and from which institution. International trends lean to appraising teachers in terms of competency-based performance. Work has been undertaken on a framework for defining national competency-based teacher standards. Led by the DepEd's Teacher Education and Development Program (TEDP), the standards framework was developed through extensive consultation and involvement of key stakeholders such as teacher representatives, education managers (especially in the field), the Commission on Higher Education, teacher education institutions, government agencies involved in planning and budgeting, and representatives from teacher, principal and division superintendent associations. The NPSBE will support the trial of these professional standards for teachers and their application to performance appraisal at a local level, leading to provision of in-service training based on needs, widespread use of training materials developed in previous projects, and decisions on promotion. In keeping with its strategic nature, the NPSBE will include a particular focus on support materials in English, Filipino, Mathematics and Science (costed under 3.1), and for some schools, Arabic and Islamic Studies. Later, professional standards will be applied to division hiring practices and may be used to bring pre-service teacher training into line with competency-based standards which dictate greater emphasis on in-school experience and changes to induction and probation for new graduates.

Sub-Component 2.2 Teacher Deployment.

Difficult-to-staff schools are located in remote and mountainous areas, as well as on small islands where rough seas or seasonal typhoons can restrict access. Current staffing based on GAA teacher allocations does not take into account measures of disadvantage such as school social class, geographic isolation (mountainous and island communities), and ethnic/cultural/language background of students. In addition, there is a lack of mobility in the system since previous appointments were made to particular schools or divisions and, under the principle of Magna Carta for Public School Teachers, redeployment is not possible without teachers' consent. DepEd has endeavored to correct the lack of equity in staffing through DepEd orders. For example, DepEd Order 50, s. 2003 offered guidelines for *Adoptive Measures in Filling-Up Vacant Teaching Positions*. As recently as May 4, 2005, DepEd Order 21 noted that BEIS data revealed that the situation had not improved significantly and issued further guidelines relating to *Adoptive Measures in the Transfer of Teachers from One Station to Another*. While initial field reports and the most recent BEIS data indicate some improvements in equitable deployment of teachers within DepEd divisions, significant imbalances remain and more aggressive deployment decisions are needed.

Under this sub-component, the project will finance the development of guidelines for 5-year rolling plans for staffing within divisions. Policy development will investigate using a refined formula-based GAA teacher allocation system to take account of current enrollments as well as factors such as poverty and school isolation in order to achieve more equity in teacher deployment. Initially the project will finance a hardship allowance—already in the DepEd

budget— for teachers required to move to designated hard-to-staff schools. The current policy provides for an allowance not exceeding 25 percent of base salary to designated positions, but budget shortfalls have meant that eligible teachers are not receiving the allowance. Depending on policy development, in later years the project will finance transfer costs or support incentive schemes to attract teachers to hard-to-staff locations and also to attract teachers in hard-to-staff subjects such as Mathematics and Science. In addition, the NPSBE will support the development of policy changes so that new teacher appointments and transfers are no longer tied to schools (or even divisions) to increase teacher mobility and free up the transfer of teacher positions (called “items”) from schools with excess teachers to those with a teacher shortage.

Component 3: Enhanced Quality and Equity through Standards, Assessment and Support (US\$96 million).

Both international studies (e.g., TIMSS) and BEIS reports provide striking evidence of the *lack of equity* in both inputs and outcomes for basic education in the Philippines. Given the danger that SBM could exacerbate inequity—since communities with greater resources are better placed to support school-level interventions than are poorer communities—this component seeks to monitor inputs and outcomes, and then to target additional support to ensure standards are met. The project will finance the development of nationwide standards for basic education with an emphasis on minimum service standards for inputs, targets for student outcomes in line with EFA goals, monitoring linked to assistance from regional offices under a Quality Assurance (QA) framework, and accountability coming from schools reporting to stakeholders on achievement against expected outcomes.

The component has three elements. First, the NPSBE will support the development of nationwide standards for key learning areas based on the Revised Basic Education Curriculum (RBEC). Standards will also be set for inputs (such as classrooms, textbooks, student readiness, community participation, and MOOE). Second, under the QA framework, support will be provided to assist achievement of the standards through financing teacher in-service training, key textbooks, teaching materials and classroom construction and rehabilitation. In particular, national strategies will be developed and implemented to support learning in the English language, the Filipino language, and Mathematics and Science, drawing on products already produced through previous projects. Third, a comprehensive Information Communications Technology (ICT) framework will be developed to encompass, for example, teaching and learning, management information, financial accounting, human resource management and results of student assessment. Access to information—including norms for divisions, regions and national level—will then be used to provide transparency, improve governance, permit evidence-based advocacy, and encourage accountability. The project will finance hardware, software, training and communication (internet, workshops, travel to schools) in assisting regions and divisions to work with schools on using available evidence from existing databases to improve learning and teaching, planning, and reporting to their stakeholders.

The key target group for Component 3 comprises basic education learners, and the project-related outcomes are improved quality and reduced variability in traditional indicators of performance in basic education (retention, completion and achievement).

Sub-Component 3.1: National Standards Framework.

National strategies will be developed and implemented to support the teaching of English, the Filipino language, and Mathematics and Science, and standards will be developed based on the

Revised Basic Education Curriculum. These standards will be incorporated into existing teacher support materials, teacher professional development, and national assessment.

Sub-Component 3.2: Quality Assurance Framework.

The NPSBE will support the development of a quality assurance framework and its application. All schools/school clusters are entitled to certain minimum service standards to ensure equity in the provision of basic education. The NPSBE will finance the development of explicit national standards for (a) inputs including physical infrastructure, staffing (see 2.2), curriculum, textbooks, instructional materials, school management, student readiness, community partnership, and financial support; and (b) outcomes including participation, completion and student achievement as measured by national assessment tests.

In applying the framework, regions will be expected to conduct region-wide monitoring and then to work with divisions (and notably supervisors at division and district levels) to identify and implement strategies to provide support to schools not achieving required standards. One strategy will include detailed feedback to schools on the results of national assessment tests and professional development for principals and teachers on using such data for improving teaching and learning.

Sub-Component 3.3: ICT Policy.

The DepEd is currently developing a framework to cover its policies and future directions in various applications of ICT. An audit of hardware in use and projections for future requirements is currently being conducted. The NPSBE will support the further development, communication, and application of the framework to cover uses of ICT in ways that promote the BESRA, including teaching and learning; student assessment and feedback; professional development including e-learning modules for school heads and teachers; management information; human resource management; communication including email, DepEd orders and other DepEd website information; QA monitoring; document tracking; and financial monitoring. Part of the task will involve the integration of existing functions (including BEIS and EMIS) into a compatible network. Extensive professional development will also be included, with on-line delivery.

Component 4: Effective Resource Mobilization (US\$2 million).

Although the DepEd budget runs to approximately 18 percent of the GOP budget, there are consistent annual shortfalls in funding at all levels of the system. This results in some planned activities not being carried out. Under this component, the NPSBE will support policy development on strategic budget planning through multi-year estimates for a simplified budget encompassing fixed and recurrent costs plus financing for key sector-wide reforms. Under Component 4, the NPSBE will improve resource mobilization through efficiencies in current operations, savings associated with some reforms, cost-sharing contributions from Local Government Units (LGUs), expansion of corporate social responsibility initiatives, other private sector participation, convergence with other social sector programs, and NGO involvement. Since a successful reform agenda will increase demand for basic education, the impact of resource mobilization could be to slow growing costs rather than to achieve savings *per se*. Component 4 targets schools and their stakeholders, and the project-related outcomes are access to increased resources and more effective use of them in improving retention and completion rates. To this end, three sub-components have been identified.

Sub-Component 4.1: Financing Framework and Budget Process.

The NPSBE will support follow-up of work already completed under the Spending Plan to provide a rational and realistic appraisal of education system needs in line with the BESRA reform agenda. This exercise will estimate on-going personnel costs, recurrent costs associated with a rationalized MOOE, and costs associated with the implementation of strategic BESRA initiatives. Support for major system-wide reforms contrasts with current budget items where support is linked to a plethora of one-off projects which, even if successful, have a low probability of system-wide impact.

Part of the financing framework will also include negotiated cost sharing between GOP and LGUs and incentives for public-private partnerships. Under the Local Government Code (LGC), one percent of property taxes collected by LGUs²⁴ are set aside for the Special Education Fund (SEF). These funds, however, may be expended by Local School Boards chaired by a local Governor or Mayor (e.g., to appoint local teachers, repair buildings, support sports events, etc) and hence are not directly available to individual schools for implementation of their improvement plans, except through advocacy. The NPSBE will promote strategies to expand the LGU contribution to basic education and to link it with local priorities and assessed needs as defined by schools and their communities in their SIPs. For example, under the Local Government Code, LGUs have a responsibility to build and maintain schools but there is little incentive to meet this obligation because central DepEd maintains its own School Building Program. The project will support policy development to encourage cost sharing between local government and GOP.

Sub-Component 4.2: Demand Side Financing.

Costs of schooling will always be a barrier for some poor families. Demand side options for addressing this barrier include: identifying students at risk (e.g., via the tracking system supported through UNICEF), and providing their families with vouchers, scholarships, or other forms of support such as cash or in-kind incentives.

DepEd currently administers a few national programs to support needy communities and to encourage student participation, retention and completion in basic education. In other cases, local communities respond to demand-side financing through corporate, NGO or other support. Under this sub-component, the NPSBE will finance a review of current schemes on demand-side financing and the development of guidelines for effective demand-side financing of basic education in the Philippines. The guidelines will assist in decisions on which kinds of support to needy families are best delivered through a national program and which through school improvement plans. At a later stage, and based on the review, the project will finance school feeding programs or similar initiatives.

Sub-Component 4.3: Private Sector Participation

This sub-component will focus on private sector participation in basic education initially through expansion of the existing Education Service Contracting (ESC) scheme at high school level, and subsequently through extension of the scheme or an alternative option to include elementary schooling, pre-schooling, and Alternative Learning System (non-formal education) for those who have not completed a full cycle of basic education. With rapidly rising enrollment in government

²⁴ It is estimated that collection of these taxes is only about 64% efficient.

high schools and excess capacity in the private sector, the most immediate need is for expansion (doubling for 2006) of the current Government Assistance to Students and Teachers in Private Education (GASTPE) program. However, given issues raised by the scheme to date, the project will initially finance a review of GASTPE and alternatives. The review will not only explore ways to reform the current scheme, but will investigate inclusion of elementary schools and a range of options to scale up locality-based provision of early childhood education and alternative learning coverage as well as identifying additional roles for the private sector in supporting government-financed basic education (e.g., private sector contracting to provide management, health services, building maintenance, etc). NPSBE support will assist the development of a policy and regulatory framework for local private sector involvement.

In line with recommendations made at a July 2005 Corporate Social Responsibility Expo, there is a need to scale-up numerous Public/Private Partnership (PPP) schemes from isolated involvement with individual schools to systemic engagement. The NPSBE will support expansion of PPP schemes of various types. However, it should be noted that ICT partnerships are particularly worth pursuing, given the natural barriers encountered in introducing new technology to schools.

Policy Matrix.

Table 3.4 in Annex 3 lists supportive policy actions under each sub-component in the NPSBE, along with annual benchmarks. The annual performance monitoring includes, wherever possible, monitoring indicators drawn from data collected through the DepEd's regular reporting through the BEIS and the national assessment of student achievement. For some sub-components, however, qualitative assessment is also warranted, and such assessment will be provided by semi-annual supervision missions conducted by the Bank in collaboration with DepEd.

Annex 5: Project Costs

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

Project Costs by Component and Expenditure (US\$ million)

Component	Item			Total
		Local	Foreign	
Component 1: Strengthened School-Based Management	Policy formulation	2.00		2.00
	SFI Grants	25.00		25.00
	MOOE for schools	20.00		20.00
	Training	20.00		20.00
	School feeding	Conditional on policy review		
		4.00		4.00
Sub-Totals		71.00		71.00
Component 2: Improved Teaching Effectiveness	Policy formulation	1.0		1.00
	Training	15.00		15.00
	Hardship allowance	7.00		7.00
	Sub-Totals	23.00		23.00
Component 3: Enhanced Quality & Equity through Standards, Assessment and Support	Policy formulation	5.00		5.00
	Training	12.00		12.00
	Textbook & Teaching Materials	42.30	4.70	47.00
	Hardware & software for databases	1.20	4.80	6.00
	Classroom construction or refurbishment	26.00		26.00
Sub-Totals		86.50	9.50	96.00
Component 4: Effective Resource Mobilization	Policy formulation	2.00		2.00
	Sub-Totals	2.00		2.00
TOTALS		182.50	9.50	192.00
	Unallocated			7.50
Front end fee				0.50
Loan Amount				200.00

Project Cost by Category	Local US \$ million	Foreign US \$million	Total US \$ million
School Grants	29.00	0.00	29.00
Goods, works, services, training and operating costs	146.50	9.50	156.00
Transfer assistance and hardship allowances	7.00	0.00	7.00
Sub-total	182.50	9.50	192.00
Unallocated	7.50	0.00	7.50
Front-end Fee		0.50	0.50
Total Loan Financing	190.00	10.00	200.00

Notes:

1. *Exchange Rate assumed of Php52=US\$1*
2. *The table shows WB loan finance for the program only. The loan would finance 100% of eligible expenditures in the scope of the project, including taxes.*
3. *This program support loan represents less than 2% of the annual national expenditure program of the government for the DepEd for its education reform program for the next five years.*
4. *The amounts indicated above for loan financing are within the relevant DepEd budget ceilings for these line items in the proposed 2006 DepEd budget.*

Annex 6A: Institutional and Implementation Arrangements

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

The Basic Education Sector Reform Agenda (BESRA) consists of policy actions that seek to ensure attainment of the country's Education for All objectives by the year 2015. The BESRA, which sets the GOP direction and actions towards the attainment of improved quality outcomes and further decentralization of basic education management, will serve as the overarching framework under which the NPSBE will operate.

Overall responsibility for the project will be vested with the DepEd, as it has ultimate responsibility for meeting the objectives of the overall BESRA Program. The DepEd units at the Central Office, regional offices, division offices and schools will be responsible for their respective roles as defined in the Governance of Basic Education Act (RA 9155), reflected in the DepEd's Rationalization Plan, elaborated in the BESRA, and translated through the Basic Education Development Plans prepared at each DepEd level. Hence, the Central Office will be in charge of formulating policies, setting standards and overall resource generation (including the National Government Budget, foreign-assisted projects, Adopt-A-School program with the private sector, among others). The regional offices will assure quality with equity through the enforcement of standards, monitoring, providing feedback, and offering support including training, management information systems, planning, and payroll. The divisions will have responsibility for providing technical assistance and support to the schools and for phased implementation, including both instructional leadership and supervision, administrative support to schools (e.g., MOOE), local financial input and resource generation (i.e., through Local School Boards of Local Government Units). The schools, as the key implementers, will be in charge of the direct delivery of quality education.

The DepEd Executive Committee, chaired by the DepEd Secretary and including the Undersecretaries and Assistant Secretaries for Planning, Programs, Finance and Regional Operations, will serve as the Steering Committee for this project. The Steering Committee will provide the strategic overall directions for the project, review its progress and solve any issues arising. It will get advice from the DepEd Management Committee, a broader group including central office and regional directors (who already meet on a regular basis) that serves as a policy advisory committee.

The relevant or operational units at the central, regional, division, and school levels will implement the project's components. The restructured Education Development Projects Implementing Task Force²⁵ (EDPITAF) of DepEd, which will be called Project Management Office (PMO) under the rationalized organizational structure, will be in charge of overall coordination of activities among responsible implementing units (bureau, service or office) within the DepEd. The EDPITAF/PMO will (i) support and help facilitate the expeditious implementation of each component; (ii) ensure the completion and timely submission of agreed monitoring reports and facilitate monthly project monitoring; (iii) coordinate with implementing units to ensure that agreed benchmarks are met; and (iv) provide an oversight role on loan

²⁵ Set up in 1971 to implement a World Bank-supported project, EDPITAF has continued for 35 years as the implementing agency for most ODA supported projects (the Third Elementary Education Project being a notable exception), in spite of numerous threats to shut it down. The challenge on this occasion is that the NPSBE is a sector-wide operation that by its nature needs to routinely engage senior DepEd managers in implementation.

withdrawal applications from implementing units and track use of released funds. The EDPITAF will be staffed by a core group of personnel with monitoring, coordination and accounting responsibilities, drawn from central DepEd and regional staff.

Technical Working Groups (TWGs) were either put in place or will soon be created to handle the preparation of BESRA policy instruments, with technical assistance from individual consultants/consultancy groups. The terms of reference of these TWGs will be expanded to cover program planning and coordination and standards setting required under the four NPSBE components. The TWGs will ensure BESRA objectives are operationalized as policy actions and outputs directly contributing to the attainment of the project objectives. These TWGs comprise representatives from different DepEd levels and other relevant government/non-government agencies/entities. Some TWGs will use existing working groups. Thus the existing Technical Working Group for the Teacher Education and Development Program, established through DepEd Memo No. 152 in 2005, will serve as the TWG for this area; the existing Early Childhood Care and Development (ECCD) Council will serve as the TWG for early childhood development; and the Literacy Coordinating Council will serve as the TWG for the Alternative Learning System (ALS). A TWG on SBM was set up with the President of the Philippine Association of (Public School) Superintendents as chair, and consisting of representatives from the National Educators' Academy of the Philippines, Planning Service, Financial and Management Service and the Health and Nutrition Center of DepEd, and representatives from the different DepEd associations (district supervisors, elementary and secondary school principals/school-heads). Due to their extensive school-based management experiences, representatives from the Bureaus of Elementary and Secondary Education involved in the WB-funded Third Elementary Education Project (TEEP) and the ADB-funded Secondary Education Development and Investment Project (SEDIP), as well as a representative from the Project Management Office of the AusAID-funded Basic Education Assistance for Mindanao (BEAM) are also members of this TWG. SBM Implementation Committees will be set up at national, regional and division levels to provide overall policy directions and technical support for the smooth implementation of SBM at their respective levels. TWGs on National Learning Strategies/Quality Assurance, Private Sector Participation, Change Management, ICT, and Budget/Financial Management Reform are also being set up and will be chaired by DepEd officials and backed up by Technical Secretariats from appropriate DepEd units.

The accounting and reporting of project expenditures will be subject to the Government's accounting policies and procedures as defined in the National Government Accounting System (*e-NGAS*). In addition, Financial Monitoring Reports (FMRs) will be produced quarterly in formats agreed with the Bank.

Institutional capacity building activities will be carried out in collaboration with a restructured National Educators' Academy of the Philippines (NEAP), linked to the principals and school heads institute and coordinated at regional and division levels.

A Project Operations Manual will guide the implementation. This manual describes guidelines and procedures to successfully carry out the Annual Work and Financial Plans, in line with the Project Implementation Plan. It defines implementation mechanisms, procurement, financial management, and monitoring and evaluation mechanisms. The document will be disseminated to the implementing units before project implementation and will be available on-line. The contents of the Operations Manual will be regularly reviewed, and where necessary, revised as project implementation progresses.

Annex 6B: Institutional Capacity Assessment

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

The DepEd is a massive organization that makes up over a third of the government bureaucracy and operates in almost every barangay in the country, with its 16 regional offices, 184 divisions at the provincial level, and 42,221 public primary and secondary schools. The sheer size and scale of its operations are enormous, prompting education officials starting in the last three years to undertake a review of the structure and functions of DepEd. The review has led to a major re-engineering of policies, systems and procedures to address the gaps, deficiencies and weaknesses in the system that inhibit the accomplishment of the mandate to deliver quality educational services to the students.

While key management decisions were made centrally in the past, there has been a policy shift in recent years towards decentralization of decision-making powers to local-level managers, including division superintendents, district supervisors and most especially school heads. While this process has been mandated by the passage of the Governance in Basic Education Act in 2001 (RA 9155), DepEd experienced a slow start in the first year associated with changes in the Department leadership. From the last quarter of 2002, however, DepEd has systematically begun putting in place relevant policies, systems and structures to support its decentralization thrust. This was made possible by the commitment of the last three DepEd administrations to continue the reforms under the framework of the road map for basic education prepared in 2002, which is in support of decentralized governance. Direct release of funds to the DepEd regional offices (e.g., payroll) and division offices/secondary schools (e.g., Maintenance and Other Operating Expenses, or MOOE) was initiated in 2004. In line with the Government's rationalization exercise, DepEd has mapped out its plan to realign the roles and responsibilities of its officials and staff to support the identified priorities in its sector-wide reform program, particularly school-based management (SBM) and enhancement of teaching and learning at the school level. Basic education plans at all DepEd levels are currently being prepared to ensure the effective functioning of all DepEd units and coordination among them.

Generally, there is strong leadership at the Regional and Division Office level, with managers at these levels usually having formal management training, an appropriate academic background and substantial experience, both as teachers and rising through the DepEd hierarchy to become education managers. Ownership of and commitment to the Basic Education Sector Reform Agenda (BESRA) has been secured through the participation of these important implementers in the preparation of the reform program. The active involvement of the Regional Directors in the regional planning exercise of the Government through Regional Development Councils has ensured that the education concerns are given priority, particularly in resource mobilization. However, the complexities inherent in the major role changes as a result of the shift from the traditional, centralized, controlling behaviors of the past to a more decentralized governance will require capacity building activities if the key players are to be effective in their new roles. Change management approaches will also need to be intensified at all DepEd levels.

The Division Superintendents at the provincial level and the District Supervisors are co-chairing, with chief executives from local government, the Local School Boards at the provincial and municipal levels, respectively. The Local School Boards are mandated to make decisions on the use of the Special Education Fund (generated from 1% of the real estate tax collection of the

LGU). A Memorandum of Agreement was recently signed between the Department of Education and a number of LGUs at the provincial and municipal levels to ensure the latter's full support in addressing the education needs in their respective localities. A more pro-active engagement of the LGUs in school improvement planning, a clear outlining of stakeholder accountability, and more transparent reporting with feedback on implementation outcomes (both in terms of expenditures and learning outcomes) will counter any possible risks associated with the shift to decentralization.

The SBM experiment has been successfully piloted in ongoing education projects, covering more than a quarter of the public schools divisions, and involving the poorest areas in the country. These pilots have provided important lessons with respect to capacity requirements/needs of education managers and supervisors as well as teachers to ensure effective SBM. But they have also demonstrated the effectiveness of the process, both administratively and educationally. However, these successful experiments covered only 35% of public elementary schools and high schools at most, and had dedicated project implementation units. These were usually comprised of a number of consultants and non-organic staff who focused on the implementation, immediately addressed the problems and concerns and conducted monitoring on a regular basis. While the challenge of scaling up and replicating these successful innovations to cover the rest of the schools is huge, this task is made more manageable by the fact that DepEd has access to valuable lessons learned from these pilots. Conscious efforts have been made to involve the organic units/personnel in evaluating pilots and ensure that they learn from this experience. International development partners involved in the implementation of these initiatives have required activities to mainstream and institutionalize procedures and have provided some technical resources to enhance this. An evaluation of the lessons learned in the TEEP and other projects nearing completion have largely informed the design and operationalization of the reform program.

DepEd developed the Basic Education Information System (BEIS) in 2002 as the main instrument to meet the statistical data base needs of educational information users at the local, national and international levels. It uses a color-coding scheme, the Rainbow Spectrum, to portray the distribution of teacher, classroom, and furniture provision in every region, division, and school. The spectrum is used for reporting and planning. By highlighting deficient and surplus areas, it enables the Department to address shortages and other concerns when supplying additional resources or redeploying teachers. Use of the spectrum has had a substantial impact on reducing disparities in resource distribution. A link between BEIS data and the National Educational Testing and Research Center national assessment test score file will allow more in-depth analysis between inputs, outputs and outcomes. Capacity building in terms of analyses and interpretation of BEIS data and other information generated for more informed decision-making and policy formulation has been identified as an important priority in the next few months. Work is also underway for an improved Human Resources Information System, containing important information on all teaching and non-teaching staff, and a Material Resources Information System to track school-based records of furniture, textbooks, school sites, as well as buildings and classrooms, including their dimensions, condition and need for repair.

DepEd has successfully demonstrated its capacity to mobilize resources to finance its large financial, technical and resource requirements. At the national level, it set up a small unit to promote the Adopt-A-School Program. Apart from information dissemination, this unit prepared a menu of ways in which potential donors from the private sector could help public elementary

and secondary schools, depending on the amount of funds they could deploy. Over the last two years, the Adopt-A-School Program has yielded donations in cash and kind valued at over US\$10 million. The *Brigada Eskwela*, or School Maintenance Week, launched for the first time in May 2003, exemplifies the approach DepEd has taken to mobilize community support for the basic education sector. Every summer, DepEd sets aside one week for its own staff, the Parent-Teacher-Community Associations, the Local Government Units, local businesses, and other concerned parties to help prepare the schools for the opening of classes. All provide support — financial, technical or physical—to help in the repair, maintenance, beautification and refurbishing of the schools. An estimated one million person-days of free labor were donated during the week of the project, with labor contributions in cash and kind yielding as much as US\$1 million in additional MOOE for the schools. DepEd has also forged and expanded partnerships with business groups, such as the League of Corporate Foundations, to support and assist them in their bid to improve learning outcomes, particularly in depressed areas. DepEd recognizes the need to reach out to these private sector groups and provide them with the information needed so that they can contribute to meeting the public school system’s needs in an efficient, effective and coordinated manner.

The SBM experiments in the TEEP and BEAM schools have also demonstrated the capacity of divisions, districts and schools to mobilize resources at the school level. In many instances, the SBM grants provided by the TEEP, for example, were used to leverage up to three times that amount in additional resources from the Parent-Teacher-Community Associations (PTCAs), communities and LGUs (whether through their Special Education Fund or Internal Revenue Allotment).

To mitigate the risk of increasing inequities at the community level, standards for key learning areas as well as for inputs will be developed under BESRA. To begin with, a Teacher Competency Standards framework has been developed in collaboration with key stakeholders, whose involvement bodes well for the acceptability, adoptability and actual implementation. Capacity building support to monitor the application of these standards is an identified gap in the DepEd, but is addressed in Component 3 of the NPSBE. The focus on outcomes as part of the decentralization thrust also necessitates increased capacity to track expenditures, monitor use of resources, and monitor outcomes down to the school level. Part of the design of BESRA/NPSBE includes the development of this capacity, along with strategies to provide feedback to schools, divisions and regions to assist them in planning, accountability and deciding on implementation priorities.

Annex 7: Financial Management and Disbursement Arrangements

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

1. Summary of the Financial Management Assessment. An Education Sector Financial Management Assessment (ESFMA) for the proposed Philippines National Program Support for Basic Education (NPSBE or the Project) was carried out in accordance with the guidelines issued on October 15, 2003 by the Financial Management Sector Board. The objective of the ESFMA is to determine whether the Department of Education (DepEd), as the implementing agency of the Project, has acceptable financial management arrangements. Overall, the Project meets the minimum Bank financial management requirements, as stipulated in BP/OP 10.02. The financial management capacity across the education sector institution is adequate. The assessed financial management risk is considered moderate. The factors supporting this conclusion and significant observations and related existing and proposed mitigating measures are summarized below.

The budgetary controls, accounting procedures and internal controls prescribed by the Commission on Audit (COA) under the New Government Accounting System (NGAS) were evaluated and considered adequate. The bookkeeping segment of NGAS is computerized and is referred to as electronic NGAS (eNGAS). DepEd was one of the three pilot agencies in the implementation of eNGAS, which was financed under the Second Social Expenditure Management Project (SEMP 2), a Bank assisted project. This computerized segment has just been implemented in the Central Office and is being rolled out in pilot regional offices. (See the action plan below on the eNGAS roll-out). The Bank will evaluate the adequacy of this new homegrown computerized system.

Non-compliance on certain prescribed internal accounting controls and procedures were noted by COA in its audit of the DepEd's agency financial statements in the area of reconciliation and accountability controls, such as: (a) total of the subsidiary ledger balances not reconciled with the corresponding general ledger control account; (b) delays in liquidation of cash advances, (c) delays in the preparation of reconciliation of bank accounts; and (d) non-maintenance of subsidiary records for textbooks and instructional materials, desks and tables and office equipment. In view of the observed weaknesses, the Financial Management Service Unit of DepEd is taking corrective measures to implement all prescribed controls and address the issues raised by COA. A list of immediate actions to be taken during the project implementation is provided in the Action Plan below. Implementation of these actions, together with the proposed capacity building measures, will enhance the financial management system at DepEd.

Other financial management risks are: (a) the continuing fiscal deficit that resulted in inadequate funds or delays in the release of non-mandatory funds to cover the agency's approved budget. This budget problem may affect the accomplishment of the agency's financial management reform initiatives; and (b) the potential delay in financial reporting due to inadequate financial management staff in the division and inadequate record keeping at the school level and absence of an integrated computerized system. This risk could be mitigated by conducting training for the staff who will be designated to handle the funds and maintain a simple bookkeeping system at the school level. The roll out of the eNGAS and the development of other computerized systems supported under this loan and other proposed actions described in the action plan below will address the issue of delays in reporting.

DepEd has adequate experience in implementing Bank-assisted projects such as the First and Second Social Expenditure Management Project (SEMP 1 and 2), the Third Elementary Education Project (TEEP) and other education projects. There are some successful practices in these projects in the area of financial management (FM), especially at the school level, that should be replicated under this project.

2. **Country Financial Management Issues.** One of the outstanding recommendations in the 2003 Public Expenditure, Procurement and Financial Management Review relevant to the project is the organization of the internal auditing function. The establishment of the internal audit function is authorized under the Internal Audit Code, and in 2003 President Gloria Macapagal-Arroyo directed all government offices to organize an internal audit service under Administrative Order No. 70. Only a few government agencies have complied mainly due to budgetary constraints.

The Office of the President has intensified its anti-corruption initiatives and has requested full implementation of the internal audit function in each agency or government-owned and controlled corporation as required under the law. The Presidential Anti-Graft Commission (PAGC) has been asked to oversee the implementation of this task, with the Department of Budget and Management (DBM) and COA as the oversight agencies. PAGC receives funds from various donor agencies including the Bank to carry out its tasks, which, among others, includes the strengthening of the internal audit function of the agencies. DepEd is one of the first batches of agencies selected to participate in this Government program. Part of the activities in this area is strengthening internal controls in each agency and the creation of an internal audit unit. This will be part of the DepEd Financial Management Reform Framework.

Another country issue is the Government’s fiscal deficit and its uncertainty about being able to attain its revenue targets. This budget problem may affect the accomplishment of the agency’s financial management reform initiatives.

3. **Risk Analysis** - A summary of the financial management assessment ratings is provided in the table below. The detailed discussion of each subject immediately follows hereunder.

Subject	Risk Rating	Comments and Mitigating Measures
Inherent risk	S	The project will operate in various units of the department nationwide up to the school level and therefore requires substantial monitoring. This however is mitigated by the complete involvement and support for this project by the heads of departments within DepEd at all levels.
Control risk		
1. Implementing Entity	M	DepEd has the organizational structure. The processing of project transactions will be mainstreamed but a project management unit will oversee the project implementation. DepEd has experience in handling Bank-assisted projects.
2. Planning & Budgeting	N	The approval by the country’s legislative body of the national budget is sometimes delayed. During the period

Subject	Risk Rating	Comments and Mitigating Measures
		that the budget for the current year is not yet approved by the legislative body, the agencies are operating based on the prior year's budget.
3. Funds flow	N	See discussion below on the funds flow arrangement for the loan proceeds.
4. Staffing	M	The Central Office has the necessary FMS staff complement. At the school level, the volume of transactions does not warrant a full time bookkeeper. A staff member should be trained to do the bookkeeping.
5. Accounting policies and procedures	N	See discussion below.
6. Internal controls	M	<p>The DepEd has adopted some innovative approaches to mitigate corruption. For instance, the Boy Scouts of the Philippines and other civil society organizations have been enlisted to observe delivery of textbooks and tables and chairs to the schools. Also, planned deliveries of textbooks to schools are being published in order to eliminate diversion of deliveries. For school funds, the school is required to publish the statement of sources and uses of funds on a regular basis and put that information in the public domain for parents, teachers and community.</p> <p>There is still non-compliance by DepEd with established internal controls reported by COA. See below for discussion and the summary of the action plan to address this issue.</p>
7. Internal audit	H	Internal audit unit has still to be put in place to comply with the Memorandum of Agreement, which DepEd signed with the Presidential Commission on Good Government. While this is still to be established, a team from the financial management services group will be created to monitor compliance with policies and procedures and reporting requirements. See action plan summary.
8. External audit	N	Interaction with the auditors and review of the 2004 audit report on DepEd's financial statements and the management letter indicate that the audit was carried out adequately.
9. Reporting and monitoring	M	While DepEd complies with the submission of financial reports to oversight agencies, the preparation of consolidated financial statements is only done annually because only the Central Office has implemented the eNGAS while other levels i.e., the regional and division levels, still maintain their books of accounts and prepare

Subject	Risk Rating	Comments and Mitigating Measures
		the financial reports manually. See summary of action plan on the roll-out of eNGAS which will facilitate a more frequent generation of reports. See discussion below for the reports required for the project.
10. Information system	M	See discussion below and the action plan on the roll-out of eNGAS.
Overall control risk	M	

Risk Rating: H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

4. **Strengths and Weaknesses.** The significant strength of DepEd in financial management is the eNGAS in the Central Office. The eNGAS facilitates the recording of transactions and the generation of financial reports. The Bank will still evaluate the processing controls over the computerized system and the adequacy of the disaster recovery plan.

An added strength is the familiarity of DepEd's officials and staff with the Bank's policies, procedures and reporting requirements. Such familiarity was acquired during the implementation of the WB projects such as the TEEP and SEMP projects.

The weaknesses and the corresponding corrective actions are as summarized below. For the agreed corrective actions, refer to the summary in the action plan.

Significant Weaknesses	Corrective Action
1. At the regional, division and school levels, the books of accounts and financial reports are still prepared and maintained manually.	1. Implement the eNGAS at all levels, except at the school level where only simple record keeping, acceptable to the Bank, is necessary. Until the full deployment of the eNGAS, the risk of delays in production of consolidated reports is still substantial. Thus in the action plan it is suggested that while eNGAS is not yet fully deployed, a team shall be created to regularly monitor prompt reporting. See action plan bellow.
2. Inadequate financial management capacity at the regional and division levels.	2. Increase the FM staff complement to an adequate level, where assessed to be necessary, and conduct appropriate training during the first six month of the project.
3. Absence of or inadequate simple record keeping and reporting system at the school level for all schools, except those covered under the Third Elementary Education Project, a Bank assisted project.	3. Design and implement a simple record keeping and reporting system for schools; design a training program and conduct training afterwards. The record keeping and reporting under the TEEP at school level can be adopted. This is one of the criteria on the eligibility for school grant.
4. Non-compliance with some internal control procedures required under the NGAS (Details are discussed in Internal Controls below).	4. Monitor compliance with the internal control procedures required under NGAS and consider including compliance thereof in the key results areas of the staff.

5. **Implementing entity.** Overall responsibility for program management and implementation will be within DepEd and its organizations at the national and regional levels. The DepEd has a supervisory role with regard to all education-related organizations in the country and thus operates nationwide with a Central Office, regional offices, division offices, and the schools.

6. **Flow of Funds, Funding Channels, Treasury/Banking Functions.** A Modified Disbursement Scheme (MDS) is being used for the transfer of funds from the Bureau of Treasury (BTR) to government agencies. Under the system, MDS accounts with an authorized government servicing bank (GSB) are maintained for each agency and their regional offices. The BTR makes initial deposits to each MDS account. Notice of cash allocation (NCA) issued by DBM to the agencies are treated as authorizations to issue MDS checks against it. DBM releases the NCA directly to the DepEd's Central Office, Regional Offices and Implementing Units with financial staff. Implementing Units refer to Schools Division Offices (SDO) and all elementary schools that are under their supervision, secondary schools and lead schools. The head office of the GSB submits to BTR daily a summary of checks paid and a request for replenishment. BTR then releases the replenishment after checking the summary of checks submitted by the head office of the GSB against the summary of checks received from the branches of the GSB through its provincial and regional offices.

This project will utilize the above-described funds flow arrangement. Funds from the loan proceeds will be withdrawn to reimburse expenditures incurred by submitting withdrawal applications supported with statement of expenditures. In addition, other disbursement mechanisms such as direct payments and special commitments shall also be available for this project. Under these methods, there is no need to maintain a Designated Account.

7. **Organization and Staffing.** DepEd has a well-defined organizational structure and is headed by a Secretary with a Cabinet rank. The Secretary is assisted by an undersecretary for each of the following major functional areas: (a) programs and projects; (b) regional operations; finance and administration; (c) legal affairs and legislative liaison; (d) finance and administration; and (e) Mindanao Affairs.

An Undersecretary for Finance and Administration is responsible for financial management services, administrative services, procurement services, personnel management, technical services, the Teachers' Camp and SEMP, a Bank-assisted project.

The undersecretary is aided by an assistant secretary for Financial Management Services (FMS). The FMS is composed of six (6) divisions namely: Budget Division, Accounting Division, Management Division, Payroll Services Division, Systems Division and Cash Division.

Budget division. The Budget Division is responsible for the preparation, including submission to the Department of Budget and Management of budgetary estimates in support of the Department's operations, plans and programs to achieve its goals of providing the citizenry better access to quality basic education. The process also involves the review, evaluation and consolidation of the budget proposals of all DepEd Central and Regional Offices, and coordination with the Office of the Planning Service. This division assists management in the presentation of the Department's budgetary estimates/proposals before administrative and legislative bodies; and provides technical assistance to other units in the application and utilization of budgetary methods and procedures. It is also the primary responsibility of the Division to prepare the annual work and financial plans and matrices, and other documentation

to ensure the release of funds as reflected in the General Appropriations Act (GAA) and from other sources.

Accounting division. The Accounting Division is responsible for the maintenance of the books of accounts of Central Office staff, Bureaus and Centers. It administers financial reports, processes disbursement and trust accounts and undertakes branch accounting in regional offices. It consolidates the financial reports of all Central Offices and Regional offices for submission to fiscal agencies. It has technical supervision over all DepEd Accounting offices.

Payroll services division. The division is responsible for the centralized production of payrolls, salary checks and compensation, benefits of teachers and administrative personnel in provinces, and in chartered cities headed by a Superintendent, in the most effective and cost-efficient manner.

Systems division. The division serves as a center for the strategic management of an effective and efficient information system for the DepEd through developing a mechanism that integrates and coordinates the DepEd information requirements that are accessible and responsive to users. It also synchronizes data collection, processing and dissemination to ensure quality of information.

Management division. The division develops plans and program objectives relative to management improvement in the Department, examines its administrative organization, maintains its organizational charts and operations manuals and undertakes regular management surveys on organizational structure, human resources and operations, studies special problems as assigned and makes recommendations for improvement.

Cash division. The division (a) collects and disburses funds; accounts for receipts, custody and disbursement of funds; undertakes encashment of checks for cash advances and payment of salaries, wages and other obligations; provides proper recording of cash advances, disbursements, collections and deposits; prepares reports and documents pertinent to the collection of disbursements and deposits of funds; (b) controls the NCA of DepEd and its different staff bureaus, centers, and other foreign assisted projects out of which payments of obligations are made; (c) releases checks to different claimants; and (d) deposits checks for fund transfers to the different Regional Offices.

The current staff consists of a combination of graduate and undergraduate employees whose length of service ranges from 5 to 35 years. Computer literacy is average. The adequacy and competence of the FM staff is currently being addressed by the following government programs: (a) Rationalization program: All agencies are required to evaluate their organization as a whole to include the adequacy of human resources complement and submit to DBM proposed changes where necessary by first quarter of 2006 (extended deadline). Changes may take the form of moving staff to positions where they are found to be more competent or eliminating certain positions where these are deemed redundant or not required; and (b) Public financial management strengthening initiatives: The Government's PFM strategy is to enhance the skills of key financial management staff in the three social services departments, of which DepEd is one. DBM is the oversight agency for FM reforms across the bureaucracy through the provision of advisory and training services and formulation of needed policy changes to pilot financial management strengthening initiatives in the social services department. Funding of some of these reforms such as rationalization of the FM organization and staffing, development of a PFM development program and design of a flash reporting system will be supported under a World Bank IDF grant.

In addition, DepEd's officials and staff are familiar with the Bank's policies, procedures and reporting requirements. Such familiarity was acquired during the implementation of TEEP and the Social Expenditure Management Projects.

8. **Accounting Policies and Procedures (New Government Accounting System (NGAS)).** The Commission on Audit has issued COA Circular No. 2001-004 dated October 30, 2001 prescribing the New Government Accounting System (NGAS), which took effect January 1, 2002. The NGAS replaced the Government Accounting and Auditing Manual. This change is viewed as a milestone in the government accounting procedures as it updated a system in use since the 1940s. The new accounting system is a significantly better than the previous one and follows international public sector accounting standards. The major change is a shift to a modified commercial accounting system where accruals, prepayments and depreciation are recognized in the books. The previous practice of booking obligations and allotment will no longer be made but instead will be taken up as a memo entry only in special journals designed for the purpose of tracking the allotments. The Chart of Accounts has likewise been expanded to include finance charges, which were conspicuously absent from the older system.

The bookkeeping segment of NGAS is computerized and is referred to as electronic NGAS (eNGAS) and is now operational at the Central Office. Roll-out has started in one Regional Office. (See action plan below on the roll-out of eNGAS at the regional and division levels.) The significant strength of DepEd vis-à-vis financial management is the eNGAS in the Central Office. The eNGAS facilitates the recording of transactions and the generation of financial reports. The Bank is in the process of evaluating the risks and controls over this computerized information system.

9. **Internal Controls.** The control environment in which DepEd operates remains weak as reflected in the Country Assistance Strategy for the Philippines, 2006–2008. However, there are reasons to be optimistic. Progress is being made to improve effectiveness. Innovative approaches are being taken to strengthen public institutions and eliminate graft and corruption. The “Lifestyle Checks” of public servants, which the National Office of the Ombudsman has formally adopted, and the consequent dismissal of several senior level bureaucrats have sent a clear message that ill-gotten wealth will be prosecuted. The implementation of landmark procurement legislation is also helping improve transparency and accountability in government contracting.

The DepEd itself has adopted some innovative approaches to mitigate corruption. For instance, the Boy Scouts of the Philippines and other civil society organizations have been enlisted to observe delivery of textbooks and tables and chairs to the schools. Also, planned deliveries of textbooks to schools are being published in order to eliminate diversion of deliveries. For school funds, the school is required to publish the statement of sources and uses of funds on a regular basis and place this information in the public domain for parents, teachers and community.

At the agency level, the New Government Accounting System (NGAS) has been implemented. Basic internal controls such as separation of conflicting functions, segregation of bookkeeping functions from custodianship of assets, reconciliation of subsidiary records with the corresponding general ledger control account, and a multilevel system of review and approval of transactions before their execution are required under NGAS.

10. **Internal Audit.** Presently, DepEd has no internal audit unit. However, it is one of the agencies that committed to organize such a unit under a Memorandum of Agreement with the Presidential Anti-Graft Commission. See action plan below.

11. **External Audit.** COA is performing the external audit of DepEd's financial reports. This supreme audit institute is an independent office which was given the mandate under the Philippine Constitution to audit all accounts pertaining to government revenues and expenditures, uses of government resources and to prescribe accounting and auditing rules. The COA's audit is substantially in accordance with the international auditing standards prescribed by the International Organization of Supreme Audit Institution.

12. **Financial Reporting and Monitoring.** DepEd prepares consolidated financial statements only annually because, except for the central office and region 11, all its regional and division offices are still maintaining their books of accounts manually. The following reports are prepared quarterly for submission to DBM and other oversight agencies: (a) report of actual income; (b) financial report of operations; and (c) physical report of operations.

Under this project, DepEd shall submit the following reports to the Bank throughout the life of the project:

a. Quarterly Financial Monitoring Reports (FMRs) **within 45 days** after the end of each calendar quarter, which shall consist of the: (a) statement of sources and uses of funds, which should include the current and cumulative columns; (b) physical progress report; and (c) procurement status report. The physical accomplishment report must be linked to the financial report.

Formats of these FMRs will be finally agreed prior to loan negotiation.

b. Annual audited project financial statements, which shall consist of the balance sheet and statement of sources and uses of funds together with a copy of the management letter reflecting the auditor's findings and recommendations, shall be submitted to the Bank **no later than 6 months** after the end of each fiscal year. The auditor for this project is COA.

In addition, annual independent validation report will be submitted to the Bank no later than 3 months after the end of each fiscal year, in scope and detail, and under terms or reference, satisfactory to the Bank, including an opinion as to whether the School Grants have been awarded according to the criteria set forth in Operations Manual.

13. **Disbursement Arrangements.** This Project will be disbursed over a period of 5 years under a Specific Investment Loan. The disbursements of the loan shall be in accordance with the financial plan of the project distributed over the four components as set out in Annex 5 and the eligibility criteria as described below.

The reimbursement method will be used under this project. Withdrawal of funds from the Bank shall be through the submission of duly signed Withdrawal Application (WA) and Statement of Expenditures (SOEs) prepared and signed by DepEd. Disbursements under the Project shall comply with the Bank policies and procedures on disbursements and financial management as reflected in the Bank's Disbursements Handbook and Financial Monitoring Report Guidelines. All reimbursements shall only be for eligible expenditures described in the Loan Agreement and shall have adequate supporting documents. WAs for expenditures on contracts above prior review thresholds should be submitted with appropriate schedule or summary sheets and with corresponding supporting documents for full documentation. WAs for claims for expenditures

below the prior review threshold should be submitted with the corresponding SOEs without supporting documents. Sub-grants to schools shall be considered eligible for reimbursement immediately after the release of funds to the schools. Funds withdrawn from the Bank shall be remitted to the BTR. Release of funds to DepEd from the BTR shall follow the current government procedure of release of funds under the MDS and the system of direct release to the sub-national units who have financial management capability. In addition, other disbursement mechanisms such as direct payments and special commitments shall also be available to this Project. Under these methods, there is no need to maintain a designated account.

14. **Proposed Action Plan.** Even though the assessed financial management risks are considered moderate, there is still a need to improve the financial management system at DepEd. Consequently, a time-bound action plan has been developed to strengthen existing capacity and to provide additional fiduciary safeguards.

	Action	Responsibility	Due Date	Remarks
1	Audit Arrangements: Internal Audit <ul style="list-style-type: none"> Confirm establishment of internal audit function in the organizational structure. 	DepEd	4 th quarter of 2006	Structure of DepEd to include Internal Audit department reporting to the Secretary (DepEd); this is dependent on the approval of the agency's rationalization plan by the government oversight agencies.
2	Staffing of the FM Function <ul style="list-style-type: none"> Create an interim task force in financial management services responsible for monitoring internal control and financial reporting compliance by the regional, division and school levels on established FM arrangement. This task force will eventually be dissolved once the roll out of eNGAS is completed. 	DepEd FMS Head	4 th quarter 2006	

	Action	Responsibility	Due Date	Remarks
5	eNGAS roll out <input type="checkbox"/> Prepare and adopt a national roll-out program of the eNGAS. <input type="checkbox"/> Start and complete roll-out of eNGAS.	DepEd	October 2006 October 2006 to December 2007	The completion of the eNGAS roll-out is highly dependent on the availability of funds to support the infrastructure requirements of computerization. Roll out of the eNGAS will ensure increased frequency and timely preparation of consolidated financial reports.
6	Financial Monitoring Reports <ul style="list-style-type: none"> Finalize format of the financial monitoring reports. 	DepEd to prepare and to be reviewed and agreed on by the Bank.	Before loan negotiations	

15. **Financial Covenants.** The financial reports that shall be submitted to the Bank are as follows:

a. Financial Monitoring Reports (FMRs) that consist of the following: (a) statement of sources and uses of funds which should include the current and cumulative columns; (b) physical progress report; and (e) Procurement Status Report - within 45 days after the end of each calendar quarter.

b. Annual audited project financial statements, consisting of the balance sheet and statement of sources and uses of funds and the notes to financial statements, auditors' report, and management letter - no later than 6 months after the end of each fiscal year.

16. **Other reporting requirement during implementation.** Annual independent validation report will be submitted to the Bank no later than 3 months after the end of each fiscal year, in scope and detail, and under terms of reference, satisfactory to the Bank, including an opinion as to whether the School Grants have been awarded according to the criteria set forth in the Operational Manual.

17. **Condition for loan negotiation.** None.

18. **Other reporting requirement during implementation.** Annual independent validation report will be submitted to the Bank no later than 3 months after the end of each fiscal year, in scope and detail, and under terms of reference, satisfactory to the Bank, including an opinion as

to whether the School Grants have been awarded according to the criteria set forth in the Operations Manual.

19. **Supervision Plan.** FM implementation review shall be undertaken twice a year during project implementation to ensure that the loan proceeds are used for the purpose it was granted, which may take at the most two weeks. FM supervision can also be performed by telephone and emails in cases requiring follow up on certain issues. The scope of the supervision is left to the professional judgment of the FM specialist. It may cover any of the following: (1) review of the continuous maintenance of adequate FM system by DepEd; (2) review of SOEs, where deemed necessary; (3) follow up of timeliness of FM reporting and actions taken on issues raised by external auditors; (4) review of the project's financial reports; (5) follow up of the status of the agreed action plan as summarized above; and (6) review of compliance with the financial covenants. In addition, the FM implementation review should include desk review of the quarterly FMRs and audited financial statements and management letter submitted to the Bank.

Allocation of Loan Proceeds

Category	Amount of Loan (Expressed in Dollars)	% of Expenditures to be Financed
1. School Grants		
a. School First Initiative (SFI)	25,000,000	100% amounts of School Grants disbursed
b. School feeding	4,000,000	
2. Goods, works, services, training and operating costs, except for those under categories 1 and 3	156,000,000	100%
3. Transfer assistance and hardship allowances	7,000,000	100%
4. Unallocated	7,500,000	
5. Front-end fee	500,000	Amount due
TOTAL	200,000,000	

- i. *Expenditures prior to the date of the loan signing but after April 1, 2006 in respect of category 2 shall be eligible for retroactive financing in the aggregate amount not exceeding \$10.00 million.*
- ii. *Payments for expenditures under category 1(b) shall be made after DepEd has reviewed and revised the policies and procedures governing the operation of the school feeding programs satisfactory to the Bank.*

Proposed Eligibility Criteria NPSBE Budget Items

1. SFI Grants:
 - For schools with no School Improvement Plan and no school governing council (SGC) or school-community partnership (SCP): grant will be used for the installation of School-based management processes (school improvement planning, establishing school-community partnerships).
 - For schools with SIPs and SGCs/SCPs in place: grant will be used to implement school-specific innovative/improvement programs aligned with the developed and duly-approved School Improvement Plans.

2. Training:
 - For Component 1, Strengthened SBM:
 - a) Eligible schools are those without a School Improvement Plan, without a functioning school governing council (SGC) or school-community partnership, and that do not have simple financial bookkeeping and a reporting system in place.
 - b) Activities eligible under this item will include capacity building for school managers and community members on SBM (e.g. school improvement planning, establishing school-community partnerships, resource mobilization, and other critical and essential elements of SBM).
 - For Component 2, Enhancing Teacher Effectiveness:
 - a) This involves training on the use of teacher competency standards.
 - b) Based on identified needs as indicated in DepEd's training program.
 - For Component 3, Enhanced Quality and Equity:
 - a) This includes training on sector monitoring and evaluation, quality assurance, use of developed standards, utilization of generated data from the database/information system.

3. Hardship allowance:
 - Aside from those teachers currently exposed to hardship or extreme difficulty in their place of work, this will, after DepEd policy review and development, possibly cover *transfer* costs of teachers to these hard-to-staff areas (including to the so-called *black schools* i.e., those with no nationally-funded teachers) and *red schools* (more than 1:50 pupil-teacher ratio).

4. Textbooks and teaching/learning materials:
 - Based on approved procurement schedule of textbooks and other teaching/learning materials.
 - Validated for actual needs.

5. Hardware and software for databases:
 - Based on ICT framework and procurement plan to be prepared by DepEd.
6. School buildings:
 - Based on priority list derived from BEIS data (black i.e., no classrooms and red schools i.e., more than 56 pupils to a classroom).
 - Funded out of the Php1 billion DepEd School Building program allocation.

Annex 8: Procurement Arrangements

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

A. General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. While the new Philippine Procurement Law (RA 9184) is sufficiently in harmony with the Guidelines at the NCB level, the Procurement Schedule of the Loan Agreement will include an annex detailing the procedures under the national law that are not acceptable to the Bank. Other than that, NCB procurement will be carried out in accordance with the country's law. The general description of various items under different expenditure categories for the first 18 months are described below and summarized in the attached Procurement Plan. For each contract to be financed by the Loan, the different procurement methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank task team in the Procurement Plan. The Procurement Plan will be a rolling plan that will be updated at least annually or as required to reflect the actual project implementation needs and improvements in the institutional capacity of the implementing units.

Procurement of Works (US\$26 million). Works procured under this project would include construction and rehabilitation of classrooms. No international competitive bidding (ICB) is expected under the proposed project due to the small size and dispersed nature of the contracts. Contracts estimated to cost US\$100,000 or more will be procured following national competitive bidding (NCB) procedures using the Philippine Bidding Document (PBD) as harmonized with the Bank. There will be very few contracts, if any, that will be procured through NCB as it is not efficient and economically justified to package small and widely dispersed works of this nature. Procurement of very small works costing below US\$100,000 will be awarded based on shopping procedures, by comparing price quotations obtained from several contractors, usually at least three, as defined in Para. 3.5 of the Guidelines.

Procurement of Goods (US\$53 million). Goods procured under this project would include textbooks, supplemental reading materials, training and other educational support materials, and information and communication technology goods. The procurement for contracts costing US\$500,000 or more will be done through ICB using the Bank's standard bidding document (SBD). Contracts estimated to cost US\$100,000 up to less than US\$500,000 will be procured following national competitive bidding (NCB) procedures using the Philippine Bidding Document (PBD) as harmonized with the Bank. Procurement for off-the-shelf goods and small value contracts costing below US\$100,000 will be awarded based on shopping procedures, by comparing price quotations obtained from several suppliers, usually at least three, as defined in Para. 3.5 of the Guidelines.

Selection of Consultants (US\$2 million). Consultancy services to support policy formulation and system design and development of the information and communication technology relative to the implementation of the basic education sector reform agenda will be financed under the program. Quality and cost based selection (QCBS) procedures will be followed in the hiring of consulting firms with contracts estimated to cost the equivalent of US\$100,000 or more.

Contracts estimated to cost less than US\$100,000 equivalent may be procured through selection based on consultants' qualifications (CQ) or through single source selection (SSS), with the Bank's prior Agreement, in accordance with the provisions of the Consultant Guidelines. Government research and training institutions with exceptional expertise for the assignment may also be tapped under the program. Individual Consultants necessary to support the program, meeting the requirements set forth in Section 5 of the Consultant Guidelines, will be selected under contracts awarded on the basis of competition in accordance with the provisions of the Consultant Guidelines.

Training and Workshops (US\$47 million). Training and workshops, including related expenditures for travel and accommodation, fees and materials, related to school-based management, school improvement planning, teacher upgrading and others will be procured in accordance with existing government prescribed procedures and limits which are acceptable to the Bank.

School Grants (US\$29 million). Activities to set up and carry out school-based management, such as the development and implementation of school improvement plans, the establishment of school-community partnerships/school governing councils, etc. would be procured using government administrative procedures, which were reviewed and found acceptable to the Bank.

Operating Costs (US\$35 million). Activities, other than consultancy services, in support of the policy formulation of the program, school maintenance, operating and other expenses (MOOE) and transfer/hardship allowance will be provided in accordance with existing government prescribed limits and procedures acceptable to the Bank.

B. Assessment of the agency's capacity to implement procurement

Procurement activities will be carried out by the Department of Education's (DepEd) central office, division offices and schools. The agency has a newly created Procurement Service, which functions as a one-stop-shop responsible for overseeing procurement undertakings in the central office and providing policy guidance and support to sub-national offices. The Department is customizing its procurement manual with the help of a consultant, and a final draft has been submitted. This is being pilot tested, and is expected to be finalized before project implementation.

The Procurement Specialist made an assessment, during the months of June-August, 2005, and in March 2006 with the participation of DepEd staff from the central and division offices and schools, of the capacity of the Implementing Agency to undertake procurement actions for the project. The assessment reviewed the organizational structure for implementing the project and the interaction among the project's staff responsible for procurement. The assessment took into consideration various studies, including the Country Procurement Assessment Report (CPAR) and its recent update of March 2005, and the baseline indicator system (BIS) assessment in which an independent consultant determined that the country, in general, was substantially achieving the desirable standards for reliance on its public procurement system. Based on the DepEd's procurement performance indicators, adopted and customized from the DAC/OECD developed indicators, the agency has been diagnosed as generally acceptable in adopting the country system for its procurement undertakings. The DepEd has greatly benefited from the procurement and implementation reforms initiated and mainstreamed under previous Bank-financed activities under SEMP I and II, and TEEP.

Issues/risks concerning the procurement aspects for implementation of the project have been identified, and these include interim problems associated with newly created organizations such as the Procurement Service (PS), unclear procurement processing/arrangements at the school level, and documentation and record keeping of division and school level procurements. The corrective measures which have been agreed upon include: finalization of the DepEd customized procurement manual; capacity building in the area of procurement planning and monitoring within the PS; and issuance and orientation of guidelines for simplified procurement and record keeping procedures with community participation at the school level (Principal-led School Building Program). The overall project risk for procurement is average.

C. Procurement Plan

The DepEd developed a Procurement Plan for the first 18 months of project implementation, which provides the basis for the procurement methods. The Borrower and the Project Team both agreed upon this plan in May 2006; it is available at the EDPITAF and Procurement Service of DepEd. It will also be available through the Project's database and on the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

Based on the overall risk assessment, twice a year field supervision missions including post review of procurement action is to be implemented in addition to the prior review to be carried out from the Bank's Manila office. With respect to each contract not subject to prior review, the procedures set forth in paragraph 4 of Appendix 1 to the Procurement and Consultant Guidelines will apply at an initial ratio of not less than one (1) in ten (10) contracts. This ratio may be adjusted based on the performance of the implementing units.

E. Details of the Procurement Arrangements Involving International Competition

(This procurement plan, agreed upon by DepEd and the Bank, covers the first 18 months of the activities that will be financed under the project).

1 Goods and Works

(a) List of contract packages to be procured following ICB:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost (US\$ M)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
	Supply and delivery of Elementary Social Studies Textbooks and Teaching Materials.	13.5	ICB	none	yes	prior	Dec. 2006	Procurement and contract started under SEMPII.
	Supply and delivery of High School Social Studies Textbooks and Teaching Materials	4.5	ICB	None	Yes	Prior	Nov. 2006	
	Supply and delivery of English Textbooks and Teaching Materials	29	ICB	None	Yes	Prior	Nov. 2006	

(b) The first contract to be awarded following a particular procurement method, and subsequent contracts estimated to cost US\$500,000 and above per contract will be subject to prior review by the Bank.

2 Consulting Services

- (a) No consulting assignments with shortlist of international firms are expected within the first 18 months of the project.
- (b) The first contract to be awarded following a particular selection method, and subsequent contracts estimated to cost US\$100,000 and above for firm, and US\$50,000 and above for individual consultants, per contract will be subject to prior review by the Bank.
- (c) Shortlists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 9: Economic and Financial Analyses

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

1. Economic analysis

The economic justification for the National Program Support for Basic Education (NPSBE) is that implementation of the BESRA reforms will yield a significant payoff in terms of accelerated economic development and improved efficiency. There are two aspects to this claim. Firstly, Section A1 quoted authors of the 2006 *World Development Report* who argued that inequalities have costs for the development process because unequal opportunities lead to inefficiencies and deplete economic potential. The BESRA educational reforms focus on improving quality and increasing equity and hence can be expected to foster economic growth in the longer term. However, these benefits are either very difficult or impossible even to quantify. Secondly, many of the management reforms are designed to improve efficiency and effectiveness in the delivery of education services resulting in substantial cost savings. These benefits can be quantified and are sufficient to justify the project.

At least two of the key reform actions under the BESRA are designed to help the DepEd achieve efficiency gains: (i) better teacher deployment; and (ii) local government unit (LGU) implementation of the school building program. By supporting these elements of the reform agenda, the NPSBE is expected to generate savings, or to free up funds by using them more efficiently.

Better deployment of teachers. A more aggressive redeployment of teachers is one of the key actions in the NPSBE policy matrix. As of School Year 2003-2004, the Basic Education Information System (BEIS) showed that there were 78,188 “excess” teachers, leaving considerable scope for re-assignment of these teachers from teacher-surplus schools to teacher-deficit schools.

Starting in 2002/2003, the DepEd assigned new teachers to teacher-deficit schools in accordance with a color-coding scheme that identifies schools with the greatest need for new teachers. The department has also taken steps to transfer teacher positions in teacher-surplus divisions/schools that have become vacant because of retirement to divisions/schools that are short of teachers.

However, the DepEd’s teacher deployment program can be further improved by (i) transferring more unfilled teacher positions in teacher-surplus divisions/schools to teacher-deficit divisions/schools; (ii) moving some of the incumbent teachers in teacher-surplus schools to teacher-deficit schools; and (iii) reassigning teachers currently doing administrative work back to teaching. Republic Act 4760 (Magna Carta for Public School Teachers), which prohibits the transfer of teachers from one station to another (i.e., across geographical borders) without the latter’s explicit consent, does hamper the DepEd’s ability to address the teacher redeployment issue more aggressively. However, discussions with Division/Regional DepEd officials indicate that there are actions that can be taken without having to amend the RA 4760.

Redeployment of “excess” teachers will not only improve equity significantly but will also generate substantial savings relative to the existing practice. The medium term spending plan of the DepEd projects that the amount of resources needed to meet the EFA targets would be reduced by PhP2.1 billion to PhP9.4 billion (or US\$38 million to US\$171 million) yearly in

2006-2010, even if only half of the existing number of “excess” teachers were redeployed (Table 9.1).

Table 9.1 Resources Needed to Meet EFA Targets Under Varying Assumptions on Teacher Redeployment (Million Pesos)

Year	Without Teacher Redeployment	With 50% of Excess Teachers Redeployed	Savings
2006-2007	136,577	134,470	2,107
2007-2008	153,945	149,563	4,383
2008-2009	167,233	159,636	7,597
2009-2010	182,710	174,810	7,901
2010-2011	188,902	180,764	8,138
2011-2012	196,945	188,563	8,382
2012-2013	208,921	200,287	8,633
2013-2014	219,904	211,012	8,892
2014-2015	232,391	223,232	9,159
2015-2016	243,297	233,864	9,434

When compared with the size of the project loan, these figures suggest that the economic rate of return from a more efficient deployment of teachers is high. Without considering the benefits attributable to other components, the economic rate of return is estimated to be in excess of 100%. The rate of return from better teacher redeployment is 50% even if only a quarter of so-called “excess” teachers are redeployed to schools that are more in need.

Resource mobilization for school buildings. The institution of cost sharing arrangements between the national government and LGUs on school building construction under the NPSBE is expected not only to help generate more resources from LGUs but also to help generate savings from LGU implementation of the school building program.²⁶ In particular, LGU implementation of the school building program is estimated to result in savings equivalent to PhP2.4 billion to PhP3.4 billion (or US\$43 million to US\$62 million) yearly, assuming LGU construction costs are on average 20% lower than those of the Department of Public Works and Highways (Table 9.2).

When compared with the size of the project loan, these figures indicate that the economic rate of return from LGU implementation of school construction is high. Without considering the benefits attributable to other components, the economic rate of return from this reform action is estimated to be equal to 70% in 2006-2010.

²⁶A number of studies (e.g., Manasan 2000 and Alonzo 1998) have documented that LGUs are able to construct school buildings at least 20% cheaper than the DPWH.

Table 9.2. Resources Needed to Meet EFA Targets Under Varying Assumptions on Implementation of School Construction (in million pesos)

Year	Not LGU Implemented	LGU Implemented	Savings
2006-2007	136,577	134,212	2,365
2007-2008	153,945	150,227	3,718
2008-2009	167,233	163,091	4,142
2009-2010	182,710	177,778	4,932
2010-2011	188,902	185,125	3,777
2011-2012	196,945	193,501	3,444
2012-2013	208,921	205,462	3,459
2013-2014	219,904	216,332	3,572
2014-2015	232,391	228,877	3,514
2015-2016	243,297	239,871	3,426

Non-quantified benefits. The experience of the Third Elementary Education Project (TEEP) suggests that the NPSBE can expect gains in the quality of basic education outcomes following the system-wide application of school-based management (SBM).²⁷

Significant gains in the performance of the TEEP schools have been made subsequent to the implementation of the project. Although the overall mean percentage scores of TEEP schools were not significantly different from those of non-TEEP schools at the start and in the early years of the TEEP (1999-2003), the overall mean percentage scores of TEEP schools were found to be significantly higher than those of schools in non-TEEP divisions in 2004 and 2005, regardless of whether the National Achievement Test (NAT) scores or the National Sample Based Assessment (NSBA) scores were considered (Table 9.3).

A step-wise regression analysis of the achievement scores of students in TEEP schools in 2005 suggests that the significant factors associated with the overall mean percentage score on the NSBA include school building repair, SIIF project and textbooks (Table 9.4). In addition, improvements in the participation, drop-out, and completion rates of TEEP schools are evident in 1999-2003 data (Education Policy Notes on SBM, 2003).

²⁷ While SBM may be considered as the integrating framework of the TEEP, the project also provided additional school inputs in the form of classrooms, furniture, textbooks, other instructional materials, and teacher training.

Table 9.3. Overall Mean Percentage Scores of TEEP and Non-TEEP Schools in NAT and NSBA, 2004-2005 and t Test of Significance

	TEEP	Non-TEEP		Mean difference	t-value	sig. level
1999 NSBA	39.48	42.54	b/	-3.06	Not reported	n.s.
2001 NSBA	40.15	41.16	b/	-1.02	Not reported	n.s.
2003 NSBA	43.21	42.44	b/	0.77	Not reported	n.s.
2004 NAT	61.06	58.73	a/	2.33	3.99	<0.01
2005 NSBA	45.84	39.93	b/	5.92	2.29	<0.05

a/ refers to whole country

b/ refers to a sample of non-TEEP divisions

Table 9.4. Coefficients from step-wise regression of overall MPS on NSBA in 2005 of TEEP schools against various TEEP interventions

Model	Unstandardized Coefficients		Standardized Coefficients	t	Significance
	B value	Std. Error	Beta		
1 (Constant)	42.891	0.419		102.321	n.s
SIIF project completed	2.964	0.358	0.303	8.270	n.s
2 (Constant)	41.907	0.443		94.655	n.s
SIIF project completed	2.377	0.364	0.243	6.525	n.s
School bldg.					
Prgm. repairs completed	0.387	0.066	0.217	5.834	n.s
3 (Constant)	41.543	0.468		88.756	n.s
SIIF project completed	2.333	0.364	0.238	6.417	n.s
School bldg.					
Prgm. repairs completed	0.300	0.076	0.168	3.945	n.s
Textbooks received TM	0.0159	0.007	0.097	2.335	0.200

Note: Dependent Variable: Overall Total

These findings are validated by recent qualitative evidence provided by the TEEP evaluation team during a meeting with Bank staff. TEEP field officers and staff members, including division and district officials, reported to the evaluation team that it was much easier to mobilize and institute school-community partnerships after the provision of resource-intensive inputs such as school buildings, school furniture and even textbooks. The more conducive physical learning environment (compared to the dilapidated state or even the absence of classrooms, learning materials and desks) has greatly motivated the students to stay in school, resulting in a surge in participation rates and a decline in dropout rates—at least immediately following the delivery of these inputs. With their children now opting to stay in school, the parents, LGUs and community members indicated that they felt encouraged to forge partnerships with the school officials and teachers to maintain this learning-conducive environment and mobilize resources, including their own (no matter how small), to ensure that their children also learn in school. Given the low resource base in these communities, capital investments were usually beyond their reach. Thus, the resource-intensive investments provided under the TEEP increased their motivation to be part of the school-community partnership.

At the same time, more efficient and equitable allocation of resources (e.g., through the redeployment of teachers from schools with a surplus of teachers to teacher-deficit schools, and the application of a normative financing formula in the allocation of school maintenance and other operating expenses) and increased mobilization of resources from LGUs and the local community (e.g., through cost sharing of school construction with LGUs and improvements in school governance under the SBM) are expected to help the DepEd generate savings and distribute inputs more equitably. These savings and efficiencies will ultimately allow the department to expand classroom construction or provide greater quantities of key non-personnel educational inputs (textbooks, instructional materials and teacher training) than would otherwise be possible.

In turn, this development is expected to enhance school attendance and learning outcomes, particularly among the poorer segments of the population. This expectation is supported by the results of Orbeta (2005) which show that the pupil-classroom ratio, the pupil-teacher ratio and the proportion of master teachers to total number of teachers are significant predictors of the achievement scores of public elementary school students in the SY 2002-2003 National Achievement Tests, while the pupil-teacher ratio, pupil-classroom ratio and pupil-seat ratio are significant predictors of the achievement scores of public secondary school students. On the other hand, inputs (teachers, classrooms and seats) are found to be significantly associated with school attendance. In particular, he estimates that reducing the pupil-teacher ratio by 10 will increase average probability of school attendance by 0.029 (0.031 for the poorest and 0.021 for the richest quintile), reducing the pupil-classroom ratio by 10 will increase average probability of attendance by 0.010 (0.011 for the poorest and 0.008 for the richest quintile) and reducing the pupil-seat ratio by 1 will increase probability of attendance by 0.296 (0.0316 for the poorest and 0.0222 for the richest quintile).²⁸

The analysis in the Basic Education Spending Plan indicates that the redeployment of teachers will free up more than enough resources to address the severe input deficits. Furthermore, it shows that if these input deficits are closed, elementary completion rates may improve from

²⁸ Orbeta (2005) estimates are based on probit analysis using the 2002 Annual Poverty Indicator Survey.

68.3% in SY 2003-2004 to 68.4% in SY 2010-2011 while high school completion rates may increase from 74.1% to 74.7%.

Addressing inequality. Overall high participation rates tend to mask rather than reveal unequal access to quality education. There are pockets of under-served groups (the poor, for example) and under-served areas (most of the Mindanao regions). Research from the 1999 Annual Poverty Indicator Survey (APIS)²⁹ shows that *per capita* household income is the most significant predictor of the variation in participation rates (Table 9.5). But school participation rates are also influenced by geographical location and gender. In particular, male children from poor households in poorer regions of the country are less likely to attend school than their counterparts elsewhere.

**Table 9.5. School Participation Rates, by Level, by Gender and by Poverty Status, 1999
(In Percent)**

	Male			Female			Both Genders		
	Poor	Non-poor	All	Poor	Non-poor	All	Poor	Non-poor	All
Elementary	88.67	93.60	90.70	90.31	94.09	91.85	89.46	93.84	91.25
Secondary	47.44	74.19	60.30	62.26	81.09	71.51	54.47	77.54	65.68

Source: 1999 APIS

Participation rates at the elementary level vary from a low of 77% in the Autonomous Region of Muslim Mindanao (ARMM), the region with the highest poverty incidence, to a high of 94% in the National Capital Region (NCR) and the Ilocos Region. At the secondary level, NCR, the region with lowest poverty incidence, posted the highest net enrollment rate (79%), while ARMM registered the lowest (45%).

Region-wise, a 20/10 percentage point variation in the NEAT/NSAT scores respectively was evident in SY 2000-2001 (Table 9.6). For the NEAT, Central Mindanao posted the lowest Mean Percentage Score (MPS) (44.9), while Eastern Visayas had the highest overall MPS (68.0). For the NSAT, the MPS ranged from 49.1 (Central Mindanao) to 63.9 (Eastern Visayas).

The NPSBE will support a number of initiatives that will help address inequality in access to quality basic education. These include: (i) improved allocation of MOOE and (ii) redeployment of teachers.

It is planned under the BESRA, which the NPSBE is supporting, that DepEd MOOE will be allocated to schools based on a normative financing formula that specifically takes into account differences in the level of funding likely to be forthcoming from LGU's Special Education Fund

²⁹ The 1999 APIS is a nationwide survey designed and conducted by the National Statistics Office (NSO) for the purpose of providing access and impact indicators that can be used as inputs to an integrated poverty indicator and monitoring system. The 1999 APIS used a stratified multi-stage sampling design and included 41,000 sample households. The APIS is meant to complement the Family Income and Expenditure Survey (FIES), which has been the primary source of information on poverty incidence in the Philippines but is conducted only once every 3 years. Consequently, the APIS is meant to be undertaken in the years when the FIES is not conducted.

(SEF), costs associated with school location, and size of enrollment. Such a strategy will help make the distribution of resources to schools more equitable.

Table 9.6. Mean Percentage Score in NEAT and NSAT by Region, 1997/2001

Region		NEAT			NSAT		
		1997-1998	1999-2000	2000-2001	1997-1998	1999-2000	2000-2001
NCR	Metro Manila	53.85	51.10	48.40	53.18	58.70	55.53
CAR	Cordillera	52.50	49.33	49.48	51.48	55.70	53.66
1	Ilocos Region	49.61	46.12	53.68	48.95	54.60	56.12
2	Cagayan Valley	56.40	48.69	50.38	50.92	53.52	53.22
3	Central Luzon	49.29	46.87	49.55	48.19	54.92	54.62
4	Southern Tagalog	50.81	49.62	50.73	48.15	55.84	53.49
5	Bicol Region	41.08	52.03	48.16	45.28	52.54	48.95
6	Western Visayas	48.18	45.87	45.69	45.90	50.26	48.89
7	Central Visayas	47.06	42.33	53.28	48.29	50.10	52.20
8	Eastern Visayas	63.19	63.44	67.97	51.34	62.66	63.89
9	Western Mindanao	54.83	50.72	53.64	52.29	54.85	52.56
10	Northern Mindanao	47.31	49.31	55.52	46.80	53.13	53.35
11	Southern Mindanao	47.04	48.24	55.29	45.20	51.25	49.94
12	Central Mindanao	40.76	44.65	44.91	42.27	48.64	49.07
ARMM	Muslim Mindanao	52.05	49.12	49.35	48.22	51.26	51.22
CARAGA		45.92	56.34	66.99	48.66	54.78	59.12
Philippines		50.78	49.19	51.73	48.66	54.35	53.39

NEAT and NSAT were not administered in SY 2001-2002

Source: National Education Testing and Research Center, DECS

At present, MOOE is essentially distributed to schools on a *per student* basis regardless of the fiscal capacity of the LGU where the school is located.³⁰ In the absence of school-based management, even this small allocation does not reach the school as it is absorbed into operating costs in DepEd offices.

There are wide variations in Special Education Fund (SEF) income per resident pupil across LGUs from different income classes (Table 9.7). Adjusting the MOOE allocation of the DepEd to take account of school needs would be a major step towards reducing current inequities in financing the operation of schools to meet comparable basic standards.

Also, existing national and local government financing arrangements for the basic education sub-sector have not only contributed to inequity in the system but have also created disincentives for a more efficient allocation of SEF resources at the LGU level. For instance, although construction of public school buildings is devolved, the central government continues to allocate funds from a centrally managed school building program. This practice essentially assures each

³⁰ The allocation is PhP 350 per high school enrollee and PhP 125 per grade school enrollee in public schools in 2006.

and every congressional district a share in the total number of classrooms constructed in direct proportion to total enrollments in their jurisdictions regardless of each LGU's capacity to provide funding for such construction. Thus the proposal to develop a financing framework to encourage cost sharing between national and local governments will go a long way towards correcting this distortion.

Table 9.7. Per Student SEF Income, 2002, in PhP

LGU income classification	Median	40th Percentile
City Class 1	547	508
City Class 2	275	268
City Class 3	444	357
City Class 4	249	210
City Class 5	223	172
Municipality Class 1	123	90
Municipality Class 2	74	57
Municipality Class 3	55	45
Municipality Class 4	50	41
Municipality Class 5	39	31
Municipality Class 6	41	32

The scope for improving equity in the distribution of teacher positions is large, as demonstrated by the existing problems of “excess” teachers (78,188 in SY 2003-2004) and severe shortfalls in teacher deficit schools (44,297 teachers needed). The more uncompromising stance on teacher redeployment proposed under the BESRA is expected to contribute to reducing inequality in the distribution of teacher inputs.

2. Financial analysis

The Philippines faces a significant financial challenge in the education sector. National government funding for the basic education sector is relatively protected when compared with other sectors. The DepEd budget grew by 3.4% yearly on average in nominal terms, more than 50% higher than the average rate of increase in the budgets of other national government agencies (2.1%) in 2000-2004, a period of severe fiscal constraints. Despite this, real DepEd spending per student fell by 3.8% yearly on average over the same period.

The medium term spending plan of the DepEd, completed in early 2005, indicates that existing fiscal pressures will likely persist over time and will impair the country's ability to progressively achieve its Education for All (EFA) 2015 targets. However, the funding gap in the basic education sector will most likely be narrowed by the projected improvements in the central government's overall fiscal position following the enactment of new tax measures (namely, the higher excise tax rates and the reformed Value Added Tax or VAT law in 2005) and the increase in the VAT rate from 10% to 12% in early 2006.

Thus, the amount of resources needed to meet EFA targets will most likely exceed the DepEd's projected budget for most of the period 2006-2015 (Figure 9.1). Based on the worst-case scenario³¹ modeled under the Basic Education Spending Plan for 2006-2015 (DepEd/WB, 2005), this gap is projected to vary between PhP 16 billion and PhP 31 billion over the period 2006-2010, which would be equal to between 13 and 21 percent of the projected DepEd budget in those years. Under the best-case scenario,³² this gap is projected to be smaller, varying between PhP 14 billion and PhP 22 billion over the period 2006-2010—equal to between 12% and 15% of the projected DepEd budget in those years.

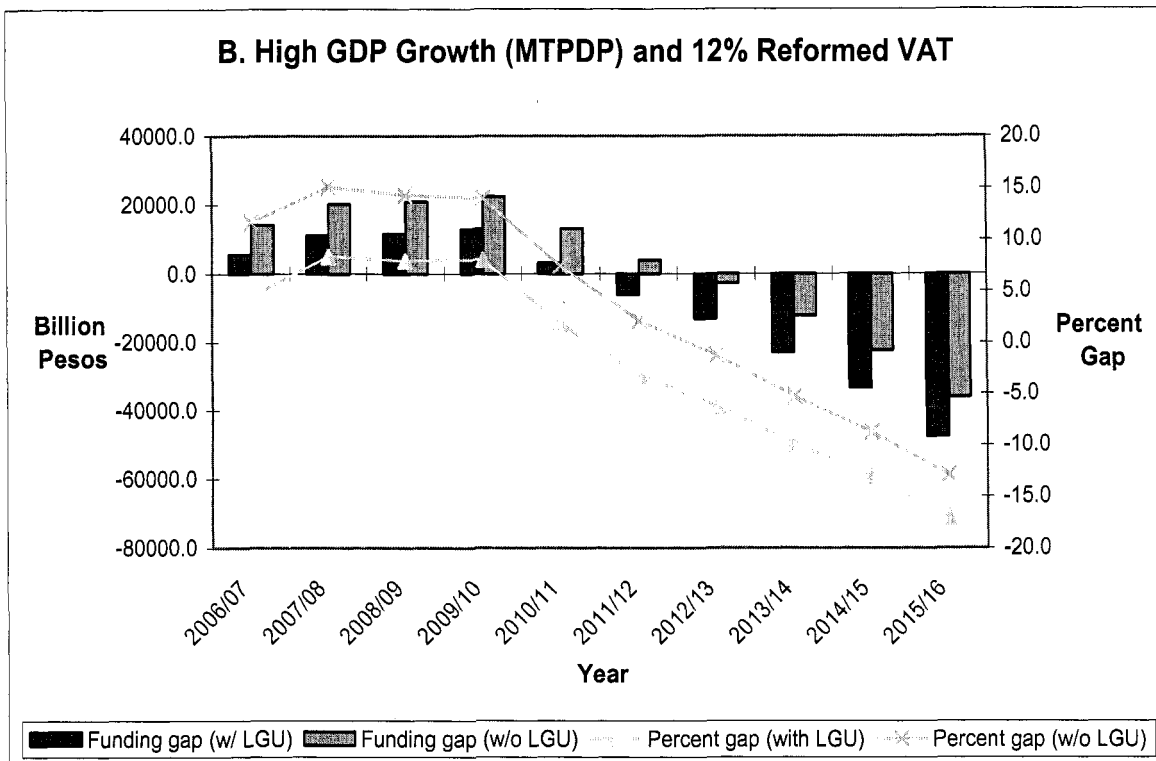
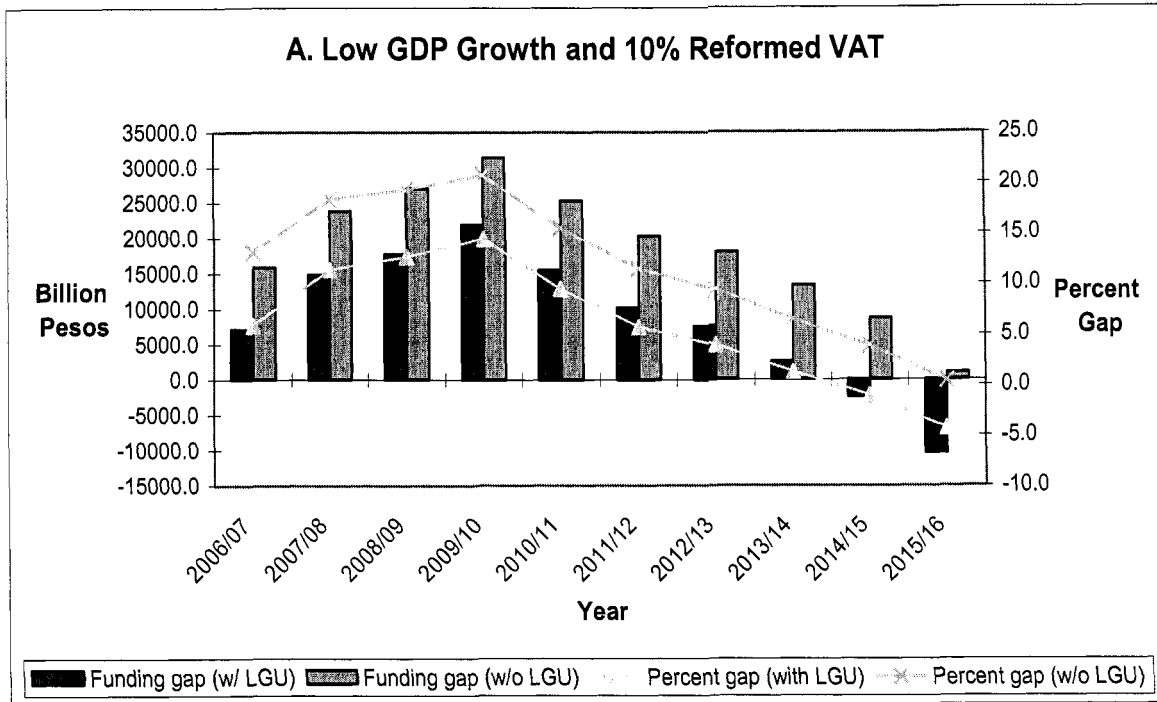
The DepEd Medium Term Spending Plan also shows that LGU contributions can help reduce the funding gap. Nonetheless, their contributions are not likely to be sufficient to close the gap in the period 2006 to 2010, as shown in Figure 9.1.

Since the NPSBE is aimed at supporting existing expenditure items in the DepEd budget, it will have no direct additional impact on future recurrent allocations for the DepEd. However, if some of the NPSBE supported reforms promising greater efficiencies in service delivery and options for cost sharing with local government and the private sector are realized, Government will be better placed to close the gap between the funding required for minimum resource provision for quality education and the likely budget allocation to DepEd.

³¹ This scenario assumes that GDP will grow at a slightly slower pace than MTPDP projects and that the reformed VAT rate will stay at 10%.

³² This scenario assumes that GDP will grow at the same pace as MTPDP projects and that the reformed VAT rate will be increased to 12%. Also, it is assumed under both scenarios that the budget share of the basic education sub-sector in total national government spending net of debt service and transfers to LGUs in the last 5 years will be maintained.

Figure 9.1 Funding Gap to Meet EFA Targets under Alternative Scenarios



Annex 10: Safeguard Policy Issues

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

Indigenous Peoples Planning Framework and Environment Category

I. Indigenous Peoples Planning Framework

1. This Framework aims to ensure that the National Program Support for Basic Education complies with the Philippines Indigenous People's Rights Act or IPRA (Republic Act No. 8371), as well as with the World Bank Revised Operational Policy On Indigenous Peoples (OP 4.10).

Policy Context

2. The IPRA defines indigenous people as a "group of people or homogenous societies identified by self-ascription and ascription by others who have continuously lived as organized communities on communally bounded and defined territory, and who have, under claims of ownership since time immemorial, occupied, possessed and utilized such territories, sharing common bonds of language, customs, traditions and other distinctive cultural traits, or who have, through resistance to political, social and cultural inroads of colonization, non-indigenous religions and cultures, became historically differentiated from the majority of the Filipinos".

3. The IPRA stipulates that IPs have the right to informed and intelligent participation in the formation and implementation of any project, be it initiated by government or private entities. IPRA safeguards against possible project impacts on ancestral domains. It also ensures that IPs have the right to participate in decision-making in all matters that may affect their lives.

4. Specific to education, Section 28 of the IPRA, entitled Integrated System of Education, provides that "The State shall, through the NCIP, provide a complete, adequate and integrated system of education, relevant to the needs of the children and young people of ICCs/ IPs." Moreover, Section 30 of the IPRA defines the system by which the IPs shall have access to education, to wit: "*The State shall provide equal access to various cultural opportunities to the ICCs/IPs through the educational system, public or private cultural entities, scholarships, grants and other incentives without prejudice to their right to establish and control their educational systems and institutions by providing education in their own language, in a manner appropriate to their cultural methods of teaching and learning. Indigenous children/youth shall have the right to all levels and forms of education of the State.*" These legislative provisions are further elaborated in the Implementing Rules and Regulations (IRR) of IPRA, specifically Sections 6 and 8.

5. For its part, the World Bank Policy on Indigenous People (OP 4.10) provides that all World Bank-assisted projects shall be designed and implemented "in such a way that Indigenous People do not suffer adverse effects during the development process; or when avoidance is not feasible, minimize, mitigate or compensate for such effects (paragraph 1)". Moreover, Bank-financed projects are also "designed to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate and gender and intergenerationally inclusive (paragraph 1)".

Education Situation of IPs in the Philippines

6. The 2000 Census of Population and Housing showed that around 8% or 5.3 million of the total population of 76.5 million are from 85 ethno-linguistic groups. Table 1 shows the five regions in the country where there are significant IP populations, together with the corresponding regional poverty incidence.

Table 1. IP population & selected regional poverty incidence

Regions	IP population (in %)	Regional Poverty Incidence
ARMM	21.7	59.8
Region XI	14.0	33.1
Region XII	13.5	46.8
CAR	11.9	37.6
Region II	10.5	30.4

Sources: *Census of Population and Housing 2000*
Family Income and Expenditure Survey 2000 (revised)

7. Historically, the IP communities have been resistant to assimilation and, as a result, have been driven to remote rural areas, mostly mountainous communities, with no or inadequate access to basic services such as education. Thus, most IP communities represent the poorest sector in the country. Even when opportunities do reach IP communities, IP concerns tend to be “invisible” in these programs/services, which were developed in accordance with majority norms. Similarly, the content of the educational curriculum is not sensitive to IP cultures, which members are committed to preserving. Further, the school environment continues to stigmatize the students from IP communities.

8. Based on the paper “Indigenous Peoples in the Philippines: Development Issues and Challenges” (Caponos, 2005), IPs belonging to the 15-64 age bracket (56%) outnumber the 0-14 (41%) and over 65 (3%) age brackets. The same paper further cites that based on the 2000 census, 7 out of 10 IPs were literate; Males (71%) had a slight advantage over females (70%). Figure 2 illustrates the educational attainment of IPs, nearly half of whom (46%) are elementary graduates, with 19% having completed secondary education and 18% with no education. A mere 0.46% attained post-graduate degrees.

9. The results of the various NCIP consultations and informal surveys on the ground, which were conducted in 2005, revealed that many IPs are unable to finish formal education due to the high opportunity cost of investing in education with minimal relevance to their lives. It is acknowledged that poor achievement and a high percentage of drop-outs prevail. These outcomes are largely due to lack of resources, inaccessibility of and hazards involved in getting to educational centers/facilities, and difficulty in learning due to the prevalent use of a second language and the perception of harsh disciplinary methods. Specific concerns about the plight of IPs as regard education are as follows:

- (i) **Low survival and participation rates** are attributed to incomplete elementary schools. In the Cordillera Autonomous Region (CAR), for instance, 549 elementary schools were incomplete as of SY2000-01, representing 40% of the

total number of elementary schools in the region. The incomplete elementary school, in turn, is primarily caused by the inappropriate application of national planning standards to the regions, which in IP-dominant areas are characterized by dispersed types of settlement and rugged terrain. During the rainy months of the school year, small children are unable to attend.

- (ii) **Low achievement rates in National Elementary Achievement Test (NEAT) and National Secondary Achievement Test (NSAT).** Achievement Rates in both tests are below fifty percent (50%) for CAR. Some factors contributing to the poor performance are the lack of teachers and the inadequacy of physical facilities and instructional materials.
 - (iii) **Inadequate competency and proficiency of teachers to handle IPs.** Basic Education requires that teachers have mastery of their subject matter, i.e., they are trained as “specialists.” However, the usual case is for teachers trained as “generalists” to handle courses for which they are not prepared. This issue is now being addressed through Third Elementary Education Project (TEEP) and the Secondary Education Development and Improvement Project (SEDIP).
 - (iv) **The management of the educational process is highly politicized, particularly the creation of schools and the hiring of teachers.** The Education Master Plan for CAR cites the case of some politicians meddling in the hiring of teachers while others enact laws creating new schools where there are already existing public secondary schools. The laws instituting these new schools, however, do not adequately provide for teacher positions. In CAR, for instance, 1,273 teachers are needed for the elementary level and 1,369 for the secondary level as of SY 2001-02. Moreover, the local government units with their limited resources are unable to pay for teacher salaries.
 - (v) **Lack of resources in terms of textbooks, classrooms, desks/armchairs.** In CAR, the textbook–pupil ratio is 1:2, while at the secondary level, it is 1:6. In SY 2001-2002, elementary schools lacked 1,438 classrooms, and secondary schools were short of 780 classrooms. The region needed 16,065 desks. It also needed 34,354 armchairs for elementary, and 30,131 armchairs for secondary schools.
10. The ensuing educational action agenda as drawn from the consultations were as follows:
- (i) Primary aim for IP education is to build/increase capacity of IP children for national/global understanding and/or participation while preserving and taking pride in their indigenous cultural roots and identity;
 - (ii) Allow IP groups to play an active role in identifying what their children should learn and participate in designing and implementing the school curriculum;
 - (iii) Use indigenous resources for teaching-learning process including tapping tribal elders/leaders as “living libraries” and resource persons;
 - (iv) Adopt IP culture-based content and learning modes, including indigenous learning systems from the indigenous cultural communities (ICCs);
 - (v) Hire and train teachers from the ICCs;
 - (vi) Use local language in teaching;

- (vii) Facilitate provision of appropriate facilities, equipment and materials; Prepare culturally appropriate curriculum guides/instructional materials for teacher use based on the particular context of IPs/ICCs;
- (ix) Conduct continuing research and documentation as well as establish and maintain database on IKSP;
- (x) Adopt flexible schedule to accommodate subjects that directly address IP content, and use sliding school calendar to address specific circumstances and socio-economic conditions in specific ICCs; and
- (xi) Maintain separate budget for indigenization of the curriculum to ensure sustainability of support.

The NPSBE

The National Program Support for Basic Education Project (NPSBE) offers assistance to improve the capacity and effectiveness of the DepEd system through a reform package that responds to issues concerning equity, quality, governance and financing of basic education. It is envisioned that the efficient and effective implementation of reforms will enhance equitable opportunities for excluded and disadvantaged groups to avail themselves of social services and quality learning. At the end of the day, quality-learning outcomes will be made better for the citizenry, thereby directly contributing to economic growth and social inclusion. Lastly, project support for decentralization and governance will enable DepEd to address administrative concerns having to do with management of expenditures and service delivery. DepEd's administration will be strengthened by enhanced systems of procurement, fiduciary control and accountability. Since one of the development objectives of NPSBE is to improve access to basic education, particularly among disadvantaged groups, including IPs, the Project will make deliberate efforts to ensure their inclusion.

The Strategy for Participation of IPs in NPSBE

The participation of indigenous peoples in the NPSBE will be achieved through continued consultation with their sector before and during the Project implementation, as well as through substantive adjustments to the educational services. These modifications shall be specified in detail in the Indigenous Peoples Development Plan—to be prepared as part of the School Improvement Plan in NPSBE target schools, which will include students from indigenous cultural communities.

Consultations and Social Assessment

During the preparatory studies, the DepEd, in coordination with NCIP, will consult organized groups of IPs to draw out their specific concerns regarding the various aspects of the reform program. Whenever applicable and appropriate, the detailed design of each NPSBE components shall include a social assessment of its possible impact on IPs. This social assessment shall involve the following:

- (i) A review of the legal and institutional framework applicable to IPs;
- (ii) Gathering of baseline information on the demographic, social, cultural, and political characteristics of the potentially affected IPs.

- (iii) Determining specific social risk and impact of educational reforms to IP students (on the basis of a clear description of stakeholder communities), as well as various mechanisms for their continued participation in the project.

Integration of IP Concerns in Reform

In terms of substantive adjustments in the educational services, the various reform initiatives will deliberately incorporate the concerns of the IP students based on the results of the consultations and social assessment. Among others, this will involve the development of culturally sensitive curriculum, textbooks, teacher training and deployment, as well as possibly targeting the Alternative Learning Program to provide preferential weight to the inclusion of IP communities. IP participation in the program will be further ensured through their representation in the school governing council and PTCA. The school plan will need to emphasize and include strategies for reaching out to IP communities to ensure their representation in the aforementioned bodies.

The DepEd will prepare an overall IP participation plan to determine, in detail, the nature and extent to which the educational concerns of IPs can be integrated into the various reform initiatives. Moreover, said plan will provide for the monitoring and evaluation of such initiatives.

School-specific IP Participation Plan

Whenever the target areas of the School-based Management Component shall be determined to cover students from indigenous cultural communities, the School Improvement Plan shall include a section on Indigenous People Development Plan (IPDP) with due respect to the requisites of NCIP AO No. 1 series of 2004 on Ancestral Domain Sustainable Development and Protection Plan. The provisional outline of the IPDP is as follows:

- (i) Situation of IP students
- (ii) Objectives of the IPDP
- (iii) Indigenous Students and the BESRA Program (Major Strategies & Activities that will involve or have impact on IPs)
- (iv) Estimated Program budget directly benefiting indigenous students
- (v) Timetable for IPDP implementation
- (vi) Monitoring and impact evaluation arrangements

Monitoring and Evaluation of NPSBE Impact on IPs

The NPSBE shall give special attention to the monitoring and evaluation of its impact on IPs during the mid-term review and end of project review.

II. Environment Category

The project will support rehabilitation and/or construction of classrooms/school buildings. The environmental effects, if any, for these types of activities are deemed negligible and highly reversible. It is for this reason that the project is considered Environment Category C. Nonetheless, environmental guidelines are put in place to ensure that civil works activities do not cause any undue harm to the environment and people.

Environmental Impacts

Civil works impacts. The construction and/or rehabilitation of classrooms/school buildings may contribute to the short-term degradation of the environmental quality in the immediate vicinity of the construction site. It may increase the noise and dust levels, which could affect the health of construction workers and residents of nearby settlements, and degrade the quality of nearby bodies of water bodies, if earth spoils and solid wastes are not properly disposed of and if sanitary facilities are not provided. It could also endanger the lives of the workers if occupational health and safety standards are not adhered to at the construction site. These impacts, however, are short-term and limited to the construction phase, and can be easily mitigated by adopting proper construction site management, practicing good housekeeping measures and closely following occupational and health safety standards.

Environmental Guidelines

The guidelines will be strictly observed in all proposals for classroom construction and/or rehabilitation.

Construction works will not be sited in protected areas and other sensitive areas. Civil works activities will not be sited in environmentally, culturally and socially sensitive areas. Any construction works that will pose significant environmental risk will not be funded by the project.

Contracts to include environmental measures. The contracts for civil works activities will include clauses on proper construction site management, good housekeeping measures, provision of temporary sanitary facilities such as portalets, proper waste disposal, adherence to dust and noise standards and adoption of occupational health and safety standards.

Huge civil works with adverse environmental impacts will not be funded. The project will not support huge civil works activities, land conversion, resource extraction, industrial production or any activity that could adversely affect the environment.

Annex 11. Philippines' Basic Education and Sector Reform Agenda and Associated Expenditure Framework

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

I. Basic Education Sector Reform Agenda, 2006-2010

The Department of Education (DepEd) is currently implementing the *Schools First Initiative*, an effort to improve basic education outcomes through a broadly participative, popular movement featuring a wide variety of initiatives undertaken by individual schools and communities, as well as networks of schools at localities involving school districts and divisions, local governments, civil society organizations and other stakeholder groups and associations.

Even as the Schools First Initiative seeks to improve the way all public schools perform now, the DepEd is also undertaking fundamental reforms to sustain better performance. DepEd is pursuing a package of policy reforms that as a whole seeks to systematically improve critical regulatory, institutional, structural, financial, cultural, physical and informational conditions affecting basic education provision, access and delivery on the ground. These policy reforms are expected to pave the way for the changes that must take place if the Schools First Initiative's efforts to improve education are to be accelerated, broadened, deepened and sustained. This package of policy reforms is called the **Basic Education Sector Reform Agenda (BESRA)**. What follows is a summary of the agenda's contents.

Overall objectives of BESRA

The policy actions comprising the BESRA seek to create a basic education sector that is capable of attaining the country's Education for All Objectives by the year 2015. In summary, these objectives are:

1. *Universal Adult Functional Literacy*. All persons beyond school-age, regardless of their levels of schooling should acquire the essential competence to be considered functionally literate in their native tongue, in Filipino or in English.
2. *Universal School Participation and Elimination of Drop-outs and Repetition in First Three Grades*. All children aged six should enter school ready to learn and prepared to achieve the required competencies from Grade 1 to 3 instruction.
3. *Universal Completion of the Full Cycle of Basic Education Schooling with Satisfactory Achievement Levels by All At Every Grade or Year*. All children aged six to eleven should be on track to completing elementary schooling with satisfactory achievement levels at every grade, and all children aged twelve to fifteen should be on track to completing secondary schooling with similarly satisfactory achievement levels at every year.
4. *Total Community Commitment to Attainment of Basic Education Competencies for All*. Every community should mobilize all its social, political, cultural and economic resources and capabilities to support the universal attainment of basic education competencies in Filipino and English.

In order for the basic education sector to achieve the desired educational outcomes for all Filipinos as listed above, the BESRA focuses on specific policy actions within five key reform thrusts (KRT) as follows:

- ❑ KRT 1: Get all schools to continuously improve
- ❑ KRT 2: Enable teachers to further enhance their contribution to learning outcomes
- ❑ KRT 3: Increase social support to attainment of desired learning outcomes
- ❑ KRT 4: Improve impact on outcomes from complementary early childhood education, alternative learning systems and private sector participation
- ❑ KRT 5: Change institutional culture of DepEd to better support these key reform thrusts

In short, the five key reform thrusts of BESRA are on: schools, teachers, social support to learning, complementary interventions, and DepEd's institutional culture.

Key Reform Thrust 1: School-level stakeholders improve their own schools continuously.

Why this reform thrust is important. Schools are the community-based social institutions that provide the most formal education to the greatest number of individuals. Society's expectations are that schools enable students to learn and thereby attain their desired educational outcomes. If schools are to deliver better outcomes in a sustainable manner, key stakeholders within the school and the community served by the school must be enabled and empowered to manage affairs at the school level. If given the appropriate support, their deliberate and continuous efforts should produce the collectively desired outcomes. The central insight of this reform thrust is that the people most actively involved in and directly affected by the schools' operations are the best people to improve the quality of these schools.

Progress in this key reform thrust will be indicated by:

1. Increased percentages of all public schools that have current school improvement plans (SIP) prepared, implemented and monitored through a participatory process led by school heads working with organized school governing councils (SGC).
2. Increased percentages of public schools with SIPs prepared, implemented and monitored through a participatory process that meets specific quality criteria included in a SIP assessment instrument. (These quality specifications include: linkage of SIP activities with improved learning outcomes; depth or level of community participation; priority given to meeting teachers' needs for better teaching practice; support given to classroom improvement; and consistency with school's long-term development plans).
3. Increased levels of resources managed and controlled at the school level.
4. Improved levels of school-wide student performance based on results of national standardized tests.

Main policy actions identified to generate progress in this key reform thrust:

The following three policy actions are all within the legal mandate of Chapter 1- Governance of Basic Education, Section E. School level of Republic Act No. 9155, Governance of Basic Education Act of 2001.

- 1.1 *A head for every school.* Ensure that every school or cluster of schools is led by a school head who is selected, prepared, supported, monitored and made accountable for organizing and leading an institutionalized school improvement process at the school/community level.
- 1.2 *A school/community process of continuous school improvement.* Institutionalize an efficient, participatory, and continuous school improvement process in every school. Enable every school to routinely prepare a school improvement plan (SIP), implement it, monitor and report on its implementation, and evaluate its results in terms of school-wide attainment of desired learning outcomes. Enable every school and its community to establish and maintain functional and empowered School Governing Councils, supporting the operational leadership of the school head in the school improvement process. Provide schools with means to adopt mechanisms and practices for school-level accountability to parents, community, LGUs, and the DepEd hierarchy, including use of School Profiles, School Report Cards and similar modes of reporting measurements of school-wide educational outcomes (participation, completion and achievement). Expand schools' use of student tracking systems for a variety of purposes including follow-up of students who are frequently absent, encountering difficulties and/or who are lagging behind. Establish and sustain school/community level measures for enhancing the basic health and nutrition status of students and school staff, which should be included as an important part of the SIP and a key responsibility of the SGC.
- 1.3 *A school-based resource management framework.* Create a simple and practical school-based framework for comprehensive management of all resources available to schools (e.g., those coming from the GAA, local government funds, community contributions and other sources), for the attainment of the school's mission, particularly desired learning outcomes. Create an administrative and operational environment, including installation of basic financial management and resource accounting systems appropriate to all types and sizes of schools, that enables schools together with their communities to become self-governing (i.e., to autonomously decide and act on matters related to education delivery at the school level).

The fourth policy action below will be pursued on the basis of the legal mandate of Department of Education officials and employees to serve as co-chairperson and members of local school boards of local governments according to Book 1, Title 4 - Local School Boards, Sections 98 to 101, of Republic Act No. 7160, Local Government Code of 1991.

- 1.4 *A schools-driven DepEd through appropriate representation on Local School Boards.* Enable school heads and school governing councils to monitor and influence LGU spending for basic education, particularly in relation to the use of SEF collections.

Key Reform Thrust 2: Teachers raise the prevailing standards of their profession to meet demands for better learning outcomes.

Why this reform thrust is important. Classroom performance of teachers is a critical determinant of learning outcomes attained by school students. Improving schools, therefore, hinges upon enhanced teacher performance in the classroom. Schools must be provided with more and better teachers—able and willing to develop their capacity and strive for excellence in classes of reasonable size. Furthermore, since most education managers start out as teachers, improving the competence of teachers in the service will also likely improve the quality of future education managers. A central insight of this reform thrust is that teachers themselves have the greatest

stake in and most direct influence on raising the prevailing standards governing their professional practice in order to meet social demands for better learning outcomes.

Progress in this key reform thrust will be indicated by:

1. Increased percentages of all DepEd divisions using competency-based standards for assessing teacher performance, determining teacher development needs and priorities, promoting teachers and hiring new ones.
2. Increased percentages of all new teachers (national and local payrolls) deployed in schools at each DepEd division who were selected and hired based on teacher competency standards of the division.
3. Frequency distributions of class sizes (schools, divisions, regions and national) clustered more closely around the average.
4. Increased percentages of all classes requiring assignment of specially trained teachers served by teachers with correct preparation and qualifications (e.g., high school science classes handled by teachers with correct science majors, multi-grade classes handled by teachers with multi-grade training, and alternative learning programs handled by mobile teachers with the required training).

Main policy actions identified to generate progress in this key reform thrust:

The first five policy actions that follow can all be undertaken by DepEd as part of the implementation of Chapter 1 – Governance of Basic Education of Republic Act No. 9155, Governance of Basic Education Act.

- 2.1 *A framework for competency-based standards for teachers.* Adopt a national framework using teacher competencies as the basis of standards for assessing new teachers' readiness for hiring and deployment, incumbent teachers' current performance, and teachers' priority needs for professional development. Teacher competencies relevant to improved learning outcomes include: language proficiency, subject matter mastery, pedagogical and classroom management skills, and commitment to profession and community.
- 2.2 *A rolling 5-year projection of new teacher hires.* Prepare a rolling 5-year projected staffing pattern for all schools that identifies expected staffing requirements and estimates the number of future hires for different types of positions in different divisions. Maintain a rolling 5-year series of annual forecasts of future teacher demand at the national, regional and divisional levels. This can be used as the basis for announced changes in future hiring standards that will require prior responses by pre-service teacher education programs and the professional licensing of teachers.
- 2.3 *Progressive upgrades in division level teacher hiring practices.* Enable all divisions to progressively improve the quality of teachers they hire based on national competency standards adapted to local conditions. Set up rolling 5-year timetables for each division to raise, year-by-year, the minimum standards for hiring future teachers. At all divisions, develop new rules, procedures, and instruments to govern hiring, together with appropriate staff, capable of scientifically assessing teacher applicants in terms of their probable performance in actual conditions of classroom practice against prevailing performance standards.

- 2.4 *Regional, divisional and school level targets for distribution of class sizes.* Improve the deployment of available numbers of nationally paid teachers in order to fairly distribute the instructional workloads among classes and schools. Set up and monitor compliance with rolling 5-year targets for improvements in class size distribution for regions, divisions and schools. In order to attain each year's targets, regions, divisions and schools would be authorized to use a variety of strategies, including: allocation of new teacher positions; re-deployment of vacant positions; encouragement of voluntary teacher transfers; and selective control of new enrollment in over-crowded schools in favour of less crowded schools nearby.
- 2.5 *Division and school focus on improving teaching practice in schools.* Encourage each division to adapt the national framework for competency-based standards for teachers to the specific conditions and needs of the division schools. Use the division-specific teacher competency framework (and develop division and district staff capable of providing technical support to schools on its use) as the basis for each school's regular assessment of incumbent teachers' performance. The framework should also be used to determine priorities for teacher development with an eye to closing identified gaps in student learning outcomes and maximizing opportunities. Ensure that the process of SIP preparation, implementation and monitoring features the regular practice of school heads leading teachers in using student assessment data and classroom observations to identify strengths and weaknesses in teacher performance, corresponding gaps in teacher competencies, and to prioritise the use of school-based resources for improved teaching and learning. Charge the SGC with raising awareness among schools and communities about the importance of teachers and students both attaining high levels of proficiency in English, Science and Math. Expand the number of cost-effective options available to schools for meeting the training and professional development needs of teachers designated as high priority. These options may include: self-learning and tutorials, school-based or division-based INSET, regional/central training, academic training in tertiary institutions, distance learning programs and computer-based courses, as well as short courses by private and other providers.

The next two policy actions involve negotiated agreements with organizations and agencies over which DepEd does not have any administrative authority. Memoranda of agreement will need to be written between DepEd and LGUs on the competency-based standards governing the hiring of locally paid teachers. Similar memoranda of agreements may also have to be negotiated with teacher education institutions, state colleges and universities and the Professional Regulation Commission. The Education Secretary's policy oversight function of the Commission on Higher Education as mandated by Executive Order No. 434 may also be a source of administrative authority to pursue agreements with teacher education institutions and state colleges and universities.

- 2.6 *All other sources of teacher hires to adopt division hiring practices:* Negotiate with local governments, local school boards, PTCAs and all other sources of local-hire teachers supplementing the nationally provided positions to convince them that locally hired teachers should be subject to the same procedures and standards adopted by the division for nationally hired teachers.
- 2.7 *Pre-service teacher education and licensing to support higher standards for hiring in the future.* DepEd's 5-year annual projection of future teacher hires can signal to teacher education institutions and the professional teacher licensing system the teacher competencies that will be valued by the public schools in the coming years. Using these future forecasts, a

synchronized set of corresponding year-by-year reforms in policies for pre-service and licensure can be developed and negotiated that will provide sufficient lead time for meeting the higher standards of future teacher hiring.

- *All TEI's.* More competitive entry and admission to teacher education programs; implementation of the new pre-service teacher education curriculum which includes extended exposure of student teachers to actual instruction under master teachers.
- *All SUC's.* State-assisted interventions to increase future supply of good teachers in English, Math and Science.
- *PRC.* Review and improvement of teacher licensure process to enhance its capacity to certify only teachers with essential capabilities to teach well.

The last policy action below will definitely require new legislation or an amendment to existing ones. The thrust of the policy action will be to assemble data and analysis that can support the formulation of draft legislation.

2.8 *New legislation governing teacher (and non-teaching staff) compensation, benefits and conditions of employment.* Develop a long-term strategy for improving teacher compensation and benefits to *attract* better students into the teaching profession and keep the best teachers in the service, either in classrooms or in administrative positions. Provide incentives for hard-to-staff teaching positions. Explore public-private partnerships as a source for supporting teacher compensation, benefits and incentives. Adopt a longer probationary period (two to three years) for new teacher hires linked to a professionally mentored induction program with peer appraisals and assessments. Consider changes in rules on teacher deployment to include routine changes in grade level and school assignment to insure that teachers master the span of elementary or secondary curriculum.

Key Reform Thrust 3: Influential social institutions and key social processes are engaged by DepEd to support national scale attainment of desired learning outcomes.

Why this reform thrust is important. For schools, teachers, and the whole DepEd organization to perform better, the basic education sector needs to secure strong and sustained support for resources necessary for good instruction, which in turn, depends on parents and students recognizing that good instruction is vital to attaining their most valued personal, family, community and national aspirations. In order for parents and students to recognize the benefit of attaining desired learning outcomes and support quality education, they need to see that society as a whole values learning and does everything in its power to further it. The central insight of this reform thrust is that ordinary people from different spheres of society (i.e., persons not specifically trained or skilled in professional education) not only can enhance the learning that students derive from schooling, but also strengthen society's support for the teachers, schools and educators doing their best to make learning possible for all.

Progress in this key reform thrust will be indicated by:

1. Increases in the levels of educator satisfaction with the quality of instruction that schools deliver.
2. Increases in the levels of parent and child satisfaction with the quality of education they obtain.

3. Increases in the levels of community satisfaction with the performance of schools serving them.
4. Improvements in national indicators of learning outcomes such as participation and completion rates, achievement rates and national sample scores in internationally comparable tests.

Main policy actions identified to generate progress in this key reform thrust:

The first three policy actions below are in accordance with Chapter 1 – Governance of Basic Education, Section 7- Powers, Duties and Functions, Part A. National level of Republic Act No. 9155, Governance of Basic Education Act of 2001. These three actions involve the adoption of multi-sectoral national strategies in support of learning in three major areas of knowledge of common interest to all Filipinos, namely, learning in English, in Filipino, and in Math and Science.

Each of these national strategies would encompass the basic education curriculum and instruction in formal schooling, as well as the potential learning support provided by media, community, home and workplace, alternative learning options, civil society initiatives and all other social mechanisms that enhance learning. Each strategy shall also include consideration of alternative high schools e.g., science and technology schools, culture and arts schools, open high schools, distance education, among others. And each strategy shall also consider the preparation and education of teachers and other types of mentors and guides best able to facilitate the desired learning in each area of knowledge.

All three strategies would be articulated for children reached by mainstream public schools, as well as for population segments requiring special education, for differently-abled persons, for indigenous peoples, for Muslim Filipinos through madrasah education. Part of the strategies would be the streamlining of the curriculum, and the possible extension of the basic education cycle. The strategies will be formulated through consultations, research, debates, etc. Once adopted, these strategies would include information campaigns to increase popular awareness and understanding about current trends in educational outcomes in these areas of knowledge, and current progress in implementing reforms necessary to sustain improvements in desired learning outcomes.

- 3.1 *A national strategy in support of learning in English language.* Engage leaders, influentials, experts, groups and institutions with an interest in Filipinos learning in the English language. Articulate a consensus on the role and importance of Filipinos learning in English. Identify resources, capabilities, assets, strengths and advantages that contribute to Filipino mastery of English language. Propose actions, policies, projects, activities and initiatives that can accelerate, enhance, enrich and universalize the process of Filipinos learning in the English language. Recommend appropriate directions or priorities for schools, media, professions, enterprises, government agencies, churches and religions, and other social institutions.
- 3.2 *A national strategy in support of learning in Filipino language.* Engage leaders, influentials, experts, groups and institutions with an interest in Filipinos learning in the Filipino language. Articulate a consensus on the role and importance of Filipinos learning in Filipino. Identify resources, capabilities, assets, strengths and advantages that contribute to Filipino mastery of Filipino language. Propose actions, policies, projects,

activities and initiatives that can accelerate, enhance, enrich and universalize the process of Filipinos learning in the Filipino language. Recommend appropriate directions or priorities for schools, media, professions, enterprises, government agencies, churches and religions, and other social institutions.

- 3.3 *A national strategy in support of learning Mathematics and Science.* Engage leaders, influentials, experts, groups and institutions with an interest in Filipinos learning Math and Science. Articulate a consensus on the role and importance of Filipinos learning Math and Science. Identify resources, capabilities, assets, strengths and advantages that can contribute to Filipino mastery of Math and Science. Propose actions, policies, projects, activities and initiatives that can accelerate, enhance, enrich and universalize the process of Filipinos learning Math and Science. Recommend appropriate directions or priorities for schools, media, professions, enterprises, government agencies, churches and religions, and other social institutions.

The national level of DepEd is also authorized, and held accountable and responsible by RA 9155 for “promulgating national educational standards and monitoring and assessing national learning outcomes”. As part of the national strategies in support of learning, the policy action described below involves a more detailed specification of the standards and outcomes which formal basic education schooling should meet.

- 3.4 *A national quality assurance framework for basic education schooling.* The existing Revised Basic Education Curriculum (RBECE) will be further developed into an explicit learning accountability framework that defines what levels of learning students of schools and divisions should attain at various stages of the basic education cycle. This framework will be based on the national curriculum, but will provide leeway for local flexibility and relevance. To enable schools and divisions to meet expected learning outcomes, the framework should also include adequate support to instruction through sufficient quantity and better quality textbooks across all subjects, essential teachers’ guides and manuals (especially for all newly-hired teachers) and other instructional materials, preferably developed locally. The framework will thus encompass standards for inputs and processes linked to desired learning outcomes. This QA framework defines the minimum standards all schools should meet and the key measures to be taken to assure attainment of these standards. It will include a set of minimum national standards for capabilities, structures, processes and outputs based on a template for school improvement processes—from planning and implementation to monitoring and evaluation. Finally, the QA framework shall include a system of nationally standardized student assessments, outcome measurements and reporting of basic school statistics that together will provide the basic data to capture trends and gauge progress toward ongoing educational reforms.

When the national strategies in support of learning in the three key areas have emerged, and the national quality assurance framework for basic education schooling has been drafted, DepEd will then consider institutionalizing the multi-sectoral participation in national-level governance of basic education in its broadest sense, to include not just formal schooling but also all other sources of learning in society. Section 5 of RA 9155 talks about communication channels that “facilitate flow of information and expand linkages with other government agencies, local government units and non-government organizations for effective governance.” The policy action below is a step in that direction.

3.5 *An institutionalized national forum for multi-sectoral coordination in support of basic education outcomes.* Establish a national governing council on basic education standards that can serve as the institutional steward and champion of the implementation of the national strategies in support of learning, as well as the national quality assurance framework for basic education schooling. This council can help DepEd define, articulate and advocate the concept of quality Filipino basic education as one that shapes a desired type of Filipino with certain distinct identities and core ethical values, as well as valued competencies. The national council can also enable local communities to understand and internalize this concept of quality Filipino education (an “educated Filipino” is defined by his character—his “being”—not just by his “doing” or “knowing”) so that parents can assess the quality of schools from the kind of students they form.

This last policy action focuses on the preparation and training of basic education managers, which is a task implied by the many mandates and functions of DepEd.

3.6 *A program and institution for forming basic education managers.* Establish a training and development institution for higher-level education managers, such as assistant superintendents, superintendents, assistant directors and directors, which is linked to the principals and school heads institute. This institution should dovetail with the school heads institute.

Key Reform Thrust 4: Providers of early childhood care and development, alternative learning services, and the private sector increase their respective complementary contributions to national basic education outcomes.

Why this reform thrust is important. Even good public schools with good teachers will require the assistance and contribution of others in attaining the nation’s desired learning outcomes. Children entering school at Grade 1 need to be made ready for school through early childhood education. Adult illiterates, out-of-school youth and other learners not in school need to acquire basic education competencies through alternative learning options. The private sector also needs to supplement the efforts of public schools by serving families who opt to send their children to private schools and by offering private sector solutions to public education. Early childhood education providers, alternative learning providers, and the private sector—three forces present in most communities—all require a policy environment that strengthens collaboration among service providers within their localities and maximizes their respective contributions to the nation’s learning objectives. The central insight of this reform thrust is that effective collaboration among early childhood educators, alternative learning services, the private sector and public schools all in the same locality will maximize the learning impact of each one.

Progress in this key reform thrust will be indicated by:

1. Increased percentages of all Grade 1 entrants who meet the standards for school readiness.
2. Increased percentages of ALS clients completing courses in basic and functional literacy.
3. Increased percentages of those taking accreditation and equivalency tests in elementary and secondary levels pass.
4. Percentage of total school enrollment served by private schools reach the target set by national policy.

Main policy actions identified to generate progress in this key reform thrust:

- 4.1 *Local delivery models for cost-effective early childhood education:* Develop new or scale up existing locality-based (municipal, city or province) ECE delivery models with demonstrated effectiveness in getting children ready for school. Developing quality early childhood education entails: assessments of readiness for school of all Grade 1 entrants; schools giving feedback to parents about the readiness of their children for school; schools giving feedback to local governments and community leaders about groups of Grade 1 entrants not ready for school; expansion of successful local ECE programs; improvement of other programs to increase their effectiveness; adoption of standards known to enhance effectiveness of ECE programs; and LGU coordination of local ECE efforts at home, in communities, at day care centres and in pre-schools run by the government, non-government and private sectors.
- 4.2 *Enhanced and accelerated ALS coverage:* Review existing mandate of Literacy Coordination Council for possible revision to cover governance of alternative learning system, including adoption of policies and standards for alternative learning services by national government agencies, local governments, non-government organizations and the private sector. Develop or scale up locality-based (municipal, city or province) ALS delivery models. Develop capacity of service providers (public and private) to identify potential ALS learners in the areas where they operate through referral and drop-out tracking system, and integrate literacy training into assistance programs aimed at reaching illiterate OSY and adults, and other learners. Establish structure and support mechanism of convergence at various levels.
- 4.3 *A private sector strategy for basic education:* Identify various potential roles of private sector in basic education: private schools; private management of public schools; private sector participation in public school governance; private enterprises performing functions in public education such as contractors or suppliers; private financial contributions to public education. Determine the optimum level of private sector involvement in these capacities and ensure that private sector participation is at this optimum level. Expand private sector participation in education through reforms in the Educational Service Contracting scheme such as expansion of coverage through all areas of basic education and improved targeting where public sector capacity constraints are matched by available private sector capacity. Consider also possible private management of public schools and private sector services to public schools or school clusters (for example, INSET, supervision and assessment).

Key Reform Thrust 5: DepEd changes its own institutional culture to be more responsive to the key reform thrusts of BESRA.

Why this reform thrust is important. The first four key reform thrusts would change the policy environment of schools, teachers, social support for learning, providers of early childhood education and alternative learning services, and private sector involvement in basic education. The key institutional player behind the formulation, adoption and implementation of these policies, now and over the long-term, is the Department of Education, particularly its national, regional and divisional offices. If these reforms are to take root and bear fruit, the institutional culture of DepEd must change and become more hospitable to these reforms. In particular,

DepEd will need to rid itself of the simplistic thinking and habits that have rendered it unnecessarily centralized, bureaucratized, and mechanistic if it hopes to attain higher level learning outcomes across the population. For reforms to occur at scale and be sustained in the long-term, DepEd's organizational culture, financial systems, technological capabilities and accountability environment have to adjust to the demands of these reforms. The central insight of this reform thrust is that the culture of the institution behind reform policies must change if the policies are to have a chance of eventually succeeding.

Progress in this key reform thrust will be indicated by:

1. High levels of deep understanding among incumbent DepEd managers at central, regional and divisional offices of DepEd's strategy for culture change and its integration into the modernization plans of DepEd offices.
2. A new national budget framework established featuring multi-year, goal-based funding levels with equitable allocations to localities linked to LGU contributions and allocations to schools specified according to a transparent formula.
3. Increased levels of favorable public perception regarding the honesty, integrity and professional excellence of DepEd offices.
4. ICT strategy adopted and implemented according to targets.

Main policy actions identified to generate progress in this key reform thrust:

- 5.1 *A strategy for institutional culture change integrated into organizational modernization plans for central, regional and divisional offices.* Develop a strategy for changing the institutional culture of DepEd to become more supportive of the directions of the reforms comprising BESRA. Implement the culture change strategy in the improvement of the operational capacity of central DepEd through the modernization of its staff and facilities, as well as through increasing the transparency, accountability and integrity of its units, based on the newly rationalized structure and operations. Implement the culture change strategy in the improvement of the operational capacity of 17 DepEd regional offices through modernization of staff and facilities, as well as through increasing transparency, accountability and integrity of its units, based on development and formulation of specific regional basic education support plans. Implement the culture change strategy in the improvement of the operational capacity of 184 DepEd division offices through modernization of staff and facilities as well as through increasing transparency, accountability and integrity of its units, based on development and formulation of specific local basic education plans.
- 5.2 *A new national budget framework for basic education:* Seek approval for a new national budget format for basic education that is based on DBCC-approved multi-year baseline allocations. These must be sufficient to meet the basic resource needs of schools, providing sub-allocations to localities that reflect specific levels of LGU contributions and specifying school-level sub-allocations that serve as the basis of school-based budgets. Increase annual budget outlays to meet enrollment and cost increases, eliminate resource gaps and attain target goals. Identify sources of potential savings in the existing budget for possible re-allocation to finance policy reform initiatives. Increase level and effectiveness of LGU spending for basic education at school and locality levels through direct mandates and cost-sharing schemes. Integrate all other international and local project initiatives in basic education within the overall basic education reform and operations framework. Weave

performance and internal audit mechanisms into the routine functions of the public school system. Identify measures to increase revenues from education sector assets and administrative rules to enable DepEd to use these revenues to finance policy reform initiatives, including teacher compensation and benefits.

- 5.3 *An ICT strategy for basic education:* Develop and adopt a strategy for cost-effective use of ICT in basic education (for classroom instruction and in-school teacher training, as well as for use by DepEd offices). Expand and mainstream educational technologies that have already been proven in past programs and projects to save costs.

II. Multi-Year Spending Plan for Philippine Education: Enrollment Projections and Cost Simulations under Reform Scenario

The Department of Education has launched a set of broad reforms in order to improve the quality of education in the Philippines and to increase the number of students who enter schools and complete basic education with satisfactory level of competencies. One of the major factors that contributed to the deteriorating quality of education is the underinvestment in basic education. The basic education budget is not being increased quickly enough to meet the demands of the public schools. To turn around the performance of schools, students and the system as a whole will require a higher level of investment, greater efficiency in the use of those resources, and better service delivery.

Through a study carried out with the World Bank, the DepEd has been able to estimate budget requirements for the future, factoring in the impact of population projections and expected growth of the Philippine economy, research findings on the determinants of enrollment, and detailed data from DepEd's Basic Education Information System (BEIS). It provides enrollment and cost projections for three broad scenarios: one pertains to factors that drive demand for education; a second addresses the most severe input deficits that school face; and the third refers to the education goals associated with the Education For All mandate.

The EFA Scenario assumes that both the Grade 1 intake rate and grade-specific cohort-survival rates will improve. The Grade 1 intake rate is expected to increase from 74% in SY 2003/4 to 95% in SY 2015/6, and the Grades 1-6 cohort survival rate from 68% to 83% in 2015/6. The transition rate from Grade 6 to first year high school is projected to rise from 87% to 99%, and the cohort survival rate from first year to fourth year will increase from 74% to 86%. Also, meeting EFA targets means student performance or academic achievement will improve. The DepEd is undertaking a host of programs with these objectives in mind under its Medium-Term Public Investment Plan, including: (1) Schools First Initiative, (2) the Early Childhood Education (ECE); (3) the Alternative Learning System; (4) Teacher Education and Development; (5) the Bridge Program; and (6) Muslim Education.

The total budget requirements under the EFA scenario consists of two parts: (a) the cost of providing places for the enrollment numbers needed to meet the EFA targets, and (2) the cost of the investments needed to support the additional programs as indicated in the Philippines Medium-Term Public Investment Program (MTPIP) that will bring about the achievement of EFA targets. Table 1 shows the Projections for the Budget Requirements for the EFA Scenario:

Table 1. Projection for EFA Scenario

School Year	Enrollment (in millions)			Budget (in mil Pesos)	
	Elementary	Secondary	Total	Pure EFA	With some MTPIP
2005-2006	12.81	5.28	18.09	131,384	136,577
2006-2007	13.26	5.45	18.71	148,750	153,945
2007-2008	13.71	5.69	19.40	160,915	167,233
2008-2009	14.21	5.95	20.16	176,392	182,710
2009-2010	14.68	6.32	21.00	182,584	188,902
2010-2011	14.99	6.69	21.68	191,438	196,945
2011-2012	15.27	7.06	22.33	203,309	208,921
2012-2013	15.52	7.45	22.97	214,184	219,904
2013-2014	15.74	7.83	23.57	266,560	232,391
2014-2015	15.93	8.18	24.11	237,351	243,297
2015-2016	12.81	5.28	18.09	131,384	136,577

Source: Authors; estimates

The main source of funding for the above projected spending in basic education will necessarily be the national government budget through the government's annual General Appropriation Act (GAA). As of 2005, the GAA funding actually made available to DepEd is very far from what these projections indicate are required. Even with the full mobilization of LGU contributions through the SEF, the projected levels of combined national and local government funding for basic education will still fall far short of the required levels of projected spending necessary to attain EFA targets.

The National Program Support for Basic Education (NSPBE), a loan-financed program by the World Bank, will cover a portion of the total DepEd budget from 2006 to 2010. Table 2 shows the estimated loan financing of the annual DepEd budget (2006-2010):

**Table 2. Estimated Loan Financing of the Annual DepEd Budget
(2006-2010)**

School Year	Budget Requirement (in Million Pesos)		Loan Financing		
	Pure EFA	With some MTPIP	Amount	% to Pure EFA	% to with some MTPIP
2005-2006	131,384	136,577			
2006-2007	148,750	153,945	312.00	0.21%	0.20%
2007-2008	160,915	167,233	400.40	0.25%	0.24%
2008-2009	176,392	182,710	249.60	0.14%	0.14%
2009-2010	182,584	188,902	171.60	0.09%	0.09%
2010-2011	191,438	196,945	62.40	0.03%	0.03%
2011-2012	203,309	208,921			
2012-2013	214,184	219,904			
2013-2014	266,560	232,391			
2014-2015	237,351	243,297			
2015-2016	131,384	136,577			

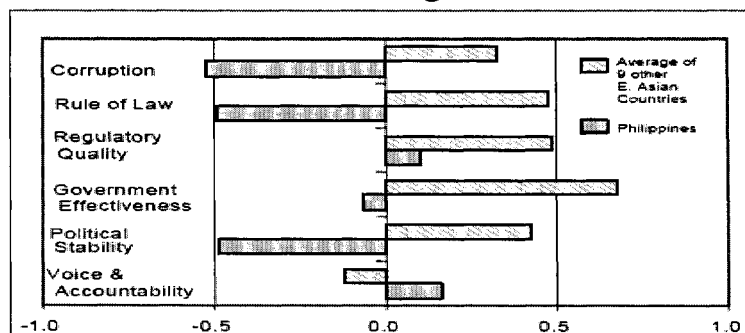
Exchange Rate: U.S. \$1 = P52.00

Annex 12: Anti-Corruption Measures

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

The issue of governance in the Philippines presents a paradox. Despite the presence of a strong civil society, an open media and highly capable individuals working in public administration, corruption remains an important barrier to the achievement of good governance. Governance indicators from a cross-country database indicate that, despite democratic processes, rule of law, political stability and control of corruption are lower in the Philippines than in comparable East Asian economies. (See Figure 1 below) In addition, about 35 percent of Filipino firms included in the Investment Climate Survey reported corruption as a major constraint in doing business in the Philippines, second to macroeconomic instability.³³ Corruption and collusion also pose significant challenges for government expenditure management, including those financed by the Bank in the education sector. It is important to highlight the steps taken by the government to respond to concerns about corruption and indicate the specific strategies the project will adopt to help mitigate the risk of corruption.

Figure 1
Governance Indicators Among East Asian Countries



Note: The six indicators aggregate several hundred survey-based variables on perceptions of governance for almost 200 countries and territories. The indicators are normally distributed with a mean of 0 and a standard deviation of 1. The nine other East Asian economies are China, Hong Kong (China), Indonesia, Korea, Malaysia, Singapore, Taiwan (China), Thailand, and Vietnam.
Source: Kaufmann, Kraay, and Mastruzzi (2004), WBI Governance Indicators.

Government Efforts to Reduce Corruption

The government, with support from the Bank and other donors, has been making some progress in improving governance and combating corruption. This has been primarily supported through national level reforms, but innovative efforts have also been instituted at the local level. National level reforms are described as follows:

Office of the Ombudsman

The Office of the Ombudsman is a major anti-corruption program of the government. Among its functions to prevent graft, it has the power to investigate, prosecute and adjudicate cases involving government entities and employees. In 2003, the Office formally adopted the government's *Lifestyle Checks Program*, which allows it to undertake life-style checks on government employees and if warranted, remove them from their positions and initiate

³³ Asian Development Bank and World Bank, 2004; 716 Philippine firms surveyed.

prosecution. Further, the Government has committed to doubling the Office's budget over the next two years, allowing for the hiring and training of a significant number of new investigators and prosecutors.

Procurement and Financial Management Improvements

As part of the national procurement reform that began with the government Procurement Reform Act in January 2003, the government's Procurement Policy Board was established with the mandate to set up and monitor procurement performance benchmarks, provide for protest mechanisms, coordinate training within the government and among civil society organizations who observe on bid and evaluation committees and to issue generic and department-specific procurement manuals and related bidding documents. Concurrent with procurement reform, the government also instituted financial management improvements through the implementation of the E-NGAS accounting systems and the strengthening of internal and external audit functions.

Increased Involvement of Civil Society in Government

The Philippines has increased transparency in government processes and transactions by successfully involving the participation of civil society in these processes. This includes the active involvement of civil society observers in public bid committees, providing greater transparency in the bidding process. Civil society groups have also initiated their own activities to fight corruption. For example, Government Watch (G-Watch) monitors government projects and provides reliable independent and external information on the performance of government projects. Findings from the group have prompted the Office of the Ombudsman to initiate investigations into alleged corruption.

World Bank Efforts to Reduce Corruption

As of July 2004, the Bank had channeled over US \$5 million in grants to support improvements in governance. These grants addressed systemic issues such as procurement and judicial reform and increased the role of civil society in monitoring government transactions. The Bank has been working with the DepEd, the Department of Social Welfare and Development, and the Department of Health in strengthening their procurement and financial management through the two SEMP projects (SEMPs I and II). Furthermore, to guard against corruption in Bank programs, the Bank has strengthened its procurement and financial management staff in Manila. The Bank is also implementing a Judicial Reform Project that will assist the Supreme Court in undertaking institutional reforms to strengthen public confidence in the judiciary system.

Steps to Mitigate Corruption Under Proposed Program

Previous Bank education projects have made progress in preventing corruption and the proposed program will build on these efforts. In TEEP, the DepEd introduced a principal-led school building program (SBP) and mainstreamed it under SEMP 1 & 2. SBP gives the implementation responsibility of procurement and supervising the construction and/or rehabilitation of classrooms to principals, along with active participation from Parent-Teacher-Community Associations (PTCA) in monitoring and evaluating implementation. This has strengthened school-based management, encouraged active community participation, and has improved the construction/rehabilitation of schools. Additionally, there have been significant cost savings, which can be attributed to better—more competitive and transparent—procurement procedures. In addition, through TEEP and SEMP 1 & 2, textbook prices were reduced by almost 50 % by strictly implementing the Bank's International Competitive Bidding guidelines

(ICB). The proactive participation of civil society organizations during the procurement of textbooks and their monitoring of textbook deliveries have also helped combat corruption in this area.

Anchored on the Bank's five-pronged strategy of improving political accountability, civil society participation, private sector involvement, public sector management and limit on institutional power, and in complementing the broader effort at country program level, the following steps will be undertaken to help mitigate corruption in the project:

1. ***Civil Society/Community Participation.***

The DepEd will continue its partnership with CSOs to ensure a fair and transparent process in the procurement and delivery of goods. The DepEd will continue to involve CSOs as active observers throughout the bidding, evaluation, awarding, production and delivery acceptance processes. This has proven to be effective in the case of textbook count programs of DepEd where CSOs play active role as independent observers in the procurement and delivery of textbooks nationwide. In addition, the PTCA's role will be expanded in the implementation of SBP to ensure a transparent and efficient process.

2. ***Public Sector Management.***

Steps will be taken to enhance transparency and accountability in procurement and financial management. These include: a) Strict adherence to the Procurement Reform Act and measures to ensure that bid notices and contracts are published in the eGPS and UNDB/dgMarket, where appropriate; b) full enforcement of delayed penalty provision of contracts, particularly those involving ICB and/or large contract values; c) strengthening of internal control and accountability for budget and expenditure management at sector, division and school levels; and d) reform of sector budget planning process toward a medium-term expenditure framework.

The project will also improve service delivery through decentralization. Public expenditure tracking surveys will be conducted to support the decentralization effort and track the resource flow to schools to identify leakage and capture. The project will also develop the financial management capacity of schools by continuing to support, under SBP, the role of principals who will have access to an enhanced SBP manual (to be created) and will receive additional training with input from engineers and PTCA.

3. ***Private Sector Involvement.***

The project will help develop a financing framework and strategy to facilitate partnerships with the private sector for education service delivery and effective use of public resources to support privately financed schools.

Annex 13: Project Preparation and Supervision
PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

	Planned	Actual
PCN review	May 24, 2005	May 24, 2005
PID to Infoshop	June 6, 2005	June 6, 2005
ISDS to Infoshop	June 8, 2005	June 8, 2005
Appraisal	March 1, 2006	March 6-20, 2006
Negotiations	April 26, 2006	May 5, 2006
Board/RVP approval	June 22, 2006	June 22, 2006
Planned date of effectiveness	October 1, 2006	
Planned date of mid-term review	June 30, 2009	
Planned closing date	December 31, 2011	

Key institution responsible for preparation of the project: Department of Education

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Dingyong Hou	Task Team Leader	EASHD
Lynnette Perez	Human Development Specialist	EASHD
Dominic Aumentado	Procurement Specialist/Civil Engineer	EAPCO
Maria Loreto Padua	Social Development Specialist	EASSD
Josefo Tuyor	Operations Officer	EASEN
Iraj Talai	Regional FM Manager	EAPCO
Ernesto Diaz	Sr. Financial Management Specialist	EAPCO
Preselyn Abella	Financial Management Specialist	EAPCO
Fe Timonera	Disbursement Officer	LOAG1
Edward Daoud	Senior Financial Officer	LOAG1
Mei Wang	Senior Counsel	LEGEA
Neil Baumgart	Consultant	
Price Gittinger	Consultant	
Rosario Manasan	Consultant	
Norman Larocque	Consultant	
Erlinda Pefianco	Consultant	
Parivash Mehrdadi	Program Assistant	EASHD
Cesar Banzon	Team Assistant	EACPF

Bank funds expended to date on project preparation:

- A. Bank resources: US\$379,538.
- B. Trust funds: (recipient executed) US\$550,000.
- C. Total: US\$929,538.

Estimated Approval and Supervision Costs:

- A. Remaining costs to approval: US\$20,000.
- B. Estimated annual supervision cost: US\$80,000.

Annex 14: Documents in the Project File

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

A. Project Implementation Plan

B. Bank Staff Assessments

Aumentado, Dominic – DepEd Procurement Capacity Assessment, October 2005

Vales, Cecilia – Country Procurement Assessment Report, August 2005

Diaz, Ernesto – Financial Capacity Assessment, November 2005

C. Others

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Annex 15: Statement of Loans and Credits

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P066397	2004	PH-Rural Power Project	10.00	0.00	0.00	0.00	0.00	10.86	0.00	0.00
P066076	2004	JUDICIAL REFORM SUPPORT PROJECT	21.90	0.00	0.00	0.00	0.00	21.68	-0.22	0.00
P070899	2004	PH LAGUNA DE BAY ENVIRONMENT	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00
P071007	2003	PH-Second Agrarian Reform CommunitiesDev	50.00	0.00	0.00	0.00	0.00	48.50	3.57	0.00
P073488	2003	PH - ARMM Social Fund	33.60	0.00	0.00	0.00	0.00	31.98	2.68	0.00
P077012	2003	PH KALAHI-CIDSS PROJECT	100.00	0.00	0.00	0.00	0.00	94.91	0.57	0.00
P069916	2002	PH-2nd Social Expenditure Management	100.00	0.00	0.00	0.00	0.00	70.33	-10.34	0.00
P069491	2002	PH-LGU URBAN WATER APL2	30.00	0.00	0.00	0.00	0.00	33.24	8.20	0.00
P066509	2001	PH-MMURTRIP-Bicycle Nwk	0.00	0.00	0.00	1.30	0.00	1.35	0.45	0.00
P057731	2001	PH-Metro Manila Urban Transport	60.00	0.00	0.00	0.00	0.00	54.05	14.65	0.00
P066069	2001	PH - LAND ADMIN & MANAGEMENT	4.79	0.00	0.00	0.00	0.00	2.30	2.31	0.00
P065113	2000	PH-SOCIAL EXPENDITURE MGMT	100.00	0.00	0.00	0.00	0.00	12.61	12.61	0.00
P039019	2000	PH-First Nat'l Rds Improve.	150.00	0.00	0.00	0.00	0.00	84.18	71.73	0.00
P059933	2000	PH - COASTAL MARINE	0.00	0.00	0.00	1.25	0.00	1.12	1.60	0.33
P058842	2000	PH - MINDANAO RURAL DEV	27.50	0.00	0.00	0.00	5.50	7.68	13.18	0.67
P048588	1999	PH-LGU FINANCE & DEV.	100.00	0.00	0.00	0.00	40.00	51.18	51.03	4.93
P057598	1999	PH-RURAL FINANCE III	150.00	0.00	0.00	0.00	0.00	61.28	61.28	0.00
P004566	1998	PH-EARLY CHILD DEV.	19.00	0.00	0.00	0.00	0.00	5.68	5.68	0.00
P004576	1998	PH-WATER DISTRICTS DEV.	56.80	0.00	0.00	0.00	6.53	17.01	41.74	0.07
P004595	1998	PH - COMMUNITY BASED RESO	50.00	0.00	0.00	0.00	12.00	18.71	29.61	17.03
P004602	1997	PH-THIRD ELEMENTARY EDUCATION	113.40	0.00	0.00	0.00	20.10	41.19	60.73	29.61
P004613	1997	PH - WATER RESOURCES DEVE	58.00	0.00	0.00	0.00	16.27	6.42	22.69	3.79
P037079	1997	PH - AGRARIAN REFORM COMM	50.00	0.00	0.00	0.00	0.00	0.26	-0.14	0.00
P004611	1996	PH-MANILA SEWERAGE II	57.00	0.00	0.00	0.00	20.90	20.93	41.83	0.91
P004571	1996	PH-TRANS GRID REINFORCE	250.00	0.00	0.00	0.00	79.51	15.50	79.63	10.46
Total:			1,596.99	0.00	0.00	2.55	200.81	717.95	515.07	67.80

PHILIPPINES
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2002	AEI	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001/02	APW Trade	0.67	0.00	0.00	0.00	0.67	0.00	0.00	0.00
0	Alaska Milk	0.00	0.62	0.00	0.00	0.00	0.62	0.00	0.00
1996	All Asia Growth	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	All Asia Manager	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	AllAsiaVen Mgmt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	Asian Hospital	7.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
2002	Banco de Oro	0.00	0.00	20.00	0.00	0.00	0.00	20.00	0.00
1997	Bataan P/E	29.82	0.00	10.00	116.55	29.82	0.00	10.00	116.55
1998	Drysdale Food	10.96	0.00	0.00	7.80	10.96	0.00	0.00	6.60
2002	Eastwood	20.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00
2001	Filinvest	22.00	0.00	0.00	0.00	16.00	0.00	0.00	0.00
1998	H&Q PV III	0.00	5.76	0.00	0.00	0.00	5.76	0.00	0.00
1989	H&QPV-I	0.00	0.59	0.00	0.00	0.00	0.59	0.00	0.00
1993	H&QPV-II	0.00	1.11	0.00	0.00	0.00	1.11	0.00	0.00
2000	MFI MEP	0.00	0.12	0.00	0.00	0.00	0.12	0.00	0.00
2001	MNTC	46.00	0.00	0.00	0.00	19.81	0.00	0.00	0.00
2003	MWC	32.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1970/72/00	Mariwasa	11.22	0.00	3.00	0.00	11.22	0.00	3.00	0.00
1993/94	Mindanao Power	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1993	Mirant Pagbilao	21.00	10.00	0.00	0.60	21.00	10.00	0.00	0.60
2002	PSMT Philippines	12.50	0.00	0.00	0.00	10.20	0.00	0.00	0.00
1992	Pilipinas Shell	0.00	1.56	0.00	0.00	0.00	1.56	0.00	0.00
2000	PlantersBank	0.00	0.00	8.71	0.00	0.00	0.00	8.71	0.00
1998	Pryce Gases	13.00	0.00	0.00	5.00	13.00	0.00	0.00	5.00
2000	SME.COM	0.00	0.20	0.00	0.00	0.00	0.12	0.00	0.00
2000	STRADCOM	11.99	0.00	8.00	0.00	9.59	0.00	8.00	0.00
2003	SVI	0.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00
1995	Sual Power	24.67	17.50	0.00	97.54	24.67	17.50	0.00	97.54
1992	Union Cement	0.00	5.63	0.00	0.00	0.00	5.63	0.00	0.00
1994	Walden Mgmt	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00
1994	Walden Ventures	0.00	1.04	0.00	0.00	0.00	1.04	0.00	0.00
Total portfolio:		263.87	48.18	49.71	227.49	191.94	44.10	49.71	226.29

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2004	Coastal Road	0.02	0.00	0.02	0.04
2002	Eastwood	0.00	0.00	0.00	0.00
2000	LTO Project	0.00	0.00	0.00	0.02
2001	PEDF	0.00	0.00	0.00	0.00
2002	S&R Price	0.00	0.00	0.00	0.00
Total pending commitment:		0.02	0.00	0.02	0.06

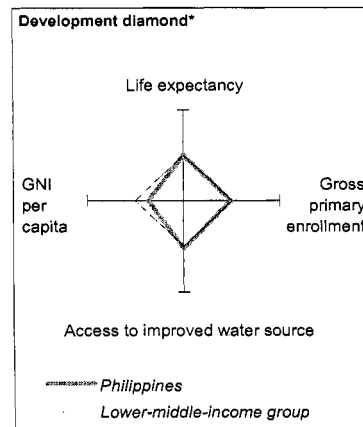
Annex 16: Country at a Glance

PHILIPPINES: NATIONAL PROGRAM SUPPORT FOR BASIC EDUCATION

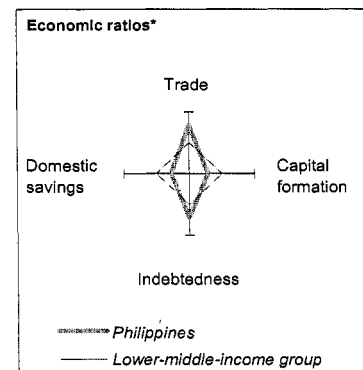
Philippines at a glance

1/9/06

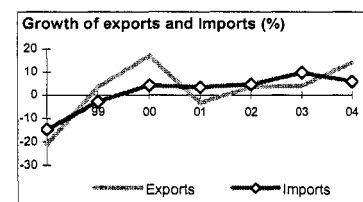
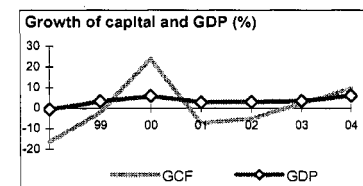
POVERTY and SOCIAL	Philippines	East Asia & Pacific	Lower-middle-income
2004			
Population, mid-year (millions)	83.0	1,870	2,430
GNI per capita (Atlas method, US\$)	1,150	1,280	1,580
GNI (Atlas method, US\$ billions)	95.1	2,389	3,847
Average annual growth, 1998-04			
Population (%)	2.1	0.9	1.0
Labor force (%)	2.9	1.1	0.7
Most recent estimate (latest year available, 1998-04)			
Poverty (% of population below national poverty line)	30	..	..
Urban population (% of total population)	61	41	49
Life expectancy at birth (years)	70	70	70
Infant mortality (per 1,000 live births)	27	32	33
Child malnutrition (% of children under 5)	31	15	11
Access to an improved water source (% of population)	85	78	81
Literacy (% of population age 15+)	93	90	90
Gross primary enrollment (% of school-age population)	112	113	114
Male	113	113	115
Female	111	112	113



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1984	1994	2003	2004	
GDP (US\$ billions)	31.4	64.1	77.7	84.6	
Gross capital formation/GDP	20.3	24.1	17.0	17.4	
Exports of goods and services/GDP	24.0	33.8	50.5	51.5	
Gross domestic savings/GDP	19.3	17.8	14.9	18.0	
Gross national savings/GDP	16.6	21.8	33.3	36.5	
Current account balance/GDP	-4.1	-4.6	1.8	2.5	
Interest payments/GDP	6.2	3.3	3.7	4.1	
Total debt/GDP	77.5	62.8	80.7	72.2	
Total debt service/exports	33.5	19.0	20.4	20.2	
Present value of debt/GDP	..	..	84.2	..
Present value of debt/exports	..	..	130.4	..
1984-94 1994-04 2003 2004 2004-08					
<i>(average annual growth)</i>					
GDP	2.8	3.7	3.6	6.1	5.1
GDP per capita	0.5	1.5	1.6	4.2	3.1
Exports of goods and services	7.1	4.0	4.1	14.1	5.8



STRUCTURE of the ECONOMY	1984	1994	2003	2004
<i>(% of GDP)</i>				
Agriculture	24.8	22.0	13.0	13.7
Industry	37.9	32.5	32.6	32.4
Manufacturing	24.6	23.3	23.8	23.5
Services	37.3	45.5	54.4	53.9
Household final consumption expenditure	73.7	71.4	73.7	71.6
General gov't final consumption expenditure	7.0	10.8	11.3	10.4
Imports of goods and services	25.1	40.1	52.6	50.9
1984-94 1994-04 2003 2004				
<i>(average annual growth)</i>				
Agriculture	2.0	2.2	-1.8	5.1
Industry	2.2	3.1	3.8	5.2
Manufacturing	2.7	3.4	4.2	5.1
Services	3.8	4.9	5.8	7.1
Household final consumption expenditure	3.5	4.2	7.7	1.5
General gov't final consumption expenditure	3.9	1.6	2.5	0.0
Gross capital formation	6.9	1.8	2.3	9.5
Imports of goods and services	11.2	3.5	9.8	5.9

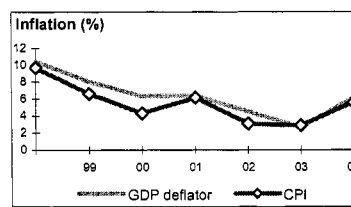


Note: 2004 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

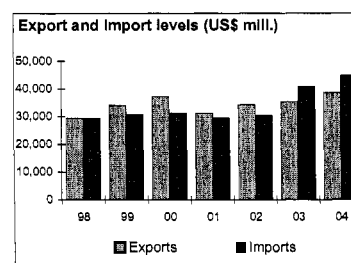
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	5.2	15.8	2.9	5.5
Implicit GDP deflator	53.3	10.0	2.7	6.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	10.8	19.9	14.9	14.8
Current budget balance	2.6	4.0	-2.0	-1.4
Overall surplus/deficit	-1.9	1.0	-4.7	-3.9



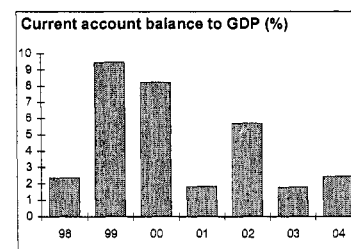
TRADE

	1984	1994	2003	2004
(US\$ millions)				
Total exports (fob)	5,391	13,483	35,342	38,728
Electronics	..	4,984	24,989	27,787
Garments	..	2,375	2,265	2,172
Manufactures	2,775	10,615	32,022	35,444
Total imports (cif)	6,070	21,333	40,797	45,109
Food	182	953	1,340	1,603
Fuel and energy	1,649	2,040	3,761	4,714
Capital goods	1,133	6,868	15,023	8,742
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



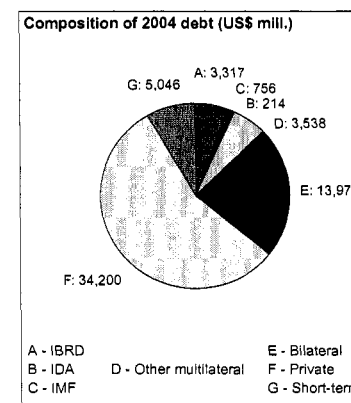
BALANCE of PAYMENTS

	1984	1994	2003	2004
(US\$ millions)				
Exports of goods and services	7,033	20,251	38,641	42,829
Imports of goods and services	7,238	26,000	45,821	50,492
Resource balance	-205	-5,749	-7,180	-7,663
Net income	-1,475	1,863	-226	147
Net current transfers	386	936	8,802	9,596
Current account balance	-1,294	-2,950	1,396	2,080
Financing items (net)	846	4,752	-1,511	-1,800
Changes in net reserves	448	-1,802	115	-280
Memo:				
Reserves including gold (US\$ millions)	..	6,995	17,063	16,228
Conversion rate (DEC, local/US\$)	16.7	26.4	54.2	56.0



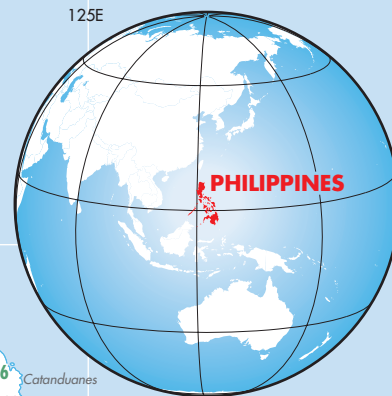
EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
(US\$ millions)				
Total debt outstanding and disbursed	24,357	40,257	62,724	61,042
IBRD	1,865	4,855	3,445	3,317
IDA	71	174	215	214
Total debt service	2,703	4,645	10,231	11,158
IBRD	262	717	478	494
IDA	1	3	8	9
Composition of net resource flows				
Official grants	139	284	593	618
Official creditors	748	182	52	-653
Private creditors	209	870	599	132
Foreign direct investment (net inflows)	9	1,591	150	57
Portfolio equity (net inflows)	0	0	-1,305	-1,434
World Bank program				
Commitments	333	578	116	65
Disbursements	301	305	202	145
Principal repayments	93	360	345	379
Net flows	209	-55	-143	-233
Interest payments	170	360	142	123
Net transfers	38	-415	-285	-357



PHILIPPINES

- PROVINCE CAPITALS
- ⊙ REGION CAPITALS
- ⊛ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- - - PROVINCE BOUNDARIES
- REGION BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



- | | |
|---|--|
| <p>I Ilocos</p> <ol style="list-style-type: none"> 1. Ilocos Norte 2. Ilocos Sur 3. La Union 4. Pangasinan <p>II Cagayan Valley</p> <ol style="list-style-type: none"> 11. Batanes 12. Cagayan 13. Isabela 14. Nueva Vizcaya 15. Quirino <p>III Central Luzon</p> <ol style="list-style-type: none"> 16. Aurora 17. Bataan 18. Bulacan 19. Nueva Ecija 20. Pampanga 21. Tarlac 22. Zambales <p>IV-A CALABARZON</p> <ol style="list-style-type: none"> 23. Batangas 24. Cavite 25. Laguna 26. Quezon 27. Rizal <p>IV-B MIMAROPA</p> <ol style="list-style-type: none"> 28. Marinduque 29. Mindoro Occidental 30. Mindoro Oriental 31. Palawan 32. Romblon <p>V Bicol</p> <ol style="list-style-type: none"> 33. Albay 34. Camarines Norte 35. Camarines Sur 36. Catanduanes 37. Masbate 38. Sorsogon <p>VI Western Visayas</p> <ol style="list-style-type: none"> 39. Aklan 40. Antique 41. Capiz 42. Guimaras 43. Iloilo 44. Negros Occidental <p>VII Central Visayas</p> <ol style="list-style-type: none"> 45. Bohol 46. Cebu 47. Negros Oriental 48. Siquijor <p>VIII Eastern Visayas</p> <ol style="list-style-type: none"> 49. Biliran 50. Eastern Samar 51. Leyte 52. Northern Samar 53. Western Samar 54. Southern Leyte <p>IX Zamboanga Peninsula</p> <ol style="list-style-type: none"> 55. Zamboanga del Norte 56. Zamboanga del Sur 57. Zamboanga Sibugay | <p>X Northern Mindanao</p> <ol style="list-style-type: none"> 58. Bukidnon 59. Camiguin 60. Lanao del Norte 61. Misamis Occidental 62. Misamis Oriental <p>XI Davao Region</p> <ol style="list-style-type: none"> 63. Compostela Valley 64. Davao del Norte 65. Davao del Sur 66. Davao Oriental <p>XII SOCCSKSARGEN</p> <ol style="list-style-type: none"> 67. South Cotabato 68. Sarangani 69. North Cotabato 70. Sultan Kudarat <p>XIII Caraga</p> <ol style="list-style-type: none"> 71. Agusan del Norte 72. Agusan del Sur 73. Surigao del Norte 74. Surigao del Sur <p>ARMM Autonomous Region in Muslim Mindanao</p> <ol style="list-style-type: none"> 75. Basilan 76. Lanao del Sur 77. Maguindanao 78. Sulu 79. Tawi-Tawi |
|---|--|

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