

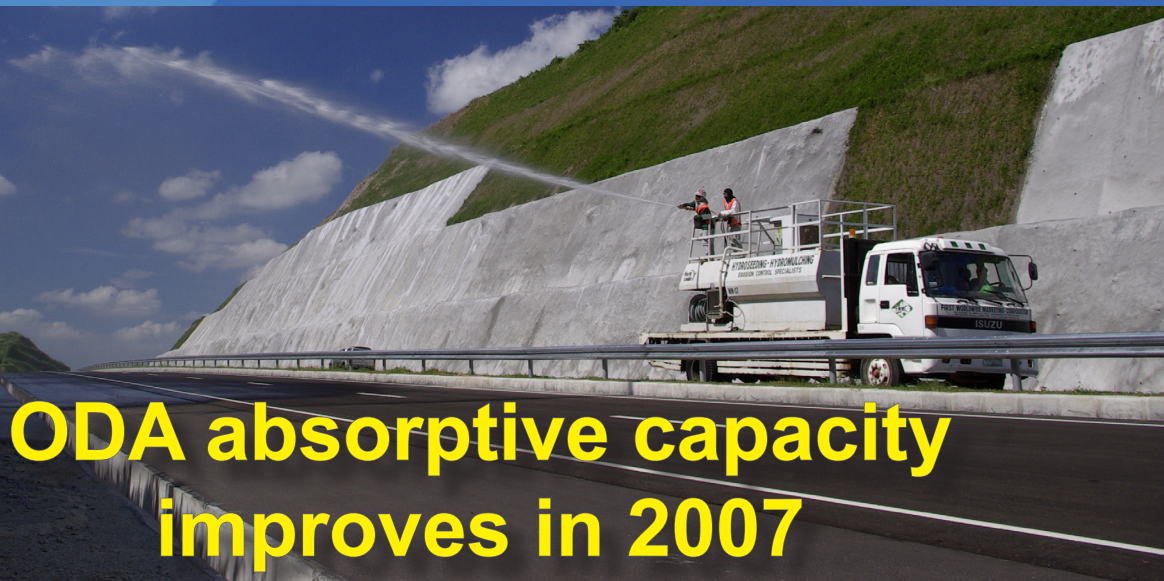
DevPulse

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ODA-supported infrastructure projects included the construction/rehabilitation of 737.04 kilometers (km) of national roads and 2,809.92 lineal meters of national bridges; construction of 182 km of rural roads; reduction of transport cost and time in several areas of the country; more barangays with electricity; and a 113.31 percent increase in households with access to potable water, among others.



ODA absorptive capacity improves in 2007

The government continues to rely on official development assistance (ODA) to spur the country's productivity and spread development throughout the regions.

According to the 16th ODA Portfolio Review, ODA loans increased by three percent to US\$9.747 billion in 2007 from US\$9.477 billion the previous year. The Portfolio covered 130 loans composed of 119 projects and 11 programs.

NEDA publishes a yearly ODA Portfolio Review of all ongoing foreign-assisted programs and projects and their financing to improve ODA absorptive capacity. It reflects the project outcomes and impacts to ensure that objectives of development projects are achieved.

About 78 percent (US\$7.576 billion) of the Portfolio went to project loans while the remaining 22 percent (US\$2.171 billion) went to program loans. Of the 130 loans, about 103 are ongoing, five newly signed and 22 closed within the year.

ODA may come in the form of loan or technical aid, such as consultancies, equipment and studies or research.

Where ODA Goes

The infrastructure sector received 57 percent (US\$5.532 billion) of the total loans. Of this share, US\$3.833 billion went to transportation, US\$852 million to energy, power and electrification, US\$695 million to water resources and US\$152 million to social infrastructure.

The agriculture, agrarian reform and natural resources sector received the second largest share of 17 percent (US\$1.672 billion) while the social reform and development sector was the third largest with 12 percent (US\$1.153 billion).

The governance and institutions development sector significantly increased its ODA share from .02 percent (US\$22 million) of the total portfolio in 2006 to seven percent (US\$683 million) in 2007 in the form of four new programs and projects implemented by the Department of Finance (DOF), Bureau of Customs (BOC) and Bureau of Internal Revenue (BIR).

Sources of ODA

By funding source, the Government of Japan (GOJ) through the Japan Bank for International Cooperation (JBIC) remains the biggest source of ODA loans accounting for 37 percent (US\$3.646 billion) with 46 loans. However, this was a drop from the previous year's 49 percent share due to seven loans worth US\$398 million that have closed in 2007.

This is followed by the combined ODA loans from other sources including Austria, Belgium, China, Germany, International Fund for Agricultural Development (IFAD), Korea, Kuwait, Nordic Development Fund (NDF), Netherlands, Organization of Petroleum Exporting Countries (OPEC), Saudi Arabia, Sweden, Spain, and United Kingdom. These cover 35 loans worth US\$2.282 billion or 23 percent of the portfolio.

The Asian Development Bank (ADB) and World Bank follow with 23 loans (US\$ 1.980 billion) and 26 loans (US\$1.838 billion), respectively.

ODA Absorptive Capacity

The country's overall absorptive capacity improved in 2007. There were noted improvements in all four indicators except for the slight decrease in the disbursement due to fewer projects in this year's portfolio.

Overall availment rate increased from 72 percent in 2006 to 82 percent in 2007. The increase was buoyed by improved availments for project-type loans.

The country's disbursement rate, or the actual disbursement as a percentage of target disbursements for the period, increased to 86 percent in 2007 from 80 percent in 2006. This indicator reflects both on the planning and implementation capacities of agencies. Very high and very low rates can reflect poor planning (too optimistic targets or under-targeting) or poor implementation.

In terms of disbursement ratio, the country's performance was recorded at 39 percent, higher than the 36 percent recorded in 2006. Disbursement ratio refers to the ratio of actual disbursements to the net loan amount available for the whole year (January to December 2007) and the indicator commonly used by funding institutions.

On the other hand, the Review also shows that disbursement level or the actual disbursements from all ODA loans for the year went down by one percent that is US\$1.949 billion from US\$1.974 billion in 2006.

ODA Grants

While programs and projects under loans are considered debts, there are also programs and projects freely subsidized by partner institutions under ODA grants.

In 2007, there were 89 ODA grant-assisted projects six of which were new, 71 were ongoing and 12 were completed. Of the 89 projects, 63 have a total grant amount of US\$723 million. The remaining projects have no indicated amounts because assistance from partners came in the form of equipment, studies and consultancy from experts.

The social reform and community development sector received the highest share of the ODA grants amounting to US\$291 million or 40 percent of the total portfolio. This was followed by the infrastructure sector and the agriculture, agrarian reform and environmental resources sector with 32 percent (US\$232 million) and 21 percent (US\$52 million), respectively.

The JICA had the biggest share of grant assistance amounting to US\$229 million followed by the United States Agency for International Development (USAID) with US\$148 million. As for the implementing agencies, the Department of Transportation and Communication (DOTC) received the biggest assistance in grants with just one project worth US\$196 million, the "New Communications and Air Traffic Management System Development Project." This was followed by the Department of Health (DOH) amounting to US\$179 million, with 16 projects.

ODA Cost Overruns

In 2007, no new project was reported to have further incurred increases in cost. Of the 25 projects with cost overruns reported during the 15th ODA (2006) Portfolio Review, 21 were for review and ICC approval in CY 2007 with cost increases amounting to a total of PhP33.5 billion.



Among the outcomes of ODA projects for agriculture, natural resources, and agrarian reform include increased cropping intensity from 175% to 192%, 49% growth in volume of production in Central Mindanao, and the involvement of 4,060 fisherfolks in microenterprises.

To date, five projects are still pending secretariat review, two were approved by ICC-Technical Board, eight were approved by ICC-Cabinet Committee (CC), and six loans already closed without completing the ICC/NEDA Board approval process. Of those approved by ICC-CC, five were already approved while two projects were disapproved by the NEDA Board/Cabinet.

Of the PhP33.5 billion, 40 percent (PhP13.279 billion) was accounted for by the Department of Public Works and Highways involving five road, one bridge and four flood control projects. The DOTC, the Bases Conversion and Development Authority, and the National Irrigation Authority followed with 20, 19, and 13 percent respectively.

The guidelines and procedures under the NEDA Investment Coordination Committee (ICC), which evaluates ODA programs and projects, states that "if a project experiences an increase of more than 10 percent in total project cost after appraisal, then the project has to undergo ICC re-evaluation. The proponent should be able to explain the basis for the revised cost figures." However, the guidelines also provide that if the change in project cost or benefit are captured in the project's sensitivity analysis and the project remains viable, then re-evaluation may not be necessary and only ICC clearance shall be secured.

According to NEDA Project Monitoring Staff Director Roderick Planta, there were instances when implementing agencies defer submission of documents for reevaluation until the final cost is made as they want to submit a more definitive costing. However, this may result in uncontrollable swelling of costs, Director Planta added.

President Gloria Macapagal-Arroyo thus signed on July 24, 2008 Executive Order 744 requiring all departments and agencies with cost overruns over 10 percent in their foreign-assisted projects to be automatically returned to the NEDA for re-evaluation.

The EO forces concerned implementing agencies to go back to the ICC for re-evaluation once the 10 percent cost increase is breached even if they are still under the 20 percent limit of the sensitivity analysis.