

Republic of the Philippines
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY
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SUBJECT : **REPORT ON THE OUTCOME
OF THE 10TH ANNUAL ODA PORTFOLIO REVIEW**

I. BACKGROUND

1. This Review is in compliance with NEDA Board instructions and RA 8182 or "The ODA Act of 1996", which mandates NEDA to conduct annual reviews of status of all projects financed through Official Development Assistance (ODA). (A report to Congress on the outcome of the 10th ODA Portfolio Review must be submitted by NEDA on or before 30 June 2002).
2. The following agencies were met and consulted in the course of the review: Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Education (DepEd), Department of Environment and Natural Resources (DENR), Department of Interior and Local Government (DILG), Department of Finance (DOF), Department of Transportation and Communication (DOTC), Department of Public Works and Highways (DPWH), Local Water Utilities Administration (LWUA), National Power Corporation (NPC) and Technical Education and Skills Development Authority (TESDA). These agencies account for about 70 percent of the ODA Loans Portfolio of the Government of the Philippines (GOP).
3. This report takes off from the Government of the Philippines (GOP) Report on the ODA Portfolio Performance in 2001 presented to the Consultative Group Meeting in March 2002. New information in this report include, among others, outputs/accomplishments of completed/ongoing projects, commitment charges, multi-year budget requirement for 2003-2005, and a comprehensive discussion on implementation issues encountered in 2001 and options to address them. Moreover, this report includes a section on the performance of ODA grants.
4. The report incorporates the reporting of project outputs and impacts as mandated in NEDA Board Resolution No. 3 s. 1999 and supported by NEDA Board Resolution No. 14 s. 1999 (which approves the Guidelines Incorporating Results Monitoring and Evaluation (RME) in the Investment Coordination Committee (ICC) Approval Process). It may be noted that the ICC will be moving toward full integration of RME ICC process starting July 2002.
5. This report is divided into three parts: Part I provides an overview of the review process and the report's scope and contents; Part II describes the loans portfolio, and discusses indicators of portfolio performance, accomplishments and outputs of completed projects, implementation issues, lessons learned and implications, 2003-2005 budget requirements of ongoing projects, and prospects for 2002; and Part III describes the grants portfolio and discusses the performance of ongoing projects including their accomplishments and outputs.

II. ODA LOANS PORTFOLIO

6. The 10th ODA Portfolio review covered 202 active loans with a net commitment of US\$13.2 billion involving 195 project- and 7 program-type of loans. Project loans accounted for 91 percent or US\$12.0 billion while program loans accounted for 9 percent or US\$1.2 billion.
7. In terms of sectoral distribution, the bulk of ODA was channeled to Infrastructure Development, which received 127 loans with an aggregate amount of US\$9.1 billion or 69 percent of the total ODA loans portfolio. The second biggest recipient of ODA was Agriculture, Natural Resources and Agrarian Reform, which accounted for 15 percent of total ODA (or US\$2.0 billion involving 37 loans). Industry and Services Sector has a 9 percent share, accounting for US\$1.2 billion, while Human Development has 5 percent (or US\$689 million with 20 loans) of total ODA.
8. Under Infrastructure Development, Transportation obtained the biggest share of US\$4.9 billion (or 37% with 51 loans), followed by Water Resources (irrigation, water supply, sewerage and sanitation, and flood control) with US\$2.1 billion (or 16% with 44 loans) and the Energy, Power and Electrification with US\$1.7 billion (or 13% with 21 loans), ([see Annex A](#)).
9. Among funding sources, the Japan Bank for International Cooperation (JBIC) remained as the largest source of ODA loans, accounting for 61 percent (or US\$8 billion with 91 loans) of total ODA, followed by Asian Development Bank (ADB) and World Bank (WB) with 22 percent (US\$2.9 billion; 52 loans) and 12 percent (US\$1.6 billion; 29 loans), respectively. Other bilateral sources (France, Germany, Korea, Austria, Australia, International Fund for Agricultural Development (IFAD), Italy, UK, Organization of Petroleum Exporting Countries (OPEC) and Kuwait) accounted for about US\$653 million or 5 percent ([see Annex B](#)).
10. Agencies of the National Government (NG) were responsible for administering more than half (57%) of the total ODA loans portfolio. This involved 131 loans with total net commitment of US\$7.5 billion. Government-Owned and Controlled Corporations (GOCCs), on the other hand, administered 40% (or US\$5.3 billion) of the ODA portfolio involving 67 loans. Local Government Units (LGUs) directly implemented three loans, namely, the Metro Cebu Development Project III (Cebu South Coastal Reclamation), Metro Iligan Regional Infrastructure Development Project and the Bukidnon Integrated Area Development Project ([see Annex C](#)).
11. In terms of regional distribution, ODA projects with nationwide coverage comprised 23% (US\$2.7 billion) of total ODA, while projects with multiple region coverage accounted for 21% (US\$2.7 billion). NCR (US\$2.8 billion or 21%), Region 3 (US\$1 billion or 8%), Region 7 (US\$0.5 billion or 4%) and Region 6 (US\$0.3 billion or 2.2%) had the highest share of ODA projects. Distribution among the three main island groups, excluding National Capital Region (NCR) is as follows: Luzon (US\$2.6 billion or 19%), Visayas (US\$1.3 billion or 10%), Mindanao (US\$0.9 billion or 7%) ([see Annex D](#)).

A. INDICATORS OF PERFORMANCE

12. Four indicators on ODA absorptive capacity are presented. These are: (1) disbursement level; (2) disbursement rate; (3) availment rate; and (4) disbursement ratio. These data on loan utilization are used as proxy indicators of the physical accomplishments of the different programs and projects.
13. The disbursement level is the actual level of disbursements in dollar terms for the period January to December 2001.
14. The disbursement rate is the indicator for quarterly and annual performance and is defined as actual disbursements as a percentage of target disbursements for a given period. The targets are reached in consultation meetings that involve both implementing agencies and funding institutions.
15. The availment rate, which has been reported by the NEDA in all past portfolio reviews, is defined as the cumulative actual disbursements as a percentage of cumulative scheduled disbursements per loan agreement, reckoned from the start of implementation of all projects up to December 2001.
16. Finally, the disbursement ratio is the ratio of actual disbursements in 2001 to the net loan amount available at the beginning of 2001 plus the amount of new loans that became effective less loan cancellations during the year.
17. While preferred targets for availment and disbursement rates are set at 100 percent, a disbursement ratio in the range of 18-20 percent is considered normal. This is based on assumptions of five-year implementation period and straight-line schedule of disbursements for projects. However, disbursement ratios depend on the stage of project implementation; a 5-10 percent disbursement ratio for a project at detailed engineering stage should be acceptable.

B. PORTFOLIO PERFORMANCE

18. *Disbursement Level* – ODA loans disbursement in 2001 reached US\$1.05 billion, compared to US\$994.9 million in 2001, for an increase of US\$53 million or 5 percent (see Annex E). This is largely attributed to releases from two program loans from ADB amounting to US\$173 million and the 65 billion disbursement from JBIC projects for the fiscal year 2000 (April 1, 2000 to March 31, 2001), an all-time high for JBIC.
19. The disbursements from the ADB program loans were made possible by the government's meeting the tranche conditions under the Power Sector Reform Loan (US\$100 million) and the Non-Bank Financial Governance Program Loan (US\$73 million).
20. *Disbursement Rate* – Actual disbursements of the ODA portfolio exceeded the target in the 1st quarter for a 111 percent performance, carried largely by the JBIC portfolio with a 122 percent performance. This slowed down to 46 percent and 57 percent in the 2nd and 3rd quarters as the Administration deliberately stayed within its budget deficit target. The disbursement rates picked up again in the 4th quarter reaching 88 percent for a disbursement rate of 81 percent by yearend (see Annex F). This indicator is being used by GOP for the first time in this review.

21. *Availment Rate* - Availment rate in 2001 was 62 percent, slightly lower than the 63 percent recorded in 2000 (see [Annex G](#)). It may be noted that the portfolio in 2001 includes two loans (US\$127 million) for the partial rehabilitation of the Tiwi-Makban Geothermal Power Plants. These plants were recommended by the previous administration for cancellation in early 2000, for failure to resolve some legal and procurement issues. Reactivation of these loans led to a lower availment rate. This is on account of the huge amount that was bottled up while the legal and procurement issues stayed unresolved. The National Power Corporation (NPC) is expected to effect disbursements in the first quarter of 2002 after successful contract signing in the last quarter of 2001.
22. *Disbursement Ratio* - The average disbursement ratio for the three biggest portfolios was 12 percent. ADB portfolio has the highest at 19 percent, followed by WB at 12 percent and JBIC at 9 percent. It may be noted that in view of the large increase in ODA loans from JBIC of about US\$1 billion in 2001, with cancellation of only US\$87 million, JBIC's disbursement ratio is the least among the three major sources of ODA (see [Annex H](#)). This indicator is being used by GOP for the first time in this review.
23. *New Loans* - New loans worth US\$1.3 billion or 10 percent of the total commitments of the ODA portfolio of US\$13.2 billion entered the portfolio in CY 2001. These include: (a) nine loans from JBIC (US\$1 billion); (b) three loans from WB (US\$94.8 million); (c) four loans from ADB (US\$193.6 million); and (d) one each from the Organization of Petroleum Exporting Countries (OPEC) and Germany (see [Annex I](#)).
24. *Loan Cancellations* - Partial cancellations of US\$501 were done for 30 loans as follows: (a) ADB, US\$116 million; (b) JBIC, US\$87 million; and (c) WB, US\$298 million. These cancellations were agreed upon with funding agencies to clean up the portfolio of excess financing and dormant funds of slow-moving projects, and in the process generate savings for the government on commitment fees.
25. *Possible Cancellations in 2002* - Partial cancellations of about US\$96 million dollars from five projects are foreseen in CY 2002, as a result of reduction in scope of some sub-projects and currency exchange rate movement (see [Annex J](#)).
26. *Commitment Fees* - For the ongoing projects, cumulative commitment fees paid by the government as of December 2001, amounted to US\$ 21 million while some US\$ 9.5 million was paid for CY 2001 alone (see [Annex K](#)).
27. *Incidences of Time Overruns* - 60 ODA loans (30% of the portfolio), including 27 loans worth (US\$1.6 billion) which closed in 2001, were already on their extended implementation period with an average delay of 2 years, based on their original loan closing dates (see [Annex L](#)). This is higher than the 54 loans (for 51 projects) registered last year.
28. *Incidences of Cost Overruns* - 30 projects incurred cost overruns (see [Annex M](#)) with an aggregate amount of about P30.2 billion, an increase from last year's cost overrun of P8 billion (14 projects). Only the Airport Development Project was re-evaluated/approved by ICC in July 2001.
29. Major reasons for cost overrun are the following: (a) exchange rate movement; (b) change in scope/additional works; and (c) increase in right-of-way (ROW) acquisition cost.

C. ACCOMPLISHMENTS AND OUTPUTS OF PROJECTS

30. In 2001, 27 loans worth US\$1.6 billion were closed or fully utilized (12% of total ODA commitments). These are composed of : (a) eight loans from ADB (US\$492 million); (b) five loans from WB (US\$279 million); (c) 12 loans from JBIC (US\$793 million); and (d) one loan each from Germany and France ([see Annex P](#)).

Completed Projects ([see Annex Q](#))

31. Five projects under the transportation sector yielded the following outputs: (i) reconstruction/rehabilitation of 2,059 lineal meters (lm.) of bridges; (ii) construction of 119.1 kilometers (kms.) of new roads; (iii) improvement of 299.62 kms. of roads; and (iv) construction of a four-lane bridge and approach viaduct equivalent to 3,358 lm.
32. Under the telecommunications sector, eight new telephone switching equipment were installed and telephone services to 30 localities with a capacity of 5,140 lines were extended. For the water transportation sector, 40 lighthouses in 35 project sites were constructed/rehabilitated.
33. In the water supply sector, a total of 583,689 persons were served by service connections with the rehabilitation and expansion of water supply systems in seven water districts (WDs). An auxiliary plant, water treatment plant and tertiary distribution systems were constructed to benefit Metro Manila.
34. In the power sector, expansion and improvement of transmission networks for increasing power transfer capability and providing adequate system rehabilitation and security were undertaken. An additional 300 MW generating capacity was installed at Masinloc. Equipment for expansion of eight substations in Pampanga, Ilocos Sur, Batangas, Nueva Ecija, Bataan, Lanao del Norte, Zamboanga del Sur and Sultan Kudarat were provided.
35. DENR provided land tenure instruments to 8,160 farming families that cover a total of 201,039 hectares (has.), out of which 50,691 has. of land were reforested. It also provided 119 water supply systems and awarded Community-Based Forest Management Agreements (CBFMAs) to 149 people's organizations (POs) covering 192,141 has.
36. In the irrigation sector, NIA improved 17 National Irrigation Systems (NIS) which benefited some 654,014 has.; repaired 20 NIS; constructed 3 sediment excluders; improved water control structures; adopted erosion prevention measures in critical areas; and undertook institutional development of irrigators association.
37. Under the health sector, DOH was able to improve the radiological capabilities of its hospitals with the purchase of equipment and training of its staff, and improve the health and nutritional status of urban slum women, children and families.
38. A TESDA project benefited out-of-school youth and unskilled workers through improvement of training standards by strengthening training support services. Likewise a number of institutions were strengthened in policy formulation, planning

and management of non-formal vocational training and employment services and developing mechanisms to increase cost sharing and cost recovery for training.

Ongoing Projects

39. Under the infrastructure development sector, 430 kilometers of national roads and 3,162 lineal meters of bridges were completed. In addition, two flood control projects provided 3.85 kms. river improvement works, 31 kms. road dike, 15 units sluiceway and culverts, 4 units dredgers and 12 million cubic meters dredged spoils.
40. Projects under NIA provided irrigation to 24,081 hectares of new areas. Meanwhile, communal irrigation systems (CIS) with a total service area of 5,012 hectares and 806 kilometers of farm-to-market roads under the DA and DAR were completed.
41. In the education sector, completed facilities include 167 classrooms, 37 toilets and 24 science laboratories and trainings were given to 612 beneficiaries thereby strengthening 906 institutions.

D. IMPLEMENTATION ISSUES (see Annex O)

42. The change in administration in 2001, both at the national and local levels, affected project implementation, particularly in the areas of contract approvals and prioritization of activities at the agency or LGU levels. Moreover, since the national government had to work with a reenacted budget, mismatch problems between previously allocated funds and new financial requirements of projects emerged. In addition, the Administration adopted as matter of policy a budget deficit reduction program to restore macroeconomic stability.
43. Meanwhile, some ODA-funded projects were still hounded by right-of-way (ROW) problems and procurement delays, whether for consultancy services or civil works. In addition, peace and order problems, poor contractor performance, weak project management, and substantial changes in project design and cost slowed down implementation.
44. Furthermore, as more and more projects involved the participation of local government units (LGUs) with uneven capacity to implement projects, factors like project preparation, procurement and management capability of LGUs and availability of counterpart funds (plus delays from changes in leadership following the 2001 elections) hampered ODA performance.
45. Relending projects, meanwhile, experienced weak demand stemming from the overall economic slowdown. The impact of the September 11 incident was felt in some projects, like in the Umiray-Angat Transbasin Project, which experienced delayed deliveries of supplies and materials from abroad.
46. The indicators of ODA performance were also affected adversely by foreign exchange movements to the extent that loan proceeds were also used to finance local cost requirements. For instance, the same physical accomplishments in the year translated into lower financial disbursements (in dollar terms) as compared to the previous year, with a peso depreciation. In 2001, the exchange rate averaged 50.99 pesos to the dollar, compared to 44.19 pesos per US dollar in 2000, or a weakening in the peso of about 15%.

E. LESSONS LEARNED AND IMPLICATIONS

47. *Project Administration* – The project manager is the key player in project implementation. On many occasions, it has been noted that the success of project implementation can be equated with the capability of the project manager. It is therefore very important that the designation of project managers be a highly competitive and objective process with a view to selecting the most qualified person for the job. If disruptions in project implementation are to be minimized, the process should be shielded from changes in administration. A pool of competent project managers may be developed within implementing agencies, especially those with a steady pipeline of projects.
48. Continuous capability building and training for project managers as well as other key project personnel should be supported. In particular, familiarization courses with procurement guidelines of funding institutions should be regularly conducted. This should be true especially for units that are implementing projects for the first time.
49. Sometimes, delays in procurement processes could be traced to indecisiveness arising from lack of familiarity with procurement guidelines. Knowledge and experience specifically on dealing with the differences between GOP and funding agency guidelines should be disseminated among project managers across all agencies.
50. The project manager should work in tandem with the project financial specialist. Physical targets should be linked with disbursement projections to ensure that implementation programs are realistic and will be supported with available funds.
51. The circular of the Department of Budget and Management on Project Management Offices (PMOs) needs to be finalized and disseminated in order that implementing agencies with pending requests for additional project personnel can take appropriate actions immediately. The draft circular specifies the guidelines in rationalizing PMOs for both locally-funded and foreign-assisted projects. It is based on the principle of “scrap and build” and also specifies the conditions on when a PMO may be established.
52. For new projects, it is vital to set up a unit devoted to the implementation of a project before a loan becomes effective. Moreover, the personnel of the unit must be properly apprised about pertinent GOP and funding agency rules and procedures.
53. *Funds Flow from Special Accounts* – Flow of funds from special accounts should be closely tracked by the PMO especially after a request for withdrawal has been submitted to the funding institution. Close coordination with the funding agency should also be made to ensure that documents submitted are correct. If bottlenecks are observed, PMO must be proactive in resolving them.
54. Utmost efficiency in use of special accounts by implementing agencies should be practiced. Note that replenishment of special accounts is already considered as a loan disbursement, for which GOP will be charged interest whether the implementing agency uses the funds or not. In view of this, ways of charging financial costs of actions of implementing agencies in project implementation, such as replenishment of special accounts, to their respective agency budget ceilings must be instituted.

55. *Projects Involving Local Entities (LGUs and Water Districts)* – Projects involving the participation of local entities usually require longer time for preparation, specifically before a memorandum of agreement between the implementing agency and the local entities is put in place. This should be factored into the implementation design and schedule of a project. The more LGUs and water districts are involved, the longer should be the time allowed.
56. The impact of changes in administration at the local level, especially after elections, on project implementation should be anticipated. Possible disruptions may include changes in project personnel, changes in priorities, and withdrawal of funding support. Scheduling of important project milestones should be done with this considered.
57. Ways to charge the financial cost (e.g., commitment fees, sunk consultancy costs, etc.) of delays attributable to or withdrawals of local entities to the local entities themselves should be actively pursued. At the time of project appraisal, even before sub-project agreements are finalized, commitments from LGUs/WDs to push through with projects should be backed by Internal Revenue Allotment (IRA) intercept or equivalent provisions.
58. At the same time, a performance reporting system on local entities should be considered by Municipal Development Fund Office (MDFO), Local Water Utilities Administration (LWUA) and DILG that would make NG agencies aware of their performance in other projects with other NG agencies. Other NG agencies should be made aware of the track record of LGUs/WDs in implementing ODA projects.
59. Duplication of NG efforts in providing technical assistance and capability-building programs to LGUs should be avoided. One way to reduce, if not prevent this, is for NG not to provide full grants to LGUs but to require LGUs to put up appropriate counterpart costs. Likewise, the cooperation of DILG in this regard may be sought.
60. Continuous and closer coordination with MDFO should be sustained by implementing agencies toward streamlining procedures and requirements, and facilitating faster implementation of projects according to their respective project design and requirements.
61. *Commitment Fees* – Different funding institutions have different methods of computing commitment fees. This information is available even at the time of project appraisal, and may be taken into consideration when a project is being presented for approval.
62. For example, ADB computes commitment fees based on a standard disbursement schedule, which often does not match the proposed implementation schedule of the implementing agency. During loan negotiations, implementing agencies should negotiate with ADB for the adoption of doable and more realistic disbursement schedules.
63. On the other hand, WB computes on the basis of undisbursed amount. At the time of appraisal, even if an agency fully meets its disbursement targets, commitment fees are expected, and can be estimated.

64. In any case, the possibility of charging commitment fees against the agency ceilings of implementing agencies may be instituted, to encourage agencies to be expeditious and efficient in project implementation.
65. *Different Financing Terms of Projects* – Different financing terms made available by various NG agencies for sub-projects of LGUs and water districts permit the latter to shop for the best financing package. As a result, in some cases, LGUs and water districts withdrew from one project with stiffer financing terms or greater equity requirements and apply to another with more attractive conditions. At appraisal, GOP should consider reconcile lending policies of government financial institutions and the MDFO.
66. *Multi-Agency Participation in Projects* – Projects with multiple implementing agencies recorded lower indicators (availment and disbursement rates of 44% and 53%, respectively) than the GOP average (62% and 81%). Such projects require tremendous efforts in coordinating various participating agencies. Different agencies often differ in their operational arrangements and procedures, which affect the pace of implementation. Projects with complicated design involving many agencies should be avoided or minimized. Packaging and designing of projects should as much as possible confine scope of activities to a single agency.
67. *ROW Acquisition* – Experiences on the implementation of the new law on ROW acquisition should be shared among agencies.
68. The role of LGUs in ROW acquisition should be properly defined. Sharing or transferring the responsibility for ROW acquisition to LGUs may be considered, if the LGUs are to demonstrate its support to the implementation of development projects in their area.
69. In some projects, ROW acquisitions costs have been observed to increase significantly from the time a project is appraised to the time it is implemented. To prevent this, agencies must prepare medium-term ROW acquisition plans consistent with their medium-term program of works for ODA projects, and be provided ROW funding in advance.
70. Differences in guidelines and policies of funding institutions, specifically ADB, and GOP on resettlement should be addressed for future projects.
71. *Procurement* – Procurement activities should be closely supervised and monitored by PIOs in order that prescribed timelines are observed, and that high-level decision-making when called for can be done immediately.
72. For projects with firm financing commitments, implementing agencies should start preparation of tender documents for consultancy services even prior to loan effectiveness, so that bidding can immediately take place once the loan becomes effective. It has been noted that in many projects, there is often a period of inactivity at the start up phase.
73. *Changes in Scope* – Serious problems have been encountered with respect to changes in scope, when agencies propose such changes directly to funding agencies, without submitting them for review by the ICC. Agencies should be reminded to

seek ICC clearance for changes in scope, since these changes generally impact on the fiscal position of the government.

F. MEASURES TAKEN IN 2001

74. Several actions were taken to improve ODA performance. For example, the President issued Administrative Order No. 7 transferring the contract review function from the Office to the President to NEDA, and mandating a maximum duration for the review process. Under the previous administration, contracts piled up at the Office of the President and lack of transparency surrounded the process. Once the transfer to NEDA was effected on 23 March 2001, the NEDA set up a web site to enable interested parties monitor the status of contracts under review. AO 7 imposed a review period of 15 days for competitively tendered projects and 30 days for negotiated contracts. A contract is deemed approved if these timelines were exceeded. As a matter of policy, AO 7 was a transition measure. Eventually, implementing agencies would be responsible for contract implementation of competitively tendered contracts.
75. The President also issued Executive Order No. 40, which simplifies pre-qualification through the use of an eligibility check and strengthens post-qualification, standardizes procedures for public bidding, and promotes electronic procurement, with a view to streamlining procurement and making it more transparent.
76. Two pieces of legislation were passed that addressed perennial bottlenecks in implementation. Republic Act No. 8974 defined the procedure for ROW acquisition for infrastructure projects, while RA 8975 prohibited the issuance by lower courts of temporary restraining orders (TROs) on government projects.
77. Project Implementation Officers (PIOs), undersecretary level, were designated in all implementing agencies with the responsibility and accountability for efficient implementation of their respective projects. In response to the President's call in her state-of-the-nation address (SONA) to cut red tape and make implementing agencies accountable for their projects, whether ODA or locally-funded, implementing agencies have been able to cut down on the number of required signatories for project documents.
78. The Investment Coordination Committee (ICC) of the NEDA Board, an inter-agency committee chaired by the Department of Finance, is responsible for the review of proposals for change in scope, cost and implementation period to clean up the portfolio. The ICC endorsed partial cancellations of about \$500 million. This amount corresponded to excess financing arising from foreign exchange movement and dormant funds for slow-moving projects.
79. In April and September 2001, portfolio reviews were conducted jointly with the three biggest funding agencies to identify specific issues affecting ODA performance. Inter-agency follow-up and problem-solving sessions were conducted subsequently to address major obstacles.
80. Follow-up actions on the recommendations of the 9th ODA Review approved by the NEDA Board through Resolution No. 11 (s. 2001) resulted in the following:

- a. Re-evaluation of 3 projects which were reported in the 9th ODA Review to have incurred cost overruns of more than 20 percent.
- b. 14 ongoing projects have been subjected to ICC re-evaluation due to changes in cost, scope or project implementation periods ([see Annex R](#)).
- c. The Technical Board (TB) of the ICC approved on 6 July 2001 the inclusion of project facilitation in its functions. When necessary, ICC - TB members are invited to the PIO meetings. Likewise, agreements and issues raised during PIO meetings are presented to the ICC-TB for appropriate action.
- d. The Implementing Rules and Regulations for RA 8974 (An Act to Facilitate the Acquisition of Right-of Way, Site or Location for National Government Infrastructure Projects and For Other Purposes) was issued on 12 February 2001 and became effective in June 2001.

G. 2003-2005 BUDGET REQUIREMENTS

- 81. The 2001 General Appropriations Act (GAA) allocated some P28 billion for foreign-assisted projects (FAPs) inclusive of P1 billion FAPs Support Fund. In addition, P1 billion is classified as FAPs Supplemental Budget. Meanwhile, the 2002 GAA allocated P51 billion for FAPs inclusive of P200 million FAPs Support Fund and P9 billion unprogrammed fund for FAPs, which may be utilized as revenues become available.
- 82. The budget requirement for ongoing FAPs for succeeding years are projected to be as follows: about P66.5 billion for CY 2003, P44.8 billion for CY 2004 and P18 billion for CY 2005 ([see Annex N](#)).

H. MEASURES FOR 2002 AND BEYOND

- 83. To improve the government's absorptive capacity in the utilization of its loans and be able to sustain such improvements, following measures are recommended:
 - a. Preparation of an annual three-year investment program with indicative budget for each implementing agency;
 - b. Conduct of Sectoral Effectiveness and Efficiency Review (SEER) of individual agency portfolio to establish priorities within the medium-term under the ICC process;
 - c. Make implementing agencies fully accountable for their projects;
 - d. Further streamline procedures for document processing and funds flow within implementing agencies;
 - e. Institute capability-building for implementing agencies and LGUs on project management and procurement;
 - f. Closely monitor procurement activities and enforce sanctions for failure to meet prescribed timelines;

- g. Priority attention and high-level decision-making of implementing agencies for right-of-way problems;
- h. HUDCC to facilitate the issuance of Executive Order on resettlement;
- i. Strengthen coordination between implementing agencies and oversight agencies; and
- j. For future projects, (a) better project preparation and more thorough review of project design prior to approval of those with LGU participation, and (b) minimize multi-agency implementation in projects.

I. PROSPECTS IN 2002

- 84. ODA performance is expected to improve in 2002. This is based on the projection that the economy will grow at a faster pace this year. This has allowed an increase to P41 billion in the budget for foreign-assisted projects in 2002, compared to P29 billion in 2001. In addition, the adjustment period for new leadership in implementing agencies and LGUs is expected to be completed, and the measures instituted in 2001 should finally be able to exhibit their full impact.
- 85. The Administration has made moderate progress in improving ODA absorptive capacity. One year of good governance cannot solve some structural problems, such as, right-of-way acquisition, and weak implementation capacity of some line agencies, government corporations, and LGUs. The Administration, however, is committed to continue with the reform measures intended to improve significantly ODA performance in 2002 and beyond.

III. ODA GRANTS PORTFOLIO

- 86. *Overview-* Grant-assisted projects support primarily the priority strategies of the Arroyo Administration toward comprehensive human development and protecting the vulnerable, promoting sustainable development and use of natural resources especially in the rural areas, and good governance. They provide a balance to loan-funded projects like infrastructure development. Grants have come in various forms, namely, capital assistance which is much like the loan-funded projects, technical assistance in the form of feasibility studies, policy analysis, capability building etc., and dispatch of technical experts.
- 87. This report summarizes the performance as of 2001, of ongoing grant programs and projects in terms of actual results, outputs and physical accomplishments. In general, grant programs/projects demonstrate positive results in terms of achieving project objectives such as in addition to physical completion of specific project outputs.
- 88. *Magnitude-* The total ongoing ODA grants in the Philippines consists of 232 projects amounting to at least \$958 million as of December 2001 (Annex 1). Differences in methods of accounting of the various donors and difficulty in quantifying the various assistance in terms of costs do not allow ready comparison across grant sources.
- 89. *Sources-* Through the years, ADB, Australia, Belgium, Canada, European Community, Germany, IFAD, Japan, Korea, New Zealand, The Netherlands, Spain, Sweden, UN

System, United States and WB have provided significant ODA grants to the Philippines.

90. *Sectoral Distribution* - Consistent with the agreed priorities of the Government and the ODA partners, 29 % of the grants amounting to \$281.4 million are channeled to 54 projects under the Human Development sector. This is closely followed by the Agriculture, Environment and Agrarian Reform sector with 66 projects receiving \$275.7 million (29%). The Governance and Institutional Development sector received \$ 163.2 million or 17% with the balance of the assistance accounted by the Infrastructure Support, Multi-sectoral, and Industry and Services sectors (Annex 2).
91. By implementing agency, DOH and DA are the major grant recipients with 14% and 13% shares, respectively. This is consistent with the reported significant share received by the Human Development sector as well as the Agriculture, Environment and Agrarian Reform sector (Annex 3).

GRANTS ACCOMPLISHMENTS AND OUTPUTS

Asian Development Bank (ADB)

92. ADB provides largely technical assistance directed towards policy and institutional reform studies, institutional capacity building, and project preparation activities. The TAs are mostly in Agriculture and Natural Resources, Energy, Finance, Industry, Social Infrastructure, Transport and Communications. By sector, the top two beneficiaries of assistance are Social Infrastructure (34%) and Finance (16%). By implementing agency, the top three recipients are the DepEd (12%), DILG (10%) and SEC (10%).

Australia

93. Positive impact has been noted in the Project for Basic Education (PROBE) in terms of: a) visibility and reaching grassroots levels of the education system; b) positive benefits for pupils through increased motivation to learn, more opportunities for active and deep learning and higher achievement in basic education; and c) effective operation of the Project structures (e.g. Regional Learning Material's Centers and Teacher Support Units) put in place at national, regional, divisional, and school levels and the extent to which these structures are institutionalized within DepEd and Commission on Higher Education organizations. The Project was able to: a) refurbish five Regional Learning Materials Centers; b) train 505 teachers and principals and 69 Teacher Education Institution (TEIs) fellows; produced 107 Teacher Support Materials (TSMs) and 118 In – Service Training (INSET) materials.
94. Under the Integrated Community Health Services Project, the Inter Local Health Zone (ILHZ) approach has been institutionalized in Surigao del Norte and South Cotabato. It aims to improve the rational use of health resources across different levels of government (where under devolution, adjacent facilities have each been operational at under resourced levels with little sharing or complementarity).
95. Selected cities (Puerto Princesa, Bacolod, Iligan, Cagayan de Oro, General Santos and Tagbilaran) under the Philippine Regional and Municipal Development Project can now monitor the need for maintenance of their various facilities, with the installation of the Engineering and Solid Waste Management System.

96. For the Street Children Nutrition and Education Project, some 6,000 street children were reconciled with their parents, about 22,000 street children spent lesser time on the streets and some 6,000 street children are now enrolled in formal schools.

Belgium

97. Under the Belgian Integrated Agrarian Reform Support Program (BIARSP), 45,533 hectares (target of 54,626 hectares) were distributed for land tenure improvement (LTI) and 2,194 trainings were conducted in Regions VII and IX. In addition, around 110 km of the targeted 200 km farm-to-market roads were constructed/rehabilitated. Of the target of 2,000 hectares for irrigation, 204 hectares have been irrigated by the Project. The Project was also able to provide instructional textbook materials to 107 schools; undertook school repairs of 51 classrooms, and provided food supplements to 30,939 students. In addition, some 42 rural health units and barangay health stations were rehabilitated. Some 220 rural health units and barangay health stations were also provided with sets of medical equipment. Five community-organizing supervisors were contracted and deployed to 28 water and sanitation project sites to organize Barangay Waterworks and Sanitation Associations. In addition, 12 agrarian reform communities– level trainings for the Operation and Maintenance of water and sanitation facilities and 10 batches of training for basic health and hygiene education were conducted. The project also rehabilitated/constructed 16 shallow wells, constructed 1 deep well and undertook 32 spring development activities.

Canada

98. Through the National Commission on the Role of Filipino Women (NCRFW)-Institutional Strengthening Project II, gender training capacity was transferred to institutions like the Ateneo de Manila University and University of the Philippines, Los Baños which in turn now conduct training for academic institutions, non-governmental organizations and private organizations.
99. In the case of the Enterprise Linkages Project (ELP), improved productivity, profitability, investment and market share of medium-scale enterprises (MSEs) was facilitated, resulting in : a) increased sales by an average of more than four times; b) increased investment by 43 percent; and c) increased jobs creation by 75 percent in selected areas in Negros Occidental, Cebu and Sultan Kudarat.
100. Meanwhile, the Rural Enterprise Development Project (RED), with its sustainable agricultural and agro-forestry systems already adopted, has contributed to improved food supply for beneficiaries, in addition to income of at least P500/month for every woman beneficiary involved in swine fattening and basket industries. Generating income under the Diversified and Integrated Farming Training Sustainability Program are the 10 demonstration farms specializing in swine breeding and fattening, vegetables, poultry broilers and layers production (P1.3 million in sales as of date) and training courses.

European Commission (EC)

101. Projects covered a broad range of areas such as agricultural production and marketing, rural infrastructure, cooperatives and credit schemes, health, capability strengthening for LGUs, environment protection and community-based forest

management and agrarian reform support. They adopt a decentralized and participatory approach to development and emphasize partnerships with LGUs and NGOs. These projects encourage communities to take part in the implementation using the micro-projects approach as instruments of development.

102. Positive impacts of projects in terms of improving the living conditions of target beneficiaries have been noted. These include the following:
 - a. empowerment of beneficiaries in LGUs and upland agrarian reform communities in the Cordilleras, municipalities in the provinces of Nueva Ecija and Nueva Vizcaya, Southern Mindanao, Camarines Sur, Negros Occidental, Agusan del Sur and Agusan del Norte, by allowing them to participate in the process of planning, prioritization and implementation of projects and responsibility for O & M of completed projects;
 - b. equipped local planning units with the skills in community planning through training and hands-on formulation of Barangay Development Plans;
 - c. established credit support systems for beneficiaries venturing in livelihood programs in Catanduanes, Western Samar and Aurora;
 - d. construction of a fully-equipped 100-bed provincial hospital in Agoo; and
 - e. improved infrastructure support to the rural communities from completed water supply and sanitation projects, farm-to-market roads, bailey bridges and other small infrastructure projects.

Germany

103. Under the Hospital Equipment Maintenance Project, the estimated 25-30% downtime of hospital equipment due to lack of preventive maintenance, inexperience of personnel in repair, and lack of spare parts was addressed with the construction of hospital laboratory workshops in Davao, Cebu and Zamboanga cities, in addition to the existing hospital laboratory workshop in Manila.
104. With the Expansion of Dual Education and Training Project, overall quality of the design and delivery of vocational training programs was enhanced. It also dispersed and strengthened the participation of industries as partners in enterprise-based training through the promotion of modularized dual education and training.
105. Meanwhile, increased income of farmer beneficiaries was noted under the Farm Integrated Animal Health and Production Project and the Community-based Forestry Project in Quirino Province.
106. Among the notable accomplishments under the Women's Health and Safe Motherhood Project are: renovation of 36 provincial hospitals, 55 district hospitals, 232 rural health units (RHUs), 344 barangay health stations (BHS); provision of major and minor ob-gyne equipment to 85 hospitals, 232 RHUs and 344 BHSs, delivery of equipment for 15 maternity waiting homes and 10 lying-in clinics, delivery of 20 units of colposcope to selected DOH hospitals at the regional and national levels and delivery of 47 units of ultrasound machines to selected provincial and retained hospitals; and training of six engineers from Regions V, VI, VIII, IX, XII and

CAR in Germany on the installation and use of the major obstetrician – gynecologist equipment.

107. Under the Community Forestry Project in Quirino, accomplishments include: 347 farmer- beneficiaries applied agro-forestry under sustainable agriculture, and although income from sustainable agriculture has not increased significantly, self-sufficiency in rice has been achieved at project site; completion/approval of comprehensive land use plans in three municipalities; issuance of community-based forest management agreements to six people's organizations; and reforestation of 627 hectares and conversion of 180 hectares to agro-forestry.

International Fund for Agricultural Development (IFAD)

108. A total of 932 Certificates of Land Ownership Award (CLOAs) was prepared, of which 510 were distributed under the Support Project for the Indigenous Communities and MNLF in the Zone of Peace with Agrarian Reform Communities. The remaining 422 CLOAs are ready for distribution.

Japan

109. The ongoing province-wide cattle artificial insemination program of National Government in cooperation with the Cebu Socio-Economic Empowerment and Development (SEED) Project has already yielded confirmed cattle pregnancies. The now organized farmers are already utilizing in pilot test mode the machinery for maguay fiber production. Distributed were 97 out of 151 goats for goat-raising and dairy production, together with 20 female cows for cattle breeding and 88 birds for native chicken upgrading. Paper recycling in select schools is now being done. Provided were additional equipment for charcoal briquette production, as well as training and tools for livestock health care and a pumpboat and materials for ongoing seaweed production. Building construction for handloom weaving project was completed. Farmers were trained in enhanced corn farming and integrated pest management.
110. Meanwhile, the Educational Facilities Improvement Project (Phase V - A and B) was able to complete construction of school building and facilities in: Phase V-A Dipolog City, Dapitan City, Zamboanga City, & Pagadian City (Region IX); Phase V-B Pangasinan, Ilocos Norte, Ilocos Sur, & La Union (Region I) Benguet, Mt. Province, Kalinga, Apayao, Abra, & Baguio City (CAR).
111. The Bohol Integrated Agriculture Promotion Project has significantly enhanced the agricultural development in the area. An increase in average rice yield per cropping season has been observed. Though a thorough measurement still needs to be done, livelihood opportunities would eventually increase the income of participating communities.
112. The R&D Project on High Productivity Rice Technology was able to develop seven varieties of high-yielding and better quality promising varieties for mechanized farming in irrigated lowlands. Moreover, the rice quality evaluation technique was improved.
113. With the recent addition of Nueva Ecija and Eastern Samar, the coverage for the Tuberculosis Control Project is now nine provinces or 17% of the population. Continuous monitoring and supervision visits are done in these provinces to better

implement the program in these areas. Treatment outcome attained the target cure rate of 85% especially in the Cebu and Laguna provinces.

114. Filipino counterparts in the Bureau of Fisheries and Aquatic Resources (BFAR) have enhanced their technology and scientific knowledge in toxin and microscopic analysis through the Expert Dispatch Program.
115. The Project for Malaria Control in the Philippines has addressed constraints related to technical and logistics assistance for Malaria Control Program in the provinces of Palawan, Sulu and Tawi-Tawi. In addition, early diagnosis and prompt treatment were conducted in these provinces.

Korea

116. Under the Korea-Philippines Friendship Medical Hospital Project, construction of the main building (100 bed-capacity) at the perimeter of the Gen. Emilio Aguinaldo Memorial Hospital (formerly ABMH) is 90% complete while construction of the extension clinic near the Cavite Export Processing Zone is 95% complete. To date, all equipment under the Project have been delivered, and only 10% have yet to be installed. The Project was inaugurated in May 2002.
117. Dispatch of Korean Overseas Volunteer is 100% accomplished, where two volunteers will finish their two-year assignment by July 2002, while five Filipino trainees from Cavite participated in a manager-level training in Korea last January 7-19, 2002. The dispatch of Korean experts and the conduct of training in the Korea-Philippines Friendship Medical Hospital contributed to human resources development.

New Zealand

118. The New Zealand – PNOC EDC Forestry Project achieved its objective of ensuring long-term conservation of reservation ecosystem for the sustained production of forest goods and services, enhancement of social and economic capabilities of forest dwellers that depend on the forest reservation for livelihood, reforest denuded areas and expand the PNOC-EDC pilot plots to increase target beneficiaries.
119. Physical accomplishments include: production of 1.7 million seedlings; establishment of 828 hectares of plantation; grant of Community Forest Stewardship Contract by DENR to all beneficiary associations of the Project as part of sustainability requirement of Project.

The Netherlands

120. Under the Sustainable Agrarian Reform Communities Project, farming methods were developed and improved by adopting the Farming Systems Development approach nationwide wherein farming techniques were disseminated to the farmers by means of Barangay Workshop Consultations (BWCs) and Training-cum-Planning Activities. In addition, there was marked improvement in the capabilities of DAR personnel to handle training on cooperative strengthening.
121. On the other hand, the Sustainable Development of the Laguna de Bay Environment Project extended knowledge and understanding of land and water resources issues in Laguna de Bay, including possible resource-use conflicts through the development

and use of databases, management information systems and decision support systems.

Sweden

122. Highlights of accomplishments under the Expansion of Cadastral Support to the CARP Project of DAR include: (i) establishment of 260 Systems Component out of the actual target of 240 (108%); (ii) training of 2,091 participants out of the initial target of only 1,750 (119%); and (iii) completion in the provision of consultancy services and project management.
123. The Project has strengthened the surveying and mapping resources of DAR through the transfer of state-of-the-art surveying technique and geographic information system (GIS) technology from Sweden and has increased accuracy of DAR in acquiring correct information for the proper distribution of land titles to agrarian reform beneficiaries.

Spain

124. Since 1991, the Spanish Assistance for Livelihood Program or SAIL, has enabled the implementation of projects as well as the strengthening of the capabilities of LGUs in providing basic services to the people of Camiguin. In year 2000, the 3rd phase of SAIL started, exclusively anchored on the integrated supply and management of the water resource of Camiguin.
125. Meanwhile, the Establishment of a National Eye Referral Center on Ophthalmology Project in the Philippine General Hospital which has allowed diagnosis and treatment of ocular illnesses in the country, through the transfer of Spanish technology in this field.

United Nations Children's Fund (UNICEF)

126. At the mid-term of implementation of the Fifth Country Program for Children (CPC V) the Project has served as catalyst towards the Child Friendly Movement (CFM) through policy, technical and institutional support. This has been manifested in the growing base of political and civic support to the goals of CPC and advocacy for the CFM at various levels. Moreover, the program has been advancing models for child-friendly interventions and has been preparing the ground work for the expansion and replication of models through a comprehensive program of assistance to local governments in the areas of health and nutrition; children in need of special protection; local policy and institutional development; early childhood care and development; education and gender.

United States

127. Under Philippine Assistance Program Support Project (PAPSP) funding, policy changes made with Credit Policy Improvement Program's assistance now enables GOP to save financial resources committed to inefficient GOP-sponsored credit programs, and to give private financial institutions opportunities to provide financial services to the micro-enterprise sector through market-oriented credit policies.
128. The Transparent Accountable Governance I project contributed significantly to the well-defined, more specific tri-sectoral (public, private and civil society) anti-

corruption agenda, heightened public awareness on social, political and economic costs of corruption, and built constituencies for anti-corruption reform.

129. Through Barangay Justice Service System, conflicts are aimed to be solved before they become full-blown barangay justice cases. Training graduates are being tapped as resource persons. In fact, two winners of the Outstanding Lupong Tagapamayapa Incentive Award came from among the pilot sites.
130. The AIDS Surveillance and Education Program (ASEP) has instituted the referral of individuals by NGOs to public health centers and other NGO service outlets.
131. The National Resources Management Project (NRMP) is instrumental in the issuance of DENR's Department Administrative Order No. 17, which gives protection to ordinary fishermen from the commercial fishers' exploitation and provide more livelihood opportunities. With strict enforcement, tenurial instruments and management plans also acquired through NRMP would provide similar protection and increased income generation to farmers. Survey results conducted in 2001 showed that fish abundance increased some 233% above the baseline target inside the project marine sanctuaries (versus a 2001 target of 30%), and 79% above the baseline target for areas adjacent to marine sanctuaries (versus a target of 10%).

United Nations Population Fund (UNFPA)

132. Under the Population and Development Strategy sub-programme, the first issue of the State of the Philippine Population Report (SPPR) was produced and presented to various stakeholders and audiences, such as Congress, the Department of Education, Muslim leaders, Ulamas and Alimats of Mindanao. For the National Advocacy Project, priority advocacy issues and specific advocacy outcome for the different groups at the national and local levels were developed.
133. Under the Support to DOH for Reproductive Health Project, the completion of the Reproductive Health Protocols, the Reproductive Health Policy and the orientation courses ensured that project coordinators, provincial managers, and service providers are clarified on the requirements necessary to provide quality Reproductive Health services in the different levels of service delivery points. The technical assistance of Regional Adviser and backstopping from the Department of Health – Project Management Unit proved to be very helpful in ensuring that 80% rural health units, hospitals, and barangay health stations in the nine provinces (Quirino, Nueva Vizcaya, Cagayan, Aklan, Antique, Capiz, Sultan Kudarat, North Cotabato and Mindanao) service delivery points provide quality reproductive health services. The institutional capacity for Reproductive Health Management at all levels has been enhanced not only in the nine provinces but also in the Centers for Health Development in Regions 2, 6, 12, and ARMM.
134. Official DOH documents and technical guidelines such as Reproductive Health Service Protocols, Adolescent Reproductive Health Strategic Framework and Implementing Guidelines, Integrated Reproductive Health Training Modules and Monitoring and Evaluation Guidelines for Logframe Activities were formulated and issued.

United Nations Development Programme (UNDP)

135. The main focus of UNDP assistance is the design and management of projects and programmes that constitute the most effective and efficient use of resources for poverty alleviation. As such, the formulation of the 2nd Country Cooperation Framework (CCF) in CY 2001, addressed the difficulties faced by the 1st CCF in having clear results-oriented, adequate reflection of the programmes of other UN agencies and multilateral/bilateral donors, and broader national ownership of projects.

The World Bank

136. Positive results were noted in the Coastal Marine Biodiversity Component - Mindanao Rural Development, Conservation of Priority Protected Areas, Ozone Depleting Substance Phase Out Investment Program and Metro Manila Urban Transport Integration Project – Bicycle Network Demonstration Pilot projects under the Global Environment Facility (GEF) of the World Bank. These include: a) participatory planning and management process for the identification and development of protected areas and advocacy building; b) assistance to the development of alternative income - generating activities; c) strengthening of community-based coastal and marine resources surveillance and protection; and d) capacity building of project staff through the provision of workshops, trainings and seminars regarding protected area management.