

EXECUTIVE SUMMARY

1 Background

The ODA Act of 1996 mandated the NEDA to conduct an annual review of the implementation of all projects funded by ODA. Likewise, two (2) NEDA Board Resolutions in 1992 and 1999 instructed the NEDA Secretariat to conduct annual reviews to improve ODA absorptive capacity and incorporate reporting on results, respectively. Consistent with these mandates, this year's review aims to: (a) assess the performance of all ODA-funded projects; (b) report results and outcomes; (c) identify causes of delay; (d) report on the incidence of cost overruns, and (e) determine actions taken and actions that should be taken by concerned entities to enhance aid effectiveness.

2 ODA Loans Portfolio

The trend in the last five years indicates that loan portfolio size is around US\$ 10 billion. The share of program loans to total net commitment is generally increasing. Total net commitment in CY 2009 amounted to US\$ 9.637 million (for 100 projects supported by 106 loans), supplemented by GOP counterpart amounting to PhP 125.748 billion. Around 24 percent of infrastructure budgets of all NGAs are implemented under foreign-assisted projects.

Infrastructure sector accounts for the largest share in CY 2009 and in the last 10 years. JICA finances the largest share in CY 2009 and in the last 10 years.

Financial performance improved in CY 2009. All financial indicators for both total portfolio and project loans only improved in comparison to 2008 indicators. Compared to a longer period of time, financial indicators in 2009 generally improved vis-à-vis those registered in the period 2001-2008.

In terms of physical performance in CY 2009, the number of projects ahead or on schedule increased compared to 2008, while the incidence of loan extensions and the average length of extension in years decreased in 2009 compared to the period 2006-2008.

3 ODA Grants Portfolio

The Review covered 417 ODA grant-assisted projects (47 new, 292 ongoing and 78 completed within the year) being administered by 24 funding institutions. Cumulative grant amount is US\$ 1.06 billion. However, this excludes grant assistance from GOJ (144 projects) which comes in the form of experts, equipment and studies for which equivalent monetary values can only be determined after project completion.

Social reform and community development sector accounts for the largest share in CY 2009, while the USAID finances the largest share in CY 2009.

Cumulative utilization of the grants portfolio reached US\$ 693.76 million by the end of the year for a utilization rate (total cumulative disbursements as a percentage of the total grant amount) of 66 percent.

4 Outputs and Outcomes

Out of the 25 projects with closed loans in 2009, 22 of these were able to fully deliver complete project outputs.

Reported outcomes were expressed in indicators relevant to the assisted sectors:

- Infrastructure – increased access to electricity, improved wastewater collection, improved transport services and reduced travel time
- Governance and Institutions Development - speedier processing of cases/reduced case congestion and delays, increased access to social services
- Social Reform and Community Development – improved capacity of teachers, improved educational system, increased access to education, increased access to health services

- Agriculture, Agrarian Reform and Natural Resources – increased agricultural productivity and profitability, increased income, increased involvement in environmental protection, increased revenues
- Industry, Trade and Tourism – improved access to relending, improved business processing, increased job opportunities

Reporting on outcomes is also undertaken in post evaluation reports conducted for completed projects in previous years. Post evaluation of three (3) completed JICA-assisted projects, two of which were jointly undertaken with NEDA, were conducted in CY 2009. The ADB Independent Evaluation Department also conducted post evaluation for two (2) ADB-assisted projects, while the WB Independent Evaluation Group subjected two (2) WB-assisted projects to post evaluation.

5 Cost Overrun

Cost overrun stock decreased from PhP 32.67 billion in CY 2008 to PhP 28.99 billion in CY 2009, as explained by the additional requests, closed loans and adjustments in 2009. The cost overrun stock sums up all the amount of cost overrun requests under the various ICC review stages, incurred by all active ODA loans as of the reporting period. A project with cost overrun is excluded from the stock when: (a) the loan with cost overrun closed, (b) the request is disapproved by the ICC, or (c) the IA withdraws the request.

For CY 2009, the ICC Secretariat received three (3) requests for ICC review/approval of cost overrun amounting to PhP 2.16 billion.

Reasons identified for cost overruns include, among others: additional works, increase in unit cost, high bids, price escalation/adjustment, right-of-way acquisition and resettlement, and foreign exchange movement.

6 Key Implementation Issues

Key implementation issues fall under the categories below.

Start-up Delay. Low fund utilization is observed during the first two years of project implementation. Major causes include:

- Delayed hiring of project management consultants;
- Unavailable budget and position items for project technical staff;
- Deficient land acquisition and resettlement plan; and,
- Operations manual not prepared.

Budget and Funds Flow Bottlenecks. Most of the budget-related issues raised by the implementing agencies involve funds flow. Bottlenecks are encountered in the following stages and recent issuances:

- BTr issuance of remittance advice to DBM;
- DBM issuance of budget authorizations (SAROs/NCAs);
- Transfer of funds from BTr-LBP account to IA-LBP account;
- LGU liquidation of advances to sub-account with MDFO;
- COA pre-audit requirements for fund releases to LGUs; and,
- Monthly lapsing of NCA

Prolonged Procurement. The average duration of procurement for goods and consultancy services went beyond benchmarks set by RA 9184, while the average duration of procurement for civil works was within such benchmark. Agencies reported the following causes: non-availability of desired service providers, delay in processing of consultants TOR, bid failures, agency staff are more cautious when adopting RA 9184, and difficulty complying with funding institution's conditionalities.

Right of Way Issues. Problems raised include unyielding claimants or project affected persons and difficulty in acquiring sites in highly urbanized areas. Projects that encountered right of way

problems include those in the sub-sectors of flood control, road, air and rail transport, and sewerage and sanitation.

LGU-related Problems. Projects with significant LGU participation encountered delays due to: (a) difficulties with the application of the NG-LGU cost sharing scheme, and (b) weak LGU project management capacity.

Low Utilization of ODA Credit Facilities. Demand for these facilities was lower than expected due to: (a) higher pass on rates, (b) difficulties of LGUs to comply with requirements, and (c) eligible sub-projects are not priority expenditures of LGUs. Other issues encountered by these credit facilities include ROW (MTSP) and difficulty to comply with funding institution's conditionalities (CFEMP).

Low Utilization of National Program Support (NPS) Loans. WB-assisted NPS loans encounter low utilization due to: (a) difficult reforms limited by institutional constraints, and (b) ownership at all levels was not sustained.

7 Aid Effectiveness Initiatives

The following initiatives were undertaken by oversight agencies, in coordination with development partners, in CY 2009 to enhance aid effectiveness:

- Operationalization of the managing for development results (MfDR) in Rural Development
- Harmonized IRR for RA 9184 (Country System on Procurement)
- Government Integrated Financial Management Information System
- DOF Issuance on NG-LGU Cost Sharing Policy
- Orientation on GOP policies and procedures on ODA
- Joint Thematic Studies, Monitoring Missions and Post Evaluation
- Joint Portfolio Reviews

Through a quick survey, the Review tracked the progress of indicators for four Paris Declaration principles (Alignment, Harmonization, Managing for Results, and Mutual Accountability). Implementing agencies provided information for 26 projects. Overall, it could be inferred from the survey that among the four (4) principles, more substantial developments could be observed in the areas of Managing for Results and Mutual Accountability. The DBP and DTI likewise noted a reduction or shift in transaction costs.

8 Recommended Actions for 2010 and Beyond

A specific action plan was formulated drawing from the Joint Analytical Work exercise led by NEDA and the ADB, JICA and WB. Major actions to be taken include: (a) finalize readiness filters and strictly enforce compliance to address start up delays; (b) update service standards in the processing of fund release to facilitate funds flow; and, (c) explore feasibility of risk-based guarantee fee structure, and review LGU requirements to ensure alignment with Philippine safeguards to address LGU-related problems.

Major recommendations for oversight and implementing agencies which may be undertaken for 2010 and beyond include: (a) publish an ODA Operations Book to provide guidance on all policies and procedures regarding ODA; (b) conduct orientation among implementing agencies on advance procurement; (c) develop mechanism to rationalize NG-LGU cost sharing scheme among projects regardless of funding source; (d) ensure all billings and claims for completed works submitted promptly; (e) assist participating LGUs on project requirements; and (f) institute M&E arrangement/unit to track outcomes (including PCR submission) and sustainability measures.

Continuing and planned enhancements on the methodology and content for future ODA reviews were also proposed.

2009



ODA PORTFOLIO REVIEW

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CLASSIFICATION OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA) PROJECTS ACCORDING TO GENDER-RESPONSIVENESS

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Acronyms

AARNR	Agriculture, Agrarian Reform and Natural Resources
ADB	Asian Development Bank
ADB-IED	Asian Development Bank- Independent Evaluation Department
ADB TA	Asian Development Bank Technical Assistance
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AP	Advance Procurement
ARLDP	Arterial Road Links Development Project
ASFPD-FMO	Autonomous Region of Muslim Mindanao Social Fund for Peace and Development- Fund Management Office
AusAID	Australian Agency for International Development
BCDA	Bases Conversion and Development Authority
BIR	Bureau of Internal Revenue
BPRP	Bicol Power Restoration Project
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of Treasury
CBHCP	Credit for Better Health Care Project
CFEMP	Credit Facility for the Environmental Management Project
CHARMP II	Second Cordillera Highland Agricultural Resource Management Project
CIDA	Canadian International Development Agency
COA	Commission on Audit
CSO	Civil Society Organization
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DOF	Department of Finance
DOF-BTr	Department of Finance-Bureau of Treasury
DOF-CAG	Department of Finance - Corporate Affairs Group
DOF-MDFO	Department of Finance - Municipal Development Fund Office
DOH	Department of Health
DOTC	Department of Transportation and Communications
DO	Department Order
DP	Development Partner
DPUCSP	Development of Poor Urban Communities Sector Project
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EA	Executing Agency
EC	European Commission
FAP	Foreign Assisted Project
FRMP	Fisheries Resource Management Project
GE	Grant Element
GFI	Government Financial Institution
GID	Governance and Institutions Development
GIFMIS	Government Integrated Financial Management Information System
GOCC	Government Owned and/or Controlled Corporation
GOJ-JICA	Government of Japan- Japan International Cooperation Agency
GOP	Government of the Philippines
GPPB	Government Procurement Policy Board

GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HSDP	Health Sector Development Project
IA	Implementing Agency
ICC	Investment Coordination Committee
ICC-CC	Investment Coordination Committee-Cabinet Committee
ICCEP	Industry Cluster Capacity Enhancement Project
ICC-TB	Investment Coordination Committee- Technical Board
IEGWB	Independent Evaluation Group of World Bank
IFAD	International Fund for Agricultural Development
IRR	Implementing Rules and Regulations
ITT	Industry, Trade and Tourism
JAW	Joint Analytical Work
JICA	Japan International Cooperation Agency
KAMANAVA	Kalookan, Malabon, Navotas and Valenzuela
KfW	Kreditanstalt für Wiederaufbau
KOICA	Korean International Cooperation Agency
LADP	Laguindingan Airport Development Project
LBP	Land Bank of the Philippines
LGU	Local Government Unit
LGUWSP	Local Government Unit Urban Water and Sanitation Project
LLDA	Laguna Lake Development Authority
M&E	Monitoring and Evaluation
MDFO	Municipal Development Fund Office
MfDR	Managing for Development Results
MFO	Major Final Output
MMSMRTDP	Metro Manila Strategic Mass Rail Transit Development Project
MOA	Memorandum of Agreement
MSMEP	Micro, Small and Medium Enterprise Program
MTPDP	Medium Term Philippine Development Plan
MTSP	Manila Third Sewerage Project
NCA	Notice of Cash Allocation
NEDA	National Economic and Development Authority
NEDA-ICC	National Economic and Development Authority - Investment Coordination Committee
NEDA-PMS	National Economic and Development Authority-Project Monitoring Staff
NG	National Government
NGA	National Government Agency
NG-LGU	National Government-Local Government Unit
NIA	National Irrigation Administration
NLRC	North Luzon Railways Corp
NMCIREMP	Northern Mindanao Community Initiatives and Resource Management Project
NPMC	National Project Monitoring Committee
NPC	National Power Corporation
NPS	National Program Support
NTP	Notice to Proceed
NZAID	New Zealand Agency for International Development
OA	Oversight Agency
ODA	Official Development Assistance
OECD/DAC	Organization for Economic Co-operation and Development /Development Assistance Committee
OPIF	Organizational Performance Indicator Framework
PCR	Project Completion Report
PD	Paris Declaration
PDF	Philippines Development Forum
PER	Project Evaluation Report

PFM	Public Financial Management
PGLDN	Provincial Government of Lanao del Norte
PHC	Philippine Harmonization Committee
PIO	Project Implementation Officer
PMO	Project Monitoring Office
PNR	Philippine National Railways
PRRC	Pasig River Rehabilitation Commission
RA	Republic Act
RBM	Results-Based Management
RD	Rural Development
ROW	Right of Way
SARO	Special Allocation Release Order
SBCorp	Small Business Guarantee and Finance Corporation
SBMA	Subic Bay Metropolitan Authority
SC	Supreme Court
SISIP	Second Irrigation Systems Improvement Project
SPISP	Southern Philippines Irrigation Sector Project
SPM	Strategy Planning Matrix
STRIVE	Strengthening Implementation of Visayas Education
TESDA	Technical Education and Skills Development Authority
TOR	Terms of Reference
TRANSCO	National Transmission Corporation
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WB	World Bank