

2008



ODA PORTFOLIO REVIEW

1.0 INTRODUCTION

1.1 Mandate

Pursuant to R.A. No. 8182, also known as the ODA Act of 1996, as amended by R.A. No. 8555, the NEDA was mandated to conduct an annual review of the status of all projects financed by ODA for submission to Congress not later than June 30 of each year.

Prior to the ODA Act, the NEDA Board Resolution No. 30 Series of 1992 directed the NEDA – Investment Coordination Committee (ICC) to review all ongoing ODA-funded programs and projects and their financing, in light of the large undrawn balance of these loans for which commitments fees are being paid, and the concern for further improving ODA absorptive capacity. To further ensure that the objectives of development projects are indeed achieved, the NEDA Board Resolution No. 3 Series of 1999 approved the recommendation to report on project outcomes and impacts.

1.2 Objectives of the Review

The objectives of the review are to: (a) assess the performance of all ODA-funded projects; (b) report results and outcomes; (c) identify key implementation issues/problems and address cross-cutting issues that hamper project implementation; (d) determine actions taken and actions that should be taken by concerned entities to ensure smooth project implementation; (e) track developments on recommendations made in previous portfolio reviews; and (f) identify lessons learned and best practices.

1.3 Methodology

The Review covered all active (signed and effective) ODA loan-funded programs and projects from *01 January 2008 to 31 December 2008*. ODA grants implemented by the agencies were also included. The review involved consultations and discussions with 23 agencies [15 National Government (NG) agencies, 5 Government Owned and/or Controlled Corporations (GOCCs), 2 Government Financial Institutions (GFIs) and 1 local government unit (LGU)]. Desk reviews were also conducted for implementing agencies whose portfolios include only one grant project (4 agencies) and only one project loan completed in CY 2008 (8 agencies), and agencies (4) whose portfolios include program loans only. (*Annex 1-A for list of agencies/LGU consulted and/or desk reviewed; Annex 1-B for list of ODA loans.*)

The review was undertaken with the NEDA Secretariat as the lead agency and with the participation of oversight agencies such as DBM and DOF, the major development partners (DPs) ADB, GOJ-JICA, and WB, and the implementing agencies (IAs) with active loans and grants. In consonance with the advocacy to harmonize and align processes between DPs and agencies of the Government of the Philippines (GOP) to further enhance aid effectiveness and reduce transaction costs, the ADB, JICA, and WB participated during the agency-level meetings.

In the finalization of the report, oversight agencies (DBM, DOF, COA and OP-PMS), major funding institutions (ADB, JICA and WB), Project Implementation Officers (PIOs) and the ICC were consulted.

1.4 Structure

The review report is organized in ten sections inclusive of an Introduction. Sections 2 and 3 provide an overview and the financial performance of the ODA Loans and the ODA Grants Portfolios, respectively. Section 4 reports on Physical Performance (i.e., outputs and outcomes). Section 5 dwells on Cost Overruns incurred by some projects. Section 6 identifies Key Implementation Issues and Measures Taken by Agencies. Section 7 pertains to Other Measures Taken to Improve Portfolio Performance specifically by oversight agencies and funding institutions. Section 8 covers Lessons Learned gained in project implementation. Section 9 identifies Measures for 2009 and Beyond to be undertaken by implementing Agencies and Oversight agencies to ensure smooth project implementation. Finally, Section 10 indicates Prospects for 2009.

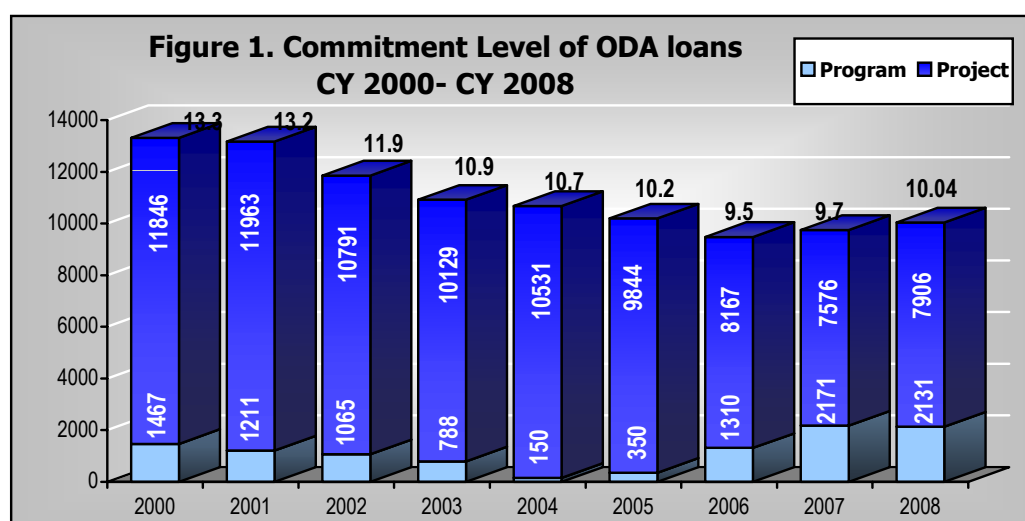
In addition to the main report, a separate Report on the Gender-Responsiveness of ODA Projects is being shared pursuant to R.A. 7192 or the Women in Development and Nation-Building Act mandating the NEDA to monitor the amount of ODA resources allocated for gender-responsive programs and projects.

2.0 ODA LOANS PORTFOLIO

2.1 Magnitude

Total cumulative Official Development Assistance (ODA) loans which financed 119 programs and projects for CY 2008 reached US\$ 10.04 billion, consisting of US\$ 7.906 billion (79 percent) project loans and US\$ 2.131 billion (21 percent) program loans (*Annex 2-A*).

Of the 119 program and project loans, 68 loans worth US\$ 5.90 billion are still ongoing, 32 closed, one was cancelled/terminated (Northern Luzon Wind Power Project), one was signed in 2007 but is yet to be made effective (Northrail Project Phase I Section II). Seventeen were signed and ten of which became effective within 2008.



A diminishing trend in the amount of ODA loans was observed since CY 2000 until CY 2006. However, starting CY 2007 the amount of ODA loans slightly increased by two percent. Also, a three percent growth in cumulative ODA loans was recorded in CY 2008.

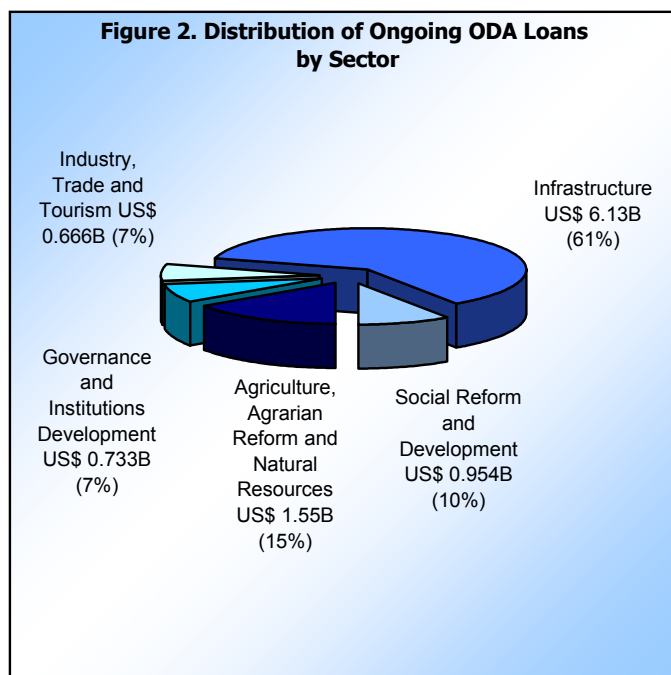
2.2 Grant Element

The concessionality of an ODA loan or loan and grant is measured by its grant element which is the reduction enjoyed by the borrower when debt service payments (principal and interest) expressed at their present values discounted at 10 percent are less than the face value of the loan or loan and grant. Per the ODA Act, the weighted average grant element of all ODA at anytime shall not be less than 40 percent (Section 3) and each ODA must contain a grant element of at least 25 percent (Section 2). As determined by DOF, the grant element of all ODA loans, from effectivity of the ODA Act in 1996 to December 2008, was 57.89 percent (*Annex 2-B*).

2.3 ODA Loans Distribution

2.3.1 By Sector

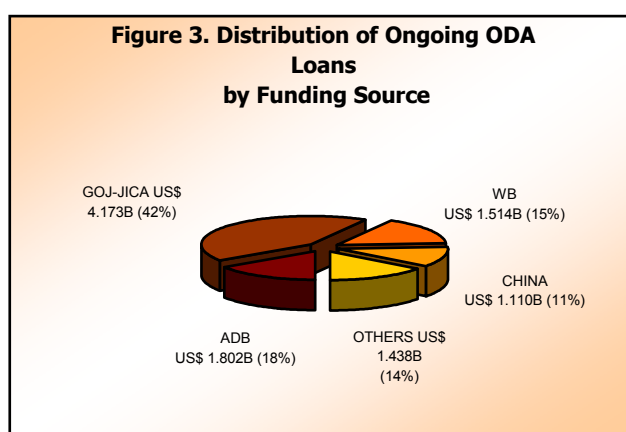
The Infrastructure Sector remains to be the largest recipient of the ODA loans portfolio with an average of 64 percent for the past 10 years. In CY 2008, the sector posted an aggregate amount of US\$ 6.13 billion (financing 58 loans) or 61 percent of the entire GOP loans portfolio.



The Agriculture, Agrarian Reform and Natural Resources Sector ranked second with a net commitment of US\$ 1.55 billion (15 percent) comprised of 28 loans. The Social Reform and Development Sector came third, with 19 loans valued at US\$ 954 million (10 percent). This is followed by the Governance and Institutions Development Sector with 6 loans amounting to US\$ 733 million and Industry, Trade and Tourism Sector with 8 loans worth US\$ 666 million both with 7 percent. (*Annex 2-C*).

2.3.2 By Funding Source

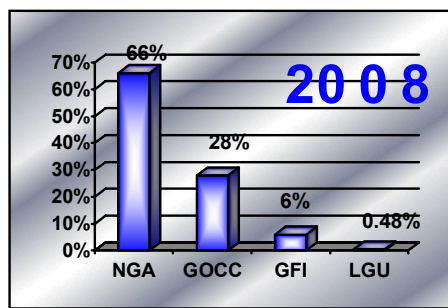
The Government of Japan-Japan International Cooperation Agency (GOJ-JICA) accounted for 42 percent of the entire GOP portfolio or US\$ 4.17 billion with 40 loans. The Asian Development Bank came next with 19 loans worth US\$ 1.80 billion (18 percent). This is followed by World Bank with US\$ 1.51 billion (15 percent) financing 22 loans, by Other Sources (Germany, Belgium, IFAD, Kuwait, France, Finland, NDF, OPEC, Netherlands, Korea, Saudi Arabia, SIDA, Spain and UK) with 32 loans valued at US\$ 1.44 billion (14 percent) and China with 6 loans worth US\$ 1.11 billion (11 percent). (*Annex 2-D*)



2.3.3 By Agency Classification

ODA loans in CY 2008 were still mostly implemented by National Government Agencies with 84 loans amounting to US\$ 6.59 billion (66 percent). On the other hand, the Government-Owned and Controlled Corporations were responsible in administering US\$ 2.78 billion (28 percent) worth of 22 loans. Moreover, the Government Financial Institutions managed 12 loans valued at US\$ 616 million (6 percent) while a US\$ 48 million loan (0.5 percent) was handled by a Local Government Unit. (*Annex 2-E*)

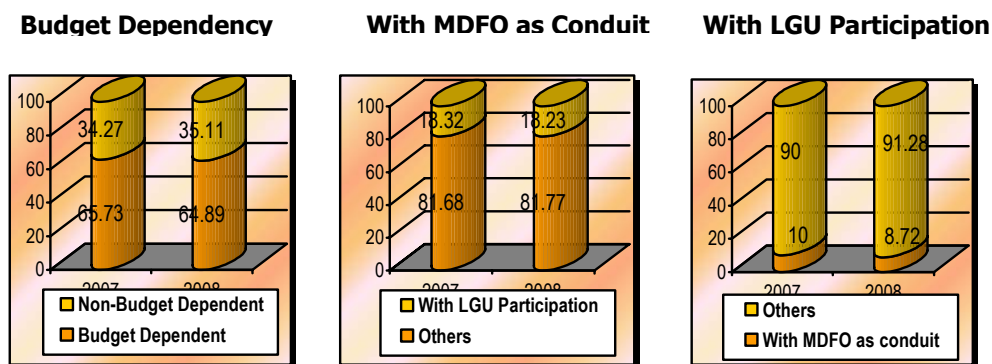
Figure 4. Distribution of ODA loans by Agency Classification



2.4 Budget Cover

ODA loans are classified into (a) those that require budget cover (to finance projects implemented by line agencies and some GOCCs e.g., NIA and LRTA and with MDFO as conduit); and, (b) those that do not require budget cover (for projects implemented by GOCCs/GFIs and the program loans). The share of budget dependent loans in the CY 2008 GOP loans portfolio decreased by only one percentage point from 66 percent in CY 2007 to 65 percent (*Annex 2-F*). Twelve loans passed through MDFO for budget cover, which accounted for 9 percent of the ODA project loans portfolio (*Annex 2-G*). Meanwhile, LGU-participated ODA projects represented 18 percent of the projects portfolio (*Annex 2-H*). ODA loans which did not require budget cover accounted for the remaining 8 percent of the GOP loans portfolio.

Figure 5. Distribution of ODA loans CY 2007 – CY 2008 (in %)



2.5 New Loans

Seventeen new loans (3 program loans and 14 project loans) worth US\$ 1.89 billion were signed in CY 2008 which accounted for 19 percent of the total portfolio. These were financed as follows: (a) 3 loans from ADB amounting to US\$ 620 million; (b) 3 loans from GOJ-JICA worth US\$ 488 million; (c) 3 loans from WB amounting to US\$ 445 million; and (d) 8 loans valued at US\$ 339 million from Other Sources. Of these

17 new loans, 10 loans worth US\$ 770 million were made effective within the year while the remaining 7 loans are yet to be made effective (*Annex 2-I*).

2.6 Loan Cancellations

Partial loan cancellations made in CY 2008 amounted to US\$ 174 million, a 39 percent increase from the US\$ 125 million worth of cancellations made in CY 2007. These consisted of 17 loans: (a) 4 loans from ADB worth US\$ 24 million; (b) 12 loans from GOJ-JICA amounting to US\$ 150 million; and (c) a loan from Kuwait valued at US\$ 0.13 million.

Two projects which significantly contributed to the total amount of loan cancellations were: (a) Northern Luzon Wind Power Project wherein the entire loan amount of US\$ 53 million was cancelled, and (b) Selected Airports Development Project wherein the unutilized balance of US\$ 50 million was cancelled upon loan closing. The rest of loan cancellations made in CY 2008 were primarily from unutilized balance of loans upon closing dates (*Annex 2-J*).

2.7 Loan Extensions

A total of 31 loans requested for loan validity extensions in CY 2008. Twenty loans were already granted extensions while the remaining 11 loans are still awaiting concurrence from their respective funding institutions. Twelve loans were extended for six months to one year, five loans extended for 1.5 to two years, and three loans extended beyond two years (*Annex 2-K*).

Reasons cited by implementing agencies for loan extension were: (a) delayed and insufficient budget releases; (b) delayed bidding process and bid failure; (c) limited technical capability of local government units to implement project; (d) peace and order problems; (e) political issues; (f) changes in scope; and (g) to allow completion of remaining works.

2.8 Closed Loans

Thirty-two loans worth US\$ 2.26 billion financially closed or were fully-availed in CY 2008. These include: (a) 7 loans from ADB amounting to US\$ 605 million, (b) 11 loans from GOJ-JICA worth US\$ 1.05 billion, (c) 2 loans from China amounting to US\$ 150 million, (d) 3 loans from WB amounting to US\$ 88 million, and (e) 9 loans from Other Sources (Belgium, Germany, IFAD, NDF, OPEC, Spain and Kuwait) valued at US\$ 391 million (*Annex 2-L*).

2.9 Financial Performance

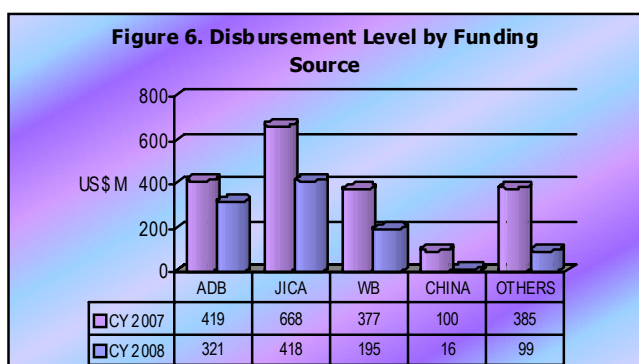
Financial performance is measured using four indicators, as follows: (a) *disbursement level*; (b) *disbursement rate*; (c) *availment rate*; and, (d) *disbursement ratio*.

Compared to CY 2007 financial indicators, CY 2008 financial performance declined. There was a slight decrease in Availment Rate and substantial decreases in Disbursement Level, Disbursement Rate and Disbursement Ratio.

Table 1. CY 2008 Financial Indicators

Financial Indicators	ODA Portfolio	
	CY 2007	CY 2008
Disbursement Level (US\$ M)	1,948.50	1,048.77
Programs	893.40	346.40
Projects	1,055.10	702.30
Disbursement Rate (%)	86.20	77.61
Programs	101.40	110.02
Projects	76.50	67.76
Availment Rate (%)	81.70	81.40
Programs	99.70	97.90
Projects	75.50	77.20
Disbursement Ratio (%)	39.27	22.50
Programs	71.70	54.80
Projects	28.40	17.70

2.9.1 Disbursement Level



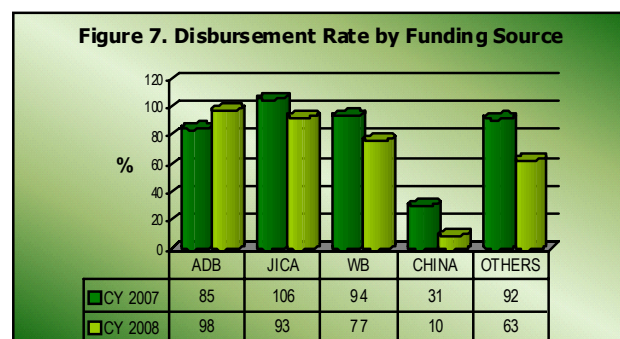
Overall ODA disbursement level in CY 2008 posted a decrease of 46 percent from CY 2007 level. GOP disbursed US\$ 1.05 billion for 119 loans in CY 2008 compared to US\$ 1.945 billion for 125 loans in CY 2007. Thirty-two loans worth US\$ 2.26 billion closed in CY 2008. Meanwhile, the 17 newly-signed loans and/or

loans made effective during the year, which account for US\$ 1.89 billion or 19 percent of the portfolio, did not register disbursements. In addition, 7 project loan worth US\$ 414 million likewise registered zero disbursements.

The disbursements for project loans declined by 33 percent from US\$ 1.06 billion in CY 2007 to US\$ 702 million in CY 2008. Meanwhile, disbursements for program loans also decreased by 61 percent from US\$ 893 million in CY 2007 to US\$ 346 million in CY 2008 (*Annexes 2-M to 2-O for details of disbursement level categorized by funding source, agency and sector*).

2.9.2 Disbursement Rate

Overall, implementing agencies achieved an average of 78 percent of their target disbursements (US\$ 1.05 billion over US\$ 1.35 billion) for ODA-assisted loan projects, compared to the 86 percent in CY 2007 (US\$ 1.95 billion over US\$ 2.26 billion).



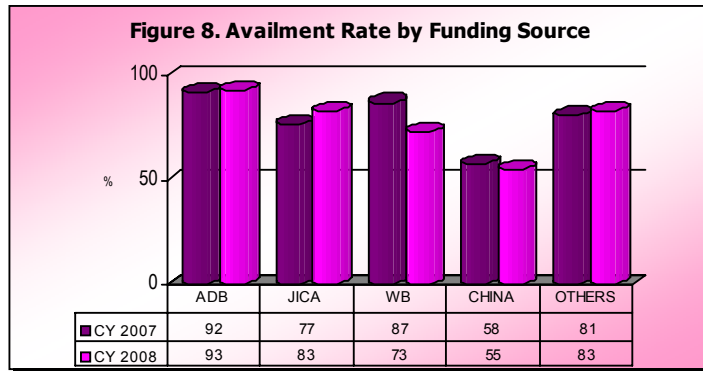
Disbursement Rate: Actual disbursement as a percentage of target disbursements for the period January to December 2008

The disbursement rate for the ADB portfolio increased by 13 percentage points, but rates for all the other funding institutions decreased from CY 2007 levels: GOJ-JICA by 13 percentage points, Other Sources by 29 percent, WB by 17 percent, and China by 21 percent, respectively.

Factors cited by implementing agencies for disbursement rates below 50 percent were: (a) delays in the procurement and processing of contracts/subproject preparations and consultants; (b) financial issues like delays in budget releases and settlement of contractor's bills, and revised targets due to cost increase; and (c) start-up problems, slow gestation of activities, design modifications, change in key management officials, poor contractor performance, limited LGU technical capability, security issues, and failure in bids (*Annexes 2-P to 2-R for details of disbursement rate categorized by funding source, agency and sector*).

2.9.3 Availment Rate

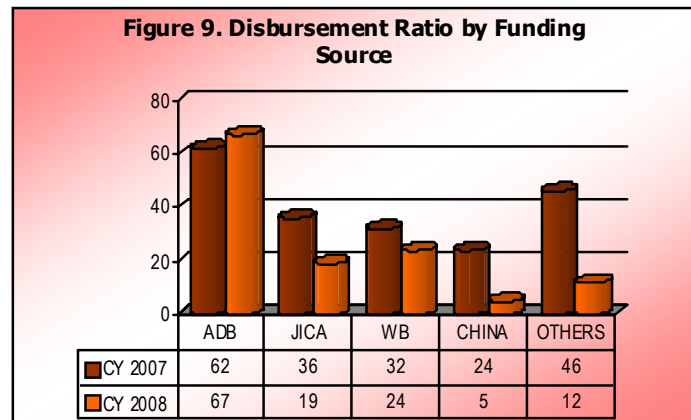
Overall availment rate decreased from 82 percent in 2007 to 81 percent in CY 2008. For project loans, availment rate increased by one percentage point, from 76 percent in CY 2007 to 77 percent in CY 2008, while that of programs declined by about 2 percentage points, from 100 percent to 98 percent (*Annexes 2-S to 2-T for disaggregated data by funding source and by sector*).



Availment Rate: Cumulative actual disbursements as a percentage of cumulative scheduled disbursements reckoned from the start of implementation of all projects up to December 2008

2.9.4 Disbursement Ratio

In terms of disbursement ratio, GOP's performance stood at 23 percent, but eight percentage points lower than the 39 percent recorded in CY 2007. Except for ADB, disbursement ratio for the four funding sources declined. Disbursement ratio for program loans decreased from 72 percent in CY 2007 to 55 percent in CY 2008 while for project loans it decreased from 28 percent in CY 2007 to 18 percent in CY 2008 (*Annexes 2-U to 2-V for disaggregated disbursement ratios by funding source and by agency classification*).



Disbursement Ratio: The ratio of actual disbursements to the net loan amount available during January to December 2008

2.10 Commitment Fees

Total amount of commitment fees incurred in CY 2008 were US\$ 4.321 million, a 9 percent decrease from CY 2007 commitment fees worth US\$ 4.757 million (*Annex 2-W*). Among the 23 implementing agencies that incurred commitment fees in CY 2008, the Development Bank of the Philippines incurred the highest at US\$ 0.91 million. This was followed by the Department of Agriculture and the Department of Education with commitment fees incurred at US\$ 0.78 million and US\$ 0.46 million, respectively.

3.0 ODA GRANTS PORTFOLIO

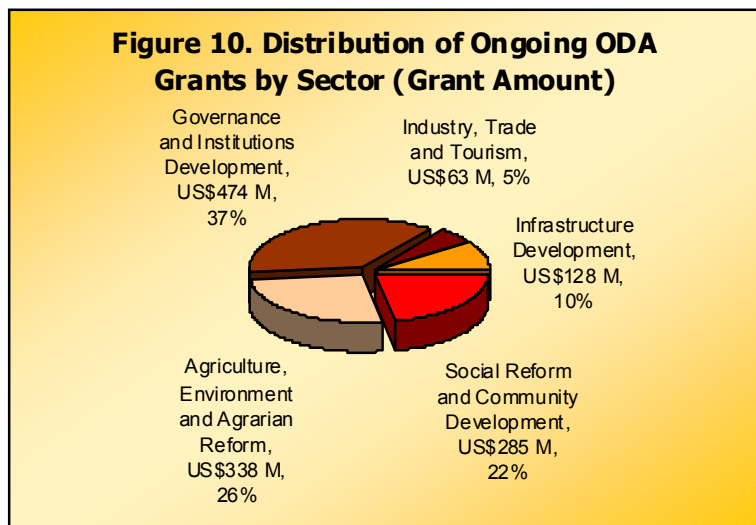
3.1 Magnitude

The CY 2008 Portfolio Review covered 314 ODA grant-assisted projects (44 new, 171 ongoing and 99 completed within the year). Total commitment amounted to US\$ 1.289 billion. However, this excludes grant assistance from JICA (37 projects) which comes in the form of experts, equipment and studies for which equivalent monetary values can only be determined after project completion. (*Annex 3 provides the list of ODA grants*)

3.2 ODA Grant Distribution

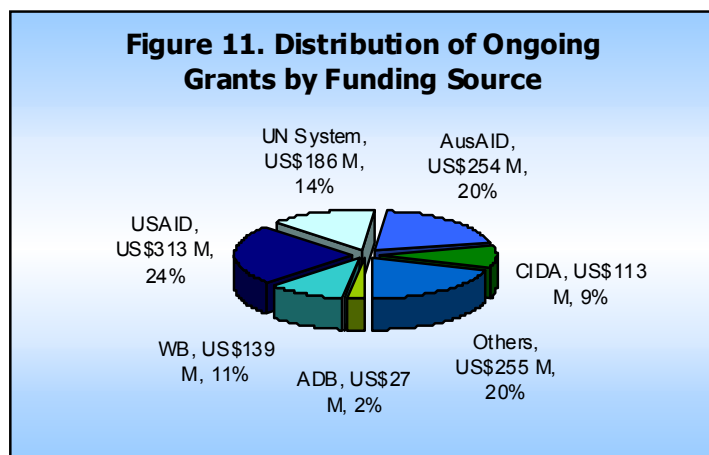
3.2.1 By Sector

In terms of sectoral distribution, the Governance and Institutions Development Sector received bulk of the ODA grant assistance amounting to US\$ 474 million or 37% of the grants portfolio (92 projects). The Agriculture, Environment and Agrarian Reform Sector was extended the second biggest share of US\$ 338 million or 26 percent (83 projects). The Social Reform and Community Development Sector, on the other hand, had a share of US\$ 285 million or 22 percent of the portfolio (74 projects). The Infrastructure Development Sector was given an assistance of US\$ 128 million or 10 percent (43 projects). Lastly, Industry, Trade and Tourism Sector received US\$ 66 million or 5 percent of the portfolio (22 projects).



3.2.2 By Funding Source

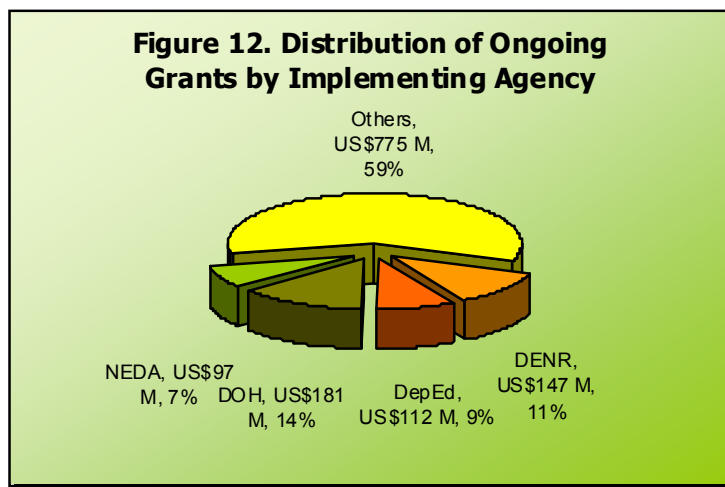
In terms of funding source, the United States Agency for International Development (USAID) accounted for the biggest share of the portfolio at 24 percent or US\$ 313 million (53 projects). The Other Sources category [EC, China, Czech Republic, Denmark, FAO, GTZ, ILO, ITTO, KOICA, MLF, Netherlands, NZAID, SIDA,



and Spain (AECID)] and Australian Agency for International Development (AusAID) each contributed 20 percent share to the portfolio or US\$ 255 million (63 projects) and US\$ 254 million (11 projects), respectively. The UN System, which comprises of UNICEF, UNDP, UNFPA and UNIDO, extended US\$ 186 million or 14 percent (55 projects). The WB, CIDA and ADB provided US\$ 139 million (46 projects), US\$ US\$ 113 million (16 projects) and US\$ 27 million (31 projects), respectively in grants assistance. The JICA, which supported 37 projects, had no data on grant amount or on its utilization (only information on 7 projects worth US\$ 26 million are available).

3.2.3 By Implementing Agency

In terms of implementing agency, the Department of Health (DOH) received the biggest grants assistance amounting to US\$ 181 million or 14 percent of the grants portfolio (21 projects). The Department of Environment and Natural Resources



(DENR), on the other hand, had the second biggest share with US\$ 147 million or 11 percent of the grants portfolio (37 projects). The Department of Education (DepEd) and National Economic and Development Authority (NEDA) was extended with US\$ 112 million (8 projects) and US\$ 97 million (19 projects),

respectively, with funds mostly from AusAID for DepEd and from UNDP for NEDA. Furthermore, around 60 various government agencies, NGOs and financial institutions implemented 229 grant-assisted projects worth US\$ 751 million.

3.3 Grant Utilization

Cumulative utilization of the grants portfolio reached US\$ 0.583 billion by the end of the year. Figures on grant disbursements are cumulative and reckoned from grant agreement signing dates. Utilization rate refers to the total cumulative disbursements (or disbursement level) as a percentage of the total grant amount. Utilization rate was at 45 percent for the entire grants portfolio.

3.3.1 By Sector

The Governance and Institutions Development Sector had the highest utilization rate of 54 percent of its grant assistance, followed by the Industry, Trade and Tourism Sector (49 percent).

Table 2. Utilization Rate by Sector

Sector	Amount (US\$ M)	Disbursement (US\$ M)	Utilization Rate (%)
Governance and Institutions Development	474.13	256.16	54
Agriculture, Environment and Agrarian Reform	338.80	132.85	39
Social Reform and Community Development	284.82	110.57	39
Infrastructure Development	128.10	52.13	41
Industry, Trade and Tourism	62.81	30.99	49
TOTAL	1,288.66	582.70	45

3.3.2 By Funding Source

CIDA had the highest utilization rate at 66 percent of its grant assistance, followed by USAID (64 percent).

Table 3. Utilization Rate by Funding Source

Funding Source	Amount (US\$ M)	Disbursement (US\$ M)	Utilization Rate (%)
USAID	313.42	200.07	64
Other Sources	255.02	44.63	18
AusAID	254.00	147.32	58
UN System	186.39	61.85	33
WB	139.45	38.83	28
CIDA	113.12	74.25	66
ADB	27.27	15.75	58
TOTAL	1,288.66	582.70	45

3.3.3 By Implementing Agency

The aggregate category of Various Implementers had the highest utilization rate at 49 percent, followed by DepEd (48 percent).

Table 4. Utilization Rate by Implementing Agency

Implementing Agency	Amount (US\$ M)	Disbursement (US\$ M)	Utilization Rate (%)
DOH	180.52	66.99	37
DENR	146.98	55.47	38
DepEd	112.20	53.32	48
NEDA	97.46	36.42	37
Various Implementers	751.50	370.51	49
TOTAL	1,288.66	582.70	45

4.0 PHYSICAL PERFORMANCE

4.1 Implementation Status

Out of the 111 programs and projects funded by the 119 ODA loans, 20 were ahead or on schedule, 43 were delayed, 14 were in start-up stage of implementation, and 34 were completed, closed or terminated. Note that some programs and projects were supported by two or more loans. (*Annex 4-A provides a tally of the physical progress of programs and projects by implementing agency*)

4.2 Outputs

Outputs delivered by the programs and projects are listed in *Annex 4-B*. However, it was noted that four of the loans which closed in CY 2008 have incomplete project outputs, as seen in *Annex 4-C*. These loans are: (a) Pasig River Environmental Management and Rehabilitation Sector Development Program/PRRC (PRRC/ADB); (b) LRT Line 1 Capacity Expansion Project, Phase II (LRTA /GOJ-JICA); (c) LGU Urban Water and Sanitation Project APL2 (DBP/WB); and, (d) Second Magsaysay Bridge and Butuan City Bypass Road Project (DPWH/GOJ-JICA).

4.3 Outcomes

In addition to IAs reporting on outputs, the Review noted that twenty-four (24) programs and projects reported on outcomes. Outcomes of programs and projects due to usage or adoption of information, services and other outputs, are typically expressed in terms of changes in: (a) values, behavior and attitudes; (b) organizational and institutional systems; and, (c) policies and plans. Ideally, major programs and projects would be able to report on outcomes as early as two years after completion. Fast and short-gestating projects or sub-projects however, may be able to report on outcomes during implementation.

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

- Infrastructure – increased access to electricity, reduced travel time, improved access to potable water
- Agriculture, Natural Resources and Agrarian Reform – increased crop production, increased income, reduced poverty, increased involvement in environmental protection
- Social Reform and Development - increased access to education, increased access to health services, increased access to housing
- Governance and Institutions Development - increased involvement of marginalized sectors in governance, speedier processing of cases/reduced case congestion and delays, improved police operations

Of the 30 programs and projects with closed loans in CY 2008, only five (5) reported on outcomes: Solar Power Technology Support to ARCs, Cordillera Road Improvement Project, LGU Urban Water and Sanitation Project APL2, Agrarian Reform Communities, and Secondary Education Development and Improvement Project. Fourteen (14) ODA loan-assisted programs and projects which reported outcomes are in varying stages of implementation. The remaining five (5) are grant-assisted projects.

Outcomes as reported by the implementing agencies are listed in Table 5.

Table 5: Outcomes reported by IAs from various ODA-funded projects

SECTOR/PROJECT	OUTCOMES
INFRASTRUCTURE	
Increased access to electricity	
<i>Solar Power Technology Support to ARCs (Spain)</i>	<ul style="list-style-type: none"> • Availability of power increased from average of 2-4 hours/day (using kerosene or pressure lamps) to average of 12-18 hours/day in 87 ARCs.
<i>Rural Power Project (WB)</i>	<ul style="list-style-type: none"> • An additional 2,674 households have access to electricity services. • Two accredited renewable energy technology (RET) companies are doing business in rural areas. • Five of six participating Electric Cooperatives (ECs) achieved satisfactory financial performance.
Reduced travel time	
<i>Cordillera Road Improvement Project (JICA)</i>	<ul style="list-style-type: none"> • Travel time from CAR to Region II was reduced by way of the 103 km Baguio-Pangawan-Aritao Road instead of the circuitous 256 km route going to as far as Pangasinan.
<i>Mindanao Sustainable Settlement Area Development Project (JICA)</i>	<ul style="list-style-type: none"> • Reduced travel time by 20 percent (from 7.62 to 5.41 minutes/km).
Improved access to potable water	
<i>LGU Urban Water and Sanitation Project APL II (WB)</i>	<ul style="list-style-type: none"> • About 90% (target 70%) of participating LGUs receive reliable water supply at least 16 hours a day . • About 90% (target 70%) of the urban population in participating LGUs have access to safe drinking water. • About 14,326 households with access to potable water.
<i>Agrarian Reform Communities Project (ADB)</i>	<ul style="list-style-type: none"> • About 15,504 ARC households have access to potable water. • Fetching time of water was reduced from 26 to 20 minutes.
AGRICULTURE, NATURAL RESOURCES AND AGRARIAN REFORM	
Increased crop production	
<i>Agrarian Reform Communities Project (ADB)</i>	<ul style="list-style-type: none"> • Rice yield increased from 65.12 to 82.46 cavan/ha (29%).
<i>Agrarian Reform Communities Development Project II (WB)</i>	<ul style="list-style-type: none"> • Cropping intensity increased by 22% from 2003 to 2007.
<i>Northern Mindanao Community Initiatives and Resource Management Project (IFAD)</i>	<ul style="list-style-type: none"> • Yield increased from 50 to 60 cavans per ha/cropping.
<i>Casecan Multi-Purpose Irrigation Project and Bohol Irrigation II (JICA)</i>	<ul style="list-style-type: none"> ▪ A new service area of 16,879 ha was generated with 200% cropping intensity. ▪ 10,041 has. served by the improved irrigation facilities has increased cropping intensity from 80% to 130%.
Increased income	
<i>Agrarian Reform Communities Project (ADB)</i>	<ul style="list-style-type: none"> • HH incomes of ARBs increased from PhP 55,590/year in 2001 to PhP 93,087 at project completion.
<i>Agrarian Reform Communities Development Project II (WB)</i>	<ul style="list-style-type: none"> • Real net income increased by 24 % from 2003 to 2007.
<i>Mindanao Sustainable Settlement Area Development Project (JICA)</i>	<ul style="list-style-type: none"> • Annual average family income increased from PhP 66,273 in 2003 to PhP 83,931 in 2007, a 27% increase (target 20%) in nominal income or a 10% increase in real income.
<i>Land Administration and Management Project II (WB)</i>	<ul style="list-style-type: none"> • Increased revenue from real property taxes in Leyte from PhP 6.4 million to PhP 39 million. • Increased revenue from transaction fees through one-stop shops, from PhP 5.2 million to PhP 8.2 million.

AGRICULTURE, NATURAL RESOURCES AND AGRARIAN REFORM	
Increased income (cont.)	
<i>Infrastructure for Rural Productivity Enhancement Sector Project (ADB)</i>	<ul style="list-style-type: none"> Nominal farm HH income increased over two years from PhP 30,782 to PhP 38,037.
Reduced poverty	
<i>Support to Agrarian Reform in Central Mindanao (EU Grant)</i>	<ul style="list-style-type: none"> Poverty incidence decreased from 2000 figures: from 42% to 28% (Cotabato), from 49% to 41% (Sultan Kudarat), from 50% to 44% (Lanao del Norte), and from 55% to 53% (Lanao del Sur). Number of households living above poverty line increased by 9,898 (16%) from 2004 to 2007.
<i>Mindanao Sustainable Settlement Area Development Project (JICA)</i>	<ul style="list-style-type: none"> Average poverty incidence reduced from 60% in 2003 to 36% in 2007. About 11,994 (exceeded target of 6,064) households graduated from poverty.
Increased involvement in environmental protection	
<i>Laguna de Bay Institutional Strengthening and Community Participation Project (WB)</i>	<ul style="list-style-type: none"> Enhanced capacity of LLDA and LGUs for micro-watershed planning, project formulation and management including procurement and financial management.
<i>Northern Mindanao Community Initiatives and Resource Management Project (IFAD)</i>	<ul style="list-style-type: none"> Enforcement of local ordinances protecting marine, coastal, and watershed areas.
<i>Management Approach to the Eco-Industrial Development of PEZA (GTZ Grant)</i>	<ul style="list-style-type: none"> Seven of 10 pilot companies reduced energy consumption between 3% and 23.7%. Consumption of recycled water increased by 22%.
Reduced pollution	
<i>National Program Support – Environment Resources Management Program (WB)</i>	<ul style="list-style-type: none"> Pollution in terms of total suspended particles (TSP) reduced from 142 to 134.5 microgram per nanocentimeter (5.28%).
SOCIAL REFORM AND DEVELOPMENT	
Increased access to education services	
<i>Secondary Education Development and Improvement Project (ADB/JICA)</i>	<ul style="list-style-type: none"> Achieved reduction to 2% disparity on completion rate between the national and SEDIP provinces. Higher average completion rate of SEDIP provinces at 56.7% vis-à-vis the national average of 55.3%. Reduced average dropout rates of 5.63% in assisted education divisions compared to the national average of 6.16%. Overall, the National Achievement Test mean percent scores (MPS) of 53.3% for assisted education divisions are higher than the 49.3% for non-SEDIP divisions.
<i>Mindanao Sustainable Settlement Area Development Project (JICA)</i>	<ul style="list-style-type: none"> School participation rate in assisted elementary and high schools increased by 14% and 8%, respectively.
Improved access to health services	
<i>Second Women's Health and Safe Motherhood Project (WB)</i>	<ul style="list-style-type: none"> 4 Basic Emergency Obstetric Care (BEmOC) facilities are PhilHealth-accredited for the maternal care package. RHUs have not experienced stock-outs of pills, injectables and IUDs in the past 6 months. Increased PhilHealth enrolment currently at 75%.
<i>Maternal and Child Health Care Project (JICA Grant)</i>	<ul style="list-style-type: none"> In Ifugao, births attended by skilled attendants increased from 797 (57%) in 2007 to 834 (67%) in 2008. Likewise, births at facilities increased from 322 (23%) in 2007 to 430 (34%) in 2008.

SOCIAL REFORM AND DEVELOPMENT	
Increased access to housing	
<i>Development of Poor Urban Communities Sector Project (ADB)</i>	<ul style="list-style-type: none"> • Around 12,545 households to benefit from housing units financed by sub-loans of various proponents and microfinance institutions (MFIs).
GOVERNANCE AND INSTITUTIONS DEVELOPMENT	
Increased involvement of marginalized sectors in governance	
<i>Kapitbisig Laban sa Kahirapan- Comprehensive and Integrated Delivery of Social Services Project (WB)</i>	<ul style="list-style-type: none"> • About 2,537 of the 4,229 assisted barangays (66%) have committed in their sustainability plans the continued use of participatory processes. • Higher levels of community participation in barangay assemblies and development planning in assisted areas than non-project control areas.
<i>Northern Mindanao Community Initiatives and Resource Management Project (IFAD)</i>	<ul style="list-style-type: none"> • Active participation of indigenous peoples in local governance as provided for by the Indigenous Peoples Right Act.
Speedier processing of cases/reduced case congestion and delays	
<i>Judicial Reform Support Project (WB)</i>	<ul style="list-style-type: none"> • Facilitated release of 536 inmates. • 126 cases mediated. • 50% of users are satisfied with their actual experience in the courts while 78% of users are confident in the courts' ability to resolve cases and serve justice.
<i>Access to Justice for the Poor (EU Grant)</i>	<ul style="list-style-type: none"> • High awareness and sensitivity to women and children's issues among municipal court judges and court personnel.
Improved police operations	
<i>Project to Build-up the Operation of the Automated Fingerprint Identification System (AFIS) (JICA Grant)</i>	<ul style="list-style-type: none"> • Total of 19 suspects of crimes identified through the AFIS.
Reforms in Basic Education	
<i>National Program Support for Basic Education (WB)</i>	<ul style="list-style-type: none"> • School heads now adopting effective management and supervisory practices: in terms of identifying and managing their school needs; applying instructional supervision plan developed for teachers' supervision; and ensuring effective delivery of services suited to the needs of the students. • Various stakeholders involved in school improvement activities. • Teachers' awareness on the NCBTS improved their skill on the teaching and learning process.

On the other hand, last year's review raised the concern that objectives of three ODA projects may not be fully achieved as originally planned. Updates on these projects are as follows:

- Arterial Road Bypass Project I – While DPWH finally agreed to JICA's recommendation to utilize the existing loan funds for the full completion of the Plaridel bypass, achievement of expected outcome will be reduced because construction of the Cabanatuan bypass will no longer be pursued under the project.
- Metro Iligan Regional Infrastructure Development Project - Project completion is contingent on actual site development of the Metro Iligan Regional Agro-Industrial Center (MIRAIC), as MIRIDP was designed to provide off-site infrastructure to MIRAIC. The Provincial Government of Lanao del Norte (PGLDN) is currently exploring various options to develop MIRAIC.

- Subic Bay Freeport Environmental Management Project - SBMA already decided to cancel the JICA loan intended for the construction of a new sanitary land fill in the Tipo Area, due to significant changes in the socio-economic development of Region 3. Instead, SBMA decided to dispose its solid waste to the sanitary land fill of Olongapo City on commercial basis.

For CY 2008, there were indications that the objectives of two projects may not be fully achieved:

- Diversified Farm Income and Market Development Project – The project aimed to reorient the Department of Agriculture into providing more market-oriented services vis-à-vis input subsidies. An indicator set for this at appraisal was the increase in budget allocation for market-oriented activities from 32 percent of DA budget in CY 2004 to an indicative level of 47 percent in CY 2009. However, the actual percentage of budget allocation for market-oriented services for 2009 was only 25 percent. In terms of magnitude however, there was an increase in terms of budget allocated for market-oriented services, i.e., from PhP 4.6 billion in CY 2005 to PhP 11 billion in CY 2009. A key implementation issue is the commodity-specific budgeting of the DA for its various commodity programs for production support which constitute around 70 percent of DA's operational budget. The cash support loan for the project shall close in 2009 with more than 50 percent (US\$ 33 million) of the loan amount undisbursed as of December 2008.
- Land Administration and Management Project II – There are apprehensions that key outputs and outcomes are unlikely to be achieved within the remaining project period (i.e., target completion date of March 2011) due to high turn-over of project directors and staff, weak capacity in financial management and procurement, slow progress on the enactment of the Free Patent Amendment (FPA) and Land Administration Reform Act (LARA), as well as the slow implementation of the EO 690 placing the Land Registration Authority (LRA) under the DENR.

5.0 COST OVERRUNS

The IRR of the ODA Act of 1996 defines cost overrun as additional cost over and above the ICC-approved project cost.

Updates on 22 projects reported in the CY 2006 ODA Portfolio Review were noted in the CY 2007 ODA Portfolio Review, and of these projects, 10 have closed in CY 2008 while 12 are still effective. In CY 2008, 6 IAs incurred cost overrun and submitted official requests for cost increase for 9 FAPs amounting to a total of Php 14,250.20 million (*Annex 5*).

5.1 Twenty-two (22) Projects with Cost Overrun in the CY 2006 ODA Portfolio Review with Updates Noted in the CY 2007 ODA Portfolio Review

The status of NEDA-ICC action and review on the 22 projects is as follows:

Table 6. Status of Cost Overrun Review and Approval

Under ICC Secretariat Review	ICC-TB Action	ICC-CC Action	NEDA Board Action	Closed
2		3 Approved	5 Confirmed	10
			2 Not confirmed	
22 Projects				

The NEDA Board confirmed ICC-CC approval for 4 projects and did not confirm ICC-CC approval for 2 projects in CY 2007. The cost increase for one project was confirmed by the NEDA Board in CY 2008. In addition, three more projects were approved by the ICC-CC in CY 2008 while 2 projects are still being reviewed by the Secretariat.

5.1.1 NEDA Board-Confirmed in CY 2008

Metro Iligan Regional Infrastructure Development Project - The NEDA Board confirmed ICC-CC's approval of PGLDN's request for cost increase which was due to change in project scope, price adjustment and escalation, increase in quantities of other work items, and as-stake quantities and physical contingencies on 21 October 2008.

5.1.2 Approved by the ICC-CC

Of the projects that are still effective, the ICC-Cabinet Committee (ICC-CC) approved three projects:

Banaoang Pump Irrigation Project - The ICC-CC approved NIA's request for cost increase in CY 2008. The project is included in the agenda of the next NEDA Board Meeting.

Arterial Road Links Development Project V - The ICC-CC approved DPWH's request for cost increase in CY 2008. The DPWH's request will be elevated to the NEDA Board upon the agency's submission of a DBM-certified budget strategy.

Help for Catubig Agricultural Advancement Project - The ICC-CC approved NIA's request for cost increase in CY 2008. The NIA's request will be elevated to the NEDA Board upon the agency's submission of a DBM-certified budget strategy.

5.1.3 Under ICC-Secretariat Review

The ICC Secretariat still has two projects under review:

Metro Manila Urban Transport Integration Project - The DPWH is yet to complete documentary requirements related to ICC re-evaluation.

KAMANAVA Area Flood Control and Drainage System Improvement Project - The DPWH is yet to complete documentary requirements related to ICC re-evaluation.

5.1.4 Closed

Lastly, of the 10 projects noted to have incurred cost overruns in the CY 2007 ODA Portfolio Review which closed in CY 2008, two were approved by the NEDA Board and eight closed without completing the entire approval process.

New Iloilo Airport Development Project - The NEDA Board confirmed ICC approval of DOTC's request for reconsideration of cost increase and change in scope in June 2008. Loan closed in September 2008.

Selected Airports Trunkline Development Project (New Bacolod-Silay) - Confirmed by the NEDA Board in July 2008. Loan closed in September 2008.

Arterial Road Links Development Project IV - Approved by ICC-CC in July 2008. Loan closed in March 2008. At loan closing date, DPWH had yet to secure full government approval of the increased cost of the project (i.e., from PhP6.14 billion to PhP9.43 billion or 54 percent increase). With the closing of the loan, the DPWH will be responsible in securing necessary funds to settle unpaid claims of the consultant and contractors.

Batangas Port Development Project, Phase II - Approved by ICC-CC in December 2007. Loan closed in January 2008.

Line I Capacity Expansion Project, Phase II - Loan closed on 4 September 2008. Approved by ICC-CC on 15 September 2008. Presented to the NEDA Board on 10 February 2009.

Philippine-Japan Friendship Highway Mindanao Section Rehabilitation Project Phase II - Approved by ICC-CC in December 2007. Loan closed in March 2008.

Second Magsaysay Bridge Butuan City Bypass Project - Noted by ICC-TB in 22 October 2008. Loan closed in December 2008.

Cordillera Road Improvement Project - Loan closed on 28 March 2008. Approved by ICC-CC in July 2008.

Lower Agusan Development Project, Stage I, Phase II - No official submission. Loan closed in November 2007.

Social Reform Related Feeder Ports Development - No official submission. Loan closed in December 2008.

5.2 Projects with Cost Overrun for CY 2008

The ICC-Secretariat received 9 requests for cost increase from 6 agencies (Table 7). Taken together, the requests of NLRC (2 rail projects) and the DPWH (bridge, flood control, and road projects) account for the bulk (79 percent) of the total PhP 14.25 billion cost increase recorded for CY 2008.

Table 7. Classification of Cost Overruns by Implementing Agency

Agency	No. of Projects	ICC-Approved Cost (PhP M)	Cost Overrun (PhP M)	% Increase over ICC-Approved Cost	% Share to Total Increase
NLRC	2	58,494.76	5,994.72	10.25	42.07
DPWH	3	15,428.40	5,224.55	33.86	36.66
NIA	1	3,892.37	276.99	7.12	1.94
PNR	1	3,363.52	684.11	20.34	4.80
Subtotal A	7	81,179.05	12,180.37	15.00	85.47
LBP	1	1,283.61	429.83	33.49	3.02
DBP	1	1,390.00	1,640.00	117.99	11.51
Subtotal B	2	2,673.61	2,069.83	77.42	14.53
TOTAL	9	83,852.66	14,250.20	16.99	100.00

Cost overruns of two (2) re-lending facilities (LBP and DBP) amounting to PhP 2,069.83 million are in the nature of supplemental financing to augment existing loans due to robust demand for the facilities.

Table 8. Classification of Cost Overrun by Funding Source

Funding Source	No. of Projects	ICC-Approved Cost (PhP M)	Cost Overrun (PhP M)	% Increase over ICC-Approved Cost	% Share to Total Increase
China	2	58,494.76	5,994.72	10.25	42.07
GOJ-JICA	3	15,428.40	5,224.55	33.86	36.66
WB	1	1,390.00	1,640.00	117.99	11.51
Korea	1	3,363.52	684.11	20.34	4.80
KfW	1	1,283.61	429.83	33.49	3.02
ADB	1	3,892.37	276.99	7.12	1.94
TOTAL	9	83,852.66	14,250.20	16.99	100.00

By funding source, China-funded projects account for 42 percent of the total cost increase for CY 2008 (Table 8). The JICA-assisted projects account for 37 percent.

The status of NEDA-ICC and NEDA Board action on the nine projects is as follows:

Table 9. Status of Review and Approval of Projects with Cost Overrun in CY 2008

Under ICC Secretariat Review	ICC-TB Action	ICC-CC Action	NEDA Board Action
	1 Endorsed	5 Approved	3 Confirmed
9 Projects			

Three of the 9 requests for cost increase in CY 2008 that were approved by the ICC-CC were discussed and confirmed by the NEDA Board, five requests were already approved by the ICC-CC and one was already endorsed by the ICC-TB to ICC-CC.

5.2.1 NEDA Board-Confirmed

Northrail Project Phase I, Sections I and II - The NLRC submitted its revised proposal to the ICC Secretariat which included an increase in project cost for both Section I and Section II of the Northrail Project Phase I (2 project loans). The cost overruns are due to the shift from the ICC-approved narrow track gauge to the standard track gauge, as well as adjustments in the cost of material and labor inputs due to inflation and foreign exchange fluctuations. *(Recent update: The revised proposal was presented to the Joint ICC TB and CC on 23 February 2009, and the NEDA Board confirmed the ICC approval of the request on 31 March 2009.)*

Southern Philippines Irrigation Project - The NEDA Board confirmed ICC-CC's approval of NIA's request for cost increase on 16 December 2008.

5.2.2 Approved by the ICC-CC

Six requests were endorsed by the ICC-TB to the ICC-CC, of which five were approved by the ICC-CC.

Rural Power Project – The ICC-CC approved DBP's request for supplemental financing on 14 April 2008.

Iloilo Flood Control Project II - The ICC-TB endorsed DPWH's request on 22 October 2008, and the ICC-CC approved it on 16 January 2009.

Central Mindanao Road Project - The ICC-CC approved DPWH's request on 8 September 2008, but will elevate it to the NEDA Board upon the agency's submission of DBM-certified budget strategy.

Northrail-Southern Linkage Project Phase I - The ICC-CC approved DPWH's request (change in scope, contingency, VAT and other taxes) on 9 October 2008. NEDA Board confirmation deferred pending resolution of issue on the track gauge to be used.

Local Government Units' Investment Programme - The ICC-TB endorsed the LBP's request for a second supplemental loan and a four-year loan extension to the ICC-CC on 25 March 2009. The ICC-CC approved the request on 30 April 2009.

5.2.3 Endorsed by the ICC-TB

Urgent Bridge Construction Project for Rural Development - The ICC-TB endorsed to the ICC-CC DPWH's request for cost increase on 29 January 2009.

5.3 Reasons of Cost Overrun

Civil Works-related changes (additional works, increase in unit cost, high bids, etc.) account for the bulk of the cost overrun (73 percent) incurred in CY 2008.

It is worth noting that consulting services and other factors (i.e., interest during construction, VAT, and other taxes) registered negative cost overrun, which meant that funds previously allocated were not fully utilized and/or reallocated.

Table 10. Breakdown of Reasons of Cost Overrun

Reasons of Cost Overrun	Cost Overrun (PhP M)	Percent Share
Civil Works	10,431.25	73.20
Additional Works	4,257.90	29.88
Increase in Unit Cost	10,102.01	70.89
High Bids	2,692.40	18.89
Price Escalation/Adjustment/Standby Claims	7,649.76	53.68
Others (Excluded Works)	(14,270.82)	(100.14)
Contingency	2,748.59	19.29
Land Acquisition	1,948.90	13.68
ROWA	1,948.90	13.68
Relocation/Resettlement	0.00	0.00
Administrative Cost	115.50	0.81
Consulting Services	(261.23)	(1.83)
Supplemental Works	(261.23)	(1.83)
Price Escalation	0.00	0.00
Forex Movement	3,106.56	21.80
Civil Works	3,106.56	21.80
Consulting Services	0.00	0.00
Others	(5,909.19)	(41.47)
Interest During Construction	0.00	0.00
VAT and Other Taxes	(2,528.55)	17.74
Others	(3,380.64)	23.72
Sub-total (PhP M)	12,180.38	85.48
Robust Demand for the Facility/Increase in Loan Application	2,069.83	14.52
TOTAL (PhP M)	14,250.21	100.00

6.0 KEY IMPLEMENTATION ISSUES AND MEASURES TAKEN BY AGENCIES

Issues identified during the review are categorized according to the following aspects of implementation: (a) Budget/Financing; (b) Procurement; (c) ROW/Resettlement; (d) LGU Participation; (e) Poor Performance of Contractors; (f) Relending/Low Demand for Credit; and, (g) Institutional/Operational Problems. These issues are discussed below along with the measures taken by the concerned implementing agencies to provide feedback for the formulation of future projects and inform agencies encountering similar problems of possible measures they can adopt. *See Annex 6-A for the matrix of project implementation issues and measures taken by implementing agencies.*

6.1 Budget/Financing

As in past years, budget and financing-related problems remain as key implementation issue for CY 2008. When funds are not sufficiently provided in a timely manner, activities are delayed. This usually results in prolonged implementation, which may translate to increased project costs and delayed achievement of benefits to intended beneficiaries. In some cases, budget and financing-related issues may be caused by other implementation problems such as cost overrun, and poor financial planning and management.

For instance, cost increases incurred by a number of DPWH projects require a DBM-certified budget strategy for DPWH ensuring that additional cost requirements can be accommodated within annual DPWH budget forecasts. This certification normally takes time to secure delaying ICC re-appraisal. In some cases, the loan proceeds were no longer sufficient to finance cost overrun requirements forcing DPWH to utilize local funds.

On the other hand, the Provincial Government of Lanao del Norte failed to fully estimate the total cost requirements for the consulting services of the Road Component. Thus, the Provincial Government requested to realign a portion of funds from another component (Alternative Fuel Investment Program or AFIP). On the other hand, AFIP will be implemented under a new financing arrangement. The consulting services will be financed by JICA through a grant (technical assistance) while the civil works will be financed through a sub-loan from the MDFO using second generation funds.

In the case of the Northrail Project Phase I, the NLRC corporate funds were not sufficient to cover administrative expenses and consulting services. Hence, NLRC obtained a US\$ 90 million DBP-arranged commercial loan to finance said items.

The ARMM Social Fund-PMO raised the issue of insufficient amount reflected in the FOA for the peso equivalent of its JBIC loan. The discrepancy between the FOA amount and the amount approved by the ICC is currently being threshed out by the ARMM Social Fund-PMO with the DBM.

Financial management problems may also lead to delays in the replenishment of the Special Account and cause liquidity problems. In the case of the Second Agrarian Reform Communities Development Project, MDFO resorted to using funds under its Program Support Account and DAR advanced its own funds to cover progress bills

awaiting availability of funds in the Special Account. However, submission of withdrawal applications should still be facilitated by MDFO and DAR to ease funds flow.

It is noteworthy that compared to previous years, fewer incidences of limited budget appropriation were reported during the review. Most of the budget-related issues raised are caused by other problems.

6.2 Procurement

Based on agency submissions during the review, 60 contracts were issued Notices to Proceed (NTPs) in 2008. It was observed that submission of bids to contract award took an average of 2.5 months for civil works (28), 4.3 months for goods (20) and 5.0 months for consultancy services (12). *See Annex 6-B for the contract procurement milestones.* RA 9184 provides for the following procurement timelines: 3.33 months for civil works, 2.67 months for goods, and 4.63 months for consultancy services. Benchmarked against RA 9184 timelines, procurement for the 28 civil works contracts is within said benchmark, while procurement for the 20 goods and 12 consultancy services contracts exceeded the timelines. Note, however, that the average procurement periods reported by agencies include the processing time on the part of the funding institutions, and as such delays may also occur during their processing of procurement documents.

A number of projects reported failures in bidding due to significantly high bids and lack of participating bidders. These were encountered during the two failed bidding for Contract Package IV of the Urgent Bridge Construction Project for Rural Development (DPWH). In the case of Contract Package I of Plaridel Bypass of the Arterial Road Bypass Project I (DPWH), the unusual increase in cost of construction materials and fuel in the early part of CY 2008 was identified as a major factor in the high bids received. NEDA reminded DPWH that the matter, being a cost overrun, requires ICC reevaluation. In the case of Health Sector Development Project (DOH), prospective bidders did not participate in the bidding for the Bangui District Hospital in Ilocos Norte due to extraordinary increases in the prices of construction materials.

Related to this issue, NEDA was requested to certify the presence of an extraordinary situation in the price increases of construction materials particularly steel and petroleum-based products to facilitate approval of requests for price adjustments by contractors. NEDA responded that, while the unusual trend in prices of steel products in the international market is recognized, any price adjustment should adhere to the parameters specified in the Guidelines for Contract Price Escalation under RA 9184, where the occurrence of extraordinary circumstances is defined. The law recognizes the entitlement to price escalation under said circumstances but such circumstances have to be proven on a case-to-case basis. NEDA, thus, cannot declare extraordinary circumstances in general.

On the other hand, JICA expressed concerns regarding some provisions of the contract for CP I under the Arterial Road Bypass Project Phase I (DPWH), which JICA considers as "one-sided" contract provisions. These provisions include extending liability of contractor for up to 15 years, and disallowing entitlement of contractor to reasonable cost adjustments for delays incurred not due to its fault. While these provisions are meant to address cost overruns, JICA expressed that allocating more risks to the contractor maybe one plausible reason for submission of high bids.

DPWH deemed the contract to be fair since the contractor had thoroughly reviewed the contract documents and agreed on the conditions. DPWH also noted that the JICA Checklist was issued in December 2006, while the preparation of tender documents for CP I was undertaken in early 2006. Notwithstanding, DPWH took note of the concerns raised by JICA and that the JICA Checklist for One-Sided Contracts will be valuable in the review of future contract documents.

6.3 ROW and Resettlement

Problems in meeting right-of-way requirements such as preparation of land acquisition and resettlement plans (LARPs), payment of right-of-way acquisition, and resettlement of affected residents resulted in implementation delays. These requirements lie in the critical path of project implementation, i.e., construction activities may not begin until these requirements are met.

Twelve (12) infrastructure projects reported ROW and resettlement issues in CY 2008:

Table 11. Projects with ROW and Resettlement Issues

Sector	Project/IA
Flood Control	KAMANAVA Flood Control Project (DPWH)
	Iloilo Flood Control Project (DPWH)
	Agno Flood Control Project II-A and II-B (DPWH)
Irrigation	Help for Catubig Agricultural Advancement Project Stage I (NIA)
	Bago River Irrigation System (NIA)
Rail Transport	NorthRail Project Phase I Section I (NLRC)
	Northrail-Southrail Linkage Project (PNR)
Air Transport	Laguindingan Airport Development Project (DOTC)
Road Transport	Metro Iligan Regional Infrastructure Development Project (PGLDN)
	Arterial Road Bypass Project Phase I (DPWH)
	Urgent Bridge Construction for Rural Development (DPWH)
Rural Infrastructure	Infrastructure for Rural Productivity Enhancement Sector Project (DA)

In addition to the continuous negotiations with affected residents together with local government officials, other measures taken by these agencies include: (a) ensuring the allotment of sufficient budget for payment of ROWA; (b) increasing the legal personnel for negotiations; (c) coordinating with the National Housing Authority (NHA) to facilitate the relocation process; and, (d) commencing works in areas not affected by ROW and resettlement issues.

6.4 Poor Performance of Contractor

In some projects, delays in implementation were traced to issues involving the performance of contractors. In the case of the Tulay ng Pangulo sa Kaunlaran Project, DPWH reported continued inaction by its contractor to concerns raised relative to the latter's non-compliance to a number of contract stipulations. The situation is similar under the Tulay ng Pangulo para sa Magsasaka. DPWH and DAR resorted to termination of the contracts.

In the case of the Second Women's Health and Safe Motherhood Project, DOH cancelled the civil works contract for the construction of Phase II Adela Serra Ty Memorial Hospital Annex Building in Surigao del Sur due to the failure of the contractor to implement the catch-up plan. DOH is also in the process of claiming from the bank the performance security and the advance payment made. Meanwhile, the WB already issued a No-Objection-Letter (NOL) to re-bid the said contract. In the case of the Technical Education and Skills Development Project, TESDA to decide whether to file a civil case for breach of contract against its contractor due to substantial delays in equipment deliveries.

6.5 Relending/Low Demand for Credit

Some re-lending projects of DBP, LBP and DTI/SBC experienced low demand due to: (a) lower interest rate offered by other facilities in the market, and/or (b) re-lending is limited to a difficult segment of the credit market.

In addition to the reduction of the Foreign Exchange Risk Cover Fee (FXRCF) from 4% to 3% granted by the DOF, the loan validity period for the Micro, Small and Medium Enterprise Program (SBC) was extended for two years. SBC also requested DOF to further reduce the FXRCF and met with BSP officials to discuss the latter's e-Rediscounting Facility offered at lower interest rate. LBP, on the other hand, reviewed the interest structure and cost components under its Support for Strategic Local Development and Investment Project, and secured approval from World Bank to use variable interest rates. In the case of DBP, aggressive marketing with private developer groups, LGUs and other private sector organizations were conducted. Measures to enhance its lending facilities in terms of value-added features were also undertaken.

Demand for credit among MSMEs is expected to increase as the Magna Carta for MSMEs (RA 9510) was signed into law in 23 May 2008. Among others, the law permits SBC to accept loan applications from the agribusiness sector and increases the Mandatory Allocation of Credit Resources to MSMEs by an increment of 2%.

Other re-lending projects cater to segments of the market which can be considered more difficult compared to the usual business enterprises. DBP projects providing sub-loans for housing and solid waste management investments encountered insufficient demand and capacity on the part of the targeted LGUs. In the case of the Development of Poor Urban Communities Sector Project, LGUs are reluctant to invest in socialized housing due to (a) collection problems at implementation, (b) lack of borrowing capacity of LGUs, (c) lack of capacity of LGUs to carry out large scale projects like housing, and (d) LGUs not committed to investing significant local resources for low-income housing. DBP is encouraging LGUs to tie up with MFIs to increase their collection efficiency, and with private developers and national shelter agencies.

In the case of the Credit Line for Solid Waste Management Project, LGUs have limited technical capability to prepare and develop SWM programs and projects, and encountered difficulties in locating and acquiring RA 9003-compliant project sites. DBP is providing technical assistance to LGUs in terms of project development and pursuing close coordination with DENR National Solid Waste Management Commission to assist LGUs and clients with necessary environment permits.

6.6 LGU Participation

To support implementation of devolved functions and services, LGU involvement is encouraged for the implementation of ODA-assisted projects. However, some problems were encountered such as varied cost-sharing schemes, and insufficient LGU commitment and technical capacity.

For instance, two DA projects (Diversified Farm Income and Market Development Project and Mindanao Rural Development Program Phase 2) reported issues concerning the 50-50 NG-LGU cost sharing scheme. In these projects, there is generally lower demand from LGUs as other locally-funded projects within DA offer more concessional schemes. Advocacy and promotional activities are being conducted by DA to generate better demand among LGUs. However, the DA still needs to harmonize its NG-LGU cost sharing schemes across its programs and projects regardless of source (i.e., ODA or local).

DA and DAR also reported that implementing LGUs are encountering delays in liquidating expenses. Slow liquidation results in delay in the replenishment of the Special or Imprest Account which provides funds to the implementing LGUs. To address this, DA and DAR conducted regional workshops where LGUs were provided coaching assistance in preparing actual liquidation papers.

Implementing LGUs were also reported to encounter difficulties in complying with requirements under the Government Procurement Reform Act or RA 9184 (DA and DOH). For instance, DOH reported that the implementing LGUs lack the capacity in preparing equipment specifications and civil works technical requirements (e.g., detailed architectural and engineering designs), especially for hospital equipment and facilities. Proactive supervision and technical assistance (e.g., sit-in coaching) is being provided by DOH to avoid bid failures and further delays.

In the case of the Pasig River Environmental Management and Rehabilitation Sector Development Program, there are indications that some LGUs were not committed to provide Operations and Maintenance funds to completed works (e.g., linear parks and community facilities). The PRRC is currently conducting consultation meetings with concerned LGUs.

6.7 Institutional/Operational Problems

Institutional and operational bottlenecks were encountered by the five (5) WB-assisted National Program Support (NPS) loans. NPS loans are designed to provide cash support to regular activities of implementing agencies and to institute institutional and operational reforms. Thus, certain policy guidelines and operations manuals to implement key reforms have to be prepared and finalized. These guidelines and manuals then have to be operationalized into work processes in various levels (central/regional/local) throughout a Department. These start-up activities take time to complete. Difficulties in tagging eligible activities or expenditures for cash support were also encountered by the Diversified Farm Income and Market Development Project and the National Program Support for Environment. In contrast to the usual project loans, NPS loans do not pre-identify all activities to be funded. The activities to be tagged should also be consistent with the results framework or the reform agenda supported by the NPS loan. Thus, difficulties in

tagging could either be in terms of identifying eligible activities or in terms of committing to reform-oriented activities. Several orientation workshops were conducted for agency staffs in central and regional offices. Arrangement and coordination with the DBM were also undertaken to address difficulties in tagging eligible activities and expenditures.

As reported during the previous year's review, BCDA is still unable to find a long-term operator to manage the toll operations and maintenance of the Subic-Clark-Tarlac Expressway. In the meantime, BCDA hired the services of an interim operator as portions of the expressway already opened for traffic in April 2008. In the case of the Subic Bay Port, the New Container Terminal (NCT) 1 started commercial operations in April 2008 while the contract for the operations of NCT 2 is expected to be awarded in August 2009. PPA, on the other hand, is still unable to find a long-term operator for the Batangas Port. Like BCDA, PPA granted a temporary permit to an interim operator.

6.8 Other Issues

Other issues that affected project implementation include: (a) peace and order/security problems; (b) low demand for or utilization of project outputs; and, (c) longer than expected time needed for social mobilization activities.

7.0 OTHER MEASURES TAKEN TO IMPROVE PORTFOLIO PERFORMANCE IN 2008

The following measures were undertaken by GOP and International Funding Institutions in 2008 to address various issues in ODA implementation.

7.1 Oversight Agencies

7.1.1 Harmonization Committee

The DOF, as chair of the Harmonization Committee, is actively working with NEDA, DBM and COA to oversee progress of GOP compliance to commitments under the Paris Declaration (PD) on Aid Effectiveness. In February 2008, a Joint GOP-Development Partners Meeting was held to update participants on the progress of the Harmonization Agenda and country-level preparations for the 3rd High Level Forum, and to secure support from development partners in further strengthening country systems and results orientation.

Two grant-assisted projects were completed in 2008 providing technical assistance (TA) support to the Philippine Harmonization Committee members and staff. Particularly, the Philippine baseline survey on the 12 PD indicators was completed under the ADB-assisted TA on Harmonization and Managing for Results. Under the KfW TA on Capacity Strengthening of the Philippine Government for Improving and Demonstrating Development Effectiveness, on the other hand, the completion of the Country Level Evaluation (CLE) of the GOP's compliance to the PD commitments was completed in June 2008. The results of the CLE were subsequently presented during the Accra Agenda for Action (AAA) in September 2008, the Philippines being one of the eight countries invited to present country results. To sustain the momentum laid down by the two projects, a TA on Harmonization and Development Effectiveness was approved by the ADB in December 2008.

7.1.2 Department of Budget and Management (DBM)

The implementation of Organizational Performance Indicator Framework (OPIF) which started in 2007 involving 13 departments cascaded to the attached agencies of these departments and other executive offices. It serves as the mechanism to effectively evaluate agency accomplishments by identifying and monitoring performance indicators and targets. Through this Framework, agency budget allocation will be based on the absorptive capacity, implementation readiness for new projects and cost efficiency. In September 2008, DBM released the 2009 OPIF Book of Outputs of Departments/Agencies.

The Government Procurement Policy Board (GPPB) updated the draft Implementing Rules and Regulations for the Government Procurement Reform Act (RA 9184). As agreed during the Philippine Development Forum in March 2008, said draft IRR already covers both domestically-funded and foreign-funded procurement activities, except those under foreign grants and through International Competitive Bidding (ICB) which may be covered only upon agreement between the GOP and the funding institution. The draft IRR was subsequently presented during consultation meetings to solicit comments from procurement practitioners. GPPB intends to secure approval of the final IRR from the Office of the President in CY 2009.

In addition, the Revised Guidelines for Contract Price Escalation were crafted prescribing the rules in the approval of requests for price escalation by the GPPB. These guidelines shall govern requests for price escalation during contract implementation for procurement of goods and infrastructure projects under extraordinary circumstances.

7.1.3 National Economic and Development Authority (NEDA)

The NEDA likewise continued the participation and involvement of major development partners (i.e., ADB, WB and JBIC) in the conduct of the 2008 Annual ODA Portfolio Review. This initiative was started during the conduct of the 2007 Annual ODA Portfolio Review, aimed at harmonizing review processes between funding institutions and GOP agencies to enhance aid effectiveness and reduce transaction costs.

A three-year MOU between NEDA and JICA, signed in May 2006 for the joint conduct of post-evaluation of completed JICA-assisted projects, continued to be implemented. Two projects were covered in 2008 to assess relevance, efficiency, effectiveness, impact and sustainability, namely the Fisheries Resource Management Project (DA-BFAR) and the Metro Manila Strategic Mass Rail Transit Development Line 2 (DOTC-LRTA). In March 2008, NEDA also signed a MOU with International Fund for Agricultural Development (IFAD) for the conduct of joint NEDA-IFAD implementation supervision missions of IFAD-assisted projects and programs. During CY 2008, NEDA participated as team members in three supervision implementation support missions for two projects in the rural development sector, namely the Rural Micro-enterprise Promotion Programme (DTI) and the Northern Mindanao Community Initiatives and Resource Management Project (DAR).

The institutional strengthening of the NEDA and other oversight agencies on various concerns such as value engineering, contract preparation and performance monitoring of infrastructure projects continued in CY 2008 under the Philippines-Australia Partnership for Economic Governance Reforms (PEGR). The TA provided by PEGR aims to, among others, incorporate value analysis in the NEDA ICC project evaluation process. Value analysis will not only maximize value for money in infrastructure projects but will also reduce the risks of cost overruns and variations/change in scope which are among the recurrent issues encountered by ODA-assisted programs and projects.

The Working Group on Infrastructure under the Philippine Development Forum (PDF), chaired by the NEDA and co-chaired by JICA and World Bank, had its first meeting in August 2008 wherein sub-working groups on infrastructure were established, namely: Transportation; Power, Energy, and Electrification; and Water Resources. These sub-working groups aim to improve implementation of infrastructure projects and policies, enhance institutional linkages, and ensure capacity building in infrastructure development.

During the year, NEDA also updated and posted in the NEDA website the Comprehensive Integrated Infrastructure Program (CIIP) 2008 - 2010 under the guidance of the NEDA Board Committee on Infrastructure (InfraCom).

7.1.4 NEDA Board Committees

In August 2008, the NEDA ICC recommended the proposed NG-LGU Cost Sharing Framework for Solid Waste Management (SWM), which was subsequently approved by the President in February 2009. The framework was a result of a policy reform/study jointly conducted by NEDA, National Solid Waste Management Commission and a team of World Bank consultants. In effect, a maximum of 40% NG grant was authorized for 1st-2nd class cities, and up to 25% for 3rd-4th class cities for SWM projects (excluding Metro Manila). The need for SWM facilities is more compelling in the case of these cities (1st to 4th class) because of their population and the corresponding volume of waste they generate. The NG grant would assist these cities to meet the requirements under the Ecological Solid Waste Management Act of 2000 (RA 9003).

The NEDA InfraCom, on the other hand, approved the Amendments to the Constructors Performance Evaluation System (CPES) Implementing Guidelines for Infrastructure Projects in August 2008. The amendments were prepared by the TWG chaired by the Construction Industry Authority of the Philippines (CIAP) to refine the existing guidelines in evaluating the performance of contractors. Enhancing transparency measures (i.e. posting of information on the ratings of the contractors and corresponding evaluators in GPPB website) was also made to ensure full disclosure of the real performance of contractors.

7.1.5 NEDA Board/Cabinet Issuances

Prior to the issuance of Executive Order No. 744, the following policy guidelines and agreements were reached and issued during the NEDA Cabinet Group Meeting on 13 May 2008:

- Except for those that have been approved/confirmed by the NEDA Board or NEDA Cabinet Group, all other projects with cost overruns are deemed disapproved until the concerned IAs request for reconsideration and provide full presentations to the NEDA Board on the justifications of the cost overrun;
- Any IA that proceeds with the implementation of ODA projects with cost overrun without securing prior NEDA-ICC approval, will no longer be allowed to avail of loans in the future;
- IAs must implement infrastructure projects on a 24-hour basis with three shifts to fast track implementation and avoid price escalation and increases in interest payments;
- Expropriation cases for infrastructure projects must be aggressively followed up with the Judiciary. The Judiciary, Executive and Legislative Advisory and Consultative Council is a potential venue for this. OP-PMS to follow up on the cases with the Supreme Court, in particular with the Court Administrator;
- NEDA-ICC to report to the NEDA Board issues that are keeping the remaining ODA projects with cost overrun from being approved at the level of the ICC and elevated to the NEDA Board; and,

- NEDA-ICC to give one-week deadline to implementing agencies to obtain an approved budget strategy for project cost overruns.

7.1.6 Office of the President (OP)

Since its inception in CY 2007, the Pro Performance System (PPS) Steering Committee had been conducting regular meetings to assess the status of priority programs and projects of the President and identify immediate solutions to implementation problems encountered by said projects particularly ROWA, resettlement of affected families and those with funding constraints. The PPS Steering Committee has been involved in the monitoring of priority infrastructure projects of the President particularly those that were scheduled to complete in CY 2009 and mid-2010.

To strengthen NEDA's mandate on cost overrun monitoring and evaluation, Executive Order No. 744 signed by the President in August 2008 requires all agencies implementing ODA-funded projects with cost overruns of over 10 percent to seek reevaluation and endorsement from the Investment Coordination Council (ICC). This, however, does not supplant the current ICC policy on re-evaluation for projects with cost overrun and change in scope regardless of amount.

7.2 Development Partners/Funding Institutions

7.2.1 Asian Development Bank (ADB)

In addition to the regular project missions fielded to assess implementation performance and keep projects on track, the ADB completed the second Country Assistance Program Evaluation for the Philippines which covers operations from 2003-2007. The main objectives of the evaluation are: (a) to review how past lessons have been used in formulating strategies; (b) assess responsiveness and effectiveness of ADB assistance, and; (c) identify lessons and recommendations for future programming.

7.2.2 Canadian International Development Agency (CIDA)

The 10th NEDA-CIDA Bilateral Consultation Meeting was held in November 2008. Discussions focused on GOP plans and priorities (particularly in the areas of decentralization, justice sector reform, peace and development in Mindanao, and gender and development), prospects on Canada's ODA program, aid effectiveness agenda, and updates on the ongoing CIDA assistance.

7.2.3 Federal Republic of Germany (FRG)

Program progress reviews were conducted in CY 2008 for ongoing technical (GTZ) and financial (KfW) cooperation programs. Based on the results of the review, additional grant funding for four (4) ongoing technical cooperation programs (Private Sector Promotion, Decentralisation, and Environment and Rural Development Programmes, and Poverty Reduction and Conflict Transformation Project), additional loan financing for LGU Investment Programme, loan validity extensions for Credit Line for Solid Waste Programme, and Micro, Small and Medium Enterprise Programme were recommended. In addition, a new project loan (Credit Line for Energy Efficiency and Climate Protection) was signed in December 2008.

7.2.4 Japan International Cooperation Agency (JICA)

In October 2008, the Overseas Economic Cooperation Operations of the Japan Bank for International Cooperation (JBIC) and part of the grant aid provided by Japan's Ministry of Foreign Affairs (MOFA) were integrated with the technical cooperation offered by JICA. The New JICA aims to provide comprehensive assistance for recipient countries by making the most of a broader range of aid instruments.

As in previous years, JICA conducted its 1st Project Implementation Review (PIR) Meeting for JFY 2008 with the various implementing and oversight agencies. The 1st PIR covered the 2nd semester JFY 2007 performance review and disbursement target-setting for the 1st semester JFY 2008. The meeting also focused on issues and problems affecting project implementation and presentation of the medium-term investment program for each implementing agency which includes brief outline and description of pipeline projects.

7.2.5 United States Agency for International Development (USAID)

The NEDA-USAID Annual High-Level Bilateral Consultation Meeting was held in 14 February 2008. Discussions focused on updates on the GOP development plan priorities, initial results of the Survey on Monitoring the PD on Aid Effectiveness including findings particularly for USAID assistance in the Philippines, US foreign assistance outlook, review of ongoing USAID assistance and updates on agreements reached in previous bilateral meetings.

7.2.6 World Bank (WB)

A Joint GOP-WB Portfolio Review Wrap-Up Meeting was conducted in August 2008, and attended by representatives from government oversight agencies namely NEDA, DBM and DOF, the Bank Portfolio Team and sector teams as well as representatives from various implementing agencies. Simultaneously, WB together with the GOP completed a review of the National Program Support (NPS) operations portfolio to evaluate progress in implementing agreed actions during the previous review and generate deeper understanding of cross-cutting problems. The meeting also expanded its coverage to include a presentation and discussion of the results of the analysis on loan processing time which was also jointly undertaken by the GOP and WB.

8.0 LESSONS LEARNED

Lessons generated from project implementation experience of various agencies should merit consideration in undertaking appropriate adjustments for the implementation of ongoing projects, and in the formulation of future projects. Moreover, these are classified into major thematic concerns to serve as a recommended list of topics for more in-depth studies and reviews.

8.1 Quality-at-Entry

As in previous years, implementing agencies continued to encounter start-up delays suggesting poor quality-at-entry of ODA projects in general. Out of the 14 effective ODA project loans with time elapsed of less than 50% as of December 2008, eight program/project loans encountered major start-up delays as indicated by their average availment rate of only 40%. Specific start-up issues encountered by these programs/projects include: change in management resulting in reconstitution of internal management structures for program implementation (BIR), insufficient manpower (BIR, DENR), lower LGU demand due to other projects offering more concessional schemes (DA), lack of common understanding on (in)eligible expenditures (DENR), procurement delays (BIR, DA, DENR, DOH), lack of familiarity to funds flow and financial reporting requirements (DENR, DOH), delay in hiring project consultants needed for commencing implementation (DOH), and indigent targeting methodology for PhilHealth coverage not agreed upon by implementers (DOH).

During the Joint GOP-WB Portfolio Wrap-Up Review in August 2008, a set of project “readiness filters” was discussed aimed at improving performance of ODA projects during start-up years. Among these include: (a) institutional readiness of proponent agencies in terms of sufficient technical capacity and future budget appropriations; (b) strong ownership from the management of proponent agencies; (c) clear support from oversight agencies; (d) clear involvement from other agencies; (e) participatory processes with beneficiaries; and, (f) robust risk analysis.

8.2 LGU Participation

LGU involvement is encouraged not only because most development interventions are also devolve activities but also to enhance ownership and sustainability of project outputs. There are cases, however, that LGUs lack the capacity in several aspects of project implementation such as procurement, liquidation of expenses, preparation of land acquisition and resettlement plans, and project development and planning. Thus, design of projects with significant LGU involvement should have built-in parallel measures to address LGU capacity. Moreover, these measures should not be limited to the conduct of trainings but should be complemented by sit-in coaching. DA reported, for instance, that good results came out from regional “write-shops” conducted with the LGUs in the preparation of liquidation reports.

The NG-LGU cost sharing scheme varies across programs and projects of implementing agencies, financed by ODA or local funds. Expectedly, LGUs shop around for projects and investments offering the highest NG grant which reduces demand for projects adopting the maximum 50% NG grant policy and distorts priorities against types of investments requiring higher LGU share.

8.3 Procurement

While some improvements were noted in the reviews of the contracts in 2007 and 2008, implementing agencies take longer time to procure civil works, consultancy services and goods as compared with the timelines prescribed under RA 9184. Moreover, for contracts with NTPs issued in 2008, implementing agencies took an average of around one (1) month to issue the NTP after contract award.

Delays in procurement processes can be traced to indecisiveness arising from lack of familiarity with procurement guidelines. It is hoped that the draft IRR of RA 9184, which aims to simplify and harmonize procurement guidelines, will address this concern.

8.4 Re-lending/Low Demand for Credit

Future re-lending projects should integrate in the project design an acceptable level of flexibility in changing the scope of re-lending projects, which thoroughly considers current and emerging level of demand for its facilities and the impact of lower interest rates offered by available facilities in the market.

8.5 Legislative Enactments or Difficult Reform Agenda

Program and project loans, whose design significantly binds the achievement of development objectives to legislative enactments and/or difficult reform agenda, should be reformulated. Reform commitments, in areas proven in the past to be institutionally difficult to sustain, should first translate into firm/operational institutional policies and structures before embarking on a program/project loan.

9.0 MEASURES FOR 2009 AND BEYOND

9.1 Oversight Agencies

9.1.1 NEDA and DOF

Review and assess the current policies and practices across FIs governing project completion and loan validity period, with the end view of formulating a uniform policy that shall govern project duration and extensions. There is a need to prevent implementing agencies from unilaterally extending implementation periods to coincide with loan closing dates (e.g., JICA-assisted projects have a two-year difference between project physical completion date as reflected in the loan agreement and the loan closing date).

9.1.2 Department of Finance (DOF)

With DENR and LRA, to look into the possibility of instituting a Land Appraisal Board and Land Acquisition System to facilitate acquisition of ROW, in line with recommendations of the National Legal Forum conducted in 2007.

9.1.3 ICC/ICC Secretariat

Issue guidelines incorporating Value Analysis in the ICC evaluation process (especially in scrutinizing feasibility and implementation details) for major public infrastructure projects, to ensure project quality, performance and functionality while minimizing construction, operation and maintenance costs.

To improve monitoring of costs for projects with several contract packages having different bidding schedules, require IAs to report to ICC for appropriate action (prior to contract award) any change in scope and/or cost increase of a contract package after NEDA Board approval, or risk the contract being declared null and void.

Strictly enforce the NG-LGU cost sharing policy for FAPs, and enjoin implementing agencies to align other schemes applied to locally-funded projects with said policy.

To conduct further reviews/studies of recurrent ODA implementation issues such as cost overruns, procurement, ROW and resettlement and LGU participation with the objective of formulating ICC policies addressing these concerns.

9.1.4 Government Procurement Policy Board (GPPB)

To finalize the Implementing Rules and Regulations (IRR) of RA 9184 for ODA- and locally-funded projects, and secure its approval from OP.

9.2 Implementing Agencies

Ensure that institutional arrangements (roles and deliverables) and coordination mechanisms (for output delivery, M&E and consolidated progress reporting) are established and accepted by other partner agencies/stakeholders.

Fast-track sub-project approvals, procurement, and relocation/ROWA in assisted LGUs to mitigate possible implementation slow down due to the 2010 elections.

Review physical performance and financial absorptive capacity of delayed loan-assisted projects that will be in the mid-term of their implementation periods in CY 2009, to ascertain a more realistic projected physical accomplishment and loan availment and reduce commitment fees.

Sustain the effort to adopt and apply simplified procurement and disbursement processes in order to comply with the procurement law's timelines and reduce overall implementation delays.

Strengthen M&E systems of IAs in terms of form (i.e., reporting formats harmonized to meet information needs of both GOP and FIs, data consistency/integrity features in databases) and substance (monitoring and reporting on outcomes/results achievement).

Pursue with greater diligence the organizational improvements/reforms being carried out for FAPs, which include the adoption of Value Engineering/Value Analysis of projects, civil society partnership in the road projects monitoring for more transparency, setting-up of a cost estimation system to improve cost accuracy, among others.

Adhere to the prescribed lead time (six months) in the submission of requests requiring oversight agency review and approval, and attend to subsequent actions required to complete the approval process of GOP and FIs.

Strengthen the procurement process by making it more transparent and instituting enforceable sanctions and measures to curtail practices disadvantageous to GOP.

For GFIs, to formulate a systemic response to address low domestic interests rates as this is a recurring issue in the banking system, which include but is not limited to requesting DOF to reduce FOREX and other fees as well as FIs to revise the loan tenor, and undertaking aggressive marketing of sub-loans with corresponding technical assistance.

9.3 Funding Institutions

Sustain intensive efforts in aligning with the country's national development strategies, systems and procedures i.e. public financial management and procurement systems; avoid use of Parallel Implementation Units (PIUs); untying of aid; and, conduct of joint review missions and analytic works.

Utilize the annual ODA Portfolio Review to meet assessment requirements of both the FIs and GOP, so as to lessen transaction costs and time spent by implementing and oversight agencies attending project/program reviews.

Collaborate with NEDA in the conduct of thematic studies for specific concerns in the ODA portfolio, i.e., quality at entry, sustainability mechanisms, GOP evaluation methodology, among others.

Sustain the increased focus on reporting on outcomes and impact, and provide technical assistance in tandem with the Philippine Harmonization Committee in building capacities of GOP agencies.

10.0 PROSPECTS FOR 2009

10.1 General Environment

To sustain the economy amidst the current global financial crisis, the Philippine Government is implementing the Economic Resiliency Plan (ERP) as its main fiscal stimulus initiative which aims: (a) to ensure sustainable growth and attain higher end of the growth targets; (b) to save and create many jobs; (c) to protect the most vulnerable sectors (poorest of the poor, returning OFWs and workers in export industries; (d) to ensure low and stable prices to support consumer spending; and, (e) to enhance competitiveness in preparation for the global economic rebound. To improve absorptive capacity of the government, ERP would accelerate spending for fast, off-the-shelf infrastructure projects (simple engineering requirements, no right-of-way problems) through the frontloaded spending of infrastructure agencies for projects during the first half of 2009.

ERP requires that funds be moved from the slow-moving projects to the fast-moving ones; program of works and procurement plans be prepared and implemented under tight deadlines; and contracts be awarded in the first quarter of 2009. While this environment in IAs of urgent development action extends more to locally-funded projects, implementation efforts of FAPs within the said IAs must intensify to contribute to ERP commitments.

The continued provision of financial assistance and business development services can occur within a better enabling environment for MSME development, possibly influenced by the newly-signed Magna Carta for MSMEs and the new DTI/SBC-advocated, risk-based lending system for emerging MSMEs. Stronger government support to entrepreneurs through its micro, small and medium enterprise (MSME) programs would ensure economic resiliency in the midst of global recession.

To ensure transparency in project implementation, and since country ownership as a Paris Declaration (PD) principle is not limited to government ownership, civil society organization (CSO) participation/involvement in ODA processes will be deepened as part of GOP's commitments under the Accra Agenda for Action (AAA).

10.2 Budget Outlays and Requirements

Budget requirement of ongoing ODA loans for succeeding years (2009 and beyond), is PhP 85.717 billion. As submitted by the various implementing agencies, this is broken down as follows: PhP 39.182 billion for CY 2009, PhP 23.982 billion for CY 2010, PhP 16.616 billion for CY 2011, PhP 5.326 billion for CY 2012, and PhP 612 billion for CY 2013 onwards. The future years' budget requirement accounts for 32 percent of the total project cost of the ongoing ODA portfolio of the 17 NG agencies, while the other 68 percent accounts for the total appropriations cover until December 2008. The top three agencies with the biggest budgetary requirements for 2009 are DPWH with PhP 15.509 billion (39.6 percent of the budget requirement for CY 2009), DOTC with PhP 4.628 billion (11.8 percent), and BCDA with PhP 4.490 billion (11.5 percent). *See Annex 10 for the details on agencies' budgetary requirements.*

10.3 Loan Financial Performance

In terms of the ODA portfolio financial performance, three new quick-disbursing, program-type loans amounting to US\$ 594.8 million which became effective in early CY 2009 could translate to a higher disbursement performance in CY 2009. These loans are the (a) Development Policy Support Program II (US\$ 94.8 million); (b) Global Food Crisis Response Program Development Policy Operations (US\$ 200 million); and, (c) Governance in Justice Sector Reform Program-Subprogram 1 (US\$ 300 million). Another program loan, the Development Policy Support Program-Subprogram 3 (US\$ 250 million) is expected to be signed/become effective which could contribute further to improved disbursement performance.