



An Assessment of the ODA Policy in the Philippines¹

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List of Abbreviations

ADB	Asian Development Bank
BOP	balance of payments
CB	Central Bank
CGI	Consultative Group for Indonesia
COA	Commission on Audit
CODA	Committee on Official Development Assistance
DAR	Department of Agrarian Reform
DBM	Department of Budget and Management
DOF	Department of Finance
ECC	Environmental Clearance Certificate
EO	Executive Order
FOA	Forward Obligational Authority
FUNDERS	Facilitation of Indisbursed Resources
GAA	General Appropriations Act
GDP	gross domestic profit
GFI	government financial institutions
GOCCs	government-owned and controlled corporations
ICC	Investment Coordination Committee
IMF	International Monetary Fund
IMPACT	Improvement of Physical Accomplishment and Timeliness
INFID	International NGO Forum for Indonesia's Development
IRR	Implementing Rules and Regulations
JBIC	Japan Bank for International Cooperation
LGC	Local Government Code
LGUs	local government units
MOFA	Ministry of Foreign Affairs
MTPDP	Medium-Term Philippine Development Plan
MTPIP	Medium-Term Public Investment Program
M&E	monitoring and evaluation
NAPC	National Anti-Poverty Commission
NCPAG	National College of Public Administration and Governance
NCR	National Capital Region
NEDA	National Economic and Development Authority
NG	National Government
NGOs	non-government organizations
ODA	Official Development Assistance
PIS	Public Investment Staff
PMO	Project Management Office
PMS	Project Monitoring Staff
POs	peoples' organizations
ProAcT	Project Activity Tracking System
RA	Republic Act
ROW	Right-of-Way
SMART	Strategy, Monitoring, Review and Tracking
TA	technical assistance
TRO	Temporary Restraining Order
TWGs	Technical Working Groups
UN	United Nations
UNDP	United Nations Development Programme
WB	World Bank

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2	RA 8182, “An Act Excluding Official Development Assistance (ODA) from the Foreign Debt Limit in Order to Facilitate the Absorption and Optimize the Utilization of ODA Resources, Amending for the Purpose Paragraph 1, Section 2 of Republic Act No. 4860, As Amended. ”
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⁴ The ODA Absorption Office was among the 14 agencies attached to the Office of the President abolished by EO 357 last Sept. 14, 2004. The office was created by Mrs. Arroyo under EO 102 to oversee the implementation of all ODA-funded projects after complaints by the international donor community over the low absorption or usage of the grants and soft loans extended to the Philippine government.

ABSTRACT

Official Development Assistance (ODA) has stirred up debates and discussions between those who advocate for its continued use and those who perceived it as an instrument of donor/funding community to advance their interests, which results to further costs than benefits to the country. Using the conceptual framework of Van Meter and Van Horn on policy implementation, this white paper analyses the low ODA absorptive capacity by looking into the institutions involved and its strengths and weaknesses. Policy recommendations to gaps and challenges have been dealt with in details, including identification of elements of success and failure.

EXECUTIVE SUMMARY

Developing countries usually prefer ODA to commercial borrowing in financing social and economic development projects because it offers lower interest rates and longer payment terms. The Philippines is no exception to that.

The white paper is organized into three sections, namely: 1) Problem structuring; 2) Problem identification; and 3) Solutions analysis. This compendium sums up the assessment on the ODA absorptive capacity of the government and the set of policy recommendations to strengthen and improve areas of the policy process that constrain the effective utilization of ODA.

The *first section* on problem structuring provides the general foundation in the discussion of ODA in the country. The evolution of the ODA policy brings forth new hope that the bright promises and intended impacts of ODA-funded programs and projects would translate into the improvement of lives of its intended beneficiaries. On the other hand, it also recognizes that ODA comes with a cost for both the recipient country and donor/creditor community. The tendency of the government panel to present a rosy environment during ODA programming consequently leads to donor/creditor community suggesting a relatively steep loan structure vis-à-vis the more flat absorptive capacity of the country. Hence, the government ends up paying more penalty charges while the donors receiving more profit from ODA.

The paradox is that ODA, which is supposedly tapped to augment the scarce domestic resources, adds up to the burgeoning national budget deficit. A review on the ADB portfolio, which is the second largest source of ODA loans (19 percent of the total ODA commitments), showed a consistent negative trend for net resource transfer for the period 1999-2003. ODA accounts for 46 percent of the total national external debt. As of 2004, it was reported that the debt-servicing requirement of the government amounted to 542.2 billion pesos, which is roughly 81 percent of the country's gross domestic product (GDP) – up from the 2003's rate of 75 percent or the 2000 rate of 44.3 percent. Indeed, these numbers are frightening.

Guided by the conceptual framework of Van Meter and Van Horn, the *second section* presents the actual conversion and the dynamic interplay of various factors in ODA programming, appraisal, implementation, and monitoring & evaluation. *First*, ODA policy standards and objectives present the overall goals and salient features of the ODA Act and its amendment to have solid basis in assessing ODA. *Second*, policy resource noted failure on the part of the government to appropriate resources that will contribute to the realization of enforcement activities account the various initiatives and efforts of the government to ensure coordinated approach to ODA management. However, the absence of clear, consistent and uniform mechanisms and guidelines subjects the ODA policy process to various

interpretations with the donor communities always having the upper hand in the process. Likewise, there is weak enforcement and follow up activities can be attributed to the lack of teeth of the ODA policy. *Fourth*, a simple stakeholder's analysis, including their powers and resources, was presented to show characteristics of implementing agencies. *Fifth*, the economic, social, cultural and political environment puts the ODA policy into context. *Finally*, the analysis of the disposition of implementing officials shows the general neutral to positive orientation towards ODA in view of it being a better alternative source of funding than those in the commercial market.

Several issues surfaced in the conversion of the ODA process taking into consideration the above variables of Van Meter and Van Horn. In particular, ODA programming issues include: a) conflict of interests at the NEDA Board, particularly NEDA vis-à-vis DOF; b) weak capability of proponents to conceptualize and package acceptable project proposals and, sometimes, the over-eagerness of donors; c) lack of resources to conduct feasibility studies; d) inequitable regional distribution, portfolio implementation and sectoral commitments of ODA.

On ODA appraisal, the delays in translating pledges to commitments can be attributed to lack of capacity of proponents to package acceptable proposals, lack of manpower at NEDA and their seemingly 'obstructionist' role in project evaluation, and the weaknesses and influence of the policy environment in the Investment Coordination Committee (ICC) process, especially political pressure to approve and accommodate project proposals.

Major source of ODA implementation bottlenecks include, as reflected in various portfolio reviews, include: a) budget and lack of counterpart funding; b) procurement delays; c) ROW acquisition and resettlement; d) extent of LGU participation; e) changes in scope and increases in cost of the projects; f) peace and order problems; g) liquidation, among others.

On ODA monitoring and evaluation, although annual portfolio reviews and press releases of the government sends rosy picture of ODA management and environment, said pronouncements only captured the loan utilization data used as proxy indicators of physical performance, i.e. disbursement rates, disbursement ratio, availment rates and disbursement ratio. A deeper analysis of ODA reviews would show alarming indicators, i.e. commitment fees and time overruns. To improve ODA absorption consequently fastracking the country's development, Executive Order (EO) 102, "Creating the Office for ODA Absorption" was approved. Said EO mandated the newly created office to identify and develop solutions to systemic or project-specific problems in ODA implementation.

Finally, the third section on solutions analysis presented three policy options, to wit: 1) Creation of a new agency that would oversee ODA management 2) Maximization of existing systems and institutions; 3) Formation of technical working groups (TWGs) to address implementation bottlenecks. After assessing the strengths and limitations of each option vis-à-vis other options, the second recommendation was preferred. Reasons for selection include: a) technical and financial feasibility because it would not require the creation of additional layer of bureaucracy; b) political feasibility: small change, high goal consensus; c) good track record of NEDA and capacity to spearhead initiatives and interventions on ODA management; d) presence of a functioning civil society and high possibility of strengthening a NGO-GO partnership; and e) realistic approach given the limitations of the third world policy process.

After a thorough review on the ODA policy process, it must be emphasized however that the ODA policy objectives failed to trickle down to its targeted beneficiaries. It may have been due to the fact that even with comprehensive guidelines and technical capacity of NEDA and major stakeholders, the ODA policy had not been subjected to real democratic participation and consultation during both the programming and implementation stages. Hence, ODA has been mostly supply-driven, if not donor-driven. Suffice it to say that even with the negative reactions sprung from the real concerns/issues on the policy process, ODA can contribute to the country's economic growth and development if maximized and well coordinated.

An Assessment of the ODA Policy in the Philippines

I. Problem Structuring

A. Identifying the Problem

Attaining the Philippine government's development objectives and sustaining economic growth entail resources.⁵ With scarce domestic resources and burgeoning deficit, the government turns to foreign resources to finance domestic investments needed for economic growth and development. Developing countries usually prefer ODA to commercial borrowing in financing social and economic development projects because it offers lower interest rates and longer payment terms.

ODA has been pouring in the country for quite some time, however its intended impacts could not be mirrored into the lives of the people the aid was intended for. By simply increasing the ODA commitments without corresponding improvements in the absorptive capacity⁶ and policy process is unlikely to reap substantial benefit. In this light, the white paper seeks to provide an assessment of the absorptive capacity of the government by looking into the institutional framework of the government, identify strengths and weaknesses in ODA management and implementation and provide recommendations to strengthen ODA policy process and areas that impinge on the absorptive capacity of the ODA-funded programs and projects.

B. Immediate and Long-Term Consequences of the Problem

Contrary to the belief of many, ODA comes with a cost to both the recipient country and the donor/creditor community. The following account would validate that, indeed, there is no such thing as free lunch.

Recipient Costs

For the Philippine government, the immediate effect of low absorptive capacity would be higher financial costs attendant to the loan, particularly the commitment and penalty charges. Corruption is another major concern buried beneath the cross-cutting issues of ODA

⁵ Official Development Assistance (ODA) to the Philippines: Facts and Figures

⁶ Refers to the capacity of the recipient government to program and use foreign assistance to finance development projects within the country (CSPPA, 1989, p49) or in a manner acceptable to donors, be it for financing current imports, for budget deficit augmentation, debt relief, etc (Reyes, 1989, p7)

policy process. The most prominent example is the Bataan Nuclear Power Plant⁷, which was reported to bleed the country's coffer around US\$350 000 everyday. This kind of project is not an isolated case. Given the trend of more than 50% of ODA funding that goes to infrastructure, it is safe to assume the presence of unreported bureaucratic "irregularities." In line with the neo-liberal framework development, the big role played by the private sector creates problem with a political economy largely characterized by patron-client relationship.

Donor Costs

There is decreasing trend of foreign aid commitments in the country, particularly in terms of grant aid. At the end of the donor community, Hopkins attributed the decline to the tight budget in donor countries and growing consensus that the government should be given a smaller role⁸. Similarly, Burnside and Dollar added that countries with poor governance and poor macro policies are least effective to receive aid.⁹ Economists (like Joseph Stiglitz¹⁰) criticize the ODA policy as another effort of the "Washington Consensus"¹¹ and their general prescription of structural adjustment policies (SAP) for developing countries. Applying to the Philippine context, the increasing number of assessments regarding bad governance in the country would likely result to channeling of grant aid to other countries.

The above situation is only the half of the ODA story – the flip side is aid in form of loans. Dr. Joel V. Mangahas, a consultant of ODA-funded projects – shared the tendency of the Philippine panel to presents a rosy environment for ODA during negotiations. Consequently, this poses a problem when the creditors suggest a relatively steep loan structure (A) when in reality, the Philippines has a more flat (B) loan absorption capacity.

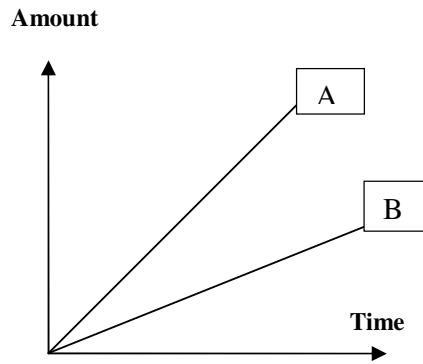


Figure 1. Loan Schedule/Structure

⁷ According to the Guardian, Bataan is the country's single largest debt, and accounts for more than 5 percent of total debt. Its construction began in 1975 and it was completed in the mid-80s, but after Ferdinand Marcos' downfall, a team of international inspectors visited the site and declared it unsafe and inoperable. Since that time the government has spent \$1.2 billion - \$100,000 a day for debt service requirement. Marcos was accused of making \$80m in kickbacks on the plant, which cost three times the price of a comparable plant built by the same US company in South Korea.

⁸ Foreign Aid and Development, 1999

⁹ Assessing Aid, 2000

¹⁰ World Bank Senior Vice-President and Chief Economist between February 1997 and February 2000

¹¹ According to John Williamson, this signifies a set of neo-liberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery.

The above figure shows that at line A donors provide higher amount to be disbursed within a shorter period of time. With the real low ODA absorptive capacity of the government, as shown by line B, we end up paying penalty charges on top of the commitment fees. Whether donors impose good or bad conditionalities, it is of little significance to them since they always gain at the end of the day. Therefore, compared to the costs of the recipient country and one could easily say that when it comes to foreign aid, really, “it is better to give than to receive.”

Institutional Consequences

In the past few years, there are a growing number of new institutional economists¹² who challenge the neo-classical concept of ‘free hand’ by emphasizing the importance on the study of both the formal (laws, regulations etc.) and informal (customs, traditions, etc.) institutions in understanding the economy. “One of the basic questions that the institutional economics teaches is that if something new is a good idea, why is it not being done already. The organization must be presumed in equilibrium, so that there must be forces preventing change.”¹³ In the whole process of ODA policy formulation and implementation, the corresponding activities of review/research, policy advice/change, public relations, and participation of different sectors in policy-making are not coordinated. In particular, although the persistent issue of “right of way” (ROW) have been addressed with the enactment of Republic Act (RA) 8975, the prohibition of the issuance of temporary restraining orders (TRO) may have implication on the marginalized sectors’ expression of rights in project implementation. Thus, non-addressing of ODA policy issues and concerns would result to institutional consequences. This paper is not giving simplistic judgment on this process or strategy but only trying to pose questions on the overall lack of coherent and coordinated review of ODA policy and its consequences on a broader perspective.

C. Need to Resolve the Problem

The issues and concerns along the ODA policy areas of 1) programming 2) appraisal, 3) implementation, and 4) monitoring and evaluation emphasized the need to resolve the problem.

Programming

The subsequent discussion of the policy content, process and implementation reflects the limitation and weaknesses of ODA programming that contributes to the poor performance of the policy. When the government decided to honor all its foreign debts during the Aquino administration, the donor and creditor community offered its overwhelming support, including those who stopped assistance because of the abuses of the Marcos’ government. With the pouring of ODA loans and grants, all channels of ODA were maximized. It was even reported in the research of Van Eldik Thieme et. al. that the

¹² The basic idea for these scholars is to look at the economic phenomenon in relation to these different institutions and perhaps, eventually develop new theories on how to understand the economy. They agree with disciplines like biology in studying the equally important parts to have a better understanding of the whole system. They argued that in economics, economists seemed to be stuck with the blanket concept of free hand.

¹³ Making Aid Smarter, 2002

government became suspicious of the funding coming from countries like Netherlands to have been supporting activities of the Communist Party of the Philippines.¹⁴

Likewise, Mendoza noted the eagerness of donor agencies with their expanded and more direct role in ODA program and projects preparation analysis.¹⁵ Moreover, ODA programming was affected by the bureaucratic politics within the newly created organizations mandated to rationalize and coordinate an effective ODA management. Former Socioeconomic Planning Secretary Solita Monsod, particularly, was eased out when she criticized the debt management of Central Bank (CB) and Department of Finance (DOF), especially their structural adjustment policies. She commented, “How do we judge whether the exercise has been a success? We must compare: (1) how much we got, versus how much we need; (2) when the funds become available, versus when we need the funds; and (3) what cost the country had to pay, i.e. what concessions we gave versus what we should have given up. Hence, it is important to examine the amount, timing and costs.”¹⁶

During the Ramos administration, changes were institutionalized and parallel organizations like Committee on Official Development Assistance (CODA) was abolished and once again, the NEDA regained” control over the ODA programming. According to Habito, it was a “gentlemen’s agreement” between him and the secretary of DOF to simplify the ODA process.¹⁷ In 1992, NEDA came up with the ODA Handbook, to provide information on ODA concepts and availment procedures. Habito also shared that, then president Ramos even suggested NEDA to review the military aid but he did not agree because the agency do not have the technical capacity to evaluate such projects. To date, the programming is still broadly based on the Medium Term Philippine Development Plan (MTPDP), with NEDA Board at the top of the process. More detailed discussion of programming issues and concerns on ODA will be tackled on the subsequent part of the paper.

Appraisal

Evaluation of project proposals takes time resulting to delays in translating ODA pledges and commitments. There were complaints on the ‘obstructionist’ role played by the National Economic and Development Authority (NEDA) and lack of appreciation on the real situation and experience of proponents.

Implementation

There are several perspectives on the causes of implementation problems. Specifically, below are some of the emerging issues for the concerned stakeholders:

For NEDA, implementation problems can be attributed to bureaucratic inefficiencies. For instance, the issuance of “forward obligational authority” (FOA) by the DBM does not automatically guarantee local counterpart fund. Moreover, the perennial ROW issue is still a major cause of delays.

¹⁴ European ODA in the Philippines, 1992

¹⁵ TA Management, 1990

¹⁶ Of Bonds and Bondage, 1992

¹⁷ Interview with Cielito Habito, 13 March 2004. He was former Socioeconomic Planning Secretary and now Director of the Ateneo Center for Economic Research and Development (ACERD)

On the other hand, DBM faces a dilemma having issued FOA without enough information on whether the forecasted government revenue will be realized. Hence, even with good ODA guidelines, the budget shortfall requires adjustment of priorities and even cancellation of some loans.

Other researches/literature of NGO think tanks posited that implementation is bogged down by lack of participatory processes by the community on government procedures. Tujan cited the Japan-funded Pampanga Delta Development Programme, which entails the construction of dams and other river development infrastructure flooded several towns along the Pampanga River as an example.¹⁸

Monitoring and Evaluation

The discussion on the inter-organizational communication and enforcement activities reflected the efforts of the different implementing agencies to keep a good reign on the project management. Project review guidelines were issued to guide the regular monitoring and evaluation reports of implementing agencies. A case in point is the monitoring and evaluation unit of Foreign-Assisted Projects Office of the Department of Agrarian Reform (DAR), which regularly releases their quarterly ODA Portfolio review. In an interview with the supervising officer¹⁹ in the unit, shared their monitoring process of most of the performance indicator of the project but if one would like to read more detailed monitoring and evaluation report, one has to approach the Project Management Office (in case of DAR, there are about 19 PMOs).

In another interview session with the chief economist of the DAR-ARCP Project, said that most portions of the project reports could be made available but some are confidential bank documents (in their case, it is Asian Development Bank or ADB.²⁰ It must be emphasized that these monitoring and evaluation of ODA should not only focus on proxy indicators but on the results and impact of project implementation. The results of the 11th ODA Portfolio Review conducted by NEDA recommended to improve the performance ODA programs and projects and imposition of sanctions to non-performing portfolio. These are all good updates. However, as of report writing, there are no available reports to tell whether these action lines have been acted upon.

Doris Dumlao, reported that the disbursement rate of ODA portfolio increased to 95% from only 76% of the previous year. NEDA adopted three pronged approach namely: 1) focus on results and outcomes of the projects and their impact on poverty alleviation and regional development 2) conduct of cost efficiency review on all projects and 3) adopt appropriate strategies such as use of domestic technologies, skills and services.²¹ A rosy press release like these is nothing new. All measures adopted were mostly included in the Republic Act (RA) 8182 and 8555 and corresponding implementing rules and regulations (IRR). The details on these specific policies (some loopholes and weaknesses) would be discussed further in succeeding portions of this paper.

Socioeconomic Planning Secretary Romulo L. Neri welcomed the decrease in ODA commitment from \$2.23 billion to \$2 billion in line with the country's fiscal program.

¹⁸ The Reality of Aid, 2002

¹⁹ Supervising officer at the DAR-FAPSO Monitoring Unit. Interview conducted last 6 November 2003

²⁰ Interview conducted last 26 February 2004

²¹ Development Assistance Disbursement Improves, 1 March 2004

Briefly, the dilemma comes from the fact that ODA accounts to 46% of the country's external debt. Habito reported on his *Inquirer* column that the debt servicing requirement of the government for year 2004 is about 542.2 billion pesos, roughly 81% of the country's gross domestic product (GDP) – up from 2003's rate of 75% or the year 2000 rate of 44.3%.²² It was reported by DBM that the reason largely was the dismal exchange rate situation of the country. Even so, the fact remains that – simply put – the country needs to spend about P4 pesos of its P5 earnings. Leaving just a measly P1 to spend for the country's other needs will most likely result of reduced allocation for social services. At this point, how the government will strengthen ODA monitoring and evaluation and use the identified gaps and challenges as input to future ODA programming exercises to stop the vicious cycle of poor ODA performance. It is noteworthy to highlight consistent negative net resource transfer of the ADB portfolio, which accounts for 19% of the total ODA commitments to the country. Clearly, this figure nullifies the rationale of using ODA to augment domestic resources given the tight financial situation.

Table 1: ADB Portfolio: Net Resource Transfer = (Disbursements) Less (Repayments + Commitment Fees)

Year	Disbursements		Repayments	Commitment Fees Paid	Net Resource Transfer
	Project	Program			
1999	127.5	0.0	385.3	5.1	-262.9
2000	158.1	70.	385.7	6.1	-163.7
2001	146.8	175.0	377.5	8.4	-64.1
2002	130.0	100.0	401.8	8.6	-180.4
2003	67.3	75.0	292.6	6.5	-156.8
TOTAL	629.7	420.0	1842.9	34.726	-827.9

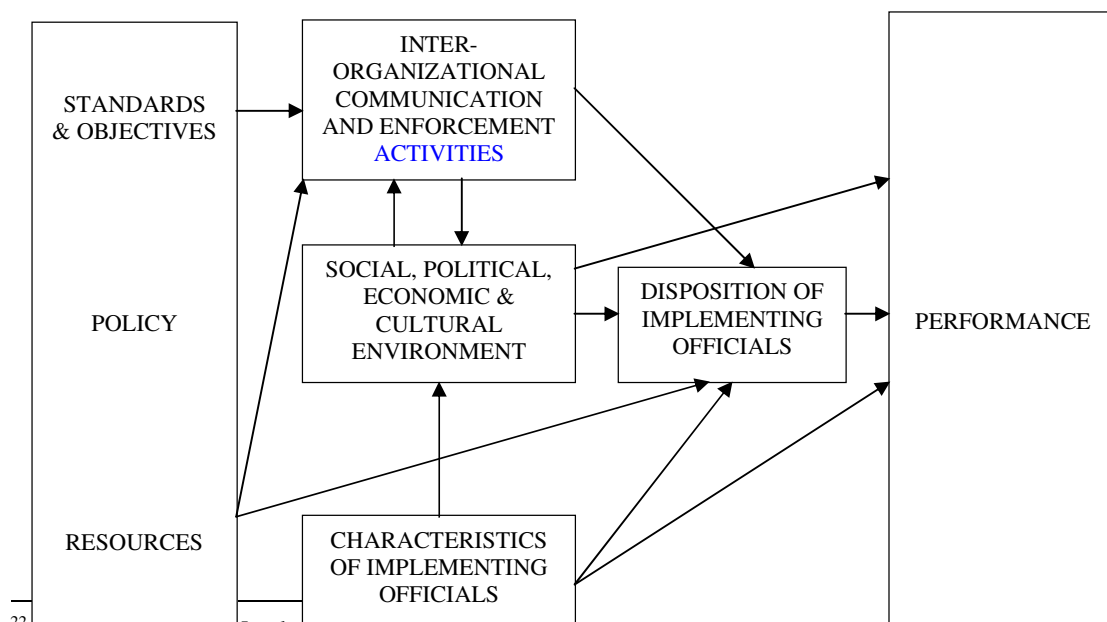
Source: NEDA-Public Investment Staff (NEDA-PIS)

Note: Figures for 2003 is as of 30 September 2003

Repayments include interest and other charges

Commitment fees include front-end fees

D. Conceptual Framework



22

Engineering Numbers, March 6, 2004



Figure 2. The Policy Implementation Process: A Conceptual Framework

The framework of Van Meter and Van Horn will guide the analysis of ODA programming, implementation, review and monitoring in the country. This model is selected because it specifies both the relationships between independent variables and the dependent variable as well as the explicit relationships among independent variables.²³ Simply the first box, containing the standards and objectives and resources of the policy also constitutes the programming and appraisal aspects of the problem, the dynamics of the process (conversion process) could represent the implementation issues and the box containing the performance would represent the monitoring and evaluation aspects of the policy.

II. Identifying the Problem

A. Standards and Objectives

Policy standards and objectives present the overall goals and salient features of the policy to have solid basis in the assessment of ODA

Evolution of ODA Policies

As early as 1966, the government has issued RA 4860 (See Annex 1), “An Act Authorizing the President of the Philippines to Obtain Such Foreign Loans and Credits, or to Incur such Foreign Indebtedness, as may be Necessary to Finance Approved Economic Development Purposes or Projects, And to Guarantee, in Behalf of the Republic of the Philippines, Foreign Loans Obtained or Bonds Issued by Corporations Owned or Controlled by the Government of the Philippines for Economic Development Purposes Including Those Incurred for Purposes of Re-Lending to the Private Sector.” However, it was only last 11 June 1996 that the government approved a clear policy solely for ODA, through RA 8182 otherwise known as “The Official Development Assistance Act of 1996,” the NEDA Board approved the IRR (See Annex 2) a month after within the same year. In 1998, RA 8555 (See Annex 3) amended the ODA Act.

Salient Features of the Policy

RA No. 8182 defined ODA as a loan or loan and grant satisfying four criteria, namely: 1) administered with the objective of promoting sustainable social and economic development and welfare of the country; 2) contracted with governments of foreign countries with whom the country has diplomatic and trade relations or bilateral agreements or which are members of the United Nations (UN), their agencies and international or multilateral lending institutions; 3) No available comparable financial instruments in the capital market; and 4) Contains a grant element of at least twenty five percent (25%).

The salient features of the policy include:

²³ Van Meter and Van Horn: Policy Implementation Process, 1975

- a) Exclusion of ODA loans from the debt ceiling of ten billion US dollars;
- b) Use of ODA for equitable development. It is important to note that there is a provision stating, “NEDA shall ensure that the ODA obtained shall be for previously identified national priority projects, which are urgent or necessary. ODA shall not be accepted or utilized solely because of its availability, convenience or sustainability.”
- c) Provision of counterpart funds to be included in the Annual Expenditure Program submitted by the President to Congress for appropriation within 30 days from the opening of every regular session;
- d) Development and formulation of mechanism by the President, upon recommendation of NEDA, for the equitable distribution and utilization of ODA funds to all provinces;
- e) Identification of Oversight Agencies, to wit: 1) NEDA, which is tasked to conduct an annual review of the status of the ODA-funded projects, identify causes of delays, reasons for bottlenecks, cost overruns and continued viability and to report to Congress not later than 30 June of each year; 2) Commission on Audit (COA), which is mandated to audit each ongoing and completed projects and report to Congress not later than 30 June of each year; and 3) Congressional Oversight Committee composed of the Chairmen of the Committee on Ways and Means of the Senate and House of Representatives, five (5) majority and two (2) minority members each from the Senate and the House to be designated by the leaders of the majority and minority in the respective chambers.
- f) Reporting of the President to each member of the Congress on the amount of ODA loans and grants incurred; and
- g) On Implementation, Restrictions, Rules and Regulations. This Section inhibits consultants involved in the feasibility and design aspects of the project to participate in the project’s implementation as well as the delegation of project execution by implementing agency except when it lacks capacity. Likewise, it grants preference to qualified Filipinos suppliers and manufacturers as well as hiring of consultants, contractors, architects, engineers and other professionals necessary for a project’s implementation. Further, it does not exempt ODA funded projects from securing Environmental Compliance Certificate (ECC)

Policy Amendments

As mentioned earlier, RA 8555 amended RA 8182 to include the following provision on Implementation, Restrictions, Rules and Regulations:

“In the contracting of any loan, credit or indebtedness under this Act or any law, the President of the Philippines may, when necessary, agree to waive or modify the application of any provision of law granting preferences in connection with, or imposing restrictions on, the procurement of goods or services: Provided, however, That as far as practicable, utilization of the services of qualified Filipino citizens or corporations or associations owned by such citizens in the prosecution of projects financed under this Act shall be prepared on the bases of the standards set for a particular project: *Provided, further,* That the matter of preference in favor of articles, materials, or supplies of the growth, production or manufacture of the Philippines, including the method or procedure in the comparison of bids for purposes therefor,

shall be the subject of agreement between the Philippine Government and the lending institution.” (underline ours)

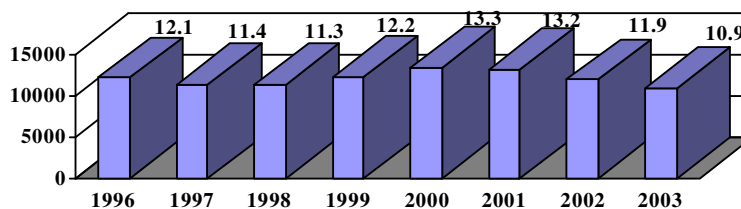
According to Robert Klitgaard as cited in the article of Bolongaita “Corruption is the result of monopoly plus discretion minus accountability. Discretion is necessary to be effective and efficient since it allows flexibility in response to constant change in environment. However, it is accountability that must be maintained, reinforced and increased. Without accountability the monopoly and discretion that government organizations possess will be abused for the personal benefits of officials leading to the detriment of public good.”²⁴ Following his line of argument, according the President the authority, depending on his/her disposition towards ODA, may likely dilute the initial preference for Filipinos as provided by ODA Act.

Likewise, the deletion of the provision on the Executive Department getting the expressed approval of Congress prior to the negotiation and implementation of ODA-funded projects has implications not only on the dynamics of ODA programming but implementation, review and monitoring as well. This will be elaborated in the subsequent portion of the paper.

B. Resources

To facilitate and ensure effective implementation of any policy, sufficient funds or other incentives must be present. The policy, however, only provided procedural guidelines without appropriating any resources that will contribute to the realization of policy objectives. This is a clear neglect on the part of the government because the policy assumes that there are enough resources from the bureaucracy, NGOs, people’s organizations (POs), local government units (LGUs) and private sector to operationalize the policy, e.g. local counterpart, sufficient organization and manpower, among others. Likewise, for the policy to work there must be a continuous flow of funds coming from donor agencies. However, the Arroyo Administration (2001-2004) revealed a declining ODA loans commitment by donor agencies (see below).

Figure 3. ODA Loans Cumulative Commitments (1996-2003) in US\$B

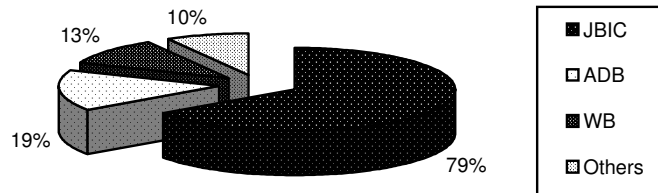


The 11th ODA Portfolio Review (see Figure 4) reported that the Government of Japan through the Japan Bank for International Cooperation (JBIC) continues to be the largest source of ODA loans, accounting for 57% (or US\$6.8B with 68 loans) of the total ODA, followed by ADB with 19% (or US\$2.3B with 45 loans) and the World Bank (WB) with 13% (or US\$1.5B with 27 loans). The remaining 10% of the ODA portfolio (or US\$1.2B with 46

²⁴ Customary Corruption, October-December 2002

loans) is shared by the following: Australia, Austria, China, DANDA, European Investment Bank, France, Germany, IFAD, Italy, Korea, Kuwait, NORDIC, OPEC, Spain and United Kingdom.

Figure 4. ODA Commitments to the Philippines by Source, 2002

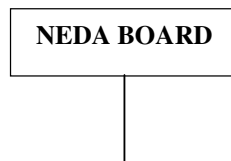


Programming

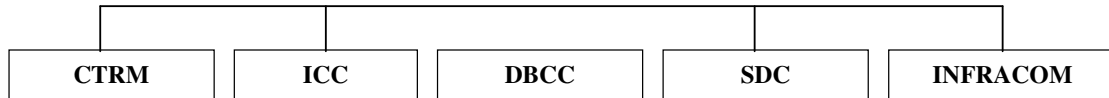
Guided by the ODA standards and objectives and available resources, ODA programming is undertaken to enable the government to play a proactive role in drawing up the pipeline of projects for particular funding sources at any given time.²⁵ From the government’s perspective, projects are matched with funding sources considering the following: a) relative priority accorded to the program or project in terms of socio-economic impact; b) project’s nature and requirements; c) donor’s comparative advantage in technology; d) timing of implementation; e) readiness of implementation; f) relevant government policies and strategies; and g) provision of local counterpart funding within legislated appropriations cover. On the other hand, donor considerations include: a) thrusts or preferred areas of assistance based on competence or area of specialization/comparative advantage; b) terms/conditions and type of assistance; and c) budget cycle and timing.²⁶ Hence, we can claim that programming is indeed a fruitful exercise between the government and the donors if the beneficial impact of ODA on sectoral and regional development is maximized.

To have a clear picture on the dynamics of ODA programming, there is a need to understand NEDA’s organizational structure. As the central planning authority, the task of NEDA is to make sure that projects that receive ODA loans, grants and other forms of external assistance are in accordance with the approved economic program of the Government or the MTPDP. Moreover, it takes the lead in translating this broad statement into ODA policy and programming frameworks with each donor agency or country.²⁷

Figure 5. NEDA Organizational Structure



²⁵ 2000 ODA Handbook
²⁶ ODA Facts and Figures
²⁷ 2000 ODA Handbook



Relevant to ODA is the NEDA Board, which is the country’s highest social and economic planning and policy coordinating body chaired by the President, co-chaired by Secretary of NEDA with selected members of Cabinet officials, including the Secretary of Finance. According to Alburo “the Chairmanship of the President rests on the premise that national development is essentially also a political leadership and can best be achieved through the active involvement of the country’s top political leadership. The membership of selected Cabinet officials in the Board, on the other hand, is in line with the need to strengthen the linkage between plan formulation and implementation, as they are the ones most involved in program implementation.”²⁸

Reyes recognized that the composition of the NEDA Board poses conflict of interests.²⁹ He traces such conflict in the mandate of two agencies, NEDA vis-à-vis DOF. He mentioned that the NEDA Board Secretariat performs staff functions involving the formulation and coordination of national and regional plans and accompanying investment programs. On the other hand, the DOF performs a line function with interest on raising tax and non-tax revenues to finance government expenditures. The paragraph below was lifted from Reyes explaining the motives and interests of NEDA, DOF and the CB with regards to ODA:

“While two most active players in aid programming are one in seeing aid as supplemental source of financing, they do not always agree on who will use the aid, or on whether, when and for what purpose aid will be used. The NEDA sees aid primarily as an instrument for promoting adequate and productive investments that will help achieve development targets. It thinks in real terms and has a medium-term perspective. To maximize efficiency in resource use, including aid, and the development impact of aid in the longer run, it is prepared to trade off timeliness of financial resource flows and aid in the short-run. The DOF, on the other hand, sees aid primarily as an instrument for reducing or financing the budget deficit or the balance of payment current account deficit and, if possible, for immediately easing the debt burden. It may, therefore, be prepared to forego the timeliness of aid flows. While not a member of the NEDA Board, the Central Bank, which is mandated to promote monetary stability, invariably shares same orientation and perspective of DOF.”

Mendoza pointed out the weak capability of proponent agencies to conceptualize and propose projects.³⁰ According to Rondinelli as cited in her paper, the over eagerness of donors, to some extent of taking “an expanded and more direct role in project preparation and analysis have formulated a complex set of procedures and requirements for project planning, preparation and feasibility analysis.” United Nations Development Programme (UNDP) as cited in the same paper argued, “projects formulated along any such straightjacket (approach in project design) constitute a sign of over-design, the operational limitations of which may

²⁸ PA 208 Manual on Public Administration System

²⁹ Absorptive Capacity for Foreign Aid, 1993

³⁰ Technical Assistance Management, 1990

prove more restrictive than inadequate preparation.”³¹ Hence, the author concluded that, “the programs proposed are sometimes not the ones needed by the constituents.”

Same paper of Mendoza observe the the lack of resources to finance the conduct of feasibility studies hampers government flexibility of choice on the financing of the implementation stage later on (NEDA, 1989). The implication of such was recognized with the statement coming from NEDA, “The gap in the project preparation process has encouraged foreign suppliers, primarily driven by commercial motives, to take the initiative in project development. This may lead to distortions in GOP priorities and ultimately in resource allocation decisions. If suppliers succeed in lobbying for favorable support from their governments, it can happen that funding commitments advances several steps ahead of the project evaluation or even project preparation stages.” (Ibid, p.12).

To analyze where ODA is poured into, there is a need to look at the comparative ODA commitments by sector, i.e. 1992-1999 vis-à-vis 2003. Across development sectors, through the years, big chunk of the ODA pie is channeled to infrastructure development. The chart further shows that while there is an increasing ODA allocation in infrastructure (55% for 1992-1999 to 67% in 2003) there is a decreasing trend in social reform and development (12% for 1992-1999 to 8% for 2003).

Figure 6. ODA Commitments to the Philippines by Sector, 1992-1999

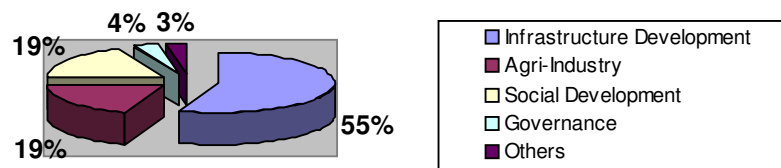
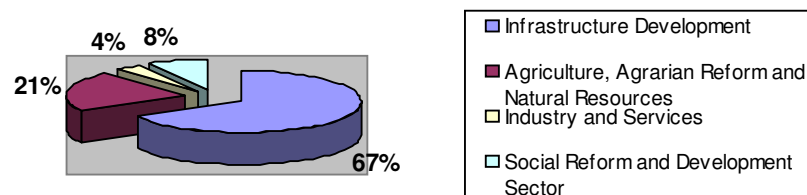


Figure 7. ODA Commitments to the Philippines by Sector, 2003

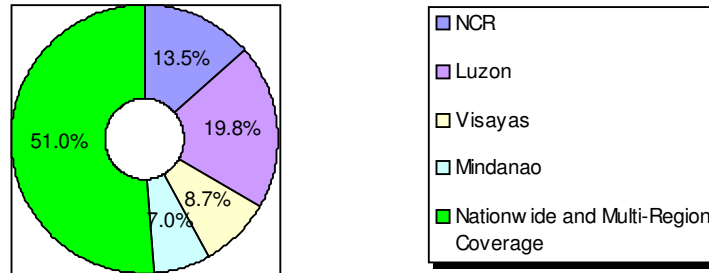


A lot of challenges and problems beset the country today. In fact, poverty alleviation remains a major socioeconomic challenge that has continually challenged previous administrations. Although guided by the broad strategies enunciated in the MTPDP and the accompanying Medium-Term Public Investment Program (MTPIP), there is a mismatch of the government’s priority programs and projects with the available resources from the funding agencies. As pointed out by Mendoza in his paper on TA Management, “this reflects the (large) extent to which the direction of development assistance has been influenced by policies at the donor’s end. This, however, is not the donor’s sole doing, the GOP is also to

³¹ UNDP, 1989, p.8

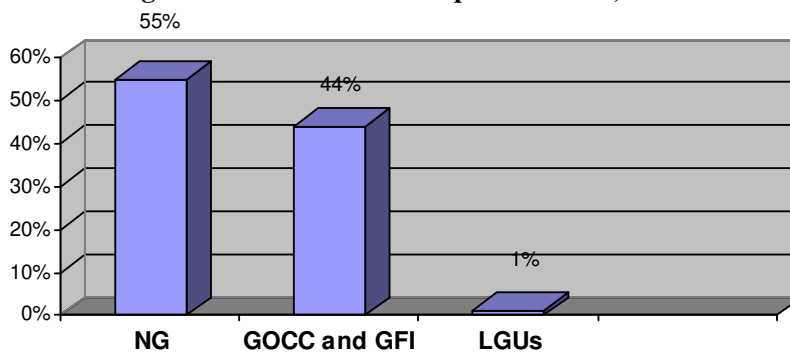
be faulted. It has not yet clearly spelled out what indeed it really needs, for what sector, to what end and to whose benefit.”

Figure 8. ODA Regional Distribution, 2002



To assess whether ODA have been equitably distributed to all provinces, there is a need to look at ODA regional distribution. According to the 11th ODA Portfolio Review projects with nationwide and multi-region coverage comprised 51%, with US\$3 billion each. The National Capital Region (NCR), with 14% or US\$1.6 billion, continues to be the biggest beneficiary of region-specific projects, followed by Region III with 7% or US\$790 million and Region VI with 3% or US\$385 million. Excluding NCR, the distribution among the three island groups is as follows: Luzon (19.8% or US\$2.3 billion), Visayas (8.7% or US\$1 billion) and Mindanao (7% or US\$856 million). Therefore, although almost half of ODA have nationwide and multi-region coverage, almost a third of the ODA is goes to Luzon and NCR. Recognizing the incidence of urban-rural migration and wide disparity across provinces, the equitable regional distribution must be addressed immediately.

Figure 9. ODA Portfolio Implementation, 2002



Same Review showed that 55% (120 loans with net commitment of US\$6 billion) of the ODA project loans portfolio were implemented by the National Government (NG). The combined government-owned and controlled corporations (GOCCs) and government financial institutions (GFIs) managed 44% (76 loans with US\$7.4 billion) while less than one percent (US\$52 million) was directly administered by LGUs, namely Bukidnon and Lanao

del Norte provincial governments. In light of devolution and the enactment of the Local Government Code (LGC) of 1991, the 1% directly administered ODA by LGUs reflects the inadequate support and capacity building for them to maximize and have access on the beneficial impacts promised by ODA.

Appraisal

The NEDA Secretariat is composed of various sector staffs and serves as the research and technical arm of the NEDA Board. It reviews and approves project proposals before endorsement to prospective donors. Failure to meet the set standards and criteria for evaluation will result to exchange of communication between proponent and the evaluating staff. The exchange of communication between the proponent and the evaluating staff continues until such time that the proposal warrants an endorsement. This had led many to perceive NEDA as ‘obstructionist’ causing delay on donor’s approval of projects and slowing down and reducing aid absorption.³² However, given NEDA’s mandate as the overall programmer and coordinator of ODA, it is their job to do carefully assess proposals and prioritize among competing needs given the limited resources available. If the proposal really lacks technical merit and has lots of contentious issues such as sustainability, proponent agency is advised to submit a new one. In practice, though, NEDA rarely turns down a project proposal.

The lack of capability of proponents to draft proposals acceptable to the donors and the inadequate staff requirements of NEDA also contributes to the bottleneck in the process of translating aid pledges into commitments.³³ It must be emphasized that ODA is only a small portion of the duties and responsibilities of NEDA. Among others, plan, program and policy analysis, review, monitoring and recommendations and lots of inter-agency coordination and technical assistance are simultaneously handled by the NEDA on top of ODA programming and management.

For better appreciation of the process, there is a need to understand the dynamics and the role played by the Investment Coordination Committee (ICC). The ICC is one of the cabinet-level inter-agency committee tasked to do the following: a) evaluate the fiscal, monetary and balance of payments (BOP) implications of major national projects and recommends to the President the timetable of their implementation on a regular basis; b) advise the President on matters related to the domestic and foreign borrowings program; and c) submit a status of the fiscal, monetary and BOP implications of major national projects. The Committee is chaired by the Secretary of Finance; co-chaired by the NEDA Director-General with the Executive Secretary, the Secretaries of Agriculture, Trade and Industry, Budget and Management and the Governor of the CB, as members.³⁴

Although the Flowchart of ICC Business (see Annex 6), as well as other ICC Guidelines and Procedures are posted in the NEDA website, the real action takes place behind the scenes. With political pressures coming from various stakeholders, the flow of business is not strictly enforced. According to Reyes, “in many instances, loans were actually negotiated and committed, and in some instances, expended without corresponding ICC clearance. In no case, however was a loan expended without corresponding NEDA Board Resolution and MOF Certification thereby ensuring eligibility of the project for loan

³² Reyes: Absorptive Capacity, 1993

³³ Reyes, Ibid

³⁴ www.neda.gov.ph

financing and legality of the loan from the standpoint of the statutory ceiling on foreign borrowing.”³⁵

Reyes added further that with the democratic exercise in policymaking and decision-making, we see a legislative branch setting broad policy and having exclusive authority to legislate enabling acts such as expenditure of public funds, including foreign aid. He then raised the issue on how the inputs from Congress can be incorporated in the agenda setting of the Executive Branch, particularly aid allocation among projects and across geographical areas.³⁶ The influence of Congress in project identification and evaluation of proposals is greatly exercised and felt by NEDA and other stakeholders especially during budget deliberations. With the power of the purse accorded to the Congress, the budget deliberation has been used to provide pressures on pending project proposals submitted to NEDA.

C. Inter-Organizational Communication and Enforcement Activities

The circumstance behind the ‘turf’ issue between NEDA and CODA on CODA management saw the need to augment the public’s general familiarity with ODA concepts and availment procedures. The ODA Handbook, published in 1992, aims to facilitate the effectiveness and efficiency of ODA use by providing the public office, private institutions and enterprises find possible sources of funding for their identified projects and activities. The handbook is organized into three sections, to wit: a) fundamental concepts of ODA; b) government and donor administrative structures and processes for ODA programming (see Annex 4 and 5); and c) donor profiles. An updated handbook was issued last 2000 and there are recent efforts from the government, particularly NEDA, to further improve on the guidelines.

According to Van Meter and Van Horn, the prospects of effective implementation will be enhanced by clarity with which standards and objectives are stated and by the accuracy and consistency with which they communicated. Although the ODA Handbook provides working knowledge on the procedural requirements and idiosyncratic preference of both the government and the various donors, might result to further confusion of stakeholders wanting to avail of such funds. The doctoral dissertation of Reyes on ODA validates this observation. He stated that, “Considerable variation exists in the actual process through which use of ODA is programmed therefore such processes are hardly documented. Lack of familiarity of prospective ODA grant recipients and other government agencies with these administrative processes is yet another source of weaknesses.”³⁷ It is noteworthy to emphasize, that even with the updating of the ODA Handbook in 2000, these grey areas have not been addressed as shown by the paragraph below lifted from the said Handbook:

“The actual process involved in the programming of ODA loans varies depending on the source and recipient of the assistance. The process described represents what is perceived to be generally applicable. The sequencing of activities and of decisions/action points does not necessarily apply in every case. Neither has it been officially adopted or prescribed by NEDA, ICC or any government agency. The process is based on the framework provided by existing legal instruments.” (Underline ours)

³⁵ A Study on Administrative Capacity and Performance, 1984

³⁶ Ibid

³⁷ ODA to the Philippines, 1984

Implementation of ODA-Funded Programs and Projects

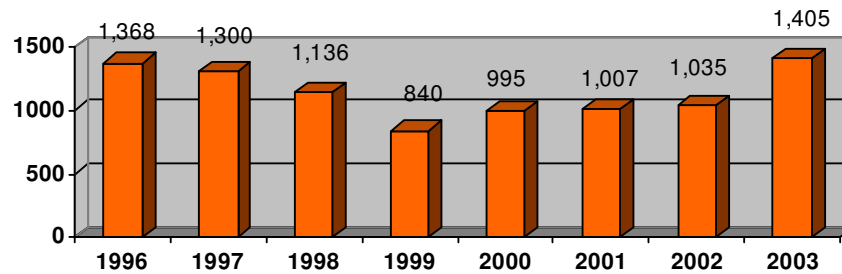
Compendium of factors hampers the ability of recipient agencies to effectively and efficiently implement ODA-funded programs and projects. Among the most commonly identified source of bottlenecks during the 11th Portfolio Review include:

- a) Budget: Some problems were reported to have encountered budget cover problems due to un-programmed budgets in the General Appropriations Act (GAA) or have physical accomplishments that exceeded the available budget for the year and fiscal deficit.
- b) Delays in procurement: As cited in the 11th ODA Portfolio Review, the procurement could take as long as about 34 months for consulting services, 57 months for civil works and 45 months for supply of goods, which way above the periods for action set under Executive Order (EO) 40.
- c) ROW Acquisition and Resettlement: Identified sources of delay include non-availability of budget, the lengthy processes of acquisition and relocation – including negotiations, legal procedures and documentation requirements despite RA 9874, and in certain cases, public opposition – and differences on land valuation.
- d) Re-lending: Current economic environment has not encouraged credit expansion in the domestic industry, and a wait-and-see attitude pervades.
- e) LGU Participation: LGU performance is affected by availability of LGU counterpart funds, LGU counterpart staff and their capacity for project preparation and implementation, non-compliance with LGU commitments, changes in LGU priorities, and in rare cases, changes in LGU leadership.
- f) Other Issues: Factors such as peace and order, poor performance of contractors/consultants and weak project management were also mentioned.
- g) Changes in Scope and Increases in Costs: Especially those changes that impact on the fiscal position of the government, agencies should be reminded to seek ICC clearance for changes in scope.
- h) Audits: Funding institutions raised the untimely submission of audit reports for certain agencies.

ODA Monitoring and Review

ODA Portfolio Review: In compliance with the ODA Act, NEDA conducts an annual portfolio review. To facilitate the review, NEDA issues guideline (see Annex 7) to all concerned agencies. The result of this activity will be inputs on the report of the President to each member of Congress on ODA performance within 30 days after the opening of every regular session.

**Figure 10. ODA Loans Annual Disbursement Levels
1996-2003 - in US\$M**



The presentation by the NEDA-Project Monitoring Staff (PMS) to the donor agencies on ODA Loans Performance this year covering the period 1996-2003 showed that the government was able to address poor disbursement performance in 1999. There have been modest gains in the annual disbursement levels from 2000-2002 and even experienced an all-time high of US\$1,405 for 2003.

The ODA Portfolio Review assessed ODA absorptive capacity of recipient agencies are assessed by looking at loan utilization data, which can be used as proxy indicators of physical performance. The review ODA Portfolio Review, CY 2002 revealed the following results:

- 1) Disbursement level, which is the actual amount of disbursement (in dollar terms) from all ODA loans. There is an increase of US\$27.5 million or 2.7% in the total ODA disbursements of the country (US\$1.035 billion compared to US\$1.007 billion in 2001).
- 2) Disbursement rate, which is the actual disbursements as a percentage of target disbursements for a given period. Implementing agencies achieved only 79%, on the average, of the targeted disbursements of ADB, JBIC and WB supported projects. The wide variation across agencies warrants a review of the target setting process since very high (too optimistic) and very low rates (under-targeting) can reflect poor planning or poor implementation.
- 3) Availment rate, which is the cumulative and actual disbursements as a percentage of cumulative scheduled disbursements per loan agreement, reckoned from the start of implementation of all projects. The 2002 rate of 59% is three percentage points lower than the 62% recorded in 2001.
- 4) Disbursement ratio, which is the ratio of actual disbursements for the year to the net loan amount available at the beginning of the year plus the amount of new loans that became effective less loan cancellations during the year. There is a hardly felt 1% increase in the average disbursement ratio for ADB, WB and JBIC from 12% in 2001 to 13% in 2002.

However, a closer look on the report revealed the true state of ODA performance. Among others, the report admitted that time overruns is also alarming. One third of the portfolio (68 loans, including the 27 loans which closed in 2002), were on an extended periods of 1.8 years average beyond their original loan closing dates. This is said to be higher than the 60 loans in 2001. In addition, as of December 2002, the cumulative commitment fees paid by the government to ADB and WB for ongoing projects reached US\$40 million. In 2002 alone,

US\$9.2 million was lost to commitment fees. Although it is US\$.3 million lower than the commitment fees paid last year, the fact remains that we are losing a huge amount of money to ODA. Moreover, the GOP paid cumulative commitment fees amounting to US\$8 million and US\$15 million for government agencies (DPWH with US\$5 million and DOTC with US\$3 million) and government corporations (MWSS with US\$10 million and NPC with US\$% million) respectively.

Creation of the ODA Absorption Office: To improve absorption of ODA funds consequently fastracking the country's development, EO 102, "Creating the Office for Official Development Assistance Absorption" was signed by Executive Secretary Alberto G. Romulo last 16 May 2002. The Office will be headed by the Presidential Adviser on ODA Absorption under the Office of the President. As stated in the EO, it is mandated to "identify and develop solutions to systemic or project-specific problems in ODA implementation." Specifically it is tasked to: a) Monitor the portfolio of ODA-funded programs and projects, specifically, those with ODA implementation problems; b) Identify and develop solutions to ODA implementation problems in coordination with implementing agencies, donor institutions, local government units, non-government organizations, people's organizations, and affected communities, and to facilitate cooperation and execution by agencies and entities concerned; c) Bring up to the attention of the President and cabinet members such ODA implementation problems that require high-level intervention or decision; and d) Report to the President and the Cabinet, as required, on the status of the ODA portfolio and specific ODA-funded projects and programs.

Since the function of the ODA Absorption Office is facilitative and problem solving in nature, it is organized with three functional groups, namely: 1) SMART - Strategy, Monitoring, Review and Tracking Group; 2) FUNDERS - Facilitation of Indisbursed Resources Group; and 3) IMPACT - Improvement of Physical Accomplishment and Timeliness Group. SMART is tasked to (a) manage the Monitoring and Information System of ODA-funded projects for an on-time/near-time information of the President; (b) conceptualize projects ideas to address project implementation gaps; and (3) address project design/management-related issues. FUNDERS is in-charge of addressing concerns on disbursements and liquidation, flow of funds, procurement and permits/procedural concerns and accessing available ODA funds specially for local government units. IMPACT is assigned in addressing concerns on ROW, Social acceptance, Resettlement, Environment-related matters and Engineering-related concerns.

However to enable to government to have a better and more efficient means of monitoring ODA-funded projects and programs, we must take note of the fact that the government entered into a computerization undertaking called the Project Activity Tracking System (ProAcT), which is actually an ODA-funded project developed in conjunction with the technical assistance from the World Bank. Hence, it is a donor-driven initiative. Since the office has recent been created, the assessment of its accomplishments towards better ODA absorptive capacity of aid recipients in the country is not yet available to date.

Enforcement Activities: The review being conducted seems to be comprehensive enough but as to how the results and policy gaps in the implementation is transmitted, analyzed and acted upon by responsible entities is still a recurring issue. Even with the yearly reporting of the President on each member of the Congress on ODA performance, the removal of expressed approval of the Congress prior to negotiation and implementation of

ODA-funded programs and projects may constrain their capacity to intervene and act upon identified issues and concerns.

As reported in the 11th ODA Portfolio Review, there are initiatives both on part of the government and the funding agencies to address major obstacles on ODA performance. In the high-level meeting conducted last December 2002, there was a proposal to create six technical working groups (TWGs) addressing the following issues:

- a) LGU Capacity Building – DILG;
- b) Project Monitoring Office (PMO) for new projects – DBM/NEDA;
- c) Internal Agency Procurement – DBM/NEDA;
- d) ROW and Resettlement – IAs/OP-ODAAO;
- e) Reward and Penalty System for Implementing Agencies and LGUs (Commitment Fees and Special Accounts) – DOF; and
- f) Harmonization of the Key Procedures of ADB, Japan and WB - DOF

Even with such measures, a lot of work and stricter enforcement needs to be done. The ODA Act lacks teeth to enforce positive and negative sanctions and political will for the policy to achieve its desired outcome and objectives. The fruits of the abovementioned initiatives have yet to be seen and felt by the people. Otherwise, we will continue to experience the vicious cycle in the ODA programming, implementation, monitoring and review.

D. Characteristics of Implementing Agencies.

The table below summarizes a simple stakeholders analysis with regards to ODA programming, management and implementation. The characteristics of each stakeholder as well as their powers and resources are presented to show how each player stand in the ODA process.

Table 2. Stakeholders Analysis

Stakeholders	Characteristics	Powers and Resources
President	Political agenda; Lack of political will to implement the policy	Law/mandate; political and economic power
Funding agencies	Usually motivated the promotion of the donor’s political, security and commercial interests	Power of the purse; negotiation skills; conditionalities (tied-aid)
Congress	Political rent seeking; advancing own interest	Power of the purse; Legislative power
NEDA	Thinks in real terms and has a medium-term perspective; Deals with various interests, usually political	Central planning authority; recommends to the President through the NEDA Board; Technical expertise
DOF/CB/DBM	Thinks in financial terms and has short-run perspective, although starting to be progressive which resulted to some loan cancellations	Financial technical expertise; Clearances; Recommends to the President through the NEDA Board
Line agencies	Lack of capability in terms of	Mandates, Sectoral technical

	program and project design, packaging, management and implementation	expertise, budget; Personal power of heads of agency
LGUs	Tendency to submit proposals to advance political agenda; Lack of capability in preparation and packaging of proposals	Local Government Code of 1991; Constituency; Political power (delivering votes)
NGOs and POs	Lack of sufficient information on ODA process and environment; Limited participation	Reputation and credibility; Democratic process; Mandate as 'watchdogs/voice of the people'; Resources (alternative source of funding)
Private sector	Rent seeking; profit-oriented	Financial resources; Capacity to design and implement, hire consultants, get the best people; Networks
Public	Not informed enough; Minimal participation (usually in the implementation phase, rarely in the policy formulation)	Democratic exercise
Judiciary, particularly lower courts	Slow and inefficient; cause of delay	Legal expertise
Media	Some are progressive but often advancing own interest; sometimes used for rent-seeking because there are questions on ownership of media, e.g. Lopez	Access/coverage; Power to expose or hide/be silent on anomalies

E. Political, Economic, Social and Cultural Environment

Political Culture

The environmental context of the country's ODA policy is characterized by a highly complex interplay of various factors. In the Chapter, *Understanding The Philippine Political Culture*, Mendoza posited that, "Understanding a complex political system such as the Philippines' where the population is demarcated along historical, economic, political and religious lines requires an examination of its political culture before one can fully understand its people, and the operation of its constitutionally designated structures and processes."³⁸ She also cited three relation-based types of political culture: 1) parochial: where people are mostly concerned with local political issues 2) subject: people are aware of some policy influence in their lives but their influence over those policies is very low and 3) participant: people are free to participate in policy decision-making, with enough information to make sense of the issues.

³⁸

David Wurfel validates that even with relatively high literacy rates, the Philippines have parochial and subject political culture.³⁹ This kind of environment influences ODA policy, particularly when political leaders tend to use their access to ODA funding to advance their political career. There were even accounts of congressmen passing a mere concept paper to NEDA but expecting to have immediate funding from ODA. Although constituents are aware of the immediate impact of proposed project in their locality, most of the time they lack information that most ODA-funded projects are in the form of loans. This should not be a problem in the case of well-managed ODA but in most cases, the parochial tendency of the political environment results to heavier and irrational costs on the part of the national government.

Economic Environment

Mendoza's study on TA highlighted the issue on compromises and losses in relation to ODA management.⁴⁰ She noted that in spite of the possible negative implications of foreign aid, especially TA in its transfer of technology component, governments still propose projects for funding through grants or loans. Considering their tight financial situation and the growing demands on them for development and the provision of vital services to address poverty alleviation and improve the quality of life of their constituents, government tend to sacrifice sovereignty for hopefully short-term dependence and vulnerability for donors and creditors' demand."⁴¹ The short-term dependence part, apparently, is not happening.

The MTPDP 2001-2004 states that, "We should be able to pay for our needs as a nation, without borrowing too much."⁴² To assess the accomplishments of the Arroyo administration vis-à-vis the plan and strategies, the UP-National College of Public Administration and Governance (NCPAG) sponsored a series of lecture last February 2004. In said lecture, Budget Secretary Emily Boncodin shared that the government is facing a deteriorating fiscal position with a return to an increasing debt scenario. Finance Secretary Juanita Amatong likewise reported that the ODA accounts to about 46% of the total national government's external debt. In this light, the DBM prescribed major budgetary reforms, including stricter enforcement of austerity measures despite the decreasing budgetary allocation of government agencies. In his *Inquirer* column, Habito mentioned that 81% of the government revenues is required to pay its debt, which has reached P542.2 billion as of 2004.⁴³

The review of several literatures on aid and developing countries reflects the general trend on ODA. To cite an example, an independent study⁴⁴ edited by Finn Tarp (Foreign Aid and Development, 1999) noted the leverage given to donor/creditor community in terms of aid and conditionalities, i.e. accepting the "Washington Consensus"⁴⁵ imposition of structural adjustment policies. In the case of the Philippines, "balanced budget" seems to be the mantra of the government. The question here is how can the government achieve

³⁹ Mendoza, 1999

⁴⁰ Mendoza, The Management of Technical Assistance in the Philippines, 1990

⁴¹ Ibid, p.51

⁴² MTPDP Popular Version, p.5

⁴³ Frightening numbers

⁴⁴ Not sponsored by a developing country or donor/creditor community

⁴⁵ According to former World Bank chief economist, Joseph Stiglitz, the Washington consensus is composed of International Monetary Fund (IMF) people who were graduates of first-rate universities but third-rate students. These statement stress the irrationality of their structural adjustment policies.

macroeconomic stability and fiscal balance with a P5 pesos earning, P4 of which is allocated for debt payment, and still save?

Socio-Cultural Context

To complete the backdrop of the environment, the MTPDP has an overriding to of alleviating poverty and bringing prosperity within reach of every Filipino. The core strategies are: 1) macroeconomic stability, with equitable growth 2) agricultural and fisheries modernization with social equity 3) comprehensive human development and protecting the vulnerable and 4) good governance and rule of law. The translation of these policy pronouncements to actual policy implementation remains to be a challenge. In line with the use of ODA for equitable distribution of growth and development, regional disparity distribution continues to exist and worsened by the fact that those marginalized regions have the least access to ODA due to lack of capacity to conceptualize and package project proposals.

Moreover, it was noted that line agency secretaries were not held accountable for weaknesses or failure in ODA programming and implementation. In an interview with former NEDA Director-General Cielito Habito, he shared that he used to call the attention of the heads of implementing agencies with low ODA absorptive capacity during NEDA Board meetings. Although the heads were seemingly embarrassed, he received no substantial reply but a mere smile on their faces. Those weaknesses and failures of implementation meant millions of dollars as penalty payments for bad unused funds and performing loans.

In summary, these cross-cutting policy environment issues affect ODA policy implementation.. One can still add the context of Filipinos' ethics and values like "utang na loob" (debt of gratitude) and "pakikisama" ("not rocking the boat") to further understand that the policy context is indeed very complex.

F. Disposition of Implementing Officials

There is a general feeling or tendency of the officials to have a neutral to positive disposition towards ODA policy. Durano noted that, "Given the low savings, poor revenue generation, and import-dependence, it is not any wonder that the Philippines finds itself hungry for foreign capital in whatever form."⁴⁶ ODA presents itself as a better alternative source of funding because of longer maturity period and grant element.

Slight disposition, however, varies among implementing officials in line with their mandate. NEDA officials are generally technically competent people who ensure that only technically feasible and viable programs and projects should receive ODA funding. Officials from other agencies, somehow, feel negative disposition towards NEDA's obstructionist role in their request/advice for more revisions of submitted proposals. Some proponents even commented that NEDA officials lack the necessary implementation experience to really know the ground level situation or the reality in their sector.

Officials from the private and NGO sectors generally share the same neutral to positive disposition towards ODA. The ODA policy recognizes the role of private and NGO

⁴⁶ Finance and Development Issues Arising in the ASIAN Crisis, 1999

so effectively and efficiently manage, innovate and adopt new technology and to bring additional resources to augment public funds. Aid and development project reviews in other countries acknowledged the beneficial role for such direct private sector development aid to complement government-to-government aid designed to further the establishment of an enabling environment for private sector activity. The same disposition also applies for NGOs, Pos and local government officials, especially with the devolution of services and their seemingly narrower parochial perspective towards ODA. The same disposition goes for officials of people’s organizations and for some non-government organizations’ officials. Again, this disposition can be traced to ODA as a relatively better source of funding because of the concessions and grant elements.

Meanwhile, those who rejects ODA are some NGOs from another strand of civil society groups who think that ODA is tantamount to conditionality in the nature of: 1) structural adjustments 2) financial blackmail on the part of the donors 3) liberalization, privatization and deregulation 4) commercial and political interests of donor country 5) penetration of country’s market and politics 6) its negative impact on displaced people.⁴⁷ However, it was noted by Tujan in the same volume of the IBON publication, that; “Criticism of conditionality is commonly focused on content, such as tied aid, neo-liberal restructuring and fiscal reform, and its negative impact on recipient countries and peoples. However, the decisive factor in reform lies in the process of aid relationships rather than choosing between positive and negative conditionalities.”⁴⁸ Even the literature from other countries attested that, “There are many examples where aid played a significant part in supporting what turned out to be successful development strategies. In that sense aid has worked, and worked well; and the cross country evidence shows that on average successes have outweighed failures.”⁴⁹

Local studies on the experiences of varying ODA funded projects, mostly conducted in the 1980s by attached government agencies and think-tanks like Philippine Institute of Development Studies (PIDS), documented greater benefits than costs for the country. In the case of failure projects, recommendations on the “elements of correct strategy” were provided. Generally, this situation provides the basis for the neutral to positive trend in the disposition of several stakeholders towards ODA.

III. Solution Analysis

A. Policy Options

The table below presents three policy options; each weighed according to its strengths and limitations vis-à-vis other choices:

Table 3. Specific Policy Options

Options	How Does Each Option Fare with Each Other?
1. Create an entity focusing on ODA Strategy	1. Aside from adding layer to the bureaucracy, this might not have substantial value-added to the ODA

⁴⁷ Guzman, The Reality of Aid, 2002

⁴⁸ The Reality of Aid, 2002

⁴⁹ Foreign Aid and Development, 1999

Options	How Does Each Option Fare with Each Other?
<p>Development for the Philippines.</p> <ul style="list-style-type: none"> • The new organization will be attached to the DOF to provide check and balance to NEDA's ODA programming and management. It will be composed of sectoral representatives from the government, NGO and private sector 	<p>process given the likelihood of having the same people and bureaucrats manning the new organization.</p> <ol style="list-style-type: none"> 2. The creation of new organization entails additional resources, i.e. budget, manpower posing additional problem given the tight fiscal situation of the government. 3. There is fear/worry over DOF's tendency to lean towards structural adjustment policies favoring creditors more than the Philippines. This would be history repeating itself i.e. Monsod's argument during her time as Director-General of NEDA. 4. 'Turf' issue might arise since would require additional reviews of mandates, e.g. NEDA Board's mandate vis-à-vis that of the new organization.
<ol style="list-style-type: none"> 2. Maximize the existing systems and institutions. <ul style="list-style-type: none"> • Create venues to enable different sectors to participate in ODA programming • Conduct capability building of institutions along the areas project development, evaluation and management, both at national and regional level of line agencies. • Improve implementation by encouraging active participation of different stakeholders thus preventing problem like ROW disputes. • Stricter enforcement mechanisms and penalties for non- 	<ol style="list-style-type: none"> 1. In terms of resource considerations, this is more feasible since it will not create additional layer of bureaucracy. 2. Politically feasible since it does not require major reorganization and review of mandates. Likewise, it is consistent with the Van Meter and Van Horn conceptual framework of implementation, small change and high consensus will likely result to effective policy implementation. 3. NEDA, as the central planning agency of the government, tends to be more objective and it is easier to address whatever weaknesses NEDA has, e.g., enhancing their 'project implementation' orientation (participatory processes, other factors beyond technical feasibility etc.) 4. Given the present level of civil society and government interaction, it is feasible to strengthen the joint effort of lobby and pressure groups; e.g. inter-sectoral representation in the National Anti-Poverty Commission (NAPC) <ol style="list-style-type: none"> 3. Recognizes the limitations of third world policy process. The approach is more realistic and calibrated since the neutral to positive disposition (towards the policy) of implementing officials is considered.

Options	How Does Each Option Fare with Each Other?
<p>performing agencies or very poor performance.</p> <ul style="list-style-type: none"> Strengthen inter-agency and inter-sectoral policy advocacy/lobby group that would serve as pressure group and watchdogs 	
<p>3. Push for the implementation of the 11th ODA Review: creation of six (6) TWGs</p> <ul style="list-style-type: none"> This would address major obstacles on ODA implementation 	<p>1. Focused solely on bottlenecks of ODA implementation hence, does not address other major concerns of ODA policy implementation, i.e. programming and effective monitoring and evaluation.</p> <p>Less sustainable compared to second option because of its ad hoc nature</p>

B. How to Solve the Problem: Implementing the Preferred Option

This section provides set of recommendations to resolve identified policy gaps and challenges in ODA programming, appraisal, implementation, monitoring and evaluation.

Programming

The government asserts the use of participatory processes and bank on civil society participation in the ODA policy process. This seems to be doubtful given the trend of ODA implementation, i.e. 55% NG, 44% GOCCs and GFIs and 1% only for the LGUs. Hence, to ensure transparency and accountability in ODA programming, existing lobby groups can be strengthened to carry out activities that will push the government to share the overall ODA management strategy and priorities. Likewise, the programming exercise should be opened to more participation from other civil society sectors.

Among Southeast Asian country, Indonesia already has a lobby group, through INFID (International NGO Forum for Indonesia’s Development) composed of local and international NGOs, government officials and representatives from donor community. This group has successfully influenced the ODA policy by actively carrying out lobby activities, and even engaging in policy formulation. In particular, they take part in the annual Consultative Group for Indonesia (CGI) –government and donor group negotiation/consultation on aid policy and strategies. INFID is doing lobby and advocacy activities to make the negotiations more transparent. In the case of the Philippines, there are several entry points on ODA programming policy: 1) identification of priority areas: should it be donor driven or according to a more sustainable and equitable path? 2) negotiation: how good are the negotiators who are given “full powers’ by the president 3) transparency: how can they make the programming process more transparent?

Appraisal

Given the limited manpower of NEDA in attending to project proposals on top of other equally time-consuming duties and responsibilities, there is a need to conduct capacity building for LGUs, NGOs, POs etc. This will not only address the delays in translating ODA pledges but will also increase access of marginalized sectors/regions to ODA funding with submission of better and acceptable project proposals.

Implementation

The entry point for the oversight committee can be through the enforcement mechanisms. In particular, there should be more teeth in penalizing bad performance of implementing agencies. The implementing agencies should anticipate and prevent procedural delays by adopting more participatory approaches, on the other hand, should anticipate and prevent procedural delays by adopting more participatory approaches in implementation. Advocacy activities can be addressed to both government and donor agencies on the lack of consultation with the affected communities.

Rule 7 of the IRR of ODA Policy states that: “The implementing agencies have the sole responsibility for determining the technical, financial, legal and moral soundness of each contract. The ICC-approved project cost shall serve as the basis for NEDA’s monitoring of cost overruns.” For lobby groups, this implies that the target of implementation advocacies should be the line agencies who are the main proponent and project implementor.

Monitoring and Evaluation

NEDA lacks resources to look more deeply into the outcomes/impacts of each portfolio. Oftentimes, even at the implementing agency level, the monitoring report is largely on the proxy indicators or the output (based on log frame planning) indicators of each portfolio. The lobby groups could share their monitoring/research i.e. results and presentation, discussion and research dissemination towards sound decision making on ODA.

A review of other aid implementation studies of other countries sponsored by donor communities, recipient countries and independent organizations validate the complexity of monitoring and evaluating of ODA. In doing so, one has to consider each case is location-specific with deep roots for the social, political, economic and cultural environment of the project. What is apparent though is the clear success element i.e. ownership and active cooperation of recipients and other stakeholders is an important ingredient for success.

The documentation and research report on the following cases were reviewed. These showed the varied elements of case implementation factors:

Cases of Foreign Assisted Projects:

- Bondoc Development Program (Germany)
- Western Samar Agricultural Resources Development Program (EU)
- Belgian Integrated Agrarian Reform Support Project (Belgium)
- Philippine-Canada Human Resource Development (CIDA- Canada)
- Foundation for Philippine Environment (US-USAID)

The first three cases were presented in the book entitled ODA: Theory and Practice 2001 and the last two cases were cited as a foreign-assisted funding with some aspects of policy influence as project objectives. The specific elements of each case study are beyond the scope of this paper. It would suffice to cite some elements of success and failures (see Table 4) from these documents and note that many actual agricultural sector foreign assisted projects showed that the impact on the people’s quality of life leaves a lot to be desired. The NGO-foreign assisted projects identified the importance of knowing the characteristics of the donor agency to develop an appropriate policy influence strategy.

Table 4. Elements of Success /Failures

Success Factors	Causes of Failures
Good Problem Analysis	Insufficient Information
Good Stakeholder Analysis	Lack of Resources
Finding Effective and Supportive “Fixers”	Vague Objectives
Innovative Approaches	Lack on Monitoring and Evaluation
Flexible and Dynamic Project Plan	Ineffective Management Structure
Effective Monitoring and Evaluation	Lack of cooperation among advocacy implementors
Policy Review	Lack of leadership
Policy Advocacy	
Collaboration and Teamwork	
Participatory Approaches	

Having said so, the main issue in relation to this paper’s policy analysis is on how the government is maximizing the power and resources of other stakeholders in order for them to have a broader perspective on how to evaluate ODA portfolios. Do they take these things as relevant to ODA programming and implementation? Are these things considered as necessary aspects of policy formulation? If not, this is a clear case of entry point for ODA programming policy advocacy and formulation.

Donors and creditors alike are starting to come up with position and white papers on how they should approach their ODA strategy. In the US, both their congress and aid agency are sponsoring studies and discussion on ODA management. Even Japan’s Ministry of Foreign Affairs (MOFA) 2002 white paper on ODA strategy recognized this need with the following statement: “Because of severe economic and fiscal conditions and critical public opinion of ODA, Japan’s ODA budget has been decreasing. The Ministry of Foreign Affairs is carrying out various ODA reforms around the key concepts of transparency, efficiency and public participation.” Along the process, a Board on Comprehensive ODA Strategy was established.

Thus, it can be surmised that the above initiatives can also be adopted in the Philippines, otherwise donor/creditor community will continue to enjoy leverage during ODA negotiation and programming. It is but high time for the government to be more proactive and have more efforts to make sense of the ODA issues and concerns.

C. Lobbying

An effective lobbying is focused and appropriate to the targeted audience. The various stakeholders and their potential powers and resources with respect to ODA should be considered. The review of the actual ODA policy and the conversion process (using the conceptual framework of Van Meter and Van Horn) reveals the following key issues in the policy decision-making:

Nature of the Issue: ODA is relatively technical policy and the prevailing disposition of stakeholders is neutral to positive. Therefore there is a need for policy-decision makers to be knowledgeable on effectively communication strategies and approaches for them to convey the issues to the public and other stakeholders. The importance of research and research dissemination fit to the target audience should be cannot be overemphasized.

Present System and Institution: The review of the policy implementation process revealed that guidelines exist and enforcing mechanisms are in place. The existing institution could facilitate the resolution of the problem. It seems, however, that there are factors within the system preventing adoption of good practices on ODA management.

Enforcement: According to Grindle, “the factors that affect whether policies will be pursued, altered, reversed or sustained after they have been decided upon are also generally left unexplained because implementation and sustainability are often considered to be mechanical, not political processes.” This should remind the policy lobbyist of the importance of targeting in the advocacy activities, i.e., pinpointing the individual who sustain or initiate the enforcement of policy implementation activities.

Linkages: In tilting the balance,⁵⁰ lobby groups should be reminded of the importance of linkages. Specifically, lobby groups can link with members of the Congressional Oversight Committee on both houses, as they are the ones processing the annual ODA Portfolio Review submitted by the President. Partnering with NGO lobby groups will also complement the effort of the government policy implementers and provide pressure on the review committee to conduct impact analysis of ODA to validate reports. Though, the trend towards the importance of a “fixer” seems low in the Philippines (just like the limited influence of think-tanks) it would still be worthwhile to identify some and ask them to facilitate, at least, some entry points of lobbying.

IV. Conclusions

The first chapter of the paper dealt with problem structuring taking off with problem identification, followed by discussion of the long-term and immediate consequences of the problem as well as the need to resolve the problem.

Guided by the Van Meter and Van Horn conceptual framework, the second part of the paper takes a closer look on the key issues and concerns, particularly on ODA programming, implementation, review and monitoring. The highlights include:

A. Standards and Objectives

⁵⁰ Referring to the stage of equilibrium wherein some forces are resisting change

1. Evolution of the policy
2. Salient features of the policy
3. Policy amendments

B. Resources

1. Lack of sufficient funds and incentives
2. ODA loans cumulative commitment
3. ODA commitments to the country by source

Programming

- Conflict of interests at the NEDA Board (NEDA vis-à-vis DOF)
- Weak capability to conceptualize and propose projects of proponent agencies and the over-eagerness of donors
- Lack of resources to conduct feasibility studies
- Comparative assessment of ODA commitments by sector
- ODA regional distribution
- ODA portfolio implementation

Appraisal

- Obstructionist view on NEDA
- Lack of capability of proponents to draft acceptable proposals
- Dynamics of the ICC process

C. Inter-organizational Communication and Enforcement Activities

1. Lack of familiarity of prospective ODA recipients and other government agencies with the ODA administrative process

Implementation

- Major obstacles on ODA implementation

Review and Monitoring

- Conduct of portfolio review (proxy indicators vis-à-vis other 'alarming indicators, i.e. commitment fees and time overruns)
- Creation of ODA Absorption Office
- Lack of feedback and action to address problems, i.e. sanctions
- Creation of TWGs

D. Characteristics of Implementing Agencies

- Stakeholders analysis focusing on characteristics and resources and powers

E. Political, Economic, Social and Cultural Environment

- Putting the policy into context

F. Disposition of Implementing Officials

- In general, there is a neutral to positive disposition towards ODA

Finally, the solution analysis and option setting forwarded three choices: 1) Creation of a new agency that would oversee ODA Management; 2) Maximization of the Existing

System and Institutions; and 3) Formation of Technical Working Groups and Addressing the issue of implementation hindrances.

After weighing of the strengths and limitations of each policy alternative, the second options was preferred in light of the following:

1. Feasible: It would not create additional layer of bureaucracy
2. Politically feasible: Small change, high goal consensus
2. NEDA has the track record and the capacity to spearhead. Whatever weakness they have could be addressed without big disruptions in the system (that might cause more unnecessary complications).
3. Presence of a functioning civil society and how possible it is to make their participation more entrenched in the present system and structures.
4. Given the limitations of the third world policy process; the approach is more realistic.

In summary, the nature of the ODA problem is technical and mechanical. There is a large presence of bureaucratic weaknesses and hindrances – with the reality that even with a new structure, the bureaucratic hindrances would still be there. Therefore, it is more rational to strengthen an existing and functional system and structure and realistically address the issues using a good synergy of the power and resources of the different stakeholders.

To conclude, after a thorough review on ODA policy process it must be emphasized however that ODA policy objectives failed to trickle down to its targeted beneficiaries. It may have been due to the fact that even with comprehensive guidelines and technical capacity of NEDA and major stakeholders, the ODA policy had not been subjected to real democratic participation and consultation during both the programming and implementation stages. Hence, ODA has been mostly supply-driven, if not donor driven. Suffice it to say that even with the negative reactions sprung from the real concerns/issues on the policy process, ODA can contribute to the country's economic development if maximized and well coordinated.

Notes

¹ <http://www.neda.gov.ph>. 18 February 2004. Official Development Assistance to the Philippines: Facts and Figures.

² Interview with Cielito F. Habito, 13 March 2004.

³ Interview with Lucienne Fulgar of DAR-FAPSO Monitoring Unit, 6 November 2003

⁴ Interview/Discussion with Jay Lacsamana, Chief Economist, DAR-ARCP Project, 26 February 2004

⁵ NEDA 11th ODA Portfolio Review

⁶ Van Meter and Van Horn: Policy Implementation Process, 1975

⁷ <http://www.neda.gov.ph>. 18 February 2004. Official Development Assistance to the Philippines: Facts and Figures.

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