

Senate of the Philippines  
Press Release  
November 11, 2007

## **LOREN SEEKS SENATE INQUIRY INTO ODA, 'TIED' LOANS**

Sen. Loren Legarda yesterday filed a resolution asking the Senate to conduct an inquiry into the procurement and implementation of foreign official development assistance (ODA) loans in order to determine their impact on national and local development.

In her resolution, Loren revealed that there were 141 active ODA loans obtained by the Philippine government amounting to \$9.5 billion as of December 31, 2006. However, ODA loan cancellations amounted to \$222.34 million "due to problems and bottlenecks in implementation."

Loren also urged the Senate to look into the "tie-up provisions" in the loan agreements which require the purchase of supplies and equipment from ODA donor countries.

International and local observers of foreign aid have said that these "tied" provisions were unfair to the recipient country, like the Philippines, as they bound the borrower to purchase supplies, equipment and even technology from the donor country at dictated prices that are often higher than those prevailing in other countries or in the world market. ODA loans generally charge lower interest rates than commercial loans.

Senator Legarda mentioned the "recent Senate investigation on the National Broadband Project" which "has raised serious issues on the process and review and evaluation of the necessity and relevance of proposed projects for ODA." The NBN project was supposed to be financed by an official development assistance loan from the government of China.

Loren said, "It is incumbent upon Congress, as part of its oversight functions, to review the performance of ODA, its impact on national growth and development, and the compliance to and weaknesses in existing policy framework governing the planning, acquisition, authorization, utilization, monitoring and evaluation of ODA in the country."

In her resolution, Loren asked the Senate to authorize the Committee on Economic Affairs to conduct the inquiry in aid of legislation into the

implementation of Republic Act No. 8182, otherwise known as the "Official Development Assistance Act of 1996".

Specifically, she urged the upper chamber to look "into the fiscal implications of tied loans and the extent to which the administration of past and present official development assistance has promoted sustainable social and economic development and the welfare of the Philippines."

ODA or official development assistance loans are defined in RA 8182 as "loans contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations or bilateral agreements or which are members of the United Nations, their agencies and international or multilateral lending institutions," Loren's resolution declared.

The Philippine Constitution under Article VII, Section 20, provides that the President may contract or guarantee foreign loans on behalf of the Republic of the Philippines with the prior concurrence of the Monetary Board, subject to such limitations as may be provided by law.

Under the law, ODA should be "administered with the objective of promoting sustainable social and economic development and welfare of the Philippines." ODA proceeds "shall be used to achieve equitable growth and development in all provinces through priority development projects for the improvement of economic and social service facilities taking into account such factors as land area, population, scarcity of resources, low literacy rate, infancy mortality and poverty incidence."

Loren said that the ODA commitment from calendar years 2001 to 2005 have been "steadily decreasing that the top creditors of Philippine ODA have consistently been the government of Japan, the Japan Bank for International Cooperation, the Asian Development Bank and the World Bank."

From 2001 to 2006, more than 50 percent of ODA was channeled to infrastructure, 18 percent to agriculture, natural resources and agrarian reform, 13 percent to social reform and community development, and 11 percent to industry, trade and services. Luzon got the highest share, followed by the Visayas and Mindanao, respectively.

The distribution of multi-regional and national ODA loans to recipient provinces has not been reported by the implementing agencies to the National Economic and Development Authority, making it difficult to determine whether the ODA proceeds have been distributed equitably as provided by law, Loren said.

The Investment Coordination Committee (ICC) was established under Executive Order No. 230 as an inter-agency committee engaged in "rationalizing" national public investments and expenditures, Loren said.

The ICC technical board establishes and recommends the desirability of the proposed projects vis-à-vis national government priorities and considerations, Loren's resolution also noted.

**Senate Resolution No. 179**

INQUIRY: OFFICIAL DEVELOPMENT ASSISTANCE ACT OF 1996 (ODA)

Filed on October 25, 2007 by [Legarda, Loren B.](#)

RESOLUTION DIRECTING THE SENATE COMMITTEE ON ECONOMIC AFFAIRS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE IMPLEMENTATION OF REPUBLIC ACT NO. 8182, OTHERWISE KNOWN AS THE 'OFFICIAL DEVELOPMENT ASSISTANCE ACT OF 1996', LOOKING INTO THE FISCAL IMPLICATIONS OF TIED-LOANS AND THE EXTENT TO WHICH ADMINISTRATION OF PAST AND PRESENT OFFICIAL DEVELOPMENT ASSISTANCE HAVE PROMOTEDE SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT AND WELFARE OF THE PHILIPPINES