

ODA COORDINATION IN THE PHILIPPINES¹

Jeanne Frances I. Ilo
Institute of Philippine Culture
Ateneo de Manila University
jillo@ateneo.edu
22 April 2005

In 2003, some forty multilateral and bilateral aid institutions signed the “Rome Declaration on Harmonization and Alignment, which aimed to promote harmonization of processes and procedures, and alignment of official development assistance (ODA) with the development priorities and poverty reduction strategies of recipient or partner countries. The Rome Declaration also stressed the importance of national ownership and national capacity of partner countries to manage external aid using instruments that foster transparency and accountability. A meeting was convened in Paris in March 2005 to assess progress. The Paris Declaration endorsed five key principles. In the Philippines, the application of the principles would require:

- *Ownership*: the Philippines (the partner country) exercise effective leadership over its development policies and strategies, and coordinate development actions;
- *Alignment*: donors base their overall ODA on the Philippine national development strategies, institutions, and procedures;
- *Harmonization*: donors actions be more harmonized, transparent, and collectively effective;
- *Managing for results*: resources are managed and decision-making enhanced to achieve results; and
- *Mutual accountability*: both donors and the Philippines are accountable for development results.

“Coordination” of ODA in the Philippines reflects these principles. Long before the Rome Declaration, the Philippine Congress enacted in 1986 “The ODA Act” (Republic Act [RA] 8182, amended by RA8555 in 1996), which requires aid donors to *align* their priorities with the country’s development agenda. This agenda is articulated in the Medium-Term Philippine Development Plan (MTPDP) and the Medium-Term Philippine Investment Program (MTPIP). These documents are currently supplemented by the Strategy Planning Matrices (SPM), which specifies sector/agency priorities that will help realize the President’s Ten-Point Agenda.

Coordination also simply means *synchronizing activities* of donors so as to avoid duplication of projects; or sometimes pooling their resources to finance parts of a

¹This is a final output of a consulting contract with the United Nations Development Programme. A much shorter version of this paper will soon appear in the April 2005 issue of [capacity.org](http://www.capacity.org) (www.capacity.org). I wish to acknowledge the valuable inputs of the various officials of government, donor, and resource institutions who agreed to be interviewed for this paper. Annex A contains the list of people interviewed for this paper.

government program. Examples of donors' co-financing efforts are the safe motherhood project of the Department of Health in the late 1990s, the peace and development plan in Mindanao, and the current Action Program for Judicial Reform (APJR) of the Supreme Court (2001). Both meanings of coordination—synchronization and co-financing—connote *cooperation* among donors.

Coordination can likewise involve simplifying policies, procedures, and guidelines and *harmonizing* these with those of the government. As will be apparent in the discussions, below, harmonization of priorities, policies, and processes occurs not only between the Philippine government and ODA donors, but also among donors themselves.

However, donors can also choose to fund activities in the same thematic area (say, governance), resulting in some kind of *competition* among ODA projects. When this happens in the absence of a coherent government program, many of the gains arising from the projects tend to be either lost or merely applied to a narrow band of government operations covered by the project.

This paper explores the various modes and lessons of ODA coordination in the Philippines, as variously defined. It focuses on three questions: strategies and mechanisms, processes, and lessons learned. More than a dozen government, aid, and resource institution officials were interviewed. However, the lens through which aid coordination is discussed is that of the Philippine government, particularly its planning agency, the National Economic Development Authority (or NEDA).

STRATEGIES AND MECHANISMS: THE “WHAT” OF ODA COORDINATION

Government Coordination Structure

Three agencies play pivotal roles in ODA coordination and management. NEDA coordinates planning and programming, the Department of Finance (DOF) negotiates and manages the loans, while the Department of Budget and Management (DBM) provides budget appropriations to cover loan “draw-downs” and other expenses specified in the loan agreements. A fourth agency, the Commission on Audit, ensures accountability, as it audits ODA disbursements and renders an independent report on ODA to Congress.

While DOF is primarily responsible for negotiating and managing ODA loans, NEDA takes the lead in coordinating all types of ODA. The NEDA provides coherence to the diverse requests for assistance coming from different Philippine government agencies. The latter usually identify and prioritize projects, and specify potential donors. Proposals are submitted by the agencies to NEDA for review and endorsement; the ODA Manual (NEDA 2000) describes the process of negotiation and approval of ODA loans and grants. At present, projects that cost at least five hundred million pesos are referred to the Investment Coordination Committee (ICC).

The NEDA consists of the Board and the Secretariat. Power rests with the Board, which is chaired by the President, with the NEDA Director-General (concurrently Socioeconomic Planning Secretary), secretaries of key departments, the Executive Secretary, and the Central Bank (*Bangko Sentral ng Pilipinas*) Governor, as members. Assisting the Board in its functions are Cabinet-level interagency committees, including the ICC.

The Secretariat handles the day-to-day operations of NEDA. In particular, its Public Investment Staff (PIS) leads in programming and project appraisal, while its Project Monitoring Staff (PMS) is responsible for ODA monitoring and leads the annual portfolio review with donors. Each group has staff members assigned to deal with multilateral and bilateral donor agencies. These offices relate with both donors and government agencies that are proposing or implementing foreign-assisted projects.

Aid Modalities

As of end of 2004, the Philippines had 165 active loans, with a net commitment of US\$10.2 million.² About 87 percent of this comes from three donors: the Japan Bank for International Cooperation (JBIC), the Asian Development Bank (ADB), and the World Bank (see Table 1, below). Of the “big three,” JBIC remains the biggest lender. The World Bank continues to provide no less than 12 percent, but the ADB loan portfolio has shrunk because of loan cancellations made in 2002 and 2003 (ADB 2003).

Table 1. Selected information about ODA in the Philippines

Item	2001	2002	2003	2004
Number of active loans	202	204	189	165
Cumulated net commitment (US\$ billion)	13.2	11.9	10.9	10.2
Projects	12.0	10.8	10.1	
Programs	1.2	1.1	0.8	
Percent distribution of net commitments	100	100	100	100
Projects	91	91	93	93
Programs	9	9	7	7
Percentage share	100	100	100	100
ADB	22	19	14	11
JBIC	61	57	63	64
WB	12	13	13	12
Others	5	10	11	13
Actual disbursements (US\$ billion)	1.01	1.04	1.41	1.09
Projects		0.94	1.07	1.01
Programs		0.10	0.34	0.08
Disbursement ratio	11.7	12.7	19.2	15.8
Projects	10.4	12.0	15.5	14.9
Programs	28.1	23.4	81.8	100.0
Disbursement rate	81.9	78.7	89.2	71.6
Projects	73.9	78.9	86.2	70.1
Programs	157.7	76.9	100.0	100.0
Availment rate	62.1	59.0	60.8	55.5
Projects	58.0	56.0	56.6	54.5
Programs	100.0	85.0	100.0	100.0

Source: Project Monitoring Staff, NEDA.

The Philippines currently adopts several ODA modalities. These include support for sector reforms (procurement, judicial, health, education), program or thematic areas (poverty reduction, HIV/AIDS, Millennium Development Goals, good governance, gender mainstreaming), and area-based programming. Most loans, however, are treated

²NEDA Project Management Staff, personal communication, 11 April 2005.

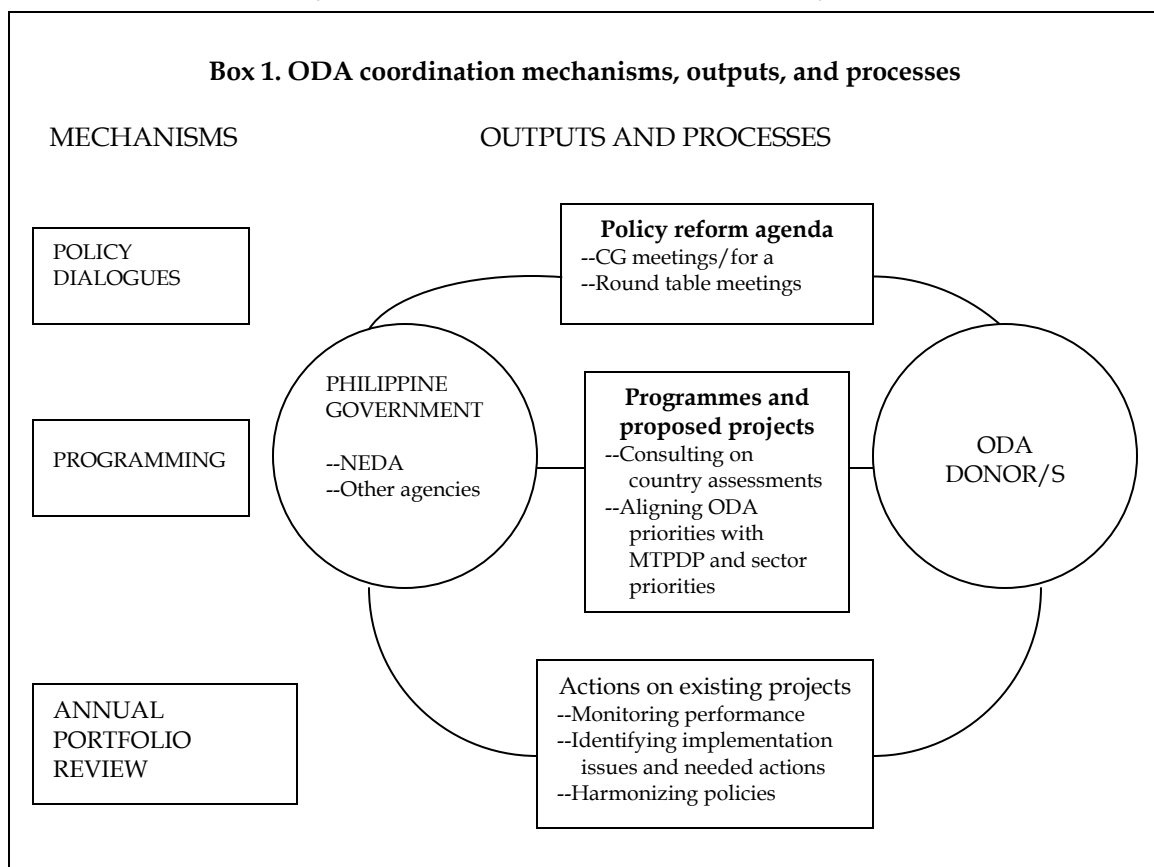
as project loans. In 2001-2004, they made up 91 percent to 93 percent of total net ODA commitments; 7 percent to 9 percent are program loans or direct budget subsidies (DBS). The latter support existing programs that cannot be funded by domestic resources. Since 1999, the government has received two DBS loan packages for social services and another for diversified farm income.

Unlike other loan portfolios with poor disbursement and avancement rates, almost all of the DBS loans are used. Some quarters favor DBS for several obvious reasons. These loans fund programs that the government has already begun. They indicate in very concrete terms, alignment of ODA with existing government priority programs. Because the money goes on the budget, procedures for disbursements and procurements necessarily follow the Philippine system.

Initiatives and Outputs

Aid coordination occurs between the Philippine government and ODA donors, within the Philippine government, as well as among donors (Ilo and others 2002). Discussions of policy issues and alignment of priorities, policies, and processes happen in various formal meetings and forums, as follows (see also box 1, below):

- *Policy dialogues.* There are two modalities of government-donor policy dialogues in the country. One is traditionally led by the World Bank (the “Bretton Woods” process), and has been called the “Consultative Group” (CG). The other, initiated by the United Nations Development Programme (UNDP), consists of “policy roundtable meetings.” Both began as donor pledging sessions, but have evolved in the past few years as forums for discussions of major development issues in



the Philippines. In 2005, the CG meeting became the Philippine Development Forum (PDF).³ Since 2002, when the CG meeting was moved in country, it has highlighted several policy concerns, such as corruption and the population issue.

- *Preparation of aid strategies.* At the beginning of the term of a new president, the Philippine government prepares its MTPDP and MTPIP. This generally involved the crafting of sector and regional plans and priorities by government agencies and regional NEDA offices, respectively. The degree of participation by various stakeholders has differed over the years, with the least participation noted in the preparation of the current MTPDP. NEDA then consolidates these plans into a coherent development blueprint. Unlike previous medium-term plans, the current plan was written to rationalize the President's ten-point agenda (box 2). Agencies were then asked to submit their priority projects based on this agenda and the MTPDP. This project list is contained in the Strategy Planning Matrices (SPM) for 2004-2010. To some observers, these plan documents indicate "vision" (in the case of the broad terms of the current MTPDP) or "wish list" (the SPM and previous MTPDP and MTPIP). What the Philippines needs are long-term development targets and priority areas (thematic, sector, and geographic) that could serve as catalyst for economic growth and socioeconomic development, and as reference point for political medium-term plans.

Box 2. The President's Ten-Point Agenda for 2005-2010

1. Creation of six to ten million jobs
2. Education for all
3. Budget balance
4. Decentralization of development through networks of transport and digital infrastructure
5. Power and water supply throughout the country
6. Decongestion of Metro Manila
7. Development of Clark and Subic as service and logistics center in the region
8. Automated election
9. Peace to Mindanao and all insurgency areas
10. Just closure of issues from EDSA 1, 2, and 3

For their part, the donors prepare their multiyear country development framework, country assistance framework, or country assistance program based on their own programming cycle.⁴ Hence, after a presidential election, the ODA agencies have to check whether their frameworks and strategies—which reflect not only the MTPDP and MTPIP priorities, but also the priorities of bilateral donor-governments or multilateral agencies—align with the priorities of the new administration (or the new MTPDP and MTPIP).

Within the United Nations, there have been efforts to synchronize the programming cycles and simplify the programming exercise. In 2004, the United Nations organizations in the Philippines came together to prepare a Common Country Assessment, or CCA (UN 2004) and the UN Development Assistance Framework (UNDAF) for the Philippines for 2005-2009 (UN/NEDA 2004). The UNDAF translates the Philippine government commitments to the Millennium Declaration and the MTPDP priorities "into a common operational framework for development

³Chaired by the World Bank, these used to be primarily pledging sessions of donors active in the Philippines. Until 1999, these meetings took place outside the country. Beginning in 2000, these were held in country and were jointly chaired by the World Bank and DOF.

⁴In the case of bilateral aid agencies, this can also coincide with the election of a new government.

activities” upon which individual UN organization in the country will formulate their actions for 2005-2009 (UN/NEDA 2004, 9).

- *Programming development assistance.* Every year, the Philippine government denotes the year’s investment requirements based on the MTPIP. Annual programming meetings take place between the government (represented by NEDA and/or DOF, DBM, and DFA) and individual ODA donors. Bilateral agencies usually send a mission headed by a Foreign Affairs minister. The mission sits with the Philippine government to discuss portfolio composition. Chaired by NEDA, the meeting discusses a set of proposed projects that the donor agency has already reviewed. At the end of the two-day meeting, the mission states what its government can or will fund and which it cannot support, based on its own priorities.

Beginning in the mid-1990s, ODA donors have been undertaking joint programming exercises that bring together several donors (multilateral and bilateral) in a specific project or undertaking. This is reportedly the preferred approach when a large amount of funds is needed, or when donor interventions in a particular geographic or thematic area have to be coordinated to achieve maximum effect. An example of joint programming is the Safe Motherhood Project with the Department of Health. This project involved the Asian Development Bank (ADB), *Kreditanstalt für Wiederaufbau* (KfW), and the World Bank, providing the infrastructure support, and the European Union (EU) and the Australian Agency for International Development (AusAID) funding the technical assistance. Another example is the Peace in Mindanao initiative, which began in 1997 under the leadership of UNDP.

- *Periodic portfolio review.* As mandated by Philippine law, NEDA presides over meetings to review ODA loans and grants, and submits to Congress an annual ODA review report. (As noted earlier, the law also mandates Commission on Audit to submit an independent report of its audit of ODA disbursements.) The government (NEDA, DOF, DBM, and implementing agencies) meets with individual donors to check ODA disbursements, performance of ongoing projects, and actions taken on problems related to implementation and the like. In some cases, the review has resulted in cancellation, closing or rescheduling of loans. Because low loan utilization and performance are usually caused by inadequate budgetary cover, a DBM guarantee that funds are available for a project is now required before a project is approved. Some ODA stakeholders, however, think that DBM should be involved from the beginning of the planning process, not just at the review and approval of proposed project stage.

Apart from the portfolio review with each donor, the government also conducts joint ODA review with its three biggest creditors (JBIC, ADB, and the World Bank) to discuss common implementation issues and how these can be addressed. Among the issues that constantly emerge is inadequate budgetary or appropriations cover (NEDA 2001, 2002, 2003). Because ODA loans are not “frontloaded,” Congress has to appropriate funds to cover project costs. Observers, however, point out that members of Congress do not seem to be interested in appropriating funds for ODA projects, which are hard to influence, and favor locally-funded projects instead. Other problems pertain to conditionalities of the

loans (right of way or resettlement for infrastructure projects, or legislative action or reform for sector loans), low capacity and incentives for implementing agencies to perform, and procurement processes (NEDA 2003, ADB 2003). The country's chronic deficit has made it difficult to get a budget or appropriations cover even for existing projects.

Donors have different policies, procedures, and processes for designing projects, procurement, and monitoring, reporting, and evaluating projects. Bilateral ODA projects continue to be "tied aid," with materials and consultants drawn from the donor countries.⁵ As noted in an early study of ODA in the Philippines (Illo and others 2002), there have been efforts by many ODA donors to tap Filipino consultants and staff in the projects they support. National policies about procurement of technical services and materials, however, constrain bilateral aid agencies from "untying" their aid.

The varying demands of donors have compelled some Philippine implementing agencies to establish a management office for each donor. The most dramatic exception is the Project Management Office of the Supreme Court, which oversees all the projects under the APJR.

These coordination initiatives have resulted in several changes in the way aid is designed, managed, implemented, and monitored. One example relates to procurement; another to the integration of gender and development (GAD) in project design and other phases of the project cycle. Procurement is one area where donors have varying policies and guidelines. Multilateral agencies tend to favor international bidding, while a number of bilateral aid agencies prefer national suppliers. Efforts are underway to simplify procurement policies and processes, but harmonization of these policies continue to be constrained by policies of the government of donor agencies. Gender and development (GAD) is another area where donors use different guidelines and where efforts to come up with harmonized set of GAD guidelines for project design, implementation, monitoring and evaluation have been noted (NEDA/NCRFW/ODA-GAD 2004). However, the Philippine government has yet to adopt the new guidelines in the appraisal, design, monitoring, and evaluation of projects. In contrast, the government has begun to require the inclusion of a logical framework analysis in project proposals, and the use of results-based monitoring and evaluation (M&E).

COORDINATION PROCESSES: THE "HOW" OF ODA COORDINATION

Coordination between the Philippine government and its ODA donors occurs in formal meetings and in informal ways, such as phone calls between officials or program officers of donor agencies and their government counterparts. Informal communication channels keep relevant Philippine government agencies and aid organizations informed about proposed and ongoing projects, planned meetings, and follow-up activities based on ODA-government forums (such as the PDF).

⁵Projects funded by multilateral aid agencies are generally managed by a special unit/office (a project implementation unit or, more often, a project management office), which is run by contracted (not agency) Filipino staff and international consultants. In contrast, bilateral aid projects are often managed by nationals (firms or consultants) of the donor country, with the assistance of local staff.

On a more formal note, the government sits down with ODA donors, separately and collectively, to set development assistance priorities, negotiate fund requirements, and review loan portfolios. Except in loan negotiations, NEDA leads many of the ODA coordination activities. Those that are initiated by donors generally involve NEDA or other counterpart Philippine agencies as co-conveners or resource persons. For its part, NEDA has begun to impose uniform requirements for appraising and monitoring ODA projects and programs. It is not clear, however, whether results of ODA harmonization or coordination efforts will apply to the largest donors. Meanwhile, low implementation performance of ODA projects suggests capacity weaknesses of Philippines government agencies.

These generalizations mask the fact that the logic, government-donor dynamics, and resistance to coordination efforts vary. These are illustrated by some examples of how the Philippine government (i.e., NEDA) and aid donors coordinate ODA.

Assuming Joint Leadership

The nature and processes of government-donor policy dialogues have changed over the past year. Unlike in previous CG, for instance, the 2005 meeting was reconfigured as a forum, signaling a departure from the set pieces or statements of donors and government representatives to more interactive discussions that involve not only national government agencies and ODA donors, but, as well, representatives from local governments, civil society, the private sector, and the academe. Now described as joint government-donor forums, they serve as a venue for participants to discuss broad policy reform areas.

Although these policy dialogues are touted as being jointly convened by a donor (or donors) and its counterpart Philippine agency, they are actually creations of donors: the roundtable meetings by UNDP; and the CG process by major donors, led by the World Bank. The Philippine counterpart generally provides secretariat support. Theoretically, the Philippine government and the donor serve as co-chairs and jointly set the agenda, but the latter often has its own agenda to push. For instance, the UNDP has actively advocated for the Millennium Development Goals not just with the executive branch, but also with the Philippine Congress; while the CG has lobbied to have the population issue included in the PDF agenda, or, in the case of earlier CG meetings held in country, the discussion of corruption as a major problem or constraint to development.

One of the consequences of holding CG meetings in country was the shift in the leadership and “ownership” of the process. Instead of the donors (represented by The World Bank) alone driving the process, the Philippine government (DOF) has assumed joint leadership in convening sessions, setting the agenda, and identifying the groups to be invited. However, the PDF continues to be perceived as a donor-driven activity.

Influencing Programming

Donors generally initiate yearly programming exercises. The meeting is chaired by NEDA and discusses a set of proposed projects that the donor agency (represented by a team, or “mission,” from headquarters) has already reviewed. At the end of the two-day meeting, the mission states what its government (if bilateral) or organization (if multilateral) can or will fund and which it cannot support, based on its own priorities. Particularly during annual programming of multilateral agencies, the Philippine

government is expected to provide “the substance,” while the donor sets the process or timeline.

Box 3. Action Program for Judicial Reform

1. Judicial systems and procedures
2. Institutions development
3. Human resources development
4. Reform support system
5. Integrity infrastructure development
6. Access to justice by the poor

Source: APJR (Supreme Court 2002)

An excellent example of how a Philippine government body can exert ownership of the development agenda, the Action Program for Judicial Reform (APJR) of the Supreme Court enumerates in great details what areas of the reform agenda donors could fund. (See box 3 for the areas of reform). The APJR also serves as the basis for the Supreme Court’s Program Management Office to endorse or not a project for funding.

The influence that the Philippine government can exert on donor programs actually depends on how prepared its agencies or local government units are with their substantive inputs, that is, assessments or sector analyses and project priorities. Without clear priorities, the agencies or government units would end up adopting the priorities of donors. Similarly, without the priorities spelled out in the Philippine Strategic Planning Matrices (SPM), donors and proponent agencies can easily “harmonize” or justify proposed projects with the “visionary” MTPDP. Now, the Philippine government can accept a proposed project only if it is in the SPM and MTPIP; otherwise, it can encourage the donor to consider the other priorities in the plan documents. The ownership of development programming, therefore, is first and foremost a challenge for partner countries, like the Philippines. However, the influence that the Philippine government could exert on ODA programming is greatly constrained by political economic factors, including its dependence on aid from the particular donor and its ability to raise domestic resources. The government seems to recognize this political economic reality of official aid, as it maneuvers to hold CG meetings when it has “good news” to share (i.e., healthy growth figures, no fiscal deficit), or when it could relate with the donors from “a position of strength.”

Negotiating Harmonized ODA Systems and Procedures

Annual ODA reviews are usually initiated by NEDA (led by the PMS), along with DOF, DBM, and implementing agencies, and involve meeting with individual donors. The NEDA also conducts joint portfolio review with the country’s three largest creditors—JBIC, ADB, and the World Bank—to discuss common implementation issues and how these can be addressed. While reviews have made clear the need for harmonized systems (procurement, reporting, M&E), major bilateral donors tend to resist these, as they are constrained by their own government policies, and the Philippine government can do little about it. Nonetheless, harmonization is gaining some momentum, due partly to the global ODA agenda, and partly to domestic pressure for transparency and good governance. Results of harmonization are reportedly being incorporated in planned projects.

In the case of the harmonized GAD guidelines, agreements were reached after almost a year since the ODA-GAD Network decided to embark on the activity. The manual was launched in February 2005, with messages from the President, the NEDA Director-General and the National Commission on the Role of Filipino Women (the national machinery for women), and the Network. Signing onto the harmonized

guidelines were ADB, the Australian Agency for International Development (AusAID), Canadian International Development Agency (CIDA), European Commission, Japan International Cooperation Agency (JICA), the UN Country Team, and the World Bank. Also committing itself to the guidelines was the Philippine office of an international non-government organization, the Voluntary Service Overseas (VSO).

The preparation of the manual, however, was but a first step. Members of the Network have to “sell” the guidelines to the technical staffs of their respective organizations. Within NEDA, various sector staffs have yet to apply these in their ODA-related activities. Although representatives from the different sector staffs of NEDA were involved in the validation and testing of the guidelines in 2004, the NEDA Secretariat has yet to be formally oriented on the rationale and use of the guidelines. Such an orientation session would clarify issues that some quarters have raised in connection with the use of the guidelines to appraisal of project proposals, monitoring, and evaluation. Like the harmonized GAD guidelines, negotiations are likely to take time, and implementation is likely to take longer and test the commitment of both donors and Philippine government.

Instituting Uniform Requirements for all ODA projects

The NEDA has taken the initiative to require all ODA project proposals to have a logical framework analysis (“logframe”) and a results-based M&E plan. All government agencies are aware of the “logframe” and its application, but not apparently the ICC. Hence, the ICC continues to rely on the project assessment report, rather than the logical framework analysis, in its evaluation or appraisal of project proposals. This requires the preparation of a project appraisal sheet (“another project document”), an activity misconstrued by some as “a matter of national [Philippine] pride.”

Beginning in 1999, NEDA has also instituted results-based M&E, urging foreign-assisted projects and programs to look beyond inputs and outputs. Some agencies have already developed in-house capacity and systems for results-based monitoring and evaluation, but most agencies have yet to build these competencies. Because expertise in project planning and in M&E is often lodged in project management offices, which are staffed by contractual personnel, these capacities are lost to the agency once the project ends.

LESSONS LEARNED

The Philippine case demonstrates the ways in which a recipient or partner country loses or assumes “ownership” of official aid. At the discursive level, NEDA consider ODA projects in the Philippines not as a World Bank, ADB, JBIC, or a donor country’s project, but as a project of the Philippine government. ODA portfolio reports identify the loan source, but this does not seem to imply ownership of the project. Implementing agencies, on the other hand, tend to call their foreign-assisted projects (FAPs) by the funding source.

At the level of practice, the Philippine government requires ODA priorities of donors to be aligned with its priorities. But as noted above, the degree with which Philippine priorities are observed depends largely on the their coherence and clarity. In addition, has introduced uniform requirements for ODA projects and has begun to implement agreed-upon procurement policies and procedures. Their successful

implementation entails a certain amount of competence and capacities in key government agencies. The case highlights the following lessons and the key capacities needed to achieve results.

Need to Develop Capacities to Prepare Long-Term Plans

First, donor country assistance or development frameworks reflect, in large part, the development priorities of the Philippines. This was facilitated by the global discourse and concern for alignment of ODA to recipient country's priorities, and by the considerable planning capacity in the Philippines. This capacity, however, has been honed for the medium term, while ODA planning and negotiation will be improved and foreign aid will be more effective if the country also has clear long-term targets and priorities. This means that appraisal of proposed projects will be truly made against anticipated results and outcomes, in addition to immediate or short-term outputs.

Long-term plans can identify what and where infrastructure (communication, information, physical, social, and political) should be developed to make economic development and poverty reduction not only possible, but also sustainable. In so doing, government can induce greater participation of the private sector and civil society in helping bring about economic and social development in identified growth areas or sectors. As there is limited experience in the Philippines in long-term planning, capacities will have to be strengthened within NEDA. This requires matching the needed capacities with the support that can be forthcoming from existing resource institutions, such as the Philippine Institute for Development Studies, the Development Academy of the Philippines, the University of the Philippines, and other institutions of higher learning. It also involves learning from previous planning capacity-building efforts.⁶

Need to Learn from Previous Projects

Second, the persistent dismal performance of the ODA loan portfolio suggests weaknesses in the capacity of the Philippine government to learn from past projects and to implement projects. The learning opportunities in Philippine government agencies seem to be limited or constrained by the narrow way civil service jobs or responsibilities are defined.

There are also institutional constraints to learning, as proponent or implementing agencies are unable to extract lessons from the same problems that they encounter time and again, which result in delays and high commitment fees or penalties. The difficulties of meeting some loan conditionalities—policy reforms, or, in the case of many infrastructure projects, resettlement and rights of way—should have taught the Philippine government to avoid tapping ODA for particular project types, and, instead, funding these from domestic sources.

Moreover, there seems to be little documentation and appreciation of the lessons from problematic projects and how these were managed, or of projects that were completed on time. Apart from implementing agencies, NEDA and other oversight agencies have to develop the capacity to learn from past projects and to use these during negotiations to extract more reasonable conditionalities, longer period for start-up of projects without penalties, or to turn down potential problematic projects. It must be remembered that multilateral and bilateral banks are keen on funding these projects

⁶An interesting source of lessons is the report, "Pilot Country Level Impact Assessment (CLIA): The Philippines" (UNDP 2002), particularly Annex K.

because their performance continues to be evaluated based on the volume of loans they could push.

Need to Develop New Competencies in Implementing Agencies

Third, the efforts of NEDA to introduce new planning and M&E systems require building competencies in Philippine agencies in these areas. This generally meant NEDA technical staff (PMS) running training sessions for the organic (regular) technical staff of implementing agencies. Peer learning was possible because of the presence of capacity within NEDA not only to apply the systems, but also to transfer the required knowledge and skills to others. This raises a recurring question though: How to retain this and similar capacity in government, given the low pay and incentives.

Meanwhile, confusing and confused procurement procedures can delay project completion. Efforts to harmonize systems and procedures benefit from the ongoing global discourse among ODA donors. This discourse particularly helps recipient countries that have little political clout vis-à-vis their largest donors or creditors that may insist on the continued use of their systems in projects they fund. However, competencies and capacities have to be developed within aid agencies, NEDA, and other Philippine government agencies if harmonized policies and procedures were to be successfully implemented. This is the challenge that presently faces NEDA and the ODA-GAD Network, as they begin to push for the application of the harmonized GAD guidelines in their respective organizations.

Need to Reconfigure ODA Project Management

Fourth, implementation of ODA projects has been hampered by many factors, including structures that weaken implementation incentives, and different systems or procedures or procurement and reporting requirements. These and other ODA project management modalities are linked with donor-specific financial management, reporting, and similar requirements. To address divergent donor processes and requirements, some implementing agencies have been forced to create as many project management offices as they have donors, and to locate project management outside the normal structure of the organization. This arrangement implies that once a project ends, lessons and capacities developed are bound to be lost to the implementing agency (Illo and others 2002). Moreover, since timely project completion means end of employment for the specially contracted management staff, the existence of project management offices tends to create what a NEDA director calls, “perverse incentive to prolong unduly project implementation.”

Global discourses and local activism create strong pressures for reform within the donor community and the government. For instance, a strong local women’s movement continues to keep both government and donors accountable for gender equality and women’s empowerment results. Meanwhile, the drive towards greater transparency and accountability of foreign aid among ODA donors resonates among domestic civil society groups. There is strong anti-corruption campaign and domestic support for civil society participation in policy dialogues, transparency in the procurement process, and accountability for ODA loans. These create pressure for reform in procurement procedures and systems, and the inclusion of non-government stakeholders in discussions and oversight particularly of ODA loans.

ANNEX A
List of People Interviewed in February-March 2005

PHILIPPINE GOVERNMENT AGENCIES

Department of Budget

Darlene Casiano
Chief Budget Specialist, Fiscal Planning Bureau

Department of Finance

Vickie G. Mendoza
Director, International Finance Policy Office

National Commission on the Role of Filipino Women

Emmeline L. Verzosa
Executive Director

National Economic and Development Authority

Erlinda M. Capones
Director, Social Development Staff

Victor Emmanuel S. Dato
Director, Project Monitoring Staff

Jonathan L. Uy
Director, Public Investment Staff

Project Management Office, Supreme Court

Evelyn Dumdum
Executive Director

ODA DONOR AGENCIES

Asian Development Bank

Richard S. Ondrick
Chief Country Officer (PhCO)

Australian Agency for International Development

Angus Macdonald
Counsellor, Development Cooperation

Paul O'Neill
First Secretary-Development Cooperation

Canadian International Development Agency

Gérard Bélanger
Counsellor

Narcisa Umali
Program Officer

United Nations Development Programme

Kyo Naka
Deputy Resident Representative

The World Bank

Bei Zonaga

RESOURCE INSTITUTIONS

School of Government, Ateneo de Manila University

Juan Mayo Ragragio
Executive Director

Philippine Institute for Development Studies

Mario Lamberte, Ph.D.
President

Gilbert M. Llanto, Ph.D.
Vice-President
(Former Deputy Director-General, NEDA)

REFERENCES CITED

- Asian Development Bank (ADB). 2003. Country assistance program evaluation in the Philippines. CAPE: PHI 2003-04. Operations and Evaluation Department, ADB. January.
- Ilo, Jeanne Frances I., with Sylvia Bagadion-Engracia, Leland Joseph R. de la Cruz, Mary Racelis, and Maria Concepcion I. Chan. 2002. *Reforming technical cooperation: The Philippine experience*. Quezon City and Makati: Institute of Philippine Culture and United Nations Development Programme.
- National Economic and Development Authority (NEDA). 2000. ODA manual. NEDA, Pasig City.
- _____. 2001. Report on the outcome of the 10th annual ODA portfolio review. www.neda.gov.ph/progs_prj/oda/PortfolioReviews/ODAPortfolio10.doc. Accessed 22 March 2005.
- _____. 2002. Report on the outcome of the 11th annual ODA portfolio review. www.neda.gov.ph/progs_prj/oda/PortfolioReviews/ODAPortfolio11.doc. Accessed 22 March 2005.
- _____. 2003. Report on the outcome of the 12th annual ODA portfolio review. www.neda.gov.ph/./progs_prj/12th@20oda/12th_odamain.htm. Accessed 22 March 2005.
- National Economic and Development Authority, National Commission on the Role of Filipino Women, and the ODA GAD Network (NEDA/NCRFW/ODA-GAD). 2004. Harmonized gender and development guidelines for project development, implementation, monitoring and evaluation. NEDA, NCRFW, and the ODA GAD Network, Manila.
- Supreme Court. 2001. *Action program for judicial reform*. Manila: Supreme Court.
- United Nations (UN). 2004. A common view, a common journey: A Common Country Assistance of the Philippines. The United Nations Country Team (Philippines).
- United Nations and NEDA (UN/NEDA). 2004. The United Nations Development Assistance Framework in the Philippines (2004-2009). Manila: United Nations Country Team and NEDA.
- United Nations Development Programme (UNDP). 2002. Pilot country level impact assessment (CLIA): The Philippines. UNDP-Evaluation Office, New York, with support from the UNDP Philippines Country Office. April.