

ODA COORDINATION: THE PHILIPPINE CASE¹

Strategies and Mechanisms

Aid coordination occurs between the Philippine government and official development assistance (ODA) donors, within the Philippine government, as well as among donors. Three oversight agencies play important roles in ODA coordination and management. The National Economic and Development Authority (NEDA) coordinates planning and programming, the Department of Finance (DOF) negotiates and manages the loans, while the Department of Budget (DBM) provides budget appropriations to cover loan “draw-downs” and other expenses specified in the loan agreements.

As the planning body, NEDA crafts the Medium-Term Philippine Development Plan (MTPDP) and the Medium-Term Philippine Investment Plan (MTPIP). Based on these plans, NEDA and DOF formulate the Country Assistance Strategy (CAS), which specifies the investment requirements for the year or a specified period.

The Philippine Foreign Borrowings Act of 1966 and the Official Development Act of 1996 provide that external assistance to the country should be used in accordance with the government’s development priorities. For ODA loans, programming is based on the MTPIP, which reflects the goals and policies of the MTPDP; for technical cooperation, programming is guided by the MTPDP.

Although DOF has the responsibility for the loans, NEDA coordinates all types of ODA. The power of NEDA rests with the NEDA Board, which is chaired by the President, with members consisting of the NEDA Director-General (concurrently Socioeconomic Planning Secretary), the Secretaries of DBM, DOF, Department of Foreign Affairs (DFA), and other key departments; the Executive Secretary; and the Central Bank (*Bangko Sentral ng Pilipinas*) Governor. Assisting the Board in its functions are Cabinet-level interagency committees, including the Budget Coordination Committee, Investment Coordination Committee (ICC),

¹Prepared by Jeanne Frances I. Illo, research associate of the Institute of Philippine Culture, Ateneo de Manila University, with senior officials of the National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), and the Department of Finance; and the heads of the Supreme Court’s Program Management Office, which is responsible for coordinating and overseeing the country’s judicial reform program, and of the National Commission on the Role of Filipino Women, which oversees the gender mainstreaming program of the government. Also interviewed were several heads or senior officials of the donor community and high-ranking members of three research/training institutions.

Development. The NEDA Secretariat, headed by the Director-General, handles the day-to-day operations of NEDA. The Secretariat is divided into three offices, each headed by a Deputy Director-General: the National Development Office, which includes the Public Investment Staff; the Regional Development Staff, which covers the regional offices and the Project Monitoring Staff; and the Central Office.

NEDA coordinates with donors in two areas: programming and portfolio review. Within NEDA, the Public Investment Staff handles annual portfolio reviews, while the Project Monitoring Staff is responsible for programs and ODA monitoring.² 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 (FAPs).

Within the Philippine government, the coordinative work of NEDA aims at providing coherence to the diverse requests of assistance coming from different Philippine government agencies. The latter usually identify and prioritize projects, and specify potential donors. This is possible since they have direct link with ODA donors. Proposals are submitted by the agencies to NEDA for review and endorsement. Projects that cost more than three million pesos are referred to the ICC.

The Philippines currently adopts several ODA modalities. There are sector-wide reforms (procurement, judicial, health, education), program-based ODA (poverty reduction, HIV/AIDS, Millennium Development Goals, good governance, gender mainstreaming), area-based programming, as well as project-specific ODA. Loans have also been negotiated to finance the budget deficit for social services. Since 1999, the government has reportedly received two direct budget subsidy (DBS) loan packages. Unlike other loan portfolios, the utilization rate of which is lower than 30 percent, almost all of the DBS loans are used to finance existing programs of the government.

Initiatives and Processes

The government sits with the ODA donors, separately and collectively, to set development assistance priorities, negotiate fund requirements, and review loan portfolios. These take place in the following meetings or sessions:

²At the DOF, the International Finance Group (IFG) handles ODA matters; while a number of national government agencies has created a special office for foreign-assisted projects.

- *Consultative Group (CG) meetings.* Chaired 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 the DOF. Since then, the CG has increasingly become policy dialogues, although donors sometimes indicated the level of aid contributions and raised portfolio-related issues. In March 2005, the Philippine Development Forum (PDF) replaced the CG.

At the end of a CG meeting, the group usually issued a press release about the broad agreements reached and/or priorities identified. Some CG sessions were memorable for the issues they raised. The first in-country CG meeting identified corruption as the most important problem facing the Philippines; in the recent PDF, it was high population growth rate.

Over the years, insiders noted shifts in the following: leadership and “ownership” of the process from donors (represented by the World Bank) to the Philippine government; content, from general scanning of development issues to priority areas of reform or action; and participation, from exclusively donors and national government agencies, to also include local governments, the private sector, civil society organizations, and the academe. Despite these changes, the CG and the PDF are seen by many as, at best, a political process, at worst, a farce, with issues being perceived by some participants as dictated by donors.

- *Country assistance strategy.* Every year, the government formulates the country assistance strategy (CAS) and denotes the year’s investment requirements. The donors, for their part, prepare their multiyear country development framework, country assistance framework, or country assistance program in coordination with NEDA and other government agencies. These frameworks and strategies reflect not only the MTPDP and MTPIP priorities, but also the priorities of the bilateral donor-governments or the multilateral agencies’ international agenda. Because these priorities and agenda do vary, there have been attempts to harmonize these.
- *Annual programming.* This takes place between the government (represented by NEDA, 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. The meeting is chaired by NEDA and 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.

- *Portfolio review.* Philippine laws require an annual review of ODA, and an ODA review report is submitted to Congress every year. The government (NEDA, DOF, DBM, and implementing agencies) meets with individual donors to check ODA utilization rate, performance of ongoing projects, and actions taken on problems related to implementation and the like. In some cases, the review 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.
- *Joint portfolio review.* Apart from the portfolio review with each donor, the government also conducts joint ODA review with its three biggest creditors—Japan Bank for International Cooperation (JBIC), the World Bank, and Asian Development Bank (ADB)—to discuss common implementation issues and how these can be addressed. Among the issues that constantly emerge is inadequate budgetary or appropriations cover. Because ODA loans are not “frontloaded,” Congress has to appropriate funds to cover project costs. Members of Congress, however, seem not 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 sectoral loans), low capacity and incentives for implementing agencies to perform, and procurement processes. The country’s chronic deficit has made it difficult to get a budget or appropriations cover even for existing projects has become a problem. Meanwhile, while procurement reform is ongoing, donors themselves varied in their procurement policies. Multilateral agencies tend to favor international bidding, while a number of bilateral aid agencies prefer national suppliers. Harmonization of these policies is constrained by policies of the government of the donor agencies.

Capacity-related Lessons

The various ODA coordination efforts in the Philippines have been most useful in pursuing global agenda (HIV/AIDS, MDG) in the country. ODA

monitoring and portfolio reviews have provided technical staff of NEDA and other government agencies direct experience with disciplined implementation and monitoring of projects, requiring higher standards of performance and outputs; monitoring also for results and outcomes. By highlighting slippages and problems of implementation, the portfolio review process has stressed changes that can improve the capacity of government institutions to manage ODA. Some government officials think that development results would improve if the discipline of the foreign-assisted projects could be applied to locally funded projects as well.

At DBM, the lessons revolved around the installation of systems of procurement following the principles of transparency, open competition, and value for money; and need to build what the Ateneo de Manila University School of Government calls “ethical leadership,” where the focus is not just on technical skills but on integrity and honesty.

Some observers note that the MTPDP and MTPIP are excellent planning documents, but they do not specify where resources are coming from to support the plans. Capacity and political will to make the connection between plans and resources are needed.