



# 2022

## OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

PORTFOLIO REVIEW REPORT

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# **ODA Portfolio Review 2022**

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# List of Acronyms

<b>4Ps</b>	<i>Pantawid Pamilyang Pilipino</i> Program
<b>AARNR</b>	Agriculture, Agrarian Reform, and Natural Resources
<b>ADB</b>	Asian Development Bank
<b>AF</b>	Additional Financing
<b>AFF</b>	Agriculture, Fisheries, and Forestry
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>ALM</b>	Adaptive Learning Materials
<b>AM</b>	Alert Mechanism
<b>ARB</b>	Agrarian Reform Beneficiaries
<b>ARBO</b>	Agrarian Reform Beneficiary Organizations
<b>ASF</b>	Agroforestry Support Facilities
<b>BARMM</b>	Bangsamoro Autonomous Region in Muslim Mindanao
<b>BOC</b>	Bureau of Customs
<b>BP</b>	Business Plans
<b>CAR</b>	Cordillera Administrative Region
<b>CC</b>	Climate Change
<b>CCT</b>	Conditional Cash Transfer
<b>CDD</b>	Community-driven Development
<b>CF</b>	Commitment Fee
<b>CLOA</b>	Certificate of Land Ownership Awards
<b>COA</b>	Commission on Audit
<b>COVID-19</b>	Coronavirus disease 2019
<b>CY</b>	Calendar Year
<b>DA</b>	Department of Agriculture


<b>DAR</b>	Department of Agrarian Reform
<b>DBCC</b>	Development Budget Coordination Committee
<b>DBM</b>	Department of Budget and Management
<b>DED</b>	Detailed Engineering Design
<b>DENR</b>	Department of Environment and Natural Resources
<b>DepEd</b>	Department of Education
<b>DFAT</b>	Department of Foreign Affairs and Trade
<b>DILG</b>	Department of the Interior and Local Government
<b>DIP</b>	Detailed Investment Plans
<b>DOE</b>	Department of Energy
<b>DOF</b>	Department of Finance
<b>DOH</b>	Department of Health
<b>DOJ</b>	Department of Justice
<b>DOTr</b>	Department of Transportation
<b>DP</b>	Development Partner
<b>DPWH</b>	Department of Public Works and Highways
<b>DRR</b>	Disaster Risk Reduction
<b>DSWD</b>	Department of Social Welfare and Development
<b>DTI</b>	Department of Trade and Industry
<b>ECC</b>	Environmental Compliance Certificate
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization
<b>FMR</b>	Farm-to-Market Road
<b>FPIC</b>	Free, Prior, and Informed Consent
<b>FY</b>	Fiscal Year

<b>GAA</b>	General Appropriations Act
<b>GAD</b>	Gender and Development
<b>GDP</b>	Gross Domestic Product
<b>GER</b>	Gross Enrollment Rate
<b>GFI</b>	Government Financial Institution
<b>GID</b>	Governance and Institutions Development
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>GOCC</b>	Government-Owned and Controlled Corporation
<b>GOJ</b>	Government of Japan
<b>GPEDC</b>	Global Partnership for Effective Development Cooperation
<b>GPH</b>	Government of the Philippines
<b>GVC</b>	Global Value Chains
<b>HEAL</b>	Health System Enhancement to Address and Limit COVID-19
<b>HCFC</b>	Hydro-chlorofluorocarbon
<b>HGDG</b>	Harmonized Gender and Development Guidelines
<b>IA</b>	Implementing Agency
<b>ICC</b>	Investment Coordination Committee
<b>ICT</b>	Information and Communication Technologies
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFP</b>	Infrastructure Flagship Project
<b>INFRA</b>	Infrastructure Development
<b>INFRACOM</b>	Infrastructure Committee
<b>IT&amp;T</b>	Industry, Trade and Tourism
<b>JICA</b>	Japan International Cooperation Agency
<b>JVA</b>	Joint Venture Agreements



<b>KALAHI-CIDDS</b>	<i>Kapit-Bisig Laban sa Kahirapan</i> -Comprehensive and Integrated Delivery of Social Services
<b>LBP</b>	LandBank of the Philippines
<b>LCE</b>	Local Chief Executives
<b>LGU</b>	Local Government Unit
<b>LWUA</b>	Local Water Utilities Administration
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MOU</b>	Memorandum of Understanding
<b>MPS</b>	Mean Percentage Scores
<b>MSME</b>	Micro, Small, and Medium Enterprises
<b>MWSS</b>	Metropolitan Waterworks and Sewerage System
<b>NAT</b>	National Achievement Test
<b>NCR</b>	National Capital Region
<b>NEDA</b>	National Economic and Development Authority
<b>NEP</b>	National Expenditure Program
<b>NEPF</b>	National Evaluation Policy Framework
<b>NGA</b>	National Government Agency
<b>NIA</b>	National Irrigation Administration
<b>NPCO</b>	National Project Coordination Office
<b>NSS</b>	National Spatial Strategy
<b>OA</b>	Oversight Agency
<b>ODA</b>	Official Development Assistance
<b>ODS</b>	Ozone-depleting substance
<b>OECD-DAC</b>	Organisation for Economic Co-operation and Development - Development Assistance Committee
<b>OSG</b>	Office of the Solicitor General

<b>PAF</b>	Project Affected Families
<b>PAP</b>	Programs and Projects
<b>PCC</b>	Philippine Competition Commission
<b>PCERP</b>	Philippines COVID-19 Emergency Response Project
<b>PCG</b>	Philippine Coast Guard
<b>PCR</b>	Project Completion Report
<b>PDP</b>	Philippine Development Plan
<b>PED</b>	Project Engineering Design
<b>PIR</b>	Project Implementation Review
<b>PMO</b>	Project Management Office
<b>PNR</b>	Philippine National Railways
<b>PO</b>	People's Organization
<b>PPE</b>	Personal Protective Equipment
<b>PPP</b>	Public-Private Partnership
<b>PSQA</b>	Project Supervision Quality Assurance
<b>RA</b>	Republic Act
<b>RAEB</b>	Rapid Appraisal of Emerging Benefits
<b>RM</b>	Results Matrix
<b>ROW</b>	Right of Way
<b>RT-PCR</b>	Reverse Transcription Polymerase Chain Reaction
<b>SAPA</b>	Special Use Agreement in Protected Areas
<b>SDG</b>	Sustainable Development Goals
<b>SHS</b>	Senior High School
<b>SPA</b>	Special Presidential Authority
<b>SRCD</b>	Social Reform and Community Development



<b>TB</b>	Tuberculosis
<b>TESDA</b>	Technical Education and Skills Development Authority
<b>TOR</b>	Terms of Reference
<b>TSD</b>	Treatment, Storage, and Disposal
<b>UA</b>	Unprogrammed Appropriations
<b>UA-SFAPS</b>	Unprogrammed Appropriations - Support to Foreign-Assisted Projects
<b>UK</b>	United Kingdom
<b>UMIC</b>	Upper Middle-Income Country
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>USA</b>	United States of America
<b>USAID</b>	United States Agency for International Development
<b>WB</b>	World Bank

# Executive Summary

*The CY 2022 Official Development Assistance (ODA) portfolio has been instrumental in supporting the transition from recovery to socioeconomic transformation, providing vital assistance and resources that have contributed to the achievement of the country's Sustainable Development Goals (SDGs), and helping lay the foundation for long-term positive change in the country's socioeconomic landscape. As the country moves towards becoming an upper middle-income economy, it is crucial to earnestly diversify its funding portfolio and adopt a balanced fund allocation strategy to foster sustainable growth; thereby gradually reducing dependence on ODA while still maximizing its benefits.*

## Overview of the CY 2022 ODA Portfolio

**The active portfolio of ODA loans and grants in the country reached USD32.40 billion as of year-end 2022.**

This comprised of 106 loans amounting to USD30.20 billion and 320 grants totaling USD2.20 billion. These loans and grants were provided by 20 development partners (DP) and implemented by 84 government agencies. The amount of the active ODA portfolio in 2022 marginally increased by 0.50 percent from USD32.24 billion in 2021. This demonstrates sustained level of overall commitments for the past three years that started to significantly rise in 2020 due to the influx of loans for COVID-19 response and recovery.

**The amount of active<sup>1</sup> ODA loan commitments in 2022 remained consistent with the levels observed in both 2020 and 2021.** Total loan commitments amounted to USD30.20 billion for 106 programs and projects, which is on par with the levels in 2020 (USD29 billion) and 2021 (USD30.15 billion). There were 76 loans

that carried over from previous years, of which 24 closed by the end of 2022. While the Philippine government entered into ten loan agreements amounting to USD5.22 billion, this is lower than the USD6.42 billion in new commitments in 2021. These new loans are intended for projects such as rail transport, climate change action, and technical and vocational education. The decrease in new commitments can be attributed to reduced borrowings for COVID-19 response and infrastructure development as most of the loans supporting these areas were signed in 2021 and continued into 2022. There are only four program loans amounting to USD1.02 billion specifically for COVID-19 response and recovery. This is significantly lower than the number and cost of COVID-19 loans in 2020 and 2021; reflecting the country's shift towards the new normal and a stronger focus on economic recovery.

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<sup>1</sup> Composed of newly signed loans in 2022, those ongoing and/or continuing from years prior to 2022, and those which closed within 2022 based on the approved loan closing date

**Grants assistance provided by 18 DPs in 2022 are geared towards enhancing local capacities to support the country's development efforts.** These grants are primarily aimed at supporting institution building and providing technical assistance to both the national and local governments. Most of the new grants received in 2022 are implemented through various government instrumentalities, including national government agencies, local government units (LGU), or in partnership with donors and other non-state actors. Of the 320 active grants, four serve as complementary assistance to ongoing loans, further enhancing the capacity of the institutions to effectively implement interventions in delivering intended results.

**The infrastructure sector continued to hold the largest share of ODA in the country,** representing nearly half of the portfolio in 2022. Like the previous year, the distribution of active ODA among the five major sectors in 2022 maintained the following order, from largest to smallest: Infrastructure Development (INFRA), Governance and Institutions Development (GID), Social Reform and Community Development (SRCD), Agriculture, Agrarian Reform, and Natural Resources (AARNR), and Industry, Trade, and Tourism (IT&T). This allocation reflects the ongoing emphasis on comprehensive and sustainable development by developing robust infrastructure, fostering good governance, promoting social reforms, enhancing agriculture and natural resources, and driving industry, trade, and tourism.

**ODA is strategically distributed throughout the country to address specific priorities and needs of different regions.** Nearly 45 percent of the ODA portfolio was allocated to nationwide programs and projects. Among the regions, the National Capital Region continued to receive the largest portion of ODA in the country, with

the implementation of major infrastructure projects in the region. Central Luzon, Central Visayas, and the Davao Region also received significant shares of the portfolio in terms of cost. Additionally, the newly established Bangsamoro Autonomous Region in Muslim Mindanao received the highest number of ODA grants, mainly directed towards post-conflict recovery and restoration efforts in the region.

**The country benefits from diverse sources of ODA, fostering effective collaboration and maximizing development impact to promote national progress.** The Asian Development Bank (ADB), with 33 percent share of the total ODA in the country, has edged Japan as the largest provider of ODA. ADB also made the highest new commitments among the DPs, amounting to USD2.50 billion. The top five DPs, namely ADB, Japan, World Bank, China, and Korea, accounted for approximately 91 percent of the ODA in the country as of end 2022.

**Lead agencies spearheading the implementation of Infrastructure Flagship Projects (IFPs) under the *Build Build Build Program* received the most significant portion of ODA.** The Department of Transportation (DOTr) received the largest share of the active ODA portfolio, amounting to USD10.41 billion, which accounts for 32 percent of the total ODA. This allocation supports the government's focus on implementing numerous rail projects. Meanwhile, the Department of Public Works and Highways took the largest share in terms of the combined number of loans and grants implemented in 2022, overseeing a total of 33 projects.

## **Performance**

**Overall loan disbursements in 2022 declined primarily due to reduced availment of quick disbursing program loans for COVID-19 response.** In 2022,

the combined actual disbursements for program and project loans reached USD4.82 billion, lower by USD698.97 million in 2021. For project loans alone, the actual disbursements reached USD2.21 billion, reflecting a slight increase of USD54.00 million compared to the disbursements in 2021. Considering drawdowns from previous years, the cumulative disbursements of active loans amounted to USD15.84 billion, representing 52 percent of the total net commitment of USD30.20 billion in 2022.

**Ensuring appropriate allocation of ODA loan proceeds in the national budget is crucial for optimizing the utilization of ODA loans.** In 2022, DOTr encountered the most significant shortfall in loan disbursements compared to other agencies implementing ODA-funded projects. This was primarily attributed to the insufficient budget allocation for DOTr's ODA-funded projects in the FY 2022 General Appropriations Act. Similar challenges were observed for several other significant infrastructure projects since FY 2021, as the government's limited resources and shift in priorities towards COVID-19 response have affected the availability of funds.

**A substantial allocation of resources from 2023 onwards is imperative to successfully complete ongoing projects financed through ODA.** The budgetary requirements for these projects, which amount to PHP2.14 trillion, include loan and grant proceeds, as well as counterpart funds from the national government and other sources. However, several projects have experienced significant budget cuts or received zero allocation for FY 2023. To address this budgetary issue, implementing agencies (IA) are strongly encouraged to submit their firmed up budgetary requirements for the remaining years of project implementation in a timely manner.

**With over half of the ODA portfolio in 2022 experiencing delays, it is imperative to proactively address persistent issues that impede project implementation.** The primary implementation bottleneck frequently reported is related to site conditions and availability. Numerous projects, particularly for road and rail projects, faced difficulties in securing right-of-way (ROW). Furthermore, bottlenecks in securing local government permits, inadequate budget coverage, and slow procurement processes have contributed to delays experienced in project execution. Although the impact of the pandemic on project implementation has decreased significantly, agencies continue to face persistent challenges that restrict them from meeting target timelines and deliver outputs.

## Results

**ODA interventions delivered positive results aligned with the national development priorities, thereby enhancing the country's prospects towards recovery.** Amid the government's focus on economic recovery in 2022, ODA-funded programs and projects played a crucial role in strengthening healthcare systems and reducing vulnerabilities through targeted social protection initiatives. These include the provision of medical equipment and family planning services, among others. Moreover, ODA-funded infrastructure projects also contributed to the improvement of mobility and access to economic opportunities through the construction of transport and social infrastructure facilities.

## Key Lessons Learned

**There are valuable lessons learned from the implementation of ODA-funded programs and projects.** The report provides insights on project implementation to inform and improve the



design, implementation, and monitoring and evaluation (M&E) of current and future ODA interventions. Key lessons include highlighting the importance of: (a) continuously enhancing the capacity of agencies in procurement processes; (b) enhancing coordination with relevant units to ensure timely preparation of necessary documents, particularly those related to budget, for approval processes; and (c) strengthening institutional support from stakeholders, such as LGUs, through formal mechanisms like Memorandum of Agreements crucial to ROW or land acquisition issues, among others.

## Recommendations

**To optimize the implementation of ODA-funded projects, IAs need to proactively take strategic measures such as:** (a) expediting budget proposals submitted to the Department of Budget and Management (DBM); (b) prioritizing catch-up plans for delayed projects; (c) securing project sites in advance; (d) ensuring timely coordination among stakeholders; (e) fostering engagement with and among project participants; (f) facilitating timely procurement; (g) conducting capacity building activities; (h) integrating gender-responsive measures to project activities; (i) executing effective monitoring and evaluation; (j) submitting restructuring requests to the approving authorities; and (k) sustaining gains from pandemic innovations on project operations. By implementing these measures, ODA-funded interventions can be efficiently executed, enabling them to fully leverage their potential in attaining intended benefits.

**Enabling a sound fiscal environment and improving absorptive capacities of agencies can maximize the developmental impact of ODA.** The Executive branch emphasized the importance of passing the Budget Modernization Bill by

Congress to institutionalize cash-based budgeting, fostering accountability, and expediting project implementation. The bill strengthens the budgeting process by mandating rigorous planning and preparation in budget proposals, ensuring efficient resource allocation, including that of ODA. Additionally, recognizing agencies' absorptive capacities is crucial in securing adequate funding for ODA-funded programs and projects, to enable timely and effective implementation. Demonstrating improved absorptive capacities will enhance the confidence of DBM and Congress in supporting sustained project appropriations, ultimately leading to improved public service delivery, increased accountability, and maximized developmental impact of ODA initiatives.

**The country's transition to Upper Middle-Income Country (UMIC) status may have potential implications on its access to ODA financing. Thus, a review or assessment of existing financing policies would be necessary.** To address the potential challenges and maintain sustainable financing of development interventions, the government should adopt comprehensive measures, which include: (a) intensifying domestic resource mobilization and effectively leveraging private sector resources through public-private partnerships; (b) enhancing the regulatory framework and institutionalizing financial sector reforms to strengthen domestic financial institutions; (c) implementing prudent debt management strategies to meet the government's financing needs and debt obligations efficiently, while minimizing costs and managing risks; and (d) upholding good governance principles to foster trust among investors and key market players. Through these mechanisms, the government can mitigate the potential impact of reduced access to concessional financing and ensure a sustainable and resilient financial

environment as the country progresses towards its UMIC status.

### **Assessment of the Contribution of the 2017-2022 ODA Loans Portfolio to the Objectives of the Philippine Development Plan (PDP) 2017-2022**

The inclusion of this section in the CY 2022 ODA Portfolio Review Report serves the purpose of providing some insights on how ODA loans received by the country between 2017 and 2022 have contributed to the achievement of the development objectives of the PDP 2017-2022. The ODA portfolio reviews for the 2017-2022 planning period emphasized the significance of ODA as a fundamental component of the Philippine government's fiscal policy to achieve its development objectives specified in the PDP 2017-2022. The 2017-2022 ODA loans portfolio is comprised of 158 ODA loans with an aggregate net commitment of USD41.33 billion.

To illustrate the extent to which the ODA loans portfolio supported the strategies outlined in the updated PDP 2017-2022, an assessment of the ODA loans obtained by the government during the said period was conducted using the following evaluation criteria:

**a) Relevance.** The programs and projects supported by the ODA loans portfolio within the 2017-2022 period were relevant towards achieving the results of the PDP. A considerable share of the ODA project loans portfolio within the period 2017-2022 was relevant to and strategically aligned with Chapter 19 (Accelerating Infrastructure Development) of the PDP, in view of the government's Build Build Build Program. Meanwhile, bulk of the ODA program loans portfolio was strategically aligned with Chapter 11 (Ensuring Food Resiliency

and Reducing Vulnerabilities of Filipinos).

**b) Coherence.** The country partnership strategies of DPs cohere with the priorities outlined in the PDP 2017-2022, as reported in the 2018 Philippines Country Report on the Third Monitoring Round of the Global Partnership for Effective Development Cooperation (GPEDC). Further, the regional distribution of ODA loan-assisted programs and projects are consistent with national spatial strategies, and other nationwide policies for COVID-19 response.

**c) Efficiency.** From 2017 to 2022, a total of USD25.81 billion was disbursed, with 68.73 percent of the total amount directed towards ODA program loans that were aligned with the objectives of the PDP 2017-2022. The highest annual disbursement of ODA loans amounting to USD8.06 billion in 2020 highlights the government's response to cushion the fiscal and economic impacts of the pandemic. Although challenges were encountered in achieving timely disbursements of ODA loans for specific projects supportive of the thrusts of Chapters 13 (Reaching for the Demographic Dividend) and 19 of the PDP 2017-2022, ODA-funded interventions aligned with Chapters 11, 13, and 19 played crucial roles in delivering outputs that contributed to its sectoral objectives.

**d) Effectiveness.** There is evidence of outcome-level results from ODA-funded programs and projects that are aligned with the objectives of multiple chapters of the PDP 2017-2022 across various sectors, such as infrastructure, agriculture, and education.



**e) Impact.** While the full extent of development impacts of programs and projects supported by ODA loans remains to be confirmed, these interventions collectively achieved results towards the attainment of the desired outcomes of the PDP 2017-2022. While there was limited evidence on impacts at the time of post-project completion, assessments on selected projects still provided valuable insights, such as the positive effect of irrigation systems on farm productivity and its significant contribution to environmental protection. Overall, these indicate positive outcomes in various sectors; however, a comprehensive evaluation of overall impact is still needed.

**f) Sustainability.** Existing assessments of specific completed programs and projects indicated varying levels of sustainability, with ratings ranging from high sustainability to likely or partially sustainable. These assessments reflect the presence of sustainability mechanisms post-project completion, although they may vary to some extent. Also, these assessments underscored the importance of sufficient funding, strong institutional support, and effective operations and maintenance systems in ensuring continued functionality and long-term viability of projects.



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# **The Annual ODA Portfolio Review**

**Legal Basis.** Republic Act No. 8182, also known as the ODA Act of 1996, as amended by RA 8555, mandates National Economic and Development Authority (NEDA) to conduct an annual review of the implementation of all projects financed through ODA. The outcomes of the review are reported by NEDA to Congress not later than June 30 of each year. The ODA Act complements NEDA Board Resolution No. 30 s. 1992, which directs the Investment Coordination Committee (ICC) to review all ongoing ODA-funded programs and projects, with the aim of improving ODA absorptive capacity.

**Objectives.** The ODA portfolio review aims to: (a) report on the status of all projects financed through ODA, including their budgetary requirements; (b) identify key implementation issues, actual or prospective causes (e.g., procurement delays, cost overrun), and cross-cutting concerns hampering project implementation; (c) report on actions taken by concerned agencies to facilitate project implementation; (d) report on projects requiring restructuring; (e) report results (outputs and outcomes) from implementing ODA programs and projects; and (f) provide recommendations to improve portfolio performance.

As mandated by the law, the conduct of the annual review aids both the Executive and Legislative branches in discharging oversight functions in contracting and optimizing the utilization of ODA resources. Specifically, the findings of the review relating to the status and performance of ODA-funded programs and projects aim to provide Congress valuable insights in making evidence-based decisions

on annual appropriations. This exacts accountability over implementing agencies, and crafting legislations to improve the delivery of public goods and services supported by ODA.

**Scope.** As provided under RA 8182, ODA is defined as a loan or a loan and grant that meets all of the following criteria: (a) administered with the objective of promoting sustainable social and economic development and welfare of the Philippines; (b) contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations, or bilateral agreements and/or member-countries of the United Nations (UN); these countries' government agencies and international or multilateral lending institutions; (c) there are no available comparable financial instruments in the capital market; and (d) must contain a grant element of at least 25 percent.<sup>2</sup>

The 2022 portfolio review covers all active ODA loans and grants that were signed and/or became effective or closed; and supported programs and projects implemented, completed, and/or terminated within the period January 1, 2022 to December 31, 2022. Like in previous years, this review covers projects implemented by government-owned and controlled corporations (GOCC) or government financial institutions (GFI) and funded by foreign lenders or development partners (DP) wherein the borrowings were made pursuant to its respective original charters, or under special borrowing laws per the amended Foreign Borrowings Act. In addition, the review extends beyond the reporting requirements of the amended

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<sup>2</sup> Source: <https://www.neda.gov.ph/oda-act-1996/>

ODA Act of 1996 and includes standalone grant-assisted programs and projects reported by the DPs.

The review process involved consultations, discussions, and validation with 15 agencies with project portfolios financed through loans and ICC-approved grants, and purely grant-assisted projects. Meanwhile, desk reviews<sup>3</sup> were conducted for agencies whose portfolios only include purely grant-assisted projects. The review involved the participation of oversight agencies, namely NEDA, Department of Budget and Management, Department of Finance, and Commission on Audit, as well as various DPs.

### **Reporting of Outcomes of the Review.**

Excluding this section, the reporting of the outcomes of the ODA portfolio review is organized into five sections. Section 2 provides an overview of the CY 2022 ODA portfolio, including a comparative analysis between the ODA portfolios of the Aquino (July 2010 to June 2016) and Duterte (July 2016 to June 2022) administrations. Section 3 reports on the financial and physical performance of the ODA portfolio, key implementation issues and problematic projects, and continued viability of ongoing ODA projects. Section 4 reports on results (outcomes and outputs). Section 5 discusses the important lessons learned from program and project implementation and recommendations for 2023 and beyond to improve portfolio performance. Finally, Section 6 provides findings of the assessment undertaken on the contribution of the 2017-2022 ODA loans portfolio to the objectives of the PDP 2017-2022.

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<sup>3</sup> Desk review also involved consultations and validation activities with agencies and development partners through official correspondence and email exchanges.





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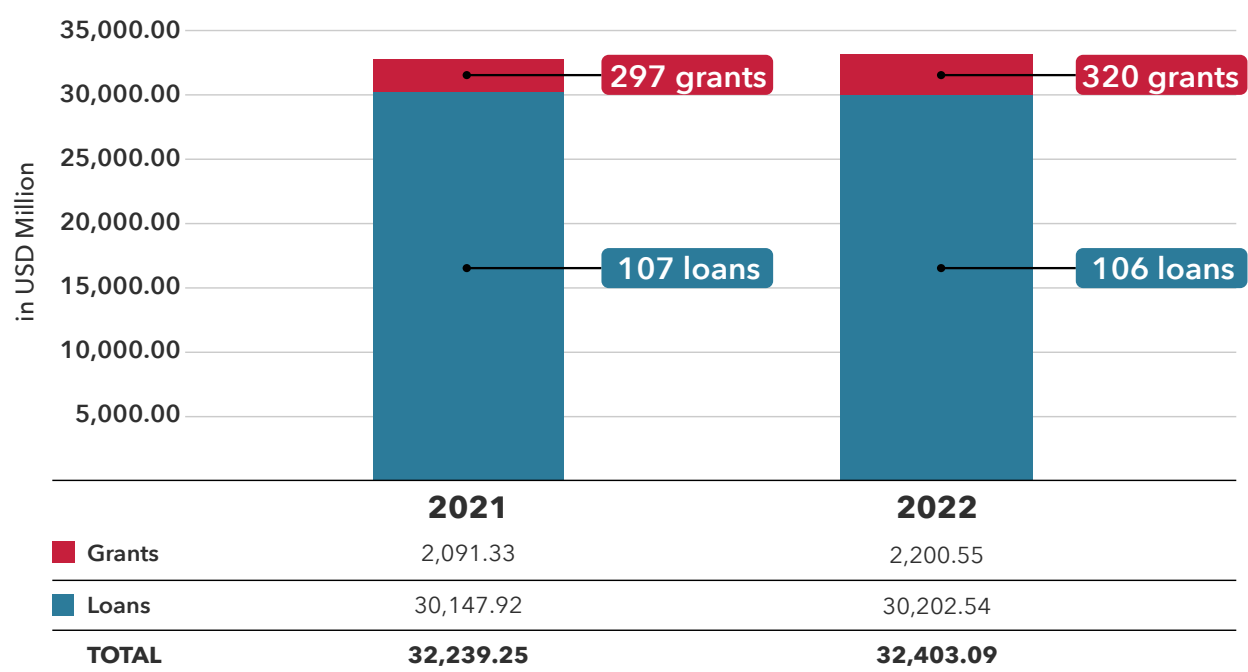
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## **Overview of the CY 2022 ODA Portfolio**

As of December 2022, the total active<sup>4</sup> ODA in the country reached USD32.40 billion, comprising a net commitment of USD30.20 billion from 106 loans, and USD2.20 billion from 320 grants<sup>5</sup> (see **Annexes 2-A and 2-B** for the list of active loans and grants, respectively). These ODA loans and grants were provided by 20 development partners (DP) and implemented by 84 partner agencies.<sup>6</sup>

The magnitude of the active ODA portfolio in 2022 marginally grew by 0.50 percent from USD32.24 billion in 2021 (see **Figure 2.1**), which demonstrates sustained level of overall commitments for the past three years that started to significantly rise in 2020<sup>7</sup> due to the influx of loans specifically for COVID-19 response and recovery.

**Figure 2.1.** Active ODA Loans and Grants (2021 vs 2022)



### 2010-2016 (Aquino Administration) vs 2016-2022 (Duterte Administration) Programming Period

The period spanning from July 2016 to June 2022 (during the Duterte Administration) witnessed a substantial increase in ODA loan commitments compared to the preceding period of July 2010 to June 2016 (Aquino Administration), as shown in **Figure 2.2**. This highlights a period of intensified collaboration with DPs and a greater focus on leveraging external resources to fuel the country’s development agenda.

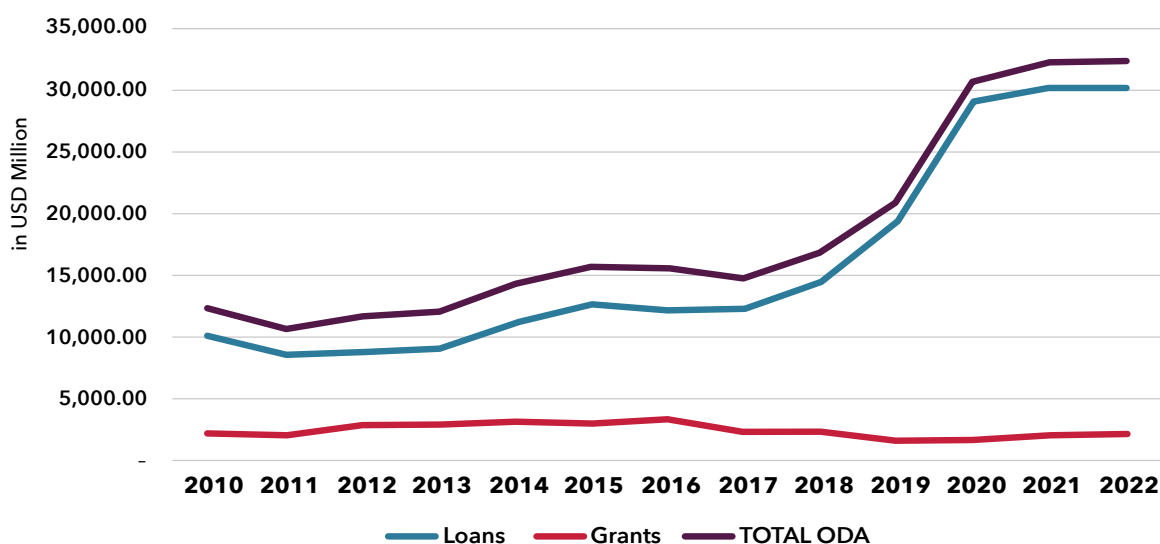
<sup>4</sup> Includes ODA loans and grants which were newly signed, became effective, continuing from previous years, and closed in 2022

<sup>5</sup> Based on data and information provided by 18 DPs

<sup>6</sup> Comprised of: (a) 52 national government agencies; (b) six local government units (LGU); (c) seven agencies/ministries of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM); (d) three State Universities and Colleges (SUC); (e) two water districts; and (f) 14 DPs which either directly implement/administer their grants assistance or serve as conduit for implementation of grants financed by other DPs

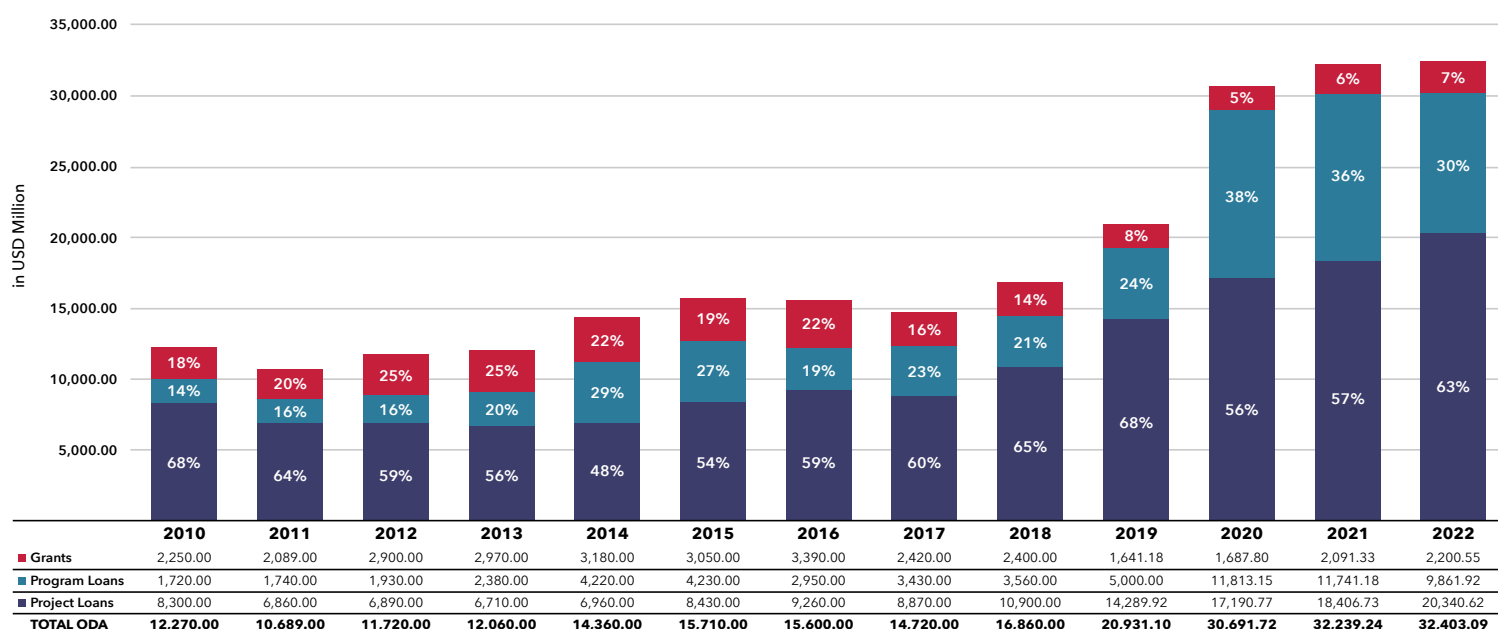
<sup>7</sup> The total magnitude of ODA in the Philippines increased by 46 percent from 2019 (USD20.93 billion) to 2020 (USD30.69 billion).

**Figure 2.2.** Level of Active ODA from 2010 to 2022



The increase in ODA loan commitments during the Duterte Administration also highlights the consistent reliance on ODA loans as the primary mode of ODA financing in the country. This is driven in part by the support of emerging donors from the last decade (e.g., China), alongside long-standing DPs (e.g., Asian Development Bank (ADB), Japan through the Japan International Cooperation Agency [JICA], World Bank [WB]). On the other hand, the share of grants remained minimal, comprising 6.79 percent (against 93.21% for loans) of total active ODA in 2022 (see **Figure 2.3**).

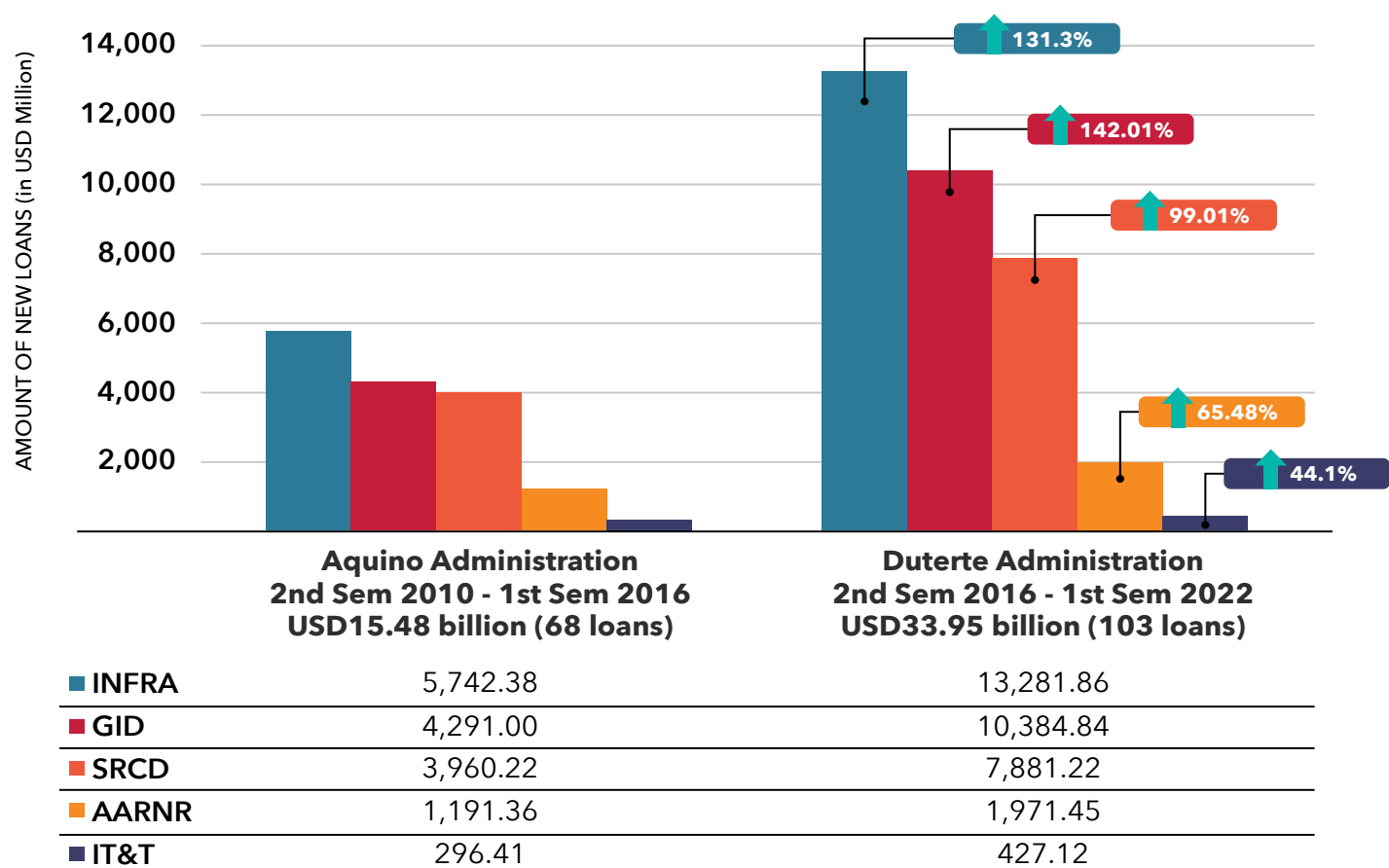
**Figure 2.3.** Share of ODA by Type from 2010 to 2022





From the second semester of 2016 to first semester of 2022, the Duterte Administration entered into a total of 103 loan agreements, which amounted to a total of USD33.95 billion or more than double (119.27% increase) the amount of loans secured during the Aquino Administration (USD15.48 billion). As observed in **Figure 2.4** (see **Table 2.1** in **Annex 2-C** for more details), focus and priority areas for ODA loans remained consistent across the two administrations, with the infrastructure sector taking up the biggest share, followed by Governance and Institutions Development (GID), Social Reform and Community Development (SRCD), Agriculture, Agrarian Reform, and Natural Resources (AARNR), and Industry, Trade, and Tourism (IT&T).

**Figure 2.4.** Loan Amount by Sector (Aquino and Duterte Administrations)



## Box 2.1. Sector Description



### **AGRICULTURE, AGRARIAN REFORM, AND NATURAL RESOURCES (AARNR) SECTOR**

Includes farm-to-market roads and bridges, irrigation systems and facilities, agriculture and enterprise development, agricultural credit, multi-purpose buildings, flood protection, solar driers, warehouses, potable water supply, watershed conservation, forest management and agroforestry, agribusiness, and environmental management (e.g., climate change, disaster risk reduction)



### **GOVERNANCE AND INSTITUTIONS DEVELOPMENT (GID) SECTOR**

Includes tax reforms, human resource development and management, judicial reforms, and local governance



### **INDUSTRY, TRADE, AND TOURISM (IT&T) SECTOR**

Includes trade and investment, environmental technologies in industries, and microfinance and microenterprise development



### **INFRASTRUCTURE DEVELOPMENT (INFRA) SECTOR**

Includes power, energy, electrification, information communications technology (ICT), air, land (roads and bridges), rail, and water transportation, flood control and drainage, solid waste management, water supply and sanitation, and other public works (e.g., public markets, bus terminals)



### **SOCIAL REFORM AND COMMUNITY DEVELOPMENT (SRCD) SECTOR**

Includes primary, secondary, and tertiary education, technical and vocational, education training, arts, culture, and humanities education, maternal and child health services, hospital services, nutrition and population, social welfare and development, multi-purpose buildings, school buildings, potable water supply, and water, sanitation, and hygiene

From the Aquino to the Duterte Administration, the GID sector saw the biggest growth in terms of new commitments with 142.01 percent increase. The Philippine government has actively sought and obtained a significant number of program loans from various DPs since the onset of the COVID-19 pandemic in early 2020. These loans have been instrumental in mitigating the adverse effects of the pandemic and alleviating its impact on the country. This resulted in a 320 percent increase in new loans secured for this sector from USD1.17 billion in 2019 to USD4.93 billion in 2020.

With the Duterte Administration's commitment to increase the share of infrastructure spending in the gross domestic product, the INFRA sector posted the second largest growth during the said administration, with 131.30 percent increase from the Aquino administration. The *Build, Build, Build Program* served as the primary driver of this growth, with several big-ticket infrastructure projects on transport, water management, social, and energy added to

the ODA portfolio between 2016 and 2022. By the time President Duterte concluded his term in June 2022, majority (56<sup>8</sup> of the 112) of the Infrastructure Flagship Projects (IFPs) were funded by ODA.

Also, loan commitments under the SRCD sector almost doubled in magnitude as ODA financing supported the continuation of major poverty reduction programs of the government such as the *Pantawid Pamilyang Pilipino Program (4Ps)* and the *Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS)*.

With the emergence of the COVID-19 virus in the middle of the Duterte Administration, the government swiftly responded by implementing measures to safeguard lives. These include restrictions on social and economic activities to contain the spread of the virus. This resulted in the reallocation of internal and external resources towards pandemic response efforts, with a particular focus on enhancing the country's healthcare system capacity and mitigating the economic shocks caused by the unprecedented threat of the pandemic through the rollout of vaccination and emergency cash assistance programs, among others. Since the start of the pandemic in 2020, the government has successfully secured a total of 44 ODA loans amounting to a total of USD15.66 billion specifically aimed at addressing and alleviating the impacts of the COVID-19 pandemic (see **Table 2.2** for details).

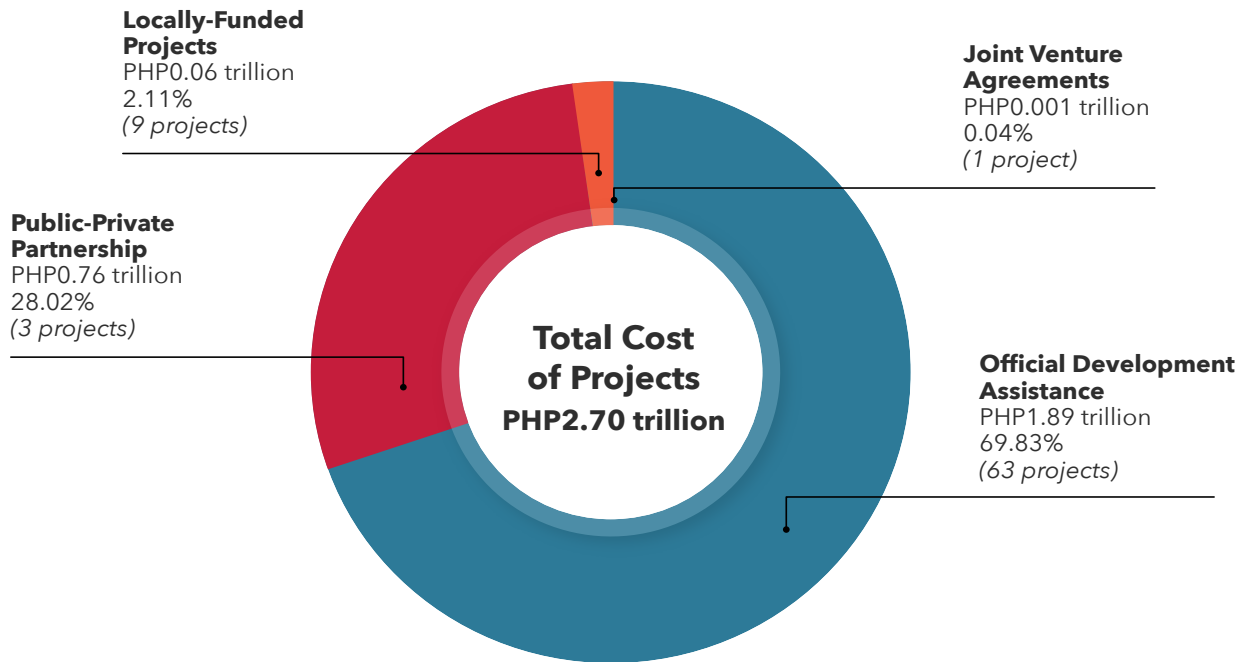
**Table 2.2.** Program and Project Loans for COVID-19 Response

Year	Project Loans		Program Loans		Total Loans		% Share to Total Amount of New Loans
	Count	Net Commitment (in USD Million)	Count	Net Commitment (in USD Million)	Count	Net Commitment (in USD Million)	
2020	5	915.00	20	8,163.15	25	9,078.15	82.35
2021	7	2,280.00	8	3,286.06	15	5,566.06	86.66
2022	-	-	4	1,015.24	4	1,015.24	19.45
<b>Total</b>	<b>12</b>	<b>3,195.00</b>	<b>32</b>	<b>12,464.45</b>	<b>44</b>	<b>15,659.45</b>	

ODA remained predominant in financing the priority major capital projects of the government (see **Figure 2.5**). From 2010 to 2022, 63 (83%) of the 76 projects approved by the Investment Coordination Committee (ICC) and National Economic and Development Authority (NEDA) Board were financed through ODA. The total costs for these 63 ODA-funded projects, including counterpart funds from the national and local governments and the private sector, amounted to PHP1.89 trillion or 70 percent of the PHP2.70 trillion total cost of projects approved by the ICC within the said period (see **Table 2.3** in **Annex 2-C**).

<sup>8</sup> Includes three projects that are co-financed by other sources such as the national budget and PPP (specifically for the Operations and Management component).

**Figure 2.5.** ICC-Approved Projects by Financing Type from 2010 to 2022



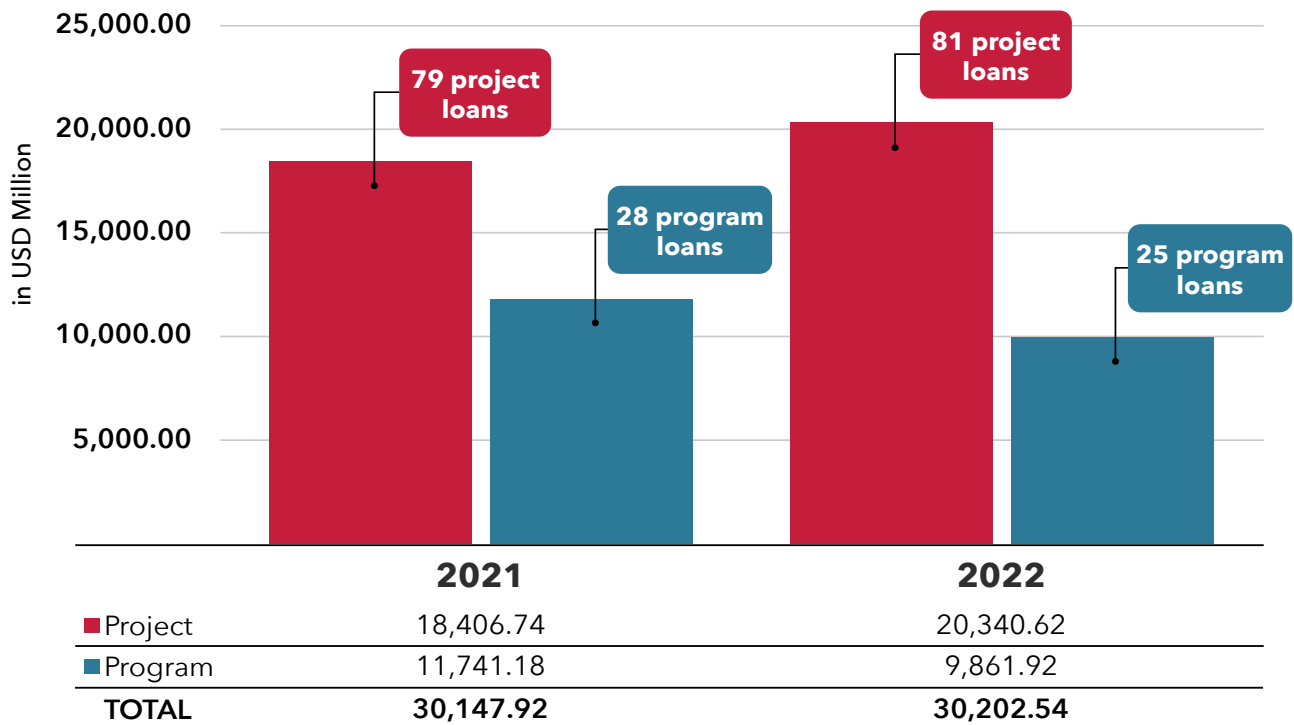
During the Duterte Administration, the ICC approved 45 projects (about 60% of the projects approved from 2010 to 2022) for ODA financing, while only five were implemented through local funds. Meanwhile, the remaining four projects were either financed through Public-Private Partnerships (PPP) or Joint Ventures Agreements (JVA). This trend will likely continue as 76 percent (16 out of 21) of the proposed projects for ICC and NEDA Board approval, as of May 2023 are lined up for ODA financing.

## 2.1. ODA Loans

The active ODA loans portfolio in 2022 consisted of 106 loans, with total net commitment of USD30.20 billion or a minimal increase<sup>9</sup> of 0.18 percent (USD54.62 million) from the USD30.15 billion commitments in 2021 (see **Figure 2.6**).

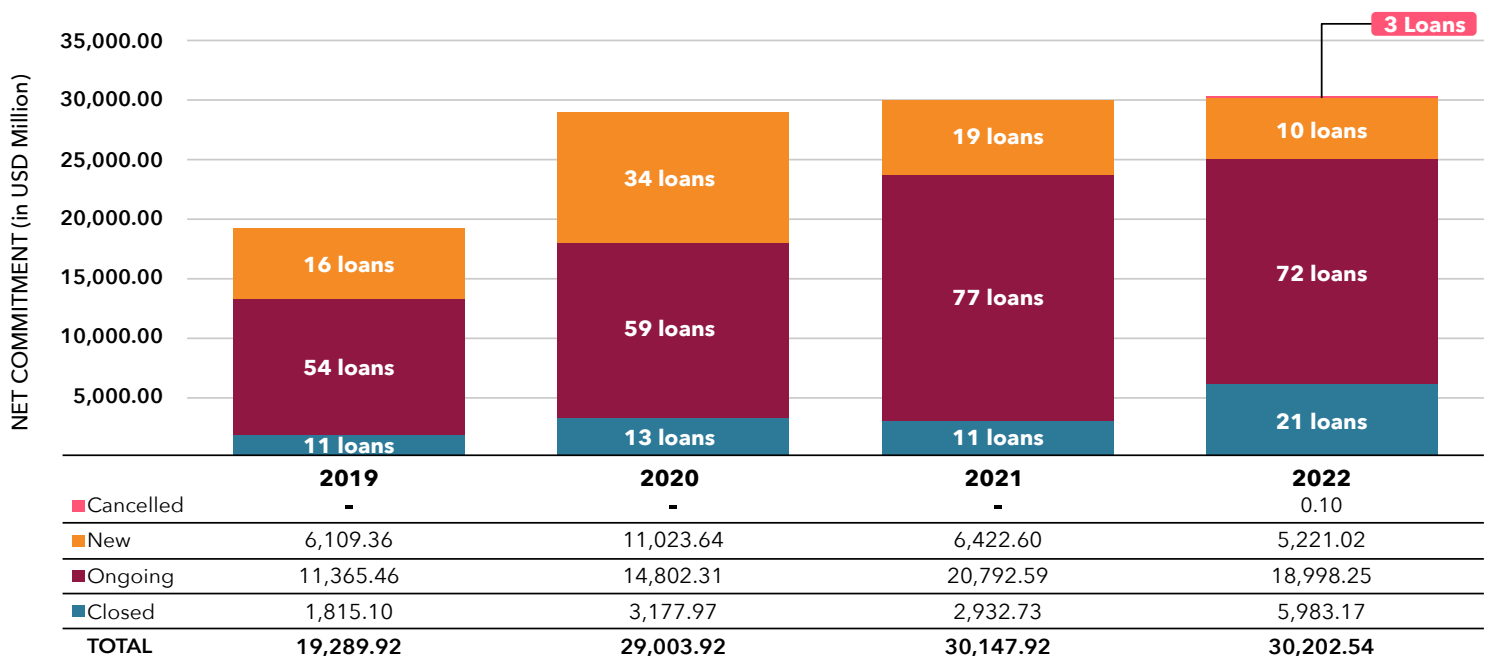
<sup>9</sup> The increase is mainly attributed to the continued implementation of 96 program and project loans signed in 2021 amounting to USD24.98 billion (82.71% of total net commitment for 2022).

**Figure 2.6.** Distribution of ODA Loans by Type (2021 vs 2022)



The magnitude of active loans as of December 2022 stood on par with the levels observed in both 2020 and 2021. Notably, the said figures represent a substantial increase compared to the pre-pandemic level recorded in 2019 (see **Figure 2.7**).

**Figure 2.7.** Annual Distribution of ODA Loans by Status (2019-2022)



**New Loans.** The Government of the Philippines (GPH) entered into ten loan agreements<sup>10</sup> in 2022 amounting to USD5.22 billion, of which eight were signed during the first semester of the year (final 6 months of the Duterte Administration), while two were signed in December 2022 (during the Marcos Administration). Nine of the ten newly signed loans, together with six other loans signed in 2021,<sup>11</sup> became effective within the year. There was a decline in the number and amount of new loans availed by the government in 2022 compared to 2021 (19 new loans amounting to USD6.42 billion). This decline can be primarily attributed to the reduced borrowings for COVID-19 response and infrastructure development as most of the active loans to support the focus and priority areas in 2022 were only carried forward from those that were newly signed in 2021.

Nevertheless, the sustained prioritization for COVID-19 response and infrastructure development remained evident in 2022, which accounted for 94.64 percent (USD4.94 billion for 8 loans) of the USD5.22 billion newly signed loans in 2022.

**Status of Loans.** On the other hand, 72 of the total 106 active loans amounting to USD 19.00 billion were ongoing as of end of 2022, while 21 loans amounting to USD5.98 billion closed in the same year. More than half (12 out of 21) of the closed loans were program loans in the form of budget support dedicated to COVID-19 relief such as the ADB-funded *COVID-19 Active Response and Expenditure Support Program*. This program is financed by four program loans with a combined net commitment of USD1.46 billion (see also **Table 2.4** in **Annex 2-C** for further details on loan status).

Meanwhile, three project loans were cancelled in 2022. The *Metro Manila Bus Rapid Transit (BRT) Line 1 Project* (supported by 2 loans from the WB), which would have created a BRT corridor between PHILCOA in Quezon City and the Manila City Hall, was cancelled in June 2022 after the discontinuation of the preliminary engineering design and the lack of regular allocation in the GAA from FY 2020 to 2022. The Philippine government also approved the cancellation of the China-funded *Safe Philippines Project Phase 1*, an ICT initiative aimed to improve response time of law enforcers and responders during emergencies, following the deficiencies of the winning contractor in complying with government procurement laws.

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<sup>10</sup> The ten new loan agreements include: (a) Metro Manila Subway Project - Phase I (Tranche II); (b) South Commuter Railway Project; (c) Support to Capital Market Generated Infrastructure Financing - Subprogram 2; (d) Samal Island-Davao City Connector Project; (e) Climate Change Action Program - Subprogram 1; (f) COVID-19 Crisis Response Emergency Support Loan 2; (g) Philippines Multisectoral Nutrition Project; (h) Panay-Guimaras-Negros Island Bridges Project; (i) Supporting Innovation in the Philippine Technical and Vocational Education and Training System Project; and (j) CCAP, Sub program 1. The last two new loans in the list were signed during the Marcos Administration.

<sup>11</sup> The program loan Build Universal Health Care Program became effective and closed in 2022

## Box 2.2. Concessionalty of ODA Loans<sup>12</sup>



The **grant element** is a measure of the concessionalty of a loan calculated as the difference between the face value of a loan and the discounted present value of the service payments the borrower will make over the lifetime of the loan, expressed as a percentage of the face value (OECD).

Pursuant to the amended RA 8182 (ODA Act), ODA must contain a grant element of at least 25 percent. The Department of Finance (DOF) computes for the grant element of direct loans of the National Government (NG); hence, excludes foreign borrowings and foreign loans of GOCCs and GFIs (usually guaranteed by the NG), which are incurred pursuant to their original charter or under special borrowing laws (e.g., Foreign Borrowings Act, as amended).

For the nine new direct loans secured in 2022\*, the weighted average grant element is 59.24 percent as computed by the DOF. The financing terms of development partners, such as interest rate, maturity (interval to final payment), and grace period interval to first payment of capital, are presented in Annex 2-D. The grant element of all active ODA loans as of 2022 are shown in Annex 2-E.

Source: DOF (2023). Grant Element of Active ODA Loans in 2022.

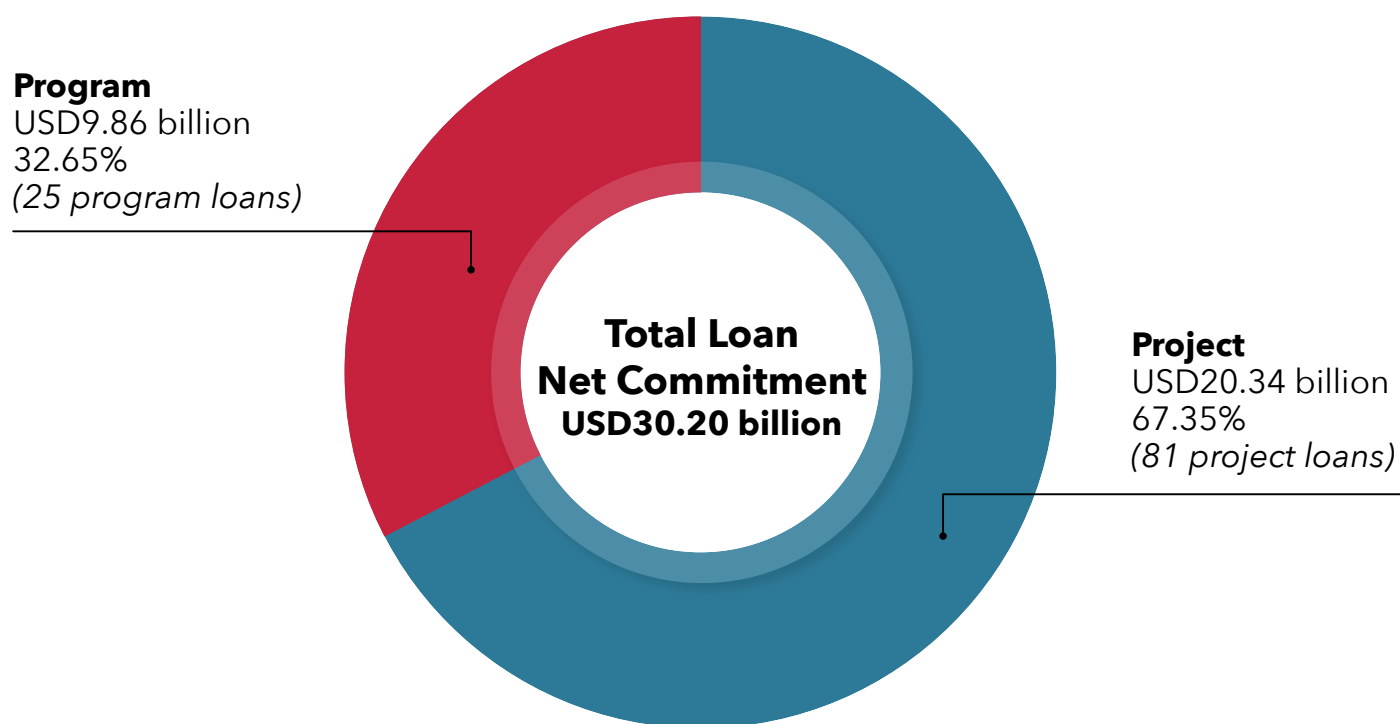
\*Excludes the ADB-funded Supporting Innovation in the Philippine Technical and Vocational Education and Training System Project of TESDA which was newly signed on December 15, 2022.



**Types of ODA Loans.** Project loans consisted of the largest share of the active ODA portfolio in 2022, accounting for 67.35 percent of the portfolio against the 32.65 percent share of program loans based on total loan net commitment (**Figure 2.8**).

<sup>12</sup> Loans of GOCCs and GFIs are obtained not in accordance with the ODA Act of 1996, hence, not considered in the computation of the weighted average grant element required by the ODA Act.

**Figure 2.8.** Total Loan Net Commitment by Type



**Project Loans.** The 81 active project loans in 2022 supported the implementation of 69 projects approved by the ICC.<sup>13</sup> Some of these projects are supported by multiple loans (e.g., *Davao City Bypass Construction Project*, *EDSA Greenways*, *Second Health System Enhancement to Address and Limit COVID-19*, *Infrastructure Preparation and Innovation Facility*). Notably, there exists a loan specifically designed to finance the implementation of multiple projects (i.e., the *Capacity Enhancement of Mass Transit Systems in Metro Manila supporting the LRT 1 South Extension and LRT 2 East Extension projects*). Infrastructure development continues to be the focus and priority area for project loans, comprising USD15.28 billion (75%) of the USD20.34 billion project loans portfolio.

**Program Loans.** Since 2020, the GPH has implemented various relief programs through fiscal policies and budgetary support aimed to immediately respond to the effects of COVID-19 pandemic and accelerate economic recovery. The government's continued access to program loans have proved to be instrumental to such cause due to their quick-disbursing nature and ability to bridge fiscal deficit.

As of December 2022, 22 (88%) out of 25 program loans aimed to augment the government's COVID-19 response and recovery efforts. With the shift from outbreak control to recovery, the new program loans contracted in 2022 are primarily aimed to

<sup>13</sup> Includes 12 projects which are supported by 24 project loans and 2 projects supported by one project loan. The remaining 55 projects are supported by one project loan each. Meanwhile, the ADB-funded Supporting Innovation in the Philippine Technical and Vocational Education and Training System Project of TESDA which was newly signed on December 15, 2022 was excluded in the list pending the loan's effectivity.



support the government's renewed efforts to put the Philippines back to its pre-pandemic economic trajectory. These four new program loans signed in 2022 include the second phase of the loans for the *COVID-19 Crisis Response Emergency Support Loan* from JICA, the two program loans from ADB and AFD supporting the *Climate Change Action Program - Subprogram 1*, and the *Support to Capital Market Generated Infrastructure Financing - Subprogram* from ADB, amounting to a combined total of USD1.02 billion.

### Box 2.3. Types of Program Loans

The two types of program loans being implemented by the government are policy-based program loans and sector-based program loans.



#### POLICY-BASED PROGRAM LOANS

Policy-based program loans support structural reforms framed on certain policy conditionalities. Loan disbursements are not earmarked for activities or projects implemented by specific implementing agencies (IAs), but form part of the general cash envelope of the national government.



#### SECTOR-BASED PROGRAM LOANS

Sector-based program loans, on the other hand, are used to finance IAs' regular activities under a specific sector. Budget allocations and cash releases to the IAs follow the GPH budget execution processes.

**Program loans have lower transaction cost. Since 2006, the share of program loans supported structural reforms (i.e., budgetary support, tax reforms, and governance), sector-based approaches (i.e., social welfare, health, education, agriculture, environment, and socioeconomic development), and post-disaster reconstruction.**

Source: DOF

## 2.2. ODA Grants

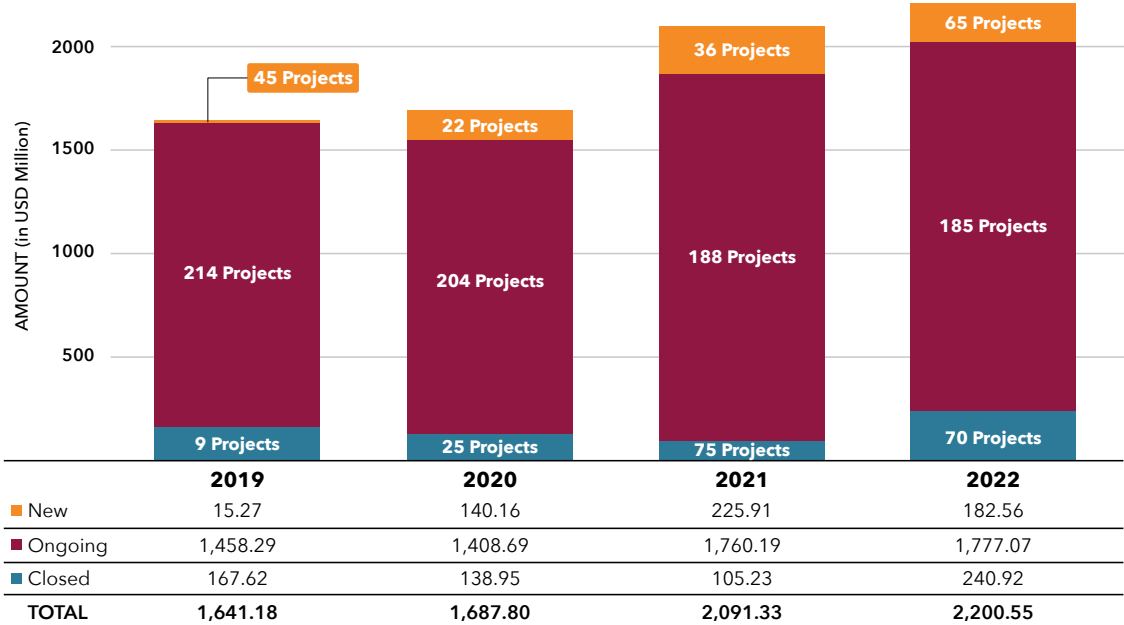
Over the years, grant-assisted projects were pursued primarily to strengthen the capacities of and support the GPH and local communities in achieving development and organizational objectives. These assistances involve training and capacity-building

activities, expert dispatch, policy formulation, and scholarship grants. The grants discussed in this report pertain specifically to projects in which the GPH serves as either the primary implementing entity and/or beneficiary. These exclude grants channeled through non-government entities (e.g., civil society organizations, the private sector, and academe).

As of 2022, the active ODA grants portfolio comprises 320 grants received from 18 DPs. The cumulative grant amount increased to USD2.20 billion from the previous year’s figure of USD2.09 billion. For the past four years, the overall grants portfolio was steadily growing (see **Figure 2.9** and **Table 2.5** in **Annex 2-C**), with a notable increase in 2021 wherein new grants worth USD225.91 million were recorded. In 2022, 65 new grants amounting to USD182.56 million were received by the country. While there was an increase in the number of new grant-funded projects from 2021 to 2022, the total amount of the new grants decreased by 19 percent. Most of these new grants (28 out of 65), with a total amount of USD61.39 million, are geared towards supporting farmers and fisher folks. Such include the USD32.95 million-worth Fish Right Program funded by USAID which aims to foster substantial improvements in fisheries management and climate resilience in the Philippines to achieve a ten percent increase in fish biomass in Calamianes, Southern Negros, and Visayan Seas.

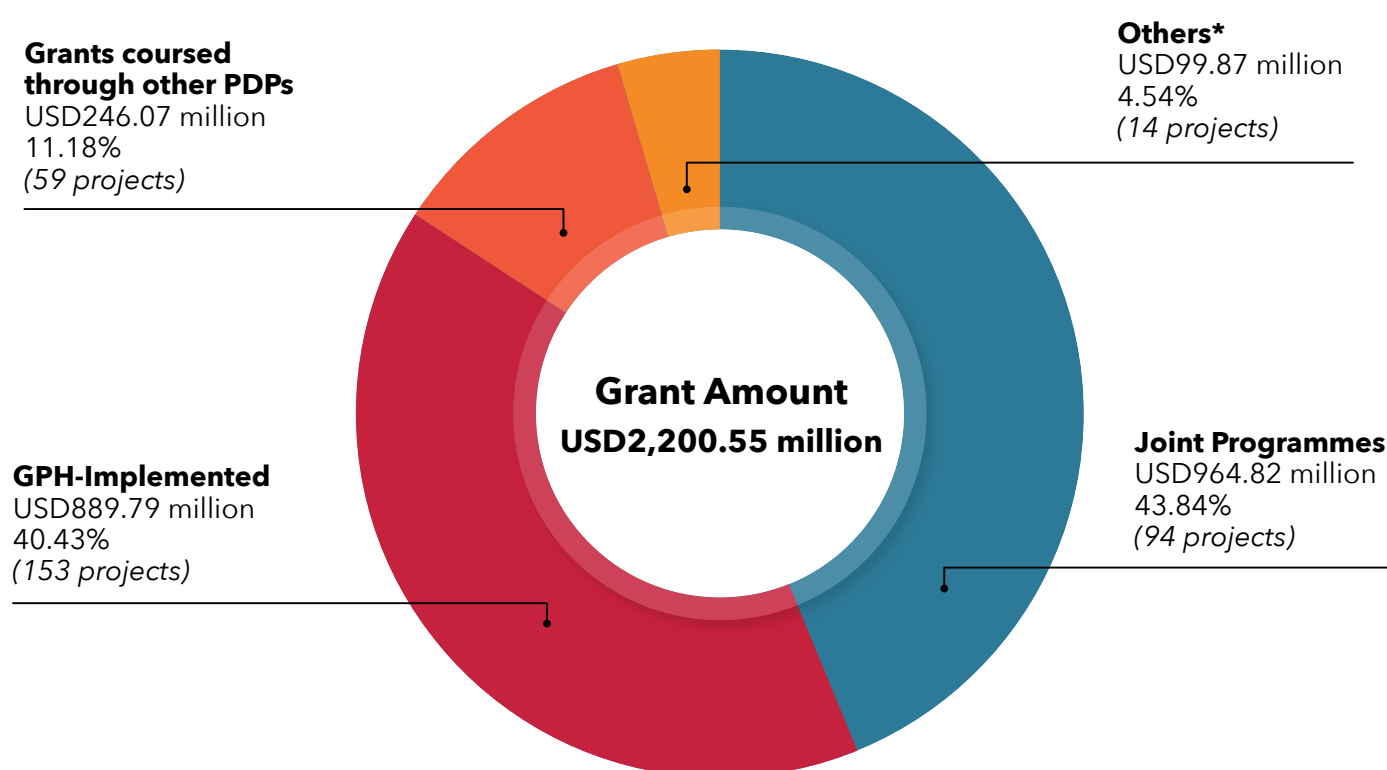
Of the grants that have been carried forward from previous years, 185 are still ongoing while 70 closed in 2022. Among the grants that closed in 2022 was the USD37.86 million USAID-assisted grant *Science, Technology, Research and Innovation for Development (STRIDE) Program*. The program aimed to provide capacity-building assistance towards fostering innovative culture among researchers, entrepreneurs, investors, and relevant government entities.

**Figure 2.9.** Distribution of Grants by Status (2019-2022)



As shown in **Figure 2.10** (see **Table 2.6** in **Annex 2-C**), 153 out of 320 of the active ODA grants in 2022 were implemented through government instrumentalities based on agreements between the GPH and DPs, and with budgetary support from DPs managed directly by partner agencies. However, grants implemented as a joint programme took up almost 44 percent (USD964.82 million) of the total grant amount. Other implementation modalities include coursing grants through other DPs (e.g., *Restoring Agricultural Livelihoods in Maguindanao and North Cotabato* financed by New Zealand and implemented by the Food and Agriculture Organization), and through regional/interregional/global partnerships (e.g., Australia-funded *Investing in Women - Philippines Project*).

**Figure 2.10.** Distribution of ODA Grants by Classification



\*Includes Trust Funds, Other Programs/Projects for the Philippines, and Regional/Interregional/Global Projects/Facilities

## Box 2.4. Classification of ODA Grant Assistance

**ODA grants covered in this report only refer to those provided by DPs where the GPH is the implementing and executing agency, and/or a direct beneficiary.**



### JOINT PROGRAMMES

Projects involving the government and two or more organizations with a joint work plan and related common budgetary framework intended to achieve results aligned with national priorities



### REGIONAL AND INTER REGIONAL GLOBAL PROJECTS AND FACILITIES

Global partnership projects with contributions from one or more DPs



### TRUST FUNDS

Financing arrangements with contributions from one or more DPs



### GPH-IMPLEMENTED

Projects directly implemented by the GPH, with budgetary support from DPs going directly to the GPH treasury



### GRANTS COURSED THROUGH OTHER DPS

Grants with GPH as the beneficiary but are administered by DPs or coursed through other DP facilities

Source: NEDA-Monitoring and Evaluation Staff (2018).  
Updated Guidelines on ODA Grants Monitoring and Reporting.

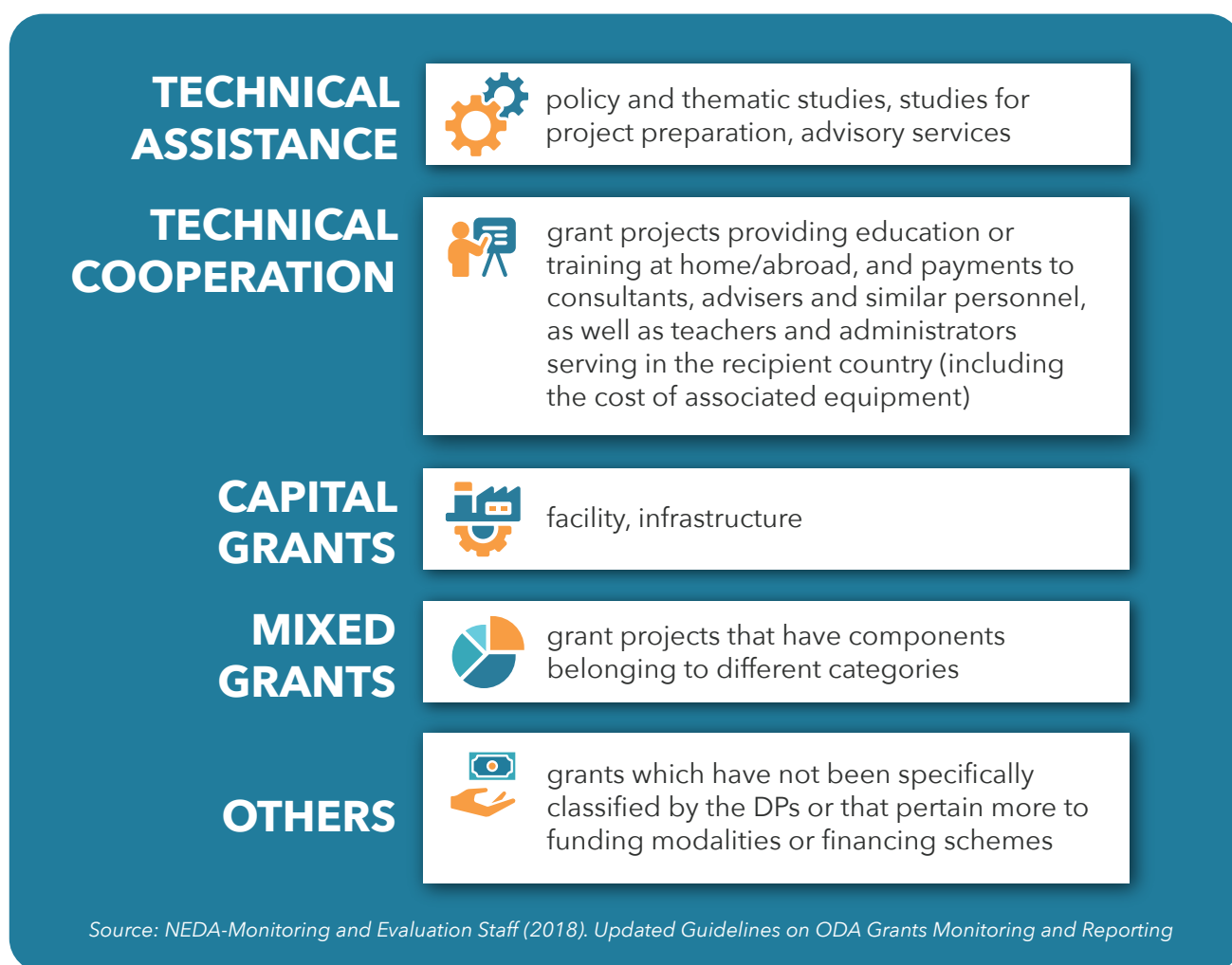
DPs employ various modalities in implementing grants assistance in the Philippines. For instance, JICA's capital grants and technical assistance are implemented by or with the strong coordination with GPH agencies (e.g., *Project for Improving Flood Forecasting and Warning System for Cagayan de Oro River Basin* of the Department of Science and Technology and *Project for Human Resource Development Scholarship* of NEDA). Meanwhile, the European Union (EU) and Germany (GIZ) implement all their assistance as joint programmes such as the *Justice Sector Reform Programme: Governance in Justice or GOJUST* (EU) and *Strengthening Disaster Resilience and Risk Mitigation through Ecosystem-based Planning and Adaptation* (GIZ). Other huge grant providers such as USAID, the UN System, and Australia - Department of Foreign Affairs and Trade (DFAT) utilize a mixture of modalities to deliver support to the country.

Several grants in 2022 served as complementary assistance to ongoing loans in the form of technical assistance or support to operations. These include those supporting the implemented: (a) *Philippine Rural Development Project* (WB); (b) *Fisheries, Coastal Resources, and Livelihood Project* (IFAD); (c) *Rural Agro-Enterprise Partnership for Inclusive Development and Growth (RAPID Growth) Project* (IFAD); and (d) *Water District Development Sector Project* (ADB).

Active ODA grants in 2022 primarily focused on AARNR and SRCD sectors. These two sectors had the largest number of active grants in 2022 (99 grants for AARNR and 91 grants for SRCD). In terms of magnitude, SRCD received the largest share (29% of the total amount) of grants amounting to USD637.98 million. One of the notable grant projects under SRCD sector is the ICC-approved project *Education Pathways to Peace in Mindanao (Pathways)* worth USD59.08 million funded by the Australia - DFAT which seeks to improve the standard and capability of basic education institutions in the Autonomous Region of Muslim Mindanao (ARMM).

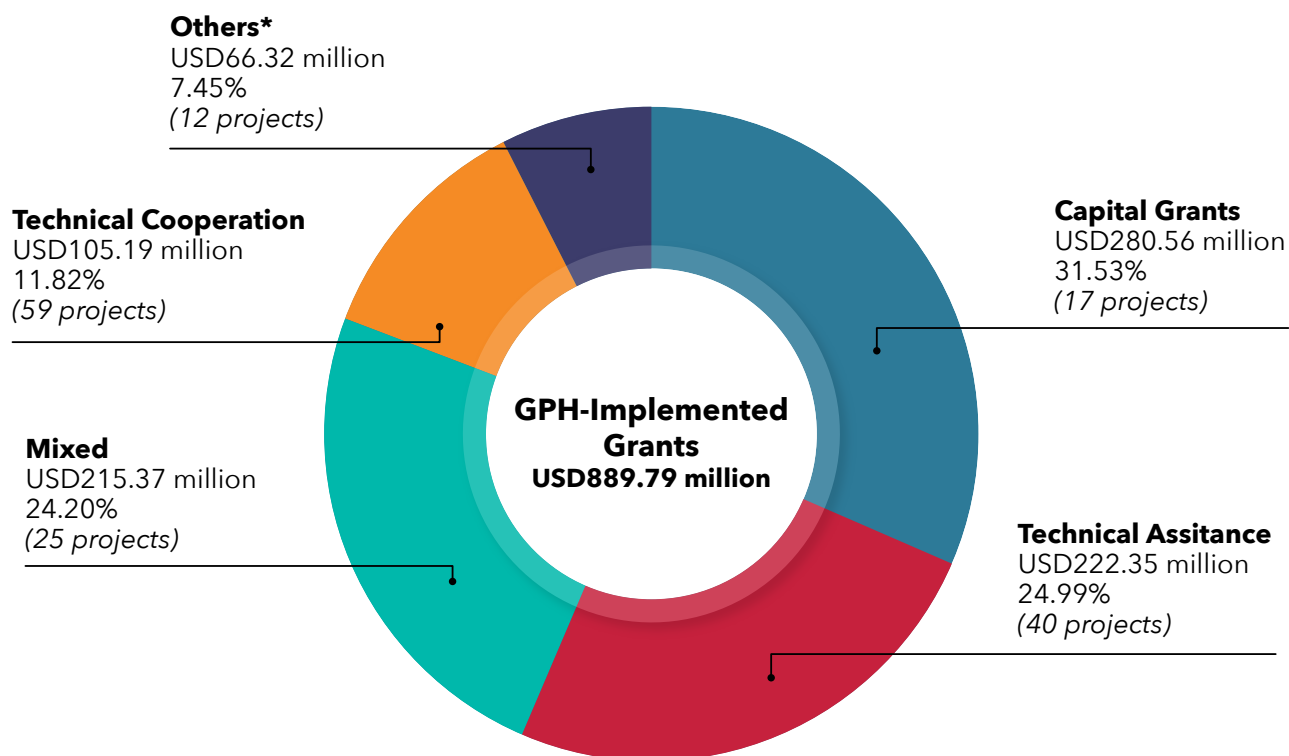
For grants implemented by the Philippine government, the assistance received by various implementing agencies come in a variety of types including technical assistance, technical cooperation, and capital grants.

### Box 2.5. Types of ODA Grant Assistance



**Figure 2.11** presents the disaggregation of GPH-implemented grants by type. Most of these grants are in the form of technical cooperation (59 projects), with several development partners such as JICA, UNDP, and FAO predominantly providing grants assistance in such type. However, in terms of cost, capital grants had the largest share with 31.53 percent (USD280.56 million) of the total amount of grants as these support big-ticket infrastructure programs and projects in various areas of the country (see **Table 2.7** in **Annex 2-C** for more details).

**Figure 2.11.** GPH-Implemented Grants by Type



\*Includes emergency and relief and other grants which have not been specifically classified by the DPs or that pertain more to funding modalities or financing schemes.

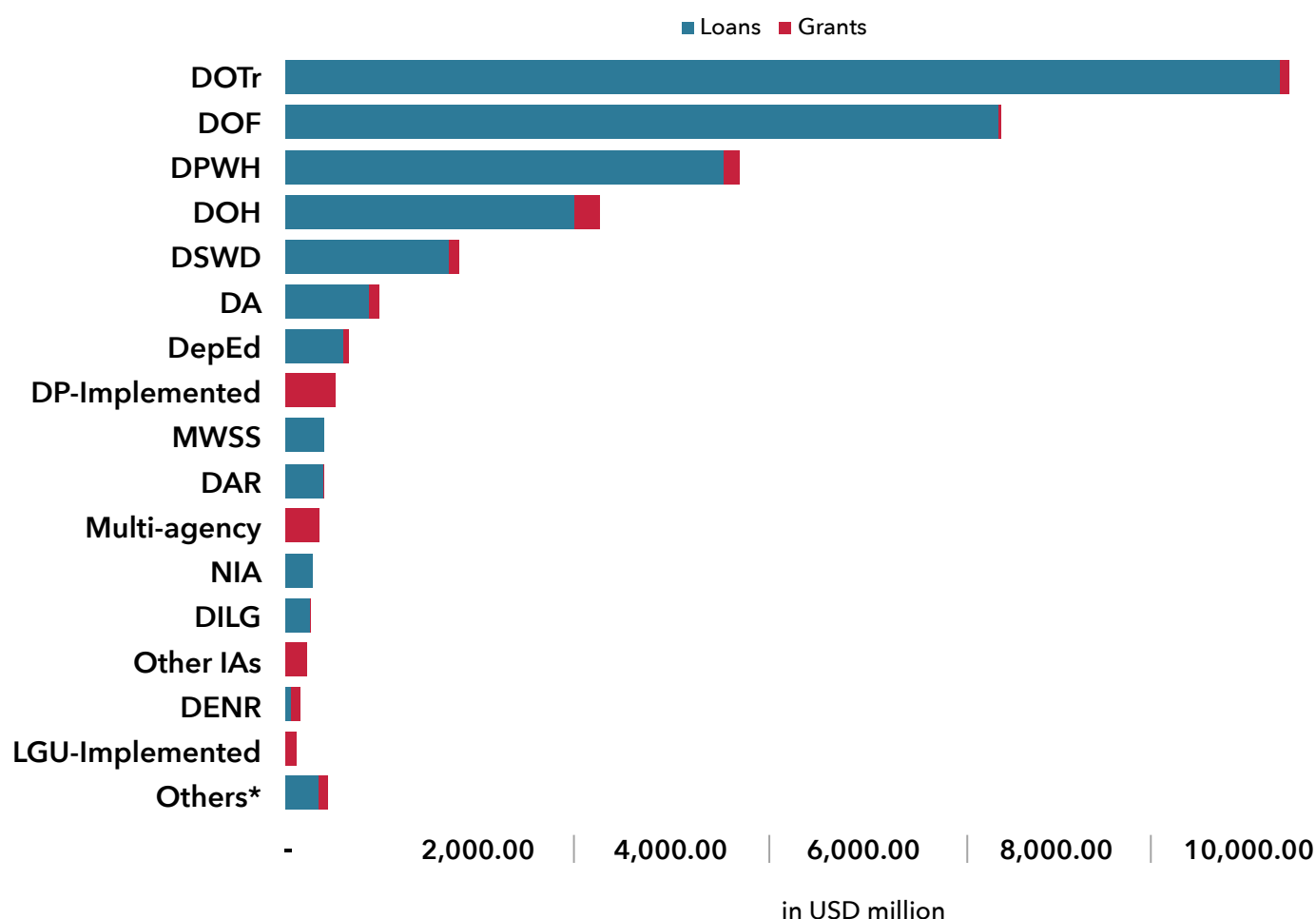
Aside from the grants assistance covered in the discussions above, the Philippines is also a recipient to 130 regional, inter regional, and global projects which do not have a disclosed amount of assistance earmarked specifically for the country. Many of these projects are being implemented simultaneously in developing countries across Southeast Asia and neighboring Pacific Island nations (see **Annex 2-F** for the complete list).

## 2.3. Distribution of ODA

### 2.3.1. By Implementing Agency

The Department of Transportation (DOTr) had the largest share of the active ODA portfolio in 2022 with 32 percent (refer to **Figure 2.12**). The Department's loans portfolio was also the largest in terms of magnitude (USD10.41 billion). Two of the largest new loans in 2022 financed the implementation of major rail projects in the country - the *Metro Manila Subway Project Phase I* and the *South Commuter Railway Project* - with combined commitments of USD3.54 billion. Meanwhile, DOF, as the borrower and signatory on behalf of the government, is the executing agency for 26 ODA loans and grants amounting to a total of USD7.40 billion (equivalent to 22% share).

**Figure 2.12.** Distribution of ODA by Implementing Agency



\*Includes TESDA, BOC, DTI, LWUA, DOE, DICT, PCC, and LBP

The Department of Public Works and Highways (DPWH) received the most number of loans and grants combined in 2022 (33 projects) amounting to USD4.72 billion (15% of the total active ODA portfolio). The combined ODA received by the top three agencies (i.e., DOTr, DOF, and DPWH) constituted nearly 70 percent (USD22.56 billion) of the entire ODA portfolio (see **Table 2.8** in **Annex 2-C** for more details).

**Table 2.9** shows the ten ODA-funded major capital projects in the country which received prior approval from the ICC and NEDA Board and have the largest total project costs.<sup>14</sup> The said projects, except for one being implemented by the Department of Health (DOH), are being implemented by DOTr and DPWH. The physical performance of these ten projects will be discussed in the succeeding sections of the report.

<sup>14</sup> Comprised of loan and/or grant proceeds, counterpart funds from the national government as mandated by the ODA Act of 1996, and other sources of financing such as private sector equity, proceeds from LGUs and project beneficiaries, etc.



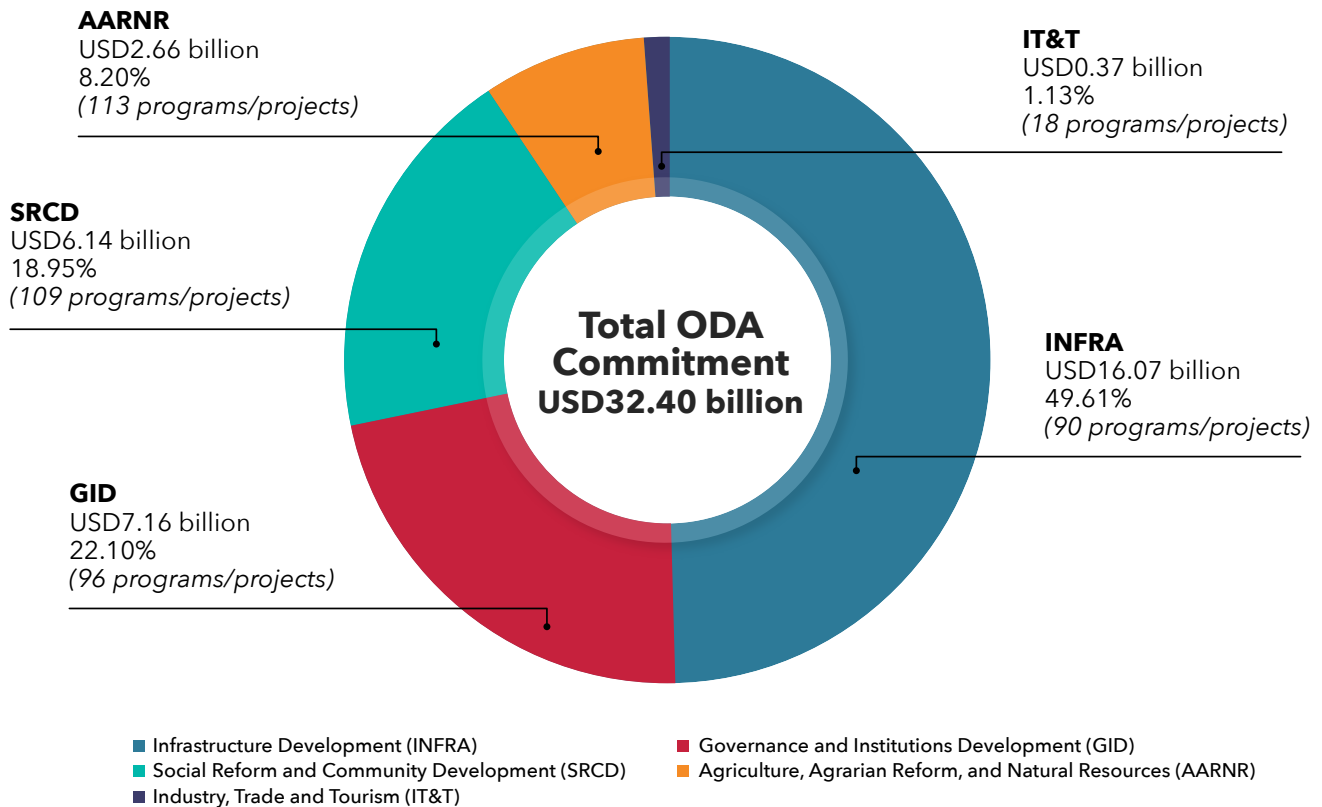
**Table 2.9.** Summary of Ten Biggest ODA-funded Project

Project Title	IA	DP	Total Project Cost (in PHP billion)	Loan/Grant Amount (in USD Million)
<i>North-South Commuter Railway (NSCR) System</i>				
1. NSCR Malolos-Tutuban aka N1	DOTr	JICA, ADB	873.62	JICA: 4,644.67 ADB: 1,300.00
2. NSCR Extension Project (Clark Extension)				
3. NSCR-PNR South Commuter Railway Project (NSRP-S) (Tutuban-Calamba)				
4. Metro Manila Subway Project Phase 1	DOTr	JICA	488.48	2,531.39
5. Panay-Guimaras-Negros Island Bridges Project	DPWH	KEXIM-EDCF	189.53	56.61
6. Philippine National Railways (PNR) South Long-Haul Project	DOTr	China	175.32	219.78
7. Cebu-Mactan Bridge and Coastal Road Construction Project	DPWH	JICA	76.41	843.41
8. Capacity Enhancement of Mass Transit Systems in Metro Manila - LRT Line 1 South Extension	DOTr	JICA	64.92	305.97
9. Davao City Bypass Construction Project	DPWH	JICA	46.80	415.50
10. Second Health System Enhancement Address and Limit COVID-19 (HEAL-2)	DOH	ADB, AIIB	35.00	700.00
<b>Total</b>			<b>1,950.08</b>	<b>11,017.33</b>

### 2.3.2. By Sector

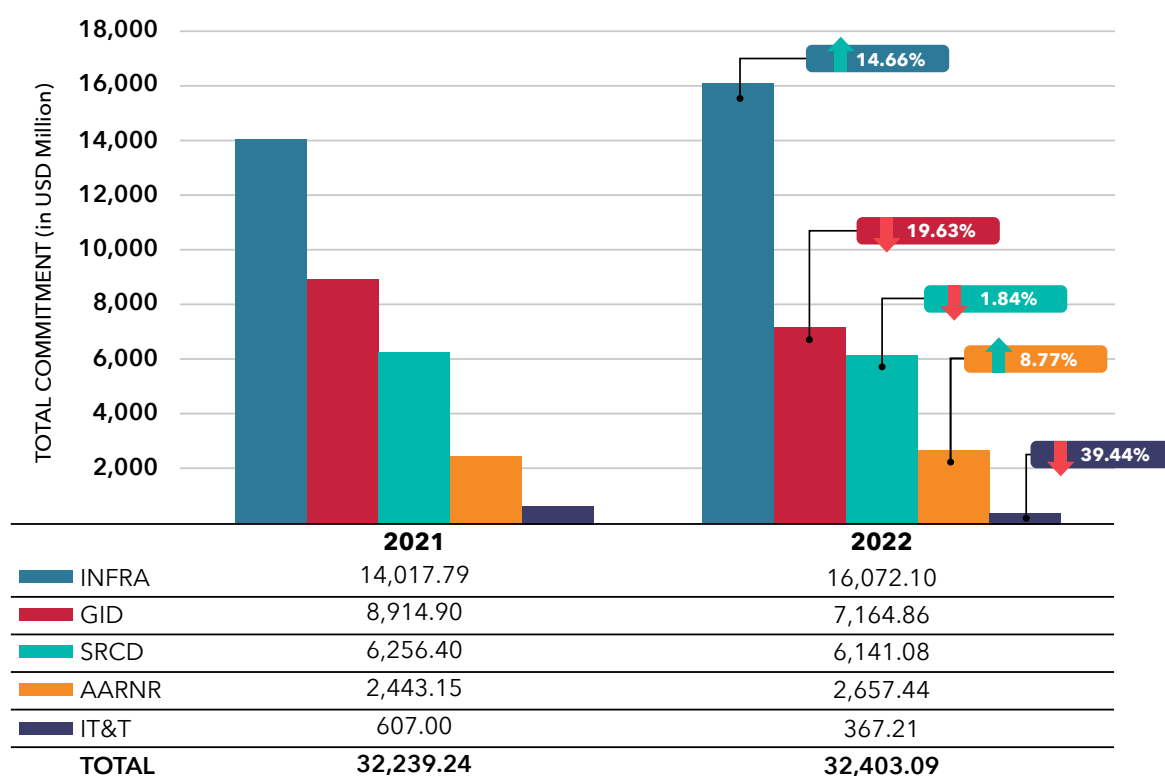
The infrastructure sector remained to have the biggest share (USD16.07 billion) of the active ODA portfolio in 2022 (see **Figure 2.13**). Recognizing the crucial role of infrastructure in driving socioeconomic development, the government's focus on the sector remained steadfast throughout the Duterte Administration. Investments in this sector supported the government's *Build, Build, Build Program*. Notably the loans contracted during the final six months of the Duterte Administration (i.e., 1st Semester 2022) included bridge projects such as the *Panay-Guimaras-Negros Island Bridges*, and the *Samal Island-Davao City Connector*. Collectively, these two projects have a common objective of catalyzing and sustaining economic development, supporting a higher growth trajectory, and improving the quality of life in urban and rural communities.

**Figure 2.13.** Distribution of ODA by Sector



As in the previous year, the distribution of active ODA among the five major sectors in 2022 remained in the following order: INFRA, GID, SRCD, AARNR, and IT&T. The magnitude of ODA under the GID sector significantly dropped by USD1.75 billion from USD8.91 billion in 2021 to USD7.16 billion in 2022 (see **Table 2.10** for loans and grants distribution by sector and **Table 2.11** for more detailed distribution of ODA loans by sub-sector in **Annex 2-C**). This decrease was primarily due to the closure of eight program loans on COVID-19 response in 2021 amounting to USD3.36 billion. **Figure 2.14** visualizes this distribution.

**Figure 2.14.** Comparison of the Magnitude of ODA from 2021 to 2022, by Sector

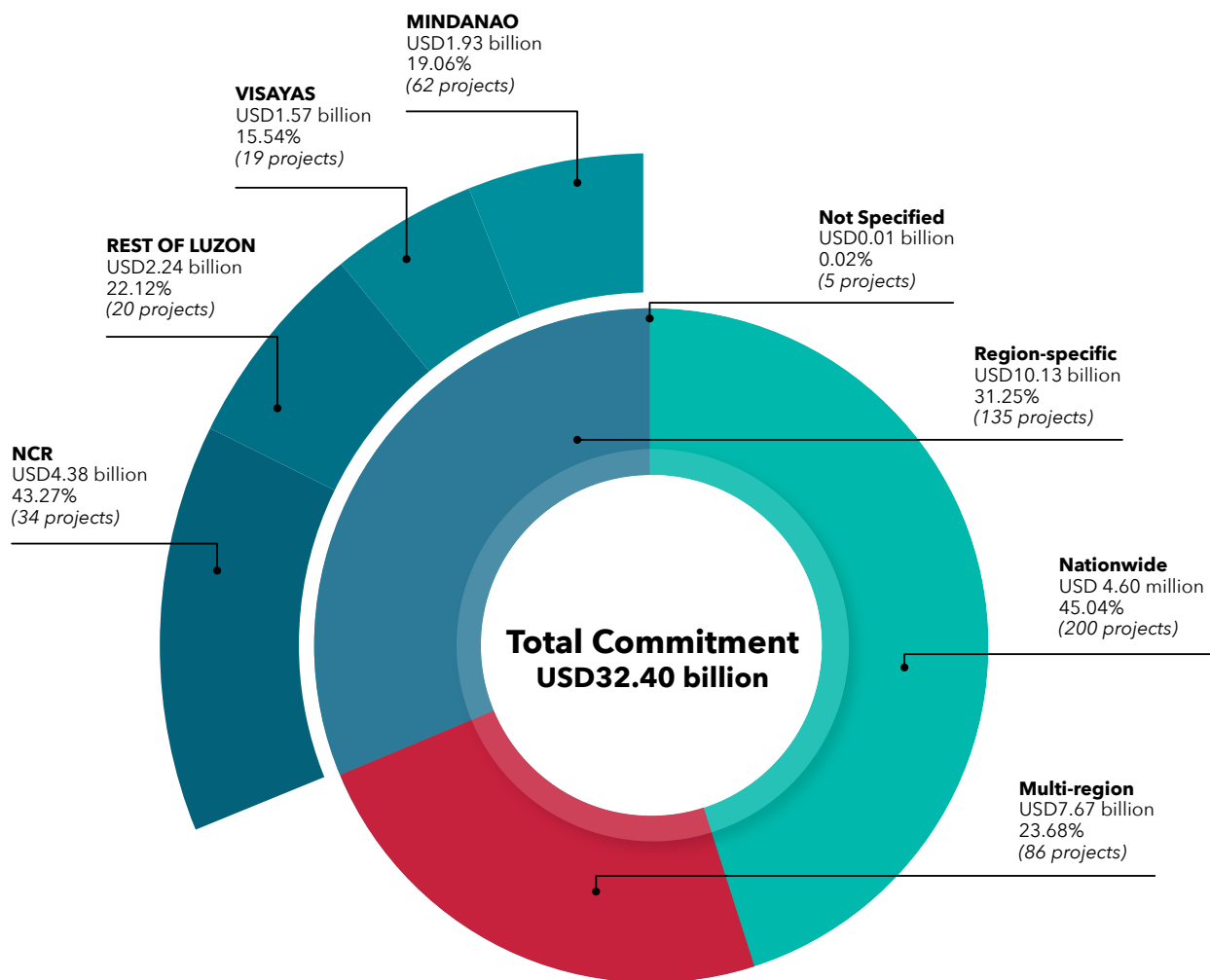


### 2.3.3. By Spatial Coverage

In terms of amount, about half (45%) of the active ODA portfolio in 2022 (or equivalent to USD14.60 billion), was allocated to nationwide programs and projects (see *Figure 2.15 below and Table 2.12 in Annex 2-C for more details*). It may be important to note that all active program loans in 2022 (except for the *Emergency Assistance for Reconstruction and Recovery of Marawi-Component 1* specifically for BARMM) are nationwide in scope. For grants, most of the technical assistance and technical cooperation projects likewise have nationwide coverage.

Meanwhile, loans and grants supporting region-specific programs and projects accounted for 31.25 percent share (USD10.13 billion) of the portfolio, while those allocated for interventions covering multiple regions accounted for 23.68 percent (USD7.67 billion).

**Figure 2.15.** Distribution of ODA by Coverage Area

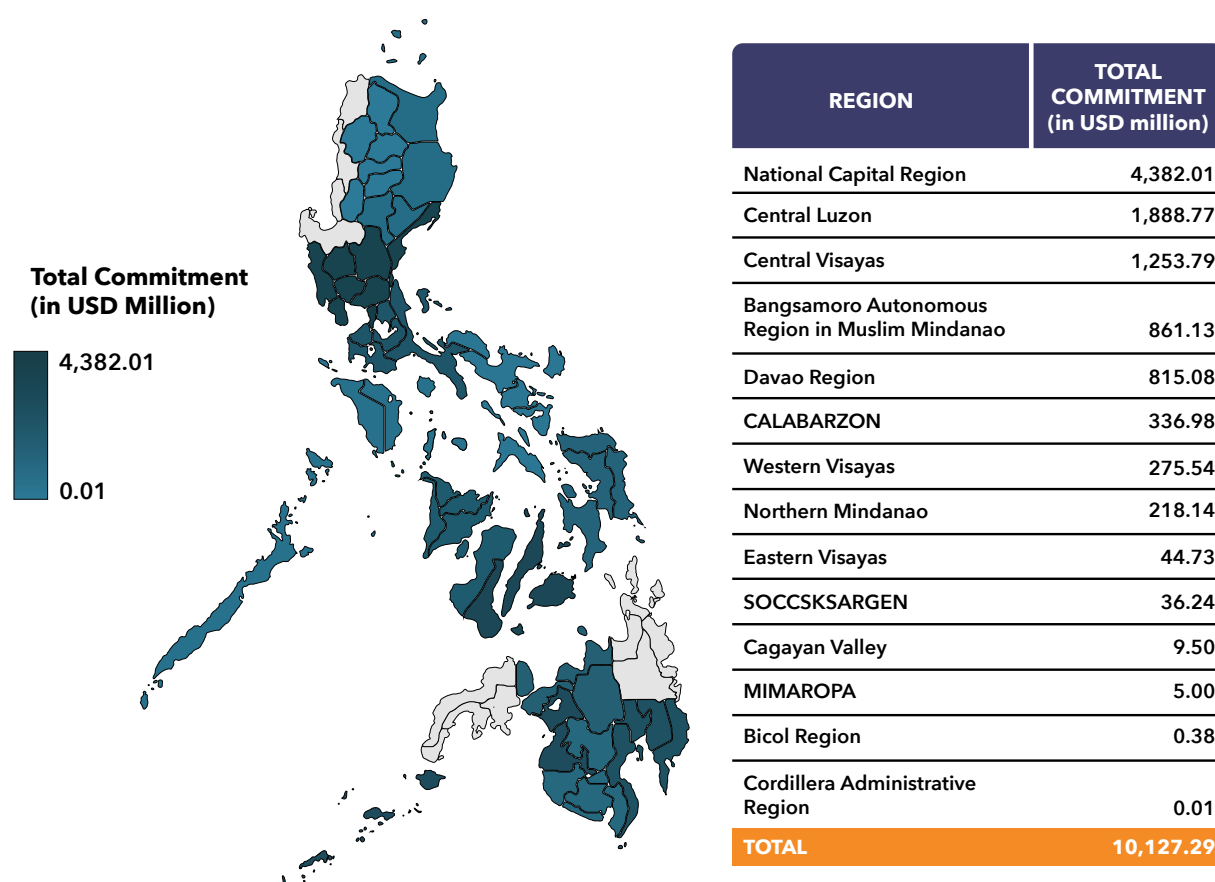


In the absence of granular data for nationwide and multi-regional loans and grants, the subsequent analysis on the regional distribution of ODA is limited to region-specific loans and grants.

The National Capital Region (NCR) continued to receive the lion's share of ODA in the country with 43.27 percent (USD 4.38 billion). This can be attributed to the concentration of large-scale infrastructure projects being implemented in the region, which necessitate external borrowings due to their capital-intensive nature. The rest of Luzon also received a huge allocation of ODA as of December 2022, with 22.12 percent share of region-specific ODA amounting to USD2.24 billion (see **Table 2.13** in **Annex 2-C**). The presence of major infrastructure projects in both NCR and the rest of Luzon has contributed to the high levels of ODA in these regions over the past years.

Examining the distribution of ODA across different regions,<sup>15</sup> similar patterns emerge for three regions outside of NCR which registered the largest shares of region-specific ODA: Central Luzon (18.65%), Central Visayas (12.38%), and Davao Region (8.05%) (see **Figure 2.16**). The implementation of several IFPs in these regions – considered as major economic hubs of Luzon, Visayas, and Mindanao, respectively – explains the high levels of ODA committed to these areas as of December 2022. Some of the aforementioned IFPs include the: (a) *Malolos-Clark Railway Project*<sup>16</sup> which entails the construction of a 69-km railway with even stations, from Malolos, Bulacan to the Clark International Airport; (b) *Cebu-Mactan Bridge (4th Bridge) and Coastal Road Construction Project*,<sup>17</sup> which entails the construction of a 3.34 km bridge with an elevated viaduct of 2.18 km in two lanes in each direction connecting Mandaue City in Cebu island and Lapu-Lapu City in Mactan island; (c) *Davao City Bypass Construction Project*,<sup>18</sup> which entails the construction of a 45.98 km bypass road that will reduce the travel time between Brgy. Sirawan in Toril District, Davao City and Brgy. J.P. Laurel in Panabo City.

**Figure 2.16.** Distribution of Region-Specific Projects Supported by ODA



<sup>15</sup> Note that some of the regions such as the Ilocos Region, Zamboanga Peninsula Region, and CARAGA received ODA that were also implemented in other regions (i.e., either with “nationwide” or “multi-regional” area coverage) but were not included in this analysis given the unavailability of disaggregated ODA amounts at the regional level.

<sup>16</sup> Supported by two loans from JICA and ADB with total net commitment of USD2.48 billion.

<sup>17</sup> Funded by JICA with net commitment of USD843.41 million.

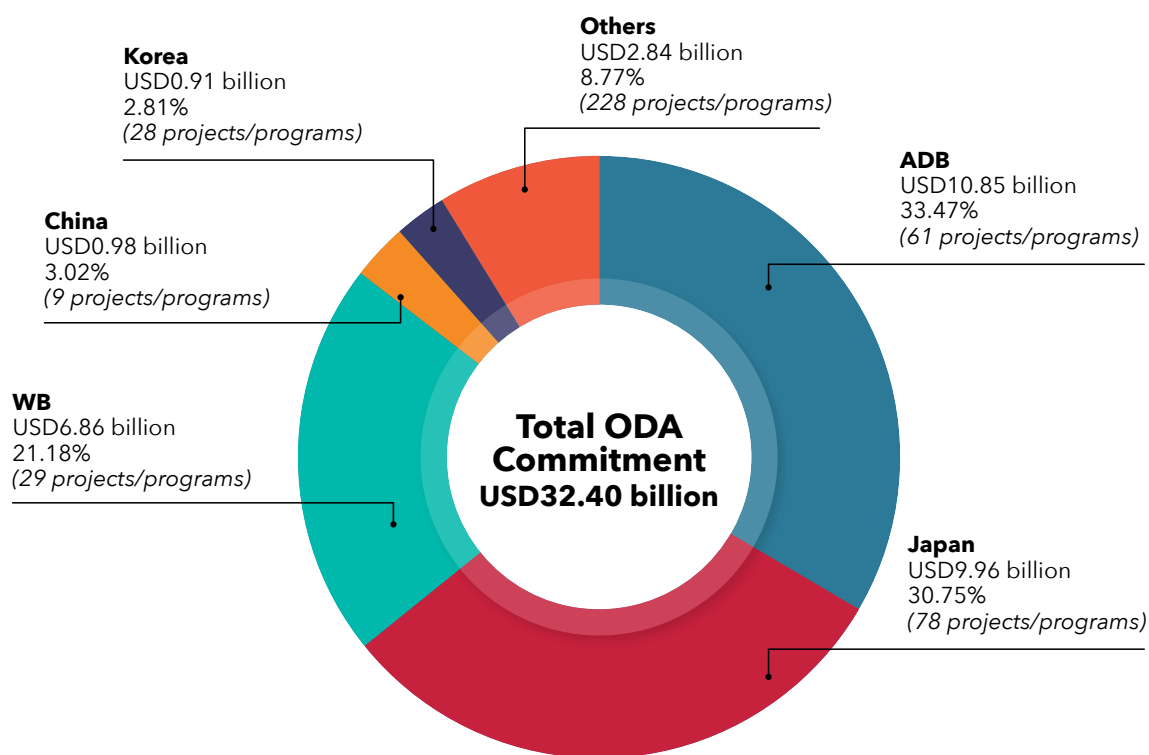
<sup>18</sup> Funded by two JICA loans with total net commitment of USD415.51 million.

Meanwhile, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) accounted for the fourth largest share of region-specific ODA (USD861.13 million). Post-conflict recovery and rehabilitation efforts in Marawi resulted in continued foreign assistance in BARMM, mostly in the form of grants. As of December 2022, 44 grants (USD259.09 million) were provided by 18 development partners in BARMM, the highest in any region. The interventions supported by the said grants in the region include livelihood restoration, normalization and peace-building efforts, and institutions building following the transition of ARMM to BARMM (see **Table 2.14** in **Annex 2-C** for more details).

### 2.3.4. By Fund Source

In 2022, ADB has emerged as the leading provider of ODA in the country, surpassing Japan, which held the top position for the preceding seven consecutive years (see **Figure 2.17**). The ODA provided by ADB accounts for 33.47 percent share (USD10.85 billion) of the active ODA portfolio in 2022. Moreover, ADB has also taken the lead in terms of new commitments in 2022, with a total of USD2.51 billion (USD2.50 billion for four loans and USD10.2 million for seven grants). Meanwhile, Japan<sup>19</sup> secured the second spot with 30.75 percent (USD9.96 billion), followed by WB (USD6.86 billion), China (USD0.98 billion), and Korea<sup>20</sup> (USD0.91 billion). Collectively, these top five development partners contributed about 91 percent of the combined amounts of ODA loans and grants as of December 2022 (see **Table 2.15** in **Annex 2-C** for more details).

**Figure 2.17.** Level of ODA Commitment by Development Partner



<sup>19</sup> Through the JICA providing both loans and grants, and the Embassy of Japan providing grants assistance only as of December 2022.

<sup>20</sup> Through the Korean Export-Import Bank – Economic Development Cooperation Fund (KEXIM-EDCF).

### 2.3.5. ODA Supporting Climate Change Adaptation and Mitigation and Disaster Risk Reduction

The Philippines stands among the nations most vulnerable to natural disasters and is at high risk of bearing the full impacts of climate change. Battered by natural disasters year after year, the archipelago is at the top of the list of 193 countries with the highest disaster risks, as indicated by the 2022 World Risk Index. Despite contributing only 0.40 percent to global greenhouse gas emissions, the country remains highly susceptible to the detrimental effects of climate change.

As a signatory to the United Nations Framework Convention on Climate Change (CC) and the Sendai Framework for Disaster Risk Reduction (DRR), the Philippine government is committed to accelerating climate action and enhancing disaster resilience. Access to ODA is a crucial element of the country's efforts in incorporating climate change and DRR measures into various programs and projects. This assistance takes the form of capital assets, technical expertise, emergency relief, and other forms of support.

For 2022, there were 56 projects (22 loans and 34 grants) which have a total of 110 components contributing to CC adaptation and mitigation and DRR amounting to PHP164.17 billion (see **Table 2.16 in Annex 2-C** for the detailed breakdown of components across CC and DRR initiatives). The complete list of loan and grant-assisted projects supporting CC mitigation and adaptation and DRR is provided in **Annex 2-G**.

## Box 2.6. Climate Change Adaptation and Mitigation and Disaster Risk Reduction

**The Climate Change Act of 2009 (RA 9729 as amended by RA 10171) and National Framework Strategy on Climate Change 2010-2022 define climate change (a) adaptation and (b) mitigation strategies as follows:**

### ADAPTATION



Adjustments in natural or human systems in response to actual or expected climatic stimuli or impacts, which moderate harm or exploit beneficial opportunities. Some adaptation measures include:

- (a) integrated ecosystem-based management;
- (b) water governance and management;
- (c) promotion of climate-responsive agriculture;
- (d) support climate-responsive health sector; and
- (e) encourage climate proofing infrastructure.

### MITIGATION



Human intervention to reduce anthropogenic emission sources and enhance removals by sinks of all greenhouse gases, including ozone-depleting substances and their substitute. Some of the mitigation measures include:

- (a) energy efficiency and conservation;
- (b) realization of the full potential of the country's renewable energy;
- (c) improvement of the transport sector through the uptake of alternative fuels and expansion of mass transport systems;
- (d) making use of energy-efficient design and materials for public expenditure and expansion of mass transport systems;
- (e) reduction of emissions from deforestation and forest degradation; and
- (f) waste management.

Meanwhile, **DRR** (as defined under RA 10121) refers to the concept and practice of reducing disaster risks through systematic efforts to analyze and manage the causal factors of disasters, including through reduced exposures to hazards, lessened vulnerability of people and property, wise management of land and the environment, and improved preparedness for adverse events.

### 2.3.6. ODA Promoting Gender-Responsiveness of Projects

Pursuant to RA 7192 (Women in Development and Nation-Building Act) and RA 9710 (Magna Carta of Women), NEDA has been tracking the amount of ODA allotted for gender-responsive programs and projects. Section 36 (a) of RA 9710 states that "National Government Agencies, Local Government Units, and other government instrumentalities shall ensure that five to thirty percent (5-30%) of funds received from foreign governments and multilateral agencies are in support of gender responsive programs and projects."



### Box 2.7. The Harmonized Gender and Development Guidelines (HGDG)



The **HGDG** is a tool in assessing the gender-responsiveness of programs and projects in terms of their design, implementation, management, monitoring, and evaluation by attributing the whole or a portion of a program/project's budget to Gender and Development (GAD) using the HGDG checklists. The Project Implementation, Management, Monitoring and Evaluation (PIMME) HGDG checklist (Box 16 and 17) is used to assess the gender-responsiveness of ongoing ODA projects. Below is the interpretation of GAD scores obtained from accomplishing the PIMME checklist:

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<b>0 - 3.9</b>	GAD is invisible in the project
<b>4.0 - 7.9</b>	Proposed project has promising GAD prospects
<b>8.0 - 14.9</b>	Proposed project is Gender-sensitive
<b>15.0 - 20.0</b>	Proposed project is Gender-responsive

*Source: NEDA, Philippine Commission on Women, ODA-GAD Network (2016), Harmonized Gender and Development Guidelines for Project Development, Implementation, Monitoring and Evaluation*

For 2022, out of the 71 ODA projects that underwent GAD assessments, 62 were identified as gender-responsive and gender-sensitive. These projects have a combined project cost attributed to GAD amounting to PHP82.16 billion (**Table 2.17**). Meanwhile, the remaining nine projects comprised of programs and projects with promising GAD prospects (worth PHP1.68 billion). The complete list is provided in **Annex 2-H**.

**Table 2.17.** Classification of ODA Projects by Gender Responsiveness

Classification	Projects			
	Count	% Share	Cost Attributed to GAD (in PHP million)	% Share
<b>A. Gender-Responsive</b>	<b>40</b>	56.34	<b>71,919.95</b>	85.78
Loans	28		68,218.00	
Grants	12		3,701.95	
<b>B. Gender-Sensitive</b>	<b>22</b>	30.98	<b>10,241.20</b>	12.22
Loans	14		9,569.15	
Grants	8		672.05	
<b>Subtotal for Gender-Responsive and Gender-Sensitive</b>	<b>62</b>	<b>87.32</b>	<b>82,161.15</b>	<b>98.00</b>
<b>C. With Promising GAD Prospects</b>	<b>9</b>	12.68	<b>1,678.22</b>	2.00
Loans	5		1,677.08	
Grants	4		1.14	
<b>D. GAD is Invisible in the Project</b>	<b>-</b>	-	<b>-</b>	-
Loans	-		-	
Grants	-		-	
<b>TOTAL</b>	<b>71</b>	<b>100.00</b>	<b>83,839.37</b>	<b>100.00</b>

Gender-responsiveness at the PIMME stage is assessed in terms of level of support of project management on gender equality goals, competence of staff or consultants to implement the project's gender equality strategies, willingness of project to tap external GAD expertise and develop internal GAD capacity, enforcement of procedures and processes that promote women's participation in project activities and benefits, involvement of agency personnel in gender equality activities, and institutionalization of a project's GAD strategies.<sup>21</sup>

Four key findings were derived from the assessment of gender-responsive and gender sensitive ODA projects, to wit: (a) five projects employ strategies to encourage equal participation and benefit of men and women in project activities; (b) four projects integrated gender equality indicators to monitor project activities, outputs, and results; (c) 10 projects have conducted training on gender sensitivity and GAD mainstreaming in 2022; and (d) sex-disaggregated data is generated in majority of the ODA loan projects.

While the number of projects with submitted gender-responsiveness assessment increased, from 43 projects in 2021 to 71 projects in 2022, the overall turn-out of

<sup>21</sup> NEDA-PCW-ODA GAD Network. (2016). GAD Checklists for PIMME. HGDG for Project Development, Implementation, Management, Monitoring and Evaluation

submission remains low in relation to the total number of ODA projects covered by the ODA portfolio review.

The four most common gender-related issues cited are the following: (a) 12 projects reported instances of gender-based discrimination<sup>22</sup> which resulted in unequal access to healthcare services, transportation, education, and/or employment opportunities among men and women; (b) the low capacity of project staff in mainstreaming GAD in development activities was identified as a challenge in five projects; (c) four projects reported that the limited access of women to productive skills training and/or technologies pose challenges in their quality of work and ability to earn more; and (d) insufficient information on gender-specific concerns and gender analysis during project implementation and monitoring remains an issue for three projects.

The regular conduct of gender analysis of project implementation is necessary to improve and ensure the gender-responsiveness of ODA programs and projects. Gender analysis tools help assess gender issues to improve everyone's access to and control over resources in ODA projects. IAs and Project Management Offices (PMO) should formulate or utilize gender action plans, as well as specific measures, to address gender issues identified by concerned stakeholders. Continuous capacity building of project staff on GAD mainstreaming is also crucial to formulate and maximize policies, mechanisms, resources, and data supporting gender equality.

### 2.3.7. ODA Supporting the Achievement of the Sustainable Development Goals

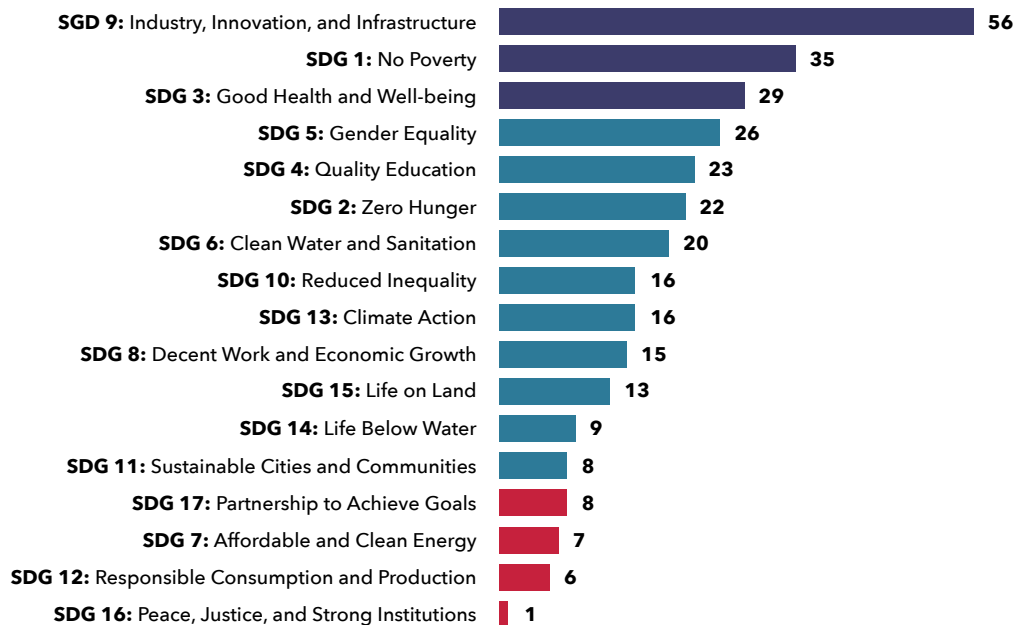
In 2022, a total of 134 ODA programs and projects supported in advancing the objectives of the 17 SDGs. Among these, 66 programs and projects were financed through loans, while 61 received grant-funding. Additionally, seven initiatives received support from both loans and grants.

It may be evident that ODA loans and grants extensively supported the advancement of three SDGs: SDG 9 (Industry, Innovation, and Infrastructure), SDG 1 (No Poverty), and SDG 3 (Good Health and Well-being), with 56, 35, and 29 ODA-funded programs and projects, respectively (see **Figure 2.18**). Refer to **Annex 2-I** for the list of ODA loans and grants supporting the SDGs.

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<sup>22</sup> Refers to a situation wherein people are treated differently based on their gender identity, rather than on the basis of their individual skills or capabilities. Plan International (2023). *How to Challenge Gender Discrimination*.

**Figure 2.18.** ODA-funded Programs and Projects Supporting the SDGs<sup>23</sup>



### Box 2.8. Sustainable Development Goals

Built on the success of the Millennium Development Goals and anchored on the 2030 Agenda, the SDGs are a universal set of goals aimed towards ending poverty, protecting the planet, and ensuring that all people enjoy peace and prosperity. Adopted in September 2015 and made effective in January 2016, 193 partner countries of the United Nations commit to uphold the achievement of the following goals by 2030 [Source United Nations (2016). Overview of the SDGs].

#### SUSTAINABLE DEVELOPMENT GOALS



<sup>23</sup> A program or project may contribute to more than one SDG.

## 2.4. ODA Supporting the Infrastructure Flagship Projects under the *Build, Build, Build* Program

The *Build, Build, Build* Program of the Duterte Administration represents the government's commitment to accelerate infrastructure development in the country. Infrastructure development remains among the key strategies of the Philippine government to spur and sustain economic development, support a higher growth trajectory, and improve the quality of life in urban and rural communities.

At the core of the program is the IFPs, which are expected to greatly contribute to achieving the country's development goals by improving connectivity and stimulating growth across the country. The IFPs were conceptualized in 2017 with the following objectives:

- (a) prioritize game-changing and urgently needed projects of national significance;
- (b) facilitate the processing, approval, and implementation of the identified flagship projects; and
- (c) push substantial implementation on the ground to ensure continuity of pipeline projects into succeeding administration.

The NEDA Board approved the original list of 75 IFPs on June 27, 2017. On November 29, 2019, the government updated the list of IFPs to ensure the relevance and responsiveness of the flagship projects to the development objectives of the country in the medium term. The evolving list then contained 100 infrastructure projects (worth PHP4.35 trillion), of which 36 projects were retained from the original 75, while 64 new projects were added.

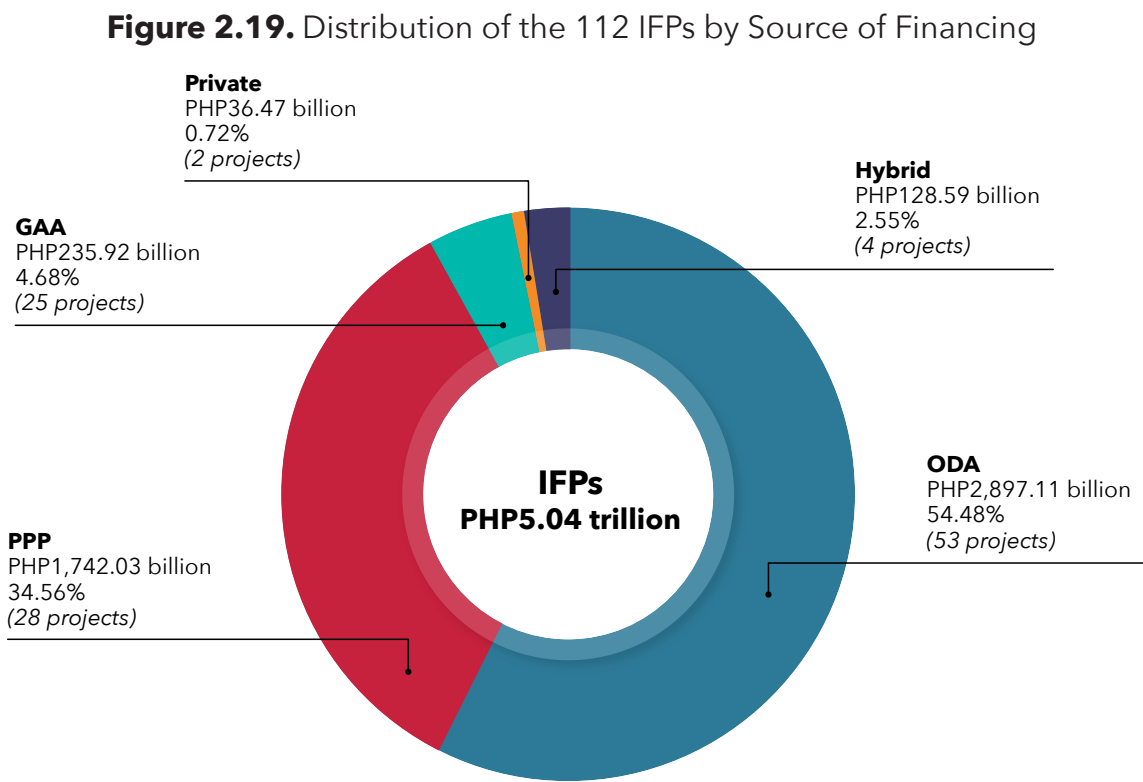
**The Infrastructure Program amidst the COVID-19 Pandemic.** At the height of the pandemic in mid-2020, the Committee on Infrastructure (INFRACOM) approved a revised list of 104 IFPs (worth PHP4.13 trillion) to prioritize implementation-ready projects, help revitalize the economy, and promote economic recovery. The revised IFP list was subsequently approved through ad referendum by the NEDA Board on August 19, 2020.

In the first quarter of 2021, the INFRACOM revisited the IFP list to consider the following:

- (a) progress of implementation, government approvals, and project development of each project in the list;
- (b) inclusion of projects that were previously identified but not considered in the last updating exercise; and
- (c) incorporation of additional projects that are responsive to the priorities under the so-called new normal.

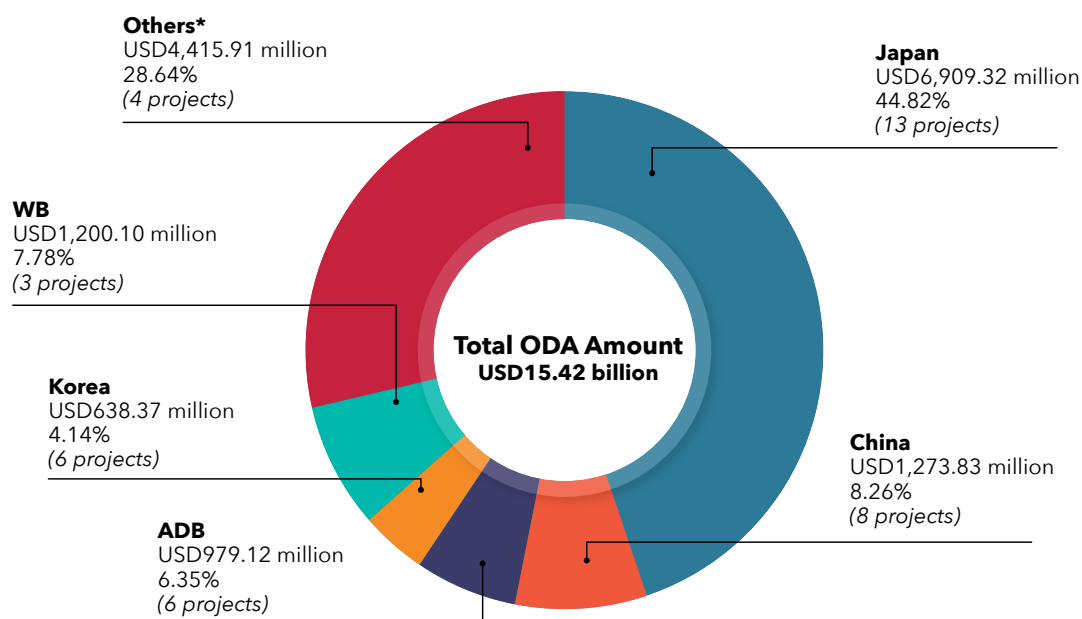
Accordingly, the NEDA Board approved the revised list of IFPs composed of 112 projects on May 12, 2021. However, due to the continued imposition of community quarantine across the country in 2021, operations in the construction and transportation sectors were hampered, adversely affecting the timely and efficient implementation of infrastructure projects.

**Distribution of IFPs by Source of Financing.** The figure below shows the financing sources of the 112 IFPs. The majority of the IFPs are ODA-funded (worth PHP2.9 trillion), with a share of 57.48 percent (see **Figure 2.19** and **Table 2.18** in **Annex 2-C** for details).



There were 40 IFPs with active loan and grant financing as of end of 2022 amounting to a total of USD15.42 billion (see **Figure 2.20**). Japan was the top provider of ODA financing of said projects accounting for almost 45 percent. **Table 2.19** in **Annex 2-C** shows the number of IFPs per DP while **Annex 2-J** provides the list of ODA-funded IFPs.

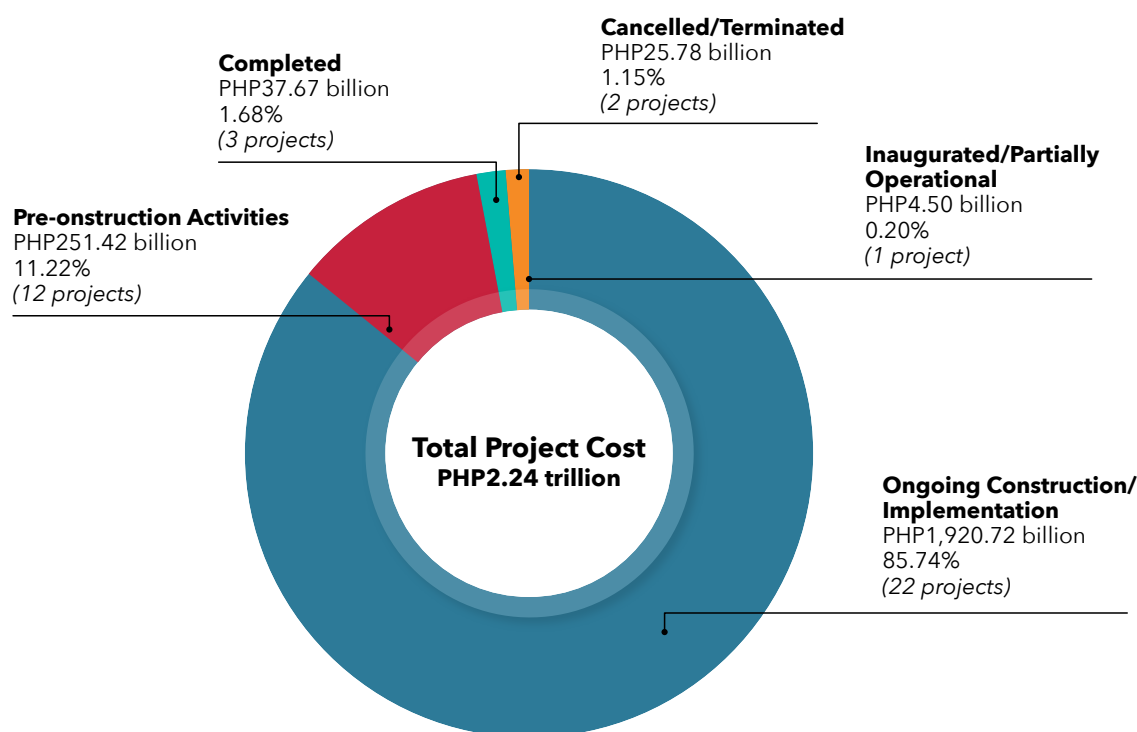
**Figure 2.20.** Distribution of IFPs with Active ODA Financing by Development Partner



\*Includes projects with multiple DPs

**Status of IFPs with Active ODA Loans.** Out of the 40 IFPs financed by ODA, three were completed, while the rest were in various stages of implementation or preparation as of December 2022. **Table 2.20** in **Annex 2-C** shows the breakdown of status and milestone of ODA-funded IFPs.

**Figure 2.21.** Distribution of ODA-funded IFPs by Status





**3**

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**Performance**



## 3.1. Financial Performance

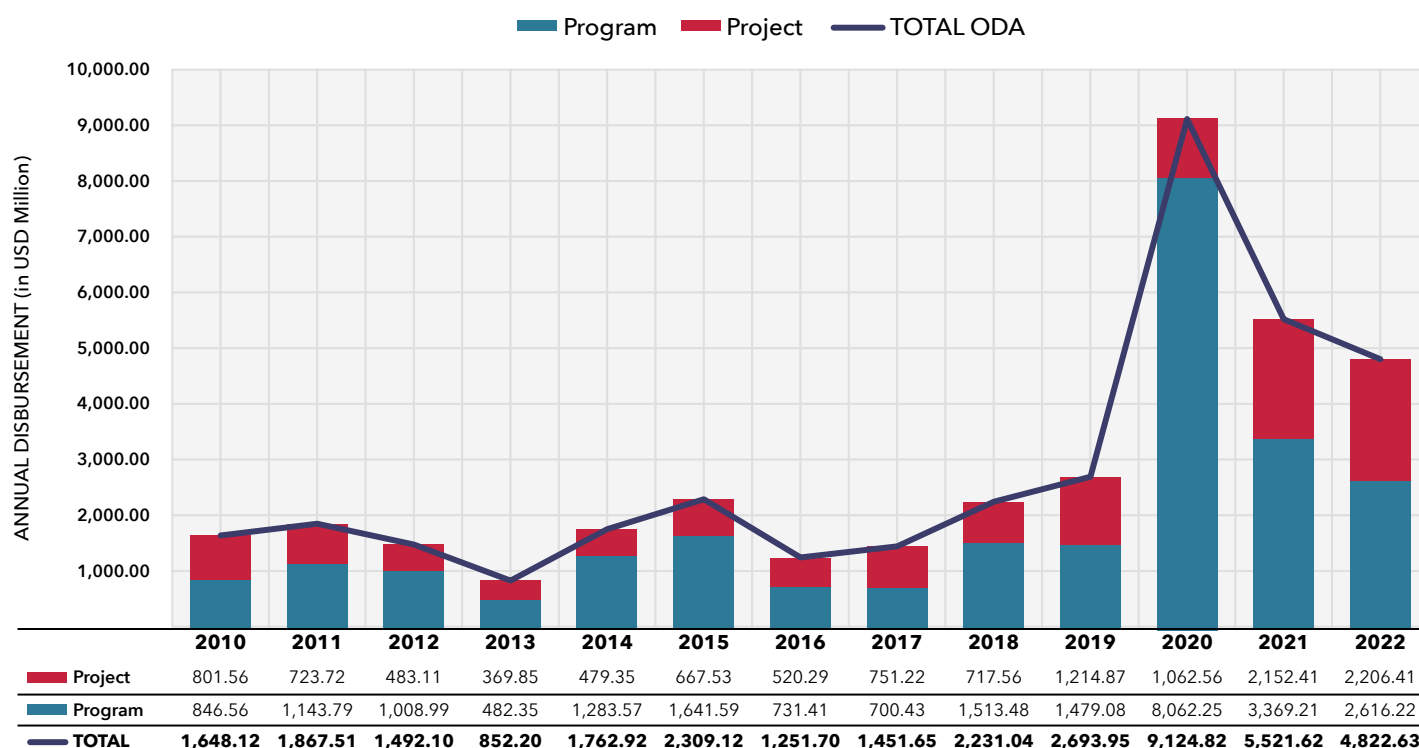
### 3.1.1. ODA Loans

As of end 2022, cumulative disbursements from the 106 loans reached USD15.84 billion, or 52 percent of the total net commitment of USD30.20 billion. For the entire 2022 alone, combined actual disbursements for program and project loans reached USD4.82 billion.

As shown in **Figure 3.1**, the disbursement levels of ODA loans exhibited a gradual upward trend from 2010 to 2019, with minor declines in 2013 and 2016. However, a significant surge of USD9.12 billion in disbursements occurred in 2020. This notable increase is attributed to the influx of quick-disbursing program loans aimed at supporting the government's response to the COVID-19 pandemic. Of the 18 program loans that became effective in 2020, 15 were fully disbursed within the same year, amounting to a total of USD5.50 billion. These disbursements constituted 60 percent of the total disbursements made in 2020.

**Figure 3.1.** Annual Disbursement of ODA Loans from 2010 to 2022<sup>24</sup>

#### PROGRAM VS PROJECT LOANS

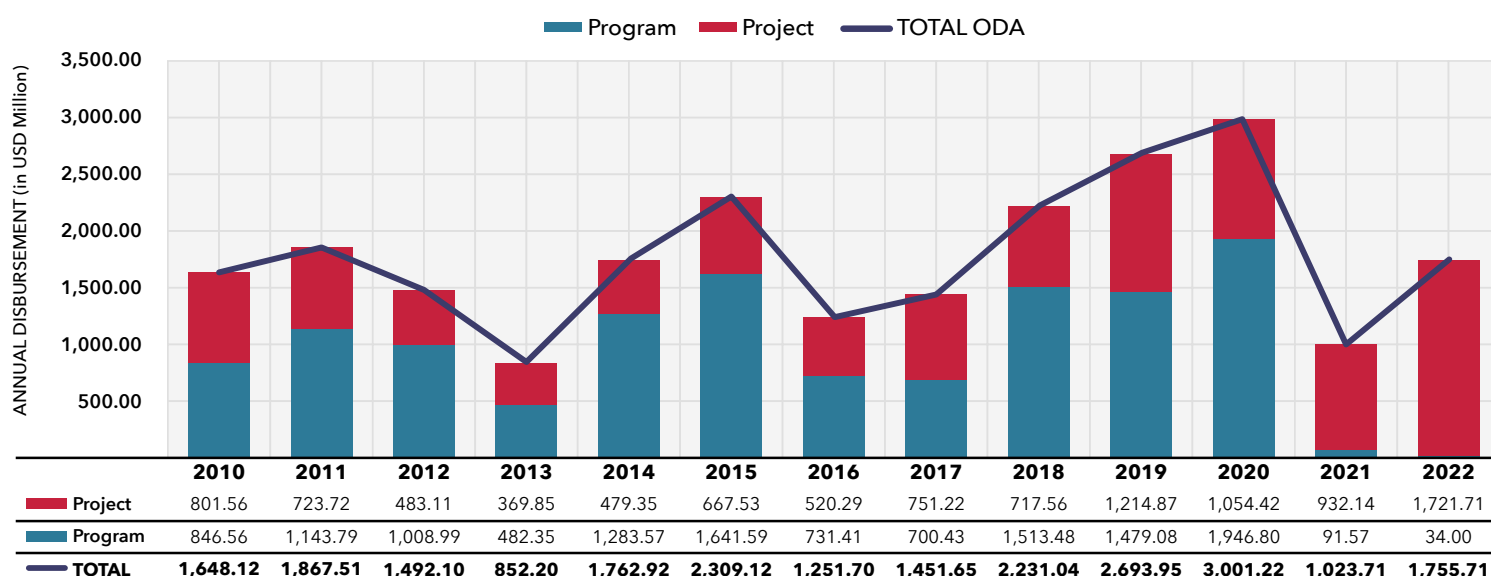


<sup>24</sup> Loan disbursement incurred in 2021 was revised due to updates received from the DPs.

Although still surpassing the disbursement figures from 2010 to 2019, the annual disbursements of the loans portfolio began to revert to pre-pandemic levels from 2021 until the end of 2022. This may be attributed to the reduced number of quick-disbursing program loans obtained by the government for COVID-19 response, as the country transitioned to the “new normal” following the peak of the pandemic in 2020.

Excluding disbursements from program and project loans for COVID-19 response, the annual disbursement levels from 2021 to 2022 were considerably lower than the levels from three years prior (i.e., 2018 to 2020) (see **Figure 3.2**). Several key factors contributed to this decline, including the non-approval of proposed budgets for ODA-funded projects and inadequate appropriations for loan proceeds (LP) in the General Appropriations Act (GAA).<sup>25</sup> These challenges arose as the government operates within a limited fiscal space due to the economic repercussions of the COVID-19 pandemic. The subsequent sections of this report will provide an analysis of these issues.

**Figure 3.2.** Annual Disbursement of Non-COVID-19 Loans from 2010 to 2022

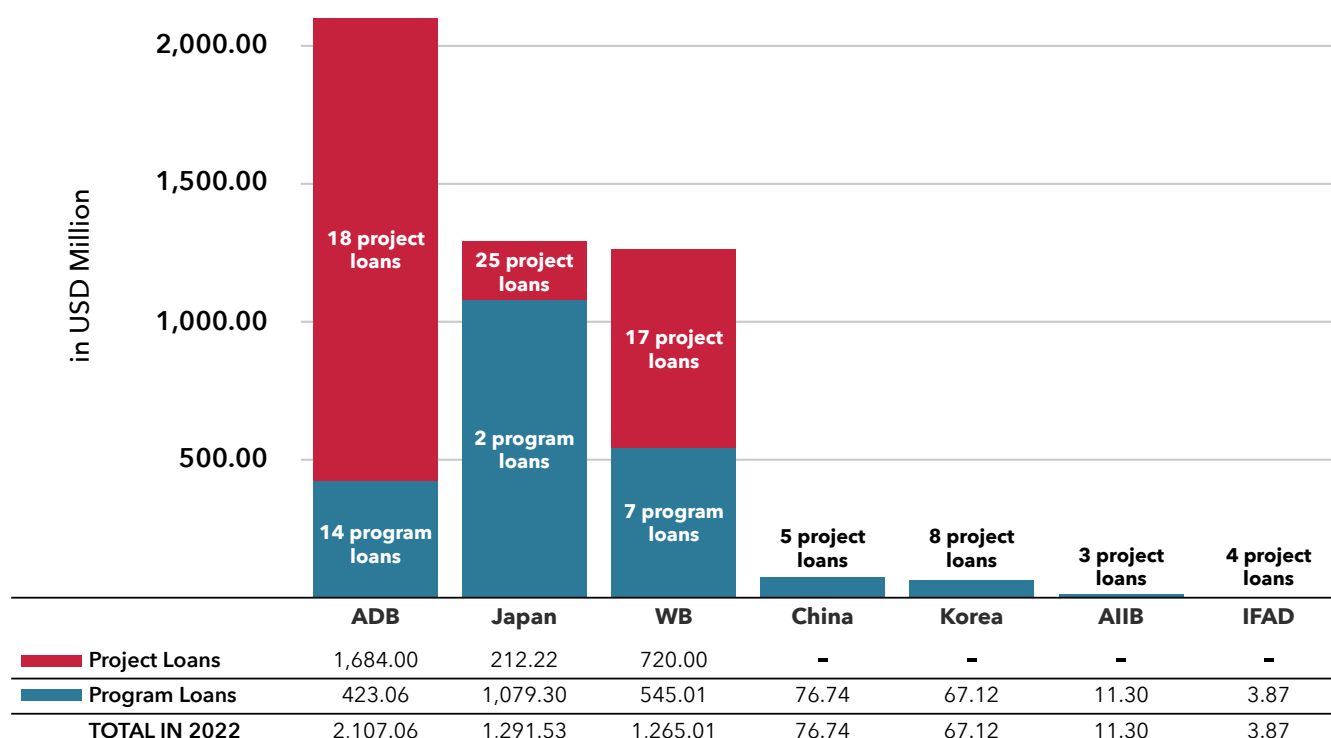


In terms of fund source, ODA from Asian Development Bank (ADB), Japan, and World Bank (WB) registered the highest disbursement levels in 2022 with USD2.11 billion, USD1.29 billion, and USD1.27 billion, respectively (see **Figure 3.3**). Being the three largest ODA providers in 2022, the said DPs accounted for about 97 percent (USD4.66 billion) of the total USD4.82 billion aggregate disbursement as of year-end 2022. The 14 quick-disbursing program loans (USD1.68 billion) from ADB contributed to the high disbursement level of its ODA, 12 of which were already fully utilized by the end of 2022. In contrast, the ODA from France, comprising three loans including one that supports

<sup>25</sup> National Budget Circular No. 581 (Clarificatory Guidelines and Procedures Applicable to Foreign-Assisted Projects (FAPs) following the Cash Budgeting System and Treasury Single Account Framework) stipulates that National Government Agencies' budget proposals reflect the cash requirement of FAPs for the year with the corresponding breakdown of funding source (i.e., LP and GPH peso counterpart) and project components, and that no disbursement of LP shall be made unless covered by an allotment.

the long-gestating *Cebu Bus Rapid Transit 1 Project*, did not post any disbursement for the reporting year. Meanwhile, the loans from Korea (through KEXIM-EDCF) posted the highest aggregate disbursement rate of 76.02 percent.<sup>26</sup>

**Figure 3.3.** Disbursements of ODA Loans in 2022 by Development Partners



Note: The three active loans from France did not post any disbursements in 2022.

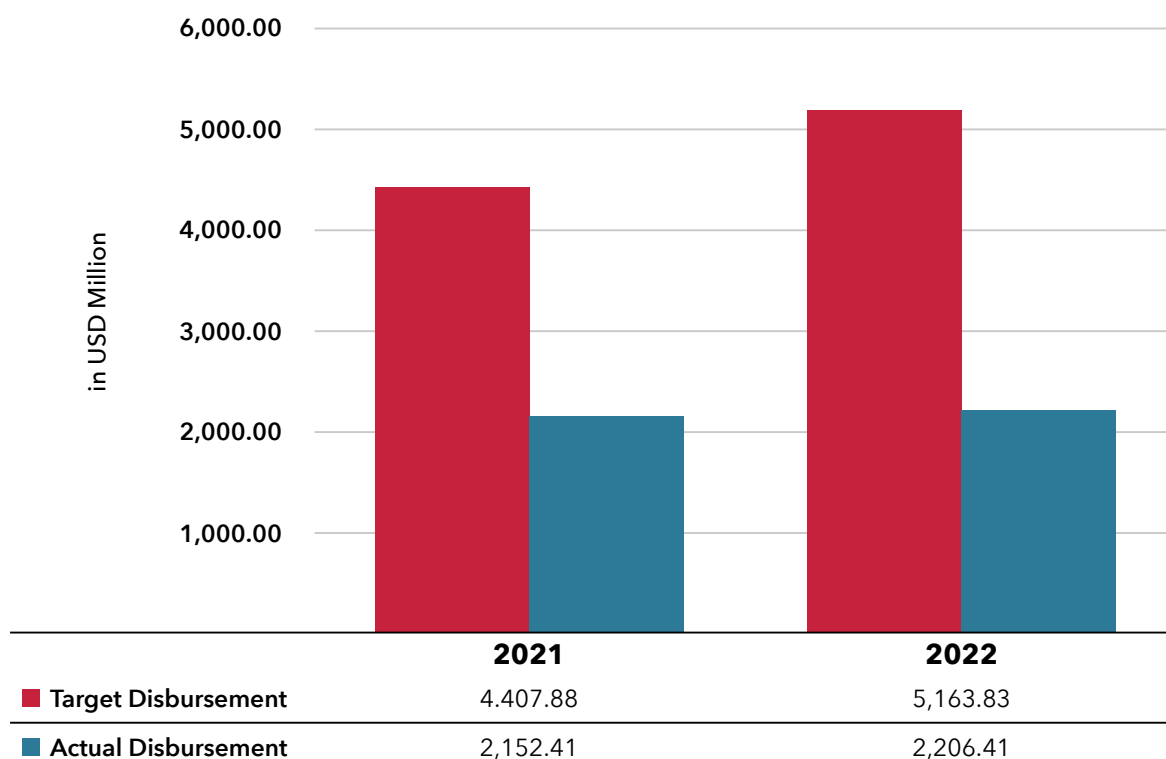
**Program Loans.** Program loans are disbursed based on the specific financing requirements (on an as-needed basis) aimed to address fiscal deficits while maintaining a sustainable debt-to-GDP level. Of the total amount of USD9.86 billion allocated to 25 program loans, USD8.98 billion (or 91%) had been disbursed as of end of 2022 in accordance with the National Government's financing needs (see **Annex 3-A** for the financial performance of program loans). Notably, the ongoing efforts of the government to respond to the COVID-19 pandemic contributed significantly to these disbursements, amounting to USD8.20 billion.

**Project Loans.** In 2022, total disbursements of active project loans reached USD2.21 billion or a net increase of USD54.00 million from 2021 figures (see **Annex 3-B** for the financial performance of project loans). The said increase was primarily attributed to the significant disbursements made for the implementation of the following projects: (a) *North-South Commuter Railway Project*; (b) *Metro Manila Subway Project Phase I*; (c) *Philippines COVID-19 Emergency Response Project - Additional Financing*; and (d) *Additional Financing for the KALAHI-CIDSS National Community Driven Development*

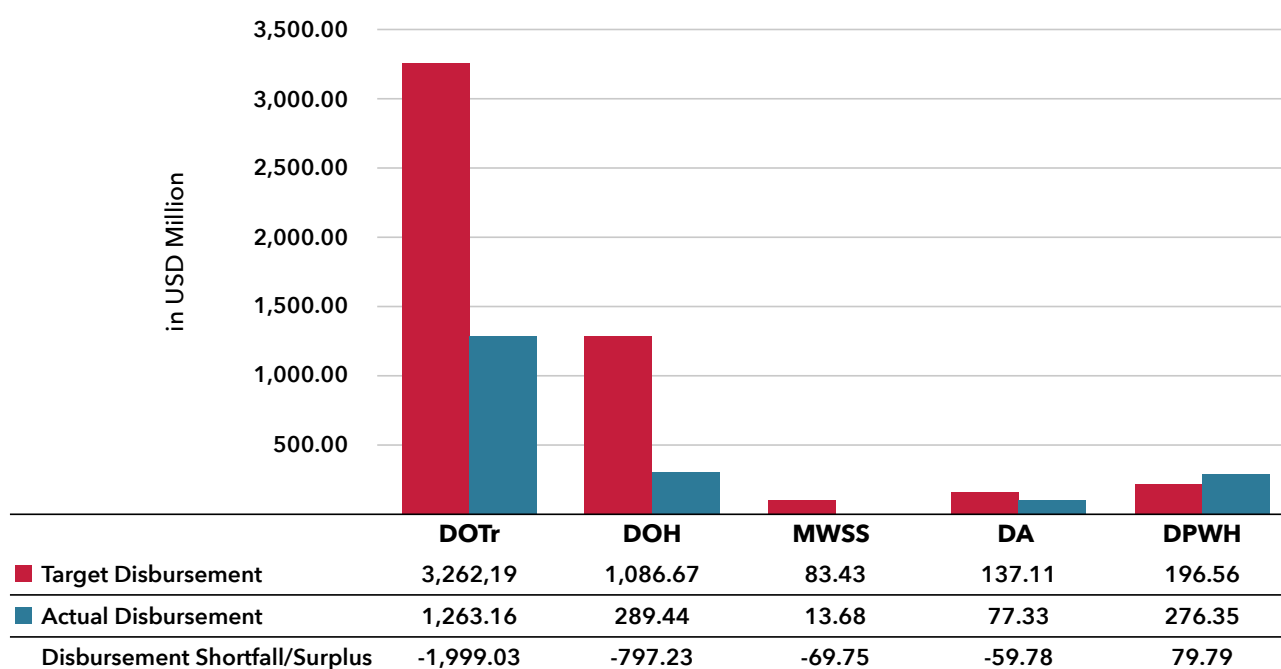
<sup>26</sup> Actual disbursements of three out of eight project loans from Korea were able to exceed their respective target disbursements in 2022.

Project. A summary of the financial performance of the project loans portfolio is provided in **Table 3.1** in **Annex 3-C**.

**Figure 3.4.** Target vs. Actual Disbursements of Project Loans



The ODA project loans portfolio of DOTr, which had a disbursement rate of 38.72 percent, posted the largest disbursement shortfall (**Figure 3.5**). Said shortfall accounts for 68 percent (USD2.00 billion) of the net disbursement shortfall of USD2.96 billion of the CY 2022 ODA portfolio. While *North-South Commuter Railway Project* and the *Metro Manila Subway Project Phase I* registered the largest actual disbursements in 2022, both fell short in meeting their respective targets, collectively posting USD1.81 billion or 91 percent to the overall shortfall of DOTr. One of the reported contributing factors to the low disbursement performance is the inadequate budget allocation for these projects in the FY 2022 GAA.

**Figure 3.5.** Target vs. Actual Disbursements of Select Agencies<sup>27</sup>

The ODA project loans portfolio of DOH had a disbursement shortfall of USD797.23 million or 26.96 percent of the net disbursement shortfall in 2022. This is attributed to three project loans supporting the government's vaccination program [2 loans for *Second Health System Enhancement to Address and Limit COVID-19 (HEAL-2)*, and *Philippines COVID-19 Emergency Response Project (PCERP) - Additional Financing 2*]. The suspension of project activities resulted in zero disbursements during the year. The suspensions were due to the high supply of vaccines obtained through the COVID-19 Vaccines Global Access (COVAX) facility and bilateral arrangements with vaccine manufacturers and distributors, aggravated by the low vaccine uptake.

Among the IAs, only DPWH posted a net disbursement surplus amounting to USD79.79million. This performance may be attributed to: (a) 12 project loans<sup>28</sup> which exceeded their respective disbursement targets in 2022, collectively posting a disbursement surplus of USD112.46 million; and the (b) newly-effective *Samal Island-Davao City Connector Project* which disbursed USD49.37 million or 15 percent of the project's loan amount upon effectivity in 2022 as advance payment to the design

<sup>27</sup> DOTr, DOH, Metropolitan Waterworks and Sewerage System (MWSS) and the Department of Agriculture (DA) each posted a disbursement shortfall of more than USD 50.00 million, while DPWH was the only agency in 2022 which posted a disbursement surplus (i.e., actual disbursements exceeding target for the year)

<sup>28</sup> This includes six road projects: (a) *Improving Growth Corridors in Mindanao Road Sector Project*; (b) *Central Luzon Link Express Expressway Project*; (c) *Road Network Development Project Conflict Affected Areas in Mindanao*; (d) *Road Upgrading and Preservation Project*; (e) *Arterial Road Bypass Project (Phase III)*; and (f) *Panguil Bay Bridge Connect*, as well as six flood control project loans: (g) *Flood Risk Management Project for Cagayan de Oro River*; (h) *Pasig-Marikina River Channel Improvement Project (Phase IV)*; (i) *Cavite Industrial Area - Flood Risk Management Project*; (j) *Metro Manila Flood Management project (supported by two loans)*; and (k) *Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in Low Lying Areas of Pampanga*

and build contractor for the project (see **Table 3.2** in **Annex 3-C** for more details in disbursement level of other implementing agencies).

### Box 3.1. Definition of Absorptive Capacity Indicators



#### **DISBURSEMENT LEVEL**

Disbursement Level is the actual expenditures or draw-downs from loan proceeds for a given year.



#### **DISBURSEMENT RATE**

Disbursement Rate is the actual disbursement level as a percentage of target disbursement for the year.



#### **AVAILMENT RATE**

Availment Rate is defined as the cumulative actual disbursements as a percentage of cumulative scheduled disbursement, both reckoned from the start of implementation up to the reporting period.

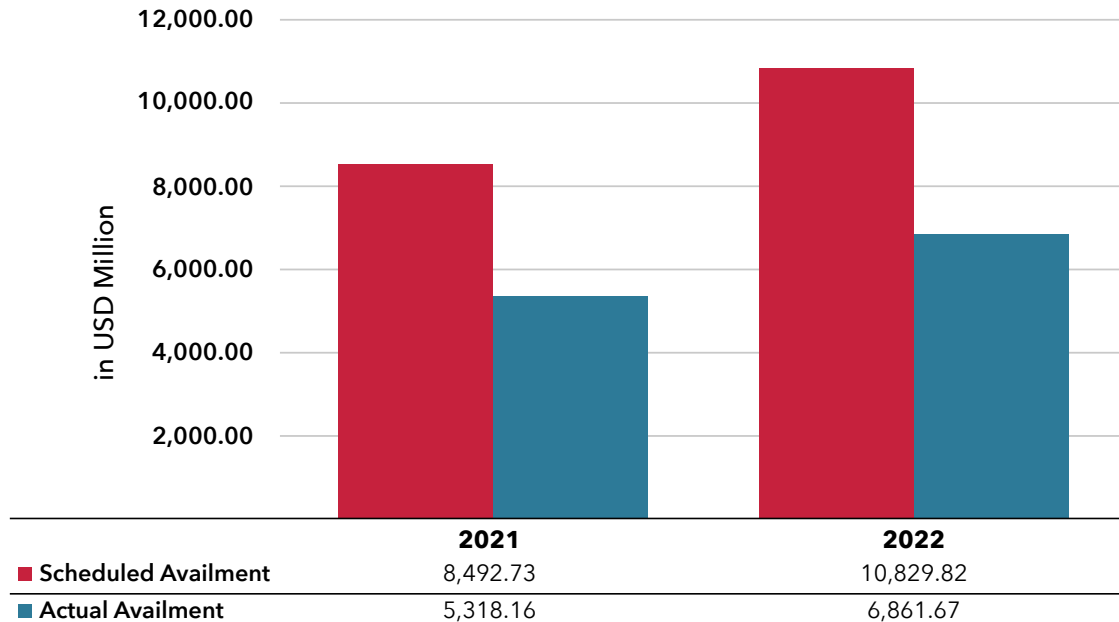
Typically, a project in its initial stage would register a close-to-zero availment rate. A project that has an availment rate closer to 100 percent signifies that it is likely on track, catching up, or past midway its implementation.

Meanwhile, a project that is about to close, but still registers a comparably low availment rate, reflects that it has a large disbursement backlog and may require loan restructuring subject to ICC and NEDA Board action.

Source: NEDA (2018). *NEDA Manual for Project Monitoring*.

**Figure 3.6** shows a marginal increase in availment rate was observed in 2022 (63.36%) compared to the previous year (62.62%), with total loan availment reaching USD6.86 billion (**Table 3.3** in **Annex 3-C** provides information on ODA availment by IA).

**Figure 3.6.** Scheduled vs Actual Availment (2021 vs 2022)



Similar to its disbursement performance, DOTr had the largest backlog in loan availments amounting to USD2.09 billion (or 53% of the USD3.97 billion net availment backlog of the ODA loans portfolio). The primary contributor to the Department's availment backlog is the *North-South Commuter Railway Project*, with a backlog of USD749.84 million. Following DOTr, DPWH and Department of Agrarian Reform (DAR) also reported availment backlogs of USD1.15 billion (29%) and USD294.64 million (7%), respectively. The availment backlogs of DOTr and DPWH project loans constitute 82 percent of the total net availment backlog in the ODA portfolio.

Only the Department of Social Welfare and Development (DSWD) and DOH posted net availment surplus as of December 2022, with USD109.87 million and USD30.26 million, respectively. This may be attributed to the ongoing implementation of projects focused on social development (i.e., social welfare and community development, and health, population, and nutrition), including those that are responsive to the COVID-19 pandemic. Three loans (*Second Health Enhancement to Address and Limit COVID-19*, *HEAL 2*, and *PCERP-Additional Financing*) collectively posted an availment surplus of USD356.56 million.

### Box 3.2. Commitment Fees



When a lender agrees to provide a loan to a borrower, it sets aside a certain amount of funds for that purpose. However, the lender cannot start charging interest on the loan immediately because the borrower has not received the funds yet. To compensate the lender for reserving these funds and not being able to earn interest on them, they charge a commitment fee.

A **commitment fee** is a levy or charge imposed by lenders to the borrowers on the undrawn scheduled avilment of the loan. By paying this fee, the borrower demonstrates their commitment to taking the loan and compensates the lender for the cost of setting aside the funds.



Source: Glossary of Terms released by DBM, <https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2015/GLOSSARY.pdf>

**Commitment Fees (CF).** Total CFs paid in 2022 amounted to USD10.70 million,<sup>29</sup> which was 23.44 percent higher than the fees paid in 2021 (see **Table 3.4**). The proportion of CFs to the net commitments was sustained from 2021 to 2022 at 0.03 percent.

**Table 3.4.** Commitment Fees Paid in CY 2021 and CY 2022

Particulars	CY 2021	CY 2022
Commitment Fees Paid (in USD Million)	8.67	10.70
Net Commitment (in USD Million)	30,147.92	30,202.54
Ratio of A to B (%)	0.03	0.03

Source: Bureau of Treasury (2023). Commitment Fees and Other Charges (January to December 2022).

<sup>29</sup> Accounts for 37 active ODA loans as of December 2022 and two loans that were no longer active but incurred CFs in 2022 (NIA's National Irrigation Sector Rehabilitation and Improvement Project (NIS RIP) funded by JICA and DENR's Community Based Forest and Mangrove Management Project funded by Germany)



Details of the annual data on the CFs paid from 2008 to 2022 are provided in **Table 3.5** in **Annex 3-C**, while **Annex 3-D** provides information on the cumulative CFs incurred by ODA loans in 2022. Two of the loans financing the DOTr's North-South Commuter Railway Project (*Malolos-Clark Railway Project and South Commuter Railway Project of ADB*) incurred some of the largest CFs in 2022, consistent with the project's low financial performance as a repercussion of an inadequate budget cover for FY 2022 (see **Table 3.6** for the five project loans which incurred the largest CFs in 2022).

**Table 3.6.** Top Five Projects which Incurred Highest Commitment Fees in 2022

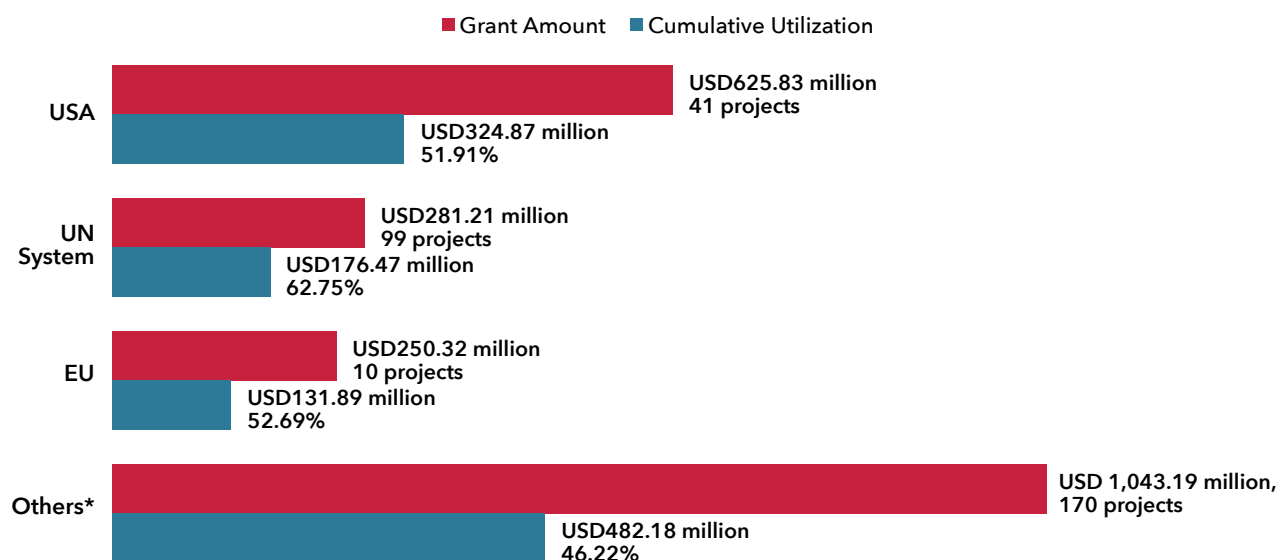
Project Title/IA/Fund Source	Total CFs Paid (in USD Million)
1. Malolos-Clark Railway Project/DOTr/ADB	1.36
2. Metro Manila Flood Management Project/DPWH/WB & AIIB	0.97
3. Support to Parcelization of Lands for Individual Tilting (SPLIT) Project/ DAR/WB	0.87
4. Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility Project - Additional Financing (HEAL 2 - AF)/DOH/ADB, AIIB	0.82
5. South Commuter Railway Project/DOTr/ADB	0.79

### 3.1.2. ODA Grants

The financial performance of ODA grants was assessed based on their utilization level, which measures the cumulative disbursements of active grants as of December 2022, calculated from the dates when the grant agreements became effective. The utilization level of grants reached USD1.12 billion as of December 2022, resulting in a utilization rate of 50.58 percent compared to the total grant amount of USD2.21 billion. This represents an increase of 0.86 percent from the utilization rate of 49.72 percent recorded in 2021.

The grants provided by three major DPs—United States of America (USA), United Nations (UN) System, and European Union (EU)—accounted for a significant portion of the overall utilization level in 2022, representing 56.77 percent of the grant portfolio's utilization (see **Table 3.7** in **Annex 3-C** for more details). Compared to their 2021 performance, the grants from USA and the UN System recorded an increase in utilization rate by four percentage points (from 48% to 52%) and by a percentage point (from 62% to 63%), respectively. Grants from EU registered a decrease by 25 percent (from 78% to 53%).

**Figure 3.7.** Amount and Cumulative Utilization of Grants by Fund Source



\*Includes grants from Japan, Germany, Korea, ADB, Australia, China, World Bank, Netherlands, Canada, New Zealand

## 3.2. Budgetary Performance

By the end of 2022, the average obligation rate of agencies with respect to the implementation of their ODA loan-funded projects stood at 78.34 percent, while their average disbursement rate reached 73.72 percent. Details of agency financial performance are presented in **Table 3.8**, while detailed information on allotment releases, obligations, and disbursements per project are provided in **Annex 3-E**.

**Table 3.8.** Allotment Releases, Obligations, and Disbursements per Agency as of end 2022

Implementing Agency	Allotment Releases (in PHP million) (a)	Obligations (in PHP million) (b)	Disbursements (in PHP million) (c)	Obligation Rate (%) (d) = (b)/(a) x 100	Disbursement Rate (%) (e) = (c)/(b) x 100
<b>BOC</b>	189.70	0.46	0.46	0.24	100.00
<b>DAR</b>	8,657.38	4,088.26	3,024.57	47.22	73.98
<b>DA</b>	40,978.10	41,563.72	34,672.00	101.43 <sup>30</sup>	83.42
<b>DENR</b>	6,245.22	5,726.41	4,471.85	91.69	78.09
<b>DOH</b>	71,841.72	69,165.82	65,935.66	96.28	95.33
<b>DOTr</b>	340,707.70	315,723.30	206,824.82	92.67	65.51
<b>DPWH<sup>31</sup></b>	210,808.32	91,672.20	75,036.97	43.49	81.85
<b>DSWD</b>	11,461.03	10,590.19	7,488.29	92.40	70.71
<b>DTI</b>	1,474.89	782.25	543.39	53.04	69.47
<b>NIA</b>	16,335.41	16,081.46	11,452.50	98.45	71.22
<b>PCC</b>	508.52	170.68	126.21	33.56	73.95
<b>TOTAL</b>	<b>709,207.99</b>	<b>555,564.75</b>	<b>409,576.72</b>	<b>78.34</b>	<b>73.72</b>

### 3.2.1. Multi-year Budget Requirements of ODA-funded Programs and Projects for FY 2023 and Beyond

According to agency forecasts as of the end of 2022, a total of PHP2.14 trillion is the estimated requirement for the completion of 60 ongoing projects. Among the major ODA-implementing national government agencies, DOTr has the highest budgetary requirement, with about PHP1.57 trillion needed for its ongoing portfolio. **Table 3.9** in **Annex 3-C** summarizes the multi-year budget requirements of the ODA portfolio of each agency, while **Annex 3-F** provides details on the multi-year budget requirement per project.

For FY 2023, IAs have likewise initially identified an aggregate amount of PHP224 billion for budgetary augmentation from the Unprogrammed Appropriations - Support to Foreign-Assisted Projects (UA-SFAPs). The said facility provides allotments for loan proceeds for specific ODA projects, as the budget allocated for these projects in the

<sup>30</sup> A project was completed in December 2022 and was able to obligate its total project cost.

<sup>31</sup> Omitted projects: Pasig-Marikina River Channel Improvement Project (Phase IV) - No allotment and obligation data; Metro Manila Flood Management Project - No submission

FY 2023 GAA are either insufficient or not included. While there may be sufficient loan balances from the accounts of DPs, it is necessary to have a corresponding budget cover for the amount to be drawn down during the year (see **Box 3.1** for the rationale and basis of Unprogrammed Appropriations).

### Box 3.1. Unprogrammed Appropriations



#### The ODA Act of 1996 (RA 8182)

The ODA Act of 1996, as amended by RA 8555, stipulates that in order for ODA projects to be implemented, counterpart funds must be available in the national spending program (Section 5. Counterpart Funds).

Further, Rule 5 (Counterpart and Proceeds of Loans and Loans and Grants) of the Implementing Rules and Regulations (IRR) of the ODA Act states that:

- (a) counterpart and proceeds of loans and loans and grants funds must be included in the annual national expenditure program to be submitted to Congress for approval (Section 5.1. General Principles on Budget); and
- (b) budgetary requirements for the two succeeding years shall be determined during the annual ODA Portfolio Review conduct by NEDA and that NEDA and the DBM shall work closely to ensure that the projected budgets are consistent with the Work and Financial Plans and Programs of Work for the projects (Section 5.2. Budget Requirement).

Despite the state policy emphasizing the importance of having counterpart funds for implementing ODA-funded projects, among the recurring issues reported is the unavailability, insufficiency, or delayed release of project budget, which causes delays in project implementation. To address this budgetary issue, implementing agencies are strongly encouraged to submit their firmed up budgetary requirements for the remaining years of project implementation to the DBM in a timely manner. In cases where an ODA-funded project lacks sufficient approved budget in the GAA, the implementing agency may request for special budget allocation under the UA-SFAPs. This mechanism provides a means to secure the necessary funds for project implementation.



Unprogrammed appropriations (UA) serve as contingency funds or standby appropriations and are sourced from excess revenue or from new revenue streams beyond the original targets set for the budget year, as indicated in the Budget of Expenditures and Sources of Financing, or when additional foreign loan proceeds are realized within the budget year. UA funds are authorized for release, obligation, and disbursement during the year.

Further, the Clarificatory Guidelines and Procedures Applicable to Foreign-Assisted Projects following the Cash Budgeting System and Treasury Single Account Framework (item 5.4 of National Budget Circular or NBC No.581 dated December 27, 2020) provides that budget proposals of national government agencies shall reflect the cash requirement of foreign-assisted projects for the year with the corresponding breakdown of funding source (i.e., LP and GPH peso counterpart) and project components. It further provides that no disbursement of loan proceeds may be made unless covered by an allotment.

#### Sources:

(a) RA 8182, as amended by RA 8555 (An Act Excluding 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)

(b) IRR for RA 8182

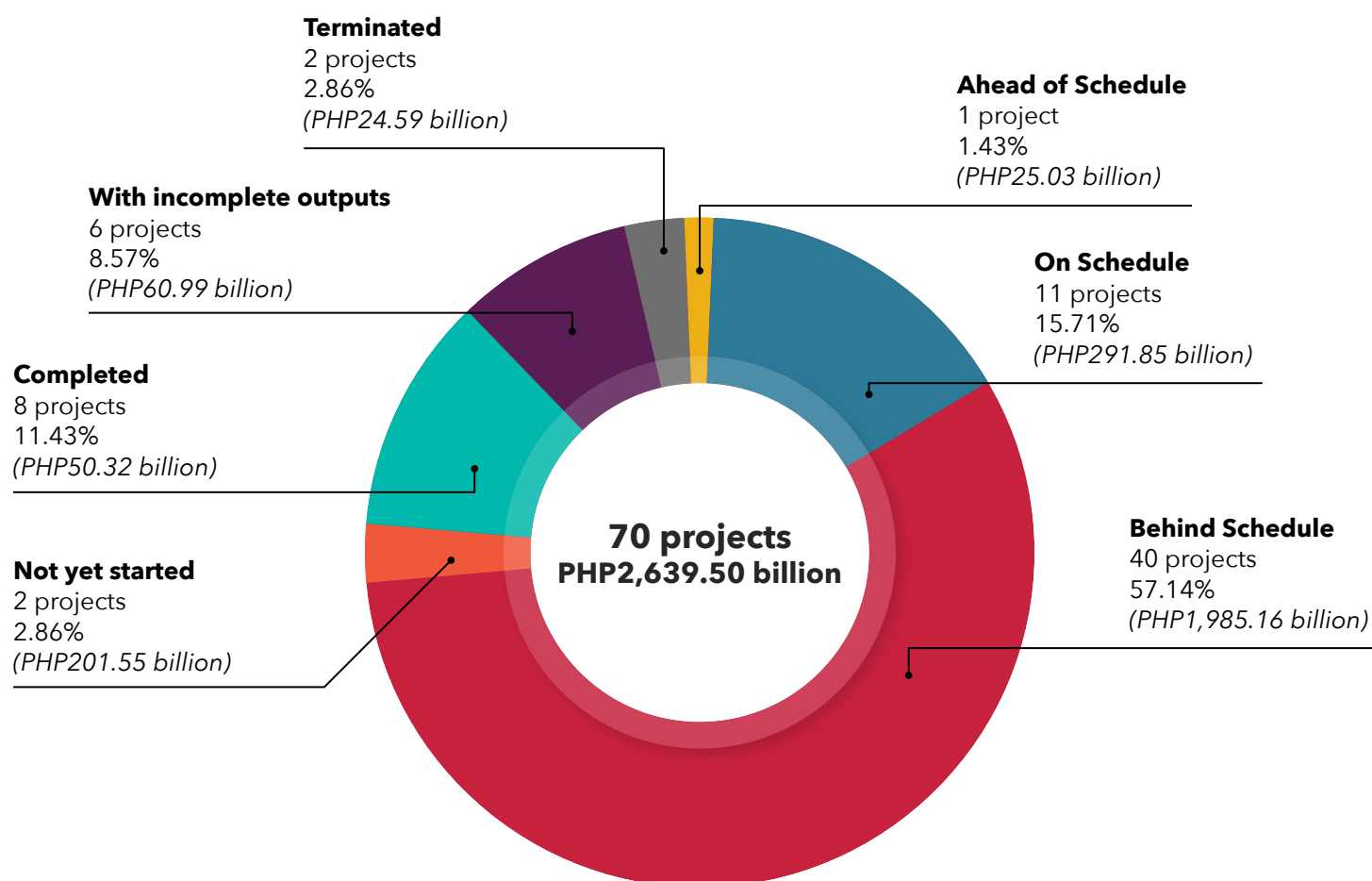
(c) GAA-UA-SFAPs

(d) NBC No. 581 (Clarificatory Guidelines and Procedures Applicable to Foreign-Assisted Projects following the Cash Budgeting System and Treasury Single Account Framework) dated December 27, 2020

### 3.3. Physical Performance<sup>32</sup>

Of the 70 ICC-approved projects,<sup>33</sup> which have a cumulative cost of PHP2.64 trillion<sup>34</sup> and are supported by active ODA loans and grants as of December 2022, 66 projects are funded through loans while four projects are funded through grants. Of the 70 projects, eight (11.43%) were physically completed as of December 2022, as shown in **Figure 3.8** (See **Annex 3-G** for the list of projects and corresponding status as of December 2022).

**Figure 3.8.** Physical Status of 70 ICC-approved Projects Supported by ODA



<sup>32</sup> Assessment of physical performance considers the accomplishment of a project in its entirety, whether financed by multiple sources (e.g., mixture of multiple loans and/or grants, and counterpart funds from government sources). As such, the number of projects in the discussions for financial performance and physical performance varies given that some ICC-approved projects are financed by multiple loans, while a single active loan in 2022 support the implementation of multiple projects.

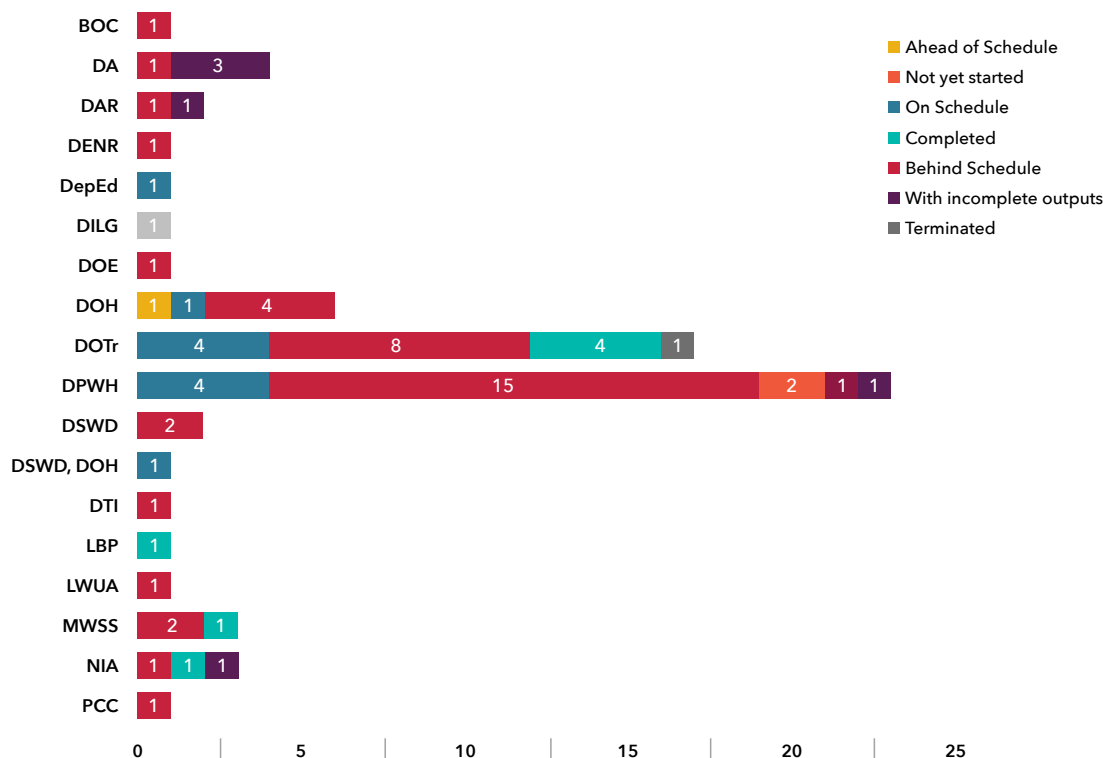
<sup>33</sup> Due to unavailability of data, the figure excludes the three projects that are within the purview of Department of Finance (DOF) as executing agency: (i) Infrastructure Preparation and Innovation Facility; (ii) Philippines-Korea Project Facilitation Facility; and (iii) Local Governance Reform Project.

<sup>34</sup> NEDA-Monitoring and Evaluation Staff assessment of physical performance considers all cost components of the project, including the ODA loans and grants proceeds, counterpart funds from the national and local government, and other sources that comprise the total project cost.

Due to various issues encountered during implementation, six projects (8.57%) had outputs and works that were not delivered according to their scheduled completion or loan closing by the end of 2022.<sup>35</sup> The pending outputs shall be carried forward to 2023 and beyond, utilizing alternative funding sources such as the regular budgets of IAs. As an example, DAR collaborated with other projects and explored alternative funding to ensure completion of the construction of the remaining 2-km farm-to-market roads under *Convergence on Value Chain Enhancement for Rural Growth and Empowerment (Project ConVERGE)*.

As of 2022, 40 ODA-funded projects were experiencing delays in their implementation. This represents 57.14 percent of the 70 ICC-approved ODA-funded projects, which is more than three times the number of projects reported to be on schedule (16%). DPWH and DOTr have the highest number of ODA-funded projects that are behind schedule (see **Figure 3.9** for the physical status of the 70 ICC-approved projects by IA). Additionally, there are two projects<sup>36</sup> that have not yet started implementation as of the end of 2022. These projects are still in the pre-implementation or construction stage, as their respective loans only became effective in 2022.

**Figure 3.9.** Physical Status of 70 ICC-approved Projects Supported by ODA, per Implementing Agency



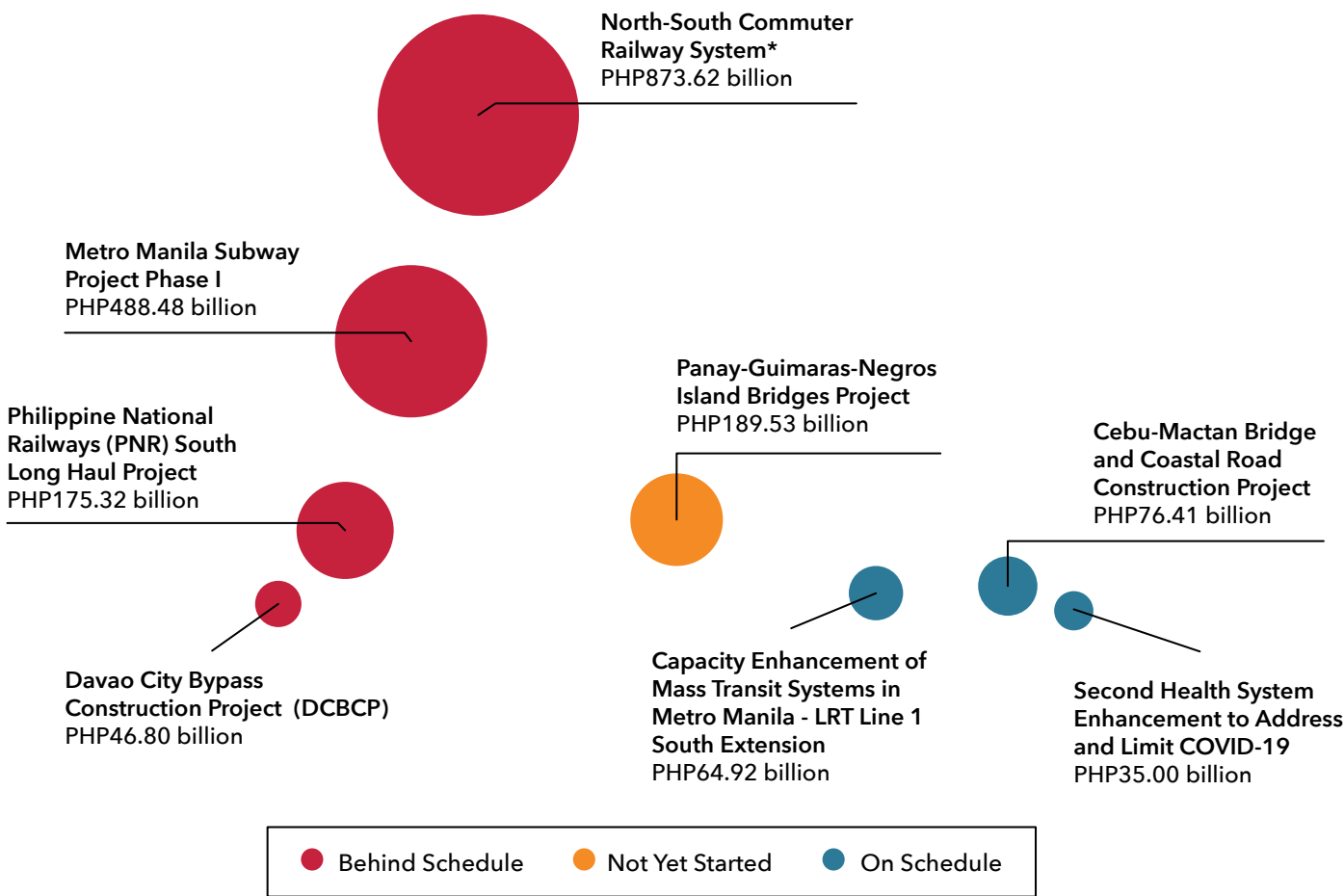
<sup>35</sup> Includes the following: DA's (a) Philippine Rural Development Project (PRDP)-Original Loan; (b) Philippine Rural Development Project - Additional Financing (PRDP-AF1); (c) Fisheries, Coastal Resources and Livelihood Project (FishCORAL); DAR's (d) Convergence on Value Chain Enhancement for Rural Growth and Empowerment (Project ConVERGE); NIA's (e) Chico River Pump Irrigation Project; and DPWH's (f) Central Luzon Link Expressway (CLLEX), Phase I.

<sup>36</sup> These include: (a) the ADB-funded Metro Manila Bridges Project of DPWH (loan effectivity on February 10, 2022); and (b) KEDCF-funded Panay-Guimaras-Negros Island Bridges Project of DPWH (loan effectivity on November 14, 2022).

While concerned agencies continuously implement corrective measures to steer implementation of ODA projects back on track, two projects—the *Metro Manila Bus Rapid Transit Line 1 Project* of DOTr, and the *Safe Philippines Project Phase I* of Department of the Interior and Local Government—were terminated in 2022 due to the lack of substantial progress in their implementation.

**Figure 3.10** illustrates the magnitude of the 10 largest active ODA-funded major capital projects approved by the ICC (collectively amounting to PHP1.95 trillion) in relation to their physical status. Six out of these 10 projects,<sup>37</sup> amounting to more than half (PHP1.58 trillion) of the PHP2.64 trillion portfolio of ICC-approved ODA projects, were behind schedule as of December 2022.

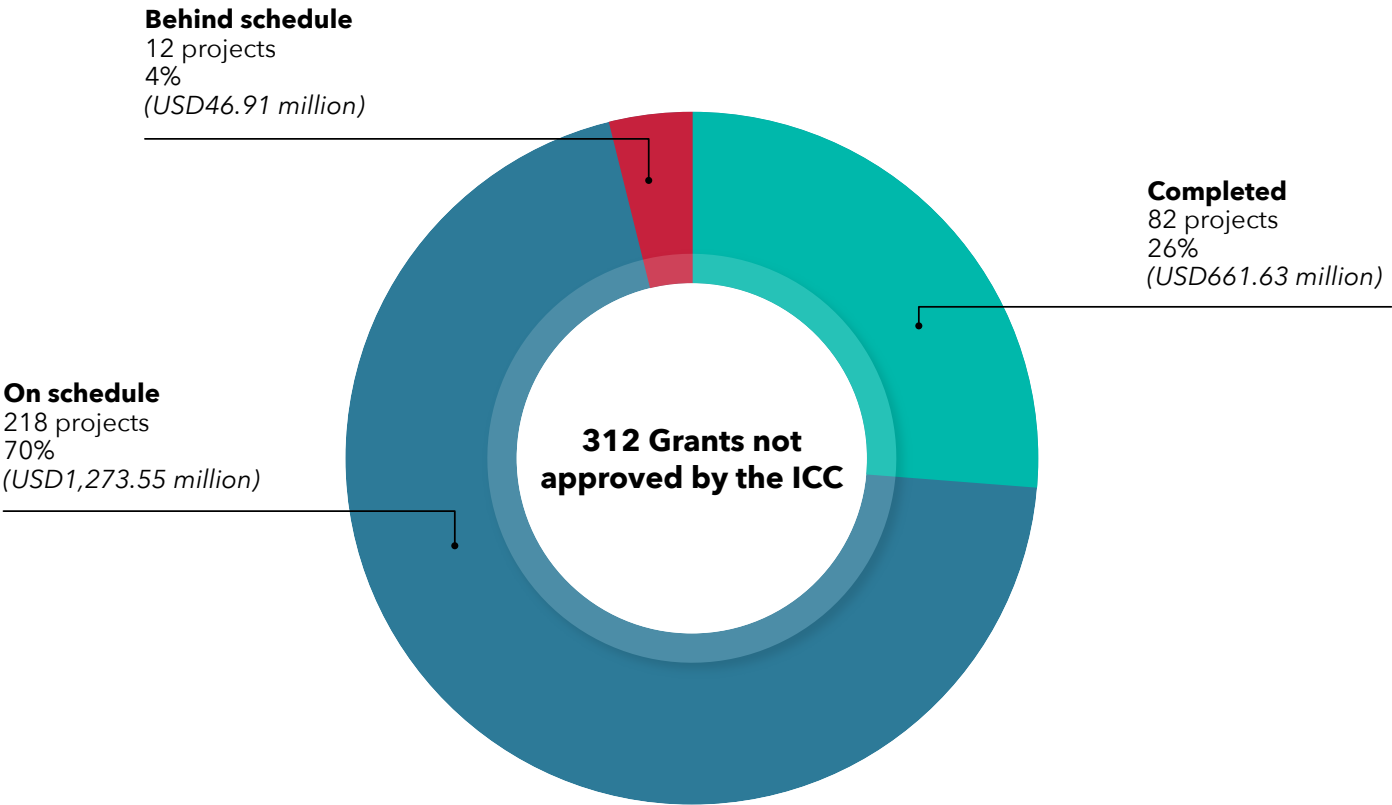
**Figure 3.10.** Physical Status/Performance of the Ten Largest ODA-funded Projects



<sup>37</sup> Accounts for the three projects under the NSCR System: (a) the NSCR Project Phase 1/ N1 (Malolos-Tutuban); (b) Malolos-Clark Railway Project; and (c) PNR South Commuter Railway Project. Overall, the NSCR system is assessed as behind schedule two out of the three projects under the NSCR System [i.e., N1 and MCRP] are behind schedule while NSRP-S is on schedule).

In addition to the major capital projects mentioned in **Figure 3.10** that were approved by the ICC, there were 312 other projects supported by ODA grants, most are in the form of technical assistance. These projects have reported physical status updates as of December 2022. **Figure 3.11** shows that 70 percent of these grants were being implemented on schedule while 26 percent were already completed in 2022. See **Annex 3-H** for the list of projects and corresponding status as of December 2022.

**Figure 3.11** Physical Status/Performance of ODA Grants



### 3.4. Implementation Issues

In 2022, the implementation of ODA projects faced persistent challenges that impeded project timelines and hindered scheduled delivery of project outputs. Recurring issues reported pertain to: (a) procurement; (b) budget and funds flow; (c) design, scope, and technical requirements; (d) inputs and cost; (e) performance of contractors and consultants; (f) site condition or availability; (g) approval of government and/or funding institutions; (h) legal and policy issuances; (i) project management office (PMO) manpower and capacity; (j) institutional support; and (k) *force majeure*. Of the projects covered in this report, 71 were reported to have encountered critical issues requiring immediate resolution and facilitation to mitigate negative impacts on project objectives and timeliness. In some cases, these setbacks were highly significant that they resulted in deviations from originally approved



project parameters and thus required re-approval by the ICC/NEDA Board. **Table 3.10** in **Annex 3-C** shows a summary of various issues encountered in project implementation in 2022.



**Site condition or availability** remained as the most cited implementation bottleneck for ongoing projects in 2022. A total of 23 projects encountered delays due to difficulty in acquiring land and road right-of-way (ROW) and securing necessary government permits (e.g., building permits from local government units, parcellary survey), duplication of similar interventions under multiple projects or overlap of alignment of multiple project sites, and unanticipated structural requirements due to actual site conditions. As the implementers of major infrastructure projects, DOTr, DPWH, National Irrigation Administration (NIA), and MWSS regularly experience these issues.



**Insufficient budget** continued to be a significant challenge in the implementation of projects throughout 2022, impacting a total of 20 ongoing projects. A number of ODA-assisted projects encountered significant reductions in project budget or were not provided budget cover at all for loan and grant proceeds in the FY 2022 GAA. Some agencies requested DBM for allocations under the FY 2022 UA-FAPs for the continued implementation of their respective projects (e.g., Cebu Bus Rapid Transit Project of DOTr, Support to Parcelization of Lands for Individual Titling of DAR, and KALAHI-CIDSS National Community-Driven Development Project of DSWD). In some cases, non-availability or insufficiency of funds resulted in delays in project activities and adjustments in project timelines, which required ICC-approval of implementation period and loan validity extensions.



Issues on **procurement** also continued to hamper project implementation and caused cascading delays in other project activities. In 2022, 17 projects implemented by Bureau of Customs, DA, DAR, DepEd, Department of Energy (DOE), DOH, and DOTr experienced issues in procuring project consultants, contractors for civil works and services, and suppliers of goods. Most of these cases were due to the low turnout of applicants and lack of qualified bidders, issues with the contractor or supplier, and/or delayed concurrence of bidding documents by DPs. According to a study conducted by the Philippine Institute for Development Studies,<sup>38</sup> issues related to procurement (e.g., failure of bidding) emanate from the planning stage as agencies usually encounter difficulties in approximating contract costs and lack the technical know-how on procurement rules and regulations of the government and/or the DPs.

<sup>38</sup> Navarro, A. M., Tanghal, J. A. O. (2017). *The Promises and Pains in Procurement Reforms in the Philippines* (Discussion Paper Series No. 2017-16). Philippine Institute for Development Studies. <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1716.pdf>



Meanwhile, issues related to **government and funding institution approval** mostly pertain to prolonged processing of government permits such as: (a) Certification Precondition from the National Commission on Indigenous People in compliance to its Free Prior Informed Consent process; and (b) Special Use Agreement in Protected Areas from the Department of Environment and Natural Resources (DENR). Also adding to the delays in project implementation are the forging of partnerships with other relevant agencies or entities (through Memorandum of Agreements and Joint Agreements) and obtaining concurrence of or approval from oversight agencies and DPs. Fifteen projects being implemented under DA, DAR, DENR, DOTr, Department of Trade and Industry (DTI), MWSS, and Philippine Competition Commission (PCC) encountered issues of this nature.



Issues on **design, scope, and technical specifications** encountered by 12 projects include variances or defects in the final design which ultimately required agencies such as DOTr and DPWH to seek ICC approval for the expansion or revision of project scope.



Implementation issues related to **force majeure events**, primarily due to the COVID-19 pandemic, were significantly reduced in 2022. However, the ripple effects caused by the imposition of community quarantine at the height of the pandemic were still felt in 2022. In the case of DOTr projects (e.g., LRT Line 1 South Extension Project and Cebu Bus Rapid Transit Project), mobility restrictions and suspension of works during the peak of the pandemic disrupted railway-related works, including transport and delivery of materials.

The list of projects with issues and the corresponding actions taken or measures to be taken by the agencies is provided in **Annex 3-I**.

### 3.5. Problematic Projects

An Alert Mechanism (AM) for flagging projects at risk of time and cost overruns during implementation was established by NEDA to identify and flag ongoing projects which require priority monitoring and facilitation. The AM covers all ODA-funded projects that were previously approved by the ICC and NEDA Board. The AM, which was fully institutionalized in 2009 classifies problem projects into potential and actual problem projects by adopting a set of leading indicators and providing the procedure for flagging problem projects. The AM was enhanced in 2019 with the introduction of new leading indicators to assess problem projects, which apply to projects regardless of the source of financing (see **Box 3.2** for more details).

## Box 3.2. The Enhanced Alert Mechanism

### The NEDA's Enhanced Alert Mechanism (AM)

identifies and flags ongoing ICC-approved ODA loan- and grant-assisted projects which require priority monitoring and facilitation by classifying them into Potential and Actual Problem Projects (i.e., Level I – Early Warning Stage and Level II – Critical Stage) using ten leading indicators on financial, physical, cost overrun, and stage of project implementation. ODA-funded projects are considered ongoing when their loans and/or grants become effective. These projects shall be covered under the AM until the quarter that covers the closing date of their loans/grants.

### NUMBER OF ALERT INDICATORS BREACHED

NO PROBLEM PROJECT



POTENTIAL PROBLEM PROJECT



ACTUAL PROBLEM PROJECT



## ENHANCED AM INDICATORS

### INDICATOR 1: FINANCIAL



- 1a** Ratio of (a) actual loan proceeds disbursements to (b) target loan proceeds disbursements is less than 70 percent
- 1b** Ratio of (a) actual grant proceeds disbursements to (b) target grant proceeds disbursements is less than 70 percent
- 1c** Ratio of (a) actual disbursements from the GPH Counterpart Fund to (b) target disbursements from the GPH Counterpart Fund is less than 70 percent
- 1d** Difference between the (a) time elapsed and the (b) ratio of cumulative actual disbursements to the ICC- approved project cost is more than 30 percent
- 1e** Difference between the (a) ratio of cumulative actual disbursements to total ICC-approved project cost and the (b) actual overall weighted physical accomplishment is more than 30 percent

### INDICATOR 2: PHYSICAL



- 2a** Negative physical slippage of at least ten percent
- 2b** Project with (a) delays of more than six months being experienced in its major ongoing activities in the critical path or in any ongoing component or deliverable; or (b) with some activities due for completion after the ICC- approval of the extension of implementation period or loan or grant validity

### INDICATOR 3: COST OVERRUN



- 3a** Potential cost overruns of at least ten percent of ICC-approved cost
- 3b** Actual cost overruns of at least ten percent of ICC-approved cost (excluding cost overrun with NEDA Board confirmation of ICC approval)

### INDICATOR 4: STAGE OF PROJECT IMPLEMENTATION

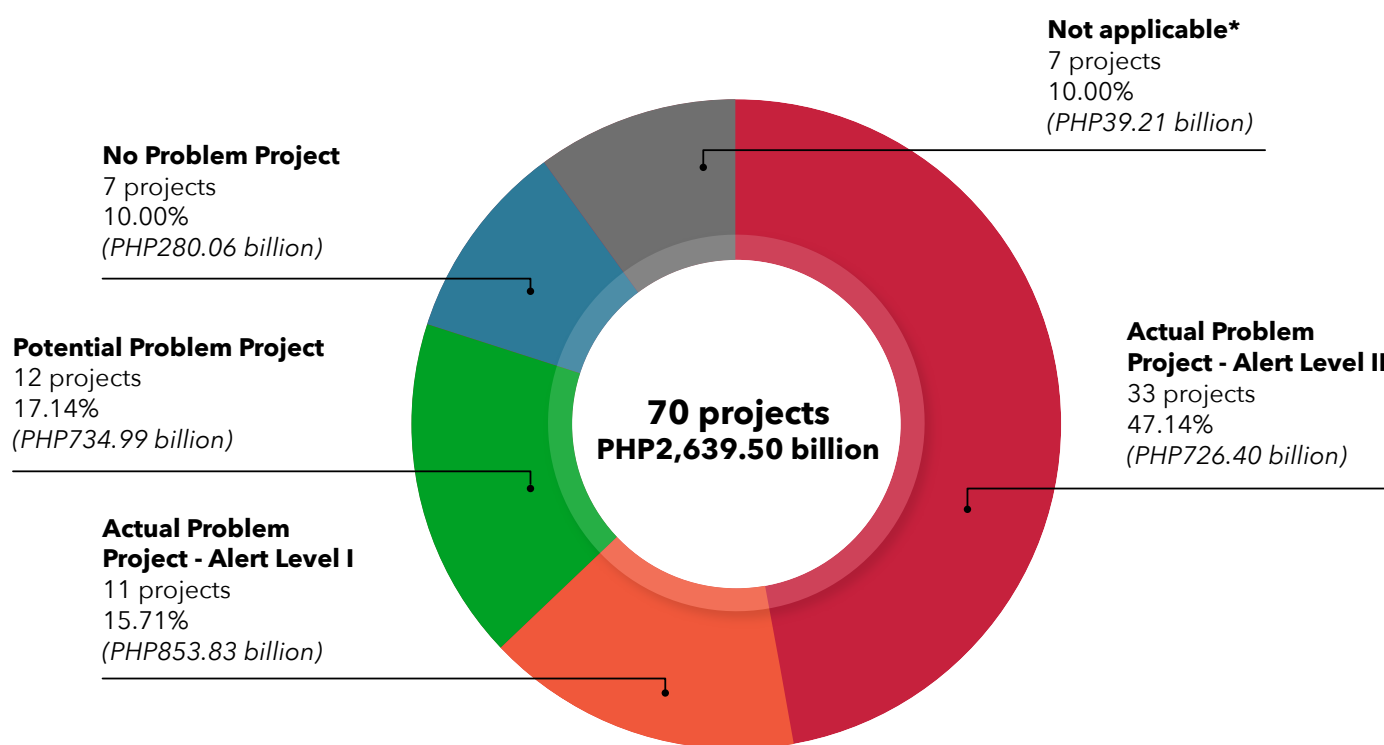


- 4a** Project is completing within a year (supplemental indicator only)

Source: NEDA (2019). *Enhanced Alert Mechanism Guidelines*.

Based on the AM of NEDA as of December 2022, 44 (63%) of the 70 ongoing ICC-approved ODA-funded projects<sup>39</sup> were assessed and flagged as actual problem projects (either *Level I* or *Level II*) due to the adverse effects of various implementation issues discussed in the previous section of the Report (refer to **Annex 3-G** for more details). Meanwhile, 12 projects (17.14%) are already at risk of becoming problematic projects by breaching one of the four AM indicator categories (see **Figure 3.12**). A total of 23 ongoing projects, representing over a third of the 70 projects covered in this section, were elevated to a higher alert status (e.g., from *No Problem* to *Potential Problem Project*, *Potential* to *Actual Problem Project Level I*) from year-end 2021 to 2022.

**Figure 3.12.** Alert Status of Projects in CY 2022 by Count



\*Includes those projects which were already (a) completed; (b) implementation or loan already ended and closed; and (c) terminated in 2022, thus are, already excluded in the alert mechanism as of fourth quarter of the reporting year.

NEDA has established various coordination and feedback mechanisms to ensure effective project implementation, including the conduct of project implementation review (PIR) meetings and one-on-one agency problem solving sessions. These platforms aim to identify current and potential issues in implementation and possible corrective actions to be taken and secure commitment of stakeholders to address implementation bottlenecks. Alert and

<sup>39</sup> Due to unavailability of data, the list excludes the three projects with DOF as the executing agency: (a) Infrastructure Preparation and Innovation Facility; (b) Philippines-Korea Project Facilitation Facility; and (c) Local Governance Reform Project.

action letters are issued quarterly to: (a) flag agencies of their potential and actual problem projects; and (b) request them to provide their respective risk management plans and action plans to address implementation problems and bottlenecks, especially for (a) projects that will necessitate restructuring and re-evaluation by the ICC and (b) projects that are likely to be restructured. These concerns are discussed in detail during PIR meetings and other technical-level meetings with concerned PMOs of agencies (including other concerned DPs and oversight agencies as necessary). In 2022, NEDA conducted a total of 29 PIR meetings with ten IAs for 47 ongoing ICC-approved ODA-funded projects.

### 3.6. Restructuring of ODA-funded Projects

In accordance with ICC guidelines and procedures, any modification to the original approved parameters of major capital projects necessitates re-evaluation and re-approval by the ICC and NEDA Board. Project restructuring requests commonly involve changes in cost, scope, loan or grant validity, and implementation duration. These requests are submitted by IAs to the NEDA (as ICC Secretariat) for review and ICC deliberation. Extensions of loan or grant validity and implementation period of at most 12 months, cancellation of loan or grant due to savings, reallocation of loan or grant across fund categories, and changes in financing mix would only require ICC Secretariat review and endorsement to DOF for approval.

**Projects with approved and ongoing restructuring requests.** As of end 2022, NEDA received a total of 32 restructuring requests involving 30<sup>40</sup> ICC-approved projects. Out of the 32 requests, 18 were approved by the end of 2022. **Table 3.11** in **Annex 3-C** provides the breakdown of the said 18 projects by agency and by nature of request, while **Annex 3-J** provides more details on these restructuring requests. Meanwhile the remaining 14 requests (involving 16 projects) are still undergoing restructuring and re-evaluation as of December 2022.<sup>41</sup> **Table 3.12** in **Annex 3-C** provides the breakdown of these 16 projects by agency and by nature of request (see **Annex 3-K** for detailed information).

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<sup>40</sup> The 30 projects consist the unique count of ODA-funded projects that may appear either or both on approved and ongoing projects with restructuring requests.

<sup>41</sup> The requests for the following projects were approved, endorsed, and/or noted by the ICC as of March 15, 2022: (a) Metro Rail Transit (MRT) Line 3 Rehabilitation Project; (b) Metro Manila Subway Project Phase I; (c) Rural-Agro Enterprise Partnership for Inclusive Development (RAPID) and Growth Project.



### Box 3.3. Projects with Approved Restructuring Requests in 2022



#### Integrated Disaster Risk Reduction Climate Change Adaption in Low Lying Areas in Pampanga Bay

DPWH requested ICC approval of a change in scope and increase in cost for the project. The approval of the request was necessary so that DPWH can proceed with the implementation of the new design of the flood control structure (i.e., dike embankment at the Third River) to suit the current site condition and the type of embankment materials. Said change in design entailed additional cost for consulting services and RoW acquisition.

#### North South Commuter Railway System

DOTr requested for a change in scope of works to increase the total length of the said railway system from 145.10 km to 147.26 km, change in signaling from communications-based train control to European Train Control System Level 2, decrease in the number of stations from 36 to 35, and removal of commuter express from the train services offered. The request also involved an increase in total project cost, and the approval of the following loans for the NSCR System Project: from Communications-based train control to European Train Control System Level 2; decrease in the number of stations from 36 to 35; and removal of commuter express from the train services offered.



**Projects that are likely to be restructured.** Moreover, 31 projects are likely to be restructured in 2023, thus requiring ICC approval. **Table 3.13** in **Annex 3-C** provides the breakdown of these 31 projects that are likely to be restructured by nature of request and by agency (see **Annex 3-L** for detailed information).

**Reasons for project restructuring.** Given the persistent implementation challenges discussed earlier, IAs cited the need to adjust project parameters for many reasons, including the following:



**Time extensions.** Agencies requested time extensions because of delays in procurement (prolonged preparation of bid documents, lack of bidders, and delays in securing concurrence from DPs), ROW acquisition which consequently delayed civil works, and adverse weather conditions in some project sites. Some projects are also still experiencing ripple effects from delays due to the COVID-19 pandemic in 2020 and 2021 (i.e., suspension of works, limited mobility, and lockdowns imposed), which extended project timelines beyond their approved completion period.



**Change in scope.** Meanwhile, agencies that requested change in scope cited among the reasons the additional items of works or deletion of components or contract packages as a result of revisions in project design to suit actual field or local conditions, and expansion of beneficiaries. Most projects that require change in project scope also entailed change (increase or decrease) in project cost.



**Change in cost.** As of end 2022, NEDA received 12 requests for change in cost amounting to PHP124.46 billion<sup>42</sup> as a result of cost overruns incurred during implementation. Of the 12, six were approved by the ICC and confirmed by the NEDA Board, while the other six requests were still under review by the ICC Secretariat. **Table 3.14** in **Annex 3-C** shows the summary of requests for change in cost, by agency. Among the reasons cited for increase in project cost were: change in design and additional components/works based on the results of detailed engineering design (DED) and from actual site conditions, price escalation or adjustment on materials and labor, addition of taxes for civil works contracts and for imported equipment and materials, higher actual cost of the awarded contracts, and interim payment claims of the contractors of civil works, ROW payments, and extension of implementation period.

<sup>42</sup> Twelve requests for increase in cost of PHP134.02 billion, and one request for decrease in cost of PHP1.10 billion.



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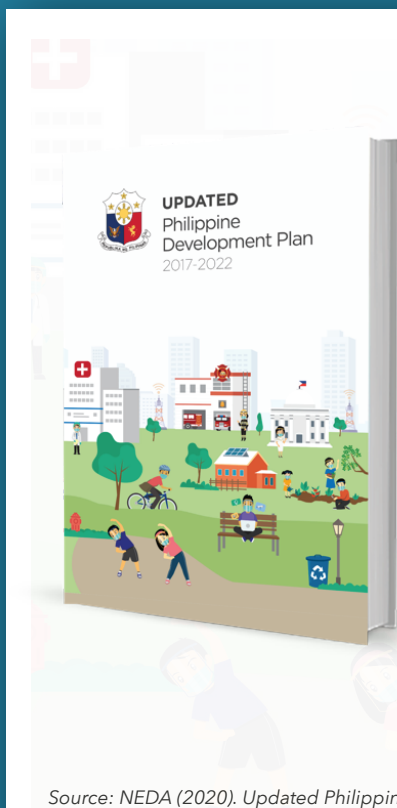
**Results**



## 4.1. Emerging Results of ODA-funded Programs and Projects

The reported emerging results of active ODA in 2022 contributed to the achievement of sector or subsector objectives identified in eight chapters of the Updated Philippine Development Plan (PDP) 2017-2022, as measured through 48 results indicators contained in its accompanying Enhanced PDP-Results Matrices (RM) 2017-2022 (see **Table 4.1**).

### Box 4.1.1. Updated PDP 2017-2022



In line with the vision of the Filipino people outlined in the AmBisyon Natin 2040, the PDP 2017-2022 has been formulated with the goal to lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy. The strategies to achieve this goal are anchored on three main pillars of *Malasakit*, *Pagbabago*, and *Patuloy na Pag-unlad*. However, due to the unprecedented threat of the COVID-19 pandemic, the country's immediate response was to save lives by first restricting social and economic activities to limit the spread of the virus, while improving the country's health system capacity. The Updated PDP contains five major programs designed to build the resilience of individuals, families, businesses, government, and society under the new normal. These are health system improvement, food security and resiliency, learning continuity, digital transformation, and regional development through the *Balik Probinsya, Bagong Pag-asa* Program (BP2).

Source: NEDA (2020). Updated Philippine Development Plan 2017-2022. <https://pdp.neda.gov.ph/updated-pdp-2017-2022>

The aggregate outputs and intended outcomes outlined in five of these eight chapters of the PDP form part of *Pagbabago* (transforming towards equity and resiliency) and *Patuloy na Pag-unlad* (increasing growth potential) - two of the three pillars of the updated societal goal of "A Healthy and Resilient Philippines" within the 2017-2022 Plan period. The outputs and outcomes under the other three chapters are expected results from enabling economic environment and implementation of bedrock strategies or foundations for sustainable development that support said three pillars of the PDP 2017-2022 (see **Annex 4-A** for the list of results of ODA projects and programs, and their alignment with PDP-RM sector objectives).

**Table 4.1.** ODA Loan Grant-assisted Projects and Programs with Reported Outputs and Outcomes Contributing to the Enhanced PDP-RM 2017-2022 Midterm Update

Enhanced PDP 2017-2022 Results Matrices Midterm Update	No. of ODA Projects/ Programs*	No. of PDP-RM Indicators
<i>Pagbabago (Transforming towards Equity and Resiliency)</i>		
<b>Chapter 8:</b> Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	6	15
<b>Chapter 9:</b> Expanding Economic Opportunities in Industry and Services through <i>Trabaho and Negosyo</i>	1	2
<b>Chapter 10:</b> Accelerating Human Capital Development	9	10
<b>Chapter 11:</b> Ensuring Food Resiliency and Reducing Vulnerabilities of Filipinos	1	1
<i>Patuloy na Pag-unlad (Increasing Growth Potential)</i>		
<b>Chapter 13:</b> Reaching for the Demographic Dividend	6	1
<b>Enabling and Supportive Economic Environment to the Three Pillars of the PDP 2017-2022</b>		
<b>Chapter 16:</b> Levelling the Playing Field through a National Competition Policy	1	1
<b>Foundations for Sustainable Development/ Bedrock Strategies Supporting the Three Pillars of the PDP 2017-2022</b>		
<b>Chapter 19:</b> Accelerating Infrastructure Development	17	8
<b>Chapter 20:</b> Ensuring Ecological Integrity, Clean, and Healthy Environment	6	10
<b>TOTAL</b>	<b>47</b>	<b>48</b>

One project/program may contribute to several outcome indicators in more than one chapter of the PDP-RM.

**ODA under the Pagbabago pillar aimed to support strategies to expand economic opportunities, accelerate human capital development, reduce vulnerability, and build safe and secure communities.<sup>43</sup>**

## **Chapter 8: Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries (AFF)**

### *Sustainable and resilient production and food availability ensured*

The six constructed dams and restored irrigation facilities of the National Irrigation Administration (NIA)-implemented *Integrated Natural Resources Environmental Management Project-Bangon Marawi Comprehensive Rehabilitation and Recovery Programme (INREMP-BCRRP)* supported increase of yield of major commodities by providing irrigation water services to 1,875 hectares of farmlands.

To intensify the development and adoption of modern, climate- and disaster-resilient production technologies, the *Convergence on Value Chain Enhancement for Rural Growth and Empowerment (ConVERGE)* project implemented by the Department of Agrarian Reform (DAR) provided a total of 423 training sessions for 7,690 farmers adopting the improved technologies. In addition, the Fish Right Program provided training activities for 1,761 people on ecosystems-approach to fisheries management, which contributed to the conduct of AFF research, development, and extension activities.

On the distribution of land under the *Comprehensive Agrarian Reform Program (CARP)* and parcelization of collective certificate of land ownership awards (CLOAs), *ConVERGE* distributed individual CLOAs to 7,327 agrarian reform beneficiaries (ARBs) while the *Support for Parcelization of Land for Individual Titling (SPLIT)* distributed 50,497 collective CLOAs to 331,341 validated ARBs.

In terms of support to registered fisherfolk, the *Fisheries, Coastal Resources, and Livelihood Project (FishCORAL)* provided livelihood projects for 24,188 out of 219,959 registered fisherfolks, while the Fish Right Program assisted the Bureau Of Fisheries And Aquatic Resources in establishing Fisheries Management Area (FMA) Boards in three regions and an FMA Plan in one region.

Through the *ConVERGE* project, 1,678 farmers accessed PHP70.02 million agricultural production credit from 2018 to 2021 through the 21 agrarian reform beneficiary organizations (ARBOs) for production and working capital needs. This is in support of increasing access to innovative, affordable, and adequate financing.

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<sup>43</sup> Page 7, Chapter 1 <https://pdp.neda.gov.ph/updated-pdp-2017-2022/>

## Chapter 9: Expanding Economic Opportunities in Industry and Services through *Trabaho and Negosyo*

*Access to economic opportunities in Industry and Services for startups, micro, small and medium enterprises (MSMEs), and cooperatives across regions including the digital economy expanded*

To improve MSMEs' access to production networks, 21 Negosyo Centers in 21 provinces were established under the *Rural Agro-enterprise Partnership for Inclusive Development and Growth (RAPID Growth)* Project of the Department of Trade and Industry. In addition, the project assisted 78,000 farming households in preparing detailed investment plans which will facilitate the farmers' participation in global value chain by transforming them from mere producers of raw materials to producers of processed products.

## Chapter 10: Accelerating Human Capital Development

*Human capital development transformed towards greater agility*

Projects by the Department of Health and Department of Education helped achieved specific sector objectives in Chapter 10. Grant projects under the *Development Objective Agreement: Improved Health for Underserved Filipinos (DOAg IHUF)* of the USAID contributed to guaranteeing care at all life stages and ensuring responsive and resilient health system, with 87 percent of service delivery sites provided with family planning counseling and/or services and maintaining a 10.7 percent average stockout rate of contraceptives at service delivery points by family planning method. The *DOAg IHUF* also decreased tuberculosis (TB) incidence by facilitating 7,602 drug-resistant TB notifications and an 80 percent drug-resistant TB treatment success rate.

The following projects contributed to ensuring a responsive and resilient health system: (a) *Philippines COVID-19 Emergency Response Project (PCERP)* - 50 units of RT-PCR machines procured under the project delivered to recipient facilities; and (b) *Health System Enhancement to Address and Limit COVID-19 (HEAL)* - eight RT-PCR machines procured which will be installed in two Biosafety Laboratories Level 2 (BSL2) upon completion of construction.

To achieve quality, accessible, relevant, and liberating basic education for all, the following projects contributed to the increase in enrolment rate: (a) under the *Senior High School Support Program (SHSSP)*, the Senior High School gross enrollment rate rose to 90.6 percent in SY 2021-2022, which was 11.4 percent higher than the SY 2020-2021 baseline of 79.2 percent; (b) the enrollment rate of deaf and blind students tripled in the project areas of *Gabay: Strengthening Inclusive Education for Blind/Deaf Children Project (GABAY)*; (c) through the *Education Pathways to Peace in Mindanao (PATHWAYS)*, 5,606 disadvantaged learners received education and 1,021,899 K-12 learners benefitted from the adaptive learning materials (ALMs); and (d) the *Advancing Basic Education in the Philippines ABC+* project produced 23.7 million learning materials to help address the low education outcomes in the poorest performing areas of the Philippines.

## Chapter 11: Ensuring Food Resiliency and Reducing Vulnerabilities of Filipinos

*Food resiliency ensured and vulnerabilities of Filipinos reduced*

The three projects of Department of Social Welfare and Development, namely the *Social Welfare Development Reform Project – Second Additional Financing (SWDRP II-AF)*, *Expanded Social Assistance Project (ESAP)*, and *Beneficiary FIRST Social Protection Project*, contributed to increasing the number of conditional cash transfer (CCT) beneficiaries covered in the Pantawid Pamilyang Pilipino Program (4Ps). As of December 2022, 4.34 million households were registered to 4Ps, which equates to 98.64 percent<sup>44</sup> of the 4.40 million target registered active households.

**ODA under the *Patuloy na Pag-unlad* pillar were geared towards strategies that aim to reap the demographic dividend.<sup>45</sup>**

## Chapter 13: Reaching for the Demographic Dividend

*Demographic dividend reached across all regions*

The *HEAL* and *PCERP*, including their succeeding additional loan financing, have played a significant role in reducing mortality rate of the population during the height of the pandemic by facilitating the procurement and administration of COVID-19 vaccines to the eligible population, and providing personal protective equipment and medical equipment that are crucial in responding to severe cases of COVID-19.

**ODA likewise supported strategies that promote healthy competition.**

## Chapter 16: Promoting Competition

*Market efficiency improved*

The *Capacity Building to Foster Competition Project*, led by the Philippine Competition Commission, has been actively conducting various capacity-building activities and mobilization of scholars towards strengthening the government's ability to effectively enforce competition policy. As of December 2022, the project was able to establish three out of its six target competition-related training programs, enroll 20 PhD and MA level fellows, and conduct 115 of its planned 200 short-term secondments and non-degree trainings, among others.

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<sup>44</sup> Midterm review mission of the Beneficiary FIRST held on May 23-31, 2023

<sup>45</sup> Page 7, Chapter 1 <https://pdp.neda.gov.ph/updated-pdp-2017-2022/>

## ODA for accelerating infrastructure development and addressing environmental concerns aimed to strengthen the foundations for sustainable development.<sup>46</sup>

### Chapter 19: Accelerating Infrastructure Development

#### *Access to economic opportunities including the digital economy increased*

Several ODA projects also contributed to the improvement of mobility and access to economic opportunities through the construction of transport and social infrastructures.

**Road transport.** A total of 248.97-kilometer road networks were built or rehabilitated by Department of Public Works and Highways through the *Central Luzon Link Expressway Project Phase I (CLLEX)*, *Road Upgrading and Preservation Project (RUPP)*, and *Arterial Road Bypass Project Phase III (ARBP III)*. Particularly, the road sections under CLLEX Phase I and RUPP have reportedly reduced land travel time by at least half compared to that when using existing alternative road corridors.

In addition, a total of 1,486.23-kilometer FMRs have been completed across the country through the *Philippine Rural Development Project (PRDP)* of the Department of Agriculture (DA) and *ConVERGE* Project of the Department of Agrarian Reform.

**Rail transport.** Ridership in the existing rail lines have increased with the extension of LRT Line 2 up to Antipolo City and with the rehabilitation of MRT Line 3. In 2022, the combined total ridership for the two new LRT Line 2 stations in Marikina-Pasig and in Antipolo reached 7,410,195 passengers. Moreover, the newly rehabilitated MRT Line 3, which was inaugurated in February 2022, also recorded a year-on-year increase in ridership from 177,684 passengers in December 2021 to 300,085 in December 2022.

**Air transport.** Movement via air also improved in the Bohol province with the operation of the *New Bohol Airport Construction and Sustainable Environment Protection Project* since 2018. In 2022, 1.13 million passengers for domestic flights and 55,420 passengers for international flights were serviced by the new airport.

**Irrigation.** The *PRDP* of DA, and *Jalaur River Multipurpose Project Stage II* and *INREMP-BMCRRP* of NIA covered a total of 13,749.35 hectares of irrigation areas as of 2022.

<sup>46</sup> Page 7, Chapter 1 <https://pdp.neda.gov.ph/updated-pdp-2017-2022/>



## Chapter 20: Ensuring Ecological Integrity, Clean, and Healthy Environment

*Ecological integrity and socioeconomic resilience of resource-dependent communities improved*

The implementation of the *Forest Management Project* by the Department of Environment and Natural Resources is among the strategies of the government for sustaining biodiversity and ecosystem services. In 2022, DENR reported that through the project, the percentage of degraded forestlands decreased from 70 to 60 percent and open access areas were reduced from 75 to 29 percent in the three critical river basins of Upper Magat and Cagayan, Upper Pampanga, and Jalaur. The income of people's organization in the project areas increased by 69 percent (based on third-party validation) and 85 Agroforestry Support Facilities (ASFs) were completed as of 2022, providing access to markets and expanding volume of agricultural production.

In support of improving environmental quality, two treatment, storage, and disposal facilities located in Bagong Silang, Caloocan and Dampalit, Malabon have been established and are operational from the implementation of the Polychlorinated Biphenyl Management Program with Electric Cooperatives and Safe E-Waste Management (PCB-WEEE).

A licensing system to limit the consumption of the ozone-depleting substance (ODS) hydrochlorofluorocarbon was also established through the ODS-Institutional Strengthening Project – Phase XII.

### 4.2. Results Reported in Recently Completed Studies on ODA-funded Programs and Projects

Implementing agencies and development partners, whether individually or jointly, conduct reviews and studies to assess the results of ongoing and completed programs and projects financed by ODA and report the outcomes and impacts emanating from these interventions. These results contain lessons to inform future policy actions for improved project design, management, and implementation. Completed evaluation studies of programs and projects across various sectors provided insights on strengthening and sustaining efforts for the continuous improvement of programs and projects funded by ODA towards achieving their intended outcomes. The use of evaluation findings also enhances transparency on the use and management of funds and accountability in terms of ensuring that expected benefits are provided to intended project beneficiaries.

There are four reviews and studies completed in 2022. The findings of said reviews/studies are presented in detail in **Annex 4-B**.



# 5

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## **Lessons Learned and Recommendations**



## 5.1. Lessons Learned

This section provides valuable insights and lessons from experiences in project implementation, to enhance the design, planning, implementation, monitoring, and evaluation of ODA projects.

During the implementation of various ODA-funded programs and projects, several challenges were encountered, including issues related to government and funding institution approvals, design, scope, and technical specifications, procurement processes, site conditions and availability, budget and funds flow, inputs and costs, contractor and consultant performance, project management office (PMO) workforce and capacity, institutional support, legal policies and issuances, and sustainability considerations.

**Government and/or funding institution approvals.** Fifteen projects faced challenges in obtaining approvals from government and funding institutions. To address these, IAs need to organize regular implementation review meetings involving the NEDA, development partners (DPs), other national government agencies (NGAs), and relevant stakeholders to seek guidance and clarification on specific requirements for obtaining necessary approvals. Agencies should ensure that project activities are aligned with the established policies and guidelines of DPs, particularly in areas such as environmental and social safeguards, integrating them seamlessly into the project scope.

**Budget and funds flow.** The implementation of 20 projects experienced significant delayed fund releases. To mitigate this issue, IAs should establish close coordination with their budget and finance units, as well as the relevant operations bureau of the DBM, to ensure that budget-related documents and requirements are prepared and complied with in a timely manner.

**Inputs and costs.** Twelve projects encountered challenges related to inputs and costs. Recognizing potential increases in mobilization, labor, and material costs, the concerned agencies should consider contingency measures to be considered as early as the project design phase and update the same if necessary. It is essential to conduct diligent market research to accurately assess the cost of goods and equipment.

**Procurement.** Seventeen projects encountered procurement-related issues. To address these, the Terms of Reference, with appropriate technical specifications, market research, pre-bid conferences involving PMOs, local government units (LGUs), and potential bidders, should be prepared early.

It is crucial for implementing units to adhere to the DBM regulations regarding requests for budget appropriation when planning early procurement activities to better manage issues and ensure a smooth process.

**Site condition and availability.** Twenty-three projects encountered issues related to road right-of-way (RROW) and site availability and conditions. Effective coordination and communication with project affected families (PAFs) and other stakeholders played a

crucial role in formulating compensation packages and acquiring the necessary RROW. It is essential for IAs and LGUs to support landowners in securing the required documentation regarding property ownership before commencing civil works. Memoranda of Agreement (MOAs) with relevant government agencies serve as a mechanism to define and formalize their roles in RROW, site acquisition, PAF resettlement, and utility relocation. Additionally, identifying alternative project sites during the planning stage provides a valuable contingency plan in case feasibility or availability issues arise with the original site.

**Design, scope, or technical specifications.** Twelve projects encountered challenges related to design, scope, or technical requirements. Valuable lessons learned from these issues include: (a) ensuring the availability of baseline data for setting reliable targets; (b) conducting consultations with affected LGUs and involving local executives during project conceptualization to avoid institutional opposition during implementation; (c) strengthening marketing activities to enhance competitiveness compared to similar programs; (d) incorporating climate-resilient features in project design to mitigate climate change risks; and (e) integrating sustainability measures into capacity-building projects through the establishment of knowledge hubs, learning resource centers, communities of practice, and retaining trained personnel for coaching and mentoring.

**Performance of contractor or consultant.** Eight projects encountered issues related to the performance of engaged contractors or consultants. Frequent iterations in the original contract and issuance of several requests for time extensions due to limited workforce, availability of supply, lack of equipment, among others, may indicate subpar performance of hired contractors, which could lead to eventual contract suspension or termination. IAs or PMOs should tighten the selection criteria for contractors at the planning stage to prevent future delays in delivering quality outputs.

**PMO workforce and capacity.** Six projects encountered manpower and capacity issues. The lack of required familiarity with the procurement processes, financial and operational guidelines of DPs prolonged coordination between IAs or PMOs and DPs and subsequently affected the overall timeliness of project implementation. In addressing the cited issues, agencies determined the importance of having well-oriented staff on project management (e.g., procurement, contract, financial, operational, communication, planning, monitoring and evaluation) and awareness of processes and guidelines of DP.

**Institutional support.** Eleven projects experienced issues related to institutional support. One highlighted the disengagement of local chief executives, the *Sangguniang Bayan*, and other local stakeholders who refused to sign partnership or cooperation documents (e.g., MOA, memorandum of understanding, letter of intent) due to delayed release of funds necessary for LGUs to implement community-driven development (CDD) projects. The availability and timely release of funds is critical to sustain the engagement of the targeted LGUs as implementing partners of CDD projects. Further, stakeholder engagement through consultation sessions with the Local Chief Executives (LCE) and constituents, proved essential in providing context on local priorities and socioeconomic conditions of LGUs toward promoting project ownership.

**Legal policy and issuances.** Two projects encountered legal- or policy-related issues. In coordination with the concerned government agencies and LGUs, the proponent agency must develop appropriate guidelines covering the acquisition of properties with existing gas stations and/or industries that handle hazardous, flammable, or toxic wastes which would be affected by railway projects, specifically for the construction of subways, consistent with existing relevant laws and policies.

## 5.2. Recommendations

**Expedite preparation of proposals and requests to DBM for budget allocations for ODA-funded projects.** In cases where ODA projects received lower appropriations than their budget allocations in the FY 2023 General Appropriations Act (GAA), IAs should expedite the preparation of proposals for special budget allocation under the FY 2023 Unprogrammed Appropriations. These requests should adhere to the special provisions outlined in the FY 2023 GAA regarding Support for FAPs, Support for Infrastructure Projects and Social Programs, and ROW Acquisition, as applicable. The requested amounts should be for projects or contracts that are ready for implementation and meet DBM requirements. The disbursed budget should be utilized within 2023 or until the allotted release validity expires.

DBM may provide guidance and support to IAs in fulfilling the requirements for the timely release of budget items under the unprogrammed appropriations, ensuring smooth implementation of ongoing ODA loan-funded projects. IAs must also promptly submit FY 2024 budget proposals to the DBM to secure budget availability for both new and ongoing projects in 2024.

**Enact legislative measures to institutionalize reforms that would promote fiscal discipline towards delivering results of ODA-funded interventions in a timely, predictable, and cost-effective manner.** President Ferdinand Romualdez Marcos, Jr. identified the Budget Modernization Bill as a priority legislation during his first State of the Nation Address in July 2022. The bill aims to institutionalize the cash-based budgeting system to expedite project implementation and improve accountability by limiting obligations and disbursements to the fiscal year, reducing longstanding issue of delayed implementation within the bureaucracy. The proposed measure aims to strengthen the budgeting process by requiring line agencies to undergo extensive preparation and rigorous planning when submitting budget proposals. By identifying budgetary requirements in a thorough and disciplined manner, the measure also intends to enhance the efficiency and effectiveness of resource allocation, including for ODA. This is expected to enhance public service delivery and foster greater accountability in the use of public funds.

**Ensure that ODA-funded programs and projects are duly funded to sustain their successful implementation and maximize their developmental impact.** To successfully implement and maximize the developmental impacts of ODA-funded programs and projects, it is crucial to prioritize their adequate funding. This involves recognizing the importance of agencies' absorptive capacities or budget utilization in securing funds necessary to carry out program and project activities. Robust absorptive capacities

enable agencies to effectively utilize allocated funds, ensuring the timely and efficient implementation of ODA interventions. By demonstrating their capacity to absorb funds and effectively execute projects, agencies can gain the confidence and backing of both DBM and Congress in appropriating required funds for ODA interventions, leading to continued and sustained implementation of said initiatives.

**Prepare and secure availability of project sites before commencing civil works.**

Agencies should ensure that issues concerning site readiness and ROW acquisition are resolved before procuring project equipment and initiating construction activities to avoid delays in implementation. It is important to strictly adhere to timelines for the development and execution of the land acquisition and resettlement plan, while maintaining effective communication with project affected families and utility providers for utility relocation, if necessary.

**Ensure early coordination among concerned IAs, DPs, and LGUs to facilitate timely issuance of necessary approvals and permits.** This includes Special Presidential Authority (SPA), Certification Precondition for the Free, Prior and Informed Consent (FPIC), Environmental Compliance Certificate (ECC), Special Use Agreement in Protected Areas (SAPA), and relocation of affected utilities, as applicable.

**Continuously conduct capacity-building activities for PMOs in all aspects of project development and management.** Agencies should strengthen capacities in terms of project viability assessment, preparation of detailed investment plans or subproject proposals, management of project information systems, procurement, contract management, financial management, participatory monitoring and evaluation, among others.

**Facilitate timely implementation of procurement activities.** Agencies should assess perennial procurement issues and identify actions to expedite resolution of procurement delays. PMOs or IAs should integrate relevant lessons and strategies gained from previous terminated contracts in the revised procurement plan.

The conduct of regular training of the IAs or PMOs and DPs on procurement processes and guidelines applicable to the project, mitigates implementation bottlenecks. Strengthening PMO capacity on procurement hastens the procurement process and assures that these are carried out in accordance with the Philippine Government's legal frameworks and policies.

**Engage project stakeholders for effective implementation of projects.** To carry out project activities efficiently, PMOs or IAs need to prioritize securing the commitment of LGUs and implementing partners, closely monitor community-led activities through regular inspections and field visits and provide necessary technical assistance to the beneficiaries. It is also important for agencies to maintain an updated list of alternative beneficiaries based on project eligibility criteria, particularly for cases wherein beneficiaries have expressed their intention to waive participation, with due consideration of the remaining implementation period of the said interventions.

**Improve gender-responsiveness of ODA-funded programs and projects.** Three strategies can be conducted to improve the gender-responsiveness of ODA programs and projects. First, gender analysis of project implementation to assess different needs, roles, benefits, impacts, risks, and access to and control over resources of women and men in ODA projects. Second, consultations with key stakeholders and beneficiaries on gender-related issues that surfaced during project implementation, gathering inputs on and identifying corrective measures through a gender action plan to improve the gender-responsiveness. Third, continuous capacity building of project staff on gender and development mainstreaming to ensure the robust collection, analysis, and utilization of gender-specific data and information.

**Prioritize the development and implementation of comprehensive catch-up plans for projects experiencing delays.** This involves fostering close coordination among IAs, oversight agencies and other NGAs, DPs, LGUs, and other stakeholders to ensure timely delivery of target outputs and adherence to financial management requirements within the specified completion timeframe. For projects involving multiple IAs, it is vital to establish effective multi-agency convergence to successfully achieve major outputs. Clear communication and diligent execution of roles and responsibilities among the IAs are essential. Furthermore, close coordination between IAs and DPs is critical for processing replenishments to project special accounts that have pending billings and payments charged against the loan proceeds.

**Sustain gains derived from innovative mechanisms in project management that were implemented during the pandemic.** The COVID-19 pandemic necessitated the adoption of innovative coordination and communication mechanisms by agencies to ensure uninterrupted collaboration among project stakeholders and LGUs. These measures included: (a) leveraging online platforms for virtual consultation and coordination meetings; and (b) utilizing information technology tools like remote sensing and geo-tagging to connect stakeholders and gather data from remote project areas. These innovative approaches mitigated the adverse effects and reduced the risks associated with *force majeure* events during project implementation.

**Ensure appropriate execution of M&E activities and compliance with reporting requirements and timelines.** Whenever necessary, IAs or executing agencies may enhance their existing monitoring systems to expand coverage and improve specificity of relevant monitoring data. For newly implemented projects, agencies should establish appropriate M&E systems and mechanisms in partnership with other IAs and DPs, provide institutional support, and allocate adequate resources for M&E activities. For the continuous and effective monitoring of all ongoing ODA-assisted programs and projects as mandated by the ODA Act, it is vital for PMOs or IAs to ensure regular and punctual submission to NEDA of project updates highlighting the physical and financial accomplishments consolidated at the project level. Reporting should be improved specifically on issues encountered, progress, actions being taken on approved catch-up plans, risk mitigation measures, and project outcomes and results and their contribution to the achievement of relevant outcome indicators in the Philippine Development Plan Results Matrices.

IAs and oversight agencies must actively participate in project implementation review meetings and review missions organized by DPs as venues to discuss implementation progress, actions to be taken for the swift resolution of implementation issues, and ways forward to improve project performance.

In preparation for project completion, IAs should commence the preparation of Project Completion Reports (PCRs) approximately six months before the actual loan and grant closing date and project completion date. Furthermore, IAs should maintain continuous monitoring and reporting on projects that are still unfinished at the time of loan or grant closing. They may also consider subjecting completed projects for further evaluation or impact studies in accordance with the Joint Memorandum Circular 2015-01 (National Evaluation Policy Framework) issued by NEDA and DBM on July 15, 2015. The conduct of evaluation studies helps validate the effectiveness of interventions and take stock of lessons learned as input to future project planning and programming. Oversight agencies are encouraged to have continuous knowledge sharing on their M&E systems and templates to avoid duplication of reporting of project performance.

At the end of the life cycle of programs and projects, IAs should conduct proper evaluations to measure and analyze cause-effect links between programs and projects and their results. Utilizing evaluation findings requires IAs to formulate action plans and commit to implementing recommendations on improving policy, programs, and projects.

**Submit project restructuring requests in a timely manner for review and processing by the Investment Coordination Committee (ICC).** IAs are required to submit requests for project restructuring with complete and compliant ICC requisite documents to NEDA with at least six months lead time in consideration of the processing timelines of the ICC Secretariat, Department of Finance (DOF), ICC, and NEDA Board. For projects with requests for extension of implementation period, loan, or grant validity, agencies should submit their requests to NEDA at least six months before the latest ICC-approved implementation end date, loan, or grant closing date. Agencies should also continuously provide NEDA and other oversight agencies with copies of official communications on likely and ongoing project restructuring requests.

Implementing agencies may seek guidance and assistance from oversight agencies, as may be necessary, in complying with the ICC requirements to ensure timely processing of project restructuring requests. Moreover, NEDA, DOF, and DBM may provide regular updates regarding the status of related requests, and notify concerned agencies, when necessary, of any pending documents or actions for immediate compliance. IAs shall ensure prompt compliance to facilitate seamless implementation of projects with restructuring requests approved by the ICC subject to the conditions set by appropriate authorities.

**Review and assess existing financing policies in anticipation of the country's transition to upper middle-income country (UMIC) status which may have potential implications on access to ODA.** Four key measures are recommended for the country to respond and adapt as it moves forward to UMIC status. First, the country may explore and expand alternative financing mechanisms through domestic resource mobilization, private sector



participation, and public-private partnerships (PPPs). Supporting policies that promote PPPs and foreign direct investments helps the country leverage private sector resources and expertise. Moreover, borrowing in the international bonds market may be diversified across various markets and in different instrument formats to attenuate supply-related escalation in borrowing costs. These strategies can help bridge funding gaps and reduce reliance on ODA. Second, the capacity and stability of domestic financial institutions, such as banks and capital markets, can be strengthened by enhancing regulatory frameworks, proliferating financial sector reforms, and designing inclusive financial services. Third, prudent debt management strategies can ensure debt sustainability, monitor borrowing levels, and manage debt service obligations. These measures ascertain the government's financing needs and payment obligations will be met at the lowest possible costs consistent with an acceptable level of risks. Fourth, upholding good governance practices and transparency in financial management builds trust among investors, donors, and DPs, and enhances the country's credibility in accessing financing.

As the country reaches UMIC status, it is expected to maximize the use or availment of available ODA with favorable borrowing terms. With higher income level, the country's access to concessional financing can be reduced, highlighting the need for diverse financing options, strong domestic resource mobilization, and improved debt management practices.



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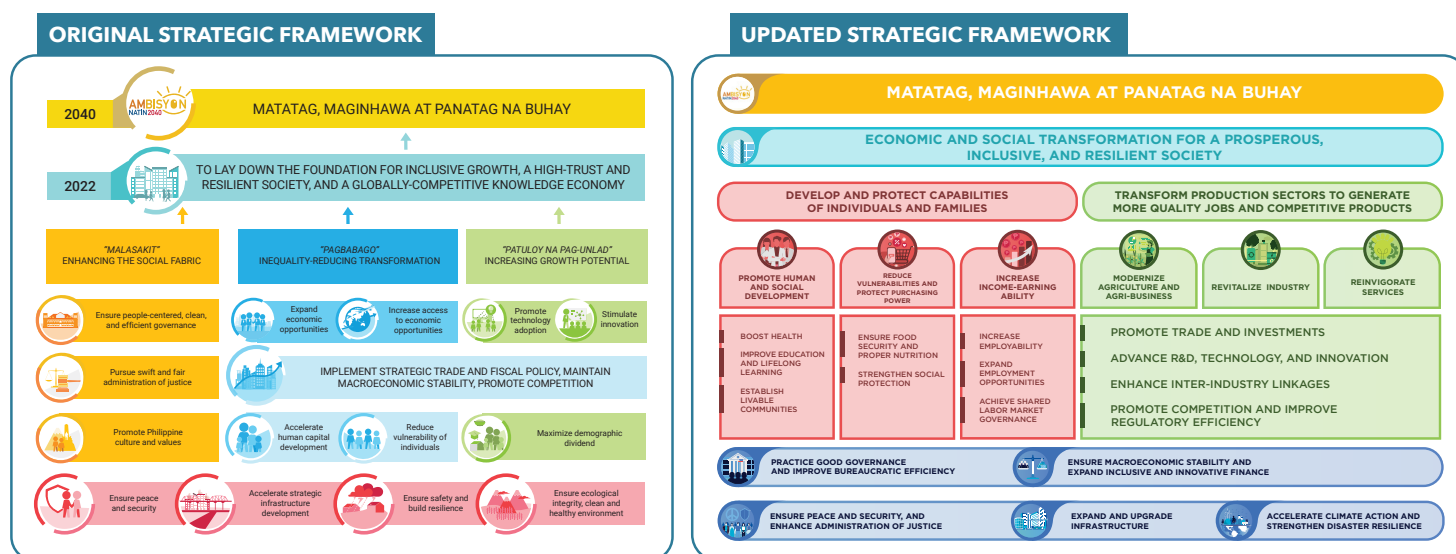
## **Assessment of the Contribution of the 2017-2022 ODA Loans Portfolio to the Objectives of the PDP 2017-2022**



The annual ODA portfolio review reports covering the 2017-2022 Plan period underscored the importance of ODA as a key component of the Philippine Government's fiscal policy for its development initiatives, as outlined in the strategies of the Philippine Development Plan (PDP) 2017-2022 and its midterm update (see **Figure 6.1**).

To illustrate the extent to which ODA supported the strategies outlined in the updated PDP 2017-2022, this section provides an overview of the assessment of key focus areas of ODA loans secured by the government during the period. It highlights the results achieved through the completion or ongoing implementation of programs and projects supported by ODA loans.

**Figure 6.1.** Comparison of the Original and Updated Strategic Framework of the PDP 2017-2022



The analysis focuses on the ODA loans portfolio,<sup>47</sup> which constitutes a significant portion of the country's ODA portfolio. On average, it represents about 92 percent of the total ODA commitment within the 2017-2022 Plan period, while the remaining eight percent accounts for ODA grants. The portfolio offers a reliable foundation as it has readily available baseline information and annual performance data, duly verified through the annual review process. Results from select impact, ex-post, or process evaluation studies conducted on these ODA loan-funded programs and projects are referenced in the succeeding discussions.

The framework for the assessment considers the following standard evaluation criteria of the Organization for Economic Co-operation and Development - Development Assistance Committee (OECD-DAC): (a) relevance (specific to strategic alignment of the ODA loans portfolio with the objectives and strategies outlined in the various chapters of the PDP); (b) coherence of the portfolio with DP's priority areas, spatial plans, and sector development

<sup>47</sup> The aggregate active portfolio from 2017-2022.

policies; (c) efficiency of portfolio implementation and the corresponding outputs delivered and their contribution to the likely achievement of PDP objectives; (d) effectiveness in terms of contribution of reported program and project outcomes to the achievement of PDP objectives; (e) impact through reported generation or extent of generation of higher-level effects; and (f) sustainability as the reported extent through which the net benefits of these programs and projects were likely to continue.

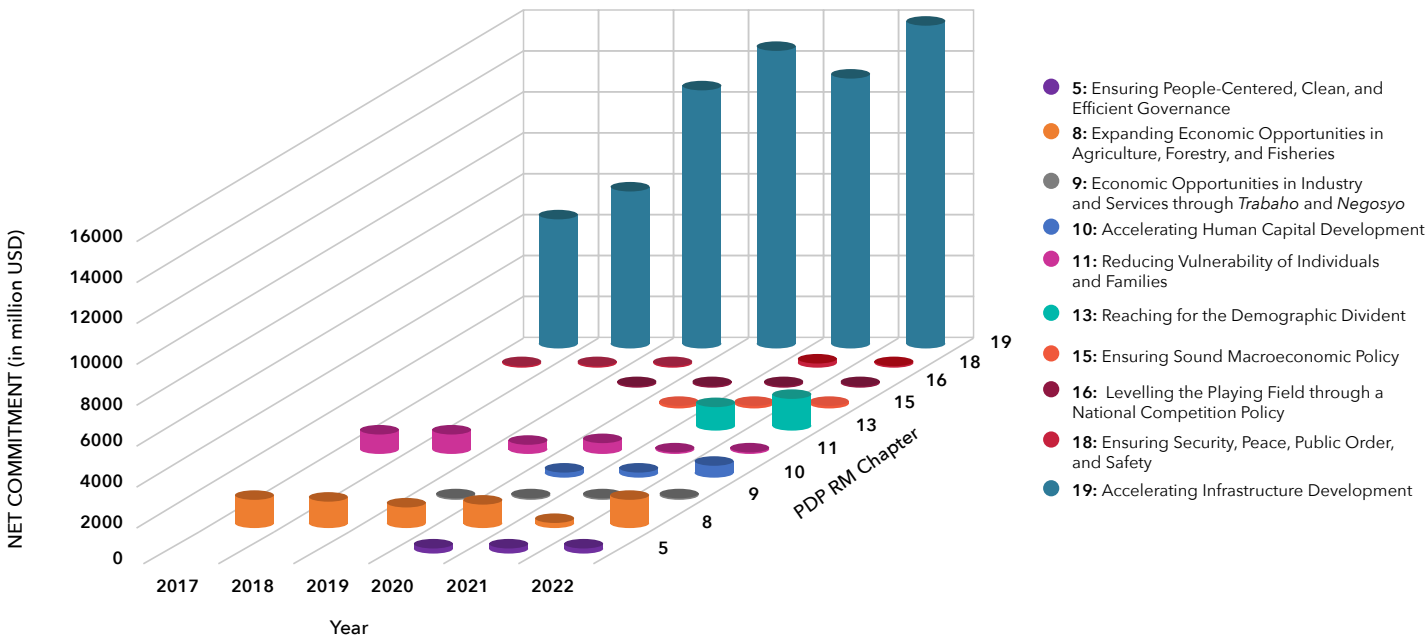
## 6.1. Relevance

### 6.1.1. Alignment of the 2017-2022 ODA loans portfolio with the PDP 2017-2022

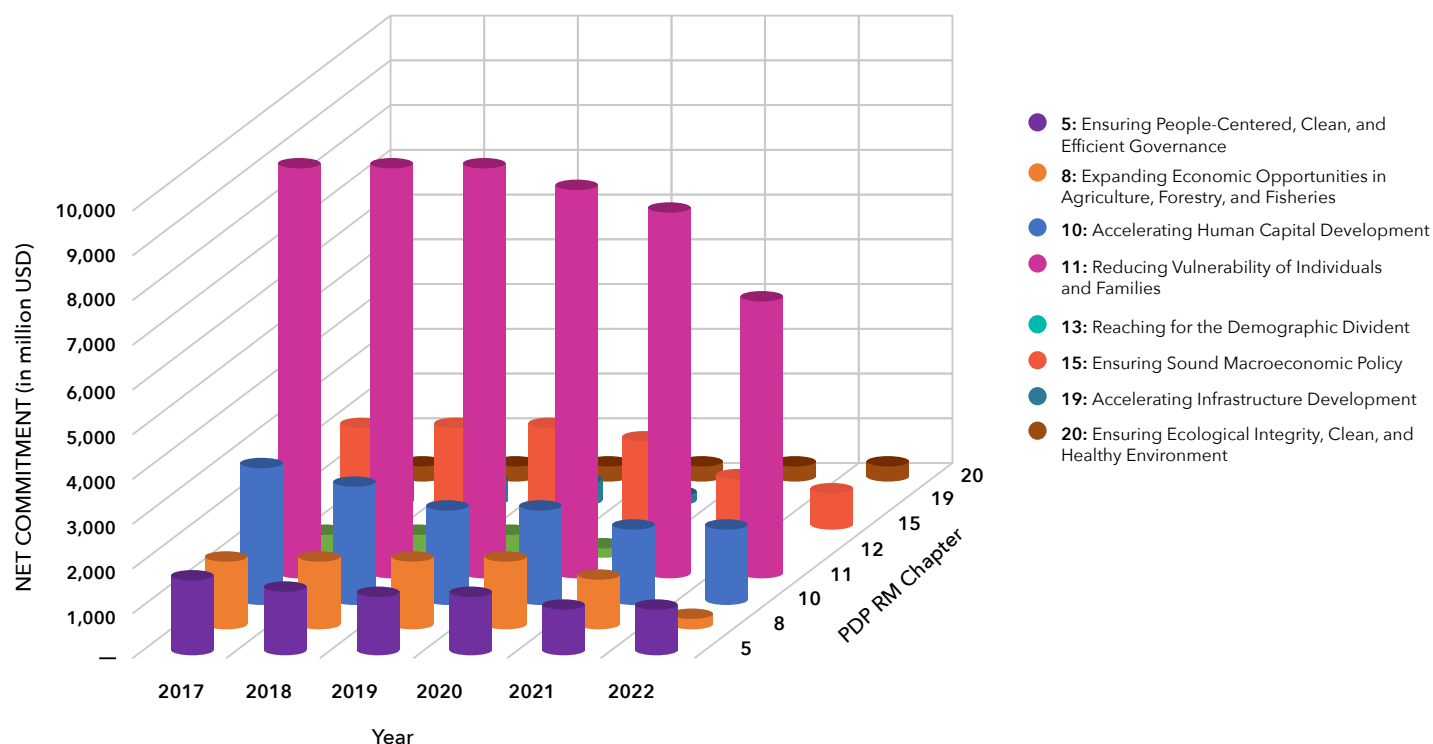
A total of 158 ODA loans comprised the 2017-2022 ODA loans portfolio, with an aggregate amount of USD41.33 billion. Within the portfolio, there were 107 ODA project loans with a net commitment of USD 22.83 billion as of the end of the Plan period. Additionally, the ODA program loans portfolio consisted of 51 program loans, with a net commitment of USD18.50 billion as of the same period.

The majority of the ODA project loans in this portfolio showed a strong strategic alignment with PDP Chapter 19: Accelerating Infrastructure Development (see **Figure 6.2**). A significant portion of the ODA program loans portfolio was strategically aligned with Chapter 11: Reducing Vulnerability of Individuals and Families (see **Figure 6.3**). Refer to **Table 6.1** in **Annex 6-A** for detailed information on the annual net commitments of the ODA program loans portfolio.

**Figure 6.2.** Distribution of ODA Project Loans during the 2017-2022 Plan Period, per PDP Chapter

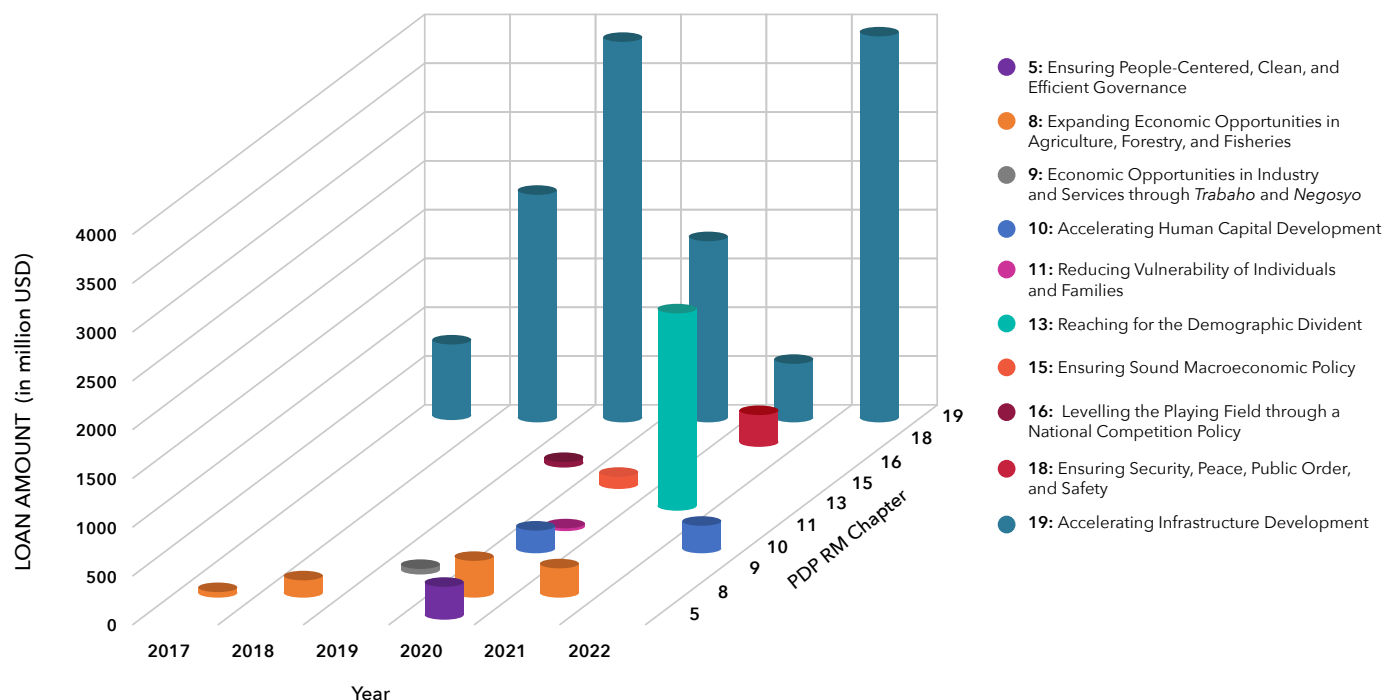


**Figure 6.3.** Distribution of ODA Program Loans during the 2017-2022 Plan Period, per PDP Chapter

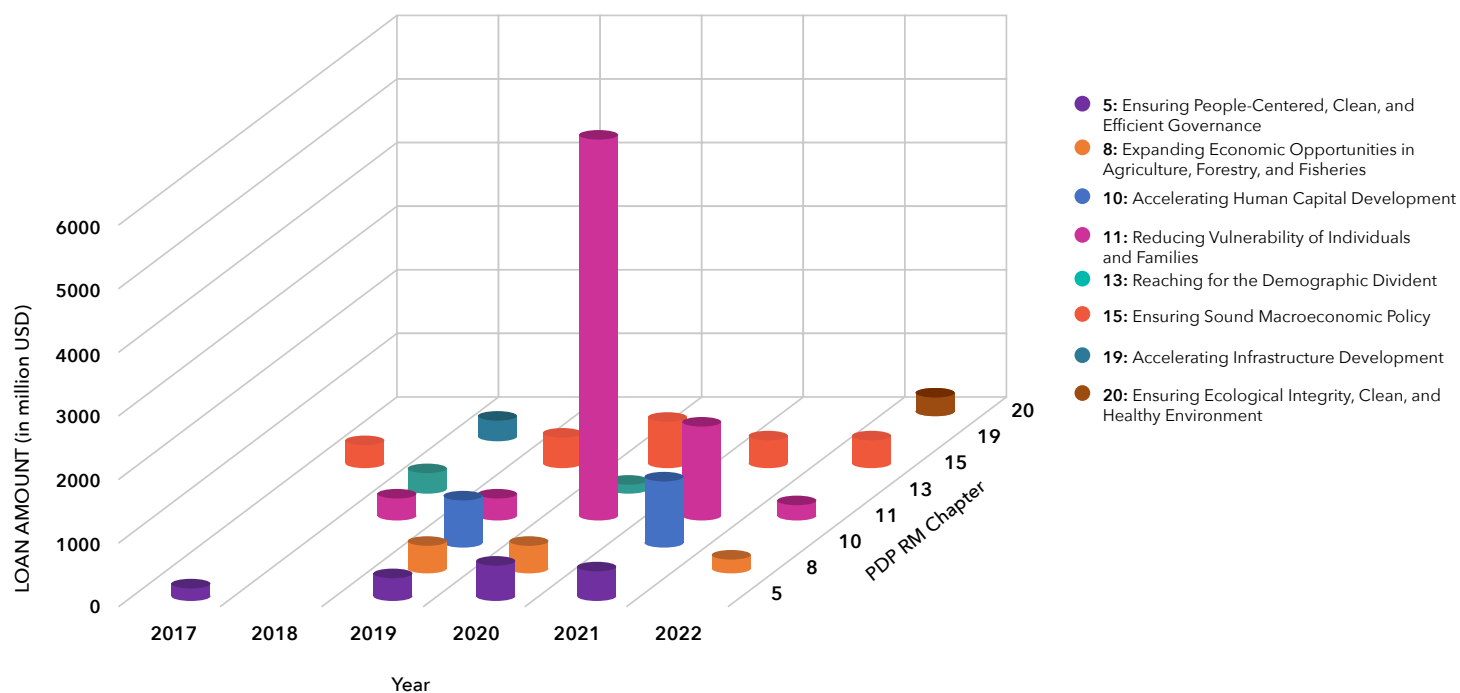


Throughout the 2017-2022 Plan period, there were consistent inflows of new ODA loans for two specific chapters of the PDP, in addition to the continued alignment of loans obtained prior to the said period. As shown in **Figure 6.4**, majority of new project loans acquired within the 2017-2022 Plan period were directed towards Chapter 19. Similarly, **Figure 6.5** highlights a notable increase in new ODA program loans for Chapter 11 in 2020, in response to the impact of the COVID-19 pandemic. Refer to **Table 6.2** in **Annex 6-A** for the list of new ODA program and project loans and their strategic alignment with the PDP.

**Figure 6.4.** New Project Loans Secured Annually within the 2017-2022 Plan Period, per PDP Chapter

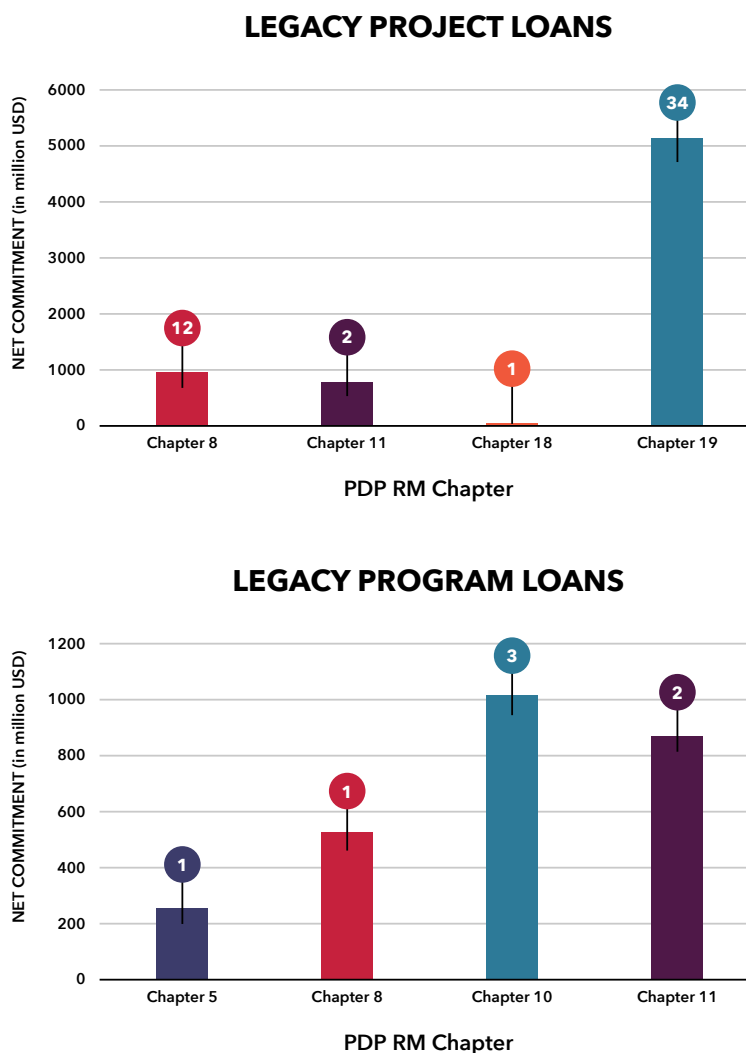


**Figure 6.5.** New Program Loans Secured Annually within the 2017-2022 Plan Period, per PDP Chapter



When comparing legacy ODA loans (i.e., ODA program and project loans acquired prior to the 2017-2022 Plan period) (see **Figure 6.6**), it is noteworthy that project loans were strategically aligned with Chapters 8 (Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries and Ensuring Food Security), 11 (Reducing Vulnerability of Individuals and Families), 18 (Ensuring Security, Public Order, and Safety), and 19 (Accelerating Infrastructure Development). Meanwhile, legacy program loans demonstrated alignment with Chapters 5 (Ensuring Responsive, People-centered, Technology enabled, and Clean Governance), 8, 10 (Human Capital Development Towards Greater Agility), and 11. Refer to **Table 6.3** in **Annex 6-A** for the list of legacy program and project loans and their strategic alignment with the PDP.

**Figure 6.6.** Magnitude of Legacy Program and Project Loans within the 2017-2022 Plan Period, per Chapter of the PDP



The composition of the ODA program and project loans portfolio from 2017 to 2022 further contextualized these trends on its strategic alignment with the PDP 2017-2022.

### 6.1.2. Strategic and sectoral alignment of active ODA project loans within 2017-2022 with the largest share of net commitment

The 20 loans supporting 18 projects (18% of the total project loans portfolio) (see **Table 6.4**) that account for the largest share of net commitment (i.e., loan amount less cancellations) in this portfolio are under the following sectors: Agriculture, Agrarian Reform, and Natural Resources (AARNR); Infrastructure Development (INFRA); Social Reform and Community Development (SRCD); and Industry, Trade, and Tourism (IT&T).

**Table 6.4.** Top 20 ODA Project Loans in terms of Net Commitment for the 2017-2022 Period

No.	Project Loan Title	Sector	Net Commitment (in USD million)
1	Metro Manila Subway Project Phase I (Tranche II)	INFRA	1,791.93
2	South Commuter Railway Project	INFRA	1,750.00
3	North-South Commuter Railway Project	INFRA	1,711.88
4	NSCR System - Malolos - Clark Railway Project	INFRA	1,300.00
5	NSCR System - North - South Commuter Railway Extension Project (I)	INFRA	1,182.79
6	Cebu-Mactan Bridge (4th Bridge) and Coastal Road Construction Project	INFRA	843.41
7	Metro Manila Subway Project Phase I	INFRA	739.46
8	Philippines COVID-19 Emergency Response Project - Additional Financing	SRCD	500.00
9	KALAH-I-CIDSS National Community-Driven Development Project	SRCD	439.00
10	Philippine Rural Development Project	AARNR	412.33
11	Cov19: Second Health Enhancement to Address and Limit COVID-19	SRCD	400.00
12	Improving Growth Corridors in Mindanao Road Sector Project	INFRA	380.00
13	Support for Parcelization of Land for Individual Titling (SPLIT) Project	AARNR	370.00
14	KALAH-I-CIDSS National Community Driven Development Program	SRCD	354.08
15	Samal Island-Davao City Connector Project	INFRA	329.14
16	Capacity Enhancement of Mass Transit Systems in Metro Manila	INFRA	305.97
17	Seismic Risk Reduction and Resilience Project	IT&T	300.00
18	Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility Project (HEAL 2)	SRCD	300.00
19	Philippines COVID-19 Emergency Response Project - Additional Financing 2	SRCD	300.00
20	Additional Financing for the KALAH-I-CIDSS National Community Driven Development Project	SRCD	300.00

**ODA loans financing transport infrastructure projects aligned with or clearly supported the Plan's aim to accelerate infrastructure development (Chapter 19 of the PDP 2017-2022).** Among the 20 project loans, ten were allocated to transportation projects (land, air, maritime, and safety and security), with a total net commitment of USD9.95 billion, representing nearly half (44%) of the total net commitment of the 2017-2022 project loans.

**ODA loans in the latter half of the Plan period supported the government's comprehensive response to the COVID-19 pandemic.** The updating of the PDP 2017-2022 considered the achievements made prior to the pandemic, while also formulating strategies for recovery from the effects of the widespread impacts of the pandemic and adapting to the new normal. Notably, the four ODA loan-funded SRCD projects (HEAL, HEAL 2, PCERP AF, and PCERP AF-2) specifically dedicated to addressing the challenges posed by the COVID-19 pandemic encompassed initiatives aimed at overcoming the obstacles brought about by the pandemic that hindered the realization of the full potential of the Filipino people (see Chapter 10 of the updated PDP 2017-2022).

**The ODA-funded KALAH-CIDSS<sup>48</sup> supported the overarching national objective of reducing vulnerabilities among the Filipino population.** In addition to the COVID-19 response loans, the remaining SRCD project among the 20 project loans with substantial net commitment is the KALAH-CIDSS National Community-Driven Development Project. The project aimed to provide comprehensive support to target communities throughout the country, with the primary objective of improving the poor and disaster-affected communities' access to basic social services and infrastructure. This is consistent with the government's focus on proactively minimizing Filipinos' exposure to risks and increasing their capacities to manage shocks, particularly on natural disasters (see Chapter 11 of the updated PDP 2017-2022).

**ODA loans supporting projects in the AARNR sector were responsive with the government's agenda to promote rural and value chain development towards increasing agricultural and rural enterprise productivity and rural tourism.** In particular, the Philippine Rural Development Project (PRDP) aimed to increase rural incomes and enhance farm and fishery productivity in the targeted areas by supporting changes in agricultural and fisheries practices and financing priority local investments in rural infrastructure such as farm to market roads. The objectives of the project are aligned with the country's strategy to adopt a holistic value chain approach.

### **6.1.3. Strategic and sectoral alignment of active ODA program loans within 2017-2022 with the largest share of net commitment**

The 12 program loans (about 20% of the total program loans portfolio) with the largest share of net commitment (see **Table 6.5**) are program loans supporting the SRCD and

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<sup>48</sup> Two projects supported by three loans.



Governance and Institutions Development (GID) sectors which were either geared towards the government's initiatives on responding to COVID-19, addressing natural hazards and providing safety nets, or human capital development (see Chapter 5, 8, 10, and 11).

**Table 6.5.** Top 12 ODA Program Loans in terms of Net Commitment for the 2017-2022 Period

No.	Loan Title	Sector	Net Commitment (in USD million)
1	COVID-19 Active Response and Expenditure Support Program (AIIB)	GID	750.00
2	Build Universal Health Care Program	SRCD	600.00
3	Philippines Promoting Competitiveness and Enhancing Resilience to Natural Disasters Sub-Program 3	GID	600.00
4	Promoting Competitiveness and Enhancing Resilience to Natural Disasters Sub-program 2 Development Policy Loan	GID	600.00
5	Beneficiary First Social Protection Project Component 1-Program	SRCD	580.00
6	COVID-19: Disaster Resilience Improvement Program	GID	500.00
7	COVID-19 Active Response and Expenditure Support Program (ADB)	GID	500.00
8	Expanded Social Assistance Project	SRCD	500.00
9	Fourth Disaster Risk Management Development Policy Loan with a Catastrophe-Deferred Drawdown Option	GID	500.00
10	Philippines Emergency COVID-19 Response Development Policy Loan	GID	500.00
11	Second Disaster Risk Management Development Policy Loan with a CAT-DDO	GID	500.00
12	Third Disaster Risk Management Development Policy Loan (DRMP DPL 3)	GID	500.00

## 6.2. Coherence

### 6.2.1. Coherence of Country Partnership Strategies of DPs with the thrusts of the PDP 2017-2022

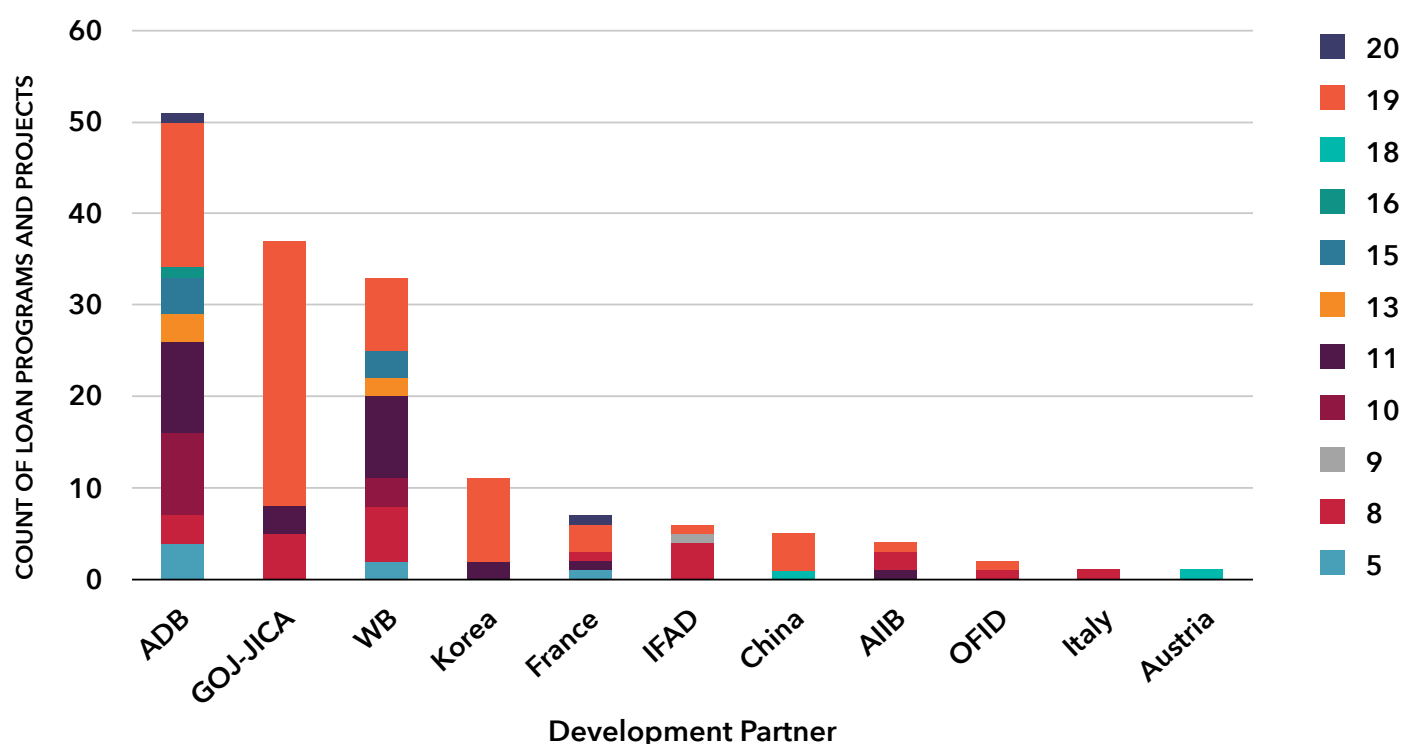
The strategic alignment of the Plan period ODA loans portfolio reflects a level of coherence between the country partnership strategies (CPS) and priority areas of ODA loan DPs and the PDP 2017-2022. During ODA programming, DPs identify priority sectors and regional areas of cooperation in their country partnership frameworks and strategies, which are expected to support the partner country's national development strategy. These CPS aligned with the PDP 2017-2022 in the case of the Philippines as affirmed through the 2018 Philippines Country Report on the Third Monitoring Round of the Global Partnership for Effective Development Cooperation (GPEDC). The report showed that CPS and country program documents of all DPs with active ODA (loans



and grants) portfolios in the Philippines in 2018 were generally consistent with the PDP 2017-2022, *AmBisyon Natin 2040*, and the Sustainable Development Goals (SDGs).<sup>49</sup>

Sector priorities of DP country strategies were consistent with the key sectors identified in the PDP 2017-2022, such as infrastructure, agriculture, education, healthcare, and governance improvement. Majority of ODA-loan funded projects the ADB (see **Figure 6.7**) – the top provider of ODA loans within the 2017-2022 Plan period – supported human capital development and social protection (see *Chapters 10 and 11*), and transport infrastructure (Chapter 19). The GOJ-JICA prioritized the enhancement of the transportation network in CALABARZON, resulting in the majority of its ODA loans being supportive of Chapter 19 of the PDP. Their priorities also encompassed livelihood improvement and enhancing the delivery of basic human needs (see *Chapters 11 and 8*). Similar patterns were likewise observed with other DPs providing ODA loans (refer to **Table 6.6** in **Annex 6-B** for the priority sectors of ODA loans from various DPs).

**Figure 6.7.** Distribution of Programs and Projects supported by ODA Loans from Development Partners Across the Various Chapters of the PDP, by Count<sup>50</sup>



<sup>49</sup> Major Development Effectiveness Initiatives in 2018. CY 2018 ODA Portfolio Review Report. p.122 <https://neda.gov.ph/wp-content/uploads/2020/01/ODA-2018-As-of-January-29.-2020.pdf>.

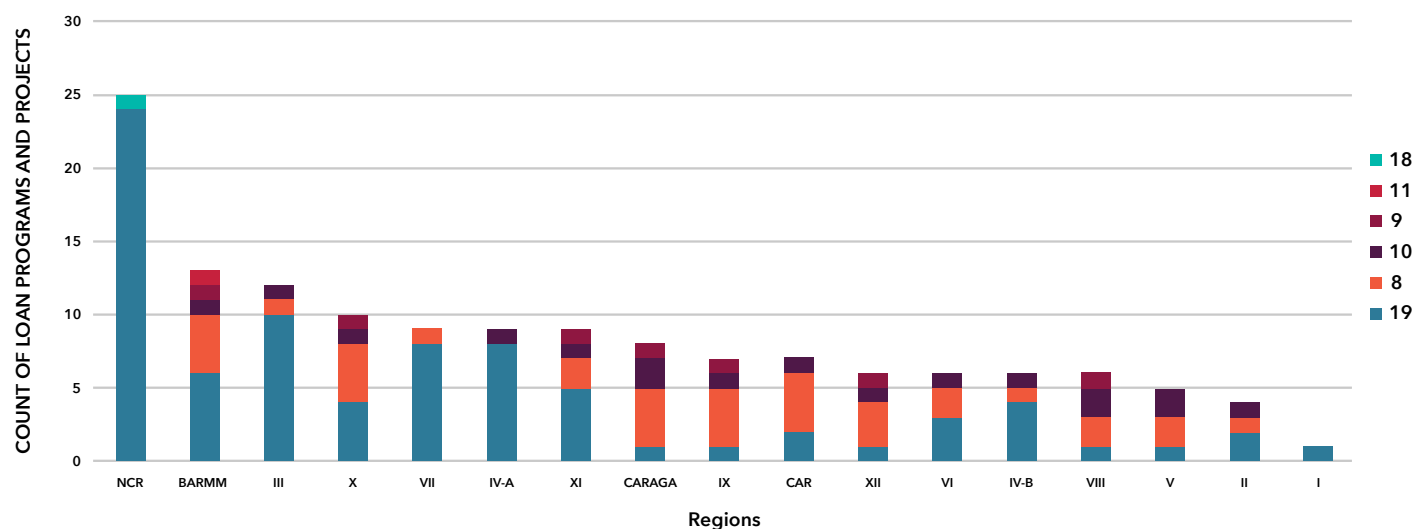
<sup>50</sup> Annex 2-I. Financing Terms of Development Partners. CY 2021 ODA Portfolio Review Report.

## 6.2.2. Consistency of ODA loans with spatial strategies and priorities during the 2017-2022 Plan period

Of the 158 active ODA loan-funded programs and projects during the period 2017-2022, 72 were being implemented in specific regions while the remaining 86<sup>51</sup> loan-funded programs and projects were implemented nationwide. Refer to **Table 6.7** of **Annex 6-B** for the list of ODA loan-funded programs and projects by region.

Region-specific ODA loan-funded programs and projects were concentrated in National Capital Region (NCR). Of the 25 programs and projects in NCR, 24 were responsive to the objectives outlined in Chapter 19 of the PDP, while one project was responsive to the objectives under Chapter 18 (*Safe Philippines Project Phase 1*) of the plan as shown in **Figure 6.8**. ODA is concentrated in NCR, as it is the country's largest metropolitan area and experiences ongoing issues like flooding, overpopulation, and traffic congestion. Despite these difficulties, the area continues to experience an influx of citizens and enterprises. Hence, addressing these pressing concerns has remained a top priority of the PDP, with ODA loans closely synchronized with this priority.

**Figure 6.8.** Distribution of Region-specific ODA Loan-funded Programs and Projects per PDP Chapter, by Count<sup>52</sup>  
(Exclusive of Programs and Projects being Implemented Nationwide)



<sup>51</sup> Four projects are being implemented nationwide except NCR (Agrarian Reform Infrastructure Support Project III, PRDP, PRDP-AF, and PRDP-AF2) while four projects are being implemented nationwide except NCR and ARMM (Participatory Irrigation Development Project, KALAHI-CIDSS National Community Driven Development Program, KALAHI-CIDSS National Community Driven Development Project, and Additional Financing for the KALAHI-CIDSS National Community Driven Development Project).

<sup>52</sup> Projects may be implemented in multiple regions.

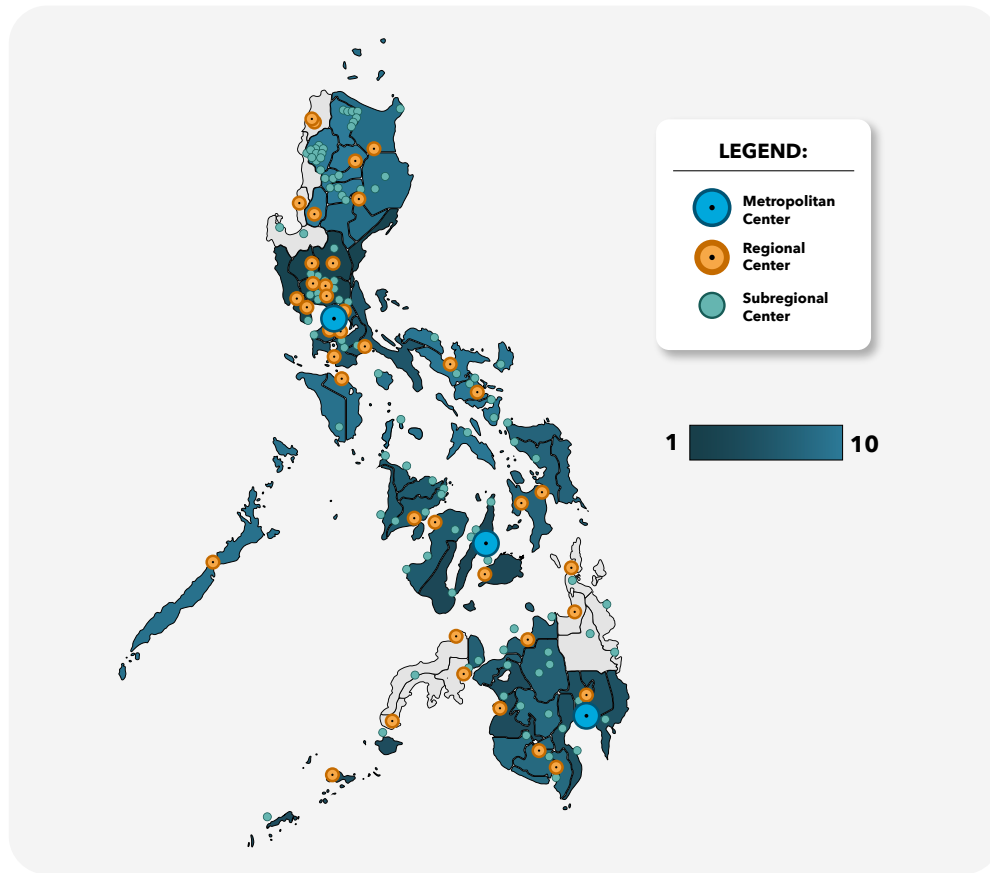
***The regional distribution of the ODA project loans portfolio supporting transport infrastructure is consistent with the PDP's National Spatial Strategy.***

ODA loan-funded infrastructure programs and projects were widespread in urban areas. The objectives of ODA loan-funded programs and projects cohere with the National Spatial Strategy (NSS),<sup>53</sup> as evidenced in the ODA loans portfolio during the period 2017-2022, as seen in **Figure 6.9**. The PDP 2017-2022, through the NSS, recognizes that Metro Manila serves as the country's premier metropolitan center alongside Metro Cebu and Metro Davao. Hence, the majority of ODA loan-funded infrastructure projects, in terms of count and net commitment, would be concentrated in the metropolitan centers of Metro Manila (23 loans), Cebu (seven loans), and Davao (four loans). Additionally, these loans were supportive of strategies under Chapter 19, particularly those relating to transportation, water resources, and energy. Transportation projects in Region III (*ARBP II, ARBP Phase III, Central Luzon Link Expressway Project, Malolos-Clark Railway Project, and NSCR Extension Project*) aimed to connect Metro Manila with various destinations in Central Luzon. Interventions in Region VII included road (*Cebu Bus Rapid Transit Project, Cebu-Mactan Bridge*), air (*New Bohol Airport Construction*), and maritime projects (*New Cebu International Container Port*). In Region XI (Davao Region), road infrastructure projects were implemented (*Davao City Bypass Construction, Samal Island-Davao City Connector*). These projects are supportive of the PDP's regional development priorities, focusing on connectivity and decongestion of major metropolitan cities.

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<sup>53</sup> The integration of a NSS in the updated PDP 2017-2022 aimed to decongest the NCR and promote growth in regional centers. The NSS emphasized enhancing connectivity across municipal, city, provincial, and national road networks.

**Figure 6.9.** Distribution of ODA Loan-funded Programs and Projects in the Infrastructure Sector across Regions with Identified Major Urban Centers<sup>54</sup>  
(Exclusive of programs and projects being implemented nationwide)



In establishing an intermodal transport network, there is evidence of synergies and mutual support between certain transport projects financed by ODA loans and other projects funded through alternative financing sources. The service areas of LRT Line 1 and LRT Line 2 shall be extended under the *Capacity Enhancement of Mass Transit Systems in Metro Manila* through the construction of new stations to connect to LRT Line 2 and LRT Line 1. Additionally, the MRT Line 3 and LRT Line 1 shall also be integrated with the PPP-implemented MRT Line 7, through a common station under the locally funded *Unified Grand Central Station Project* in Quezon City. Further, rail transport infrastructure programs and projects being implemented in NCR and its neighboring regions form part of the development of a railway network that will further promote an intermodal transport network. For instance, the NSCR System, which comprises three rail projects from Clark, Pampanga to Calamba, Laguna, shall provide rail transport connecting Central Luzon, Metro Manila, and CALABARZON, and further south to Bicol Region in Albay through the *PNR South Long-Haul Project*. The NSCR System shall connect to the Clark International Airport and also be physically integrated with the

<sup>54</sup> Modified from Figure 3.6. Major Urban Centers Map of the Updated PDP 2017-2022, NEDA, p.46.

*Metro Manila Subway Project* (through the Bicutan Station and FTI stations). The Metro Manila Subway shall also have a direct rail link to the Ninoy Aquino International Airport Terminal 3.

ODA loans supported interventions promoting regional development. The transportation projects implemented in Region III (*Arterial Road Bypass Project, Phase II [ARBP II]*), *ARBP Phase III*, *Central Luzon Link Expressway Project*, *Malolos-Clark Railway Project*, and *NSCR Extension Project*) all had similar objectives of connecting Metro Manila to various destinations in Central Luzon, consistent with the PDP's priorities of connectivity and decongestion of NCR.

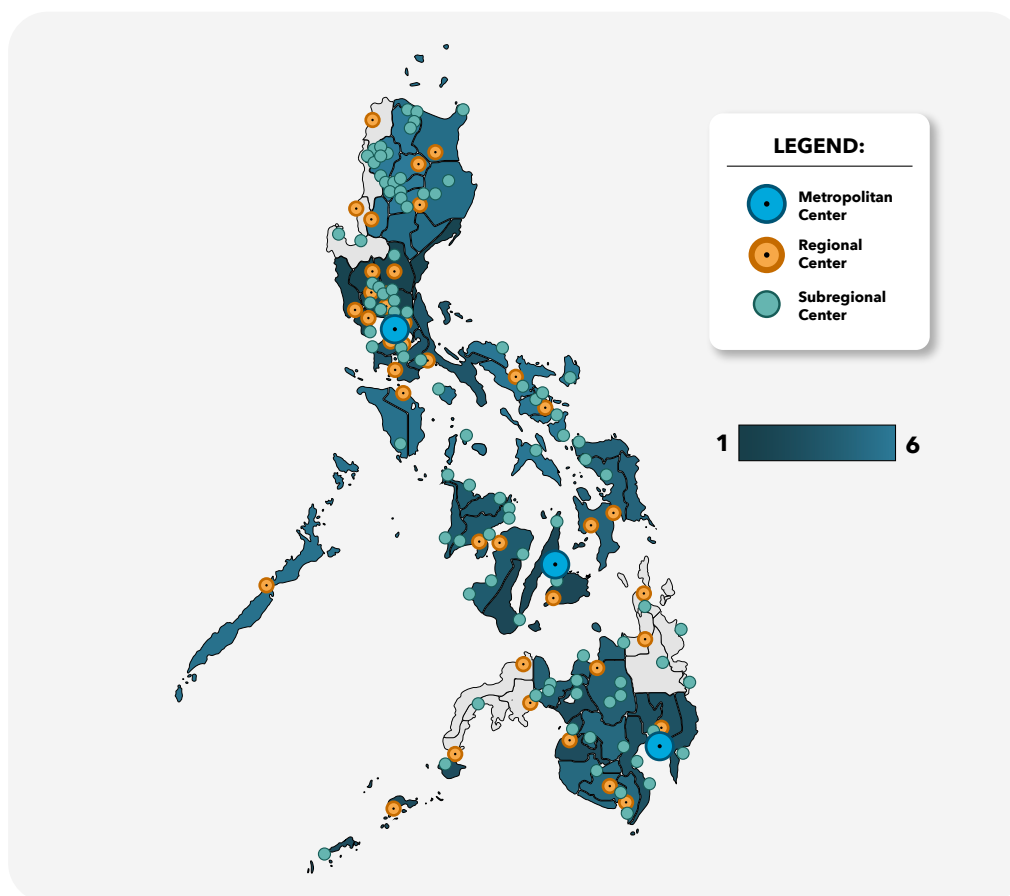
The ODA loan-funded interventions in Region VII are transportation projects covering multiple subsectors such as road (*Cebu Bus Rapid Transit Project* and *Cebu-Mactan Bridge [4th Bridge]* and *Coastal Road Construction Project*), air (*New Bohol Airport Construction and Sustainable Environment Protection Project*), and maritime to water transport (*New Cebu International Container Port Project*). Meanwhile, transport infrastructure projects focusing on the road subsector were implemented in Region XI or Davao Region (i.e., *Davao City Bypass Construction Project* and *Samal Island-Davao City Connector Project*). This is consistent with the priorities under the PDP for regional development, supporting connectivity of major metropolitan cities (Cebu City for Region VII and Davao City for Region XI).

***ODA loans supporting programs and projects in the agriculture sector were particularly prominent in Central Luzon, Western Visayas, and Northern Mindanao.***

The ODA-funded programs and projects in the AARNR sector were located in Regions CAR, VI, and most regions of Mindanao. These ODA interventions are aligned with Chapter 8 of the PDP (35 programs and projects), while some are aligned with Chapter 19 (16 programs and projects). Chapter 8 of the PDP covers the AARNR sector, and its strategies include assuring the availability, accessibility, and affordability of nutritious food while addressing the sector's recurring issues such as land and water resource restrictions, exposure to climate change and disaster hazards, and long-standing institutional issues relating to inadequate extension services, among others (see **Figure 6.10**).

**Figure 6.10.** Distribution of ODA Loan-funded Programs and Projects in the AARNR Sector Across Regions<sup>55</sup>

(Exclusive of programs and projects being implemented nationwide)



The implementation of the ODA-funded programs and projects in the AARNR sector such as *Project ConVERGE*, *Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST)*, *INREMP*, and the irrigation project *National Irrigation Sector Rehabilitation and Improvement Project* in Northern Mindanao, was also consistent with the objectives and strategies under the PDP. These projects actively engaged agrarian reform beneficiary (ARB) farmers and their organizations in more profitable and sustainable income-generating activities, increasing their income and supporting the sector's goal of promoting economic sustainability. The *INREMP-Bangon Marawi Comprehensive Rehabilitation and Recovery Programme (BMCRRP)* contributes to the sector's priorities of reconstructing public infrastructure and the needs for social and economic recovery of the region.

**ODA loans supporting programs and projects in the SRCD and GIDs sectors were extensively implemented nationwide.** Most of the ODA-funded programs and projects in the social and governance sectors were implemented nationwide and supported

<sup>55</sup> Modified from Figure 3.6. Major Urban Centers Map of the Updated PDP 2017-2022, NEDA, p.46

the implementation of the *Bayanihan* to Heal as One Act of the Duterte Administration, which granted then President Duterte with additional authority to address the COVID-19 pandemic. These interventions were implemented to address the adverse effects of COVID-19 as well as provide equitable distribution of assistance for economic recovery. The *Health System Enhancement to Address and Limit COVID-19 (HEAL)*, *Philippines COVID-19 Emergency Response Project (PCERP)*, *Disaster Resilience Improvement Program*, and *COVID-19 Crisis Response Emergency Support Loan 2* are major ODA-funded programs and projects that had been implemented to respond to the challenges brought about by the pandemic.

## 6.3. Efficiency

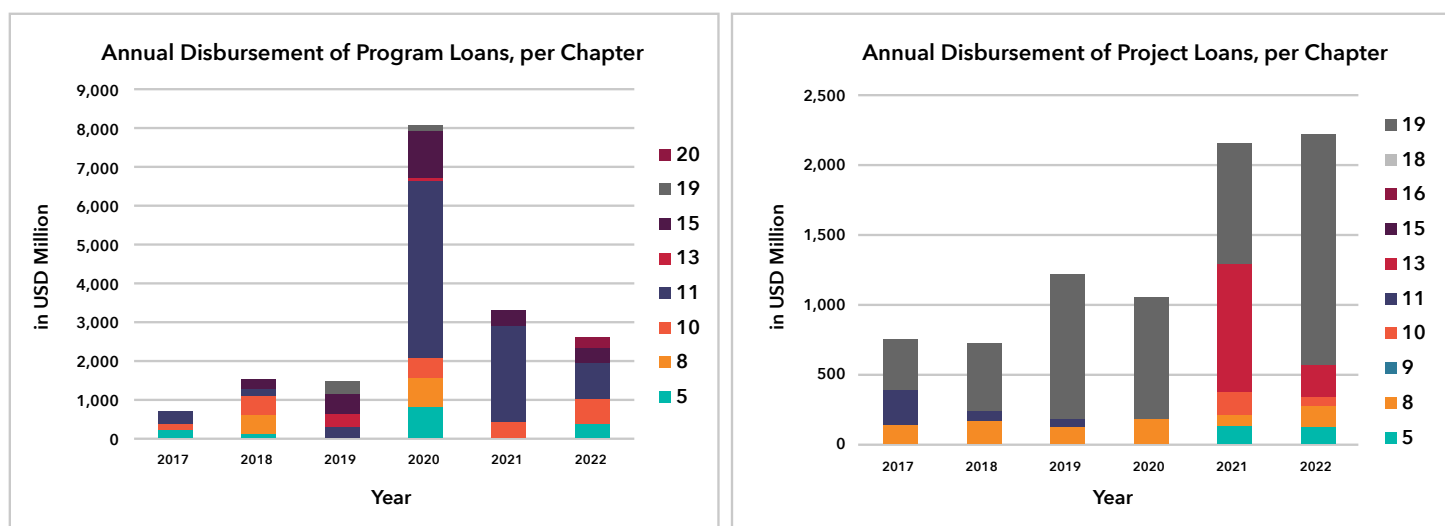
### 6.3.1. Disbursement level

From 2017 to 2022, a total of USD25.81 billion was disbursed under the ODA loans portfolio to ensure the delivery of project results aligned with the objectives outlined in the 11 chapters of the PDP 2017-2022. Of this amount, 68.73 percent (USD17.74 billion) comprised disbursements for program loans that were closely aligned with the objectives of eight chapters of the PDP.

During the period, 2020 had the highest annual disbursement of USD8.06 billion, which accounted for 45.45 percent of the overall program loan disbursement. This marked a year-on-year increase of 445 percent compared to the disbursement of USD1.48 billion in 2019. The notable surge in disbursement was mainly driven by the needed shift in sourcing and utilizing ODA financing, from the project-specific to quick-disbursing programs loans to address the fiscal and economic impacts of the pandemic. Consequently, Chapter 11 of the PDP (Reducing Vulnerability of Individuals and Families) accounted for the largest annual share of disbursements since 2020.

Cumulative disbursements for project loans reached USD8.07 billion or 31.27 percent of the overall loan disbursement. Despite experiencing a slowdown in the disbursement of project loans in 2018 and 2020, there was a significant increase in annual project loan disbursement towards the end of the planning period. The disbursement amount more than tripled, rising from USD751.22 million in 2017 to USD2.21 billion in 2022 (see **Figure 6.11**).

**Figure 6.11.** Comparison of Annual Loan Disbursement Level, per Loan Type and PDP Chapter



**PDP RM Chapter Guide:**

- **5:** Ensuring People-Centered, Clean, and Efficient Governance
- **8:** Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries
- **9:** Expanding Economic Opportunities in Industry and Services through *Trabaho and Negosyo*
- **10:** Accelerating Human Capital Development
- **11:** Reducing Vulnerability of Individuals and Families
- **13:** Reaching for the Demographic Dividend
- **15:** Ensuring Sound Macroeconomic Policy
- **16:** Leveling the Playing Field through a National Competition Policy
- **18:** Ensuring Security, Public Order, and Safety
- **19:** Accelerating Infrastructure Development
- **20:** Ensuring Ecological Integrity, Clean, and Healthy Environment

ODA-funded interventions under Chapter 19 of the PDP accounted for the largest annual disbursement during the period 2017 to 2020, and 2022. The commencement of big-ticket infrastructure projects of Department of Transportation (DOTr) and Department of Public Works and Highways further accelerated the disbursements during the latter half of the planning period. In 2022 alone, total disbursement increased to USD1.64 trillion, where 61.49 percent (USD1.008 trillion) were covered entirely by three rail projects of DOTr: the *NSCR Malolos-Clark Project*, *NSCR-Extension Project*, and the first and second tranche loans for the *Metro Manila Subway Project*.

Meanwhile, the additional financing for *KALAH-I-CIDSS National Community Driven Development Program*, which was signed in 2020 and started disbursements in 2021, contributed to achieving the objectives under Chapter 5 of the PDP by capacitating LGUs and core community volunteers on participatory local governance, community-based risk reduction, procurement, and project management for in preparation for crises and pandemic response. The disbursements for ODA-funded interventions under Chapter 11 of the PDP, particularly from the two original loans of *KALAH-I-CIDSS*, peaked at USD239 million in 2017 and gradually decreased until the closing of the last loan for the project in 2020.



In 2021 and 2022, ODA-funded interventions under the chapters of the PDP related to health also saw an increased ODA disbursement in support of the government's COVID-19 response for the improvement of health facilities and capacities (see *Chapter 10*) and the procurement of vaccines (see *Chapter 13*).

### 6.3.2. Enhancing the efficiency of financial operations and optimizing disbursement performance of ODA loans

In 2022, the lowest portfolio-level disbursement rate (on average) was registered. Disbursement rate is defined as the percentage of target disbursements of the ODA project loan portfolio<sup>56</sup> categorized per chapter of the PDP. It is also used to measure the timely release of loan commitments that would finance planned project activities. In that year, actual disbursement level of projects under Chapters 13 and 19 fell short of the high disbursement projections<sup>57</sup> made for said projects. As such, projects under these two chapters have reported below 50 percent disbursement rates (21.19% for Chapter 13 and 44.22% for Chapter 19).

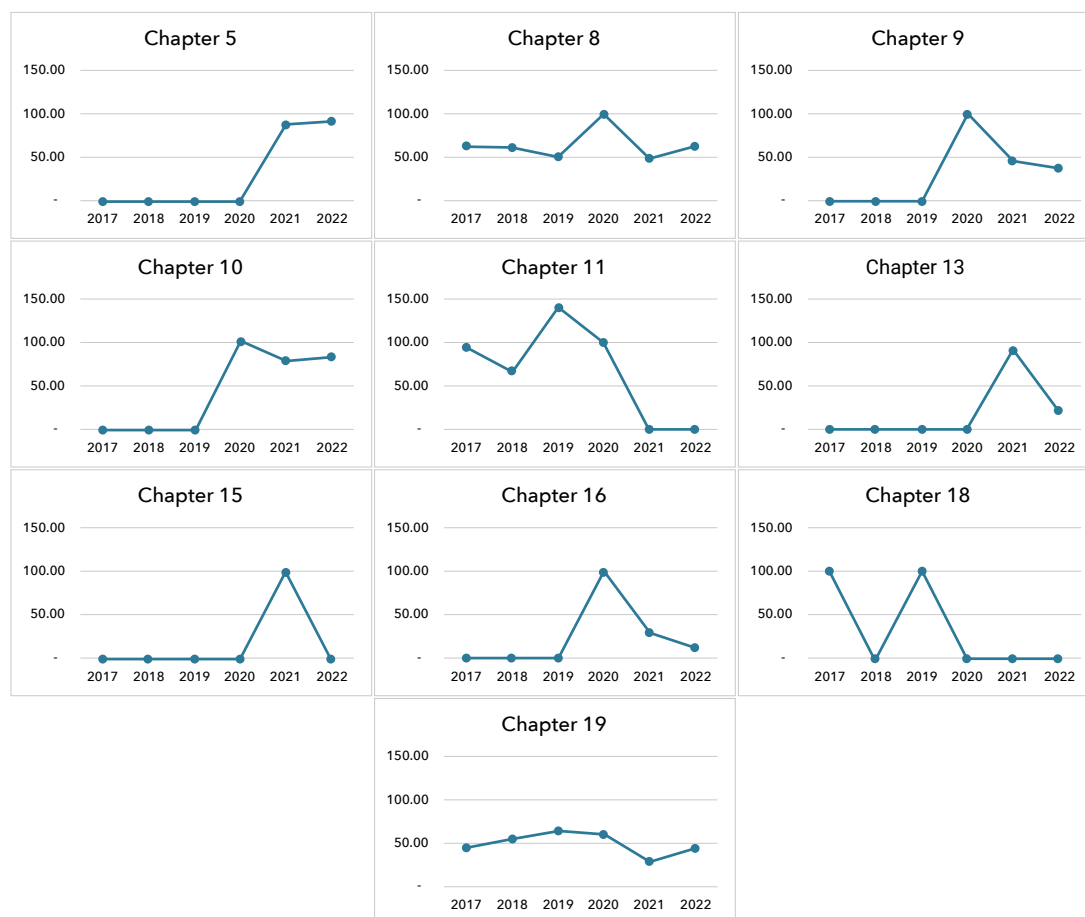
The low disbursement rates, as discussed in Section 3 of this report, may be attributed to the suspension of procurement of vaccines under HEAL-2 and PCERP - Additional Financing 2. The suspension came in light of the sufficiency in the supply of vaccines (i.e., those received through donations and procured by the Philippine government), reported low uptake of vaccinations, and the expiry of the COVID-19 Vaccination Program Act of 2021 (RA 11525). The state of calamity in the country ended in December 2022, resulting in the non-extension of RA 11525. Relatedly, the DOTr ODA-loan projects portfolio under Chapter 19 had the lowest actual disbursements in comparison with the targeted disbursements for the year, due to reported implementation issues of its projects, which include lack of and limited approved budgetary appropriations under the FY 2022 GAA. The annual trends in disbursement rates of project loan portfolios aligned with each PDP Chapter are provided in **Figure 6.12**.

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<sup>56</sup> Disbursement rates of program loans are not considered, since commitments for program loans are disbursed as necessary.

<sup>57</sup> USD1,070.81 million and USD3,663.32 million, respectively.

**Figure 6.12.** Annual Disbursement Rates of ODA Project Loans Aligned with the Various Chapters of the PDP



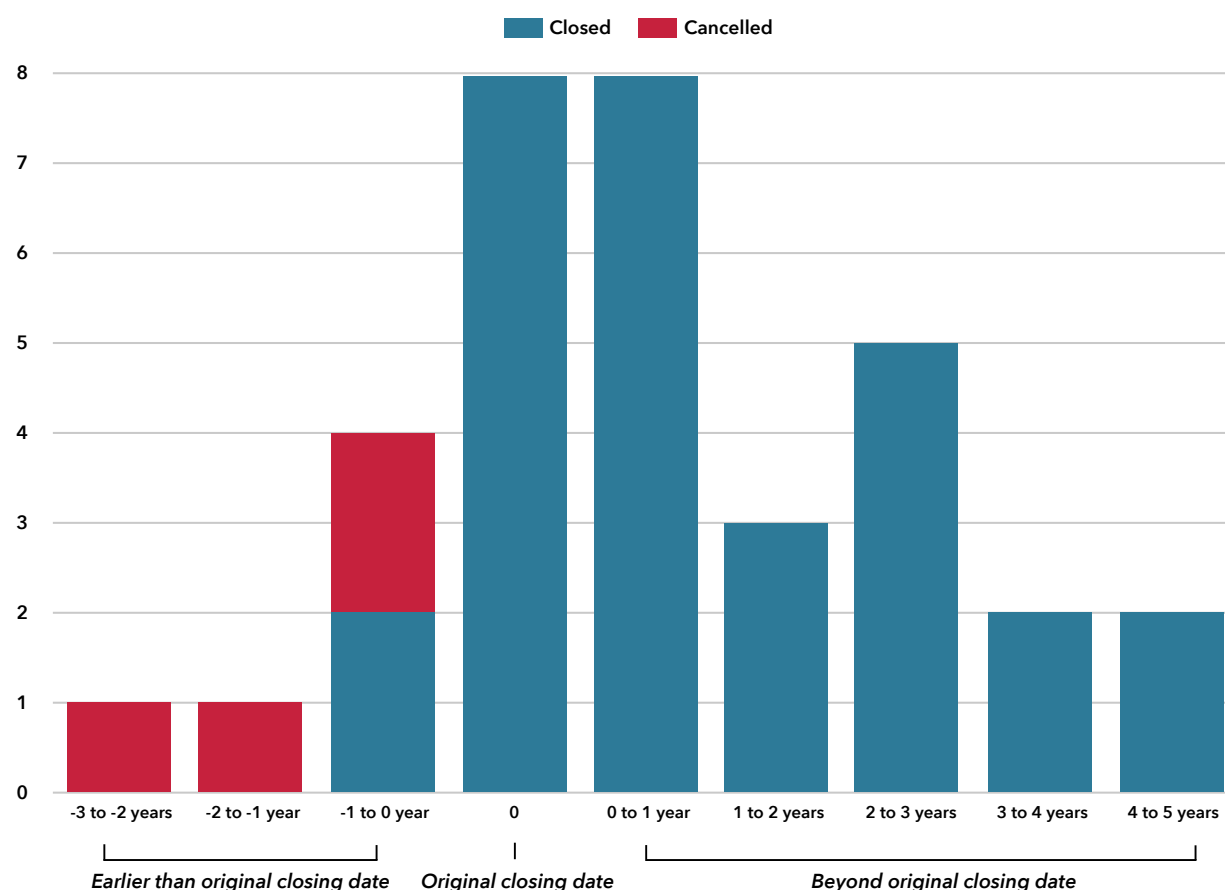
### 6.3.3. Timeliness of disbursements of ODA loans (closed or cancelled) in accordance with agreed-upon covenants on loan validity

Of the 34 loans that closed within 2017 to 2022 (see **Figure 6.13**), only ten (29.41%) closed earlier or within their original loan closing dates. Meanwhile, the disbursements for 20 loans (58.82%) extended beyond their original closing dates to accommodate the extended implementation period required by the corresponding projects (see **Table 6.8** in **Annex 6-C** for the complete list of closed loans vis-a-vis their original loan closing date).

Four loans (11.76%) that financed three projects, were cancelled. The two loans from World Bank for the *Metro Manila Bus Rapid Transit* of DOTr were canceled due to the lack of regular budget allocation for the project from 2019 to 2022. This hampered project activities, particularly the contracting of Project Engineering Design service and the procurement of the key consultants and civil works contractor. The *Safe Philippines Project Phase 1* of Department of the Interior and Local Government with ODA funding from China was cancelled due to issues with the selected contractor, resulting in the termination of the contract. Lastly, the LandBank of the Philippines cancelled the JPY2.31

billion unused loan balance of the *HARVEST Project*, following assessment that the PHP800.60 million available funds from its sub-loan collections were sufficient to finance the agency's pipeline projects amounting to PHP541.09 million.

**Figure 6.13.** Count of Closed or Cancelled Project Loans per Duration of Time Over/Underruns vis-à-vis the Original Loan Closing Date



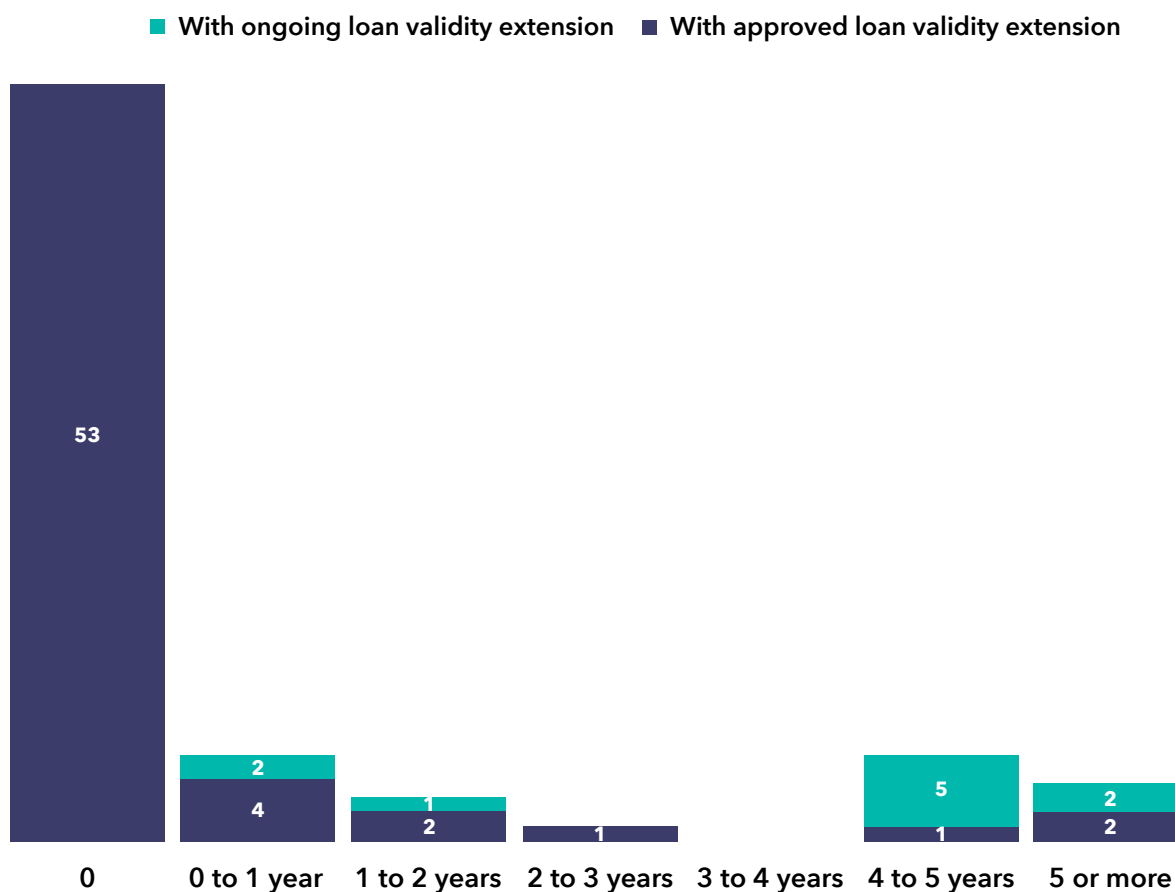
#### 6.3.4. Timeliness of disbursements of ODA loans (ongoing) in accordance with agreed-upon covenants on loan validity

Of the 73 ongoing loans as of end 2022 (see **Figure 6.14**), ten were within their latest ICC-approved loan validity period. Among these is the loan for the *New Communications, Navigation and Surveillance/Air Traffic Management Systems Development Project*, which has been implemented over an extended duration of 18.34 years. The prolonged duration is attributed to various challenges faced by the project, including frequent suspensions, reprioritizations, issues with site conditions, contractor claims, and changes in project scope.

A total of ten project loans were processed for extension of loan validity. The delays experienced were primarily attributed to issues encountered during the pre-construction phase (i.e., prolonged or delayed DED, extended/delayed procurement process, and

ROW issues) (see **Table 6.9** in **Annex 6-C** for the complete list of ongoing project loans vis-a-vis their original loan closing date).

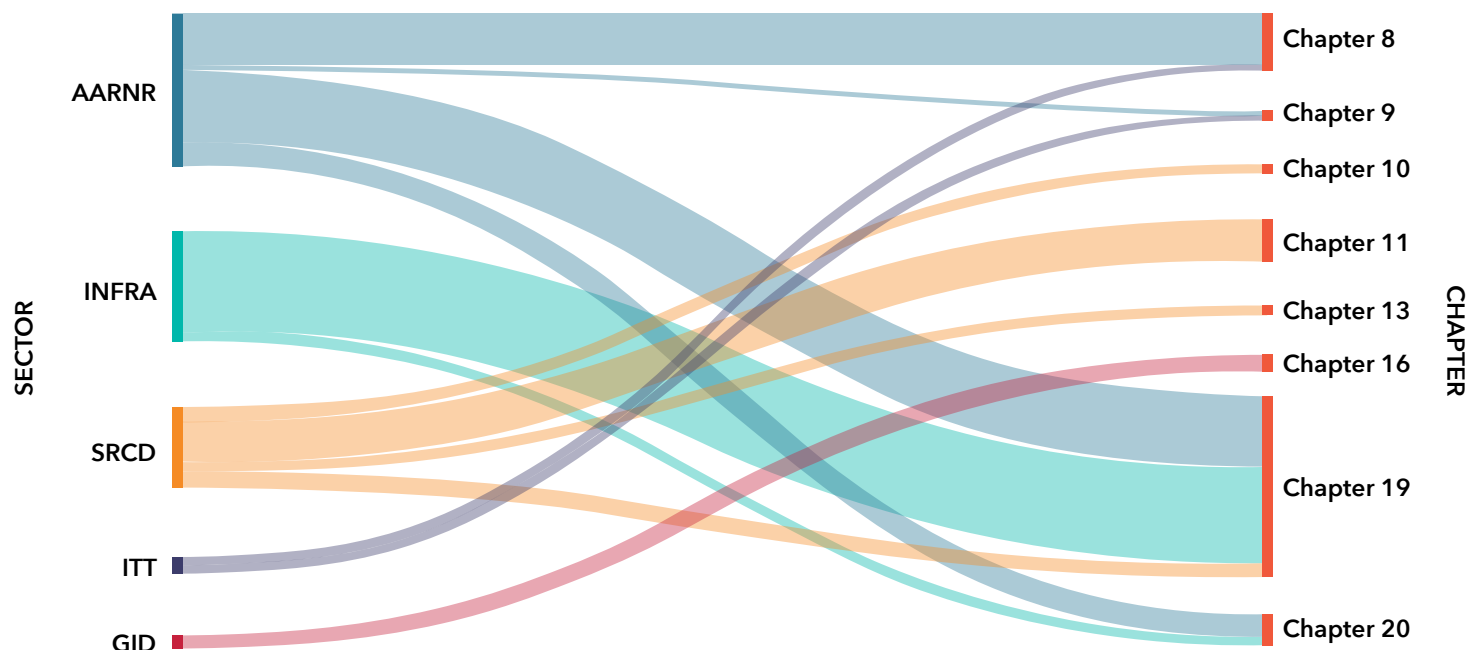
**Figure 6.14.** Count of Ongoing Project Loans per Duration of Loan Validity



### 6.3.5. Program and project outputs contributing to PDP sector objectives

Considering the financial performance of ODA-funded programs and projects within the validity of their respective loan financing, a total of 66 loans supporting nine programs and 48 projects delivered and contributed to the delivery of outputs that also supported sector objectives in eight chapters of the PDP (see **Figure 6.15** and **Table 6.10** in **Annex 6-C** for the number of ODA loan-funded programs and projects with reported outputs delivered per PDP chapter).

**Figure 6.15.** Distribution of ODA Loan-funded Programs and Projects with Delivered Outputs, by Sector and PDP Chapter



## 6.4. Effectiveness

Emerging outcomes from the delivered outputs of ODA-funded programs and projects reported during the planning period 2017-2022 were contributing to the achievement of desired outcomes identified in five chapters (i.e., Chapters 8, 10, 13, 19, and 20) of the PDP. By the end of the planning period, interventions aligned with the objectives of five of the 11 Chapters of the PDP were supported by 33 ODA loans (see **Table 6.11** in **Annex 6-D** for the number of ODA loan-funded programs and projects). These loans provided funding for two programs and 31 projects, all of which reported positive outcomes (see **Figure 6.16**). A summary of projects funded by ODA loans that have reported emerging outcomes aligned with the chapters of the PDP is provided in **Table 6.12** in **Annex 6-D**.

**Figure 6.16.** Distribution of ODA-funded Programs and Projects with Emerging Outcomes (by Sector) Aligned with the various Chapters of the PDP



## 6.5. Impact

Given the limited availability of impact evaluation studies on completed ODA loan-funded projects during the Plan period, the full extent of the development impacts of the ODA loans portfolio remains to be confirmed. However, the ODA loans portfolio from 2017 to 2022 collectively achieved results at the outcome level, contributing to the desired outcomes of the PDP by the end of the Plan period.

Nevertheless, there are a few examples of assessments on emerging project impacts from commissioned studies.

Based on the impact evaluation<sup>58</sup> conducted in 2020 for *ARISP III*, beneficiaries reported that the implementation of irrigation systems had a substantial positive effect on farm productivity and profitability. However, the achieved yield ranged from 2.87 metric tons per hectare (mt/ha) to 3.09 mt/ha, which fell short of the targeted yield of 5 metric mt/

<sup>58</sup> Commissioned by NEDA in April 2018; the impact evaluation report was published in April 2020

ha. Furthermore, these yields remained below the national average of 4.42 mt/ha and the regional average of 4.25 mt/ha.<sup>59</sup>

During the ex-post evaluation<sup>60</sup> of the *Environmental Development Project (EDP)*, which was designed to provide sub-loans for subprojects such as water supply and sanitation, solid waste management, renewable energy, it was determined that the project made a significant contribution to environmental protection in the targeted area. This contribution was measured through various quantitative impact indicators, including water conservation, reduction in fossil fuel usage, greenhouse gas emissions reduction, avoidance of CO<sub>2</sub> emissions from bunker fuel, recycling of wastepaper and water, as well as the volume of waste recycled. These indicators demonstrated that the subprojects funded by the loan resulted in resource savings, waste reduction, and decreased energy consumption.

The 2021 validation of the completion report of the *KALAH-CIDSS National Community-Driven Development Project*<sup>61</sup> assessed the development impact of the project as satisfactory, with the achievement of the following results: (a) 3,689 kilometers of roads and 1,573 kilometers of footpaths constructed, (b) 493,100 students (49.5% female) benefited from rebuilt classrooms; (c) 744 water systems serving 152,232 households constructed; and (d) 17,000 households sanitation facilities improved for 175,000 households. The project was likewise reported to support improved governance capacity and gender mainstreaming. The Project Completion Report also noted the following: project reports and surveys indicated an improvement in people's lives because of better access to services, their involvement in governance, and enhanced social capital.<sup>62</sup> The project supported reconstruction, providing communities the opportunity to build back better, and addressed the development objective of improving resilience against future natural hazards. It also contributed to inclusive economic growth, targeting the poor, focusing on the most affected areas, and promoting environmental sustainability through climate-resilient designs that complied with environmental standards.<sup>63</sup>

## 6.6. Sustainability

The sustainability of the outputs and outcomes of ODA loan-funded programs and projects during the 2017-2022 Plan period relies on several factors, including the effectiveness of the operation and maintenance (O&M) system, the availability of adequate financing, and the commitment and capacity of stakeholders and institutions to sustain the interventions. In the

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<sup>59</sup> Annex 4-B CY 2020 ODA Portfolio Review- Results of Evaluation Studies. <https://neda.gov.ph/wp-content/uploads/2021/08/Annex-4-B-Results-of-Evaluation-Studies.pdf>

<sup>60</sup> The studies were conducted by external evaluators commissioned by JICA

<sup>61</sup> ADB. August 2021 Validation Report. Philippines: KALAH-CIDSS National Community-Driven Development Project. p. 9 [https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100\\_6.pdf](https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100_6.pdf)

<sup>62</sup> Government of the Philippines, DSWD. 2015. KALAH-CIDSS Tracer Study. Manila. As cited in the Other Performance Assessments. August 2021 Validation Report. Philippines: KALAH-CIDSS National Community-Driven Development Project. p. 9 [https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100\\_6.pdf](https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100_6.pdf)

<sup>63</sup> ADB. 2008. Strategy 2020: Working for an Asia and Pacific Free of Poverty. Manila. As cited in the Other Performance Assessments. August 2021 Validation Report. Philippines: KALAH-CIDSS National Community-Driven Development Project. p. 9 [https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100\\_6.pdf](https://www.adb.org/sites/default/files/evaluation-document/725726/files/pvr-3100_6.pdf)

case of specific transport infrastructure projects, some operations and maintenance activities were proposed to be carried out through public-private partnerships (PPP).

To ensure the long-term sustainability of these projects, DOTr included O&M PPP proposals for various projects as part of the 194 IFPs under the *Build-Better-More Program*<sup>64</sup> for the succeeding 2023-2028 Plan period. These projects include the *Cebu Bus Rapid Transit Project*, *MRT Line 3 Project*, *Manila Subway Project*, *North-South Commuter Railway System*, and the *LRT Line 2 Project*.

From available sustainability assessments of selected completed projects, observed sustainability ratings ranged from high to likely sustainable or partially sustainable, which indicated the presence of sustainability mechanisms during post-project completion, albeit at different levels.

In the ex-post evaluation of *ARISP III*, no significant concerns were identified regarding the institutional/organizational, technical, financial aspects, and the status of the operation and maintenance systems of this project. As a result, it was rated high in terms of sustainability. These findings suggested that the necessary measures and systems were in place to ensure the continued success and effectiveness of these projects beyond their initial implementation phases. The high sustainability ratings reflect the positive outcomes achieved in terms of institutional support, technical capabilities, financial viability, and their ongoing O&M.

During the 2021 validation of the completion report of the *KALAHI-CIDSS National Community-Driven Development Project (KC-NCDDP)*, the project was rated as likely sustainable as O&M arrangements were already in place. The project completion report highlighted the following: (a) O&M arrangements were required to be in place for subprojects, prior to financing; (b) different mechanisms were used to provide and recover such costs—water systems were funded by user fees and managed by water associations, roads were financed by LGUs, and day care centers also through user fees; (c) local civil society organizations were likewise accredited as O&M groups, including parent-teacher associations for school buildings, and community enterprise groups for postharvest facilities; and (d) the financial sustainability of the KC-NCDDP depended on local and national governments' commitment, the resources to fund it, and the people's capacity to engage their government at the local level.

## 6.7. Findings from the Assessment

A considerable share of the ODA project loans portfolio within the 2017-2022 Plan period financed projects that would accelerate infrastructure development (Chapter 19) while bulk of the program loans supported the reduction of vulnerability of individuals and families (Chapter 11). The policy and sector-based program loans supporting the Chapter 11

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<sup>64</sup> Overview of the Infrastructure Flagship Projects under the Build-Better-More Program. <https://neda.gov.ph/wp-content/uploads/2023/05/Overview-of-the-Infrastructure-Flagship-Projects-under-the-Build-Better-More-Program.pdf>



outcomes were often quick-disbursing to expedite government response to the COVID-19 pandemic, as well as social strategies to minimize Filipinos' exposure to risks and increase their capacity to manage shocks.

The robust alignment between the ODA initiatives within the 2017-2022 Plan period, with that of the objectives of the PDP 2017-2022, was a result of the coherence of the country partnership strategies of DPs with the PDP priorities and key sectors (i.e., infrastructure, agriculture, education, healthcare, and governance improvement). Further, the regional distribution of these ODA loan-assisted programs and projects were consistent with spatial strategies, and other nationwide policies for COVID-19 response. For instance, objectives of infrastructure projects, which comprised majority of the ODA project loans portfolio, were in line with the National Spatial Strategy (NSS) of the PDP 2017-2022. The NSS aimed to alleviate decongestion in NCR, enhance connectivity, foster development in regional centers with high growth potential, and reduce vulnerability to multiple hazards. Specific ODA loans in the SRCD and GID sectors were secured in view of the *Bayanihan* to Heal as One Act.

Results from the implementation of these ODA programs and projects within the validity of their respective financing were at the level of outputs and emerging sector outcomes that contribute to the achievement of objectives under specific PDP Chapters. Evidence of impact during post-project or program completion phase was either scarce or not yet sufficiently evident, as observed in the conducted ex-post evaluation studies for specific projects. Furthermore, there is a lack of extensive impact evaluation studies conducted on completed ODA loan-funded programs and projects, which are necessary to validate the higher-level results achieved through these interventions.

Recurring implementation issues such as lack of annual budget appropriations and poor performance of contractor eventually resulted in the termination of the *Metro Manila Bus Rapid Transit Project* and the *Safe Philippines Project Phase I*. As such, these projects did not generate their expected outputs. As of end of Plan period in 2022, insufficient budget was among the recurring key implementation issues that prolonged project implementation timelines and affected the timely delivery of expected outputs.

Ensuring the sustainability of output and outcome-level results for ODA-funded programs and projects during the 2017-2022 Plan period necessitates sound monitoring and issue resolution during project implementation, and the establishment of an O&M system, adequate financing, and the commitment of stakeholders and institutions to continue the interventions after completion of implementation. Existing sustainability assessments of specific completed programs and projects indicated presence of such sustainability mechanisms in varying levels.