

## OFFICIAL DEVELOPMENT ASSISTANCE TO THE PHILIPPINES

Republic Act 8182 or the Official Development Assistance (ODA) Act of 1996 defines ODA as a loan or loan and grant which meets the following criteria:

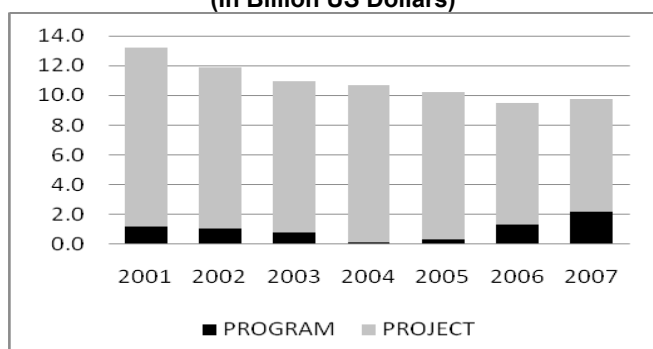
- ❖ Administered to promote sustainable social and economic development and welfare of the Philippines;
- ❖ Contracted with government of foreign countries with whom the Philippines has diplomatic, trade relations or bilateral agreements or which are members of the United Nations, their agencies and international or multilateral lending institutions;
- ❖ Has no available comparable financial instruments in the capital market; and,
- ❖ Contains a grant element of at least 25%

There are two types of ODA loans: project loan and program loan. Project loans are foreign loans obtained to finance specific projects. Program loans are multi-purpose foreign loans not used to finance specific projects but is conditioned on basic changes in economic, monetary or fiscal policies among others.

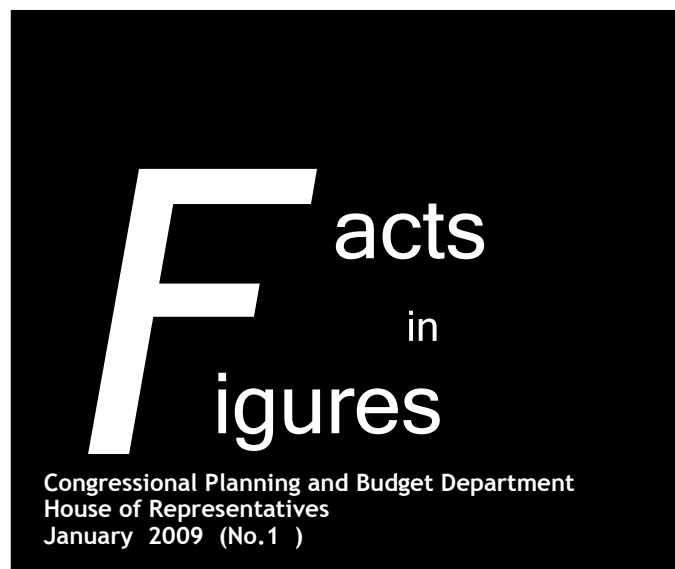
**ODA COMMITMENTS.** Total ODA commitments for the period 2001-2007 amounted to USD 76.1 billion. Of these commitments, project loans accounted for 90% (USD 69 billion) while 10% represented program loans (USD 7.1 billion). From a peak of USD 13.2 billion in 2001, ODA commitments declined to USD 9.5 billion in 2006 or an average annual reduction of 4.81% - as a result of the government's greater adherence to project quality and fiscal discipline (12<sup>th</sup> ODA Portfolio, NEDA). In 2007, ODA loans slightly increased by USD 270 million- from USD 9.48 billion in 2006 to USD 9.74 billion.

Although total ODA commitments have generally shown a downward trend, program loans have been rising since 2005. From a share of only 1.4% of the total ODA loans in 2004, it steadily increased to as much as 22.3% in 2007. This is a manifestation of the Philippine's adherence to a program-based approach advocated by the Paris Declaration (2 March 2005). The Paris Declaration is an international agreement between countries and organizations laying down practical and action-orientated roadmap to improve the quality of aid and its impact on development.

**Distribution Of Total ODA Commitment  
(In Billion US Dollars)**

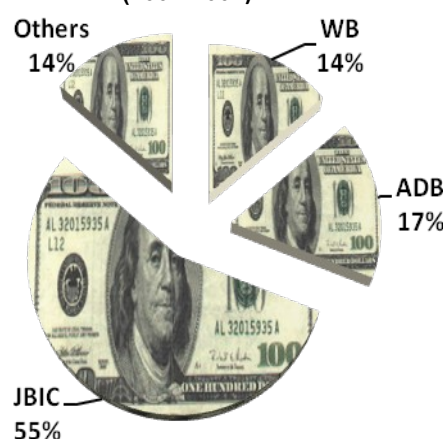


Source: NEDA



**FUNDING INSTITUTIONS.** Among donor agencies, the Japan Bank for International Cooperation (JBIC) has been consistently the biggest source of ODA during the period 2001-2007, accounting for an average of 55% of the total ODA loans. In 2003, JBIC's assistance amounted to USD 6.38 billion (62%). This declined to USD 3.58 billion (37%) in 2007. The Asian Development Bank's investment to the Philippines was highest in 2001 (USD 2.90 billion or 22%) and lowest in 2004 (USD 1.16 billion or 11%). The World Bank extended its largest ODA loan to the Philippines in 2007 amounting to USD 1.84 billion or 19% of the total. "Other sources" are countries or multilateral institutions which are not regular donors to the Philippines. On average, assistance from other sources comprises 14% of the total ODA portfolio.

**Average Distribution Of Total ODA Commitments  
(2001-2007)**



Source: NEDA

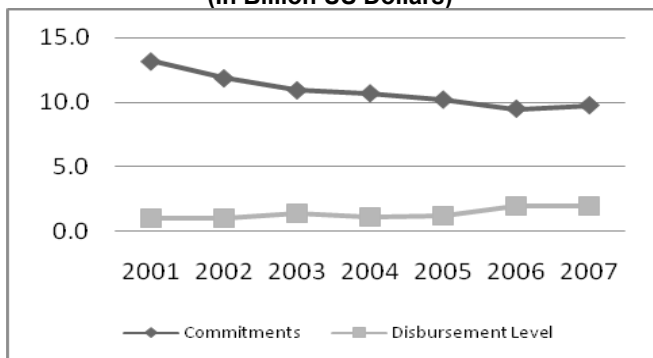
**SECTORAL DISTRIBUTION.** Across development sectors, an average of 64% of the loan proceeds is channelled to Infrastructure followed by Agriculture, Natural Resources and Agrarian Reform (17%), Social Reform and Development (9%), Industry Trade and Tourism (8%), and Governance and Institutional Development 2%.

**ODA UTILIZATION.** Loan utilization can be measured using disbursement level, disbursement ratio and availment rate.

These measures are indicative of the physical performance of the different programs and projects.

Disbursement Level refers to the actual amount of disbursements from all ODA loans in dollar terms for a period of one year. Out of the total ODA commitment of US \$ 76.1 billion from CY2001-CY 2007, only US\$8.7 billion was disbursed or 11.4% of the total. It was highest in 2006 at 20.44%, and lowest in 2001 at 7.96%.

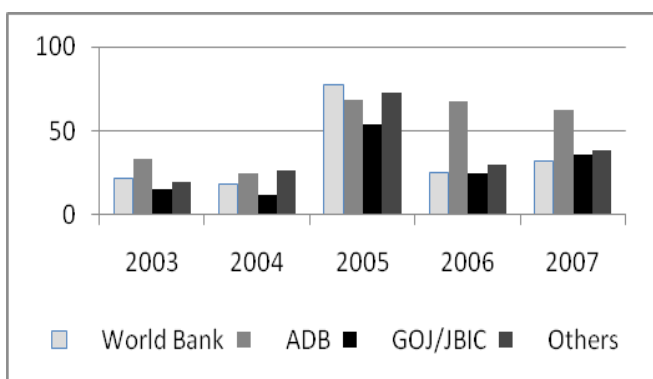
**Disbursement Level  
(In Billion US Dollars)**



Source: NEDA

Disbursement Ratio pertains to the ratio of actual disbursements in a given year to the net loan amount available at the start of the year plus the amount of new loans that became effective less loan cancellations during the same period. It is the indicator commonly prescribed by the funding institutions. From CY 2003-2004, the Asian Development Bank has the highest average disbursement ratio of 51.3%, followed by Other Sources (37.4%), World Bank (35.0%), and JBIC (28.5%)

**Disbursement Ratio  
(in percent)**



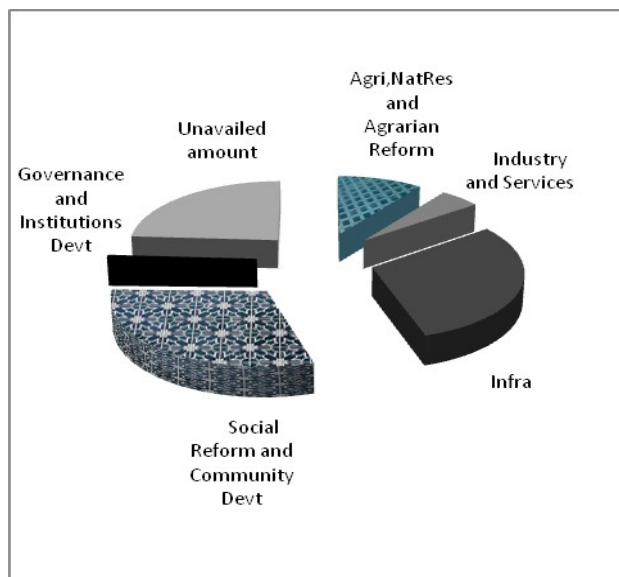
Source: NEDA

According to NEDA, a disbursement ratio is considered normal in the range of 18%-20% disbursements for a considerably large and uniformly distributed (in terms of age) pool of projects. Disbursement ratios depend on the stage of project implementation; a 5% disbursement ratio for a project at detailed engineering stage could be acceptable.

Availment Rate is the cumulative actual disbursements as a percentage of cumulative scheduled disbursements. Backlogs incurred at the start of the implementation, if not

fully recovered, can pull down the availment rate for the remainder of the project life. In nominal terms, total target disbursement for the period 2005-2007 was set at US\$ 20.7 billion, however only US\$ 14.2 billion or 68.14% was availed of the scheduled disbursement. Among the five sectors, Social Reform and Community Development showed the highest average availment rate because most are supply contracts.

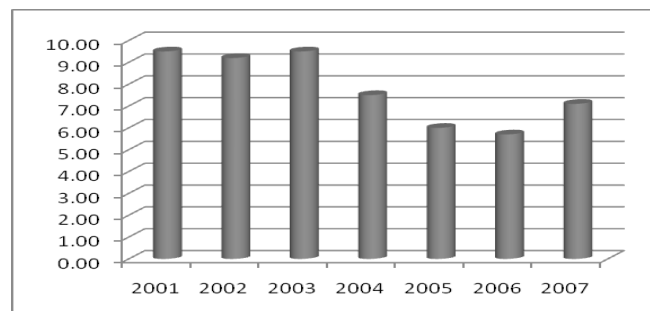
**Availment By Sector  
(2005-2007)**



Source: NEDA

**COMMITMENT FEES.** A corresponding penalty is paid for the late availment of scheduled ODA loans. Most multilateral institutions charge 0.75%-0.85% of the undisbursed amount annually. NEDA identified the following as reasons for the delay in implementation- i.e., budget and/or financing issues, delayed procurement of goods and/or services, right-of-way and/or land acquisition and resettlement, LGU participation, low demand for credit, poor performance of contractors, and institutional and/or operational problems.

**Commitment Fees  
(in Million US dollars)**



Source: NEDA

The Philippines paid the highest commitment fee amounting to USD 9.5 million in 2001 and 2003. It decreased in the succeeding years but eventually increased in 2007 (USD 7.1 million).