COMMITTEE REPORT NO. 1275

Submitted by the Committee on Ways and Means on September 30, 2021

Re: House Bill No. 10322

Recommending its approval in substitution of House Bill No. 7963

Sponsors: Representatives Ferdinand R. Gaite, Carlos Isagani T. Zarate, Eufemia C. Cullamat, France L. Castro, Arlene D. Brosas, Sara Jane I. Elago, and Joey Sarte Salceda

Mr. Speaker:

The Committee on Ways and Means to which was referred House Bill No. 7963, introduced by Reps. Ferdinand R. Gaite, Carlos Isagani T. Zarate, Eufemia C. Cullamat, France L. Castro, Arlene D. Brosas, Sarah Jane I. Elago, entitled:


has considered the same and recommends that the attached House Bill No. 10322, entitled:


Respectfully submitted,

REP. JOEY SARTE SALCEDA
Chairperson
Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila  

EIGHTEENTH CONGRESS  
Third Regular Session  

HOUSE BILL NO. 10322  
(In substitution of House Bill Number 7963)  


AN ACT  
ENSURING THE EFFECTIVENESS OF OFFICIAL DEVELOPMENT ASSISTANCE LOANS AND GRANTS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8182, OTHERWISE KNOWN AS THE OFFICIAL DEVELOPMENT ASSISTANCE ACT OF 1996, AS AMENDED

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as the “ODA Effectiveness Act.”  

SEC. 2. Section 2 of Republic Act No. 8182 is hereby amended to read as follows:  

“Sec. 2. Official Development Assistance (ODA) AND AID EFFECTIVENESS. – For purposes of this Act, ODA is a loan or loan and grant PACKAGE which [means] MEETS all of the following criteria FOR ODA TO BE EFFECTIVE:
(a) It must be administered with the objective of promoting [sustainable
social and economic development and welfare of the Philippines] AND
ACHIEVING SUSTAINED REDUCTION OF POVERTY AND
INEQUALITY, SUPPORTING THE ENJOYMENT OF HUMAN
RIGHTS, DEMOCRACY, ENVIRONMENTAL
SUSTAINABILITY AND GENDER EQUALITY BY THE
FILIPINO PEOPLE;

(b) It must be contracted with governments of foreign countries with whom
the Philippines has diplomatic, trade relations or bilateral agreements or
which are members of the United Nations, their agencies and
international or multilateral lending institutions[, ], BASED ON THE
PRINCIPLES OF DEMOCRATIC OR COUNTRY OWNERSHIP
AND MUTUAL ACCOUNTABILITY WITH THE UTMOST
INTENTION OF UPLIFTING THE ECONOMIC, SOCIAL, AND
CULTURAL CONDITION OF THE FILIPINO PEOPLE;

(c) xxx;

(d) It must contain a grant element of at least twenty five percent (25%).
Grant element under this Act is the reduction enjoyed by the borrower
whenever the debt service payments, which shall include both principal
and interest and expressed at their present values discounted at ten
percent (10%) OR AT THE YIELD ON COMPARABLE DEBT
INSTRUMENTS MOST RECENTLY ISSUED BY THE
NATIONAL GOVERNMENT, WHICHEVER IS LOWER, are less
than the face value of the loan or loan and grant. The grant element of a
loan or loan and grant is computed at the ratio of (i) the difference
between the face value of the loan or loan and grant and the debt
service payments to (ii) the face value of the loan or loan and grant.”

SEC 3. Sec. 4 of Republic Act No. 8182, as amended by Republic Act No. 8555, is
hereby further amended to read as follows:

“Sec. 4. Use of ODA for Equitable Development. - The proceeds of
ODA shall be used to achieve equitable growth and development in all
REGIONS AND provinces through priority development projects for the
improvement of economic and social service facilities taking into account such
factors as land area, population, scarcity of resources, low literacy rate, infant
mortality, and poverty incidence in the area: Provided, That rural
infrastructure, countryside development and [economic zones] SOCIAL
WELFARE PROJECTS AND PROGRAMS established under the [PEZA]
law shall be given preference in the utilization of ODA funds[. ]; PROVIDED,
FURTHER, THAT THE SOCIAL AND ECONOMIC IMPACTS OF THE
DEVELOPMENT PROJECTS ARE EVALUATED PROPERLY AND THE INTENDED BENEFICIARIES OF THE PROJECTS ARE DULY CONSULTED. Towards this end, the National Economic and Development Authority (NEDA) shall endeavor to obtain ODA funds from donor countries, which shall approximately be five percent (5%) of the total ODA loan from the immediately preceding year. Said funds shall be administered by the NEDA for project identification, feasibility studies, master planning at local and regional levels, and monitoring and evaluation: Provided, further, That ODA shall not be availed of or utilized directly or indirectly for the following:

(a) xxx;
(b) xxx;
(c) xxx.

xxx.”

SEC 4. Sec. 8 of Republic Act No. 8182 is hereby amended to read as follows:

“Sec. 8. Oversight. – Pursuant to its constitutional duties, the Executive Department, particularly THE NEDA, the Commission on Audit and Congress shall discharge Oversight functions, to wit:

(a) xxx;
(b) xxx;

(c) There shall be a Congressional Oversight Committee composed of the [Chairmen] CHAIRPERSONS of the Committee on Ways and Means of both the Senate and the House of Representatives, five (5) members each from the Senate and the House representing the majority and two (2) members each from the Senate and the House representing the minority to be designated by the leaders of the majority and minority in the respective chambers.

THE CONGRESSIONAL OVERSIGHT COMMITTEE SHALL HAVE THE FOLLOWING DUTIES AND RESPONSIBILITIES:

(1) MONITOR AND ENSURE THE PROPER IMPLEMENTATION OF THIS ACT;

(2) REVIEW ODA LOANS OR LOANS AND GRANTS INCURRED AND ENTERED INTO BY THE PHILIPPINE GOVERNMENT;
(3) ENSURE THAT MECHANISMS ALLOWING CONGRESS TO
ASSESS AND REJECT CONDITIONALITIES THAT RUN
COUNTER TO THE INTEREST OF THE COUNTRY ARE IN
PLACE;

(4) REVIEW THE IMPLEMENTATION AND STUDY THE
IMPACT OF ODA PROJECTS; AND

(5) INITIATE INDEPENDENT IMPACT STUDIES OF ODA
PROJECTS, AND IN FURTHERANCE THEREOF, REQUIRE
THE SUBMISSION OF ALL PERTINENT INFORMATION
FROM GOVERNMENT ENTITIES IMPLEMENTING ODA
PROJECTS, WHEN NECESSARY.”

SEC. 5. Sec. 8 of Republic Act No. 8182 is hereby amended by inserting new Sec. 8-A
and Sec. 8-B, to read as follows:

“SEC. 8-A. ROLE OF CIVIL SOCIETY ORGANIZATIONS. – THE
GOVERNMENT SHALL ENCOURAGE THE BROADEST
INVOLVEMENT AND PARTICIPATION OF STAKEHOLDERS IN
THE MONITORING AND EVALUATION OF ODA PROJECTS. CIVIL
SOCIETY ORGANIZATIONS SHALL PLAY AN IMPORTANT ROLE
IN DETERMINING MORE APPROPRIATE INDICATORS TO
MEASURE THE IMPACT OF AID EFFECTIVENESS, AND IN
ENSURING THE EFFICIENT, EFFECTIVE, AND TRANSPARENT
IMPLEMENTATION OF ODA PROJECTS FROM
CONCEPTUALIZATION UNTIL COMPLETION.

SEC. 8-B. CITIZEN’S PARTICIPATION IN ODA PROJECTS. –
TO ENSURE THE EFFECTIVE OVERSIGHT OF ODA-FUNDED
PROJECTS AS HEREIN CONTEMPLATED, A CITIZEN’S
PARTICIPATION COMMITTEE SHALL BE CREATED FOR EACH
ODA-FUNDED PROJECT, TO BE COMPOSED OF CIVIL SOCIETY
ORGANIZATIONS, THAT SHALL MONITOR, REVIEW, AND
SUBMIT RECOMMENDATIONS FOR THE PROPER
IMPLEMENTATION OF THE SAME.

THE NEDA SHALL CRAFT THE APPROPRIATE RULES AND
REGULATIONS TO EFFECTIVELY IMPLEMENT THIS SECTION IN
CONSULTATION WITH VARIOUS CIVIL SOCIETY
STAKEHOLDERS.”

SEC. 6. Sec. 10 of Republic Act No. 8182 is hereby amended to read as follows:
“Sec. 10. Report. – It shall be the duty of the President of the Republic of the Philippines to submit, within thirty (30) days after the opening of every regular session, a separate report to each member of Congress on the amount of ODA loans and grants incurred under this Act, INCLUDING THE PROGRAMMED AND ACTUAL AVAILMENT OF SUCH LOANS AND GRANTS, AND THE DISBURSEMENT OF PROCEEDS THEREFROM.”

SEC. 7. Sec. 11 of Republic Act No. 8182 is hereby amended to read as follows:

“Sec. 11. Implementation, Restrictions, Rules and Regulations. - In the implementation of the projects: (a) Consultants for the feasibility and design aspects of the project may not participate, directly or indirectly, in any subsequent phase of project implementation; (b) Project execution shall not be delegated by the implementing agency except where the latter does not have the capacity to implement such project; (c) In the hiring of consultants, contractors, architects, engineers, and other professionals necessary for a project's implementation, Filipinos shall be given preferences; (d) In the purchase of supplies and materials, preference shall be given to Filipino suppliers, and manufacturers, so long as the same shall not adversely alter or affect the project, and such supplies and materials are to the WHO MEET the standards specified by the consultants, contractors, architects, engineers, and other professionals connected with the projects; and (e) ODA projects shall not be exempt from the requirement of first obtaining an Environmental Compliance Certificate (ECC), or other such certificates and clearances necessary or required by law for the purpose of environmental protection, from the Department of Environment and Natural Resources (DENR) or proper government agency, as the case may be.

xxx.

xxx.”

SEC. 8. Separability. – The provisions herein which may be declared unconstitutional shall not affect the effectivity and enforcement of other provisions of this Act.

SEC. 9. Repealing Clause. - All laws, decrees, executive orders, rules and regulations and other issuances inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 10. Effectivity. - This Act shall take effect after fifteen (15) days following its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,
AN ACT
ENSURING THE EFFECTIVENESS OF OFFICIAL DEVELOPMENT ASSISTANCE LOANS AND GRANTS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8182, OTHERWISE KNOWN AS THE OFFICIAL DEVELOPMENT ASSISTANCE ACT OF 1996, AS AMENDED


Committee Referral: COMMITTEE ON WAYS AND MEANS
Committee Chairperson: REP. JOEY SARTE SALCEDA

OBJECTIVE:

• To ensure the effective and efficient utilization of all Official Development Assistance (ODA) loans and grants, and maximize the benefits that can be derived from them
KEY PROVISIONS:

- Amends objectives in administering ODA loans to include promoting and achieving sustained reduction of poverty and inequality, supporting enjoyment of human rights, democracy, environmental sustainability, and gender equality;

- Requires that ODA loans shall be based on the principles of democratic or country ownership and mutual accountability with the aim of uplifting the economic, social, and cultural condition of the Filipino people;

- Provides an alternative discount rate for computing the present value (PV) of debt service payments, which is the yield on comparable debt instrument if this is lower than the ten percent (10%) fixed rate provided under Republic Act No. 8182. The table below illustrates the computation of present value and the grant element that would be derived using these discount rates. It assumes annual interest payments at the rate of 2%, the principal being repaid in lump sum after ten years:

<table>
<thead>
<tr>
<th>Formula and Assumptions</th>
<th>Republic Act No. 8182</th>
<th>SB to HB No. 7963</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity (n)</td>
<td>10 yrs.</td>
<td>10 yrs.</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Discount Rate (r)</td>
<td>10%</td>
<td>4.099%d</td>
</tr>
<tr>
<td>Face Value (FV) of Loan or Loan and Grant [A]</td>
<td>$USD1,000,000.00</td>
<td>$USD1,000,000.00</td>
</tr>
<tr>
<td>Principal Payment / (1 + r)^n</td>
<td>1,000,000.00 / (1+10%)^10 = 385,543.29</td>
<td>1,000,000.00 / (1+4.099%)^10 = 669,166.86</td>
</tr>
<tr>
<td>(PV formula for single payment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Interest Payment x 1 – (1 / (1 + r)^n) / r</td>
<td>(1,000,000.00 x 2%) x 1 – (1 / (1 + 10%)^10) / 10% = 122,891.34</td>
<td>(1,000,000.00 x 2%) x 1 – 1 / (1+4.099%)^16 = 161,421.39</td>
</tr>
<tr>
<td>(PV formula for annuity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>= Present Value (PV) of Debt Service Payments [B]</td>
<td>508,434.63</td>
<td>830,588.25</td>
</tr>
<tr>
<td>Grant Element = [A – B]</td>
<td>491,565.37</td>
<td>169,411.75</td>
</tr>
<tr>
<td>% of Grant Element [A-B] / A</td>
<td>49%</td>
<td>17%</td>
</tr>
</tbody>
</table>

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a Debt service payments include both principal and interest payments. The present value of debt service payments is deducted from the face value of the loan or loan and grant to get the value of grant element.
b Yield on comparable debt instruments is the rate of return on government issued debt instruments with similar maturities and terms of payment.
c Fixed social discount rate used by the NEDA in discounting the stream of economic costs and benefits to their present values.
• Requires the conduct of social and economic impact evaluation and consultations with intended beneficiaries, prior to utilization of ODA funds;

• Mandates the Congressional Oversight Committee on ODA to: 1) monitor proper implementation of this law; 2) review ODA loans or loans and grants incurred; 3) ensure adequate mechanisms that allow Congress to assess and reject conditionalities that run counter to the interest of the country; and 4) review implementation and study the impact of ODA projects;

• Empowers civil society organizations to measure the impact of aid effectiveness; and

• Establishes a citizen participation committee for each ODA-funded project to monitor, review, and recommend measures to ensure proper implementation of the same.

RELATED LAWS:

1. Republic Act No. 8182, otherwise known as the “Official Development Assistance Act of 1996”; and

2. Republic Act No. 8555, entitled, “An Act Amending Republic Act No. 8182, and for Other Purposes"