

ASIAN DEVELOPMENT BANK

CAP:PHI 2003-04

COUNTRY ASSISTANCE PROGRAM EVALUATION

IN THE

PHILIPPINES

January 2003

CURRENCY EQUIVALENTS

Currency Unit — Philippine peso (₱)

		1986	1994	2000	2001
₱1.00	=	0.049	0.038	0.023	0.020
\$1.00	=	20.39	26.42	44.19	50.99

ABBREVIATIONS

ADB	—	Asian Development Bank
ADF	—	Asian Development Fund
ADTA	—	advisory technical assistance
ASEAN	—	Association of Southeast Asian Nations
BIMP-EAGA	—	Brunei-Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BOT	—	build-operate-transfer
CAP	—	country assistance plan
CAPE	—	country assistance program evaluation
CG	—	consultative group
COS	—	country operational strategy
CSP	—	country strategy and program
DBP	—	Development Bank of the Philippines
DENR	—	Department of Environment and Natural Resources
DFI	—	development finance institution
DMC	—	developing member country
EA	—	executing agency
ESTW	—	economic, sector, and thematic work
GDP	—	gross domestic product
IMF	—	International Monetary Fund
LGU	—	local government unit
MTPDP	—	Medium-Term Philippine Development Plan
MTSF	—	Medium-Term Strategic Framework
NEDA	—	National Economic and Development Authority
NGO	—	nongovernment organization
NPC	—	National Power Corporation
OCR	—	ordinary capital resources
ODA	—	official development assistance
PCR	—	project completion report
PISO	—	Philippine Investments Systems Organization
PPAR	—	project/program performance audit report
PPTA	—	project preparatory technical assistance
RA	—	Republic Act
RETA	—	regional technical assistance
SF	—	special fund
SME	—	small and medium enterprise
TA	—	technical assistance
US	—	United States

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
(ii) In this report, "\$" refers to US dollars.

CONTENTS

	Page
EXECUTIVE SUMMARY	iii
I. INTRODUCTION	1
II. ECONOMIC BACKGROUND	2
A. Trends in Major Economic and Social Indicators	2
B. Salient Developments Before 1986	5
C. Salient Developments Since 1986	7
D. Conclusion	9
III. ADB ASSISTANCE STRATEGY	9
A. A Review of the Strategy	9
B. An Assessment of the Strategy	13
C. Conclusion	14
IV. ADB'S LENDING PROGRAM	14
A. Portfolio	14
B. Performance Evaluation of Projects/Programs	18
C. Project Implementation Issues	30
D. Conclusion	33
V. ADB'S NONLENDING ACTIVITIES	34
A. Types of Nonlending Activities	34
B. Technical Assistance	34
C. Economic, Sector, and Thematic Work	35
D. Performance Evaluation of Technical Assistance Activities	36
E. Conclusion	39
VI. DEVELOPMENT PARTNERS, AID COORDINATION, AND DEVELOPMENT CONCERNS	39
A. Development Partners and Aid Coordination	39
B. Governance and Corruption	41
C. Conclusion	42
VII. LESSONS, CONCLUSIONS, AND RECOMMENDATIONS	43
A. Overall Assessment	43
B. Lessons	44
C. Conclusions and Recommendations	45

APPENDIXES

1.	List of Projects/Programs by Sector	49
2.	List of Technical Assistance by Sector	52
3.	Key Economic and Social Indicators	59
4.	Distribution of Public Sector Projects/Programs Approved in 1969–1985	61
5.	List of Postevaluated Public Sector Projects/Programs Completed in 1986–2001	62
6.	Summary of Ratings of Postevaluated Public Sector Projects/Programs Completed in 1973–1985	66
7.	List of Postevaluated Public Sector Projects/Programs Completed in 1973–1985	67
8.	Performance Assessment of Two Ongoing Programs	69
9.	Sectoral Summaries of Project Completion Reports	70
10.	Sectoral Distribution of Technical Assistance (1968–1985)	75

EXECUTIVE SUMMARY

The objective of this country assistance program evaluation is to assess the relevance, effectiveness, sustainability, and institutional and other development impacts of the overall assistance program of the Asian Development Bank (ADB) for the Philippines. Although the evaluation takes a long-term perspective, it focuses particularly on the period since 1986, which marked a watershed in the country's economic and political history.

Notwithstanding its considerable development potential, the Philippine economy has remained largely mired in sluggish growth and pervasive poverty. Part of the reason for the poor performance has been internal. Unlike its high-performing neighbors, the Philippines adopted for a long time an inward-looking development strategy that emphasized import substitution and capital-intensive industrialization, much to the neglect of its comparative advantage in labor-intensive industries. In addition, it failed to nurture economic institutions that were crucial for economic success. Finally, it also suffered from a long string of adverse internal and external shocks, which included the international oil crises of 1973 and 1979, the world debt crisis of 1982, the Gulf War in 1991, and the Asian financial crisis of 1997.

In light of the changing economic and social dynamics of the country, ADB adopted a flexible and pragmatic operational strategy that allowed quick-disbursing loans to be provided in times of macroeconomic crises and efforts at poverty reduction and social development to be supported in more normal times. This operational strategy, which closely tracked the national priorities, offered a useful framework on which to anchor a development assistance program relevant to the country.

ADB has been one of the most important development partners of the Philippines since its inception in 1966. As of the end of 2001, ADB had approved \$7.9 billion in loans and \$120.0 million in technical assistance. In terms of public sector lending, the Philippines is ADB's fifth largest borrower. In terms of private sector operations, it ranks first among the developing member countries of ADB. However, the development impact of ADB's assistance program since 1966 has been mixed. ADB's performance audit reports rate 43% of public sector projects successful, 36% partly successful, and the remaining 21% unsuccessful. This performance record places the Philippines below the performance average of all ADB's developing member countries.

A matter of particular concern has been the significant deterioration of project ratings over time. From 36 projects completed and postevaluated since 1986, only 31% has been rated generally successful compared with the ADB-wide average of 51%. While the Philippine portfolio accounts for about 10% of all postevaluated projects in that period, it contains 24% of all unsuccessful projects, mostly in the agriculture and natural resources sector. If only those projects are considered that have been initiated, completed, and postevaluated since 1986, only 29% of such projects in the Philippines are rated generally successful. However, most unsuccessful projects were completed by the end of the 1980s; there have been some signs of improvement in the 1990s.

The principal reasons for the low success rate range from frequent internal and external shocks that the economy experienced to more project-specific problems such as poor design and different types of implementation problems. The latter include excessive time needed, particularly for actions that require legislation; absorptive capacity constraints; complicated land acquisition and procurement policies and procedures; lack of counterpart funds that slows down the disbursement of ADB funds; inadequate project personnel in both number and capability;

and lack of institutional and financial capacity especially of local government units to undertake projects. These implementation problems have been further compounded by the changing composition of the loan portfolio. In recent years, ADB has moved increasingly to policy-based lending from its earlier exclusive focus on project lending. While this move has been consistent with ADB's evolving role as a broad-based development institution with a greater focus on policy reforms, it has not been accompanied by a concomitant change in the implementation approach.

Given the lack of success in a large number of investment projects, it seems that the ADB lending program has not had a major impact on economic growth or poverty reduction. Poverty remains pervasive and appears to be exhibiting an upward trend in recent years. Similarly, the impact of the ADB program on institutional development has been mixed. In the energy and transport sectors, which account for almost half of ADB's portfolio of completed and ongoing projects, the main factor leading to ratings below the generally successful category has been institutional deficiencies. These deficiencies, which result in implementation and operational problems, are also common in other sectors. There are question marks about the sustainability of a number of projects in transport and communications, social infrastructure, finance, and agriculture and natural resources sectors. Much of this skepticism on sustainability stems from lack of institutional capacity, inadequate budget allocations, and lack of political will. The importance of nonlending assistance has increased in recent years. Its contributions to policy reform and institutional development have been tangible, though also affected by uncertain sustainability. As the country moves to a higher stage of development, the demand for nonlending assistance in the form of knowledge products and services is likely to increase.

Experience with ADB's development assistance program in the Philippines has borne out a number of important lessons:

- (i) First, **political and macroeconomic stability is a critical factor behind the success of a development assistance program.** ADB projects have been more successful when they have been implemented in a stable environment.
- (ii) Second, **project success requires careful project preparation.** An important cause of project failures in the Philippines has been the lack of thorough project preparation involving detailed analytical work and active participation of beneficiaries in design and implementation.
- (iii) Third, **project design should be relatively simple.** Project designs that are too complex and impose excessive demands on the organizational capabilities of the implementing agencies are likely to fail. Lending to the Philippines in the early part of ADB history, which was characterized by small, simple loans that made modest demands on the organizational capacity of executing agencies (EAs), was more successful.
- (iv) Fourth, **sustaining development impact requires close monitoring during implementation and after project completion.** The Philippine experience strongly suggests that the quality of project monitoring has an important bearing on project success.
- (v) Fifth, **the success of the assistance program depends on its ability to nurture institutional development.** Weak institutions have often been cited as a principal cause of project failures in the Philippines.

Helping the Philippines achieve its development potential should be the main thrust of ADB's development assistance program. To attain this goal, ADB should adopt a steady, relatively modest and selective lending program. It should be steady in the sense of avoiding the wide fluctuations in lending volumes that marked the recent years. It should be relatively modest in light of the country's absorptive capacity constraint, while maintaining a critical mass required for ADB's role as an important development partner of the Philippines. It should be selective in the sense of being grounded in ADB's comparative advantage in sectoral work and catalytic in its effect, and emphasizing quality over quantity. In the past, the lending program suffered from numerous deficiencies in project design and implementation. Efforts need to be made by both ADB and the Government to overcome such deficiencies.

To improve the ADB portfolio performance, the Government has adopted a number of corrective measures in recent years. These measures include both time-bound plans to improve specific projects, and general corrective actions to address generic problems. The former include improving institutional mechanisms to provide real-time problem-solving advice to EAs, removing institutional constraints to information flows to oversight agencies, ensuring the timely arrival and utilization of funds for projects, and maintaining the momentum of sector and policy reforms for program loans after the first tranche. The generic corrective actions include measures to streamline the procurement approval process, and strengthen the legal and financial support to EAs to address the right-of-way and land acquisition problems. Finally, in light of shortage of counterpart funds, the Government has been working with ADB to downscale and redesign projects, and cancel unutilized funds. These are moves in the right direction, but more needs to be done.

To improve the performance of its lending program, ADB needs to strengthen its ability to conceptualize projects and screen them, a process that is likely to be facilitated by the recent reorganization of ADB. Project design is likely to improve with the enhanced involvement of beneficiaries and consultation with key stakeholders. Implementation problems can be substantially redressed and controlled by prior capacity analysis of EAs and key stakeholders, and regular institutional reviews at the sectoral level. The establishment of the ADB Philippine Country Office in March 2001 has helped strengthen the project administration process in responding promptly to implementation problems and modifying the design and scope of projects when such changes are warranted on account of changed conditions. However, there is a need to increase the organizational capacity of local government units so that they can play a more effective role in the development process.

ADB can play a pivotal role in assisting the Philippines in its efforts to reduce poverty and promote social development. ADB's future lending operations can focus on such areas as microcredit to support income-generating activities for the poor; education and health facilities, potable water supplies, and road transport in rural areas; and development of the lagging regions, particularly Southern Philippines.

In the absence of Asian Development Fund financing, ADB faces the difficult task of pursuing its overarching poverty reduction objectives with ordinary capital resource finance. This problem was exacerbated by ADB's 1998 decision to reduce its maximum contribution to the funding of an individual project from 60% to 40% of total project cost. This hardening of the project financing terms made it difficult for the Government to promote social sector projects, where its preference is to use grant finance. ADB was also finding it difficult to obtain soft loan cofinanciers for its social sector projects. In view of this, ADB has recently revised its cost-sharing policy and increased the ceiling for its contribution to 65%.

As program lending will continue to be important in the future, ADB should consider the question of timeframe for meeting conditionalities. In this regard, the more important consideration should be sustainability rather than the speed of implementation of reforms. ADB should take full cognizance of the limitations that can arise from procedures of stakeholder consultation and due democratic process, i.e., the realities of the political economy of decision making in a democracy.

While public sector lending is likely to continue being dominant in the near future, with macroeconomic stability and a conducive policy environment, ADB's private sector operations can gradually assume a larger role. Such assistance should focus on small and medium industries, and areas that have either considerable export potential or important social dimensions. ADB should not get involved in financing large-scale industrial and mining projects where its experience has been less than satisfactory. Oil, gas, and coal subsectors—exploratory activities that involve excessive risks—should be left to pure private sector interests as these are essentially commercial undertakings. As a whole, ADB's involvement in the energy sector should be reduced, especially in light of the ongoing restructuring and privatization in the power sector.

In the area of nonlending activities, ADB's past analytical work on social and poverty issues, though modest, has had a significant impact. As ADB is going to play an active role in social sectors, its economic, sector, and thematic work should give greater attention to analyzing policy and institutional constraints in these sectors. ADB has played a pioneering role among the multilateral and bilateral development institutions in producing analytical work on regional cooperation issues. This should continue with a view to attracting greater private investments to areas and activities suitable for regional cooperation. In the finance sector, ADB has developed a comparative advantage in analytical work on capital market development and nonbank financial institutions. As such, there continues to be a case for its involvement in policy reform, capacity building, and institutional strengthening in these areas.

The ability of ADB to provide effective assistance in the future will depend on its capacity to deepen its relationships with the broader society beyond the government—the nongovernment organizations, other elements of civil society, women's groups, and ethnic minorities. The active participation of nongovernment organizations and the civil society in the country strategy and program formulation; economic, sector, and thematic work; and project preparation and implementation will improve the relevance and quality of ADB interventions. Similarly, the participation of relevant government agencies and women's groups will add value to projects, activities, and knowledge products with gender dimensions. This is particularly germane in the light of the high importance ADB attaches to social development, including removing regional and gender disparities. However, participation and partnership should be a two-way street. ADB should also assume a higher public profile and contribute to the country's policy debate disseminating the findings of its economic, thematic, and sector work reports. Some progress in this regard has been made in the recent past, but more needs to be done.

I. INTRODUCTION

1. Notwithstanding its considerable development potential, the Philippine economy has remained largely mired in sluggish growth and pervasive poverty. Many of the East Asian economies that lagged behind the Philippines in the 1950s, and even in the early 1960s, now have social and economic indicators of development that have surpassed it—and have joined the ranks of newly industrialized countries. Although the Philippines has been the beneficiary of a considerable amount of foreign assistance—as well as a moderate amount of foreign private investment—this inflow of external resources has not translated into high growth or rapid improvement in the quality of life of its people.

2. Since its inception in 1966, the Asian Development Bank (ADB) has been involved in the process of the country's economic development. ADB's assistance to the country encompassed loans, technical assistance, policy advice, and development partnership coordination. From 1966 to 2001, ADB has approved an aggregate of \$7.9 billion in loans—of which 7.7 billion was in the public sector (Appendix 1)—and \$120.0 million in technical assistance (TA) (Appendix 2). In terms of public sector lending, the Philippines is the fifth largest borrower of ADB. In terms of private sector operations, it ranks first among the developing member countries (DMCs) of ADB. The development impact of ADB assistance has been mixed. The performance audit reports of ADB rate 43% of the public sector projects successful, 36% partly successful, and the remaining 21% unsuccessful. This performance places the Philippines below the performance average of all DMCs of ADB. Moreover, this performance record has not shown much improvement in the past decade.

3. The objective of this country assistance program evaluation (CAPE) is to assess the relevance, effectiveness, sustainability, and institutional and other developmental impacts of ADB's overall assistance program comprised of both lending and nonlending components. The former have included public and private sector lending, and the latter various types of knowledge products and services, such as advisory and diagnostic TA; economic, sector, and thematic work (ESTW); policy dialogue; and cross-country policy studies with regional scope.

4. Although the CAPE takes a long-term perspective, the main focus is on the period from 1986 to 2001. The selection of 1986 as the base year is guided by the following consideration. The year 1986 marked a watershed both in the history of the Philippines and ADB. For the Philippines, it represented a transition from an authoritarian to a democratic regime. In 1986, a newly elected democratic government was inducted to power and a constitutional commission was formed to draft a new constitution. For ADB, it represented the beginning of a period of reinvigoration and rejuvenation as an institution. ADB streamlined and systematized its operational activities, based on the recommendations of the blue-ribbon committee study *Operational Plans and Priorities* in the mid-1980s. ADB's new strategic approach emphasized a forward-looking dynamic perspective that underscored structural change, optimal utilization of country resources, and broad and systematic institutional development. ADB also began its private sector operations in the early 1980s and made a critical shift in its program lending policy toward sector reform in 1987.¹ All these efforts helped broaden the role of ADB as a premier development finance institution (DFI) for the region. Though the CAPE uses 1986 as the base year, it goes backward in time to capture trends, highlight contrasts, and provide generalizations wherever deemed relevant or interesting.

¹ Other subsequent important institutional developments include the introduction of strategic development objectives in 1992 and cross-cutting themes thereafter.

5. There is yet to emerge a rigorous universally accepted methodology for preparing a CAPE. The difficulties in devising such a methodology and implementing it are manifold. First, the country strategies, as well as individual interventions, are often expressed in goals that are neither quantified nor quantifiable. Second, to control and isolate the impact of ADB interventions in the presence of many other influences and factors would require the construction of a “counterfactual”: things that would have occurred if ADB interventions were not there (other things remaining the same). The construction of such a counterfactual is both analytically challenging and empirically difficult to implement: it requires data, time, and resources much beyond what is available. In the absence of a counterfactual, the exercise by necessity has to limit itself to qualitative analysis. The present CAPE, which provides such a qualitative assessment, is based on in-depth reviews of relevant ADB documents and studies² as well as those from other development agencies. The CAPE has also benefited from discussions and interviews with key resource persons from the Government, private sector, and civil society as well as ADB staff, including the Philippine Country Office, which provided a wide diversity of views and perceptions about the strengths and weaknesses of the ADB assistance program.

6. The organization of this CAPE runs as follows. Chapter II provides an assessment of the socioeconomic performance of the Philippine economy. This discussion, which covers a synoptic review of the Philippine economy of the post-World War period, provides the general background for the CAPE. Chapter III provides an assessment of ADB assistance strategies to the Philippines. Chapter IV presents an evaluation of ADB lending program while Chapter V provides a review of nonlending activities. Chapter VI discusses activities of development partners, aid coordination, and development concerns. In particular, it highlights governance and corruption issues, which have been underscored by the Philippines’ development partners, including ADB, as a constraining factor for the success of development assistance. Chapter VII provides an overall assessment of ADB’s development assistance to the Philippines, highlights some lessons, and draws some conclusions and recommendations.

II. ECONOMIC BACKGROUND

A. Trends in Major Economic and Social Indicators

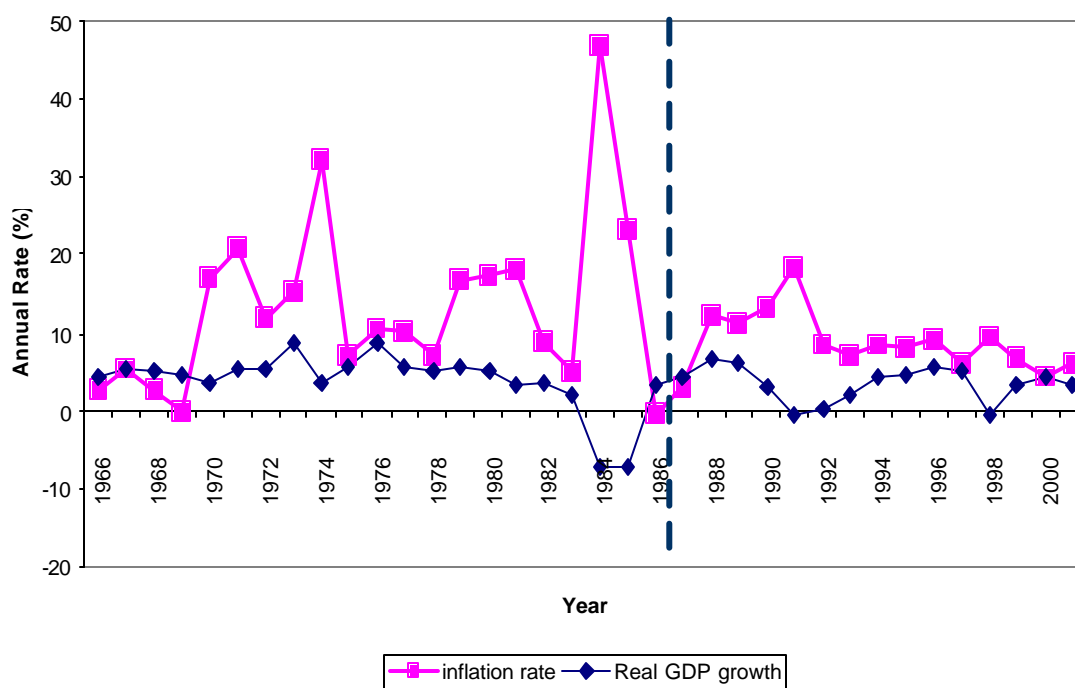
7. In the early post-World War II period, the Philippines was one of the more advanced economies in Asia. However, much of its growth stemmed from a few agricultural commodities such as rice, sugar, and copra, and was heavily dependent on its exports to the United States (US). The domestic production structure was far from competitive. It was controlled by an oligarchy of a few hundred families—a legacy of colonial times. The majority of the people lived in poor economic conditions that afforded them few opportunities to advance economically. This made the Philippines one of the most unequal societies in Asia with a high Gini-coefficient of income distribution. Although income distribution has improved marginally over the years, the Gini-coefficient at 0.48 (as of 2000) remains relatively high, compared to most of the neighboring DMCs.

8. The economy posted strong performance throughout the 1950s as long as the commodity prices remained firm. With the decline of the commodity prices in the 1960s, the performance of the economy started to deteriorate. Figure 1 shows the growth path of real gross

² These documents and studies include: country operations strategies, country assistance plans, project portfolio reviews, project appraisal reports/reports and recommendations of the President, project completion reports, project/program performance audit reports, TA completion reports, TA performance audit reports, impact evaluation studies, special evaluation studies, and ESTW reports.

domestic product (GDP) and inflation since the mid-1960s (for details, see Appendix 3). The two variables that are the proximate determinants of the growth of real per capita income are population growth and inflation rate. The fast pace of population increase in the country, which exceeded 2.3% throughout the eighties, has been a big obstacle to its effort to boost per capita income. During the period 1966 to 2001, the population of the country more than doubled, from about 33 million in 1966 to about 76 million in 2000. The rapid population increase, along with occasional bursts of high inflation, kept the growth of real per capita income contained. During the period 1967–1970, real per capita GDP rose at an annual rate of 1.4%. In the first half of the 1970s, this rate registered a significant improvement (3.0%), and again it slightly improved (3.2%) in the second half of the 1970s. However, in the first half of the 1980s, the real per capita income growth plummeted to the negative territory (-3.4%) owing to financial instability followed by political crisis. Though the economy recovered in subsequent years, the growth rate remained subdued. During the period 1986–2001, the average annual growth rate of per capita GDP was only 1.0%. The lackluster performance of the Philippine economy contrasts sharply with that of its high-performing neighbors (Figure 2).

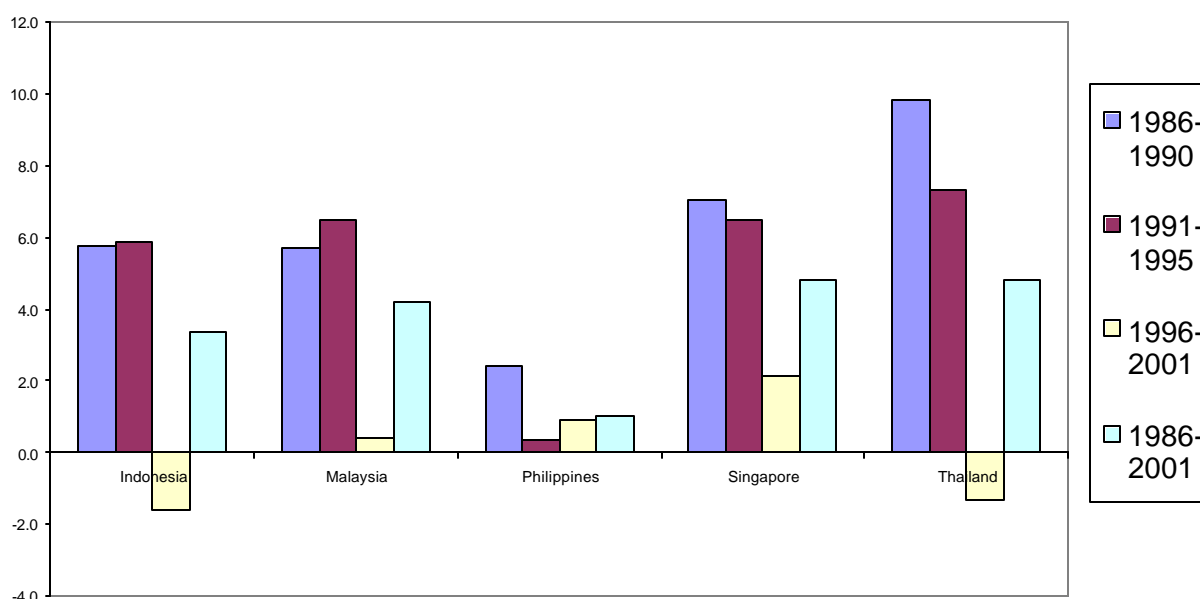
Figure 1: Real Gross Domestic Product Growth and Inflation (1966–2001)



9. Part of the reason for the poor performance of the Philippines was internal. Unlike its high-performing neighbors, the country adopted for a long time an inward-looking development strategy that emphasized import substitution and capital-intensive industrialization, much to the neglect of its comparative advantage in labor-intensive industries. In addition, it failed to nurture

economic institutions that were crucial for economic success.³ Like some of its high-performing neighbors, the Philippines was under an authoritarian/semi-authoritarian regime for a large part of its recent post-World War history. However, unlike its neighbors, it failed to emerge as a “developmental state” that implemented good economic policies, made adequate investments in infrastructure, and nurtured private sector-led development. The Marcos regime, which stretched over more than 2 decades from the mid-1960s, was accompanied by serious political turmoil and lapses in law and order conditions, none of which were conducive to rapid growth or swift economic transformation.

Figure 2: Average Annual Change in Real Per Capita GDP for Selected Countries



10. The poor economic performance was also partly attributable to various external shocks the economy suffered throughout the years, which included the international oil crises of 1973 and 1979, the world debt crisis of 1982, the Gulf War in 1991, and the Asian financial crisis of 1997. Although other DMCs of the region were subject to the same external shocks, they seemed to have weathered them better, except for the Asian financial crisis. The principal reason for this difference in the ability to withstand shocks lies in the structure of the Philippine economy and the underlying weaknesses of its economic and political institutions. In the case of the Asian financial crisis, the Philippines was less severely affected than its neighbors. This

³ The Philippines has consistently ranked lower than its high-performing neighbors in terms of the quality of its market-supporting institutions. Knack and Keefer (1995) compiled an index of economic institutions from a set of surveys undertaken by the *International Country Risk Guide*. This index highlights a number of important dimensions of the quality of economic institutions, including the quality of the bureaucracy (its autonomy from political pressure and its operational efficiency); the rule of law (the existence of strong courts and orderly succession of political power); the risk of expropriation (the threat of confiscation and nationalization); and the risk of repudiation of contracts by the Government (the modification of contracts, changes in government priorities, and so on). Scores on the index can range from 0 to 10, with high values indicating better economic institutions. Hong Kong, China; Singapore; and Taipei, China scored between 8 and 10. Republic of Korea, Malaysia, and Thailand scored between 6 and 7; Indonesia scored less than 4 and the Philippines, less than 3. Knack, S., and P. Keefer. 1995. Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures. *Economics and Politics* 7(3): 207–227.

relative immunity had less to do with the robustness of the Philippine economy⁴ than with the extent of capital flight each of the economies suffered. As the Philippines attracted much less foreign capital to begin with, it also suffered less from the adverse effect of the contagion.⁵

11. The sluggish economic performance has been reflected in the high incidence of poverty in the country. Between 1985 and 2000, the incidence of poverty fell slowly, from about 49% to about 39%. Compared to its neighbors, performance of the Philippines in other social indicators has been mixed (Table 1 and Appendix 3). Life expectancy rose from 53.1 years in 1960 to 69.3 years in 2000, and infant mortality rate declined from 108 per thousand live births in 1960 to 30 in 2000. Similarly, the proportion of the population without safe water fell from 40% in 1975 to 13% in 2000, and the proportion without sanitation facilities declined from 77% in 1970 to 17% in 2000. Adult literacy improved from 83.4% in 1970 to 95.3% in 2000, and nearly all children of primary school age were enrolled in school by 1997.

Table 1: Social Indicators for Selected Countries for 2000

Item	Philippines	Indonesia	Malaysia	Singapore	Thailand
Life Expectancy (years)	69.3	66.2	72.5	77.6	70.2
Infant Mortality (per 1000 live births)	30	35	8	4	25
Population without Safe Water (%)	13	24	22 (1998)	0	20
Population without Sanitation (%)	17	34	6 (1998)	0	4
Adult Literacy (% of population)	95.3	86.9	87.5	92.3	95.5
Poverty incidence (%) ^a	39.4	23.4 (1999)	8.1 ^b	—	12.9 (1998)

— = data not available.

^a Poverty data for 2000 sourced from the *Selected Poverty and Related Indicators* (ADB).

^b Percentage of poor households rather than population.

Source: United Nations Development Programme. 2002. *Human Development Indicators/Human Development Report*. Oxford, New York.

B. Salient Developments Before 1986

12. Against the backdrop of an inward-looking development strategy, the Government in the mid-1960s adopted an expansionary fiscal stance with an ambitious public spending program. This program, which included a wide range of activities, such as building roads, bridges, health centers, and schools and urban beautification, was essentially funded by a massive expansion of government expenditure that virtually doubled between 1964 and 1968. Given the shortage of domestic resources, much of the increased government expenditure was funded by overseas borrowing. As the bulk of this investment program was directed toward goods and services, which were non-tradable with long gestation periods, pressure started slowly to build up on the exchange rate. Such an expansionary macroeconomic policy based on external borrowing proved unsustainable over the long run.

⁴ The Philippines did have better banking regulations—a lesson learned from the crisis of the early 1980s.

⁵ Contagion generally refers to international transmission of shocks—through trade and finance—from one country to another (or a group of countries).

13. By 1970, an acute foreign exchange crisis developed and the Government was forced to seek financial assistance from the International Monetary Fund (IMF) and the World Bank. The peso was devalued by 35%; a stabilization program was put in place; and some limited steps were taken to liberalize trade. The pressure on the balance of payments was further relieved, albeit temporarily, by a fortuitous increase in commodity prices.⁶ However, as the development strategy was largely inward looking, the political climate tense, and cronyism widespread, the economy remained sluggish—and consequently, there was little dent on poverty.

14. Following the 1973 international oil crisis, there was a recession in the industrialized countries, which led to the decline in commodity prices and deterioration in the terms of trade of many developing countries, including the Philippines. However, despite these adverse circumstances, the Philippines avoided the worst outcomes that could have happened. Its perceived political stability that came with the declaration of martial law in 1972—along with its recent tariff reforms, albeit partial and modest—helped boost its international credit standing. This was followed by an inflow of newly recycled petro-dollars, and the Government began to promote a strategy of export-led growth, based on the development of enclave industrial processing zones. This strategy seemed to work, at least for a while, with real GDP growing at an average annual rate of 5.6% between 1974 and 1980. The share of non-traditional manufactures increased from 12% to 36%, suggesting some real structural change.

15. However, much of this economic expansion was fueled by relatively expensive loans from foreign commercial banks that soon led to a rapidly mounting external debt burden. Domestically, the real political and economic implications of martial law were also becoming increasingly clear. The martial law regime, though controlling the powers of the traditional oligarchy, was at the same time creating its own brand of crony capitalists. It helped nurture and strengthen the economic powers of this new class by providing them preferential access to credit; by allocating import and trading monopolies to favorite conglomerates; by introducing government-backed takeovers; and by allowing collusive markup prices on sales and services by state-owned but crony-controlled enterprises. Thus, the economy was once again heading toward a recession as the effects of the second oil crisis began to show up in the form of credit restrictions from overseas banks and worsening export prospects. Against the backdrop of an emerging crisis, the World Bank negotiated its first Structural Adjustment Loan in 1981⁷ that aimed at dismantling and streamlining various trade restrictions. However, this was not enough to avoid the full-scale economic crisis that erupted in 1983.

16. The proximate cause triggering the 1983 crisis was the revelation that the central bank had overstated its reserves by \$600 million. On advice from IMF, the central bank devalued the currency by more than 20%. The Government also announced the suspension of repayment of debt principals; revised its estimate of total debt upward from \$16.3 billion to \$24.8 billion; introduced the rationing of foreign exchange; and raised tariffs on trade items. These measures, while helping stabilize the situation, also effectively destroyed the confidence of the international financial community in the Philippines. The foreign loans that underpinned the growth of the Philippines in the preceding 10 years all but dried up. As the crisis unfolded, there was acceleration in capital flight, which brought about serious dislocation of import-dependent industries. Imports plummeted by 32% between 1983 and 1985 while inflation peaked at 47% in 1984. This resulted in a rapid decline in per capita income and further increase in poverty: almost 50% of the population was living in poverty by 1985. The economy became paralyzed by

⁶ Since the 1970s, the external account problems of the Philippines have been eased by a steady flow of remittances from overseas workers that now exceed \$6 billion per year.

⁷ The World Bank's Structural Adjustment Loan modality dates from September 1979.

political unrest (that eventually led to the first people power revolution in February 1986) and suffered a massive loss of investor confidence. Most development projects came to a grinding halt and remained in stasis during 1984–1986. Once again, the Government was forced to seek assistance from IMF and the World Bank, and initiated some tariff reform and exchange rate liberalization. However, these efforts were of little avail in turning the economy around.

C. Salient Developments Since 1986

17. In 1986, the newly installed democratic government was left with a legacy of an enormous foreign debt burden; a largely insulated and regulated economy; and a bloated public sector. In addition to these economic challenges, the Government needed to address the issues of political instability and social cohesion, which had been seriously eroded during the preceding authoritarian regime. To put the economy back on track, the Government in 1987 launched its Economic Recovery Program. This program sought to promote growth and reduce poverty by enhancing economic efficiency through reduction of subsidies and elimination of monopoly privileges; by promoting private sector participation and reducing government intervention; and by undertaking public investment in agriculture to augment productivity and create rural employment. The Government also implemented a tax reform program to simplify the tax structure and improve tax collection, and a selective trade liberalization program that included some important product areas.

18. However, the Government soon realized that this program was inadequate to resuscitate growth and recognized the need for more comprehensive macroeconomic reform. It accepted an IMF macro-stabilization program that imposed a tightly managed budget to help reduce the fiscal deficit and a conservative monetary policy to rein in the previously spiraling inflation. The improved monetary and fiscal situation made it possible for the Government to repay some of its overseas debts and restore, at least partially, investor confidence. The economy started to show signs of vitality, and grew by an average of 6.5% in 1988 and 1989.

19. However, these successes were short-lived. Some of the reform policies adopted by the Government alienated powerful interest groups. Reducing the fiscal deficit and reorganizing the bureaucracy meant layoffs and abolition of departments and agencies and retrenchment of a large number of public sector employees (many of whom could not find alternative employment). Besides weakening the Government's implementation capacity, this led to considerable political dissatisfaction, resulting in sporadic attempts by political dissidents to destabilize the Government. There was a marked increase in political instability as the economy started to slide into a recession in 1989. The economic problems were further exacerbated as the infrastructure shortage—particularly, power—became acute; the ethnic conflict in Mindanao deepened; and a series of natural disasters, including an earthquake in 1990 and the Mount Pinatubo volcanic eruption in 1991, hit the country.

20. By the early 1990s, the growth process had again come to a halt. As the economy went into a recession, the Government had to postpone some important reforms, including the reduction of energy subsidies and increase in petroleum prices. These subsidies were the principal contributor to the widening fiscal deficit, which went up from 2.1% of GDP in 1989 to 3.4% of GDP in 1990. In the meantime, there was also an appreciation of the real exchange rate, which led to a deterioration of the current account deficit from 3.4% of GDP in 1989 to 5.8% of GDP in 1990. The key development challenges facing the Government during this period were two-fold: (i) how to balance the imperatives of long-term development with the demands of short-term crisis-management; and (ii) how to attain significant reduction in poverty and sustainable development without losing the momentum of reform in trade, privatization, and

private sector-led development. As there were significant short-term costs of adjustment, the Government had to moderate the pace of such reform. To improve the delivery of basic services in areas such as agricultural support and on-site research, health, social welfare, and those related to the protection, conservation, and management of the environment, the Government introduced the Local Government Code of 1991 that brought about a significant devolution of powers and responsibilities from the national Government to the local government units (LGUs).

21. In 1992, the new administration, following the presidential and congressional elections, was faced with three critical economic challenges: pervasive power shortages; a widening fiscal deficit; and a debilitated central bank saddled with huge liabilities that hampered the conduct of sound monetary policy. To address these problems, Congress enacted three laws: one that gave emergency powers to the Chief Executive to negotiate contracts for the construction, rehabilitation, and maintenance of power plants;⁸ one that sought to rationalize the internal revenue system and tax administration;⁹ and one that helped revamp the central bank.¹⁰

22. To pursue its long-term development goals, the Government formulated “Philippines 2000,” a plan that envisioned the country joining the ranks of the newly industrialized countries by the beginning of the new millennium. It emphasized the role of trade liberalization, private sector-led development, human resource development, and poverty reduction as the key elements of this development strategy. The Government recognized the need to undertake some critical macroeconomic reforms to improve the structure and functioning of the economy. By 1997, the Government was able to reduce public sector deficits considerably and rein in inflation. Foreign debt was restructured in 1992 and a new bill on commercial bank supervision arrangements was enacted in 1993. In the early 1990s, the Government also deregulated the foreign-exchange market and further liberalized foreign trade, including abolition of most quotas. Finally, in 1994, Congress enacted the Build-Operate-Transfer (BOT) Law¹¹ authorizing private sector financing of infrastructure projects.

23. In the wake of these reforms, foreign direct investments more than doubled between 1991 and 1996. A large portion of these investments was directed to the road and power sectors.¹² Exports grew by 23% in 1997. The export sector—which was mainly comprised of electronics, transport equipment, machinery, garments, and textiles—also benefited from the improved law and order situation and resolution of the power crisis. Total debt service obligations fell from 16% to 12% of the value of exports between 1992 and 1997. Private investment rose to 19% of GDP in 1996, as compared to an average of 13% for the period 1985–1988.

24. This good economic performance was arrested by the Asian financial crisis of 1997. While the Philippines did not share the pre-crisis economic boom experienced elsewhere, the country nevertheless suffered some of the adverse economic consequences of the contagion.

⁸ Republic Act (RA) No. 7648 (Electric Power Crisis Act of 1993), “An Act Prescribing Urgent Related Measures Necessary And Proper To Effectively Address the Electric Power Crisis and For Other Purposes.”

⁹ RA No. 8424 (The Comprehensive Tax Reform Act of 1997), “National Internal Revenue Code of the Philippines.”

¹⁰ RA No. 7653, “The New Central Bank Act”. This act created a “new” central bank, the Bangko Sentral ng Pilipinas, and transferred assets and liabilities of the old central bank that were not assumed by the Bangko Sentral ng Pilipinas to the Central Bank Board of Liquidators.

¹¹ RA No. 7718, “An Act Amending Certain Sections of RA No. 6957 entitled, *An Act Authorizing the Financing, Construction, Operation, and Maintenance of Infrastructure Projects by the Private Sector, and For Other Purposes.*”

¹² From 1991 to 1997, there were 63 BOT projects with a total investment of \$13.8 billion, of which 28 projects were completed by 1997. The completed projects, which were mostly in power generation, infused \$4.4 billion investments into the economy.

These adverse consequences included higher interest rates, falling international demand—particularly for electronics—and the precipitous decline in the value of the peso. The improvement in the international competitiveness of labor and exports that resulted from the peso fall was largely offset by the rise in the prices of imports and the credit crunch that affected the exporters. At the same time, the agricultural sector was severely affected by a drought in 1998 and experienced a 7.0% decline in production. The fiscal situation also deteriorated due to increased debt service costs and reduced tax revenues. Though the Government followed a tight monetary stance, inflation edged higher, though it remained below the 10% level. However, compared to other crisis-afflicted economies, the Philippines experienced a relatively modest contraction in GDP, less than 1.0% in 1998.

25. Given the pervasiveness of poverty and the adverse social impact of the Asian financial crisis, poverty reduction became the decisive agenda for the presidential election of 1998. However, in the face of weak external demand and general lack of investor confidence, the new administration could not do much to jumpstart the economy. The economy remained sluggish and the incidence of poverty increased from 36.8% in 1997 to 39.4% in 2000.¹³ The year 2000 saw further intensification of political turmoils—the upsurge of ethnic conflicts in Southern Philippines; the charges of corruption against the President, and the subsequent impeachment; and finally, popular upsurge and removal of the President. Notwithstanding the political upheaval, the economy performed relatively well—registering almost 5.0% GDP growth with reasonable price stability—on the strength of robust agricultural growth. In 2001, despite greater political stability, the economy performed worse, partly reflecting the global economic slowdown. Consequently, the poverty incidence remained largely unchanged.

D. Conclusion

26. Notwithstanding the early promise and the presence of a generally well-educated workforce, the Philippines is yet to attain the vigor of a high-performing economy. During the last 4 decades or so, the tempo of economic and social development in the country has been thwarted by its weak institutional structure, inappropriate economic policies, external economic shocks, internal socio-political turmoil, and natural disasters. Poverty continues to be a pervasive problem. The state of physical infrastructure remains inadequate. Social and political discontent has somewhat waned, though still existent. These are no doubt daunting development challenges, but with concerted societal efforts, they are not insurmountable.

III. ADB ASSISTANCE STRATEGY

A. A Review of the Strategy

27. The ADB assistance strategy to the Philippines has evolved over the years. The principal driving force behind the evolution has been the readiness of ADB to adjust its strategy and programs to the changing circumstances of the country. In recent years, as the economy achieved some measure of stabilization, the Government has increasingly shifted its priorities toward poverty reduction and social development. This shift has been accompanied by an increase in emphasis on environmental management, good governance, and capacity building, development themes that rank high in ADB priorities.

¹³ This trend was in contrast with the improvement in the situation during the period 1988–1997 when poverty had declined from 45.5% to 36.8%.

28. In the mid-1980s, when the country was steeped in economic and political turmoil, the country operational strategy (COS) emphasized a balance between economic stabilization and long-term development. This strategy was described in ADB's 1984 Annual Report as follows:

Bank operations in the Philippines during 1984 were adapted to assist the country in a period of extreme economic uncertainty and difficulty and severe domestic resource constraints. The Bank continues to be responsive to the country's more immediate needs but, at the same time, it will need to direct assistance toward longer-term development requirements. The Bank supports the Government's expanded efforts to develop agriculture by diversifying crops and incomes and promoting exports and import substitution. Developing indigenous energy resources continues to occupy high priority. Emphasis is given to making existing productive assets more efficient by rehabilitating where conditions warrant, and strengthening operations and maintenance capabilities in general.

29. However, as the economic and political crisis further deepened, ADB had to supplant its longer-term development goals, as articulated in the 1984 COS, to accommodate the immediate needs of the troubled economy. The adjusted operational program emphasized completing the ongoing development projects; improving the efficiency of operations of existing infrastructure; and meeting the country's immediate foreign exchange needs following the cessation of most forms of foreign private capital transfers.

30. In early 1986, the change in administration brought about a commensurate shift in development priorities toward poverty reduction and social development. This change was duly reflected in ADB's 1987–1990 country program paper:

In response to the Government's new priorities [1986], the Bank's lending strategy was further modified to provide support to projects that will contribute to more direct employment creation, income generation, poverty alleviation, and satisfaction of basic needs, especially in rural areas. Nonetheless, while domestic and external resource constraints remain, Bank support will continue to be principally devoted to completion of ongoing projects and the maintenance and improvement of existing infrastructure. At the same time, efforts are being made to identify more program and sector loans in several sectors.

31. In reality, this professed shift in priority did not bring about a tangible change in the nature and structure of the lending program. The ADB lending program continued to be driven by two critical considerations of economic stabilization and rehabilitation of the power supply. However, the combination of the general sense of optimism that followed the removal of the Marcos regime in 1986 and the pent-up desire to act on previously programmed assistance led to a flurry of loan approvals. In the aftermath of the regime change, ADB went to great lengths in support of the fledgling democracy and exerted great flexibility in extending development assistance (including renewed access to Asian Development Fund [ADF] resources).¹⁴ This flexibility helped the country in overcoming an impending macroeconomic crisis.

¹⁴ The Philippines' access to ADF, ADB's concessionary lending window, was reinstated in 1986 as part of ADB's response to the anticipated financing constraints of the Government and the emphasis on increased support for social infrastructure projects and the alleviation of poverty (COS, 1988–1990).

32. Between 1984–1987, the ADB lending program was largely driven by short-term considerations of economic stabilization. The program accorded high priority to identifying and implementing fast disbursing loans with large foreign exchange components. During this period, there was such a serious deterioration in the fiscal situation that ADB had to provide a loan to fund the Government's counterpart commitments for previously approved projects.¹⁵ The crisis during which ADB approved almost \$0.9 billion in new loans continued through 1987.

33. In 1988, as the economy began to show some signs of stability, ADB initiated the preparation of its first full-fledged COS. This COS set out three strategic development objectives: (i) poverty alleviation and employment generation, particularly in the rural areas; (ii) reduction in income disparities and quality of life differentials between regions; and (iii) rehabilitation and improvements in efficiency in the existing infrastructure. To achieve these development objectives, ADB proposed an assistance program that included projects that would directly address poverty reduction and regional income disparities; targeted investments for social and physical infrastructure (i.e., health, education, water supply and sanitation, and urban development); and program and sector loans that would improve the policy framework in the forestry and fisheries sectors, and help overcome balance-of-payments difficulties. In 1988, ADB made its first policy-based program loans¹⁶ to the Philippines, which proved to be an important source of support for the Government.¹⁷ The following year, another program—consisting of two loans—was approved.¹⁸

34. The 1988 COS, which was prepared within the overall strategic framework of ADB, was equally consistent with the Government's development strategy, as outlined in the Medium-Term Philippine Development Plan (MTPDP), 1987–1992. However, in the face of an ongoing power crisis, the ADB lending program could pay little attention to investments that would directly address poverty and social issues. In the period 1989 to 1993, ADB lending was directed largely to the energy sector, which accounted for 32% of the total. In contrast, social infrastructure received less than half of that received by the energy sector. Despite the general emphasis on the energy sector, it should be noted that ADB took some notable targeted initiatives in the area of poverty reduction. A microcredit loan was approved¹⁹ that provided credit to village enterprises through nongovernment organizations (NGOs).²⁰ A second microcredit loan was made 3 years later.²¹

35. The 1993 COS was launched against the backdrop of a receding economy. During the early nineties, the economy was caught in an economic downturn: annual growth in GDP was barely positive; inflation was high; the public sector resource balance was precarious; and infrastructure constraints, especially power shortages, were acute. To get the economy on a path of sustained growth was critical for addressing the country's persistent socioeconomic problems. In light of this, the Government's 1993–1998 MTPDP accorded high priority to reviving economic growth, developing infrastructure, and reducing poverty. The 1993 COS reflected a similar set of priorities. Its main emphasis was to ensure sustained economic growth and poverty reduction. This was to be achieved by enhancing private sector involvement in the

¹⁵ Loans 779(SF)/780-PHI: *Special Assistance for Implementation*, for \$50.0 million, approved on 7 April 1986.

¹⁶ In 1987, ADB revisited its program lending framework and made sectoral policy and institutional reforms, as contrasted from capacity underutilization on account of foreign-exchange constraint, the main rationale for program loans (ADB, 2001. *Special Evaluation Study on Program Lending*. Manila).

¹⁷ Loans 889(SF)/890-PHI: *Forestry Sector Program*, for \$120.0 million, approved on 28 June 1988.

¹⁸ Loans 971(SF)/972-PHI: *Fisheries Sector Program*, for \$80.0 million, approved on 26 September 1989.

¹⁹ Loan 940-PHI(SF): *NGO-Microcredit*, for \$8.0 million, approved on 22 December 1988.

²⁰ In the 1998 World Bank Country Assistance Review, this loan was cited as an example of successful microcredit lending and was contrasted with the World Bank's unsuccessful effort in this area.

²¹ Loan 1137-PHI(SF): *Second NGO Microcredit*, for \$30 million, approved on 28 November 1991.

economy, in particular in labor-intensive activities such as agro-industrial processing; by investing in infrastructure such as power, water, transport and communications, and rural marketing; by promoting efficient management and sustainable development of natural resources; by strengthening bureaucratic performance; and by addressing several structural issues relating to institutional efficiency.

36. ADB's Medium-Term Strategic Framework (MTSF) (1992–1995) underscored the importance of social and environmental concerns in its operational activities. Consistent with the MTSF, the COS combined growth-promoting interventions with targeted initiatives for employment generation, poverty reduction, human development, and environmental protection. The COS, however, did not spell out the precise balance between direct (targeted) and indirect (growth-mediated) poverty interventions. In this connection, ADB's handbook²² noted "although poverty alleviation is a long-term goal for the Bank in the Philippines, it should not be the principal operational concern..." This suggests that ADB's short-run operational focus was more heavily weighed in favor of broad-based growth, a pre-condition for long-term sustainable poverty reduction, rather than targeted poverty interventions.

37. The subsequent country assistance plans (CAPs) did not exhibit any clear pattern in the balance between direct and indirect poverty interventions. The majority of projects scheduled for immediate implementation were focused on economic growth, whereas the projects identified in the 3-year rolling programs for implementation in subsequent years were heavily weighed in favor of directly targeted programs with social objectives.²³ The actual lending data for the period shows that projects emphasizing economic growth and infrastructure development received more prominence than actually planned in the CAPs. In the period 1994–1997, the energy sector accounted for a sizable 32% of ADB lending by volume. The transport and communications, and finance sectors also absorbed large shares (24% and 11%, respectively).

38. The latest COS, approved in May 1998, reaffirmed ADB's commitment toward poverty reduction and social development. In particular, the COS recommended that ADB's assistance should focus on promoting equitable growth; improving the provision of basic social services, such as health and education; and managing and protecting the environment. The COS called for increased attention to rural development, more balanced regional development with special emphasis on the Southern Philippines, and policies and programs to improve the country's infrastructure with an emphasis on greater private sector participation, and institutional capacity building. To address the immediate health and education needs of the poor, it recommended that greater attention be given to the provision of and access to basic services. As the responsibility of providing such services has been devolved to LGUs, this would require greater ADB interaction with LGUs (as well as a more effective coordination between the national Government and LGUs).

39. The 1998 COS was consistent with ADB's MTSF (1995–1998), which emphasized a number of crosscutting issues.²⁴ It has also been in line with ADB's subsequent Poverty Reduction Strategy (1999), which adopted poverty reduction as ADB's overarching objective;²⁵ the medium-term strategy (2001–2005); and the long-term strategic framework (2001–2015). At the same time, the 1998 COS has been consistent with the Government's MTPDP (2001–

²² ADB. 1994. *Operational Handbook on the Republic of the Philippines*. Manila.

²³ This may also reflect the fact that designing directly-targeted poverty projects is complex and needs a longer time horizon.

²⁴ Human development, poverty reduction, gender, and environmental protection.

²⁵ The key elements of the Poverty Reduction Strategy are (i) robust, sustained, pro-poor economic growth; (ii) social development, including human development and improvement in the status of women; and (iii) better governance.

2004), which emphasizes rapid reduction of poverty through equitable growth; environmentally sustainable rural development with social equity; human development; and good governance.

40. ADB has signed a poverty partnership agreement with the Government in October 2001, a compact which further aligns the COS with ADB's overarching development objective. The revised COS—issued as country strategy and program (CSP) update in October 2002—reaffirms ADB's commitment to reduce poverty through sustained economic growth, reduction in inequalities in income and wealth, improvement of the delivery of basic social services, and reform of the system of governance. It also reiterates ADB's support for the Government's privatization program and sector policy reforms to foster private sector development.

B. An Assessment of the Strategy

41. The international development agenda has evolved. Many new issues such as the environment, gender, governance, and corruption have become part of the lexicon of the development discourse. This broadening of the development agenda has a direct bearing on the nature and complexity of ADB operations, particularly its development assistance program. The basic impetus for introducing the COS framework was to prioritize this diversity of development concerns into a coherent strategic framework, which would guide the determination of the optimal mix between programs and projects, and their sectoral composition.

42. However, as it is the case with other funding agencies, the successive ADB COSs for the Philippines were formulated in broad general terms and did not set concrete quantitative targets. Indeed, they were often stated in an amorphous manner that encompassed a wide range of activities. While this adaptability and flexibility of the COSs has enabled ADB to respond to the pressing needs of the Philippines in times of crisis, one might question the "independence" and "coherence" of such COSs. If they are simply to reflect the incumbent Government's strategies and plans, then what is the point in investing so much time and energy into developing "independent" strategies? If the COSs are essentially a mechanism for fire fighting from one crisis to another, are they not likely to be ad hoc and incoherent? Though valid in theory, these concerns need to be seen in light of the actual circumstances. During the period under consideration, there was a confluence between ADB's strategic concerns and the country's priorities. When ADB deviated from its long-term strategy, it was warranted by the situation. It would have been neither feasible nor prudent for ADB to pursue its "independent" long-term strategy when the stability of the economy was seriously undermined by economic crises.

43. At the same time, given its broad-brush COSs, ADB often undertook widely diverging activities, which ranged from structural reforms to infrastructure developments, and from social sector investments to mining. It is not clear whether all these activities were carefully chosen in accordance with ADB's comparative advantage and to what extent some of the failures in ADB interventions can be explained for by this lack of discrimination.

44. As ADB was involved in a large variety of activities, its lending program tended to deviate from its stated COSs.²⁶ To redress this disconnect, ADB has recently decided to merge the strategy and programming documents (i.e., COSs and CAPs) into a single coherent

²⁶ As is obvious from the review of the COS documents, particularly the earlier ones, the strategy was largely couched in terms of lending programs and paid scant attention to policy and institutional issues. This lacuna precludes any systematic examination of the interrelationship between the COS and the nonlending program.

document, the CSP.²⁷ It is interesting to note that the CSP concept bears a striking resemblance to the integrated approach used in the earlier years of ADB operations. However, only time will tell whether this merging of documents will lead to a more effective and efficient ADB assistance program, which depends on many factors, some of which are exogenous to ADB.

C. Conclusion

45. Notwithstanding the aforementioned qualifications, ADB's strategy has been relevant. The strategy provided a flexible and pragmatic framework on which to anchor a development assistance program from which the country could reap important benefits. The salient feature of this strategy was that in times of crises, ADB supported the country with quick-disbursing loans to steer out of the crises. In more normal times, ADB continued to support the pursuit of the long-term goal of reducing poverty and fostering social development in the country.

IV. ADB'S LENDING PROGRAM

A. Portfolio

46. The principal form of lending assistance to the Philippines has been loans to the public sector, some of them project loans, and others program loans. These loans have been funded either from ordinary capital resources (OCR) or from the ADF. In addition, ADB has made available, through its private sector operations, assistance without government guarantees to eligible private enterprises in the Philippines.²⁸

47. During the period 1986–2001, ADB approved 86 projects and programs for the Philippines involving 109 loans with a total value of \$5.9 billion (Table 2). Of the loans, 77 totaling \$4.9 billion were OCR loans and 32 amounting to \$1.0 billion, were ADF loans. Project loans accounted for 79% of total lending, and program loans for 21%. The share of program loans has been increasing in parallel with ADB's evolving role as a broad-based development institution with its emphasis on policy reforms. In 2000 and 2001, this share reached 48%.²⁹ About 16 projects/programs involving 41% of loans went to the energy, and transport and communications sectors, while 24 projects/programs involving 22% of loans went to the agriculture and natural resources sector (Table 3).³⁰

48. **Public Sector Projects.** Of the total lending, 74% were project loans to 64 projects in the public sector. Some \$1.3 billion went to the energy sector, \$1.0 billion to the social infrastructure sector, \$0.9 billion to the agriculture and natural resources sector, \$0.6 billion to the transport and communications sector, and \$0.2 billion to the finance sector.

49. **Private Sector Projects.** Only 5% of total lending, all funded from OCR, went to 13 projects in the private sector. About \$109 million went to the transport and communications sector, \$77 million to the energy sector, \$52 million to the agriculture, manufacturing, and other industries sector, and \$45 million to the social infrastructure sector.

²⁷ As part of the new business processes introduced in conjunction with ADB's reorganization in January 2002.

²⁸ In the form of loans, equity investments, underwriting commitments, cofinancing, and guarantees.

²⁹ In the pre-1986 period, program loans accounted for only 6% of total lending and there was no direct assistance to the private sector yet (Appendix 4).

³⁰ At 41%, the combined share of the energy and transport and communication sectors prior to 1986 was the same as that for the period 1986–2001, while agriculture and natural resources had a higher share of 33% prior to 1986 (Appendix 4).

Table 2: Lending Program (1986–2001)

Type	Number of Projects	Number of Loans	Loan Amount (\$ million)			Share (%)		
			OCR	ADF	Total	OCR	ADF	Total
Project	77	97	3,788	869	4,658	64.4	14.8	79.2
Public Sector	64	83	3,506	869	4,375	59.6	14.8	74.4
Private Sector	13	14	282	-	282	4.8	-	4.8
Program	9	12	1,065	160	1,225	18.1	2.7	20.8
Total	86	109	4,853	1,029	5,883	82.5	17.5	100.0

ADF = Asian Development Fund, OCR = ordinary capital resources.

Source: Relevant ADB databases.

Table 3: Sectoral Distribution of Public Sector Projects/Programs (1986–2001)

Sector	Number of Projects	Loan Amount (\$ million)	Share by Amount (%)
Agriculture and Natural Resources	24	1,228	21.9
Energy	8	1,615	28.8
Finance	4	428	7.6
Multisector	4	257	4.6
Others	1	296	5.3
Social Infrastructure	23	1,077	19.2
Transport and Communications	8	700	12.5
Total	73	5,601	100.0

Source: Relevant ADB databases.

50. **Equity Investments in the Private Sector.** In addition to the loans provided to the private sector, ADB made equity investments in some enterprises. Totaling \$37 million as of 31 December 2001, these investments provided funds for industrial and mining companies, catalyzed infrastructure developments by the private sector, and supported financial institutions and investment funds. Sectorwise, the finance sector got the bulk of the equity investments (\$15 million) followed by the energy sector (\$14 million).

51. **Programs.** ADB's lending assistance to the Philippines included 16 program loans totaling \$1.5 billion for 9 programs, 3 of which were sector development programs.³¹ Three programs and sector development programs were for the agriculture and natural resources sector; two for the finance sector; and one each for energy, social infrastructure, transport and communications, and "others" sectors.³²

52. **Ongoing Portfolio.** As of December 2001, ADB's public sector portfolio for the Philippines included 33 ongoing projects/programs involving 45 loans (Table 4), 5 of which were program loans, with a total loan value of \$2.6 billion. In terms of loan amount, almost a third was in the social infrastructure sector, almost a quarter in the agriculture and natural resources sector, and a fifth in the energy sector. In more recent years, there was an increase in the share of lending to social infrastructure (Figure 3).

³¹ This modality, introduced in 1996, consists of a program loan (policy component), a project loan (investment component) and, if needed, a TA loan.

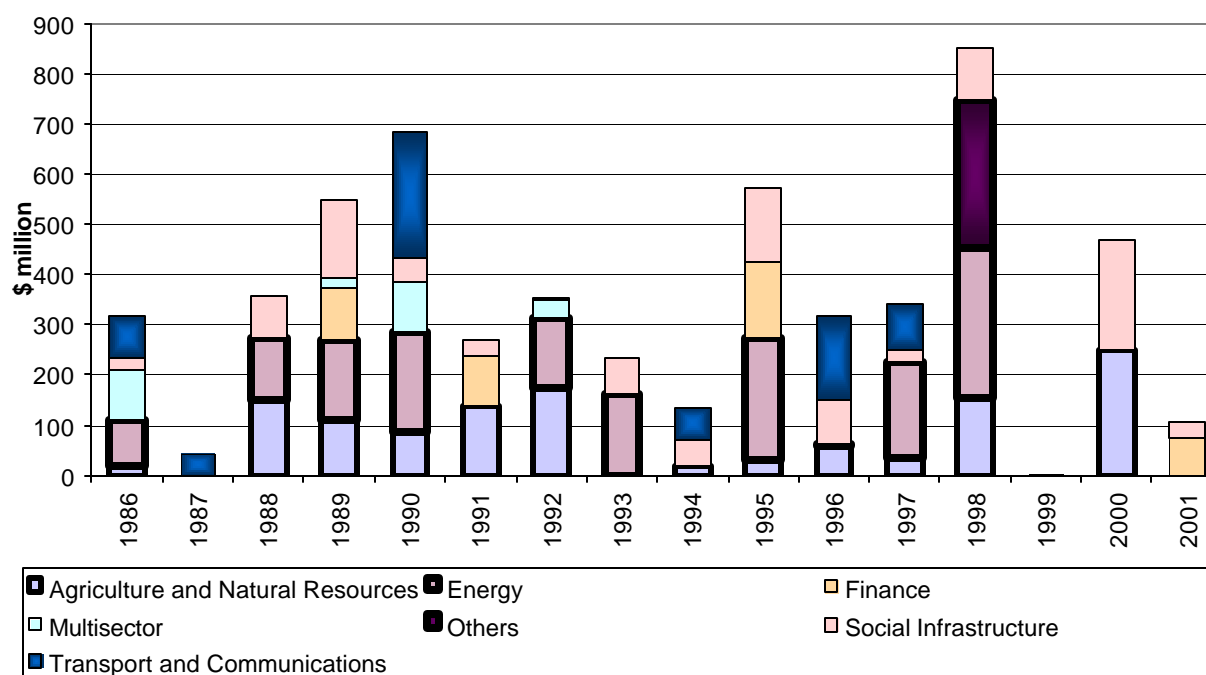
³² Prior to 1986, the Philippines had no ADB projects/programs in the 'others' category (Appendix 4). The inclusion of this category reflects ADB's efforts to incorporate its new thematic concerns.

Table 4: Sectoral Distribution of Ongoing Projects/Programs
(as of 31 December 2001)

Sector	Number of Projects	Number of Loans	Loan Amount (\$ million)	Share by Amount (%)
Agriculture and Natural Resources	11	15	593	22.9
Energy	2	2	491	19.0
Finance	1	2	78	3.0
Others	1	3	296	11.5
Social Infrastructure	15	20	827	32.0
Transport and Communications	3	3	301	11.6
Total	33	45	2,586	100.0

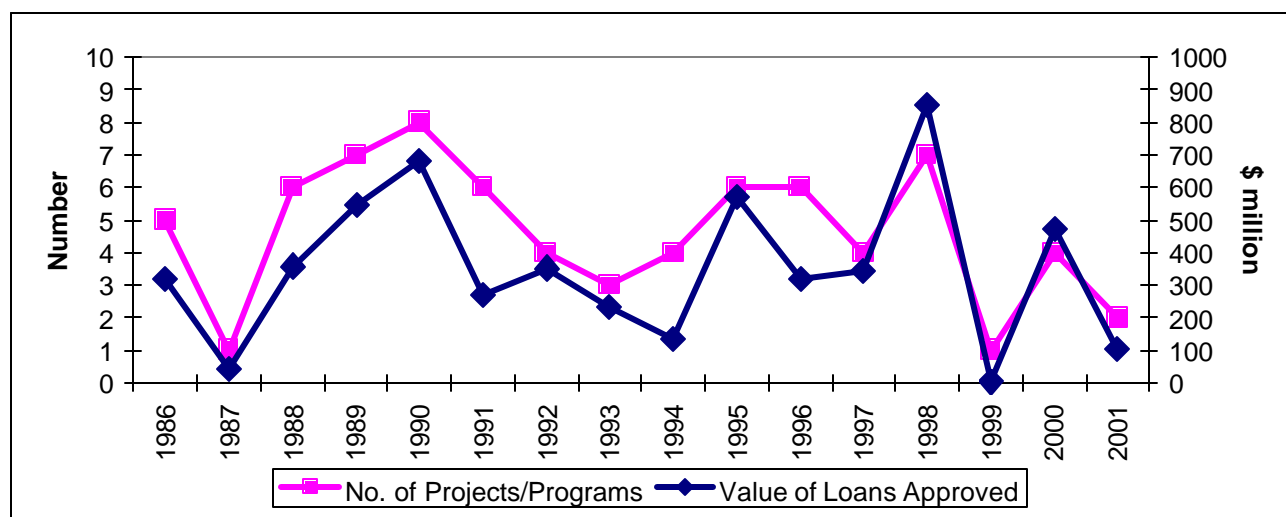
Source: Relevant ADB databases.

Figure 3. Annual Sectoral Distribution of Projects/Programs (1986–2001)



53. **Approvals.** The frequency of project/program approvals was far from uniform across the years (Figure 4). The highest number of approvals was recorded in 1990. In terms of loan amount, 1998 was the peak at \$851 million. This volatility in the lending pattern reflected to a great extent the manner in which ADB responded to immediate internal and external crises that beset the country during the period. Thus, sudden spurts in lending have been noted during crisis years only to be followed by abrupt declines in the succeeding year. For example, after the outbreak of the Asian financial crisis, the number of approvals doubled and the loan amount almost tripled in 1998. This was followed by a dramatic drop in 1999 when difficulties with project preparation and processing cut the approved amount to \$3 million, the lowest for the period. During 2000–2001, lending has fluctuated from \$470 million to \$105 million. Average loan size increased from \$28 million in 1969–1985 to \$59 million in 1986–2001. The CSP update for the period 2003–2005 envisages an average annual lending level of \$272 million.

Figure 4: Number and Value of Projects/Programs Approved (1986–2001)



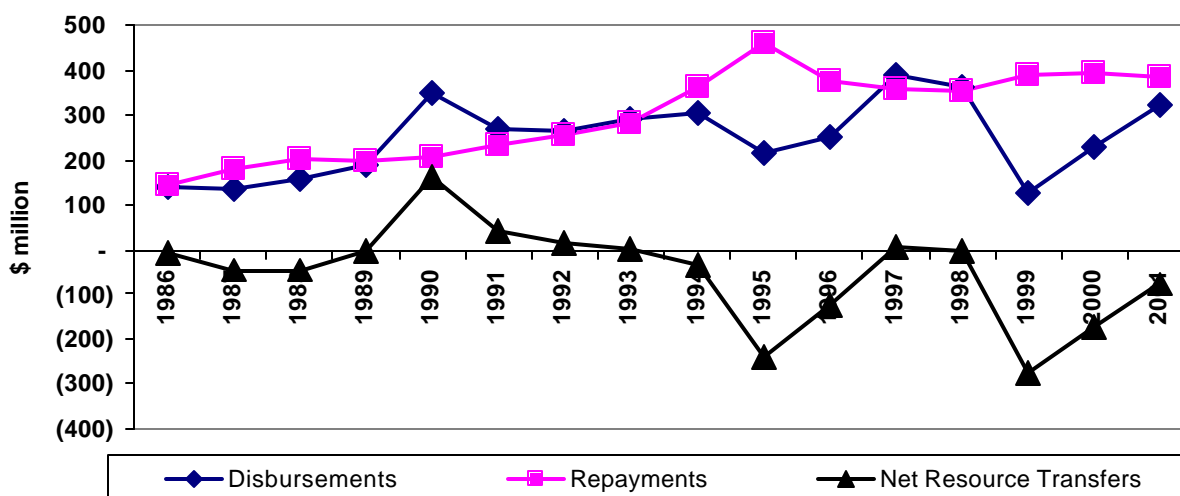
54. **Disbursement Ratio and Net Transfers.** The volatility in approvals, both in number and loan amount, is a cause for concern. What is even more worrisome is the country's relatively low disbursement ratio and the negative resource transfer. The disbursement ratio—actual disbursements divided by total funds available for disbursement in a particular year—was significantly below the average for all DMCs during 1998–2000. In 2001, the ratio improved to 18.7% but did not yet reach the DMC average (Table 5). Similarly, the net resource transfers were by and large negative since 1994, although with some improvement in terms of volume and trend in more recent years with the higher proportion of programs (Figure 5).

Table 5: Loan Disbursement Ratio (1997–2001) (%)

Item	1997	1998	1999	2000	2001
Philippines (with program loans)	24.5	17.7	6.8	11.3	18.7
Philippines (without program loans)	21.8	11.0	8.5	10.4	12.1
Average for All Developing Member Countries	25.0	29.0	22.0	21.0	21.0

Source: Relevant ADB databases.

Figure 5: Disbursements, Repayments, and Net Resource Transfers (1986–2001)



B. Performance Evaluation of Projects/Programs

1. Ratings in 1986–2001

55. As of 31 December 2001, 36 public sector projects/programs completed between 1986 and 2001 had been postevaluated (see the list of project/program performance audit reports [PPARs] in Appendix 5). Of these, 22 projects/programs were approved prior to 1986.³³ The evaluation presented in this section draws on these 36 projects/ programs (the “base” sample). Restricting the sample to only projects/programs both approved and completed after 1985 would sharply reduce the number of such projects/programs. While such a restriction may be analytically more appropriate, it would leave too few PPARs on which to build sound sectoral assessment, make comparisons with other DMCs, and draw general conclusions. However, this section also explores the robustness of the conclusions under alternative assumptions regarding the sample.

56. The ratings³⁴ of the 36 projects/programs included in the “base” sample were mixed. Eleven (31%) were rated generally successful, 13 (36%) partly successful, and 12 (33%) unsuccessful (Table 6). Among the 32 projects, 10 (31%) were rated generally successful, 10 (31%) partly successful, and 12 (38%) unsuccessful.³⁵ Of the four programs, one was rated generally successful, and three partly successful. In terms of sectoral performances, the agriculture and natural resources sector had the largest number of projects/programs and the largest number of unsuccessful projects/programs while the energy sector had the largest share of generally successful projects. All the projects in the finance sector were rated only partly successful or unsuccessful.

Table 6: Ratings of Public Sector Projects/Programs Completed and Postevaluated in 1986–2001

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	5	31.3	5	31.2	6	37.5	16	100.0
Energy	3	75.0	1	25.0	0	0.0	4	100.0
Transport and Communications	1	25.0	1	25.0	2	50.0	4	100.0
Social Infrastructure	1	14.3	4	57.1	2	28.6	7	100.0
Finance	0	0.0	2	50.0	2	50.0	4	100.0
Multisector	1	100.0	0	0.0	0	0.0	1	100.0
Total	11	30.6	13	36.1	12	33.3	36	100.0

Source: Relevant ADB databases.

2. Comparison with Ratings in 1973–1985 and in Other Countries

57. The performance of the public sector projects/programs completed and postevaluated during 1986–2001 was clearly inferior to both the performance of three other members of the

³³ The earliest project in the sample of 36 was approved in August 1974 and completed in February 1986, and the latest in July 1991 and March 1996, respectively.

³⁴ ADB revised its rating system in October 2000, from three categories (generally successful, partly successful, and unsuccessful) to four categories (highly successful, successful, partly successful, and unsuccessful). The new four-category rating system has been retrofitted only to projects postevaluated from 1996 onwards.

³⁵ In contrast, during the pre-1986 period, 59% of public sector loans were rated generally successful, 37% partly successful, and 4% unsuccessful (Appendix 6). For the list of completed and postevaluated public sector projects for the period 1973-1985, see Appendix 7.

Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, and Thailand—in the same period, and the performance experienced in the Philippines during 1973–1985 (Table 7).

Table 7: Comparison of Ratings of Completed and Postevaluated Projects/Programs

Country	Period	Generally Successful		Partly Successful		Unsuccessful		Total	
		No.	%	No.	%	No.	%	No.	%
Philippines	1973–1985	16	59.3	10	37.0	1	3.7	27	100.0
Philippines	1986–2001	11	30.6	13	36.1	12	33.3	36	100.0
Indonesia, Malaysia, and Thailand	1986–2001	66	68.0	23	23.7	8	8.2	97	100.0

Source: Relevant ADB databases.

58. Prior to 1986, there was only one unsuccessful project in the Philippines among the postevaluated ones, and almost three fifths of the projects were rated generally successful. After 1986, the latter proportion fell below one third and the number of unsuccessful projects exceeded that of the generally successful ones. The deterioration in the performance ratings in 1986-2001 was due to cost and time overruns, low economic and financial internal rates of return, poor implementation efficiency, and weak institutional mechanisms. These deficiencies in project performance can be traced to a wide variety of causes: (i) poor project design that often necessitated changes in scope, costs estimates, and implementation schedules; (ii) inadequate feasibility studies, market analyses, and risk assessments; (iii) lack of sufficient counterpart funding; (iv) inefficient monitoring of project implementation; (v) poor maintenance of project facilities; (vi) institutional bottlenecks arising from inexperienced executing agencies (EAs) and their weak organizational capacities; (vii) lack of ownership and participation of stakeholders/beneficiaries; and (viii) economic and political instability.

3. Ratings of Later Projects/Programs

59. If only those projects/programs that were both approved and completed during 1986–2001 are considered, one is left with a “truncated” sample of 14 out of 36 (Table 8). It may be noted that of these 14 projects/programs, 4 (29%) were rated generally successful, 9 (64%) partly successful, and 1 (7%) unsuccessful. Despite the variations in the percentage distribution across the different rating categories between Tables 6 and 8, the preponderance of projects/programs below the generally successful category did not change much (69% and 71%, respectively). However, there was a significant decline in unsuccessful ratings in the more recent projects/programs. This suggests that lessons learned from past experience were being incorporated in project design and implementation.

60. The problem of small sample contained in Table 8 can be overcome by adding to it projects/programs for which project completion reports (PCRs) were prepared in the last 5 years of the period (but for which no PPARs are available).³⁶ There are 17 such projects/programs. However, two issues related to such an “augmented” sample need to be pointed out. One is the arbitrary cut-off date imposed for such an exercise. The second is the fact that PCRs are self-evaluations by operations departments and, therefore, do not always achieve the same degree of rigor and objectivity as PPARs. The PCR results are presented in Table 9. While PCRs

³⁶ PCRs are prepared for all projects and programs, 1-2 years after their completion, and include a rating only from 1996 onwards. PPARs are prepared for 40% of projects and all programs, about 3 years after their completion.

provide an improved picture of the performance of recently completed projects/programs,³⁷ when PPAR and PCR results are combined (Table 10), the majority of the projects/programs continue to be ranked below the generally successful category (58%). However, there is again a marked decline in the percentage of unsuccessful projects/programs.

Table 8: PPAR Ratings of Projects/Programs Approved, Completed, and Postevaluated in 1986–2001

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	3	60.0	2	40.0	0	0.0	5	100.0
Energy	0	0.0	0	0.0	0	0.0	0	0.0
Transport and Communications	0	0.0	1	100.0	0	0.0	1	100.0
Social Infrastructure	0	0.0	4	80.0	1	20.0	5	100.0
Finance	0	0.0	2	100.0	0	0.0	2	100.0
Multisector	1	100.0	0	0.0	0	0.0	1	100.0
Total	4	28.6	9	64.3	1	7.1	14	100.0

PPAR = project performance audit report.

Source: Relevant ADB databases.

Table 9: PCR Ratings of Projects/Programs without PPARs in 1996–2001

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	3	60.0	1	20.0	1	20.0	5	100.0
Energy	4	80.0	1	20.0	0	0.0	5	100.0
Transport and Communications	1	33.3	2	66.7	0	0.0	3	100.0
Social Infrastructure	0	0.0	1	100.0	0	0.0	1	100.0
Finance	0	0.0	1	100.0	0	0.0	1	100.0
Multisector	1	50.0	1	50.0	0	0.0	2	100.0
Total	9	52.9	7	41.2	1	5.9	17	100.0

PCR = project completion report, PPAR = project performance audit report.

Source: Relevant ADB databases.

Table 10: Ratings of Projects/Programs with PPARs or PCRs in 1986–2001

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	6	60.0	3	20.0	1	10.0	10	100.0
Energy	4	80.0	1	20.0	0	0.0	5	100.0
Transport and Communications	1	25.0	3	75.0	0	0.0	4	100.0
Social Infrastructure	0	0.0	5	83.3	1	16.7	6	100.0
Finance	0	0.0	3	100.0	0	0.0	3	100.0
Multisector	2	66.7	1	33.3	0	0.0	3	100.0
Total	13	41.9	16	51.6	2	6.5	31	100.0

PCR = project completion report, PPAR = project/program performance audit report.

Source: Relevant ADB databases.

³⁷ To combine ratings from the new four-category system and the old three-category system of evaluation, “highly successful” and “successful” ratings have been grouped with “generally successful” ratings.

61. An explanation for the above differences in rating patterns of projects/programs can be found through observing their approval dates and implementation periods. These are illustrated in the chart in Appendix 5, for the original sample of 36 projects/programs completed and postevaluated in 1986-2001. Of the 12 projects/programs rated unsuccessful, 11 were approved prior to 1984 and none in the 1990s. Ten of these 12 projects/programs were completed by 1990. Overwhelmingly, the unsuccessful projects/programs were thus approved and substantially implemented prior to and just after 1986, in a period of political disintegration and economic crisis. Projects/programs completed and postevaluated later in the 1986-2001 period saw the ratings shift from the unsuccessful to the partly successful category. The Philippines remains a poor performer, with performance much lower than average both for all DMCs and the comparator ASEAN countries. However, the period of worst performance was in the 1980s, with some signs of improvement in the 1990s.

62. The combination of poor performance but some improvement can be seen from ratings of ongoing projects/programs also. ADB's project performance management system evaluates the performance of all ongoing projects/programs in terms of implementation progress and the likelihood of achieving development objectives. A project/program with a score below satisfactory by either one of the two indicators is considered underperforming. Table 11 provides a comparative summary of the performance ratings as of 31 December 2001, compared to the previous year. While the share of partly unsatisfactory and unsatisfactory projects in terms of the likelihood of achieving their development objectives remained constant at about 18%, there was a significant improvement in terms of implementation progress, the partly satisfactory and unsatisfactory percentage decreasing from 29% to 22%. However, both indicators were still distinctly above the corresponding ADB-wide averages of 9% for development objectives and 17% for implementation progress.

Table 11: Performance Ratings for Ongoing Projects/Programs^a

Project Rating	31 December 2000		31 December 2001	
	Number	Percentage	Number	Percentage
By Implementation Progress				
Highly Satisfactory	11	21.6	2	4.5
Satisfactory	25	49.0	33	73.3
Partly Satisfactory	15	29.4	9	20.0
Unsatisfactory	0	0.0	1	2.2
Total	51	100.0	45	100.0
By Development Objectives				
Highly Satisfactory	4	7.8	1	2.2
Satisfactory	38	74.5	36	80.0
Partly Satisfactory	6	11.8	8	17.8
Unsatisfactory	3	5.9	0	0.0
Total	51	100.0	45	100.0

^a Based on number of loans.

Source: Relevant ADB databases.

4. Agriculture and Natural Resources

63. Among the postevaluated projects/programs, the agriculture and natural resources sector posted the highest number of unsuccessful ones. Within the sector, unsuccessful

projects accounted for 38% of the total number, and generally successful and partly successful for 31% each.³⁸

64. **Projects.** Projects in the irrigation and rural development, and forestry subsectors fared better than other projects within the sector given their lower incidence of failure (0%–33%). This relative success was attributed to more effective coordination among implementing agencies, beneficiary participation in planning and implementation, and better project design.

65. In the case of irrigation and rural development projects, local consultations were undertaken to discuss various issues related to their planning, design, construction, and management. These consultations fostered greater participation among stakeholders, generated a sense of ownership among them, and provided the needed information on local conditions crucial to project success. By contrast, projects in the livestock, industrial crops and agro-industry, and, to some extent, fisheries and agricultural support subsectors were unsuccessful due to a mix of factors. Among these were (i) unrealistic assessment of local conditions during project design; (ii) inability to provide government counterpart funding; (iii) political interference; (iv) poor project management and inability of the EA to respond to beneficiary needs; (v) lack of training and technical support; and (vi) inefficient project monitoring.

66. **Programs.** Three programs were postevaluated in this sector: one each for the fisheries, irrigation and rural development, and forestry. The Agricultural Inputs Program was assessed as generally successful, despite some delays in its implementation, as it contributed to the attainment of its objective of sustaining production of food crops. The Fisheries Sector Program was rated as partly successful. It assisted the Government in implementing a series of important reforms that emphasized resource management and conservation over over-exploitation and depletion of the production system. However, not all policy reform measures were implemented; those that were had a positive impact on poor fishing families.

67. The Forestry Sector Program was rated partly successful: although physical targets of investments were met, there was a question mark about quality. The program contributed toward improving the levels of transparency and accountability within the Department of Environment and Natural Resources (DENR). However, levels of reforestation fell below targets and a substantial number of contracts were cancelled. In addition, the planned involvement of NGOs was largely unsuccessful due to poor screening of NGO participants. The task of appropriate selection of NGOs was hampered by lack of information on their capabilities and mandates. The impact of the program could have been higher had it directly targeted poverty reduction to ensure a sustainable solution to forest degradation.

68. **Country Comparison.** The performance of ADB projects/programs in the agricultural and natural resources sector in the Philippines for the period covered was much worse than that of Thailand where 80% of the postevaluated ADB projects/programs in the sector were rated generally successful, and the remaining 20% partly successful (Table 12). Compared with Indonesia and Malaysia, the Philippines also underperformed. Although Indonesia only had a slightly higher ratio of generally successful projects/programs, the Philippines still lagged behind because of its higher share of unsuccessful projects/programs.

³⁸ In contrast, in the pre-1986 period, 50% of the six postevaluated projects in the sector were rated generally successful, 33% partly successful, and 17% unsuccessful (Appendix 6).

Table 12: PPAR Ratings of Projects/Programs Completed in the Agriculture and Natural Resources Sector in 1986–2001

Country	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Indonesia	8	32.0	11	44.0	6	24.0	25	100.0
Malaysia	4	57.1	2	28.6	1	14.3	7	100.0
Philippines	5	31.3	5	31.2	6	37.5	16	100.0
Thailand	4	80.0	1	20.0	0	0.0	5	100.0

PPAR = project/program performance audit report.
Source: Relevant ADB databases.

69. **Issues and Recommendations.** Lessons learned in the sector underscore the need for intensive project preparation and realistic diagnostic assessment of needs and institutions. Feasibility studies should look closely at the capability of implementing institutions and the compatibility of the proposed projects with the existing policy environment. An assessment of the risks facing project beneficiaries should also be included. In the course of project implementation, technical and training support to EAs should be provided. For complex projects, especially those for the environment subsector like the Laguna de Bay Project where conditions change rapidly over time and the ecosystem can only be progressively understood, a phased project approach may be necessary to achieve a balance between research and development. There is also a need for systematic project monitoring and evaluation. Further, where technical parameters are not precisely known (hydrological conditions, for instance), conservative estimates should be made in feasibility studies. Where private sector enterprises can function efficiently, the public sector should not involve itself directly in production and marketing. Lastly, project experiences in the sector draw attention to the need for closer supervision by ADB and more efficient project administration by EAs. Adequate resources should be allocated for project supervision and for addressing institutional and policy issues that arise during implementation.

5. Energy

70. In the energy sector, four projects were completed and postevaluated between 1986 and 2001. They supported power generation and transmission, and oil refining. Three projects were rated generally successful (75%), and one partly successful (25%).³⁹ No program was postevaluated in this sector in the given period.

71. **Projects.** The three generally successful projects were the Negros-Panay Interconnection Project, the Second Power System Development Project, and the Philippine National Oil Company Energy Project. The first project yielded satisfactory economic and financial internal rates of return and helped attain the objectives of reducing the country's dependence on imported oil and providing low-cost geothermal power to the National Power Corporation (NPC). The second project was rated generally successful because all its components were assessed as well conceived, suited to the requirements of NPC, and satisfactorily implemented. The third project was rated generally successful because two of its three components were well designed and successfully implemented. The Rural Electrification Project was rated partly successful as it did not fully achieve the expected reduction in power losses, nor did it address the institutional weaknesses relating to planning, accounting, and financial management of rural electricity cooperatives.

³⁹ In the pre-1986 period, 40% of the postevaluated projects were rated generally successful, and 60% partly successful (Appendix 6).

72. **Country Comparison.** The performance of the ADB energy projects in the Philippines compares unfavorably with those in Indonesia and Thailand (Table 13). All projects in those DMCs were rated generally successful, compared with the 75% ratio in the Philippines. The Philippine performance, however, was better than that of Malaysia as its lone postevaluated project in the sector was rated unsuccessful.

Table 13: PPAR Ratings of Projects Completed in the Energy Sector in 1986–2001

Country	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Indonesia	5	100.0	0	0.0	0	0.0	5	100.0
Malaysia	0	0.0	0	0.0	1	100.0	1	100.0
Philippines	3	75.0	1	25.0	0	0.0	4	100.0
Thailand	5	100.0	0	0.0	0	0.0	5	100.0

PPAR = project/program performance audit report.
Source: Relevant ADB databases.

73. **Overall Sector Assessment.** The evaluation results indicate that the completed projects in the energy sector contributed toward increasing power generation from indigenous hydropower and geothermal sources, upgrading power transmission capacity, and improving power supply reliability. Although no project was rated unsuccessful, the success rate may be in jeopardy as four ongoing projects were underperforming as of 31 December 2001. They included three transmission/distribution projects and the Power Sector Restructuring Program. The last one was classified as at risk (Appendix 8).

74. **Issues and Recommendations.** The most important lesson learned for power projects is that they should be preceded by a critical demand assessment to avoid overcapacity problems. Adequate electricity tariff structure and levels are essential for ensuring financial viability of power utilities and rural electricity cooperatives. The experience from the oil refinery project underlines the need for adequate project preparation and private sector participation. The evaluation of the energy sector projects also highlights the need for concurrent TA support for institutional development, as well as for firm commitments to policies that promote privatization and cost recovery.

6. Transport and Communications

75. Three projects and one program were postevaluated in the transport and communications sector during 1986–2001. One was rated generally successful (25%), one partly successful (25%), and two unsuccessful (50%).⁴⁰

76. **Projects.** The Manila Port Project was rated generally successful because its main objectives—reduced port congestion, and improved handling of containerized cargo—were achieved.

77. The two unsuccessful projects were the Philippine National Railways Project and the Mindanao Secondary and Feeder Roads Project. The former failed to achieve its physical implementation targets and remained incomplete. The unsatisfactorily executed works further

⁴⁰ In contrast, during the pre-1986 period, 86% of the seven postevaluated projects/programs to the sector were rated generally successful, and the remaining one (14%) partly successful (Appendix 6).

deteriorated. The objective of improving the efficiency of operations and service quality was also not achieved. As to the Mindanao Project, traffic growth on most of the feeder roads was slower than projected at appraisal. Majority of the roads constructed rapidly deteriorated to their pre-project conditions and required complete rehabilitation within a few years. Improved conditions were not sustained because of inadequate maintenance, and the overall level of benefits was considerably lower than expected.

78. **Program.** The principal objective of the Road and Road Transport Sector Program was policy reform in the areas of deregulation, taxation, importation, motor vehicle inspection, vehicular emissions in Manila, and road safety. Despite making some useful contributions in important areas (e.g., road maintenance privatization, liberalization of imports, and environmental monitoring and improvement), the program was rated partly successful because benefits to road users were relatively modest.

79. **Country Comparison.** Among the comparator countries, the Philippines had the worst performance with 50% of its ADB projects in the transport and communications sector rated unsuccessful (Table 14). During the period covered, all postevaluated ADB projects in Indonesia and Malaysia in the sector were rated generally successful, compared with the 25% ratio in the Philippines and 75% in Thailand.

Table 14: PPAR Ratings of Projects/Programs Completed in the Transport and Communications Sector in 1986–2001

Country	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Indonesia	9	100.0	0	0.0	0	0.0	9	100.0
Malaysia	1	100.0	0	0.0	0	0.0	1	100.0
Philippines	1	25.0	1	25.0	2	50.0	4	100.0
Thailand	3	75.0	1	25.0	0	0.0	4	100.0

PPAR = project/program performance audit report.

Source: Relevant ADB databases.

80. **Overall Sector Assessment.** The port and, to some extent, road projects fared better than railways. An impact evaluation study noted that ADB shifted in the road subsector from simple to complex projects in terms of scope and design.⁴¹ While this increased the requirements for rehabilitation and maintenance, this shift was not matched by an increase in ADB's capacity for project supervision as well as an increase in the availability of counterpart technical capabilities. Furthermore, the shift did not take into consideration the reality that selection and provision of government appropriations for public works projects had become more complex as well as politicized. This created a gap between project assumptions and actual outcomes. The study cited that traffic volumes fell short of projections, and savings in vehicle operating cost did not materialize due to deterioration caused by inadequate maintenance. Nonetheless, roads generated social benefits in the form of better access to health facilities and educational opportunities, and improved convenience of traveling.

81. The core problem of the road subsector was the weakness of the key agency, the Department of Public Works and Highways. The Department was not sufficiently proactive in maintaining and developing the national road network. There was (i) no clear strategy for the subsector, (ii) ineffective planning, (iii) poor design and construction, and (iv) inadequate

⁴¹ ADB. 1997. *Impact Evaluation Study of Bank Operations in the Road Sector in the Philippines*. Manila.

maintenance. These institutional problems were taken into account in the formulation of the Sixth Road Project in 1996.

82. **Issues and Recommendations.** The lessons learned highlight the need to conduct adequate preparatory studies, site investigations, and engineering designs before entering into financing agreements. To address institutional weaknesses of the EAs, there is a case for TA support. Loan covenants are not ironclad assurances that the projects will be effectively implemented and the expected results will follow. Thus, excessive reliance on loan covenants for successful project implementation and outcomes should be reduced.

83. With respect to road projects, the lessons learned draw attention to the importance of review of road standards and specifications; delineation of maintenance responsibilities between national and provincial government units; complementary investments between the agriculture and transport sectors to stimulate agricultural production and marketing activities; and monitoring of environmental impact, traffic generation, travel time savings, and other related information for the subsequent assessment of benefits.

7. Social Infrastructure

84. Four projects and three sector projects were postevaluated in the social infrastructure sector between 1986 and 2001. One was rated generally successful, four partly successful, and two unsuccessful.⁴² Education projects performed relatively better than water supply and sanitation projects as none of the former was rated unsuccessful. No program was postevaluated during that period.

85. **Projects.** The Manila Water Supply Project was the only one with a generally successful rating. It attained its objective to expand the Metro Manila Waterworks and Sewerage System's water supply capacity in a sustainable manner and at least cost. Substantial benefits accrued to low income groups. The Island Province Rural Water Supply Sector Project was rated partly successful. Although a number of its subprojects exceeded their targets, the quality of these subprojects was not satisfactory. Some of them were either not in operating condition or did not produce potable water. The Agricultural Technology Education Project, the Secondary Education Development Sector Project, and the Second Island Provinces Water Supply Sector Project were also given partly successful ratings because of deficiencies in certain areas (e.g., lack of measurable improvement in the overall management of the agricultural education system; unsustainable improvements in the quality and efficiency of and access to secondary education; and less than full achievement of the main objective of providing safe drinking water).

86. The two unsuccessful interventions were the First and Second Manila Water Supply Rehabilitation Projects. Although both succeeded in rehabilitating water supply facilities, these facilities suffered fast deterioration due to inadequate maintenance, and overall system water losses remained excessive.

87. **Country Comparison.** With only 14% of projects in the generally successful category, 57% in the partly successful category, and 29% in the unsuccessful category, the performance of the Philippines in the social infrastructure sector was clearly inferior to that of the comparator countries (Table 15). Thailand had the highest success ratio, with 80% of its projects rated generally successful, and 20% partly successful. In Indonesia, 77% were rated generally

⁴² There were two postevaluated projects during the pre-1986 period; one was rated generally successful and the other, partly successful (Appendix 6).

successful, and 23% partly successful, while in Malaysia, the proportions of the two categories were 67% and 33%, respectively.

Table 15: PPAR Ratings of Projects Completed in the Social Infrastructure Sector in 1986–2001

Country	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Indonesia	13	76.5	4	23.5	0	0.0	17	100.0
Malaysia	6	66.7	3	33.3	0	0.0	9	100.0
Philippines	1	14.3	4	57.1	2	28.6	7	100.0
Thailand	4	80.0	1	20.0	0	0.0	5	100.0

PPAR = project/program performance audit report.

Source: Relevant ADB databases.

88. **Overall Sector Assessment.** The performance of ADB projects in the social infrastructure sector so far does not bode well for poverty reduction in the Philippines. This may be attributed to poor project administration, deficient project design, inadequate maintenance, and lack of adequate resources to sustain benefits.

89. **Issues and Recommendations.** Lessons from the water supply and sanitation projects highlight the importance of (i) thoroughly preparing and adequately designing such projects; (ii) consulting the prospective beneficiaries; (iii) protecting the investment and quality of water by creating institutions responsible for collecting water charges; (iv) requiring the commitment of water user groups to pay necessary fees as a precondition for subproject approval; (v) balancing social, financial, and economic objectives through the careful design of a demand-based water tariff structure; (vi) following a systemwide approach to effectively reduce water losses; and (vii) using effective modes of communication with beneficiaries, i.e., community-level water users and associations, to encourage the adoption of socially appropriate water supply technologies.

90. The experience from education projects also highlights the need for adequate project preparation and appropriate project design. The latter should be based on a detailed demand and supply analysis of manpower in the country, as well as on the growth and absorptive capacity of the industries concerned.⁴³ Another lesson learned is the need for introducing educational reform through market and financial incentives rather than administrative fiat. As the educational system, especially at the tertiary level, is dominated by the private sector, equity issues in education interventions should be carefully considered. The important equity issues relate to scholarship programs through accredited schools targeted directly to the poor; cost recovery measures from student beneficiaries; and provisions for post-project funding for faculty training, curriculum development, and production of instruction materials.

8. Finance

91. Four projects involving assistance to DFIs such as the Development Bank of the Philippines (DBP), and the Philippine Investments Systems Organization (PISO) were completed and postevaluated in the finance sector during 1986–2001. Two of them were rated

⁴³ ADB. 1991. *Reevaluation of the Engineering Education Project in the Philippines*. Manila.

partly successful (50%), and two unsuccessful (50%).⁴⁴ No program was postevaluated in that period.

92. **Projects.** The two partly successful projects were the Third DBP Project, and the Small and Medium Industry Project. Although the DBP Project showed satisfactory financial performance, the objective of stimulating growth of small and medium enterprises (SMEs) was not fully met as large enterprises were the main beneficiaries of the loans. The terms and conditions of the lending program were not as competitive for SMEs as other wholesale lending programs. By contrast, the Small and Medium Industry Project succeeded in providing investment finance to SMEs. The credit line was fully disbursed and most subprojects financed performed well. However, the number of SMEs that benefited was smaller than expected, and a major portion of the funds was used for working capital rather than fixed asset investments as originally planned. The deterioration of the institutional capability of PISO, which contributed to its subsequent closure and liquidation, resulted in the unsatisfactory implementation and, hence, unsuccessful rating of the First and Second PISO Projects.

93. **Programs.** One program—the Capital Market Development Program—was completed, though not yet postevaluated. It was designed to promote diversified, competitive, and vibrant capital markets and thereby enhance the mobilization and use of domestic savings. The program was appropriately timed to support the resurgence of the Philippine economy. However, the release of the first tranche was delayed by 20 months until April 1997 because of the new amendments to the Foreign Borrowing Act, which placed stringent conditions on foreign borrowing including emphasis on due execution and delivery of the loan agreement. By coincidence, the release was just in time to help the Government cushion the impact of the Asian financial crisis that started in mid-1997. The second tranche release was stalled by the Government's inability to enact the revised Securities Regulation Code and the tranche was eventually cancelled in 1999. The timetable provided in the policy matrix for meeting the key conditionalities was too tight for the legislative process required to revise the code. In fact, the revised Code was passed in 2000 and had a positive impact on the Philippine securities industry. Meanwhile, a new program loan was approved in November 2001, the Nonbank Financial Governance Program. It is the first ever ADB loan to the Philippines approved and disbursed, in one tranche, in less than one month.

94. **Country Comparison.** A comparison with other DMCs is not possible as there were no postevaluated ADB projects in the sector in the comparator countries during 1986-2001.

95. **Overall Sector Assessment.** The major causes of poor project performance in the sector were the economic crisis and political instability when the loans were made; and weaknesses in project appraisal, supervision, and monitoring.

96. **Issues and Recommendations.** The evaluation results highlight the importance of strengthening DFIs' policymaking capabilities as well as improving their procedures for loan appraisal, supervision, and collection. Lending programs that cater to large-scale clients have to be separated from those meant for SMEs. The use of performance indicators is important in establishing early warning signals to detect potential problems and streamline supervision activities. There should be a built-in system to measure development impact and systematic data collection to assess this impact. The most significant lesson is the need for thorough

⁴⁴ Of the seven postevaluated projects in the sector during the pre-1986 period, 57% were rated generally successful, and 43% partly successful (Appendix 6).

examination of the institutional, operational, and financial capability of DFIs⁴⁵ and measures to protect DFIs from foreign exchange risks.

97. In the case of the Small and Medium Industry Project, the experience illustrates the ineffectiveness of using interest rate incentives to encourage financial institutions to lend for high-risk activities in less developed regions. It also points to the difficulty for credit projects to achieve commercial and developmental objectives simultaneously, and highlights the importance of using DFIs with sound financial and managerial capabilities as conduits of ADB funds to ensure project success.⁴⁶ Finally, the experience underlines the need to monitor and enforce compliance with loan covenants regarding the use of ADB funds under such credit line projects.

9. Multisector Projects

98. The only postevaluated project under this category was the Infrastructure Restoration Project, the first approved under ADB policy of lending for rehabilitation after disasters that was introduced in 1988. Its rating was generally successful.⁴⁷

99. **Issues and Recommendations.** The lessons from this project indicate that effective coordination is critical in emergency projects. In emergency situations, some form of understanding with fiscal agencies, especially those that control the approval of such projects and disbursements of funds, must be established. Even in normal times, bureaucratic procedures cause implementation delays. The problems usually get compounded during emergency times. In addition, the experience in this project points to the need for ADB to conduct a survey of technical expertise within the EA prior to implementation. This is to determine the skill mix to be recruited particularly for engineering design work outside the traditional competence of the EA. The experience also shows that a minimum of design and construction supervision by ADB is warranted in emergency projects.

100. **Country Comparison.** For the period covered, only Indonesia and the Philippines had a postevaluated ADB project in the multisector category, and both were rated generally successful.

10. PCR Findings

101. The above sectoral assessments derived from the “base” sample of projects/programs are validated by alternative samples. As noted earlier, the “augmented” sample derived from adding PCR results since 1996 to the “truncated” PPAR sample of projects/programs initiated and completed after 1986 provides a better performance record of ADB interventions. However, the lessons that surface from the recent PCRs bear a striking resemblance to those that emerged from the “base” sample of PPARs (Appendix 9). These lessons include lack of institutional capability of EAs, inadequate monitoring and evaluation, insufficient operation and maintenance due to lack of funds, poor project design, lack of stakeholders’ consultation and involvement, and lack of political commitment to enact the required new laws.

⁴⁵ Although ADB’s credit line operations relied largely on state-owned institutions as intermediaries in the earlier years, a number of private financial intermediaries (including commercial banks and leasing companies) have been used since the 1990s to channel funds under umbrella credit lines. This has resulted in a more efficient and competitive use of ADB funds (ADB. 2000. *Private Sector Development Strategy*. Manila.)

⁴⁶ In recent years, ADB has refrained from using DFIs as conduits/intermediaries and has increased its reliance on NGOs for its microcredit finance projects.

⁴⁷ In the pre-1986 period, no multisector project was postevaluated.

11. Private Sector Operations

102. ADB's support of private sector infrastructure projects has a mixed record. Three BOT power plants have resulted in investments that are profitable; and a loan to the Philippine Long Distance Telephone Company has been fully repaid. However, three ongoing projects for water services, air terminal, and tollway have recently encountered serious difficulties, which have clouded their prospects. The BOT projects have played an important role in addressing the power crisis of the early 1990s. Together with public sector loans, they acted as catalysts to attract other financing and brought about a rapid resolution to the crisis. While the immediate problems were alleviated by the BOT projects, the subsequent Asian financial crisis resulted in a slowdown in power demand growth and, hence, overcapacity in generation.

103. The private sector operations portfolio also includes financial support for seven financial institutions. Of these, one was a line of equity that was never drawn due to a weakness in the design of the financial instrument, and another has been fully and successfully divested. The remaining five are all currently receiving positive ratings. Two country-focused venture capital funds in the Philippines have been more successful than the rest of such venture capital funds that ADB has funded.⁴⁸ In addition, ADB's public sector support through the Capital Market Development Program (para. 93) led to the restructuring of the Philippine Stock Exchange, and improved its efficiency, transparency, and accountability, thus making a contribution to enhancing governance in the financial sector and fostering private sector development.

104. In the industrial and mining sectors, ADB's private sector operations were unsuccessful. None of the six companies assisted by ADB thrived. One was foreclosed; another prepaid its loan pending investigation of breaches of environmental protection provisions; and still another is in receivership with a view to salvaging the interests of lenders, including ADB. The other three have all been rated high risks. The failures are generally attributed to inadequate investigation of raw material sources and prices, poor assessments of market opportunities, and technical difficulties. These failures have led ADB to discontinue its private sector operations in these sectors.

105. **Issues.** ADB's private sector involvement in the power sector offers an interesting example of the trade-off between short- and long-term efficiencies. At the height of the power crisis, ADB's support for BOT projects met an urgent need to increase the power supply and was, therefore, viewed as highly successful. Since then, the companies concerned have made profits for ADB through high returns on equity. However, a decade later, the power produced by the early BOT plants is substantially more expensive than that from larger and more modern plants, but NPC has firm contract take-or-pay commitments with the BOT producers. The 'stranded costs' associated with these contracts—that is, the excess of the contracted price over the existing market price—are a major cause of NPC's indebtedness and a significant obstacle to implementing the ongoing power sector reforms.

C. Project Implementation Issues

106. ADB undertakes annual country portfolio review missions to discuss with the Government the status of its ongoing loan portfolio and specific implementation issues that hamper portfolio performance. These review missions have highlighted a number of generic project implementation problems.

⁴⁸ ADB. 2002. *Impact Evaluation Study of Investment Fund Operations of ADB*. Manila.

- (i) **Delays in Loan Effectiveness.** Project performance has been impeded by excessive front-end delays. At 288 days, the average period elapsed between loan signing and loan effectivity during 1997–1999 was excessive.⁴⁹ In 2001, the average period fell to 164 days, which was within the stipulated timeframe of 180 days. However, among the 45 ongoing loans, 17 exceeded this timeframe, some of them requiring more than 365 days to become effective.
- (ii) **Implementation Delays.**⁵⁰ As of 31 December 2001, about 33% of all projects took significantly longer to be completed than scheduled. On average, the ADB loans had to be extended twice by a total of 30.7 months.
- (iii) **Poor Contract Award Performance.** The contract award performance was poor because of delays in recruitment of consultants and procurement of goods and works. In the case of recruitment of consultants, the average time required from loan approval to the first contract award increased from 12.8 months in 1998 to 17.3 months in 2001. Similarly, for procurement, the average time required from loan approval to the first contract award increased from 12.3 months in 1998 to 16.4 months in 2001.
- (iv) **Inadequate and Delayed Provision of Funds.** Shortage of counterpart funds to finance ongoing and newly approved projects and programs as well as delayed release of funds especially at the project management office level has been a persistent problem. For example, the implementation of the investment component of the Metro Manila Air Quality Improvement Sector Development Program has been delayed due to shortages of funds in some of the EAs. While the yawning budget deficit continues to be an important constraint to counterpart funding, the creation of the Foreign Assisted Projects Bureau within the Department of Budget and Management has somewhat helped alleviate the problem.
- (v) **Cost Overruns.** Of the 14 projects/programs initiated, completed, and postevaluated during 1986–2001, half had cost overruns averaging 10%. Most of these projects were in the social infrastructure sector.

107. Implementation problems were further compounded by the changing composition of the loan portfolio as ADB moved increasingly to policy-based lending. This move met with only mixed success because it was not accompanied by a concomitant change in the implementation approach. Implementation of project and program loans requires different approaches. Project lending emphasizes quantifiable physical outputs and firm disbursement schedules whereas program lending aims at policy and institutional changes, i.e., matters that essentially deal with the management of change. In the latter case, the final outcome and its sustainability are more important than the speed of implementing policy measures. Given ADB's traditional comparative advantage in project lending, its usual reticence to get involved in domestic policy matters and the complex nature of program loans, this move into policy lending has been far from smooth as far as implementation is concerned.

⁴⁹ Effectiveness of ADB loans during this period was delayed due to the passage of the Official Development Assistance Law, which contained provisions that were inconsistent with ADB guidelines.

⁵⁰ Based on ongoing loans and loans closed during the reporting year.

108. Recent portfolio review exercises indicate that the performance of projects devolved to LGUs has suffered, partly because of the inadequate capacity of LGUs. This problem has been further compounded by insufficient commitment of LGUs due to frequent changes in LGU administration. In addition, there are problems with the existing mechanism to channel funds through the Municipal Development Fund Office. As more projects get devolved to LGUs in the future, this performance problem, unless rectified, might emerge as a critical bottleneck. It is, therefore, important that the national Government take corrective measures to strengthen the devolution process and improve the capacities of LGUs and the functioning of the Municipal Development Fund Office.

109. Implementation problems stem from a wide variety of causes. These include design problems, unrealistic implementation schedules, absorptive capacity constraints, administrative bottlenecks, and complicated land acquisition and procurement policies and procedures. To address the implementation problems, ADB has intensified its monitoring efforts through country portfolio review missions and concrete action plans to reduce the number of underperforming projects, speed up disbursements, and improve quality at entry. The establishment of ADB's Philippine Country Office in March 2001 appears to have already had a positive impact in this regard. While the measures adopted to improve the implementation performance have yielded some results, more needs to be done. However, prudence should be exercised with measures that might improve implementation but would defeat developmental goals, such as rigid restrictions on extension of loan closing dates, program lending, and lending to LGUs.

110. Timely implementation is an important traditional success criterion in postevaluation of a project. ADB, like other external funding agencies, has tended to regard extensions for project loans as a mark of unsatisfactory performance. However, adoption of a rigid 'no extension' policy for loan closing would be a mechanistic response that would unlikely solve the underlying implementation problems. If the disbursement schedule is too optimistic or if the government approval process is too complicated, such policy will not help. The solution lies in having a more realistic disbursement schedule and reform of the approval process.

111. In the case of program loans, timeliness is important but should not be the decisive success criterion. In a democratic setting, implementing a program that envisages major policy and institutional changes can be a time-consuming process. In the first place, deliberations of various stakeholders to arrive at a consensus, and to foster ownership and support for such programs can be fairly long drawn out. In addition, the executive branch cannot dictate the agenda of the legislature and, therefore, has little control over the timing of the passage of bills required to implement such programs. Therefore, the evaluation of a program loan needs to take cognizance of the complexities of the political economy of reform in a democratic setting and not put too much import on the speed of implementation. Given the contribution that program lending can potentially make to the quality of the policy and institutional framework, the appropriate response to implementation problems is not to rigidly restrict such lending. Rather, the more appropriate response would be to improve ADB's understanding of the political economy of reform in a democracy and take a longer-term perspective with adequate time provided for the various reform measures.

112. Similarly, restrictions on lending to LGUs would be contrary to the devolution initiative of the Government. If LGUs lack the necessary human and financial capital to implement the assistance package, the correct response is to strengthen their capacity.

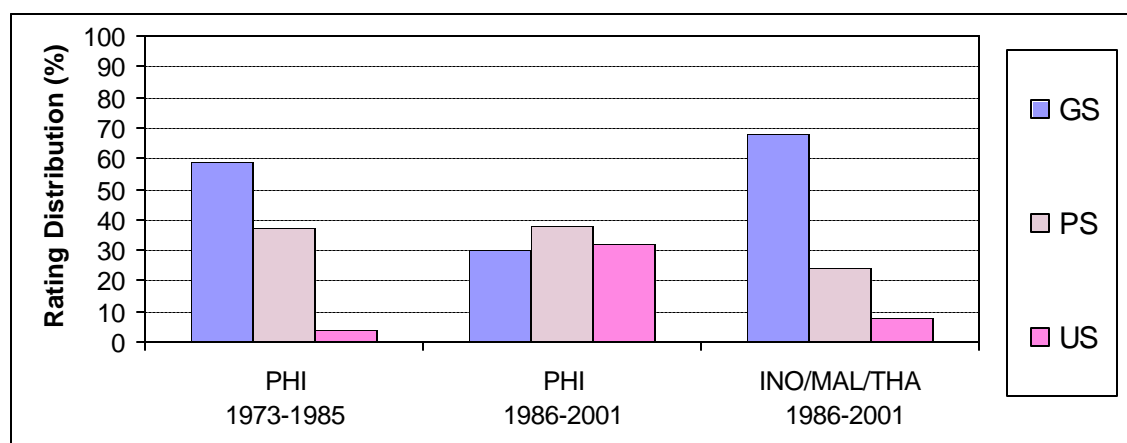
113. To improve ADB portfolio performance, the Government has adopted a number of corrective measures in recent years. These measures include both time-bound plans to improve

specific projects, and general corrective actions to address generic problems. The former include improving institutional mechanisms to provide real-time problem-solving advice to EAs, streamlining institutional constraints to information flows to oversight agencies, ensuring the timely arrival and utilization of funds for projects, and maintaining the momentum of sector and policy reforms for program loans after the first tranche. The generic corrective actions include measures to streamline the procurement approval process, and strengthen the legal and financial support to EAs to address the right-of-way and land acquisition problems. Finally, in light of shortage of counterpart funds, the Government has been working with ADB to downscale and redesign projects, and cancel unutilized funds.⁵¹

D. Conclusion

114. The picture that emerges from the evaluation of ADB's loan portfolio in the Philippines is not particularly encouraging. Compared with the ADB-wide average of 51%, only 31% of the Philippine projects completed and postevaluated in 1986–2001 were rated generally successful. While the Philippine portfolio accounted for 10% of all projects completed and postevaluated during this period, it contained 24% of all unsuccessful projects, mostly in the agriculture and natural resources sector. As shown in Figure 6, the portfolio performance dramatically deteriorated in 1986–2001 compared with the 1973–1985 period, and was clearly inferior to the performance of the comparator countries. Performance ratings for more recent projects/programs including ongoing operations suggest some improvement in the 1990s; nearly all the unsuccessful projects/programs were approved before 1986 and completed by the end of the 1980s. Nevertheless, the Philippines remains a poor performer. The evaluation reports cite a number of reasons for the disproportionately high rate of project failures in the Philippines, ranging from frequent internal and external shocks that the economy experienced to more project-specific problems such as poor project design to different types of project implementation bottlenecks. However, the comparator ASEAN countries have also been exposed to various shocks, and ADB promotes the same policies and best practices in all its DMCs. This seems to point to internal, system-immanent factors as the principal cause of the poor loan portfolio performance in the Philippines. Some recent measures taken by the Government (para. 113) are moves in the right direction, but more needs to be done.

Figure 6: Performance of Postevaluated Projects/Programs by Year of Completion



GS = generally successful, PS = partly successful, US = unsuccessful.
INO = Indonesia, MAL = Malaysia, PHI = Philippines, THA = Thailand.

⁵¹ In 2001, loan cancellations totaled \$142 million in 12 projects.

V. ADB'S NONLENDING ACTIVITIES

A. Types of Nonlending Activities

115. In addition to lending, ADB provides various types of nonlending assistance to its DMCs. The principal form of such assistance is TA. ADB has several TA instruments such as advisory technical assistance (ADTA) for institutional strengthening, and sector and policy studies; project preparatory technical assistance (PPTA) for feasibility studies and other project-related investigations; and regional technical assistance (RETA) for addressing issues of interest to the entire region or a subregion. The Philippines has been a significant beneficiary of these TA instruments.

116. Although not categorized as a separate product or service, ADB also undertakes considerable amount of ESTW for its DMCs, including the Philippines. ESTW analytical and advisory activities are mostly country specific and provide critical inputs for developing and implementing country strategies, formulating lending programs, conducting policy dialogue, and building institutional capacity.

B. Technical Assistance

117. During the period 1986–2001, ADB approved 210 TAs for the Philippines with a total value of \$104 million (Table 16). This was substantially higher both in terms of number (by 192%) and value (by 563%) than in the pre-1986 period (Appendix 10). Of the 210 TAs, 136 with a value of \$65 million were ADTAs and 74 with a value of \$39 million were PPTAs. The principal beneficiary of these TA activities was the agriculture and natural resources sector (34%), followed by social infrastructure (27%), and transport and communications (12%). The importance of ADTAs vis-à-vis PPTAs increased, reflecting the changing orientation of ADB as a broad-based institution. While in 1968–1985 PPTAs exceeded ADTAs by more than two times both in number and value, the situation was reversed during 1986–2001 when ADTAs exceeded PPTAs by 84% in number and 65 % in value.

Table 16: Sectoral Distribution of Technical Assistance (1986–2001)

Sector	Number			Amount (\$ million)			Share by Amount (%)		
	PPTA	ADTA	Total	PPTA	ADTA	Total	PPTA	ADTA	Total
Agriculture and Natural Resources	33	30	63	18.5	17.3	35.8	17.8	16.6	34.4
Energy	3	14	17	1.3	6.8	8.1	1.2	6.6	7.8
Finance	2	20	22	0.2	8.1	8.3	0.1	7.8	7.9
Industry and Non-fuel Minerals	1	3	4	0.1	1.7	1.8	0.1	1.6	1.7
Multisector	1	1	2	0.1	0.1	0.2	0.1	0.0	0.1
Others	2	25	27	0.2	9.6	9.8	0.3	9.2	9.5
Social Infrastructure	24	31	55	14.5	13.8	28.3	13.9	13.2	27.1
Transport and Communications	8	12	20	4.4	7.6	12.0	4.2	7.3	11.5
Total	74	136	210	39.3	65.0	104.3	37.7	62.3	100.0

Source: Relevant ADB databases.

118. In the agriculture and natural resources sector, ADTAs were mostly for institutional strengthening and capacity building, and technology and “best practices” transfer. The former focused on agricultural policy analysis and national and regional project and program formulation, implementation, monitoring and evaluation; financial management, management

information systems, and benefit monitoring and evaluation; and development of plans, guidelines, and consultation procedures for optimal use of natural resources and conservation of the environment. In the energy sector, ADTAs were mostly for institutional strengthening and capacity building, and for development of appropriate policy and regulatory frameworks. In the finance sector, ADTAs supported institutional strengthening and capacity building. In the industry and nonfuel minerals sector, an ADTA sought to examine the effectiveness and adequacy of government policies—and of the existing legal and regulatory framework—for developing the minerals sector. In the social infrastructure sector, ADTAs were mostly for institutional strengthening and capacity building, as well as for promoting private sector participation in social sector operations. In the transport and communications sector, ADTAs were mostly for institutional strengthening and capacity building through policy reforms. In the ‘others’ category, ADTAs were mostly for institutional strengthening and capacity building in the areas of procurement, project performance management, project evaluation, and environmental protection.

119. Among the various RETA activities that ADB undertook during 1986–2001, several studies, a workshop, and a regional economic monitoring mechanism are noteworthy for their relevance and importance to the Philippines. The most notable was perhaps the RETA study for the Brunei-Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). The main objective of this initiative was to accelerate the development of particular subregions of the four countries through cross-border complementarities and economies of scale in production, joint infrastructure development, and closer cooperation in trade and finance. The RETA contributed toward formulating a strategy of development for the BIMP-EAGA and defining the respective roles of individual governments in implementing the strategy. Several other important recent RETA studies that included the Philippines were related to corporate governance and financing; financial markets; banking, capital market, and international competitiveness reforms; resettlement policies; and judicial/legal reforms. These studies addressed policy and institutional weaknesses in corporate and finance sectors; issues of industry and trade competitiveness; land acquisition issues and ways to enhance the legal framework on involuntary settlement; the current insolvency laws and ways to facilitate the development of a sound insolvency framework; and the role of legal literacy to promote good governance.

120. In December 1998, ADB sponsored a regional workshop in Manila, which was attended by government officials, bankers, and private sector representatives, to discuss best practices for promoting private investment in power, port, airport, expressway, and water supply development. Finally, in 1999, ADB established the Regional Economic Monitoring Unit to help DMCs harness the full benefits of global financial integration without its disruptive effects. The Regional Economic Monitoring Unit’s economic and financial monitoring work, in conjunction with its seminars and workshops, has been a useful resource to the policymakers of ASEAN, including the Philippines, on macroeconomic and financial issues.

C. Economic, Sector, and Thematic Work

121. ESTW has become an important element of ADB’s development assistance. ESTW activities for the Philippines have generally centered on the priority sectors identified in the COS—but occasionally also addressed important macroeconomic issues (e.g., the financial crisis). Most of them covered overlapping periods consistent with those of ADB documents to which they were related.

122. ESTW activities in 1986–1987 included preparation for a Consultative Group Meeting for the Philippines and for an Economic Survey. For the period 1988–1991, ESTW focused on a number of sector studies—roads, telecommunications, and environment—to support project preparation as well as a study on regional issues. ESTW activities for the period 1993–1996 paved the way for TA support for the power, social infrastructure, and ports sectors and to the National Economic and Development Authority (NEDA) to strengthen its project monitoring capability by streamlining data collection and upgrading the database. This TA support made a significant contribution toward enhancing the institutional performance of major public sector institutions. ESTW for 1993–1997 included a number of in-depth sector studies on health, education, water supply, and agriculture; a review of plans and policies in the transport sector; a study for biodiversity conservation and preparation of environmental quality standards; a review of government assets designated for privatization; a review of legislation and regulatory policies relating to new technologies in the telecommunications sector; an urban sector profile; development of a training program for involuntary resettlement; and a natural gas pricing policy and regulation framework.

123. A principal component of ESTW for 1998–2000 was the review and reformulation of ADB's COS. ESTW for the period also addressed the issue of governance that figured prominently in policy dialogue with the Government. This dialogue, which focused on the Government's effort to improve public sector management, strengthen planning and administrative capacity within government agencies, and devolve functions to LGUs, aimed at enhancing transparency and accountability, and promoting efficiency in the public sector. In addition to the governance issue, ADB's policy dialogue with the Government encompassed structural policies to enhance sector performance. The ESTW for 1998–2000 emphasized capacity-building in line agencies in key sectors such as in agriculture, power/energy, education, health, water supply, urban and municipal development, and road and transport.

124. The Asian financial crisis led to a significant reordering of ADB's ESTW priorities in favor of financial, fiscal, and monetary issues. In 1999–2001, the main thrust of the ESTW efforts in these areas was to monitor the performance of banking and corporate sectors, particularly in the areas of bank supervision and corporate governance. The other issues that received priority attention related to strengthening of the financial capacities of LGUs, the restructuring of the power sector, and improving export competitiveness of the Philippines.

D. Performance Evaluation of Technical Assistance Activities

1. Project Preparatory Technical Assistance

125. Although most PPTAs resulted in loans, there is no readily available assessment of their contribution to effective project designs. However, a recent special evaluation study⁵² provides some insights. The study reviewed a sample of PPTAs and loan projects from three DMCs, including the Philippines, to assess the importance of stakeholder participation in formulating these PPTAs and loan projects. The findings of the study suggest that (i) low importance is given to stakeholder participation in defining the PPTA scope; (ii) NGOs are rarely involved in PPTAs as they are mostly used to mobilize primary stakeholders during the implementation stage; (iii) while the capacity of EAs to formulate, prepare, and implement projects should be a major design consideration, such capacity is seldom comprehensively evaluated; (iv) despite their crucial role in project design, PPTA consultants work largely unsupervised and seldom

⁵² ADB. 2000. *Special Evaluation Study on Participatory Development Processes in Selected Asian Development Bank Projects in Agriculture, Natural Resources, and Social Infrastructure Sectors*. Manila.

involve planning, budgeting, and implementing agencies in the design process; and (v) ADB missions play a lead role in project identification and implementation, but they interact more with EAs and much less with other local stakeholders. A case in point is the Cordillera Highlands Agricultural Resource Management Project, where time and resources were budgeted for stakeholder consultations and joint assessments. However, despite attempts to involve the local communities, participation of local NGOs was lacking. Moreover, the PPTA consultants made the selection of communities without sufficient consultation with LGUs. This led to the exclusion of some severely depressed communities.

126. **Issues and Recommendations.** To facilitate participatory development, PPTA fact-finding missions need to devote sufficient time and resources for identifying potential stakeholders. The participation of local NGOs at the project preparation and design stages can be highly beneficial given their wealth of knowledge of the local communities. EAs need to actively participate in the selection of PPTA consultants so that only those with the requisite experience and aptitude to facilitate such participatory development processes are recruited. Finally, during project preparation, ADB mission leaders need to actively participate in initial stakeholder workshops, in defining the PPTA strategy, and in documenting the participatory processes. PPTAs should maintain sufficient flexibility in terms of time to ensure stakeholder participation and contribution in project implementation.

2. Advisory Technical Assistance

127. ADTAs can play a critical role in fostering as well as sustaining reforms. As the earlier description of ADTA activities suggests, ADB has provided a considerable amount of advisory assistance to improve the policy and regulatory environment, and to enhance institutional capacity. However, the success in promoting and sustaining reforms is at best mixed. Another recent special evaluation study in 2001⁵³ provides some insights into this matter. It evaluated 30 ADTAs from five DMCs, including the Philippines, from the point of view of sustainability of policy reform. The Philippine case study covered nine ADTAs—four in the power sector and five in water supply and sanitation. The findings of the Philippine case study suggest that (i) except in times of crisis, the overall environment has not been conducive to developing consensus for reforms due to existing bureaucratic bottlenecks and distrust among stakeholders; (ii) the legal and regulatory frameworks have been insufficient and often inappropriate; (iii) EAs have often lacked institutional capacity to engender and sustain market-oriented reforms; (iv) ADTA designs have been driven by national programs and ADB priorities rather than reflecting concerns identified by the EAs; and (v) despite their involvement in the ADTA process, ownership has often been lacking in EAs due to dearth of reform champions within.

128. Of the 137 ADTAs, only 4 have been postevaluated on a stand-alone basis: 2 in the transport and communications sector (one rated generally successful and the other partly successful) and 2 in the “others” sector (both rated partly successful). The ADTA on contract maintenance of national roads was rated generally successful as it helped the Government improve its road maintenance methods at the most cost effective manner. The ADTA on vehicular emission control was rated partly successful due to its failure to provide an appropriate long-term strategy for improving air quality and to recognize capacity-building needs of the EA. The two ADTAs in the “others” sector that dealt with improving government’s postevaluation capacity and effectiveness of development expenditures were rated partly successful. One was so rated because it failed to institutionalize the postevaluation system and procedures due to the disbandment of the postevaluation division at NEDA. The other did not produce the planned

⁵³ ADB. 2001. *Sustainability of Policy Reforms through Selected Advisory Technical Assistance*. Manila.

institutional assessment as well as a coherent and usable project performance management system.

129. In five PPARs, however, 7 ADTAs were rated in relation to project/program loans. The PPAR on the Forestry Sector Program rated the three of these ADTAs: (i) ADTA 992-PHI on strengthening DENR's system of selection, appraisal, and monitoring of forestation projects was rated successful because it was able to develop a robust system for assessing the effectiveness of forestation efforts, was useful for contract monitoring and for raising the awareness of DENR on the need for better project appraisal, and contributed to capacity building involving training of 117 NGOs and DENR staff in inspection chart mapping; (ii) ADTA 993-PHI on the preparation of a Master Plan for Forestry Development was rated successful because it provided the direction and broad strategy for the development of the forestry sector, and was credited for developing relevant and achievable goals and objectives for the forestry sector and designing forestry programs to meet those objectives; and (iii) ADTA 994-PHI on the rationalization of the country's wood-based industry was rated unsuccessful because it was not relevant nor was it effective in providing a framework for the development of wood-based industry.

130. The PPAR on the Sorsogon Integrated Area Development Project rated ADTA 1054-PHI on community mobilization and development partly successful. Although the quantitative targets were achieved, the quality and sustainability of the benefits were less satisfactory. The PPAR on the Fisheries Sector Program rated ADTA 1208-PHI on the institutional strengthening of the fisheries sector generally successful because it was effective in providing immediate expert advice to the Department of Agriculture and the implementing agencies on program management. Most of the recommendations, with some modifications, were eventually incorporated in the Fisheries Code of 1998, and are now in the process of being implemented. The PPAR on the Third DBP Project rated ADTA 1535-PHI for training the staff of participating financial institutions to evaluate viable SMEs, as partly successful because it did not create a sustainable training program to enhance staff skills, especially those in the rural areas, as intended. The PPAR on the Second Island Provinces Rural Water Supply Sector Project rated ADTA 1422-PHI, which was to strengthen the technical capabilities of the Department of Public Works and Highways, and LGUs, unsuccessful. The training was conducted with no proper coordination of the government agencies—sessions were poorly attended.

131. **Issues and Recommendations.** Though the above findings are based on a small sample of ADTAs, they underscore the need for a systematic program approach to sector reforms. A long-term agenda that covers the whole gamut of required reforms should be formulated. This agenda should be integrated with ESTW on the one hand, and the overall country programming on the other. ADTAs should spell out and address the key issues related to legal and regulatory framework, market structure, and stakeholder participation. In addition, ADTAs should suggest mechanisms to overcome the problems of consensus-seeking among stakeholders to ensure the sustainability of policy reforms.

3. Regional Technical Assistance

132. The BIMP-EAGA initiative has been greatly facilitated by ADB's RETA. While the initiative has stirred considerable interest among private, including foreign, investors, actual investment flows have remained subdued owing to the slow progress in infrastructure development in the area, as well as the slowdown in economic activity caused by the Asian financial crisis. To stimulate private sector activity, the ongoing and planned ADB activities in the BIMP-EAGA include assistance for developing roads and airports, building capacities of

LGUs, and financing potential private sector investments. A new RETA for developing SMEs in the BIMP-EAGA is underway.

133. The other RETA studies on corporate governance, financial markets, international competitiveness, resettlement policies, and judicial/legal reforms have had a considerable impact on policy formulation. The Philippines has recently undertaken reforms for strengthening corporate governance; improving corporate finance; modernizing financial sector management; promoting capital markets development; enhancing the legal framework on involuntary settlement; and promoting judicial independence.

E. Conclusion

134. As ADB has evolved into a broad-based development institution, the role of nonlending activities in the form of knowledge products and services has increased in significance. This has been reflected in the assistance program to the Philippines, which has been an important beneficiary of various TA activities related to policy reform, institutional development, and capacity building in many sectors of the economy. Compared with the period 1968–1985, the number of TAs doubled and their combined value rose almost seven times during 1986–2001. Given the increased emphasis on ADTAs, the growth in this category was even more dramatic—from \$5 million in 1968–1985 to \$65 million in 1986–2001. Although it takes some time for effects of such substantial TA activities to materialize, one would expect a positive impact of the more conducive policy environment and more comprehensive project preparation on project performance. Although the proportion of unsuccessful projects has reduced significantly in the 1990s, the Philippines remains a poor performer. As the country moves to a higher stage of development, the demand for knowledge products and services is likely to increase. The lessons learned indicate that selectivity will be essential.

VI. DEVELOPMENT PARTNERS, AID COORDINATION, AND DEVELOPMENT CONCERNS

A. Development Partners and Aid Coordination

135. The shared objectives of the development partners of the Philippines are to promote economic growth with equity, reduce poverty at a rapid pace, and enhance self-reliance and service delivery capacities of LGUs. In 2001, official development assistance (ODA) commitments to the Philippines totaled \$1.6 billion, \$1.2 billion of which were concessional loans and mixed credits. Japan was the biggest source accounting for more than \$0.9 billion of total commitments. Other major commitments came from ADB and the World Bank. The projects funded by ODA in 2001 gave priority to rural development, transport, water resources, and education.

136. Japan provides ODA loans through the Japan Bank for International Cooperation, and ODA grants and TAs through the Japan International Cooperation Agency. Japan's country strategy focuses on (i) strengthening of economic infrastructure, especially in power, transport, and industry; (ii) poverty reduction and regional development through promoting rural development and improving basic social services; (iii) environmental conservation and disaster management; and (iv) human resource development.

137. The main thrust of the World Bank's current country assistance strategy is rapid poverty reduction through pro-poor economic growth and empowerment of the poor. To ensure pro-poor growth, the World Bank assistance will focus on strengthening the fiscal position of the

Government by improving tax collection and containing contingent fiscal liability; addressing bank vulnerabilities and deepening capital markets; enhancing competitiveness through trade and regulatory reforms; raising productivity by alleviating key infrastructure bottlenecks in transport and electricity; and improving public and corporate governance. To empower the poor, the World Bank assistance will focus on improving investments in education and health, and ensuring access by the poor; enhancing efficiency in the provision of basic services such as shelter, water supply and sanitation, and rural infrastructure; increasing access to productive assets such as land, extension services, and credit; strengthening the organizational and financial capacity of the poor; and initiating programs to protect the environment and natural resource base.

138. The United Nations agencies (United Nations Development Programme, United Nations Children's Fund, and United Nations Population Fund) are actively involved in poverty alleviation, environmental improvement, good governance, human development, child welfare, and family planning. The United Nations Development Programme, in cooperation with bilateral agencies, has been engaged in activities relating to post-conflict peace building and capacity building of Muslim communities in Mindanao to initiate a process of sustainable development.

139. Besides Japan, the three major bilateral sources of external assistance to the Philippines are Australia, Germany, and US. The Australian Agency for International Development mainly supports rural income generation, health, education, and the environment. The geographical focus of Australian assistance is the Southern Philippines, particularly Mindanao. The priority areas for German assistance are natural resources management, vocational training, industrial and urban environmental management, maritime safety, and health and family planning. Germany is also active in promoting SME development. The geographical focus is the Visayan region, but with specific measure for Muslim Mindanao. The US assistance, channeled through the US Agency for International Development, seeks to promote economic transformation in Mindanao, trade and investment, health and family planning, environmental management, and participation in public policy. The US is also involved in policy work in capital market development.

140. Annual consultative group (CG) meetings provide opportunities for the Government and external assistance agencies to conduct policy discussions on the Government's management of the economy and coordinate foreign development assistance. The most recent CG meeting was held in March 2002. Although there was no formal pledging, the development partners indicated support totaling about \$2.8 billion for 2002. In addition to CG meetings and general coordination activities during programming and project processing, the Philippines' development partners have been collaborating closely to improve the performance of the ODA portfolio.

141. The Government has, throughout the years, given good support to the development partners by providing them with well-prepared policy frameworks, including the 1987–1992, 1993–1998, and 2001–2004 MTPDPs; Medium-Term Public Investment Plans; Comprehensive Agrarian Reform Program; and Social Reform Agenda. These documents have allowed the development partners to build their own assistance strategies and programs and coordinate their assistance efforts. In addition, project level coordination was enhanced in the 1990s through the efforts of NEDA, the Coordinating Council of the Philippines Assistance Program, and concerned line agencies.

142. In the area of implementation, the experiences of other bilateral and multilateral agencies have been similar to those of ADB. The most recent World Bank country assistance

review for the Philippines,⁵⁴ which covered the period 1986–1998, noted that the outcome of the World Bank program ranged from relevant and marginally satisfactory in some sectors (water and sanitation, and transport) to barely relevant or unsatisfactory in others (health, education, agriculture, energy, and decentralization). The World Bank also noted the country's difficulties with absorption, implementation, and less-than-anticipated outcomes, as well as its own difficulties in identification, appraisal, and supervision of projects. In order to overcome implementation problems, which are common to all development partners, external assistance coordination has been intensified in recent years. Since 1999, the World Bank, Japan Bank for International Cooperation, and ADB have carried out annual joint portfolio review exercises in an attempt to improve project implementation.

B. Governance and Corruption

143. Effective delivery of development assistance by ADB and other external assistance agencies has often been constrained by the governance problem in the country. The governance problem throughout the Philippine system is well documented in the recent ADB⁵⁵ and World Bank⁵⁶ reports. In ADB's report, it is stated that "National governance is still constrained by the following issues: weak and unpredictable regulatory environment, policy incoherence; flip-flops and gridlock, particularism (sic); weak law enforcement and slow administration of justice; inadequate organizational and technical ability of the bureaucracy." Of the many aspects of poor governance, corruption stands out as the most pernicious. A 1999 Social Weather Station survey indicated that corruption was the second most common cause of public dissatisfaction after inflation.

144. There is no lack of anti-corruption laws and agencies in the Philippines. Good governance is enshrined in Article XI of the 1987 Constitution. Anti-corruption laws were legislated as early as 1955⁵⁷ and 1960.⁵⁸ However, anti-corruption laws are not strictly enforced, and anti-corruption bodies have been short-lived. Since 1986, 10 new anti-corruption bodies have been established to promote good governance, transparency, and accountability in the public sector. These include the Commission on Audit (1986) and the National Anti-Corruption Commission (2000). However, most of these agencies lack authority and too often, there has been insufficient commitment to the process. Performance of anti-corruption agencies has been weak and they have difficulty in recruiting competent leadership. The Office of the Ombudsman has not performed up to expectations with more than half of its cases dismissed in court because of poor presentation. The office itself has been accused of corruption. The case disposal rate of Sandiganbayan (the anti-corruption court) is also poor. For example, in 1996, the court managed to terminate only 13% of its case load. In short, past efforts to combat corruption have only achieved mixed results even though laws were legislated and public bodies created for the purpose.

145. Corruption has serious adverse impact on economic development as well as the welfare of the people, particularly the poorer segment of the society. The Government is well aware of the challenges corruption poses to the process of economic development. In recognition of the importance of the problem, the Government has adopted good governance as an important pillar of its development efforts. The recent approach to eradicate corruption from public sector

⁵⁴ World Bank. 1998. *Philippines: From Crisis to Opportunity, Country Assistance Review*. Washington, D.C.

⁵⁵ ADB. 2000. *Governance and Corruption Issues in the Philippines*. Manila.

⁵⁶ World Bank. 2001. *Combating Corruption in the Philippines: An Update*. Washington, D.C.

⁵⁷ RA No. 1379: Act Declaring Forfeiture in Favor of the State Any Property Found to Have Been Unlawfully Acquired by Any Public Officer or Employee and Providing for the Procedure Therefore.

⁵⁸ RA No. 3019: The Anti-Graft and Corrupt Practices Act.

activities focuses on the effective implementation of existing initiatives and adopting reforms to reduce the scope for corruption. This approach includes measures to deregulate and privatize public functions; increase transparency and public oversight of government and public sector functioning; reduce malfeasance from government agencies and public processes such as procurement through improved audit and other special measures; improve judicial functioning and equitable access to the legal system; reform agencies with high interaction with the public such as the police; and undertake electoral reforms.⁵⁹

146. The functioning of the public sector can be improved through, among other measures, deregulation and privatization. The Philippines has taken important initiatives in these areas. Important examples include telecommunications, electricity distribution, and water supply in Metro Manila. The Government has undertaken a restructuring program in a number of areas such as the National Food Authority, power generation, and railways. However, privatization needs to be accompanied by improved regulation so that private monopoly does not replace public monopoly. The scope of corruption in the public sector can be reduced by increasing participation of civil society groups in public sector activities. The Government has recently intensified its consultations with private sector groups on issues relating to economic policy. ADB has also been actively encouraging participation of the private sector, NGOs, and other civil society groups in the design and implementation of ADB projects and formulation of the CSP. The dialogue and partnership with the Government and civil society have been strengthened by the establishment of the Philippine Country Office.

147. Finally, ADB has in recent years taken cautionary measures against graft and corruption in ADB-financed activities. These measures include strict enforcement of anti-corruption provisions in ADB's procurement and auditing guidelines as well as more careful assessment of the borrower's—both at the national and LGU levels—project management capability, including procurement and financial management.

C. Conclusion

148. The international aid agencies have a sizeable presence in the Philippines. ADB has played an important role within this development community through its considerable volume of development assistance and its contribution to better external assistance coordination. Past efforts at aid coordination have resulted in a set of shared objectives among the development partners of the Philippines, highlighting poverty and social development.

149. Despite coordinated and intensified efforts among the development partners, the experiences of all major multilateral and bilateral agencies remain largely unsatisfactory in the area of implementation on account of poor governance and corruption. There is no immediate or magic solution to this problem. It requires among others wide ranging institutional changes, economic policy reform, social awareness, and the presence of an active civil society.

⁵⁹ However, there is inadequate financial support for these reforms. Concern about safeguarding the electoral process has increased over the years without commensurate increase in funding for reforms both from the Government and its development partners.

VII. LESSONS, CONCLUSIONS, AND RECOMMENDATIONS

A. Overall Assessment

150. **Relevance.** Poverty is the overriding development challenge of the Philippines. While the country has, at least since 1986, attached a high priority to poverty reduction and social development, its achievements in these areas have been modest, compared to its high-performing neighbors. This lackluster performance partly reflects the adverse impact of various internal and external shocks the economy has been frequently subjected to. These shocks led to occasional adjustments in government programs and policies, and supplanting of long-term development goals in favor of short-term macroeconomic stabilization. ADB's operational strategy, which closely tracked the national strategy throughout the period, lent support to the country's long-term development objectives of poverty reduction and social development as well as to short-term requirements of macroeconomic stabilization in times of economic crises. This close synchronization between ADB's strategy and the country's requirements has made the ADB assistance program relevant.

151. With ADB evolving into a broad-based development institution, its emphasis on nonlending activities has increased. In the case of the Philippines, this is reflected in the number and importance of such activities in support of ADB lending program. The principal contribution of such activities as ESTW and TA lies in identifying critical investment opportunities in priority areas, providing input for policy making, and assisting in capacity building.

152. **Effectiveness and Efficiency.** The outcome of investment projects in the Philippine portfolio has not been encouraging. Of the projects completed and postevaluated in 1986–2001, only 31% were rated generally successful, a performance which fell below both the 1973–1985 figure of 59% and the 1986–2001 ADB-wide average of 51%. Although most unsuccessful projects were completed by the late 1980s, and there have been signs of improvement in the 1990s, the portfolio of ongoing projects still indicates a wide range of implementation problems. These include delays in loan effectiveness, implementation delays, poor contract award performance, inadequate availability of counterpart funds, and cost overruns. With regard to cost efficiency of the ADB program to the Philippines, this CAPE has not been able to provide a definitive answer for lack of relevant cost data, particularly that related to staff time. ADB needs to compile this information on a more systematic basis.

153. **Sustainability.** Sustainability is the likelihood that the benefits of the assistance will be sustained over the longer term. There are question marks on this issue over a number of loan projects in the agriculture and natural resources, transport and communications, social infrastructure, and finance sectors. Much of this skepticism stems from lack of institutional capacity, inadequate budget allocations, and lack of political will. Similar issues of sustainability have arisen with respect to the impact of nonlending activities on policy reform and institutional strengthening.

154. **Institutional and Other Development Impacts.** The institutional impact of the ADB program has been mixed. The main factor behind the lackluster performance in energy and transport, the two sectors which together account to almost half of ADB's portfolio of completed and ongoing projects, has been their institutional deficiencies. These deficiencies, which have led to implementation and operational problems, are prevalent in other sectors as well. On the other hand, the role of nonlending activities has increased in recent years. Many of these

activities seemed to have a positive, though limited, impact on policy reform and institutional development.

155. The lack of success in a large number of investment projects in the Philippine lending program suggests that ADB investments did not have a large impact either on economic growth or poverty reduction. Poverty incidence remains pervasive and appears to have been exhibiting an upward trend in recent years.

156. **Overall Rating.** Although ADB's assistance program has been relevant, it has been less than effective and has had a moderate impact on institutional development. Sustainability remains a problem for many ADB interventions. Therefore, the program is rated only partly successful.

B. Lessons

157. ADB's development assistance program in the Philippines offers five important lessons that tend to validate the conventional wisdom in this field.

158. **Political and macroeconomic stability is a critical factor behind the success of a development assistance program.** ADB support in programs and projects has been more successful when they have been implemented in the context of a stable political and macroeconomic environment. In the last 2 decades or so, the Philippine program was often interrupted—and accordingly modified—in the face of internal and external shocks that hit the economy. This disruption in the smooth implementation of projects and programs had a major adverse impact on their final outcome and success.

159. **Project success requires careful project preparation.** An important cause of project failures in the Philippines has been the lack of careful project preparation. Careful project preparation should include detailed analytical work such as site investigations and diagnostic assessments of macroeconomic and market conditions, geological and environmental conditions, demand growth potential, input availability, risk factors, policy environment, and institutional capabilities. In addition, quality of investments and sustainability of impact require that beneficiaries should actively participate in the design and implementation of projects.

160. **Project design should be relatively simple.** Project designs that are too complex and impose excessive demands on the organizational capabilities of the implementing agencies are likely to fail. Lending to the Philippines in the early part of ADB history, which was characterized by small, simple loans that made modest demands on the organizational capacity of EAs, was relatively successful. Subsequently, as ADB substantially increased the average loan size as well as the complexity in design, there was a corresponding increase in the incidence of failures. Unless there is rapid improvement in the institutional capacity of LGUs, recent evidence suggest that devolution might lead to a further increase in the incidence of failures.

161. **Sustaining development impact requires close monitoring during implementation and after project completion.** The Philippine experience strongly suggests that the quality of project monitoring has an important bearing on project success. To improve project monitoring, some institutional innovations are warranted. Past efforts at capacity building in benefits monitoring and evaluation have been largely ineffective as the responsibility was located in the project management unit, and not integrated into the mainstream activities of agencies. Moreover, these monitoring and evaluation efforts were largely limited to developing survey instruments and manuals rather than to institutionalizing the system, as noted in an impact

evaluation study.⁶⁰ Although there is widespread recognition of the importance of monitoring and evaluation, this recognition has not translated into strong commitment to these activities. This lack of strong commitment, and ownership, at a sufficiently high level of the Government is often reflected in insufficient budget and staff allocation. In addition, these activities also suffer from a lack of status within the institutional hierarchy, absence of “champions for evaluation,” and lack of participation of key stakeholders in the process.⁶¹

162. Success of the assistance program depends on its ability to nurture institutional development. Weak institutions have often been cited as a principal cause of failures in the development assistance program in the Philippines. Strengthening these weak institutions would entail improving organizational structures, streamlining procedures, reforming incentive systems, and training both implementers and project clientele. ADB TAs can make an important contribution to nurturing institutional development. To improve management of development assistance activities, there is a need to further streamline government systems and procedures related to project administration and conduct sector studies that identify emerging needs and challenges that sectoral agencies are likely to encounter in the medium term.

C. Conclusions and Recommendations

163. Program Size. An important issue is the program size—along with the wide fluctuations in the ADB lending program and the persistence of negative net transfers, with repayments exceeding disbursements. These two features can have a dampening effect on the economy, especially when the economy is growing slowly, private capital inflows are meager, and the availability of foreign exchange limited. This matter is of concern to the Philippines where, for most of the past decade, net transfers have been negative. However, to increase lending merely to cover the net negative transfers would be unwise as it might lead to a deteriorating fiscal balance. Besides, borrowing simply to cover repayments does not make economic sense. A more appropriate approach, at least in the short- to medium-term, would be for ADB to aim for a steady, relatively modest and selective lending program. The program should avoid the wide fluctuations that marked the recent years. While it should be relatively modest in light of the country’s absorptive capacity constraint, the program should at the same time maintain the critical mass required for ADB’s role as an important development partner of the Philippines. Finally, it should be grounded in ADB’s comparative advantage in sectoral work, be catalytic in its effect, and emphasize quality over quantity.

164. Improving Program Performance. In the past, the lending program suffered from deficiencies in project design and implementation. Poor initial conceptualization and inadequate screening by ADB often led to poor project design. Similarly, insufficient monitoring by ADB and inadequate capacity of EAs led to implementation problems. In recent years, the Government has embarked on a major decentralization initiative, leading to an increase in the role of LGUs in the delivery of ADB assistance. However, this has yielded only mixed results. To improve the program performance, ADB needs to strengthen its ability to conceptualize projects and screen them, a process that is likely to be facilitated by the recent reorganization of ADB. Project design is likely to improve with the enhanced involvement of beneficiaries and consultation with key stakeholders. Implementation problems can be substantially redressed and controlled by prior capacity analysis of EAs and key stakeholders, and regular institutional reviews at the

⁶⁰ ADB. 1995. *Impact Evaluation Study of the Bank’s Benefit Monitoring and Evaluation Assistance to the Agriculture and Social Sectors in the Philippines*. Manila.

⁶¹ ADB. 2001. *Technical Assistance Performance Audit Report on Selected Technical Assistance for Strengthening Evaluation Capacity in Developing Member Countries*. Manila.

sectoral level. The establishment of the ADB Philippine Country Office has helped strengthen the project administration process in responding promptly to implementation problems, and modifying the design and scope of projects when such changes are warranted on account of changed conditions. When shifting its focus to LGUs as EAs to support the Government's decentralization initiative, ADB should consider providing TAs to increase their organizational capacity so that they can play a more effective role in the development process.

165. **Fostering Development Partnership.** ADB has tended to be somewhat inflexible and not always paid adequate attention to the complexities of the political economy of decision making in the Philippines. Given the lengthy procedures of a freewheeling democracy, the Government has often failed to attend in a timely fashion to the requirements of projects. ADB has imposed more stringent conditions in response to the Government's various delays and shortcomings, but such measures have sometimes been counterproductive. For a productive development partnership, the Government and ADB need to improve their mutual understanding. While ADB should be more pragmatic in shaping its disbursement profiles and make better use of its knowledge of local conditions, the Government should also be more receptive of ADB's need to adhere to its organizational priorities and procedures.

166. **Program Priorities.** Poverty reduction is the overarching development objective of ADB. The Government accords the highest priority to poverty reduction in its MTPDP. This confluence of priorities has found a formal expression in the recent signing of the Poverty Partnership Agreement between ADB and the Government. It is, therefore, appropriate that poverty reduction should continue to receive top priority in ADB's assistance strategy at least for the medium term. Specific sectoral selection should be determined through mutual consultations among ADB, the Government, NGOs, other elements of civil society, and development partners. There are some areas where ADB involvement appears warranted, given their poverty reduction potential.

167. Although past ADB poverty interventions—especially in agriculture and rural development—have generally not been successful, its NGO-assisted microcredit projects have turned out to be more successful in creating income-generating activities for the poor. The success of these projects should be further built upon. The potential for job creation and poverty reduction through microcredit schemes is substantial. Such efforts should also help foster improved collaboration between NGOs, the Government, and ADB.

168. ADB can play an important role in the Government's effort at improving access of the poor to education and health facilities and potable water supplies in the rural areas. The improvement of performance in these social sectors is critical to ADB's poverty reduction objectives. The sectors are also critical for social harmony and stability in the country. However, like agriculture, project performance in the social sectors has not been particularly satisfactory. In future projects, the problems of design and implementation, which bedeviled past performance, need to be resolved. Beneficiary participation and consultations with stakeholders can play an important part in overcoming such problems. In addition, policy dialogue with the Government should focus on project sustainability, which would require adequate attention to cost recovery issues.

169. ADB can also play an important role in the transport sector. However, such involvement should be selective in activities that have a substantial impact on poverty. A potentially important area, despite its mixed record in the past, is road transport, particularly in the rural regions. The focus of lending should be on projects that potentially have a large impact on the poor, such as farm-to-market roads. Road projects in the poorer regions should also include

primary and secondary roads, which are likely to have a significant impact on poverty. However, project success will depend on sustainability of benefits. Since full or even partial cost recovery cannot be expected, sufficient public funds will be needed to ensure adequate maintenance. Policy dialogue with the Government in this matter will be important.

170. An important element in the strategy for poverty reduction should be elimination of regional disparities. This aspect has received high priority in the MTPDP and the Government has pledged increased resources for the development of lagging regions, particularly Southern Philippines. ADB should support this priority of the Government by assisting in the development of physical infrastructure, social development, capacity building for LGUs, and private sector development in such regions.

171. **Role of the Private Sector.** With macroeconomic stability and an appropriate policy environment, the private sector can play a critical role in fostering economic development. ADB should assist in this process through its private sector operations. Such assistance should focus on SMEs and areas that have either considerable export potential or important social dimensions (education, health, and housing). ADB should not get involved in financing large-scale industrial and mining projects where the experience has been less than satisfactory.

172. ADB's involvement in public sector investment in the energy sector should be reduced, especially in light of the ongoing restructuring and privatization. Indeed, there are few areas where the public sector can effectively compete with the private sector. Even in areas that have important poverty and social dimensions such as rural electrification, the role of the public sector should be more to facilitate the entry and participation of the private sector than to supplant it. In other areas such as power generation and transmission, ADB may, as in the past, find suitable catalytical investment opportunities through its private sector operations. Similarly, there are good prospects for ADB's continued involvement in the finance sector through its private sector window. By contrast, oil, gas, and coal subsectors—exploratory activities that involve excessive risks—should be left to pure private sector interests as these are essentially commercial undertakings.

173. **Analytical Work.** ADB has in recent years placed greater emphasis on analytical work in support of its lending operations. This trend should continue. ADB's work on social and poverty issues has been modest but has had a significant impact. As ADB is going to play an active role in the social sectors, its ESTW should give more attention to analyzing policy and institutional constraints in these sectors. ADB has played a pioneering role among the multilateral and bilateral development institutions in producing analytical work on regional cooperation issues. This should continue with a view to attracting greater private investment to areas and activities suitable for regional cooperation. In the finance sector, ADB has developed a comparative advantage in relation to capital market development and nonbank financial institutions. As such, there continues to be a case for its involvement in policy reform, capacity building, and institutional strengthening in these areas.

174. **Lending Modalities.** Program lending will continue to be important in the future. However, when program loans are undertaken, realistic timeframes should be provided for meeting conditionalities. In so doing, ADB should take full cognizance of the limitations that can arise from procedures of stakeholder consultation and due democratic process. Implementation delays and loan extensions should not necessarily be associated with unsatisfactory performance if sustainable outcomes are ultimately produced. There is a need to consider the realities of the political economy of decision making and take a more patient longer-term approach to policy and institutional reform.

175. **Financing.** In the absence of ADF financing, ADB faces the difficult task of pursuing its overarching poverty reduction objective with OCR funds. This problem was exacerbated by ADB's 1998 decision to reduce its maximum contribution to the funding of an individual project from 60% to 40% of the total project cost.⁶² This hardening of the project financing terms made it difficult for the Government to promote social sector projects, where its preference is to use grant finance. ADB was also finding it difficult to obtain soft loan cofinanciers for its social sector projects. In view of this, ADB has recently revised the ceiling for its contribution to 65%.⁶³

176. **Participation.** The ability of ADB to provide effective assistance in the future will depend on its capacity to deepen its relationships with the broader society beyond the Government—the NGOs, the other elements of civil society, women's groups, and ethnic minorities. The active participation of NGOs and the civil society in the CSP formulation, ESTW, and project preparation and implementation will improve the relevance and quality of ADB interventions. Similarly, the participation of relevant government agencies and women's groups will add value to projects, activities, and knowledge products with gender dimensions. This is particularly germane in the light of the high importance ADB attaches to social development, including removing regional and gender disparities. However, participation and partnership should be a two-way street. ADB should also assume a higher public profile and contribute to the country's policy debate by disseminating the findings of its ESTW. Some progress in this regard has been made in the recent past, but more needs to be done.

⁶² ADB. 1998. *A Graduation Policy for the Bank's Developing Member Countries*. Manila.

⁶³ ADB. 2002. *Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy*. Manila.

LIST OF PROJECTS/PROGRAMS BY SECTOR^a

(as of 31 December 2001)

Sector/ Loan Number	Title	Loan Amount (\$ million)	Date Approved
Agriculture and Natural Resources			
1	0019 (SF) Cotabato Irrigation	2.500	18-Nov-69
2	0134 Angat-Magat Integrated Agricultural Development	3.600	28-Jun-73
3	0135 (SF) Angat-Magat Integrated Agricultural Development	6.000	28-Jun-73
4	0152 Davao del Norte Irrigation	4.200	22-Nov-73
5	0210 (SF) Agusan del Sur Irrigation	5.800	17-Dec-74
6	0225 Pulangui River Irrigation	13.500	26-Jun-75
7	0246 Laguna de Bay Development	27.500	09-Dec-75
8	0285 Second Davao del Norte Irrigation	15.000	07-Dec-76
9	0305 Tago River Irrigation	22.000	01-Sep-77
10	0341 Allah River Irrigation	23.500	11-May-78
11	0362 (SF) Second Agusan Irrigation	14.000	31-Oct-78
12	0371 Laguna de Bay Fish Pen Development	9.000	01-Dec-78
13	0407 Third Mindanao Irrigation Study	1.700	26-Jul-79
14	0406 (SF) Bukidnon Irrigation	15.000	26-Jul-79
15	0413 Northern Palawan Fisheries Development	18.000	27-Sep-79
16	0417 Bicol River Basin Irrigation Development	41.000	25-Oct-79
17	0466 (SF) Second Laguna de Bay Irrigation	20.000	25-Sep-80
18	0529 (SF) Palawan Integrated Area Development	15.000	29-Sep-81
19	0528 Palawan Integrated Area Development	32.000	29-Sep-81
20	0548 Smallholder Livestock Development	8.000	25-Nov-81
21	0580 Third Davao del Norte Irrigation	45.300	02-Sep-82
22	0594 Cotton Development	26.700	04-Nov-82
23	0604 Agro-Processing and Marketing	36.000	25-Nov-82
24	0668 Fourth Mindanao Irrigation Study	1.500	12-Dec-83
25	0667 Irrigation Sector Loan I (Southern Philippines)	67.400	12-Dec-83
26	0676 Aquaculture Development	21.840	20-Dec-83
27	0677 Forestry Development	34.000	20-Dec-83
28	0680 Agricultural Inputs Program	130.000	27-Mar-84
29	0727 Allah River Irrigation (Supplementary)	27.900	20-Dec-84
30	0802 Highland Agriculture Development	18.800	25-Nov-86
31	0889 (SF) Forestry Sector Program	60.000	28-Jun-88
32	0890 Forestry Sector Program	60.000	28-Jun-88
33	0915 (SF) Sorsogon Integrated Area Development	24.100	03-Nov-88
34	0940 (SF) NGO-Microcredit	8.000	22-Dec-88
35	0971 (SF) Fisheries Sector Program	50.000	26-Sep-89
36	0972 Fisheries Sector Program	30.000	26-Sep-89
37	0999 (SF) Low Income Upland Communities	32.000	14-Dec-89
38	1033 (SF) Second Palawan Integrated Area Development	25.000	27-Sep-90
39	1034 Second Palawan Integrated Area Development	33.000	27-Sep-90
40	1048 Irrigation Systems Improvement	9.000	08-Nov-90
41	1049 (SF) Irrigation Systems Improvement	20.000	08-Nov-90
42	1075 (SF) Special Agricultural Inputs Supply	35.000	24-Jan-91
43	1106 Industrial Forest Plantations (Sector)	25.000	17-Oct-91
44	1136 (SF) Kabulnan Irrigation and Area Development	48.000	28-Nov-91
45	1137 (SF) Second NGO Microcredit	30.000	28-Nov-91
46	1191 (SF) Forestry Sector	50.000	19-Nov-92
47	1192 Forestry Sector	50.000	19-Nov-92
48	1216 Small Farmers Credit	75.000	22-Dec-92
49	1332 (SF) Rural Infrastructure Development	17.500	10-Nov-94
50	1365 Second Irrigation Systems Improvement	15.000	30-Aug-95
51	1366 (SF) Second Irrigation Systems Improvement	15.000	29-Aug-95
52	1421 Cordillera Highland Agricultural Resource Management	9.500	11-Jan-96
53	1422 (SF) Cordillera Highland Agricultural Resource Management	9.500	11-Jan-96
54	1435 (SF) Rural Microenterprise Finance	20.000	23-Apr-96
55	1453 (SF) Bukidnon Integrated Area Development	20.000	23-Jul-96
56	1562 (SF) Fisheries Resource Management	14.999	16-Oct-97
57	1563 Fisheries Resource Management	20.223	16-Oct-97
58	1667 Agrarian Reform Communities	93.162	18-Dec-98
59	1668 Southern Philippines Irrigation Sector	60.000	18-Dec-98
60	1739 Grains Sector Development Program (Program Loan)	100.000	24-Apr-00
61	1740 Grains Sector Development Program (Project Loan)	75.000	24-Apr-00
62	1772 Infrastructure for Rural Productivity Enhancement Sector	75.000	31-Oct-00
Subtotal		1,915.724	

NGO = nongovernment organization, SF = special fund.

^a Excluding private sector operations.

	Sector/ Loan Number	Title	Loan Amount (\$ million)	Date Approved
	Energy			
63	0077	Mindanao Power	23.400	02-Nov-71
64	0096	Second Mindanao Power	21.000	13-Jul-72
65	0196	Third Mindanao Power	1.000	07-Nov-74
66	0223	First and Second Mindanao Power (Supplementary)	22.700	27-May-75
67	0291	Fourth Mindanao Power	52.000	21-Dec-76
68	0326	Fifth Mindanao Power	29.000	09-Dec-77
69	0421	Malangas Coal Development	14.000	19-Nov-79
70	0427	Sixth Mindanao Power	60.700	27-Nov-79
71	0482	Negros and Mindanao Power Transmission	60.500	18-Nov-80
72	0542	Rural Electrification	87.500	17-Nov-81
73	0607	Power System Development	32.750	07-Dec-82
74	0666	Negros-Panay Interconnection	43.800	12-Dec-83
75	0726	PNOC Energy Loan	85.000	20-Dec-84
76	0728	Second Power System Development	33.000	20-Dec-84
77	0823	Third Power System Development	92.000	18-Dec-86
78	0914	Fourteenth Power (Sector)	120.000	27-Oct-88
79	0985	Fifteenth Power (Sector)	160.000	14-Nov-89
80	1042	Sixteenth Power (Masinloc Thermal Power)	200.000	30-Oct-90
81	1207	Meralco Distribution	138.000	10-Dec-92
82	1288	Power Transmission	164.000	14-Dec-93
83	1398	Northern Luzon Transmission and Generation	244.000	02-Nov-95
84	1474	Leyte-Mindanao Interconnection Engineering	5.347	30-Sep-96
85	1590	Power Transmission Reinforcement	191.400	16-Dec-97
86	1662	Power Sector Restructuring Program	300.000	16-Dec-98
		Subtotal	2,181.097	
	Transport and Communications			
87	0056	Cotabato-General Santos Road	10.600	23-Dec-70
88	0061 (SF)	Fisheries Port	1.000	04-Mar-71
89	0062	Fisheries Port	4.500	04-Mar-71
90	0106	Iligan-Cagayan de Oro-Butuan Road	22.250	09-Nov-72
91	0126	Cotabato Port Development	6.600	03-Apr-73
92	0136	Tarlac-Santa Rosa and Feeder Roads	3.600	28-Jun-73
93	0164	Manila International Airport Development	29.600	11-Dec-73
94	0227	Mindanao Secondary and Feeder Roads	0.500	14-Aug-75
95	0257	Philippine National Railways	24.200	25-Mar-76
96	0308	Road Improvement	45.000	29-Sep-77
97	0379	Mindanao Secondary and Feeder Roads	24.000	12-Dec-78
98	0412	Manila Port	27.000	27-Sep-79
99	0477	Second Road Improvement	30.000	30-Oct-80
100	0597	Third Road Improvement	68.000	11-Nov-82
101	0801	Fourth Road Improvement	82.000	25-Nov-86
102	0875	Second Manila Port	43.500	15-Dec-87
103	1046 (SF)	Road and Road Transport Sector Program	50.000	08-Nov-90
104	1047	Road and Road Transport Sector Program	50.000	08-Nov-90
105	1058	Fifth Road Improvement	150.000	29-Nov-90
106	1322	Fourth Road Improvement (Supplementary)	23.500	29-Sep-94
107	1333	Airport Development	41.000	24-Nov-94
108	1473	Sixth Road	167.000	30-Sep-96
109	1536	Third Airports Development (Southern Philippines)	93.000	16-Sep-97
		Subtotal	996.850	
	Social Infrastructure			
110	0190	Manila Water Supply	51.300	28-Aug-74
111	0251	Provincial Cities Water Supply	16.800	16-Dec-75
112	0306	Engineering Education	16.000	01-Sep-77
113	0351	Second Manila Water Supply	49.000	07-Sep-78
114	0457	Manila Sewerage	42.800	24-Jun-80
115	0531	Technical and Vocational Education	27.000	08-Oct-81
116	0545	Water Supply Sector	46.000	25-Nov-81
117	0645	Manila Water Supply Rehabilitation	39.300	27-Oct-83
118	0812	Island Provinces Rural Water Supply Sector	24.000	04-Dec-86
119	0884 (SF)	Agricultural Technology Education	15.864	08-Mar-88
120	0898 (SF)	Secondary Education Development Sector	70.000	11-Aug-88
121	0947	Second Manila Water Supply Rehabilitation	26.400	24-Jan-89

Sector/ Loan Number	Title	Loan Amount (\$ million)	Date Approved	
Social Infrastructure (continued)				
122	0986	Angat Water Supply Optimization	130.000	14-Nov-89
123	1052 (SF)	Second Islands Provinces Rural Water Supply	24.000	20-Nov-90
124	1056 (SF)	Metropolitan Cebu Water Supply	16.000	29-Nov-90
125	1057	Metropolitan Cebu Water Supply	6.000	29-Nov-90
126	1150	Manila South Water Distribution	31.400	19-Dec-91
127	1217	Umiray-Angat Transbasin Technical Assistance	2.600	22-Dec-92
128	1254 (SF)	Nonformal Education	25.200	30-Sep-93
129	1269	Municipal Water Supply	43.200	25-Nov-93
130	1331 (SF)	Women's Health and Safe Motherhood	54.000	10-Nov-94
131	1367	Regional Municipal Development	30.000	30-Aug-95
132	1379	Umiray-Angat Transbasin	92.000	21-Sep-95
133	1396 (SF)	Integrated Community Health	25.910	17-Oct-95
134	1440	Rural Water Supply and Sanitation Sector	18.500	04-Jun-96
135	1441 (SF)	Rural Water Supply and Sanitation Sector	18.500	04-Jun-96
136	1472	Small Towns Water Supply Sector	50.000	30-Sep-96
137	1599	Subic Bay Area Municipal Development	22.000	19-Dec-97
138	1606	Early Childhood Development	15.700	27-Jan-98
139	1607 (SF)	Early Childhood Development	8.800	27-Jan-98
140	1654	Secondary Education Development and Improvement	53.000	11-Dec-98
141	1658	Clark Area Municipal Development	24.300	15-Dec-98
142	1745	Pasig River Environment Management and Rehabilitation SDP (Program Loan)	100.000	20-Jul-00
143	1746	Pasig River Environment Management and Rehabilitation SDP (Program Loan)	75.000	20-Jul-00
144	1750	Technical Education and Skills Development	25.000	24-Aug-00
145	1751	Fund for Technical Education and Skills Development	19.871	24-Aug-00
146	1843	Mindanao Basic Urban Services Sector	30.000	27-Sep-01
		Subtotal	1,365.445	
Finance				
147	0009	First Private Development Corporation of the Philippines	5.000	04-Mar-69
148	0051	Second Private Development Corporation of the Philippines	15.000	17-Dec-70
149	0175	Third Private Development Corporation of the Philippines	25.000	21-Dec-73
150	0247	Development Bank of the Philippines	25.000	09-Dec-75
151	0268	Fourth Private Development Corporation of the Philippines	25.000	25-Jun-76
152	0321	Development Bank of the Philippines	35.000	29-Nov-77
153	0405	Philippine Investments Systems Organization	15.000	12-Jul-79
154	0442	Fifth Private Development Corporation of the Philippines	30.000	17-Dec-79
155	0487	Second Philippine Investments Systems Organization	25.000	27-Nov-80
156	0620	Sixth Private Development Corporation of the Philippines	45.000	21-Dec-82
157	0944	Small and Medium Industry	65.000	19-Jan-89
158	0945 (SF)	Small and Medium Industry	35.000	19-Jan-89
159	1088	Third Development Bank of the Philippines	100.000	16-Jul-91
160	1363	Capital Market Development Program	150.000	22-Aug-95
161	1729	LGU Private Infrastructure Project Development Facility	3.000	20-Dec-99
162	1858	Nonbank Financial Governance Program	75.000	15-Nov-01
		Subtotal	673.000	
Multisector				
163	0628	Special Assistance for Selected Bank-Financed Projects	26.700	19-May-83
	0779 (SF)	Special Project Implementation Assistance	50.000	07-Apr-86
164	0780	Special Project Implementation Assistance	50.000	07-Apr-86
166	0946 (SF)	Infrastructure Restoration	20.000	19-Jan-89
167	1053 (SF)	Earthquake-Damage Reconstruction	100.000	22-Nov-90
168	1163 (SF)	Mount Pinatubo Damage Rehabilitation	37.000	23-Apr-92
		Subtotal	283.700	
Others				
169	1663	Metro Manila Air Quality Improvement (Program Loan)	200.000	16-Dec-98
170	1664	Metro Manila Air Quality Improvement	25.000	16-Dec-98
171	1665	Metro Manila Air Quality Improvement (Project Loan)	71.000	16-Dec-98
		Subtotal	296.000	
		TOTAL	7,711.816	

LGU = local government unit, SDP = sector development program.

LIST OF TECHNICAL ASSISTANCE BY SECTOR
(as of 31 December 2001)

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Agriculture and Natural Resources				
1	0003 Water Management	ADTA	0.105	20 Jun 1968
	0015 Water Management - Extension	ADTA	0.102	26 Jun 1969
2	0032 National Food and Agriculture Council	ADTA	0.036	07 Jul 1970
3	0068 Angat and Magat Irrigation	PPTA	0.183	29 Jun 1972
4	0079 Davao del Norte Irrigation	PPTA	0.027	09 Jan 1973
5	0113 Agusan del Sur Irrigation	PPTA	0.050	23 May 1974
6	0117 FAO-Sponsored Study on National Food Security	ADTA	0.012	26 Jun 1974
7	0121 Pulangui Irrigation	PPTA	0.049	09 Jul 1974
8	0143 Mindanao Secondary and Feeder Roads	PPTA	0.100	26 Jun 1975
9	0159 Laguna de Bay Development	PPTA	0.100	09 Dec 1975
10	0202 Second Mindanao Irrigation Study	PPTA	0.150	01 Sep 1977
11	0203 Aerial Mapping for Second Mindanao Irrigation Study	PPTA	0.200	01 Sep 1977
12	0230 Fisheries Development	PPTA	0.093	31 Mar 1978
13	0293 Smallholder Dairy Development	PPTA	0.341	17 May 1979
14	0306 Bohol/Cebu Fisheries Development	PPTA	0.070	27 Sep 1979
15	0326 Palawan Integrated Area Development	PPTA	0.650	17 Dec 1979
16	0393 Cotton Development	PPTA	0.140	26 Dec 1980
17	0416 Palawan Integrated Area Development	ADTA	0.350	29 Sep 1981
18	0423 Agricultural Waste Recycling	PPTA	0.350	29 Oct 1981
19	0434 Smallholder Livestock Development	ADTA	0.250	25 Nov 1981
	0434 Smallholder Livestock Development (Supplementary)	ADTA	0.057	24 Jun 1985
20	0451 Agro-Processing and Marketing	PPTA	0.047	01 Mar 1982
21	0452 Aquaculture Development	PPTA	0.215	04 Mar 1982
22	0453 Forestry Development	PPTA	0.245	23 Mar 1982
23	0475 Sorsogon Integrated Area Development	PPTA	0.350	19 Aug 1982
24	0488 Cotton Development	ADTA	0.220	04 Nov 1982
25	0493 Agro-Processing and Marketing	ADTA	0.250	25 Nov 1982
26	0504 Industrial Tree Plantation	PPTA	0.249	20 Jan 1983
27	0518 Highland Agricultural Development	PPTA	0.225	01 Jun 1983
28	0562 Laguna de Bay Environmental Assessment	ADTA	0.150	07 Dec 1983
29	0566 Fourth Mindanao Irrigation Study (MIS IV)	PPTA	0.150	12 Dec 1983
30	0577 Program Loan for Agricultural Sector	PPTA	0.048	29 Dec 1983
31	0631 Land Use and Regional Development Study	PPTA	0.248	28 Sep 1984
32	0654 Study on Irrigation Management for Crop Diversification	ADTA	0.250	20 Dec 1984
33	0662 Groundwater Salinity Intrusion Control Study	ADTA	0.344	28 Dec 1984
34	0681 Second Aquaculture Development	PPTA	0.350	10 Jun 1985
35	0682 Livestock Sector Development	PPTA	0.350	25 Jun 1985
36	0738 Development	ADTA	0.260	26 Dec 1985
37	0786 Azolla Research and Development	ADTA	0.250	25 Jul 1986
38	0859 Study on Irrigation Management for Diversified Crops (Phase II)	ADTA	0.350	26 Feb 1987
39	0888 Sugar Sector Rationalization	PPTA	0.349	27 Jul 1987
40	0927 Fisheries Sector Development	ADTA	0.284	26 Nov 1987
41	0929 Sorsogon Integrated Area Development (Update)	PPTA	0.075	02 Dec 1987
42	0941 Irrigation Systems Improvement	PPTA	0.350	08 Jan 1988
43	0949 Agricultural Statistical Improvement	ADTA	0.344	26 Jan 1988
44	0992 Strengthening of DENR's System for Selection, Appraisal and Monitoring of Forestation	ADTA	0.677	28 Jun 1988
45	0993 Master Plan for Forestry Development	ADTA	1.317	28 Jun 1988
	0993 Master Plan for Forestry Development (Supplementary)	ADTA	0.374	05 Dec 1989
	0993 Master Plan for Forestry Development - Extension Phase	ADTA	1.237	09 Jan 1991
46	0994 Rationalization of Wood-Based Industry	ADTA	0.350	28 Jun 1988

ADTA = advisory technical assistance, DENR = Department of Environment and Natural Resources, FAO = Food and Agriculture Organization, PPTA = project preparatory technical assistance, TA = technical assistance.

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Agriculture and Natural Resources				
47	0995 Formulation of a Comprehensive Scheme for the Promotion of Commercial and Industrial Tree Plantations	PPTA	0.105	28 Jun 1988
48	0996 Rattan Plantations Development	PPTA	0.036	28 Jun 1988
49	1054 Community Mobilization and Development	ADTA	0.183	03 Nov 1988
50	1087 Bicol River Basin Flood Control Irrigation Development	PPTA	0.027	08 Dec 1988
51	1092 Microenterprise Sector	ADTA	0.050	03 Jan 1989
52	1093 Institutional Strengthening of NGOs	ADTA	0.012	22 Dec 1988
53	1097 Palawan Integrated Area Development II	PPTA	0.049	29 Dec 1988
54	1126 Socio-Economic Study for Mindanao Smallholder Development	PPTA	0.100	09 Feb 1989
55	1128 Integrated Development for Low Income Communities	PPTA	0.100	10 Feb 1989
56	1144 Institutional Strengthening of the Land Bank of the Philippines	ADTA	0.150	07 Apr 1989
57	1162 Irrigation Systems Improvement (Detailed Engineering)	PPTA	0.200	01 Jun 1989
58	1171 Institutional Strengthening of the National Irrigation Administration	ADTA	0.093	27 Jun 1989
59	1208 Institutional Strengthening in the Fisheries Sector	ADTA	0.341	26 Sep 1989
60	1224 Horticulture Development	PPTA	0.070	20 Nov 1989
61	1225 Mangrove Development	PPTA	0.350	20 Nov 1989
62	1243 Agro-Forestry Research and Development	ADTA	0.300	14 Dec 1989
63	1269 Mindanao Smallholder Development	PPTA	0.140	30 Jan 1990
64	1278 Livestock Sector Program	PPTA	0.350	15 Mar 1990
65	1360 Second NGO Microcredit	PPTA	0.350	24 Aug 1990
66	1380 Agro-Processing and Rural Enterprises	ADTA	0.250	27 Sep 1990
67	1427 Kabulnan Irrigation and Area Development	PPTA	0.057	03 Dec 1990
68	1446 Second Forestry Sector Program	PPTA	0.047	02 Jan 1991
69	1467 Study on Foodcrop Policies	ADTA	0.215	24 Jan 1991
70	1496 Western Visayas Development Master Plan Study	PPTA	0.245	19 Mar 1991
71	1526 Integrated Agriculture Infrastructure and Support Services	PPTA	0.350	21 Jun 1991
	1526 Integrated Agriculture Infrastructure and Support Services (Supplementary)	PPTA	0.220	01 Mar 1993
72	1577 Management, Supervision and Institutional Support to the Industrial Forest Plantations Program	ADTA	0.250	17 Oct 1991
73	1578 Tree Improvement in Industrial Forest Plantations	ADTA	0.225	17 Oct 1991
74	1612 Assessment of Credit Needs for the Small Farmer Credit Program of the LBP	PPTA	0.150	21 Nov 1991
75	1617 Rural Credit	PPTA	0.150	28 Nov 1991
76	1757 Bukidnon Integrated Area Development	PPTA	0.048	29 Sep 1992
77	1788 Industries	ADTA	0.248	19 Nov 1992
78	1789 Monitoring and Evaluation of Sector Activities	ADTA	0.250	19 Nov 1992
79	1810 Institutional Strengthening of Cooperatives	ADTA	0.344	22 Dec 1992
80	1880 Re-Evaluation of the Laguna de Bay Development Project and the Post-Evaluation of the Second Laguna de Bay Irrigation Project and NGO	ADTA	0.350	07 May 1993
81	1882 Second Irrigation Systems Improvement	PPTA	0.350	11 May 1993
82	1915 Second Highland Agriculture Development	PPTA	0.260	26 Jul 1993
83	2019 Integrated Pest Management for Highland Vegetables	ADTA	0.250	15 Dec 1993
84	2081 ZOPP Applications for Strengthening Community and Local Government Participation	ADTA	0.350	21 Apr 1994
85	2109 Western Visayas Agro-Industrial Development	PPTA	0.349	23 Jun 1994
86	2234 Biodiversity Conservation and National Integrated Protected Areas	ADTA	0.284	13 Dec 1994
87	2236 Fisheries Sector Development	PPTA	0.075	14 Dec 1994
88	2385 Environmental Evaluation of Swamps and Marshlands	ADTA	0.350	30 Aug 1995
89	2558 Strengthening Rural Microenterprise Finance	ADTA	0.344	23 Apr 1996
90	2717 Grains Sector Development Program	PPTA	0.677	18 Dec 1996
91	2733 Institutional Capacity Building for Policy Formulation, Planning, Monitoring and Evaluation for the Agriculture Sector	ADTA	0.000	24 Dec 1996
92	2767 Agrarian Reform Communities Development	PPTA	1.317	12 Mar 1997
93	2841 Southern Philippines Irrigation Sector	PPTA	0.374	13 Aug 1997
94	3194 Infrastructure for Rural Productivity Enhancement Sector	PPTA	1.237	15 May 1999
95	3235 Review of Cost Recovery Mechanisms for National Irrigation Systems	ADTA	0.300	4 Aug 1999

LBP = Land Bank of the Philippines, NGO = nongovernment organization.

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Agriculture and Natural Resources (continued)				
96	3282 Community-Based Forest Resources Management	PPTA	0.840	25 Oct 1999
97	3429 Grains Policy and Institutional Reforms	ADTA	0.630	24 Apr 2000
98	3692 Integrated Coastal Resource Management	PPTA	0.933	2 Aug 2001
99	3814 Microfinance for Rural Development	PPTA	0.560	19 Dec 2001
Subtotal			43.179	
Energy				
100	0251 Malangas Coal Mine	PPTA	0.114	24 Oct 1978
101	0430 Rural Electrification (Dendro-Thermal Study)	PPTA	0.150	17 Nov 1981
102	0431 Rural Electrification (Financial Study)	ADTA	0.120	17 Nov 1981
103	0449 Industrial Energy Audits and Conservation Program	ADTA	0.560	25 Feb 1982
104	0450 Second Coal Development	PPTA	0.330	25 Feb 1982
105	0496 Cagayan River (Mindanao) Hydropower Study	PPTA	0.150	07 Dec 1982
106	0595 BRC Subprojects (Energy Sector Loan)	PPTA	0.070	23 Mar 1984
107	0611 Electricity Tariff Study	ADTA	0.229	05 Jul 1984
108	0651 Private Sector Coal Development Study	ADTA	0.350	19 Dec 1984
109	0652 Refinery Sector Rationalization Study	ADTA	0.450	20 Dec 1984
110	0653 Institutional Strategy Study	ADTA	0.200	20 Dec 1984
111	0733 Geothermal Steam Pricing Study	ADTA	0.212	24 Dec 1985
	0733 Geothermal Steam Pricing Study (Supplementary)	ADTA	0.063	15 Oct 1986
112	0775 Mindanao Power System Development	ADTA	0.350	17 Jun 1986
113	0834 Luzon Power System Development	ADTA	0.260	18 Dec 1986
114	1015 Development Study of the Visayas Power System	ADTA	0.358	22 Jul 1988
115	1050 Power Sector Cost Structure and Transfer Pricing Study	ADTA	0.230	27 Oct 1988
116	1169 Power Sector Training	PPTA	0.093	21 Jun 1989
117	1372 Review of National Power Corporation's Asset Revaluation	ADTA	0.096	11 Sep 1990
118	1405 Environmental Management of Coal-Based Power Generation	ADTA	0.636	30 Oct 1990
119	1966 Long-Term Power System Planning Study	ADTA	0.600	20 Oct 1993
120	2365 Natural Gas Sales Negotiations	ADTA	0.100	20 Jul 1995
121	2435 Formation of Power Transmission Subsidiary	ADTA	0.500	02 Nov 1995
122	2653 Leyte-Mindanao Interconnection Engineering	PPTA	0.575	30 Sep 1996
123	2826 Gas Sector Policy and Regulatory Framework	ADTA	0.592	22 Jul 1997
124	3126 Environment	ADTA	0.600	16 Dec 1998
125	3127 Consumer Impact Assessment	ADTA	0.720	16 Dec 1998
126	3422 Rural Electrification Institutional Strengthening	ADTA	0.750	23 Mar 2000
127	3516 Rural Electrification	PPTA	0.600	10 Oct 2000
128	3820 Competition Policy for the Electricity Sector	ADTA	0.990	19 Dec 2001
Subtotal			11.048	
Finance				
129	0791 Development Bank of the Philippines	ADTA	0.075	21 Aug 1986
130	0878 Feasibility Study for Establishing a Mutual Fund	ADTA	0.075	29 May 1987
131	0958 Study of the Venture Capital Industry	ADTA	0.075	25 Feb 1988
132	0960 Study of the Thrift Banks in the Philippines	PPTA	0.075	09 Mar 1988
133	0961 Private Development Corporation of the Philippines Rehabilitation Program	ADTA	0.075	09 Mar 1988
134	0966 Privatization Strategy Study for Philippine Airlines	ADTA	0.350	04 Apr 1988
135	1006 Study of the Leasing Industry	ADTA	0.030	12 Jul 1988
136	1112 Strengthening of IGLF Administration	ADTA	0.150	19 Jan 1989
137	1113 Training for Staff of Participating Financial Institutions	ADTA	0.050	19 Jan 1989
138	1535 Institutional Strengthening of Financial Intermediaries	ADTA	0.115	16 Jul 1991

IGLF = Industrial Guarantee Loan Fund.

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved	
Finance (continued)					
139	1638	Development of a Corporate Bond Market	ADTA	0.100	18 Nov 1991
140	1640	Stockmarket Development	ADTA	0.585	02 Jan 1992
141	1641	Institutional Strengthening of the Securities and Exchange Commission	ADTA	0.589	02 Jan 1992
142	2379	Capital Market Development	ADTA	0.600	22 Aug 1995
143	2644	LGU/Private Sector Infrastructure Facility and LGU Guarantee Corporation	PPTA	0.080	13 Sep 1996
144	2935	Assistance to the Development Bank of the Philippines	ADTA	0.150	12 Dec 1997
145	2971	Institutional Capacity Building of the Philippine Deposit Insurance Corporation	ADTA	0.742	31 Dec 1997
146	3120	Institutional Strengthening of the Philippine Insurance Commission	ADTA	0.600	15 Dec 1998
147	3153	Capacity Building in the International Finance Group of the DOF	ADTA	0.150	31 Dec 1998
148	3245	Nonbank Financial Sector Development	ADTA	2.000	25 Aug 1999
149	3349	Capacity Building in Local Government Unit Financing	ADTA	0.600	20 Dec 1999
150	3773	Strengthening Regulatory Market and Governance	ADTA	1.000	15 Nov 2001
Subtotal				8.266	
Industry and Nonfuel Minerals					
151	0370	Mineral Resources Development	PPTA	0.045	27 Oct 1980
152	0447	Mineral Resources Development (Phase II)	PPTA	0.244	23 Feb 1982
153	0527	Policies and Institutional Review of Planning and Management of Industrial Estates and Export Processing Zones	ADTA	0.400	14 Jul 1983
154	1114	Programs	ADTA	0.150	19 Jan 1989
155	1158	Mineral Resources Development (Update)	PPTA	0.075	17 May 1989
156	1894	Mineral Sector Study	ADTA	0.520	27 May 1993
157	3345	Strengthen Export Competitiveness	ADTA	1.000	17 Dec 1999
Subtotal				2.434	
Multisector					
158	1342	Assessment of Reconstruction Costs of Earthquake-Damaged Infrastructure in Luzon	PPTA	0.100	26 Jul 1990
159	2287	Socioeconomic Survey for the Infrastructure Restoration Project (Loan No. 946-PHI)	ADTA	0.050	12 Jan 1995
Subtotal				0.150	
Others					
160	0086	ILO-Sponsored Comprehensive Employment Strategy Mission	ADTA	0.018	09 Apr 1973
161	0887	Study on Formulation and Monitoring of Public Investment Program	ADTA	0.552	16 Jul 1987
162	1000	Monitoring and Evaluating the Performance of State-Owned Enterprises	ADTA	0.500	05 Jul 1988
163	1199	Improvement of Forecasting Techniques in Development Planning Using Demographic Factors	ADTA	0.225	23 Aug 1989
164	1203	Strengthening of the Project Facilitation Committee	ADTA	0.100	04 Sep 1989
165	1315	Establishing Management Information Systems in the International Finance Group of the DOF and in the Project Facilitation Committee of the Committee on Development Assistance	ADTA	0.093	01 Jun 1990
166	1497	Institutional Strengthening of the Bureau of Internal Revenue	ADTA	0.599	20 Mar 1991
167	1632	Improving the Implementation of Environmental Impact Assessment	ADTA	0.300	27 Dec 1991
168	1650	Strengthening Post Evaluation Capacity of the NEDA	ADTA	0.100	07 Jan 1992
169	1710	Seasonal Adjustment of Time Series Data	ADTA	0.099	04 Jun 1992
170	1723	Vehicular Emission Control in Metro Manila	PPTA	0.100	01 Jul 1992
171	1823	Development of a Gender-Disaggregated Data Base System	ADTA	0.220	24 Dec 1992

DOF = Department of Finance, ILO = International Labor Organization, LGU - local government unit, NEDA = National Economic and Development Authority.

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Others (continued)				
172	2465 Capacity Building for Resettlement Management in Development Projects	ADTA	0.100	12 Dec 1995
173	2623 Evaluation of Environmental Standards for Selected Industry Subsectors	ADTA	0.400	30 Jul 1996
174	2622 Capacity Building of the Philippine Coordination Council for BIMP-EAGA	ADTA	0.400	30 Jul 1996
175	2782 Pilot Implementation of the Project Performance Management System	ADTA	0.250	16 Apr 1997
176	2835 Metro Manila Air Quality Improvement	PPTA	0.150	05 Aug 1997
177	2875 Institutional Strengthening of the System of National Accounts	ADTA	0.450	25 Sep 1997
178	3076 Capacity Building in the Special Zone for Peace and Development	ADTA	0.150	25 Sep 1998
179	3128 Air Emission Policy Studies	ADTA	1.500	16 Dec 1998
180	3145 Strengthening Public Finance and Planning of Local Government Units	ADTA	0.870	23 Dec 1998
181	3146 Strengthening Results Monitoring and Evaluation	ADTA	0.400	24 Nov 1999
182	3310 Capacity Building for Procurement	ADTA	0.400	25 Nov 1999
183	3393 Implementation of the Convention on Biological Diversity	ADTA	0.120	21 Jan 2000
184	3411 Joint ADB, UNDP, and World Bank Poverty Consultations	ADTA	0.123	8 Mar 2000
185	3421 Establishment of an Official Development Assistance Unit in the Flagship Committee	ADTA	0.100	23 Mar 2000
186	3656 Improving Poverty Monitoring Surveys	ADTA	0.347	24 May 2001
187	3693 TA to Strengthen the Independence of the Judiciary	ADTA	1.200	2 Aug 2001
Subtotal			9.866	
Social Infrastructure				
188	0072 Laguna de Bay Water Resources Development Study	PPTA	1.284	08 Aug 1972
189	0087 Manila Water Supply	PPTA	0.049	05 May 1973
190	0335 Vocational-Technical Education	PPTA	0.190	21 Dec 1979
191	0433 Bulacan Bulk Water Supply Scheme	PPTA	0.150	25 Nov 1981
192	0513 Agricultural Education	PPTA	0.215	12 May 1983
193	0737 Island Provinces Water Supply Sector	PPTA	0.075	26 Dec 1985
194	0779 Water Supply and Sanitation	ADTA	0.050	20 Jun 1986
195	0868 Agricultural Technology Education	PPTA	0.075	06 Apr 1987
196	1039 Angat Water Supply Optimization	PPTA	0.100	21 Sep 1988
197	1057 Manila Metropolitan Region Environmental Improvement Study	ADTA	0.551	08 Nov 1988
198	1121 National Hospital Services Development Plan	ADTA	0.470	06 Feb 1989
199	1212 Non-Formal Education	PPTA	0.320	12 Oct 1989
200	1219 Angat Water Supply Optimization	ADTA	0.300	10 Nov 1989
201	1265 Urban Development	PPTA	0.550	26 Dec 1989
	1265 Urban Development Program (Supplementary)	PPTA	0.050	20 Feb 1991
202	1268 Cebu Water Supply - Phase II	PPTA	0.670	29 Jan 1990
	1268 Cebu Water Supply - Phase II (Supplementary)	PPTA	0.053	24 Jul 1991
203	1270 Umiray-Angat Transbasin Study	PPTA	1.267	19 Feb 1990
204	1385 Environmental Education	ADTA	0.418	05 Oct 1990
205	1422 Training System for Rural Water Supply Personnel	ADTA	0.130	20 Nov 1990
206	1423 Second Manila Sewerage	PPTA	0.250	23 Nov 1990
207	1513 Manila North-East Water Supply	PPTA	1.283	07 May 1991
	1513 Manila North-East Water Supply (Supplementary)	PPTA	0.048	23 Jul 1993
208	1774 Devolution of Health Services to Local Government Units	ADTA	0.100	30 Oct 1992
209	1829 Subic Bay Area Urban Development	ADTA	0.600	29 Dec 1992
210	1845 Second Provincial Towns Water Supply	PPTA	0.100	25 Jan 1993
211	1891 Integrated Community Health Services	PPTA	0.541	19 May 1993
212	1926 Women's Health and Safe Motherhood	PPTA	0.100	16 Aug 1993
213	1931 Implementation of the Local Government Code in the Health Sector	ADTA	0.300	16 Aug 1993
214	1995 Institutional Strengthening of Local Water Utilities Administration and Water Districts	ADTA	0.590	25 Nov 1993
215	2036 Nonformal Education	ADTA	1.600	23 Dec 1993
216	2044 Cebu Longitudinal Health and Nutrition Study	ADTA	0.100	29 Dec 1993

BIMP-EAGA = Brunei, Darussalam, Indonesia, Malaysia, Philippines-East Asian Growth Area, UNDP = United Nations Development Programme.

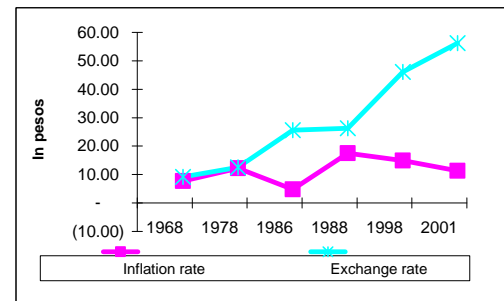
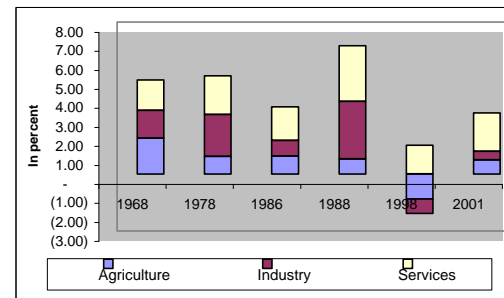
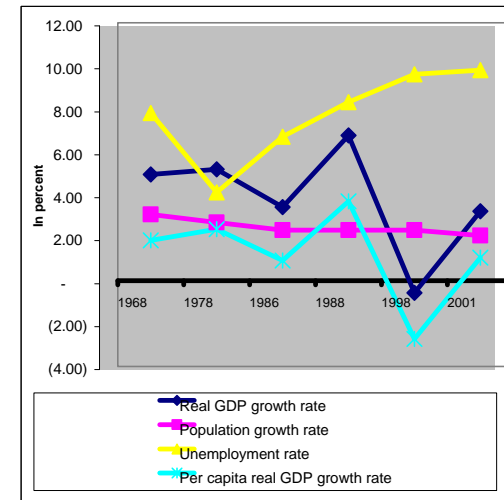
TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Social Infrastructure (continued)				
217	2089 Socioeconomic Survey and Evaluation of the Island Provinces Rural Water Supply Sector	ADTA	0.100	12 May 1994
218	2143 Preparation of a Second Secondary Education Development Project	PPTA	0.400	24 Aug 1994
	2143 Preparation of a Secondary Education Development (Supplementary)	PPTA	0.200	05 Dec 1995
219	2254 MWSS Operational Strengthening Study	ADTA	0.600	24 Dec 1994
220	2263 MWSS Water Supply Improvement Study	PPTA	0.582	27 Dec 1994
221	2272 Small Towns Water Supply and Sanitation Sector	PPTA	0.100	27 Dec 1994
222	2323 Early Childhood Development	PPTA	0.600	25 Apr 1995
223	2347 Institutional Strengthening of the Commission on Higher Education	ADTA	0.400	15 Jun 1995
224	2354 Sustaining Health of the Working Age Population	ADTA	0.575	30 Jun 1995
225	2401 MWSS Privatization Support	ADTA	0.582	21 Sep 1995
226	2417 Water Resources Management (Angat Reservoir)	ADTA	0.100	06 Oct 1995
227	2423 Strengthening Hospital Standards, Licensing and Regulation	ADTA	0.450	17 Oct 1995
228	2502 Private Sector Participation in Urban Development	ADTA	0.500	22 Dec 1995
229	2581 Infrastructure Improvement of Subic Bay Area Municipalities	PPTA	0.800	06 Jun 1996
230	2627 Second Technical and Vocational Education	PPTA	0.480	16 Aug 1996
231	2794 Mindanao Basic Education Development	PPTA	0.670	19 May 1997
232	2803 Pasig River Environmental Management and Rehabilitation	PPTA	0.800	29 May 1997
233	2807 Clark Area Municipal Development	PPTA	0.600	10 Jun 1997
234	2843 Institutional Strengthening of the Department of Social Welfare and Development	ADTA	0.577	15 Aug 1997
235	2916 Water Supply and Sanitation Sector Plan Study	ADTA	0.600	24 Nov 1997
236	2973 Units	ADTA	0.150	31 Dec 1997
237	3021 Mindanao Urban Planning and Basic Services Sector	PPTA	1.000	27 May 1998
238	3072 Education Sector Study	ADTA	0.150	22 Sep 1998
-	3093 Health Sector Strategy Study	ADTA	0.000	10 Nov 1998
239	3115 Decentralization of Basic Education Management	ADTA	0.798	11 Dec 1998
240	3196 National Urban Policy Framework	ADTA	0.150	20 May 1999
241	3291 Development of Poor Urban Communities	PPTA	0.850	10 Nov 1999
242	3469 Capacity Building for Pasig River Environmental Management and Rehabilitation	ADTA	1.000	20 Jul 2000
243	3475 Institutional Strengthening of Housing and Urban Development Sector	ADTA	0.150	20 Aug 2000
244	3482 Strengthening Management Capacity and Improving Quality of Technical Education and Skills Development System	ADTA	0.775	24 Aug 2000
245	3500 Education Sector Development Program	PPTA	0.998	12 Sep 2000
246	3609 Studies on the Access of the Poor to Education	ADTA	0.150	21 Dec 2000
247	3703 Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System	ADTA	0.800	8 Aug 2001
248	3760 Metro Manila Urban Services for the Poor	PPTA	1.000	5 Nov 2001
	Subtotal		30.266	
Transport and Communications				
249	0005 Fisheries Port	PPTA	0.325	25 Jul 1968
250	0047 Feasibility Study of Iligan-Cagayan de Oro-Butuan Road	PPTA	0.222	25 Nov 1971
251	0048 Fisheries Port	ADTA	0.071	04 Mar 1971
252	0054 Cotabato Port Development	PPTA	0.245	19 Oct 1971
253	0076 Tarlac-Santa Rosa Highway	PPTA	0.031	01 Sep 1972
254	0115 Philippine National Railways	PPTA	0.050	09 Jun 1974
255	0145 Luzon Roads Feasibility Study	PPTA	0.310	01 Jul 1975
256	0149 Mindanao Secondary and Feeder Roads	PPTA	0.100	14 Aug 1975
257	0205 Road Improvement Study	PPTA	0.150	01 Sep 1977
258	0305 Manila Domestic Container Terminal	PPTA	0.150	27 Sep 1979
259	0362 Manila Grain Terminal	PPTA	0.150	13 Aug 1980
260	0409 Road Improvement	PPTA	0.810	29 Jul 1981
261	0491 Rural Roads	PPTA	0.150	11 Nov 1982

TA No.	Project	TA Type	TA Amount (\$ million)	Date Approved
Transport and Communications (continued)				
262	0820 National Road Improvement	PPTA	0.500	25 Nov 1986
			0.550	
263	0821 Pilot Program for Contract Maintenance of National Roads	ADTA	0.400	25 Nov 1986
264	0842 Second Manila Port	PPTA	0.075	12 Jan 1987
265	1012 Advisory Services for the Telecommunications Sector	ADTA	0.880	18 Jul 1988
266	1020 Feeder Ports	PPTA	0.500	02 Aug 1988
267	1258 Strengthening of the Dredging Capacity of the Philippine Ports Authority	ADTA	0.100	21 Dec 1989
268	1412 Road Classification Study	ADTA	0.760	08 Nov 1990
269	1413 Provincial Road Passenger Transport Study and Program Monitoring	ADTA	0.590	08 Nov 1990
270	1414 Study on Vehicular Emission Control Planning in Metro Manila	ADTA	0.830	08 Nov 1990
271	1426 Improvement of the National Road Maintenance Management System	ADTA	0.800	29 Nov 1990
272	2048 Airports Development	PPTA	0.100	29 Dec 1993
273	2207 Institutional Strengthening of Civil Aviation Sector	ADTA	0.592	24 Nov 1994
274	2314 Sixth Road	PPTA	0.100	28 Mar 1995
275	2317 Impact Evaluation Study of Bank Assistance in the Roads Sector	ADTA	0.100	03 Apr 1995
276	2487 Preparation of a National Transport Strategy	ADTA	1.000	19 Dec 1995
277	2559 Second Airports	PPTA	0.600	24 Apr 1996
278	2652 Privatization of DPWH Equipment and Workshops	ADTA	0.825	30 Sep 1996
279	2968 Transport Infrastructure and Capacity Development	PPTA	1.000	24 Dec 1997
280	3524 Rural Road Development	PPTA	1.000	26 Oct 2000
281	3805 Rural Road Development Policy Framework	ADTA	0.720	18 Dec 2001
	Subtotal		14.786	
	TOTAL		119.994	

ADTA - advisory technical assistance, PPTA - project preparatory technical assistance.

KEY ECONOMIC AND SOCIAL INDICATORS

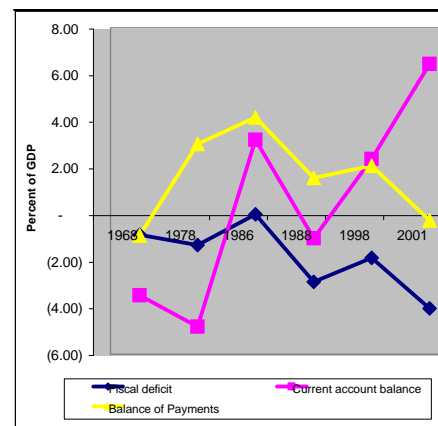
ECONOMIC PERFORMANCE	1968	1978	1986	1988	1998	2001
<i>Economic Growth</i>						
(year-on-year growth in percent)						
GNP, 1985 Market Prices	4.86	5.34	3.64	7.21	0.41	3.45
GDP Per Capita, 1985 Market Prices	1.86	2.39	0.93	3.68	(2.71)	1.07
GDP, 1985 Market Prices	4.95	5.17	3.42	6.75	(0.58)	3.22
By Sector						
Agriculture	6.54	3.72	3.68	3.24	(6.38)	3.70
Industry	4.38	5.58	2.30	8.75	(2.12)	1.34
Services	4.22	5.72	4.23	7.16	3.47	4.45
By Expenditure						
Personal Consumption	4.63	5.21	3.32	6.23	3.45	3.58
Government Consumption	7.02	3.01	0.34	9.06	(1.95)	0.27
Capital Formation	0.70	8.09	10.06	14.69	(16.28)	1.33
Exports	(11.28)	6.06	16.91	14.53	(21.03)	(5.16)
Imports	6.32	12.73	10.24	19.62	(14.70)	(0.83)
(million pesos)						
GDP (current prices)	29,835	167,249	608,887	799,182	2,665,060	3,639,980
GNP (current prices)	29,496	166,213	588,391	782,069	2,802,132	3,853,301
GDP (constant 1985 prices)	315,998	548,950	591,423	658,581	888,000	989,258
GNP (constant 1985 prices)	312,431	545,516	571,492	644,229	934,481	1,051,137
<i>Contribution to Growth (GDP)</i>						
(in percent)						
By Sector						
Agriculture	1.89	0.92	0.94	0.79	(1.32)	0.74
Industry	1.46	2.22	0.84	3.03	(0.76)	0.46
Services	1.60	2.03	1.77	2.94	1.51	2.02
By Expenditure						
Personal Consumption	3.49	3.47	2.54	4.69	2.53	2.65
Government Consumption	0.50	0.26	0.03	0.69	(0.15)	0.02
Capital Formation	0.16	2.32	1.50	2.64	(4.11)	0.27
Exports	(2.28)	1.17	4.21	4.15	(10.52)	(2.27)
Imports	1.64	2.82	2.32	5.80	(8.97)	(0.40)
<i>Savings and Investments</i>						
(percent of GDP)						
Gross National Saving	n.a.	-	18.43	17.64	22.71	23.68
Gross Domestic Saving	n.a.	n.a.	24.02	21.05	12.40	16.77
Gross Investment	n.a.	30.78	15.24	18.67	20.34	17.37
<i>Prices</i>						
Inflation Rate (in percent; 1994=100)	2.50	6.98	(0.43)	12.24	9.67	6.13
Foreign Exchange Rate, Average (peso per US\$)	3.90	7.37	20.39	21.09	40.89	50.99



n.a. = not available.

Sources: Asian Development Bank (ADB) Key Indicators Tables (various years); International Monetary Fund (IMF) Financial Statistics (various years); National Economic and Development Authority (NEDA) Economic Indicators Online; NEDA-National Statistics Coordination Board; and Bangko Sentral ng Pilipinas (BSP).

Central Government Finance (in billion pesos)	1968	1978	1986	1988	1998	2001
Total Revenues	4.06	24.07	79.05	112.86	462.53	563.73
Total Expenditures (inclusive of net lending)	4.32	26.29	110.50	136.07	512.50	710.76
Overall Balance [surplus/(deficit)]	(0.26)	(2.21)	(31.45)	(23.21)	(49.96)	(147.03)
Overall Balance (percent of GDP)	(0.88)	(1.32)	(0.01)	(2.90)	(1.87)	(4.04)
<i>Monetary and External Accounts</i>						
(in million US\$)						
Current Account	(266)	(1,094)	954	(390)	1,546	4,603
Balance of Payments	(69)	685	1,242	593	1,359	(192)
Gross International Reserves	n.a.	n.a.	2,527	2,111	10,781	15,659
Total External Debt	n.a.	n.a.	28,204	28,932	48,266	52,355
Current Account (percent of GDP)	(3.48)	(4.82)	3.19	(1.03)	2.37	6.45
Balance of Payments (percent of GDP)	(0.90)	3.02	4.16	1.57	2.09	(0.27)
(in percent)						
M2 Growth	4.63	24.25	11.11	23.79	8.02	6.88
Exports Growth	4.56	8.22	4.60	23.67	16.92	(15.57)
Imports Growth	9.35	19.87	(0.94)	21.48	(18.28)	(7.24)



SOCIAL INDICATORS (Latest)	Philippines	Other ASEAN^a	Asian DMCs^d
Population (in millions)	76.8 (2001)	100.07 (2001)	138.86 (2001)
Population (growth rate in percent)	2.1 (2001)	1.5 (2001)	1.4 (2001)
Labor Force (in thousands)	33,361 (2001)	46,375 (2000)	67,831 (2000) ^e
Labor Force (growth rate in percent)	7.9 (2001)	2.7 (2000)	-2.4 (2000) ^f
Unemployment Rate (in percent)	9.8 (2001)	3.9 (2000)	7.5 (2000) ^g
Life Expectancy at Birth (years)	69.3 (2001)	69.6 (2000)	64.5 (2000) ^h
Poverty Incidence (percent of population)	39.4 (2000)	18.2 (1999) ^b	39.9 (2000) ^h
Infant Mortality (per 1,000 live births)	30 (2000)	23 (2000)	58 (2000) ⁱ
Adult Literacy Rate (percent of population)	95.3 (2000)	90.0 (2000)	77.4 (2000) ^j
Youth Literacy Rate (percent of population)	98.7 (2000)	98.1 (2000)	85.6 (2000) ^j
Child Malnutrition (percent of children under 5)	28 (2000)	21 (2000)	31 (2000) ^k
Access to Safe Water (percent of population)	87 (2000)	78 (2000) ^c	78 (2000) ^l

^a Refers only to the average for Indonesia, Malaysia and Thailand.

^b Indonesia and Thailand only.

^c Data for Malaysia as of 1998.

^d Refers to the average for all reporting DMCs except Pacific and Southeast Asia DMCs (including Thailand) unless otherwise indicated.

^e Refers to latest data available within the 1995-2000 period and includes Central Asia DMCs except Turkmenistan, East Asia DMCs except Taipei-China, one Mekong DMC-Myanmar, and South Asia DMCs except Afghanistan, Bhutan, Maldives and Nepal.

^f Refers to latest data available within the 1995-2000 period and includes Central Asia DMCs except Mongolia and Turkmenistan, East Asia DMCs except Taipei-China, one Mekong DMC-Myanmar, and South Asia DMCs except Afghanistan, Bangladesh, Bhutan, Maldives, and Nepal.

^g Refers to latest data available within the 1995-2000 period and includes Central Asia DMCs, East Asia DMCs except Taipei-China, Mekong DMCs, and South Asia DMCs except Afghanistan.

^h Refers to latest data available within the 1994-2000 period and includes Central Asia DMCs, Republic of Korea, Mekong DMCs except Myanmar, and South Asia DMCs except Afghanistan and Sri Lanka.

ⁱ Includes Central Asia DMCs, East Asia DMCs except Hongkong-China and Taipei-China, Mekong DMCs, and South Asia DMCs except Afghanistan.

^j Includes Central Asia DMCs except Azerbaijan, Kazakhstan, Krygyz Republic, and Turkmenistan, East Asia DMCs except Taipei-China, Mekong DMCs, and South Asia DMCs except Afghanistan and Bhutan.

^k Refers to latest data available within the 1995-2000 period and includes Central Asia DMCs except Tajikistan and Turkmenistan, one East Asia DMC-People's Republic of China, Mekong DMCs, and South Asia DMCs.

^l Includes Central Asia DMCs except Azerbaijan, Tajikistan, and Turkmenistan, East Asia DMCs except Hongkong-China and Taipei-China, Mekong DMCs, and South Asia DMCs except Afghanistan.

Sources: ADB Key Indicators Tables (various years); IMF Financial Statistics (various years); United Nations Human Development Indicators Tables (various years); International Labor Statistics Online; NEDA Economic Indicators Online; NEDA-National Statistics Office; and BSP.

DISTRIBUTION OF PUBLIC SECTOR PROJECTS/PROGRAMS APPROVED IN 1969–1985

Table A4.1: By Sector

Sector	Number of Projects	Number of Loans	Loan Amount (\$ million)	Share (%) ^a
Agriculture and Natural Resources	27	29	687.9	32.6
Energy	13	14	566.3	26.8
Finance	10	10	245.0	11.6
Multisector	1	1	26.7	1.3
Social Infrastructure	7	8	288.2	13.6
Transport and Communications	12	14	296.9	14.1
Total	70	76	2,111.1	100.0

^a By amount.

Source: Relevant ADB databases.

Table A4.2: By Lending Modality

Type	Number		Loan Amount (\$ million)			Share (%)		
	Projects	Loans	OCR	ADF	Total	OCR	ADF	Total
Project	69	75	1,901.7	79.3	1,981.0	90.0	3.8	93.8
Program	1	1	130.0	0.0	130.0	6.2	0.0	6.2
Total	70	76	2,031.7	79.3	2,111.0	96.2	3.8	100.0

ADF = Asian Development Fund, OCR = ordinary capital resources.

Source: Relevant ADB databases.

**LIST OF POSTEVALUATED PUBLIC SECTOR PROJECTS/PROGRAMS COMPLETED
IN 1986–2001**

Sector/Loan No./Name	Approval Date	Completion Date	Loan Amount (\$ million)	PPAR No./ Circulation Date	Rating
Agriculture and Natural Resources					
0680-PHI: Agricultural Inputs Program	27 Mar 1984	30 Apr 1986	130.0	PE0231 17 Dec 1987	Generally Successful
0371-PHI: Laguna de Bay Fish Pen Development	1 Dec 1978	31 Mar 1988	9.0	PE0289 28 Dec 1989	Unsuccessful
0594-PHI: Cotton Development Project	4 Nov 1982	31 Dec 1987	26.7	PE0303 18 May 1990	Unsuccessful
0413-PHI: Northern Palawan Fisheries Development	27 Sep 1979	31 Jan 1989	18.0	PE0318 5 Nov 1990	Unsuccessful
0548-PHI: Smallholder Livestock Development Project	25 Nov 1981	31 Jul 1988	8.0	PE0320 19 Nov 1990	Unsuccessful
0676-PHI: Aquaculture Development Project	20 Dec 1983	30 Sep 1989	21.84	PE0354 31 Dec 1991	Generally Successful
0604-PHI: Agro-Processing and Marketing Project	25 Nov 1982	28 Aug 1989	36.0	PE0356 21 Feb 1992	Unsuccessful
0417-PHI: Bicol River Basin Irrigation Development	25 Oct 1979	30 Sep 1989	41.0	PE0374 21 Dec 1992	Unsuccessful
0940-PHI (SF): NGO-Microcredit Project	22 Dec 1988	30 Aug 1991	8.0	PE0418 15 Apr 1994	Generally Successful
0466-PHI (SF): Second Laguna de Bay Irrigation	25 Sep 1980	31 Dec 1991	20.0	PE0425 22 Aug 1994	Partly Successful
0677-PHI: Forestry Development Project	20 Dec 1983	30 Jun 1993	34.0	PE0484 5 Aug 1997	Partly Successful
0528-PHI/0529-PHI (SF): Palawan Integrated Area Development	29 Sep 1981	31 Dec 1990	32.0/15.0	PE0393 12 Aug 1993	Partly Successful
0802-PHI: Highland Agriculture Development Project	25 Nov 1986	31 Jul 1994	18.8	PE0507 11 Aug 1998	Generally Successful
0971-PHI (SF)/0972-PHI: Fisheries Sector Program	26 Sep 1989	30 Nov 1996	50.0/30.0	PE0535 31 Dec 1999	Partly Successful
0915-PHI (SF): Sorsogon Integrated Area Development	3 Nov 1988	30 Jun 1998	24.1	PE0558 31 Dec 2000	Generally Successful
0889-PHI (SF)/0890-PHI: Forestry Sector Program	28 Jun 1988	31 Dec 1993	60.0/60.0	PE0587 31 Dec 2001	Partly Successful

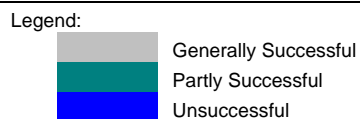
Sector/Loan No./Name	Approval Date	Completion Date	Loan Amount (\$ million)	PPAR No./ Circulation Date	Rating
Energy					
0728-PHI: Second Power System Development Project	20 Dec 1984	30 Oct 1990	33.0	PE0369 2 Nov 1992	Generally Successful
0666-PHI: Negros-Panay Interconnection Project	12 Dec 1983	31 Oct 1990	43.8	PE0424 18 Jul 1994	Generally Successful
0542-PHI: Rural Electrification Project	17 Nov 1981	30 Jun 1992	87.5	PE0433 17 Nov 1994	Partly Successful
0726-PHI: PNOC Energy Project	20 Dec 1984	31 Mar 1992	85.0	PE0482 2 Jun 1997	Generally Successful
Transport and Communications					
0257-PHI: Philippine National Railways	25 Mar 1976	31 May 1988	24.2	PE0251 5 Sep 1988	Unsuccessful
0379-PHI: Mindanao Secondary and Feeder Roads	12 Dec 1978	20 Feb 1988	24.0	PE0382 28 Dec 1992	Unsuccessful
0412-PHI: Manila Port	27 Sep 1979	31 Dec 1993	27.0	PE0431 28 Sep 1994	Generally Successful
1046-PHI (SF)/1047-PHI: Road and Road Transport Sector Program	8 Nov 1990	28 Sep 1992	50.0/50.0	PE0437 22 Feb 1995	Partly Successful
Social Infrastructure					
0190-PHI/0351-PHI: Manila Water Supply (First and Second)	28 Aug 1974/ 7 Sep 1978	28 Feb 1986	51.3/49.0	PE0287 28 Nov 1989	Generally Successful
0812-PHI: Island Province Rural Water Supply Sector Project	4 Dec 1986	31 Dec 1992	24.0	PE0441 28 May 1995	Partly Successful
0645-PHI: Manila Water Supply Rehabilitation Project	27 Oct 1983	31 Dec 1993	39.3	PE0480 23 Apr 1997	Unsuccessful
0947-PHI: 2 nd Manila Water Supply Rehabilitation Project	24 Jan 1989	31 Dec 1994	26.4	PE0480 23 Apr 1997	Unsuccessful
0884-PHI (SF): Agricultural Technology Education Project	8 Mar 1988	30 Sep 1995	15.864	PE0523 31 Dec 1998	Partly Successful
0898-PHI (SF): Secondary Education Development Sector Project	11 Aug 1988	31 Jul 1995	70.0	PE0530 31 Dec 1999	Partly Successful

Sector/Loan No./Name	Approval Date	Completion Date	Loan Amount (\$ million)	PPAR No./ Circulation Date	Rating
Social Infrastructure (continued)					
1052-PHI (SF): Second Island Provinces Water Supply Sector Project	20 Nov 1990	31 Dec 1995	24.0	PE0536 31 Dec 1999	Partly Successful
Finance					
0405-PHI: Philippine Investments Systems Organizations	12 Jul 1979	31 Jan 1987	15.0	PE0302 28 Apr 1990	Unsuccessful
0487-PHI: Second Philippine Investments System Organization	27 Nov 1980	15 Aug 1986	25.0	PE0302 28 Apr 1990	Unsuccessful
0944-PHI/0945-PHI (SF): Small and Medium Industry Project	19 Jan 1989	12 Feb 1993	65.0/35.0	PE0470 22 Nov 1996	Partly Successful
1088-PHI: Third Development Bank of the Philippines Project	16 Jul 1991	18 Mar 1996	100.0	PE0539 31 Dec 1999	Partly Successful
Multisector					
0946-PHI (SF): Infrastructure Restoration Project	19 Jan 1989	21 Jun 1993	20.0	PE0469 4 Dec 1996	Generally Successful

PPAR = project/program performance audit report.
Source: Relevant ADB databases.

IMPLEMENTATION PERIOD OF POSTEVALUATED PUBLIC SECTOR PROJECTS/PROGRAMS COMPLETED IN 1986-2001

Loan Number	Project Name	From Approval to Completion																							
		74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97
1 0190/0351	Manila Water Supply Project	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
2 0257	Philippine National Railways Project			Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
3 0371	Laguna De Bay Fish Pen Development Project					Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
4 0379	Mindanao Secondary And Feeder Roads Project					Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
5 0405	Philippine Investments Systems Organization Project							Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
6 0412	Manila Port Project							Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
7 0413	Northern Palawan Fisheries Development Project							Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
8 0417	Bicol River Basin Irrigation Development Project							Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
9 0466	Second Laguna De Bay Irrigation Project									Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
10 0487	Second Philippine Investments System Organization Project							Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
11 0528	Palawan Integrated Area Development									Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
12 0542	Rural Electrification Project									Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
13 0548	Smallholder Livestock Development Project									Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
14 0594	Cotton Development Project																								
15 0604	Agro-Processing And Marketing Project									Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
16 0645	Manila Water Supply Rehabilitation Project																								
17 0666	Negros-Panay Interconnection Project																								
18 0676	Aquaculture Development Project																								
19 0677	Forestry Development Project																								
20 0680	Agricultural Inputs Program																								
21 0726	PNOC Energy Project																								
22 0728	Second Power System Development Project																								
23 0802	Highland Agriculture Development Project																								
24 0812	Island Province Rural Water Supply Sector Project																								
25 0884	Agricultural Technology Education Project																								
26 0889	Forestry Sector Program																								
27 0898	Secondary Education Development Sector Project																								
28 0915	Sorsogon Integrated Area Development Project																								
29 0940	NGO-Microcredit Project																								
30 0944	Small and Medium Industry Project																								
31 0946	Infrastructure Restoration Project																								
32 0947	Second Manila Water Supply Rehabilitation Project																								
33 0971	Fisheries Sector Program																								
34 1046/1047	Road and Road Transport Sector Program																								
35 1052	Second Island Provinces Water Supply Sector Project																								
36 1088	Third Development Bank of The Philippines Project																								



**SUMMARY OF RATINGS OF POSTEVALUATED PUBLIC SECTOR PROJECTS/PROGRAMS
COMPLETED IN 1973–1985**

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	3	50.0	2	33.3	1	16.7	6	100.0
Energy	2	40.0	3	60.0	0	0.0	5	100.0
Transport and Communications	6	85.7	1	14.3	0	0.0	7	100.0
Social Infrastructure	1	50.0	1	50.0	0	0.0	2	100.0
Finance	4	57.1	3	42.9	0	0.0	7	100.0
Multisector	0	0.0	0	0.0	0	0.0	0	100.0
Total	16	59.3	10	37.0	1	3.7	27	100.0

PPAR = project/program performance audit report.

Source: Relevant ADB databases.

**LIST OF POSTEVALUATED PUBLIC SECTOR PROJECTS/PROGRAMS COMPLETED IN
1973–1985**

Sector/Loan No./Name	Approval Date	Completion Date	Loan Amount (\$ million)	PPAR No./ Circulation Date	Rating
Agriculture and Natural Resources					
0019-PHI (SF): Cotabato Irrigation	18 Nov 1969	31 Jul 1975	2.5	PE0014 28 Dec 1976	Partly Successful
0134-PHI/0135-PHI (SF): Angat-Magat Integrated Agricultural Development	28 Jun 1973	31 Dec 1978	3.6/6.0	PE0050 28 Sep 1981	Generally Successful
0152-PHI: Davao del Norte Irrigation	22 Nov 1973	30 Jun 1980	4.2	PE0086 31 May 1983	Generally Successful
0225-PHI: Pulangui River Irrigation	26 Jun 1975	31 Dec 1983	13.5	PE0125 13 Dec 1984	Generally Successful
0210-PHI (SF): Agusan del Sur Irrigation	17 Dec 1974	31 Dec 1983	5.8	PE0160 4 Nov 1985	Partly Successful
0246-PHI: Laguna Bay Development	9 Dec 1975	31 Dec 1983	27.5	PE0187 17 Sep 1986	Unsuccessful
Energy					
0077-PHI/0223-PHI: Mindanao Power	2 Nov 1971/ 27 May 1975	30 Apr 1980	23.4/22.7	PE0064 14 Jul 1982	Generally Successful
0096-PHI: Second Mindanao Power	13 Jul 1972	31 Jan 1980	21.0	PE0113 8 Jun 1984	Generally Successful
0291-PHI: Fourth Mindanao Power	21 Dec 1976	30 Apr 1985	52.0	PE0202 16 Mar 1987	Partly Successful
0326-PHI: Fifth Mindanao Power	9 Dec 1977	31 Mar 1985	29.0	PE0202 16 Mar 1987	Partly Successful
0421-PHI: Malangas Coal Development	19 Nov 1979	31 Dec 1984	14.0	PE0261 28 Oct 1988	Partly Successful
Transport and Communications					
0056-PHI: Cotabato-General Santos Road	23 Dec 1970	20 Jul 1978	10.6	PE0031 28 May 1980	Generally Successful
0136-PHI: Tarlac-Santa Rosa and Feeder Roads	28 Jun 1973	31 Dec 1979	3.6	PE0067 26 Jul 1982	Generally Successful
0126-PHI: Cotabato Port Development	3 Apr 1973	30 Apr 1980	6.6	PE0069 28 Jul 1982	Generally Successful

Sector/Loan No./Name	Approval Date	Completion Date	Loan Amount (\$ million)	PPAR No./ Circulation Date	Rating
Transport and Communications (continued)					
0061-PHI (SF)/0062-PHI: Fisheries Port	4 Mar 1971	31 Jul 1976	1.0/4.5	PE0100 16 Dec 1983	Generally Successful
0106-PHI: Iligan-Cagayan de Oro-Butuan Road	9 Nov 1972	31 Aug 1982	22.25	PE0117 29 Jun 1984	Generally Successful
0164-PHI: Manila International Airport Development	11 Dec 1973	8 Apr 1983	29.6	PE0122 5 Nov 1984	Generally Successful
0308-PHI: Road Improvement	29 Sep 1977	30 Nov 1985	45.0	PE0235 28 Dec 1987	Generally Successful
Social Infrastructure					
0251-PHI: Provincial Cities Water Supply	16 Dec 1975	31 Dec 1982	16.8	PE0123 5 Nov 1984	Generally Successful
0306-PHI: Engineering Education	1 Sep 1977	30 Jun 1984	16.0	PE0224 14 Oct 1987	Partly Successful
Finance					
0009-PHI: First Private Development Corporation of the Philippines	4 Mar 1969	30 Jun 1973	5.0	PE0008 28 Dec 1975	Generally Successful
0051-PHI: Second Private Development Corporation of the Philippines	17 Dec 1970	31 Mar 1976	15.0	PE0044 28 Jul 1981	Generally Successful
0175-PHI: Third Private Development Corporation of the Philippines	21 Dec 1973	17 Jun 1980	25.0	PE0139 22 May 1985	Generally Successful
0268-PHI: Fourth Private Development Corporation of the Philippines	25 Jun 1976	27 Sep 1982	25.0	PE0139 22 May 1985	Generally Successful
0247-PHI: Development Bank of the Philippines	9 Dec 1975	18 Aug 1982	25.0	PE0156 26 Sep 1985	Partly Successful
0442-PHI: Fifth Private Development Corporation of the Philippines	17 Dec 1979	22 Apr 1985	30.8	PE0189 23 Sep 1986	Partly Successful
0321-PHI: Development Bank of the Philippines - Second	29 Nov 1977	20 Feb 1984	35.8	PE0195 27 Oct 1986	Partly Successful

PPAR = project/program performance audit report.
Source: Relevant ADB databases.

PERFORMANCE ASSESSMENT OF TWO ONGOING PROGRAMS

1. **Power Sector Restructuring.** The Power Sector Restructuring Program¹ aimed to support the development of competitive markets in electricity. This policy shift was part of an ambitious attempt to recast the power sector, whereby the responsibility for power supply will shift from a government-controlled public utility to independent private sector providers. More specifically, the program aimed to unbundle the generation and transmission of electricity, and to provide open and equal access to transmission and distribution. It also aimed to restore the financial sustainability of the National Power Corporation prior to its privatization. Finally, it aimed to achieve operational improvements and increased efficiencies in power distribution.

2. The program coincided with the Asian financial crisis and the entire package of \$600 million (\$300 million from the Asian Development Bank and \$300 million from Japan Bank for International Cooperation) was designed to offer stabilization support to the Government, and underpin policy reform. The loan was approved in December 1998 and made effective almost immediately. However, the loan closing date was extended to allow conditions of the second and third tranches to be met. Of these conditions, the most important and difficult to meet was the passage of the Electricity Power Industry Reform Act of 2001, which paved the way for greater competition in the power sector. The second and third tranches were released in December 2001 and November 2002, respectively.

3. **The Metro Manila Air Quality Improvement.** The Metro Manila Air Quality Improvement Sector Development Program,² was intended to promote policy reforms to improve air quality in Metro Manila through the abatement of mobile and stationary sources of pollution. The Government succeeded in passing the Clean Air Act within the agreed period and adopted the supporting Implementing Rules and Regulations. However, there have been significant delays in complying with the conditions for the release of the second tranche. Moreover, the implementation of the investment component has been delayed due to the lack of counterpart funds. The credit facility to the Land Bank has yet to be fully drawn, partly due to the availability of funds with more attractive terms from other sources. It appears that the implementation of the program has been delayed because of a lack of political will.

¹ Loan 1662-PHI, for \$300 million, approved on 16 December 1998.

² Loans 1663/1664/1665-PHI, for \$200 million, \$25 million, and \$71 million, respectively, approved on 16 December 1998.

SECTORAL SUMMARIES OF PROJECT COMPLETION REPORTS¹

A. Agriculture and Natural Resources

1. **Assessment.** Three projects were rated generally successful, one partly successful, and one unsuccessful. The successful projects were for irrigation system improvement² and microcredit.³ The first project was rated successful because the objectives of increasing agricultural production and farm incomes were expected to be met after the completion of the remaining works of the National Irrigation Administration. The project was economically viable; and farm income and benefits were substantial. The two microcredit projects were also rated generally successful because they achieved their important objectives: increased employment in rural areas; increased income of participating low-income beneficiaries; substantial savings mobilized by the sub-borrowers; and increased production of goods and services. In addition, the projects contributed to the growth and development of nongovernment organizations (NGOs) as viable micro finance institutions; strengthened the capability of the staffs of the Department of Trade and Industry resulting in the significant improvement in overall project implementation; and strengthened cooperatives and the Land Bank of the Philippines making it a sound financial institution nationwide.

2. The partly successful project was the Second Palawan Integrated Area Development.⁴ Although its physical targets were generally met, the outcomes have not been as high as anticipated at appraisal. Technical difficulties and delays in the provision of counterpart funding and recruitment of consultants affected implementation efficiency. Sustainability would depend on the availability of funds for operations and maintenance. Institutional and organizational strengths in some areas were lower than expected with many local government units (LGUs) and irrigators' associations lacking the necessary skills to take over the irrigation system.

3. The unsuccessful project was the Industrial Forest Plantations (Sector).⁵ Although it succeeded to some extent in harnessing private corporate resources to attain its social and environmental objectives, the forest policy and reforms it advocated did not succeed in encouraging private investors to establish industrial forest plantations on denuded land as envisaged.

4. **Lessons.** Several lessons can be drawn from the experiences of these five projects. These are: (i) implementation of a project with several executing agencies (EAs) requires a strong monitoring and coordination agency; (ii) LGUs should be fully involved at all stages of project planning, design, and implementation to ensure their commitment and to build a sense of ownership; (iii) benefit monitoring and evaluation activities should be carefully designed and supervised to be able to come up with accurate assessments of benefits derived from a project; (iv) additional funds and alternative sources (i.e., irrigation service fees) are needed for operation and maintenance; (v) existing policy and regulatory environment must be taken into consideration in project design to minimize implementation delays; (vi) implementation schedules should take into account the mechanism for the issuance of notice of cash allocations; (vii) NGOs can be effective microfinance institutions and microentrepreneurs and

¹ This summary includes projects/programs approved and completed during the period 1986-2001 which have only project completion reports but no project/program performance audit reports .

² Loans 1048/1049(SF)-PHI, for \$29 million, approved on 8 November 1990.

³ Loan 1137-PHI(SF), for \$30 million, approved on 28 November 1991, and Loan 1216-PHI, for \$75 million, approved on 22 December 1992.

⁴ Loans 1033 (SF)/1034-PHI, for \$58 million, approved on 27 September 1990.

⁵ Loan 1106-PHI, for \$25 million, approved on 17 October 1991.

the poor can be bankable clients; (viii) microfinance savings and credit are much-needed services that can result in substantial and dramatic impact on the lives of intended beneficiaries; (ix) financial services should be delivered only by entities organized to do so and government nonbank agencies are poor choices for delivering such services; (x) rural financial institutions involved should have sound risk management; (xi) financial viability of projects to be implemented by the private sector should be rigorously scrutinized; (xii) resources should be provided to the Department of Environment and Natural Resources to promote private forestry; (xiii) indigenous cultural communities and forest occupants should be made partners in forest development; (xiv) conversion of natural forests to forest plantations should be avoided at all costs; (xv) the Government should consider establishing forest audit committees and forest auditing standards to facilitate monitoring of forestry activities; (xvi) a stable policy environment is needed to promote private sector investment in forestry because such investments have delayed returns; and (xvii) innovative projects may often be best suited to piloting under a project modality and also require closer monitoring and supervision by the Asian Development Bank (ADB) at the early stages of implementation.

B. Energy

5. **Assessment.** Four projects were rated successful, and one partly successful. The four successful projects were the Fourteenth Power Sector,⁶ the Sixteenth Power Sector (Masinloc Thermal Power),⁷ the Meralco Distribution,⁸ and the North Luzon Transmission and Generation.⁹ The Fourteenth Power project was rated generally successful because it enhanced the efficiency of system operations, improved the utilization of existing capacities of the National Power Corporation (NPC), and substantially achieved its objectives. The Sixteenth Power project was also rated generally successful because its implementation was efficient and within the budget and revised schedule; quality of construction ranged between satisfactory to excellent; and it provided inexpensive and reliable power, and facilitated rural electrification in Northern Luzon. The generally successful rating of the Meralco Distribution project was due to its contribution to the improvement and expansion of its distribution system, which enabled it to meet the growing demand efficiently and with a minimum system loss. The North Luzon Transmission and Generation project was rated generally successful because it contributed to the least-cost development of NPC's generation and transmission program for Luzon, substantially achieving project objectives.

6. The partly successful project was the Fifteenth Power Sector.¹⁰ The implementation delays, cost overruns, and changes in project scope (including cancellation of certain project components) were the primary reasons for the rating.

7. **Lessons.** The experiences of these five projects highlight that: (i) there is a need to devise and implement measures to ensure that trained and skilled personnel, especially those who received specialized training under the projects, are retained; (ii) government procurement procedures need to be streamlined; (iii) installation of well-designed cost and benefit monitoring systems during project implementation is needed to facilitate the timely and accurate gathering of cost and operational data for project evaluation activities; (iv) timely implementation of projects in the sector is important (i.e., had NPC completed the geothermal plants by early 1993, the effect of the power crisis would have been reduced earlier); (v) there is a need for

⁶ Loan 914-PHI, for \$120 million, approved on 27 October 1988.

⁷ Loan 1042-PHI, for \$200 million, approved on 30 October 1990.

⁸ Loan 1207-PHI, for \$138 million, approved on 10 December 1992.

⁹ Loan 1398-PHI, for \$244 million, approved on 2 November 1995.

¹⁰ Loan 985-PHI, for \$160 million, approved on 14 November 1989.

careful review of new technologies as there are risks involved in their use, for provision of contingencies, and for flexibility in the project scope for sector loans; (vi) there is a need to avoid front-end delays by gaining public acceptance, acquiring necessary land and rights-of-way, and preparing a comprehensive resettlement program before loan approval; and (vii) there is merit in using the turnkey approach to ensure smooth implementation of projects such as the Masinloc Power Plant.

C. Finance

8. **Assessment.** The Capital Market Development Program¹¹ was rated partly successful because of noncompliance with one policy action—the increase of financial and other penalties by amending the Investment House Law—and the delay in the enactment of the revised Securities Regulation Code (SRC).

9. **Lessons.** Experience with implementing this program highlights the need for strong political commitment to enact the required new laws. To facilitate this process, policy dialogue on structural reforms needs to be extended from the government to capital market participants as well as to politicians. A major impediment in the passage of the code was the complexity of the technical details that required a deep understanding of the role of the regulator and the significance of its autonomy to enforce higher standards of market conduct. The success of financial sector reforms depends on the strengths and weaknesses of the regulator. The notion of an independent securities regulator has been difficult for many countries to implement. There is a need therefore to search for options that would enhance the Security and Exchange Commission's ability to enforce and regulate the securities market. Maintaining good corporate governance standards among market participants should remain a top priority in program lending. The program also highlighted the need for broader consultation at the program formulation stage to assess the acceptability of or resistance to anticipated reforms or policy actions.

D. Transport and Communications

10. **Assessment.** Two projects were rated partly successful while one was rated generally successful. The partly successful projects were the Fourth Road Improvement¹² and the Fifth Road Improvement.¹³ The successful project was the Second Manila Port.¹⁴ The Fourth Road project was rated partly successful because of implementation delays, cost overruns requiring a supplementary budget, and inadequate maintenance of project roads. The Fifth Road project was also rated partly successful for similar reasons. The Second Manila Port, on the other hand, was rated successful because both the North and South Harbors were rehabilitated, which helped accommodate the rapid increase in cargo volume. Without the project, there would have been a continuing series of wharf collapses, which would have hindered port operations and cargo movement. Moreover, during implementation period, private sector participation in the port substantially increased. In comparison with the First Manila Port, there were no problems in the provision of counterpart funds and implementation was timely.

11. **Lessons.** Project experiences highlight the following: (i) maintenance by the contract approach proved to be a more effective method of road maintenance than the equivalent

¹¹ Loan 1363-PHI, for \$150 million, approved on 22 August 1995.

¹² Loans 801/1322-PHI (supplementary), for \$82.0 million and \$23.5 million, approved on 25 November 1986 and 29 September 1994, respectively.

¹³ Loan 1058-PHI, for \$150 million, approved on 29 November 1990.

¹⁴ Loan 875-PHI, for \$43.5 million, approved on 15 December 1987.

maintenance kilometer system; (ii) there is a need to monitor the allocations of funds for such system to ensure that funds are available for maintenance purposes; (iii) an evaluation of the allocation and usage of maintenance funds is needed to determine the appropriateness of maintenance activities and should not be limited only to ADB-assisted road projects (efforts on this should be coordinated with the World Bank); (iv) alternative budgetary funding methods should be considered to mitigate the problem of EAs in obtaining the necessary disbursement of funds from the government for construction payments; (v) ADB should support the efforts of the World Bank in enhancing the Government's accounting reporting systems; (vi) higher contingency allowances should be provided for rehabilitation projects for both costs and completion times as compared with those for the construction of new ones; (vii) resettlement issues continue to pose obstacles for future port development, management, and operations; and (viii) the gathering of baseline, interim, and final data for benefit monitoring and evaluation reports should be addressed more firmly in future projects.

E. Social Infrastructure

12. **Assessment.** The Metropolitan Cebu Water Supply¹⁵ was rated partly successful because it failed to fully meet its objectives, i.e., augmenting the water supply system in the area and improving the capacity of the Metropolitan Cebu Water District. Although it generated considerable socioeconomic benefits by improving living conditions and public health standards, it did not meet its target of reducing nonrevenue water.¹⁶ It also suffered from significant implementation delays.

13. **Lessons.** The project experience highlighted the need for concerted and sustained efforts to further reduce nonrevenue water. The roles of executing and implementing agencies should be clearly delineated at the appraisal stage to avoid unnecessary overlaps and project management conflicts. It is also important to analyze the risks (including micro-level risks) related to the insufficient capacity of the EA in implementing the action plan. Community-based organizations and project beneficiaries should be fully involved in the design and implementation of projects to foster local ownership. Given the long delays in the submission of audited accounts and financial statements experienced in this project, ADB might consider the possibility of hiring private auditors for similar projects.

F. Multisector

14. **Assessment.** The Earthquake-Damage Reconstruction¹⁷ was rated generally successful because it contributed substantially to the restoration and rehabilitation of public infrastructure facilities damaged or destroyed by the earthquake. In addition, the project was responsive to the needs of the affected regions and was successful in rebuilding the economic, social, and physical systems of said regions. The Mt. Pinatubo Damage Rehabilitation¹⁸ was rated partly successful because there were implementation delays and substantial revision in its scope, i.e., the resettlement component of the project was deleted due to changed circumstances after formulation of the project.

15. **Lessons.** A number of important lessons from these two projects are worth highlighting. In particular, (i) bridge retrofitting program should be expanded to the other parts of the country,

¹⁵ Loans 1056 (SF)/1057- PHI, for \$22 million, approved on 29 November 1990.

¹⁶ The appraisal target was too ambitious, as problems associated with reducing and controlling nonrevenue water were much better understood during project implementation than at appraisal.

¹⁷ Loan 1053-PHI(SF), for \$100 million, approved on 22 November 1990.

¹⁸ Loan 1163-PHI(SF), for \$37 million, approved on 23 April 1992.

particularly the North and South Luzon Expressways; (ii) further training of domestic consultants and government staff in seismic-resistant designs for bridges need to be incorporated in future ADB projects; (iii) seismic risk mapping need to be extended throughout the country; (iv) seismic design codes for buildings should be upgraded; (v) imprest account disbursement procedures are ill-suited for quick disbursements in emergency projects; (vi) normal but lengthy procedures for the recruitment of consultants need to be waived for emergency projects; (vii) future ADB projects for earthquake-prone countries should require that international consultants with specific seismic expertise be appointed to ensure the quality of designs of large bridges and other high-risk structures; (viii) emergency projects dealing with a high likelihood of ongoing damage should be designed as sector loans for easier response to changing site conditions; (ix) credit loan modality is not the most appropriate way for ADB to assist the government or the disaster victims; (x) NGOs should be involved in emergency projects at the outset to monitor the situation and provide reliable documentation; and (xi) emergency projects should have full time staff, adequate operational funds, proper working facilities, and transport.

**SECTORAL DISTRIBUTION OF TECHNICAL ASSISTANCE
(1968–1985)**

Sector	Number			Amount (\$ million)			Share ^a (%)		
	PPTA	ADTA	Total	PPTA	ADTA	Total	PPTA	ADTA	Total
Agriculture and Natural Resources	25	12	37	4.98	2.39	7.37	31.64	15.18	46.82
Energy	5	7	12	0.81	2.12	2.94	5.15	13.47	18.61
Finance	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
Industry and Non-Fuel Minerals	2	1	3	0.29	0.40	0.69	1.85	2.54	4.39
Multisector	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
Others	0	1	1	0.00	0.02	0.02	0.00	0.13	0.13
Social Infrastructure	6	0	6	1.96	0.00	1.96	12.45	0.00	12.45
Transport and Communications	12	1	13	2.69	0.07	2.76	17.09	0.44	17.53
Total	48	23	72	10.74	5.00	15.74	68.23	31.77	100.0

ADTA = advisory technical assistance; PPTA = project preparatory technical assistance.

^a By amount.

Source: Relevant ADB databases.