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Evaluating Aid for Trade on the Ground

Lessons From the Philippines

By Joy Abrenica, Ramon Clarete, Loreli de Dios and Maria Fe Esperanza Madamba
Center for the Advancement of Trade Integration and Facilitation (CATIF)

ICTSD
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LIST OF ABBREVIATIONS AND ACRONYMS

AARNR	Agriculture, Agrarian Reform and Natural Resources
ACOS	Automated Customs Operations System
ADB	Asian Development Bank
AfT	Aid for Trade
AGILE	Accelerating Growth, Investments and Liberalization with Equity
APEC	Asia-Pacific Economic Cooperation
ARCs	Agrarian Reform Communities
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association for Southeast Asian Nations
ASYCUDA	Automated System for Customs Data Management
ATI	Agricultural Training Institute
AUSAID	Australian Agency for International Development
AW	ASYCUDAWorld
BAI	Bureau of Animal Industry
BAP	Bankers Association of the Philippines
BFAD	Bureau of Food and Drugs
BFAR	Bureau of Fisheries and Aquatic Resources
BIR	Bureau of Internal Revenue
BITR	Bureau of International Trade Relations
BOC	Bureau of Customs
BOOT	Build-own-operate-transfer
BOP	Balance of payments
BPO	Business process outsourcing
BPS	Bureau of Product Standards
BSP	Bangko Sentral ng Pilipinas
BSWM	Bureau of Soils and Water Management
BT	Build-transfer
CAP	Country Assistance Programme
CAPEC	Conference of Asia Pacific Express Couriers
CAS	Country Assistance Strategies
CATIF	Center for the Advancement of Trade Integration and Facilitation
CCA	Climate change adaptation
CIDA	Canadian International Development Agency
COA	Commission on Audit
CRS	Creditor Reporting System
CSOs	Civil society organisations
CTMA	Customs and Tariff Modernization Act
DA	Department of Agriculture

DAC	Development Assistance Committee
DAR	Department of Agrarian Reform
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DILG	Department of Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOTC	Department of Transportation and Communication
DPWH	Department of Public Works and Highways
DRR	Disaster risk reduction
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EDI	Electronic data interchange
EGTA	Economic Growth Technical Assistance
EMERGE	Economic Modernization through Efficient Reforms and Governance Enhancement
EPRA	Economic Policy and Reform Advocacy
ERC	Energy Regulatory Commission
EU	European Union
FAO	Food and Agriculture Organization
FAST	Forward Action Support Taskforce
FTA	Free-trade agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GEM	Growth with Equity in Mindanao
GID	Governance and Institutions Development
GIZ	German Agency for International Cooperation
GOJ	Government of Japan
GPPB	Government Procurement Policy Board
HPBD	Harmonized Philippine Bidding Documents
IAP	Integrity Action Plan
ICC	Investment Coordination Committee
ICTSD	International Centre for Trade and Sustainable Development

IDF	International Development Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labor Organization
INFRA	Infrastructure
IPO	Intellectual Property Office
IT	Information technology
ITT	Industry, Trade and Tourism
JAW	Joint Analytic Work
JBIC	Japan Bank for International Cooperation
JEXIM	Japan Export-Import Bank
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LBP	Land Bank of the Philippines
LEDAC	Legislative-Executive Development Advisory Council
LGUs	Local government units
LINC-EG	Local Implementation of National Competitiveness for Economic Governance
LPI	Logistics Performance Index
M&E	Monitoring and evaluation
MCA-PTP	Millennium Challenge Account – Philippine Threshold Programme
MCC	Millennium Challenge Corporation
MDBs	Multilateral development banks
MDGs	Millennium Development Goals
MFN	Most favoured nation
MTPDP	Medium-Term Philippine Development Plan
MTPIP	Medium-Term Philippine Investment Plan
NEDA	National Economic Development Authority
NGOs	Non-governmental organisations
NIA	National Irrigation Administration
NMIS	National Meat Inspection Service
NPC	National Power Corporation
NSW	National Single Window
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OP	Office of the President
PAC	Policy Advisory Committee
PACT	Partnership and Advocacy for Competitiveness and Trade
PAO	Philippine Accreditation Office
PAGC	Presidential Anti-Graft Commission

PCA	Philippine Coconut Authority
PCCI	Philippine Chamber of Commerce and Industry
PDF	Philippine Development Forum
PDIP	Provincial Development and Investment Programme
PDPFP	Provincial Development and Physical Framework Plan
PEAG	Post Entry Audit Group
PEAU	Post Entry Audit Unit
PGTEP	Philippine Global Trade e-learning Programme
PIU	Project implementation unit
PMO	Project management office
PNR	Philippine National Railways
PPP	Public-private partnership
PSALM	Power Sector Assets and Liabilities Management Corporation
PSDP	Power Sector Development Plan
PTTC	Philippine Trade Training Center
RKC	Revised Kyoto Convention
RMs	Results Matrices
RORO	Roll-on, roll-off
RPMES	Regional Project Monitoring and Evaluation System
SAWTEE	South Asia Watch on Trade, Economy and Environment
SPOTS	Solar Power Technology Support for Agrarian Reform Communities
SPS	Sanitary and Phytosanitary
SRCD	Social Reform and Community Development
TAF	The Asia Foundation
TCB	Trade capacity building
TCBD	Trade-related Technical Assistance and Capacity Building Database
TPR	Trade policy and regulation
TRADE	Trade-related Assistance for Development
TRTA	Trade-related technical assistance
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
VDP	Voluntary Disclosure Programme
VOIP	Voice-over-Internet protocol
WB	World Bank
WEF	World Economic Forum
WESM	Wholesale Electricity Spot Market
WTO	World Trade Organization
ZBB	Zero-Based Budgeting

FOREWORD

This paper, prepared by a group of researchers at the Center for the Advancement of Trade Integration and Facilitation (CATIF), assesses the effectiveness and impact of AfT in the Philippines. It is part of a series of eight country studies - Bangladesh, Cambodia, Ghana, Guatemala, Malawi, Nepal, Peru and the Philippines - undertaken by the International Centre for Trade and Sustainable Development (ICTSD). These studies seek to complement existing mechanisms to monitor AfT led by the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO) by providing an independent, comprehensive and integrated perspective on the unique experiences of individual countries in enhancing their capacity to trade. The studies offer fresh insights into the dynamics of AfT on the ground, the institutional set-up underlying the initiative and its weaknesses.

The eight studies were undertaken using a unique methodology developed jointly with the Nepal-based South Asia Watch on Trade, Economics and Environment (SAWTEE). The methodology, based broadly on the Paris Principles on Aid Effectiveness, allows an assessment of AfT effectiveness, using a combination of quantitative indicators and information from key stakeholders obtained through surveys and interviews. The indicators are intended to measure critical aspects of the initiative, such as the additionality and predictability of funds, AfT mainstreaming, local ownership of the initiative and donors' alignment and coordination. These objective indicators are complemented by an impact assessment of AfT projects at the macro level and in a particular sector (e.g. rice and ready-made garments, respectively, in Cambodia and Bangladesh) or area (e.g. trade facilitation in Peru and the Philippines, and regional development in Ghana).

To conduct each study, a bottom-up approach was followed. Local independent researchers worked in close collaboration with policymakers, government agencies, development partners, the private sector and other local stakeholders, collecting data and information through structured interviews. Before finalizing a study, the draft report was presented and discussed at a national workshop in each country, where the study's findings were shared with various stakeholders, whose insights were incorporated in the final report. Such workshops served the purpose of both validating the research and building ownership of the report. As a last step, each study underwent extensive peer reviewing by experts in the country concerned and internationally.

The case studies do not seek to offer a conclusive statement about whether AfT has or has not worked in a given country. Instead, they focus on identifying those factors or circumstances that appear to enhance the effectiveness of AfT, and this with the aim of teasing out lessons of best practice that could inform and enhance the initiative in the future.

Following the various elements of ICTSD/SAWTEE methodology, this study suggests that the Philippines have performed well in terms of the Paris Principles on Aid Effectiveness. In fact, Philippine institutions have been able to take ownership of the AfT initiative, by clearly defining and articulating trade and development strategies and priorities. Trade is mainstreamed into national development planning, and AfT programmes and projects constitute an integral instrument of the country's trade strategy. Moreover, the Philippine government has been successful in engaging with donors, whose assistance is aligned to the country's priorities. And, yet, the Philippines can be considered as a paradox, where the elements for aid effectiveness are in place, but the results in terms of strengthening the country's trade and export capacities have been very modest. Through a comprehensive assessment of AfT flows and major AfT programmes, such as the support that the country has received for the Bureau of Customs, this paper is aimed at identifying the factors that limit AFT effectiveness and impacts.

Through this analysis, ICTSD aims to contribute to the ongoing discussion on the AfT Initiative and to provide information and evidence to guide developing countries and their trade and development partners in designing and implementing more effective AfT programmes in the future.

Ricardo Meléndez-Ortiz
Chief Executive, ICTSD

EXECUTIVE SUMMARY

The purpose of Aid for Trade (AfT) is to direct international development assistance toward enhancing the capacity of developing countries to participate in the global trading system. Despite the liberal posture of the Philippines towards trade and its economic standing as a middle-income economy, it is still among the largest recipients of AfT. This paper assesses the effectiveness and impact of AfT in a country that is already well integrated into the global economy and yet continues to face institutional constraints related to trade.

Between 2000 and 2011, the Philippines received USD 5.9 billion in AfT commitments, nearly 75 percent of which were allocated to economic infrastructure, 26 percent to building productive capacity, and less than 1 percent to improving trade policies and regulation. Although the value of assistance devoted to improving trade governance through trade policies and regulation is marginal compared with other aid components, it represents the most focused and coordinated support the country has received to overcome constraints to trade. More importantly, aid to trade governance addresses the factors that are widely perceived as undermining Philippine trade competitiveness, namely burdensome trade procedures, corruption at the border and inefficient government bureaucracy.

Since the 1990s, the Philippines has been consistently working on improving the structures and system that manage the programming, coordination, monitoring and evaluation of development assistance. As a result, the country fares reasonably well in ensuring that the elements for aid effectiveness articulated in the Paris Declaration and by the AfT Task Force are observed.

The Philippines has amply demonstrated that it is able to take ownership of aid initiatives. It has clearly defined and articulated its development strategies and priorities, compelling donors to align their assistance to these priorities. Also, many of the expected outcomes of aid initiatives are mainstreamed into national policies and programmes, although sustaining these outcomes beyond the period of aid intervention still presents some challenges.

The Philippine government has been successful in engaging donors, implementing agencies and other stakeholders in regular dialogues aimed at tackling nearly all matters affecting aid effectiveness. An important platform for such dialogues is the Philippine Development Forum, which the government strategically co-chairs with the World Bank. The forum is primarily a venue for building consensus among stakeholders on the most pressing development problems and actions needed to resolve them. But, it is also a venue for generating commitments from donors to support the priority programmes and projects identified in the country's medium-term development plans. Donors are pushed to lend support for improving the country systems, specifically on procurement, and to coordinate their initiatives through joint missions and studies.

Despite these achievements, AfT management can still be improved to increase funds utilisation, balance the allocation between grants and loans, and increase support to building productive capacity.

Against this background, the Philippines presents a paradox. While the requisite elements for aid effectiveness are sufficiently in place, the expected gains, namely enhanced capacity to trade, have not been evident in its export performance or in various measures of trade competitiveness. Indeed, the Philippines lags behind its neighbours in trade performance and governance, despite having a more open trade regime and its earnest pursuit of market reforms.

This paradox can be unravelled only by a nuanced evaluation of specific aid initiatives in a recipient organisation. Here, the experience of the Bureau of Customs (BOC) is instructive as it has been the object of major AfT initiatives and received assistance that covered nearly all strategic facets of customs work. The expected outcomes of the initiatives to automate cargo clearance and build the agency's capacity for post-entry audit were achieved, but the expected reforms arising from these outcomes were not realized. Instead, corruption and a well-entrenched patronage system undercut the reforms, resulting in negligible improvements in trade facilitation.

Several lessons proceed from this evaluation. One, the elements for aid effectiveness, while necessary, are not a sufficient guarantee that aid will deliver the expected benefits. The effectiveness of AfT is ultimately dependent on the environment in which the aid beneficiary operates. Aid is able to deliver the expected benefits if it can be effectively harnessed by the recipient to rout factors and forces working against reform.

Another lesson is that the changes instigated by aid are easily overturned when there is no reform champion in the recipient organisation who could see that they are carried out beyond the period of aid intervention. This makes it important to mobilize public support for reform, particularly from those who have significant stakes in its success, to guard against policy flip-flopping and reversals.

The Philippine experience invites a different perspective on what makes AfT effective. Many of the constraints to trade it faces can be overcome only through institutional reforms. Thus, if aid intervention is to be effective, it must be able to rein in the political economy of the trade reform process. In this sense, AfT should help serve as an effective catalyst for institutional reform.

1 INTRODUCTION

1.1 Background

Given the importance of official development assistance (ODA) as a source of government finance and the vigilance of activists and scholars in tracking the inflow of foreign aid, it is quite remarkable that awareness about aid for trade (AfT) in the Philippines appears to be low. The country is among the largest recipients of AfT, ranking 10th in disbursements and 13th in commitments among 154 recipient countries in 2009.[1]

Part of the explanation is the difficulty of distinguishing AfT from other forms of development assistance. Indeed, unravelling initiatives that support the development of trade capability, in particular, from those that support economic growth in general is challenging. Aid for infrastructure development, for example, may address constraints to foreign trade, but it may also foster domestic markets and facilitate the movement of people. Similarly, initiatives aimed at poverty alleviation that are designed to boost production and employment may increase the recipient country's capacity to trade as well. Thus, many of the programmes and projects generally classified as beneficiaries of ODA, in fact, also fall under the rubric of AfT, as they also assist the recipient country overcome supply-side constraints to trade.

Another factor is the limited expectation that the Philippines would receive external assistance principally aimed at facilitating the country's participation in the global market, considering that it has long adopted a liberal posture toward trade. The Philippines undertook unilateral and comprehensive trade liberalisation measures in the early 1980s without the nudging of development donors. Trade openness has always been articulated in the country's economic plans as part of the national strategy to promote growth and combat poverty, long before the AfT initiative was launched in 2005.[2] And, there is hardly any sign that the Philippines will resort to protectionism in the near future. It seems unlikely, therefore, that the Philippines would rank high in the donors' priority list when there are many other developing countries that still need a push to open their markets.

However, the Philippines needs as much help as other developing countries in managing the challenges of global integration. When the Philippines reformed its trade regime in the 1980s, trade liberalisation was seen as a *sine qua non* to industrialisation. Excessive protection of selected industries since the 1960s spawned tremendous inefficiencies that rubbed off onto the rest of the economy. The removal of trade restrictions was expected to unleash the potential of sectors whose growth had been restrained by protectionist policies and to spur the development of world-competitive and efficient industries. However, these assumptions were not borne out, and the current situation falls short of expectations. The manufacturing sector continues to be weak and shrinking, and exports are highly concentrated in a few low value-added goods. Although the Philippines is clearly reaping benefits from the current wave of trade in services and migration,[3] with workers' remittances in 2011 accounting for as much as 9 percent of the country's gross domestic product (GDP),[4] it is unable to make as much headway in goods trade as its East Asian neighbours.

In a low middle-income economy with an already market-oriented policy stance such as the Philippines, assistance to trade should go beyond creating a trade-enabling environment; it should have a more direct and palpable impact on competitiveness and exports. This is not to ignore the myriad of factors that actually affect a country's trade performance, such as exchange rates and domestic inflation, which are outside the scope of aid. But, if aid were correctly channelled to address the constraints to trade faced by a country, some tangible and relevant outcomes should emerge. Thus, AfT could help improve trade policy coordination, facilitate market access to imports as well as to exports, boost skills formation, improve trade-related infrastructures and help strengthen weak institutions that undermine trade policy.

How well AfT measures up to these roles is the subject of this inquiry. If effective, aid should translate into a perceptible reduction in the costs of trading and improvement in the country's competitiveness and exports, with all other factors remaining the same. When these outcomes are not observed, it bears asking whether the expected trade effects were thwarted by limited resources, wrong targets, poor delivery, the quality of beneficiary institutions or country conditions that are inherently difficult to overturn by external intervention. The lessons harnessed from this inquiry should contribute to more effective delivery of AfT.

1.2 Tracking AfT in the Philippines

The Philippines is arguably a model for the implementation of many of the principles enunciated in the Paris Declaration on Aid Effectiveness.[5] This was made possible by the institutional structures it has set up since the 1990s to oversee the allocation and utilisation of ODA.

Republic Act No. 8182, also known as the ODA Act of 1996, designates the National Economic Development Authority (NEDA) as the national ODA coordinating body. This is aligned with the agency's role as the overall coordinator in the formulation and implementation of the country's development plan. Considering its significant contribution to fiscal resources, ODA inevitably affects and is affected by the contour of the national development plan; hence, the NEDA is well placed to perform such a role.[6]

The NEDA reviews, appraises, and approves proposed ODA-funded projects and programmes and conducts the monitoring and evaluation of these activities. It maintains a management information system for public investment projects and programmes and produces an annual review of the ODA portfolio, which the Philippine President reports to the national legislative body every year on 30 June. The ODA Portfolio Review is a result of the NEDA's consultations with implementing agencies that have active loans or grants in a given year, donors and other government agencies with oversight functions on the management of aid. It identifies implementation problems, such as delays and cost overruns, recommends actions to be taken to address these issues, tracks actions taken on recommendations of previous reviews, and synthesizes lessons learned from the implementation of concluded or closed projects.

Despite the regularity and comprehensiveness of the ODA review process, AfT initiatives have not been assessed separately from other development assistance. A major reason for this is the difficulty of tracking AfT using NEDA's ODA database, which classifies aid-funded programmes and projects according to the sector receiving the assistance, not by the purpose of the assistance.

Narrowly defined, AfT refers to technical assistance and capacity building for formulating, managing and implementing trade policies, understanding and implementing WTO agreements, and preparing for WTO accession.[7] But, the AfT Task Force, created by the WTO in 2006, broadened the scope "to reflect the diverse trade needs identified by countries," thereby recognizing as AfT support to the following:[8]

(i) trade policy and regulations, including training of trade officials; analysis of proposals and positions and their impact; support for national stakeholders to articulate commercial interest and identify trade-offs; dispute issues; institutional and technical support to facilitate implementation of trade agreements; and, to adapt to and comply with rules and standards;

(ii) trade development, including investment promotion; analysis and institutional support for trade in services; business support services and institutions; public-private sector networking; e-commerce; trade finance; trade promotion; and market analysis and development;

(iii) trade-related infrastructure, including physical infrastructure;

(iv) building productive capacity;

(v) trade-related adjustment, including supporting developing countries to put in place accompanying measures that assist them to benefit from liberalized trade; and

(vi) other trade-related needs.

The Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS) is considered the authoritative database for tracking AfT flows. CRS reports on the initiatives supporting (i) to (vi) above under three broad headings: economic infrastructure, building productive capacity, trade policy and regulations and trade-related adjustment. It benefits from donors' reporting of information on the share of aid intended to enhance trade, particularly on initiatives that are classified as building productive capacity.[9] Besides AfT, it covers all other forms of ODA provided by Development Assistance Committee (DAC) members since 1973.

Another source of data on AfT is the Trade-related Technical Assistance and Capacity Building Database (TCBD) jointly established by the OECD and WTO. But, this database covers only assistance on trade policy and regulations and trade development since 2000.[10] Nonetheless, it provides useful information on donors like the United States Agency for International Development (USAID) whose assistance to the Philippines focuses mainly on improving trade governance.

The information that donors report to TCBD or CRS concerning assistance that they consider AfT are not incorporated in the NEDA database. Thus, to track AfT initiatives using the local database, one has to make a subjective determination on which programmes and projects match the AfT categories in the CRS. But apart from using a different classification system, NEDA reports on the stock of aid, while the CRS tracks the flow of commitments and disbursements. Hence, statistics generated from these two datasets are bound to be different and irreconcilable.[11] It is also important to underscore the fact that the CRS does not include aid delivered by non-DAC members. As China, a non-DAC member, has recently become a major donor to the Philippines, the aid flows constructed using the CRS are understated. The NEDA's ODA and the OECD CRS classification systems are

Table 1.1. NEDA's ODA and OECD's CRS Classification of Assistance

NEDA's ODA	OECD's AfT
1. Agriculture, Agrarian Reform and Natural Resources	**1. Building Productive Capacity**
1.1 Agriculture and Agrarian Reform	1.1 Business and other services
1.2 Environment and Natural Resources	1.2 Banking and financial services
2. Infrastructure	1.3 Agriculture
2.1 Energy, Power and Electrification	1.4 Forestry
2.2 Social Infrastructure	1.5 Fishing
2.3 Transportation	1.6 Industry
2.4 Water Resources	1.7 Mineral resources and mining
3. Industry, Trade and Tourism	1.8 Tourism
4. Governance and Institutions Development	**2. Economic Infrastructure**
4.1 Economic Governance	2.1 Transport and storage
4.2 Political Governance	2.2 Communications
4.3 Administrative Governance	2.3 Energy supply and generation
5. Social Reform and Community Development	**3. Trade Policy and Regulations and Trade-related Adjustment**
5.1 Education and Manpower Development	3.1 Trade policy and administrative management
5.2 Health, Population and Nutrition	3.2 Trade facilitation
5.3 Social Welfare and Community Development	3.3 Regional trade agreements
5.4 General Social	3.4 Multilateral trade negotiations
5.5 Shelter and Urban Development	3.5 Trade-related adjustment
	3.6 Trade education/training
	4. Other trade-related needs

A cursory review of the categories in these two datasets may give the impression that some categories match. For example, Agriculture, Agrarian Reform and Natural Resources (AARNR) and Industry, Trade and Tourism (ITT) seem to fall within the scope of building productive capacity, while Infrastructure (INFRA) seems to correspond squarely with aid to economic infrastructure. However, not all assistance to production can be technically classified as AfT; only assistance that is dedicated to enhancing the capacity of the recipient country to exploit its comparative advantage so it could expand and diversify its exports. Likewise, not all aid to infrastructure is AfT; only support for trade-related physical infrastructure qualifies. While some subcategories in Governance and Institutions Development (GID) and Social Reform and Community Development (SRCD) are not ostensibly AfT, they may be within the ambit of trade policy and regulation (e.g., improving economic governance) and trade-related adjustment (e.g., training of displaced workers). A careful examination of the scope and objectives of the programmes and projects is therefore necessary to distinguish AfT initiatives.

1.3 Framework for Assessing AfT

For the purposes of this paper, the effectiveness of AfT is assessed based on a set of elements and principles contained in the methodological framework developed by the International Centre for Trade and Sustainable Development (ICTSD) and the South Asia Watch on Trade, Economy and Environment (SAWTEE).[12] The methodology has been applied by ICTSD collaborating with local research teams in a number of developing countries.[13] The country reports produced out of this collaboration are meant to assist partner countries in implementing AfT activities and to inform the donor community on how best to respond to the development needs of aid recipients.

The methodology builds on the recommendations of the AfT Task Force[14] and the Paris Declaration on Aid Effectiveness. Concretely, AfT is assessed on nine aspects, namely: funds trajectory, ownership, alignment, donor coordination, South-South cooperation, absorptive capacity of the recipient, coherence with environmental sustainability, and macro- and micro-level impact. Taken together, the assessment involves: (i) determining whether the AfT initiatives have the necessary elements to create the desired impact; (ii) evaluating the effectiveness of the initiatives in attaining their objectives and delivering the expected benefits to stakeholders; (iii) establishing the wider effects or impact of the initiatives; and (iv) gauging whether the positive outcomes of the initiatives can be sustained beyond the period of aid intervention. It is recognized that the aid initiative may have the requisite elements for effectiveness, but its impact may still be limited or nil. Thus, where actual outcomes differ from those intended, the factors that limit or negate the effects of aid are explored.

As suggested in the methodology, this assessment is based on both quantitative and qualitative information on the aid initiatives. The quantitative assessment draws on the OECD CRS and the NEDA ODA databases; the qualitative analysis is based on project documents and interviews with government officials from the implementing agencies and private consultants or grantees whose services were contracted to help implement the initiatives.

To assess the quality of AfT, it is essential to identify the projects and programmes supported by the assistance. This cannot be done using the OECD CRS database, but it is possible using the NEDA database. However, since there is no AfT identifier in the NEDA database, it was necessary to deduce which projects and programmes are AfT based on the objectives and nature of the assistance. Since the AfT categories are broad, many initiatives that seem remotely trade-related can still be considered AfT if they fall within the CRS classification.

Annexes I and II present the grants and loans during 2011 that were selected based on the CRS classification of AfT. Several of these initiatives are used in the assessment to support the quantitative indicators or as direct evidence.[15] However, the primary sources of qualitative data in this evaluation are the succession of trade-related technical assistance (TRTA) and capacity-building programmes of the European Union (EU) and USAID since 2000. These initiatives fit the narrow definition of AfT, hence the attribution of impact is less problematic than with initiatives that are only tangentially trade related. In addition, they are multiyear and involve substantial financial resources.

Forming a conclusion on the effectiveness of AfT is not straightforward, given the vast pool of programmes and activities with heterogeneous and multi-faceted outcomes. Some have succeeded in meeting their targets; others have failed. It would be unfair to use either side alone as a basis for conclusions. The final verdict on AfT effectiveness has to come from balancing the evidence on whether the various initiatives, taken together, contributed to enhancing the country's capacity to trade.

1.4 Structure of the Report

The next section examines the economic conditions and policy environment in which AfT operates. It notes the country's long period of dependence on aid in meeting its fiscal financing requirements. As a result, it is able to develop relatively advanced structures and systems to manage aid.

Section III evaluates AfT using the elements for effectiveness drawn from the Paris Declaration and AfT Task Force. It finds that AfT in the Philippines generally meets the prerequisites for effectiveness. Project objectives and targets have been broadly achieved as a result. However, these achievements do not show up in macro-level variables, such as trade performance and competitiveness indicators, which may be due to the nature of intervention or because the outcomes were not sustained.

The latter explanation was found to apply to aid initiatives delivered to customs, which are assessed in Section IV. Two aid initiatives in recent years could have radically changed customs administration, namely automation of cargo processing and institutionalisation of post-entry audit. Yet, both failed to deliver the expected impact because of the prevailing environment for reforms. The case study in this section underscores an important lesson that aid effectiveness depends less on the nature and design of the assistance than on the environment where aid is delivered.

The final section synthesizes the key lessons on AfT and trade reform derived from the Philippine experience.

2. MANAGEMENT OF AFT IN THE PHILIPPINES

2.1 Economic Policy Environment

After nearly three decades of dabbling with inward-looking policies (aligned with an import-substitution industrialisation strategy), the Philippines took a radical policy turn in the early 1980s. This did not happen in a vacuum. The Philippines was deep in foreign debt, and the economy was in recession. It had to embark on a medium-term structural adjustment programme upon the prodding of its creditors. One of the objectives of the programme was to correct the structural inefficiencies fostered by a system of protection based on high tariffs and an overvalued currency. The programme, therefore, entailed reforming tariffs; liberalizing imports; realigning indirect taxes; removing biases against certain sectors, particularly agriculture; and rationalizing the industrial incentives system. A phased annual adjustment in tariffs brought them down from an average nominal rate of 43 percent in 1980 to 28 percent over five years. Quantitative import restrictions were concurrently lifted on some 3,049 items, and investment incentives were made performance oriented and neutral to factor choice. As the programme managed to restore stability and pull the economy out of recession, the government became more committed to open and liberal economic policies to avoid a repeat of the crisis and bouts of boom-bust cycles that preceded it.

That commitment to economic liberalism was manifested, among other things, in subsequent tariff reforms, privatisation of public monopolies in energy and transportation and liberalisation and deregulation of the telecommunications, banking and power sectors. Table 2.1 reflects a continuous reduction in tariffs, even though the Philippines is long past the stage of tight monitoring and surveillance by external creditors and is now nearly independent of foreign debt. More than three-fifths of its tariff lines have most-favoured nation (MFN) rates at 0- 5 percent, and only 5 percent of tariff lines have MFN rates of 20 percent or higher. There are some vestiges of the protectionist system, however. The sugar and rice sectors still enjoy duties of 65 percent and 50 percent, respectively. About 150 “sensitive” agricultural products still have tariff quotas. Duties of 20-30 percent are levied on automobiles and parts, chemical wastes, made-up textile articles and high-value crops. But, locally manufactured intermediate goods are covered by duties of only 5-15 percent, while the rest of imports, such as crude oil, petroleum products, inputs to manufactured goods and those not locally produced are levied at 3 percent or less.

Table 2.1. Average Applied Tariff (in percent)

Year	Primary	Manufactured	Overall			
	Simple	Weighted	Simple	Weighted	Simple	Weighted
1981	43.23a/		33.24		34.60	
1988	29.75	18.45	27.96	23.53	28.25	22.43
1995	22.13	15.94	19.41	14.25	19.79	14.65
2000	8.18	6.03	7.02	3.53	7.19	4.13
2005	6.96	5.33	5.15	2.80	5.40	3.25
2010	6.77	5.11	5.07	4.65	5.30	4.77

[a/] Agriculture products only.

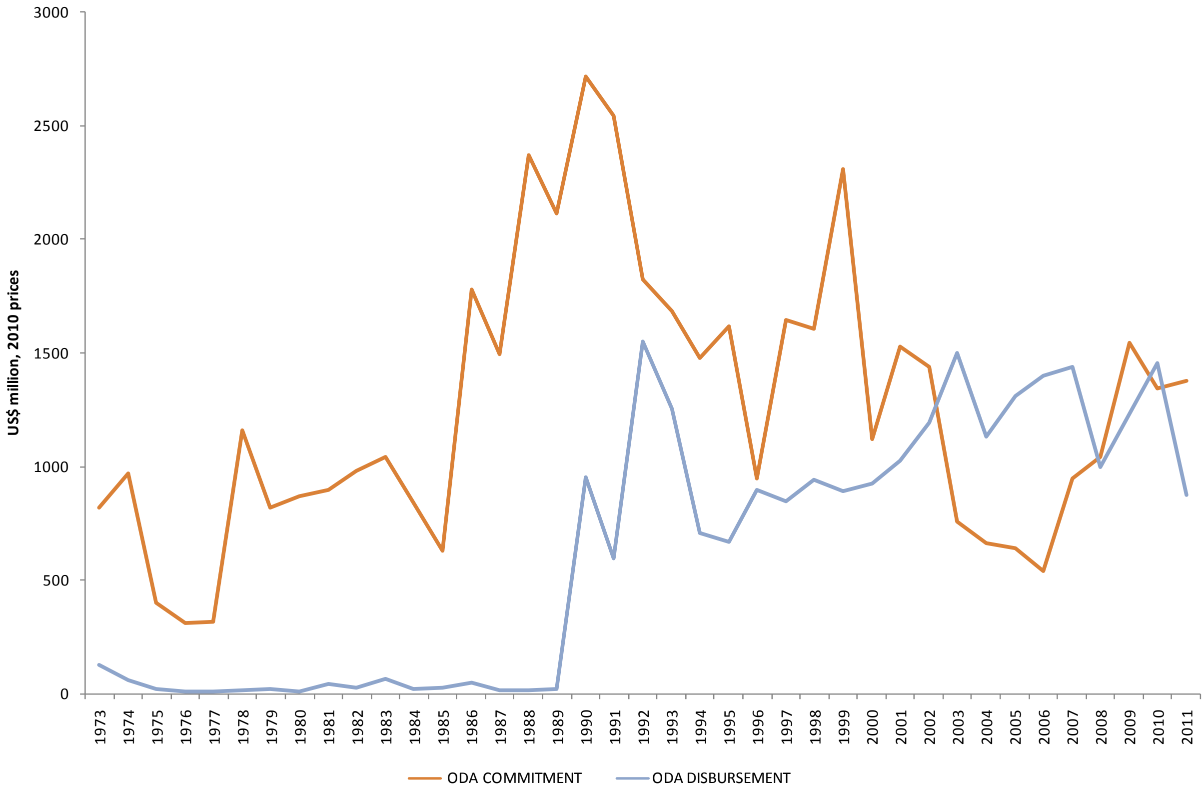
Source: World Bank Database, except 1981 figures which were taken from Philippine Institute for Development Studies (2011).

Despite the liberal posture, however, many constraints to trade have been only partially addressed by policy reforms. The high cost of doing business has kept the Philippines from becoming competitive in attracting foreign investment. Power rates are still high, despite the restructuring and reform of the sector since 2001. There remains a huge unfilled demand for various types of infrastructure, e.g., arterial roads, bridges and airports. Port and freight charges are steep and exacerbated by burdensome business licensing and customs procedures. Economy-wide labour productivity has barely grown over the last three decades.[16] Small and medium enterprises have limited access to financial, material and technological inputs. Exports are concentrated in a few items, dependent on a small set of export markets and have low value-added. And, internal resources (i.e., fiscal and private sector) are insufficient to resolve many of these challenges. Development aid in general, and AfT in particular, can be used to fill the void left by internal resources.

2.2 Profile of ODA to the Philippines

Although the Philippines is still among the top recipients of ODA globally, commitments of assistance to the country during the last decade have significantly declined from the surge in the 1990s, as can be gleaned from Figure 2.1. Specifically, the average annual ODA commitment during 2000-2011 was USD 1,079 million compared with USD 1,836 million during 1990-99.[17] However, average annual ODA disbursements in the last decade were 30 percent more than in the one before. Since 2007, ODA commitments have been on the rise, but they have yet to reach the levels attained in the 1990s.

Figure 2.1. ODA Commitments and Disbursements to the Philippines 1973-2011



Source: OECD CRS database.

Coincidentally, the fluctuation in ODA flows was accompanied[18] by robust growth in overseas workers' remittances. It would have been a bigger blow to the economy otherwise. For decades, ODA was critical in filling three financing gaps, namely the inadequacy of domestic savings to finance domestic investments, the insufficiency of foreign exchange earnings to support import payments and the inability of government to generate revenues to support its public spending. While domestic savings and foreign exchange gaps have been shrinking in recent years, the fiscal gap lingers; hence, ODA is still considered indispensable, albeit less so than in the past.

Just how important is ODA to the Philippine economy? At the height of aid inflows in 1990, per capita ODA was more than USD 21, compared with less than USD 6 per capita in 2010 and USD 2 in 1960 (Table 2.3). Valued at 2010 prices, per capita ODA in 1990 was nearly six times that in 2010, and about 40 percent larger than in 1960. The net ODA received in 1990 was equivalent to 28 percent of government spending, which was auspicious, since 47 percent of government financing then had to be sourced externally. Recently, however, the significance of ODA to the fiscal budget has somewhat waned as other sources of fiscal financing have arisen such as public-private partnerships (PPPs). In 2010, for instance, net ODA receipts were equivalent to less than 1 percent of gross capital formation, while it was almost 12 percent in 1990. Nonetheless, as of 2011, about 11 percent of public investments are still ODA-financed.[19]

Table 2.2. Significance of ODA to the Philippine Economy

	1980	1980	1980	1990	2000	2010
Per capita (current values, US$)	6.34	6.34	6.34	20.62	7.40	5.70
Per capita (constant 2010 prices, US$)	15.48	15.48	15.48	31.34	9.91	5.70
% of Gross National Income	0.93	0.93	0.93	2.92	0.71	0.27
% of Government Expenses	10.15	10.15	10.15	28.38	6.18	2.74
% of Gross Capital Formation	3.16	3.16	3.16	11.87	3.84	1.30
% of Imports of goods and services	3.23	3.23	3.23	8.62	1.32	0.73

Source: World Bank Database

To which sectors is ODA directed? As reported in Table 2.3, the largest proportion – about three-fifths – is consistently allocated to INFRA, which includes support to power and electrification; all modes of transport (road, rail, air and water); flood control and drainage facilities; solid waste management; water supply and sanitation; local roads and bridges and other public works, such as public markets and bus terminals.[20] A notable recent development is the increasing share of SRCD, from 9.3 percent in 2003 to 25.6 percent in 2011. SRCD covers support to primary and secondary education, women's health and safe motherhood services, hospital services, nutrition and population, farm-to-market roads, multipurpose buildings and potable water supply. As a result, the share of AARNR, previously second only to infrastructure, slipped from 17.3 percent in 2003 to 13.9 percent in 2011. The shares of ITT and GID were erratic during the decade, but were never significant.

Table 2.3. Distribution of Net ODA Commitments by Sector (in percent)

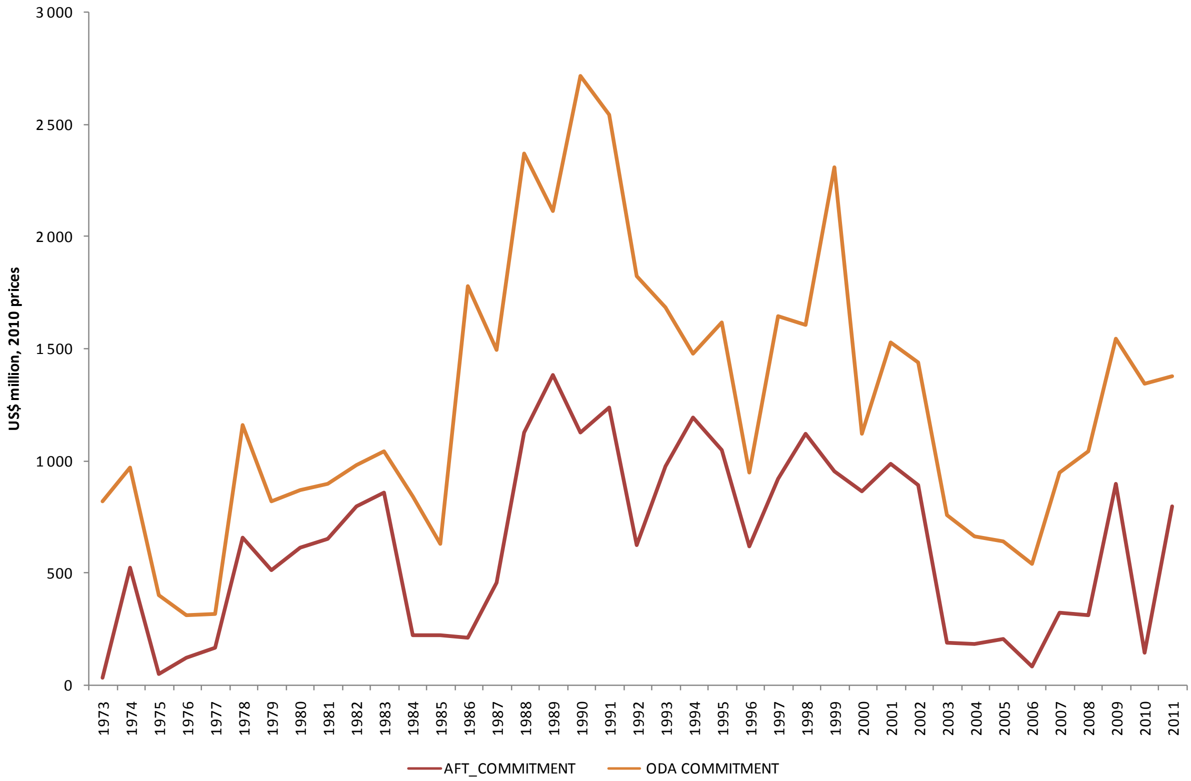
	2003	2004	2005	2006	2007	2008	2009	2010	2011
INFRA	68.5	69.4	65.2	57.4	56.8	61.1	59.6	56.3	57.6
SRCD	9.3	8.5	9.1	13.0	11.8	9.5	9.4	17.6	25.6
AARNR	17.3	16.7	17.2	18.2	17.2	15.5	16.7	18.5	13.9
ITT	4.9	5.1	7.6	11.1	7.2	6.6	4.9	0.5	2.5
GID	-	0.3	0.2	0.2	7.0	7.3	9.4	7.1	0.4

Source: ODA Portfolio Review Report, various years.

2.3 Profile of AfT to the Philippines

Nearly half of ODA to the Philippines is AfT.[21] Not surprisingly, AfT flows tracked closely with the movement of ODA for most of the period 1973-2011, as shown in Figure 2.2. Thus, AfT commitments plummeted with ODA in 2003, hit the bottom in 2006, recovered subsequently, but fell again in 2010.

Figure 2.2. Aft and ODA Commitments to the Philippines 1973-2011



Source: OECD CRS database.

Between 2000 and 2011, the Philippines received USD 5.9 billion in AfT commitments, of which 73 percent supported economic infrastructure; 26 percent went into building productive capacity; and less than 1 percent was for improvement of trade policies and regulation. Curiously, there were more commitments before than after the formal launch of AfT in 2005. The average annual commitment during 2000 to 2005 was USD 556 million, compared with USD 428 million during 2006 to 2011.

Table 2.4. AfT Commitments, 2000-11 (values in million US dollars at constant 2010 prices)

	2000-2005		2006-2011		2000-2011	
	US$M	Share	US$M	Share	US$M	Share
Building Productive Capacity	**805.2**	**24.2**	**737.0**	**28.7**	**1,542.1**	**26.1**
Agriculture	454.1		473.9		928.0	
Banking and Financial Services	149.9		70.8		220.7	
Business and Other Services	63.3		66.9		130.2	
Forestry	16.1		22.2		38.3	
Fishing	56.0		21.7		77.7	
Industry	60.5		75.1		135.5	
Mineral resources and mining	3.1		3.7		6.8	
Tourism	2.3		2.6		5.0	
Economic Infrastructure	**2,503.1**	**75.1**	**1,800.5**	**70.2**	**4,303.6**	**73.0**
Transport and Storage	2,320.3		1,623.1		3,943.4	
Communications	21.1		30.2		51.3	
Energy generation and supply	161.7		147.2		308.9	
Trade Policy and Regulation	**24.9**	**0.7**	**28.1**	**1.1**	**53.0**	**0.9**
Trade policy and administrative management	10.6		24.6		35.2	
Trade facilitation	7.0		2.0		9.0	
Regional Trade Agreements	0.0		0.4		0.4	
Multilateral trade negotiations	6.9		0.8		7.7	
Trade education and training	0.4		0.3		0.7	
Trade-Related Adjustment	0.0		0.0		0.0	
TOTAL AFT	**3,333.2**	**100.0**	**2,565.6**	**100.0**	**5,898.8**	**100.0**

Source: OECD CRS database.

The fact that nearly three-quarters of total commitments were allocated to economic infrastructure reflects the important role development assistance has taken in the Philippine economy, namely filling the fiscal financing gap for public investments. It augurs well with the priorities articulated by the past and present government administrations on the need to accelerate infrastructure development. Moreover, it responds to the demands of the trade community for better infrastructure. The deficiencies in infrastructure have always been cited as a significant barrier to growth and trade in various surveys of business executives. For example, the World Economic Forum (WEF) surveys in the last three years reveal that "inadequate supply of infrastructure" is consistently ranked third after "corruption" and "inefficient government bureaucracy" among "the most problematic factors in doing business" in the Philippines.[22]

Of the different trade-related infrastructure, road transport (particularly road infrastructure) received almost half of the USD 4.3 billion aid for economic infrastructure during the period. Construction of airports, maritime ports and the rail network also received significant shares, as can be seen in the detailed breakdown of the economic infrastructure component of AfT provided in Annex III.1.

While road transport accounted for a significant share of aid in economic infrastructure, the agricultural sector took up 60 percent of the USD 1.5 billion commitments for building productive capacity. Aid to agriculture consisted mainly of assistance to agrarian reform beneficiaries, irrigation projects and credit support (see Annex III.2). It should be noted that assistance to industry represented less than 15 percent of aid to agriculture.

The list of donors to the Philippines is traditionally dominated by Japan, the Asian Development Bank (ADB), the World Bank Group (WB) and USAID. More than half of the outstanding AfT programmes and projects during 2011 were funded by these four donors. The Government of Japan alone accounted for about one-third of all AfT initiatives. Recently, however, non-members of the DAC have also provided assistance.[23] China is now the second largest donor after Japan, accounting for 18 percent of AfT initiatives in 2011.[24]

2.4 TRTAs and Capacity-Building- Programmes in the Philippines

The TRTA and capacity-building programmes for the Philippines launched by the EU and USAID in the late 1990s were eclipsed by economic infrastructure programmes in terms of the amount of aid involved. However, they were the most significant, as they not only responded directly to the mandate of AfT, but also rallied other donors to provide concurrent or follow-up support. A brief description of the framework of these initiatives follows.

2.4.1 EU TRTA programmes

The Philippine-EU development partnership was forged in 1976, but the more substantial and structured assistance commenced a decade later. At the outset, EU assistance focused on combating poverty through support for rural development and agrarian reform, the health sector, decentralisation and local governance, the promotion of human rights, democracy and rule of law, and peace building. The first Country Strategy Paper for 2002-2006 identified sustainable development as the overarching objective of EU assistance. Following the EU's adoption of the AfT strategy in its development assistance in 2007, its second Country Strategy Paper for 2007-2013 included support to trade and investment flows, although the main focus of EU assistance remains on the provision of equitable access to quality basic social services.[25]

The EU aptly recognized that while the Philippines showed full commitment to the liberalisation of trade and the economy, a number of technical constraints impeded its active participation in global trade. In particular, the implementation of WTO Agreements on technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, and customs valuation required skills upgrading of both public and private sectors. The EU and the Philippines thus came to an agreement to address these constraints. In 2005, they formalized Phase 1 of the programme, or TRTA 1, in which the EU provided a grant of EUR 3.9 million (about PHP 210 million).

The overall objective of TRTA 1 is to help the country build "an enabling economic environment and improve economic governance with a view to significantly enhance trade with the EU and increase inward investment."[26] Concretely, TRTA 1 was launched in January 2006 to assist Filipino exporters sell their products into the EU market (by helping them comply with EU product standards and SPS requirements); improve customs administration; and build local capacity to address the difficulties in implementing WTO agreements. NEDA coordinated the implementation of the various activities under the programme, which involved at least seven government agencies.[27]

Phase 2 of the TRTA programme, or TRTA 2 (2009-2012), sought to enhance the capacity of the government and private sector to integrate into the international trading system through the ongoing negotiations on an EU- South East Asian Nations (ASEAN) Free-Trade Agreement (FTA). This follow-up phase had twice the budget of its predecessor, amounting to EUR 6.5 million (about PHP 420 million). As in TRTA 1, the NEDA was the overall coordinator and worked with an expanded group of implementing agencies.[28]

2.4.2 USAID trade capacity-building (TCB) activities

USAID has had several capacity-building programmes in the Philippines, but there are three that best illustrate AfT. These include Accelerating Growth, Investments, and Liberalization with Equity (AGILE), Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE), and Local Implementation of National Competitiveness for Economic Governance (LINC-EG).[29]

AGILE (1998-2004) was launched largely in response to the Asian Financial Crisis, with total funding of USD 35.3 million.[30] The programme reflected innovations the USAID/Philippines Mission adopted in the planning and management of development assistance work in the Philippines, three of which are worth mentioning. First, the USAID/Philippines Mission recognized the need to work more closely with the Philippine government. Second, the Mission realized that policy reform requires a spectrum of interrelated interventions, including policy advocacy. Third, as the size of the Mission was significantly reduced, it was expedient to outsource the management of the technical assistance programme to a private contractor who was given a broad mandate to develop and implement the activities covered by the technical assistance. Nonetheless, the project contractor had its work plan approved by a steering committee, comprised of senior government officials, representatives from the academic and business community, and the USAID/Philippines Mission.

The AGILE programme has been credited with the drafting and advocacy of several important legislative reforms directed at enabling the Philippines to fulfil its commitments in the WTO, as well as executive issuances to make the policy environment more conducive to trade and investment.[31]

To maintain the reform momentum created by the AGILE programme, USAID launched EMERGE (2004-2008) along with two cooperative grants.[32] EMERGE had total funding of USD 12.5 million. It was designed to help the Philippine government achieve two of the five targets specified in the Medium-Term Philippine Development Plan (2004-2010), namely the expansion of trade and investments and improving the regulation of infrastructure services, specifically telecommunications and transportation.

Following the end of the EMERGE programme in 2008, USAID/Philippines started the LINC-EG, which also ran for four years. The programme was aimed at promoting national competitiveness primarily at the local governmental levels and particularly in Mindanao.[33] The focus was on streamlining the business permits and licensing regulations of local government units (LGUs), but it did not exclude working with national government units as well.[34] Thus, the programme supported activities that improved: local and national economic governance and revenue collection; the local field office effectiveness of national government agencies; and the operations, policy, and programme implementation linkages between local government offices, local field offices of national government agencies and national government agencies.

LINC-EG also provided assistance to the following national government agencies: (i) the BOC in its effort to become a contracting party of the Revised Kyoto Convention (RKC) and identifying the priority areas for customs administration reforms, particularly in the international ports in Mindanao; (ii) the DTI in assessing the impact of the global financial crisis in 2008; (iii) PHIVIDEC Industrial Authority in conducting a valuation of the property at the PHIVIDEC industrial zone in Misamis Oriental in Northern Mindanao;[35] and (iv) the Presidential Management Staff in monitoring priority infrastructure projects to speed up the implementation of such projects.[36]

A distinguishing feature of the LINC-EG programme from AGILE and EMERGE is that it worked more extensively with the private sector and non-governmental organisations (NGOs). Specifically, the programme extended assistance to petroleum companies and car assemblers in their efforts to reduce the smuggling of petroleum and cars, respectively;

to the American Chamber of Commerce and Industry to improve the investment climate; with AYC Consultants and Action for Economic Reforms in identifying barriers to foreign investment; and to the Philippine Development Forum infrastructure group to expand PPP arrangements.

2.5 Management of Aid

For the kind of TRTA and TCB described in the preceding section to take off, an organized structure and well-defined processes of managing aid are critical. Few developing countries have as elaborate structures and systems for managing aid as the Philippines. As these management structures and systems have significant influence on the impact of aid initiatives in general, and AfT in particular, it is relevant to discuss their evolution and motivation.

At the height of the Philippine debt crisis in the 1980s, ODA accounted for nearly half of the country's external debt. The genesis of the crisis was complex, but among the immediate causes were ODA-funded investments that did not yield the expected economic and social returns and were, in fact, channelled to unproductive and low-priority areas or otherwise lost to corruption.[37] To prevent a recurrence of the crisis and optimize the utilisation of aid, the parameters for programming, monitoring and evaluation of ODA were defined and set into law in 1996. To this date, ODA management in the Philippines is guided by "The Official Development Assistance Act of 1996"[38] – Republic Act 8182 - and its subsequent amendments contained in Republic Act 8555.

One of the key provisions in Republic Act 8182 law is the concessional character of an ODA loan. Following the OECD's standard, an ODA loan must contain a grant element of at least 25 percent. In particular, it states:

> the debt service payments which shall include both principal and interest and expressed at their present values discounted at ten percent (10%) are less than the face value of the loan or loan and grant. The grant element of a loan or loan and grant is computed at the ratio of (i) the difference between the face value of the loan or loan and grant and the debt service payments to (ii) the face value of the loan or loan and grant.

Moreover, the law stipulates that the weighted average grant element of all ODA loans must not be less than 40 percent at any given time, and the interest rate on the loan component cannot exceed 7 percent. These provisions are meant to compel the government to be fastidious in negotiating for concessions.

Republic Act 8182 further stipulates that only ODA aligned to "previously identified national priority projects, which are urgent and necessary" can be accepted. Put strongly, "ODA should not be accepted or utilized solely because of its availability, convenience or sustainability." This provision addresses past mistakes when decision-makers irresponsibly accepted loans that caused the debt debacle, without delivering material gains to society at large. The crux of the problem was that loans were incurred at the behest of political leaders. It did not help that many government agencies lacked the capacity to package proposals for real development projects, so that spurious projects with well-prepared proposals crowded out legitimate ones. Absent clear government priorities, donors peddled aid that ultimately defined the direction of public investments.[39]

Three agencies have been given the mandate to monitor the status and usage of ODA funds: the NEDA, to conduct annual reviews of the status of ODA-funded projects, identify implementation problems, track cost overruns and report its findings to Congress every year; the Commission on Audit (COA), to examine the financial performance of closed and ongoing projects; and the Congressional Oversight Committee, composed of members of the lower and upper Houses. No less than the President of the Republic reports to the members of Congress each year on the status of ODA loans and grants.[40]

Several safeguards have been instituted to avoid anomalous usage of funds. For one, a consultant involved in the design and feasibility check of the project is precluded from being involved in its implementation. The borrowing government agency is required to execute the project by itself; it can only delegate implementation if it lacks the capacity. And to pre-empt tied loans, the ODA law specifies that qualified Filipino consultants, suppliers and manufacturers be given preference in the project's implementation. This preference may be waived, however, if provided for in the agreement between the Philippine government and the donor institution.

Over the years, the Philippines has created and refined the structures to manage ODA projects and programmes. As a result, the flow of ODA funds is under scrutiny by various agencies from project inception to completion. At the first level, donors are requested to draw up Country Assistance Strategies (CAS), which should be aligned with the Medium-Term Philippine Development Plan (MTPDP) and the Medium-Term Public Investment Programme (MTPIP). The MTPDP is a six-year plan that lays out the development goals and strategies of the country. It is prepared by the NEDA in coordination with other government agencies and stakeholders. The MTPIP is an accompanying document to the MTPDP, containing an ordered listing of priority programmes and projects based on their assessed potential contributions to the development goals set out in the MTPDP. Thus, donors are compelled to streamline and align their assistance to the country's development priorities and prevented from peddling ODA for activities or purposes that do not match these goals.

Tapping the ODA fund can be a long, but nonetheless structured, process. It starts with a government agency submitting a proposal to either the Investment Coordination Committee (ICC) for a project loan, or the Development Budget Coordination Committee (DBCC) for a programme loan. The ICC is chaired by the NEDA, with members from nine other government agencies, including the Department of Finance (DOF), the Department of Budget and Management (DBM), the Bangko Sentral ng Pilipinas (BSP), the Office of the President (OP), the DTI and the DA. The DBCC is headed by the BSP, with representation also from the DOF, the DBM, the OP and the NEDA.

When a project proposal is submitted, it takes the ICC Secretariat four to six weeks to prepare an evaluation report. This is the only stage in the ICC process where a time frame can be defined. The subsequent stages would depend on the frequency of meetings and volume of work of the concerned bodies. Thus, the evaluation report is submitted by the Secretariat to the ICC Technical Board Review, which decides whether the proposal merits forwarding to the ICC Cabinet Committee. If the Cabinet Committee approves the proposal, it is then submitted to the NEDA Board for confirmation. The Technical Board meets twice a month, while the Cabinet Committee convenes once a month. There is no defined time frame within which the NEDA Board can confirm a project endorsement given by the Cabinet Committee. As a result, the length of time to obtain ICC approval varies.

No loan negotiation can commence without the approval of either the DBCC or the ICC, and vetting by at least four other government agencies: the DBM, the DOF, the BSP and the NEDA Board. The DBM examines the fiscal budget implications of the proposed project. The DOF evaluates whether the proposed project qualifies under the ODA criteria set forth in Republic Act 8182. The BSP issues an approval "in principle," while the NEDA Board issues a resolution directing the DOF to constitute a negotiating panel that would have "full powers" to negotiate on behalf of the President of the Philippines. After the loan agreement has been signed, it is again reviewed by the DOJ, which renders a legal opinion on its compliance with the terms of the law.

The programming for grants is much less elaborate than that for loans, as it only involves the NEDA if the project cost is less than PHP 500 million (about USD12 million). In this respect, it should be noted that the average AfT grant is USD 2 million. A grant exceeding this amount has to go through ICC evaluation and NEDA Board approval.

Although any loan agreement has to pass several layers of evaluation and approval, drawing on the fund is subject to more controls. Disbursement is allowed only for amounts reflected in the implementing agency's budget. And, before the ODA fund can be included in an agency's budget, the DBM has to evaluate its implication for the fiscal position. After the DBM determines that the proposed budget is consistent with the government's national priorities for the year, the agency's budget is examined and approved by Congress.

Here, again lies a difference between ODA loans and grants. Loan disbursements are subject to general appropriation, which requires approval by Congress, while grants are automatically appropriated and do not have to be written in the agency's budget.

During and after the implementation of the project, several groups are involved in monitoring and evaluation (M&E). Apart from the agencies designated with oversight functions, (i.e., the NEDA and the COA), the implementing agencies and donors have their own monitoring units. In some government agencies, the M&E function is assumed by a project management office, and in others, by a specialized unit created for this purpose. Most donors conduct supervision and implementation review missions, which report on the project status, diagnose implementation issues and propose actions to resolve any issues. In the spirit of transparency, the outcomes of the missions are shared by the donors with the implementing and oversight agencies.

Besides reviewing and recommending project proposals, the ICC has also an M&E function. This is prompted by the fact that the Committee not only evaluates new projects, but also approves the restructuring of ongoing ones that require an extension of more than a year, a substantial change in scope or additional borrowing of more than 20 percent of the initial loan amount.

Recently, another structure for M&E – the Regional Project Monitoring and Evaluation System (RPMES) - was created in response to a variety of implementation issues that have been causing project delays and cost overruns. However, the RPMES not only has an M&E function. Rather, the system is designed for active project facilitation and problem-solving at the ground level, involving national and local government agencies and NGOs. It also covers all development projects; hence the system covers not just ODA-funded projects and programmes, but also those financed from national or local government budgets or implemented by government-owned and controlled organisations (GOCCs).

The most comprehensive M&E of ODA initiatives is still performed by the NEDA. The agency prepares at least six regular reports, including the Annual Portfolio Review, Quarterly Loans Performance Report, Semestral Grants Report, Quarterly Cost Overrun Report, Semestral Alert Mechanism Report and End-of-Project Report. It convenes quarterly meetings with project implementation officers of all government agencies, conducts monitoring visits and supervision missions, re-evaluates projects requiring changes in scope and extensions or increases in loans, undertakes ex-post evaluation of selected projects two to three years after project completion, helps other agencies build up their M&E capabilities and holds regular project problem-solving sessions with implementing agencies and donors.

For all these roles, the NEDA is seen as the sole agency at the helm of ODA, including those projects and programmes that may be considered AfT. This subordinates the role of the DTI even on initiatives that would normally be considered as falling within its purview. For example, the past two TRTA programmes funded by the EU were managed by the NEDA. However, this set-up is being corrected, as the two forthcoming TRTA programmes – one funded by the EU and another by USAID – will be based at the DTI.

2.6 Measures to Improve Aid Effectiveness

Despite the elaborate approval process and the web of checks and balances during project implementation, poorly designed projects and anomalous disbursements still manage to get past the system. Controversies involving ODA projects arise occasionally. For example, of the 75 active ODA loans during 2011, 20 were considered problematic, causing the termination or suspension of 5 of them. Three of the suspended projects are AfT. One AfT project, titled “Greater Maritime Access Ports,” had to be re-evaluated, because the technology was found to be too costly and not suitable.

But, it is the string of perennial implementation problems that best signals the need for continuous innovation in aid management. The Annual ODA Portfolio Reviews have been reporting on almost the same set of bottlenecks since 1992, namely: cost overruns, delays in the release of funds, low utilisation of available funds, right-of-way issues for infrastructure projects, sustainability of benefits after project closure and insufficient information on project status. These problems beleaguer both AfT and non-AfT alike.

Some of the management measures recently undertaken by the Philippine government to resolve recurring implementation snags are enumerated in Table 2.5. The table also indicates the Paris Declaration principles that the measures promote. For example, the preparation of the MTPDP fosters the country’s ownership of activities supported by aid, if the funds are directed towards projects and programmes consistent with the plan. Put differently, the MTPDP allows the country to exercise leadership over its own development agenda as it is able to set the direction of aid delivery through the plan.

Table 2.5. Management Measures to Improve Aid Effectiveness

Measures	Ownership	Alignment	Harmonisation	Managing for Results	Mutual Accountability
Preparation of MTPDP 2011-16 and Regional Development Plans					
Human-rights based approach to development planning					
Mainstreaming Disaster Risk Reduction and Climate Change Adaptation and Development Processes					
Preparation of MTPDP Results Matrices					
Preparation of Provincial Development Plans and Investment Programmes					
Common Platform for Annual Project-level Review					
Implementing Agency’s Scorecard of development partners					
Preparation of Provincial Millennium Development Goals Reports					
Zero-Based Budgeting					
Harmonized Philippine Bidding Documents					
Program-Based Approach					
Mutual Enforcement of Debarment Decisions					
Coordinated Missions and Joint Analytic Work					
Country-Level Evaluation (CLE) of the Implementation of the Paris Declaration					
Good Practice Award (GPA)					

Table 2.5 *Continued*

Measures	**Ownership**	**Alignment**	**Harmonisation**	**Managing for Results**	**Mutual Accountability**
Technical assistance and capacity building activities					
Enhanced engagement of civil society organisations					
Continuing Managing for Development Results (MfDR) for the AARNR sector					
Country Assistance Programmes					
Anti-Corruption Support					

Source: Table 1 in ODA Portfolio Review 2010, p.4

Some recently introduced measures can have a profound impact on aid management if properly implemented. It may be too early, however, to expect major results. One such measure is the development of Results Matrices (RMs). The preparation of the MTPDP has been a practice for decades, but this is the first time that RMs were developed to match the MTPDP for 2011-2016. RMs identify the results expected from each sector and subsector, with corresponding indicators, baseline information, end-of-plan targets and responsible agencies. Clearly, RMs would serve as a guide to agencies involved in implementation, oversight and M&E. But, they are equally valuable to donors in setting project and programme goals. The development of RMs should be seen, however, in a larger context. It is part of the government's initiative to implement "whole-of-government results-based management" in all stages of planning, budgeting, implementation and M&E. At present, only the planning and budgeting processes are linked. RMs are seen as instrumental in linking implementation and M&E processes.

Another measure is the preparation of development plans and investment programmes at the local level. One of the difficulties in ensuring that aid resources are spread out equitably is the inability of LGUs to articulate their development needs. As a result, resources tend to flow to metropolitan and urban areas whose governments have the capacity to define their needs and, more specifically, to package them into project proposals. In response, the ADB recently provided technical assistance through the NEDA to the local governments of 75 provinces in the preparation of Provincial Development and Physical Framework Plans (PDPFPs) and Provincial Development and Investment Programmes (PDIPs). The former set out the provincial development strategies, while the latter translate the strategies into programmes and projects. These documents are useful guides to donors and implementing agencies.

Equally important is the harmonisation of bidding processes followed by implementing agencies with those of donors, especially in light of the past financial mess involving ODA funds. The Philippines began reforming its public financial management system in 2002 when it introduced a new government accounting system. In 2003, the Government Procurement Reform Act (RA 9184) was passed into law. This piece of legislation, providing for a standard procurement process, is considered a milestone in the government's effort to improve the reliability of its financial management system and to reduce corruption. It is complemented by the creation of the Procurement Transparency Group that involves civil society organisations (CSOs) in monitoring public sector projects; establishment of the Government Procurement Policy Board (GPPB), acting as an oversight body for public procurement; adoption of the Government Electronic Procurement System; and setting up a Presidential Anti-Graft Commission, tasked with prosecuting cases of graft and corruption. Despite these reform measures, donors have been reluctant to adopt the government's procurement system on grounds that the actual procurement operations and practices are still deficient and that they have their own systems that are not synchronized with those of the Philippine government. The Harmonized Philippine Bidding Documents (HPBD), issued by the GPPB in 2010, sought to address this gap. The ADB, the Japan International Cooperation Agency (JICA) and the WB agreed to abide by these documents.

What is perhaps considered most radical among the recently introduced measures is the zero-based budgeting (ZBB) model. In 2010, the new administration adopted a new budgeting approach aimed at improving the management of public finances and curbing corruption. ZBB is the antithesis of incremental budgeting used in previous administrations. In incremental budgeting, budgets are built around the baseline or previous year's level; any variance has to be justified. Thus, the previous year's expenditures, programmes and projects are likely to be carried over in the current budget, with potential increased allocations to cover for inflation. In contrast, ZBB starts from a "zero base," i.e., every expenditure item, project or programme, whether new or ongoing, is evaluated to determine if it merits fiscal allocation in the current budget. ZBB has several potential implications for aid flows. On one hand, it may cause delays in project implementation if the budget is not approved on time. Already, many ODA projects run behind schedule because of delays in budget approval. As ZBB is clearly more tedious and time-consuming than incremental budgeting, there is apprehension that there will be more delays caused by the new process. On the other hand, ZBB could be an effective ODA management tool. Well-performing projects and programmes may be rewarded by increased allocations, while poorly performing ones may be refused continuous fiscal support. Funding could also be withheld on projects and programmes that need to be reformed until the desired changes are carried out. It remains to be seen, however, whether ZBB could actually improve aid programming.

3. ASSESSMENT OF AFT EFFECTIVENESS

An overall assessment of the effectiveness of AfT should proceed from an informed and balanced view on the extent aid initiatives have helped a country integrate better in the global economy by addressing the physical, institutional and policy constraints to trade. This section and the next seek to find evidence that will form the basis for an overall assessment of aid effectiveness in the Philippines following the ICTSD-SAWTEE approach discussed in Section 1.3.

The assessment builds on evidence concerning the following issues. First, do the nature, design and delivery of AfT initiatives meet the elements for effectiveness suggested by the Paris Declaration and AfT Task Force?[41] Second, to what extent did the initiatives achieve their set objectives and targets? Third, were the expected benefits realised? If not, what factors worked against the realisation of expected impacts? Fourth, can the design and delivery of aid be improved to overcome the factors that negate aid effectiveness?

The first two issues are dealt with in this section. A case study of the customs experience is presented in Section 4 to provide a more nuanced measure of aid effectiveness in improving the agency's capacity to facilitate trade and to understand the external factors facilitating or hindering its impact. Finally, potential improvements in aid design and delivery are discussed in the final section.

What is evident in the evaluation that follows is that most prerequisites for aid effectiveness are present in the major initiatives. The objectives and targets have been achieved to a considerable degree. Yet, there are factors and circumstances that tend to overturn these achievements, thereby reducing aid effectiveness.

3.1 Funds Trajectory

The ultimate role of aid is to help countries attain their development goals by providing them with needed resources. It is held that to ensure effectiveness, AfT should be additional to existing development aid, predictable and accessible to target recipients. AfT to the Philippines is not additional to the external assistance that it has been receiving for decades, although the flow of funds has been sufficiently predictable to secure the smooth implementation of the initiatives. However, because 88 percent of AfT is in the form of loans, it is not an inexpensive source of development funds.

3.1.1 Additionality

Although the concept of additionality is difficult to define, much less to prove, there is no indication that the current AfT flows (post-2005) represent new and supplemental funding to the Philippines. This can be inferred from Table 3.1, which compares the flow of commitments and disbursements before and after the formal launch of AfT in December 2005.

Table 3.1. AfT and Non-AfT Commitments and Disbursements, 2000-2011 (values at US$ million, constant 2010 prices)

	Base period (2000-2005)	Current period (2006-2011)
AfT Commitments	3,333.2	2,565.6
Non-AfT Commitments	2,819.8	4,233.3
Average annual growth rate of AfT Commitments	-25.0%	57.7%
Average annual growth rate of non-AfT Commitments	11.6%	4.8%
AfT Disbursements	2,085.0	2,966.9
Non-AfT Disbursements	5,011.8	4,440.3
Average annual growth rate of AfT Disbursements	-13.0%	-2.8%
Average annual growth rate of non-AfT Disbursements	25.7%	-11.8%

Source: OECD CRS.

There is clearly no additionality in the AfT commitment, since the post-2005 level is 23 percent lower than the base level. With respect to disbursements, AfT in the current period is 42 percent higher than in the base period, but non-AfT disbursements in the current period are lower. The movement in AfT and non-AfT disbursements suggests – but does not establish as fact – that the increase in AfT disbursements represents a diversion of resources from non-AfT aid.[42] In fact, non-AfT disbursements during the decade were erratic, but generally declining in the second half as evidenced by the negative average annual change (-11.8 percent), compared with a positive average annual change in the previous period (25.7 percent). However, it is also possible that the increase in AfT disbursements in the current period may be a result of disbursements catching up with past commitments. Given these possibilities and considering the declining trend in total ODA to the Philippines, it is fair to conclude that the advent of AfT has not brought in additional resources to the country.

However, whether the non-additionality of AfT impinges on its effectiveness is a separate issue. It can be argued that, while the amount of aid may be declining, its value to the country may not be, particularly if the aid is rechannelled to areas more aligned to development requirements. The amount of aid can only be expected to fall if there is a rechannelling from economic infrastructure to trade policy and regulation (TPR), because the fund requirement of the former is comparatively lumpy. Yet, the surge in TRTA to the Philippines is appropriate, considering that there are other sources of funding for infrastructure, such as PPP, which the government has been utilizing more recently. Meanwhile, aid is the only alternative source to the fiscal budget in improving TPR.

3.1.2 Predictability

Certainty in the timing of flow of funds is essential for efficient management of the projects supported by aid. If there are reservations about whether funds will be forthcoming when needed, some activities critical to project success may be postponed or cancelled. Uncertainty over the flow of funds is often driven by timing differences in the flow of commitments and disbursements, although these two rarely coincide, due in part to delays in reporting or differences in the accounting systems among donors and aid recipients.

Figure 3.1 tracks the flow of AfT commitments and disbursements over three decades. For all years except from 2003 to 2008, commitments exceeded disbursements. Since in any given year, there is always a gap between committed and disbursed aid, the issue at hand is whether this divergence created uncertainty that impeded project implementation.

Figure 3. Aft Commitments and Disbursements 1980-2011

Source: OECD CRS.

A host of factors may account for the gap, but generally they can be classified under two cases: inability of the recipient government to meet the terms and conditions of the aid agreement or failure of the donor to meet its commitment. The first case relates to the absorptive capacity of the aid recipient, which is discussed separately; the second case is relevant to the issue of predictability.

None of the interviews with implementing agencies revealed any recent programme or project that was delayed or terminated, owing to the inability of the donor to honour its commitment. In fact, aid disbursements are generally seen as prompt and smooth, as donors continuously review and simplify their disbursement procedures. In emergency projects where a tight schedule needs to be followed, some donors are willing to provide retroactive financing and to relax their procurement controls to some degree.[43]

The only instance where there was uncertainty related to the donor's capacity to meet its aid obligations happened in the AGILE programme. At the onset, the private contractor was given notice by USAID/Philippines that the latter's obligations to the contract were contingent on the availability of programme funds. This was, in fact, stipulated in the project implementation contract between the private contractor and USAID/Philippines. However, the uncertainty caused by the stipulation was mitigated during the initial phase of project implementation, as USAID/Philippines gradually raised its commitments when disbursements reached at least two-thirds of existing obligations. In retrospect, the contractor deemed this a sufficient guarantee that the project would not be derailed by lack of funds. In midstream of project implementation, however, the contractor was informed by the donor that it could not fully finance the contract, because of funding problems. But, a few months later, the donor actually increased the funding for the programme and extended it for another two years. It is apparent now that the situation was caused by the fiscal problems the US government had at that time. And, since then, no recent USAID initiative in the country has experienced similar difficulties; thus, it may be considered an aberration.

3.1.3 Grants vs. loans

Even though all the AfT that the Philippines accepts is required by law (the ODA Act) to be concessional, it still matters whether the aid is a grant or a loan. Two of the three AfT initiatives in 2011 were grants, but loans represented 88 percent of the total value of AfT, amounting to USD 5.8 billion.

Grants and loans have remarkably different profiles. First, the size of the average AfT loan is 15 times that of the average grant, or USD 121 million compared to USD 8 million. More than three-quarters of AfT loans in 2011 supported economic infrastructure, while all TPR initiatives were in the form of grants.[44]

Table 3.2. Classification of On-going ODA Programmes and Projects during 2011 (values in US$ million)

Type of Aid	Loans		Grants		Total	
	No.	Value	No.	Value	No.	Value
AfT						
Economic infrastructure	26	3,990.5	41	408.1	67	4,398.6
Road transport	18	2,917.8	22	350.2	40	3,268.0
Energy generation & supply	2	71.1	16	53.3	18	124.4
Others	6	1,001.5	3	4.3	9	1,005.8
Productive capacity	16	1,130.9	36	244.3	52	1,375.2
Agriculture	15	930.9	22	71.8	37	1,002.7
Non-agriculture	1	200.0	14	174.6	15	374.6
Trade policy and regulation			12	23.8	12	23.8
Total AfT	**42**	**5,121.4**	**89**	**675.2**	**131**	**5,796.6**
Non-AfT	38	3,478.2	393	1,405.2	431	4,883.4
All ODA	80	8,559.6	482	2,081.4	562	10,641.0

Source: NEDA.

Second, grants and loans have different donors' profiles, as can be gleaned from Table 3.3. Except for the ADB, the JICA, the Korea International Cooperation Agency (KOICA) and the WB, most donors provide either loans or grants. The largest grantor to date is the MCC, which accounts for 38 percent of total grants, albeit representing only two projects – the construction of secondary national roads and revenue administration reform.[45] The next biggest grantor is USAID, but the JICA has the largest number of grant-supported projects. At the same time, more than three-quarters of total AfT loans were extended by the JICA, the ADB, China and the WB combined.

Table 3.3. Profile of Donors of Ongoing AfT Programmes and Projects during 2011 (values in US$ million)

	Loans		Grants		Total	
	No.	Value	No.	Value	No.	Value
ADB	5	416.7	7	6.9	12	423.6
China	4	1,024.2			4	1,024.2
GOJ-JICA	10	2,048.1	39	27.5	49	2,075.6
World Bank	6	451.7	10	27.0	16	478.7
Korea/KOICA	6	219.6	6	43.6	12	263.2
France	3	721.5			3	721.5
MCC			2	259.6	2	259.6
USAID			11	195.0	11	195.0
EU			2	13.3	2	13.3
Ausaid			1	79.1	1	79.1
Others	8	239.6	11	23.2	19	262.8
Total	42	5,121.4	89	675.2	131	5,796.6

Source: NEDA.

A further distinction between grants and loans is who gets to execute or implement the project or programme supported by aid. In the case of loans, the beneficiary agency is also the implementer. This is generally the case for grants as well. But, a few AfT grants were implemented by the donors themselves.

The sticky issue separating grants from loans is the commitment fee paid on the latter. In 2011, AfT loans accounted for 89 percent of the total commitment fees paid on all ODA loans. Commitments fees are charged on the undisbursed amount of loans each year. Even though the total commitment fees represented less than 1 percent of total disbursements in a given year, they are an additional cost of financing that renders loans more expensive than grants. And, since the fees are levied on undisbursed amounts, implementation delays on initiatives increase the cost of loans.[46]

Table 3.4. Commitment Fees on ODA Loans, 2010-11 (values in US$)

Paid for	**2011**	**2010**
AfT loans from		
Asian Development Bank	493,437	471,511
World Bank	13,098	74,773
Japan Bank for International Cooperation	75,957	-
China Eximbank	516,240	687,768
Others	5,926,174	6,891,582
Total AfT	7,024,905	8,125,634
Non-AfT loans	862,232	1,175,188
Total commitment fees	**7,887,137**	**9,300,822**
Commitment fees relative to total loan disbursements (%)	**0.42**	**0.58**

Note: Exchange rate: 2010 = US$1:Php45.1097; 2011 = US$1:Php43.3131.

Sources: DOF for commitment fees; NEDA for total loan disbursements.

3.2 Ownership

An aid recipient country is more likely to take ownership of an aid initiative if it supports the development strategy that the country has defined for itself. When the recipient country takes ownership of the initiative, it will ensure that the outcomes of the intervention are mainstreamed into national policies and programmes, and allocate internal resources to sustain the initiative beyond the aid intervention period. Yet, for a recipient country to take ownership, it should be able to: (i) articulate its development policies and strategies and (ii) coordinate and harness the initiatives of different development actors.

The Philippines is clearly in a position to take ownership of AfT initiatives, having defined and articulated well its development strategies and having set up the structures and systems for coordinating the various development actors. While a good number of the outcomes of aid initiatives have been mainstreamed, sustaining these outcomes beyond the intervention period remains a challenge.

3.2.1 Relevance of AfT to domestic trade and development priorities

Even during the period when ODA funds were being mismanaged, the Philippine government was able to exercise control over aid resources. This is because the Philippines is good at setting and articulating its development strategies, which it communicates through the MTPDP, a government expenditure planning tool, and the accompanying MTPIP, a priority listing of investment programmes.

The MTPDP and MTPIP translate the country's development agenda into strategies, policies, programmes and activities. The MTPDP's overarching goal is inclusive growth and poverty alleviation. It should be noted, however, that trade development is not among the 10 goals explicitly identified in the MTPDP for 2011-2016. The MTPDP recognized that "(a)fter decades of trade reform, the industrial structure is now fairly undistorted by subsidies and heavy protection."[47] However, the expansion of trade is an expected outcome of promoting the industry and services sectors and transforming agriculture and fisheries into a competitive and sustainable sector – both are among the goals stipulated in the MTPDP. Trade-related reforms are, however, necessary to achieve these goals. As a result, AfT initiatives that relate to investments in physical infrastructure, transparent and responsive governance, raising productivity and improving efficiency of the productive sectors are still deemed relevant to the country's development priorities.[48]

Besides the MTPDP and the MTPIP, some implementing agencies have their own master plan or framework for evaluating funding proposals and determining projects to pursue. For example, the Department of Agrarian Reform (DAR) follows a framework that utilizes participatory planning in identifying projects to support agrarian reform beneficiaries. The Department of Public Works and Highways (DPWH) has a listing of priority areas requiring roads, bridges, flood control, water resources and other public works, while the Department of Environment and Natural Resources (DENR) periodically draws up a list of flagship programmes and multi-year projects. In some cases, the priorities are offshoots of previous initiatives, but the projects identified are often based on the agency's mandate or the needs of its constituents.

3.2.2 National-level coordination and stakeholder involvement

To ensure that only initiatives consistent with the national development strategies and priorities are funded, all projects tapping into ODA resources must go through the lengthy evaluation and approval process of the DBCC or ICC,[49] as described in Section 2.5. This process checks on the project's technical and economic feasibility and consistency with the national development strategy. While the process has its merits, some poorly designed projects still manage to pass the DBCC or ICC screening. The process can also be so frustratingly slow and tedious that it upsets an agency's programmes, delays the delivery of essential public services and consequently undermines aid effectiveness.

The government also asserts its leadership on aid flows through the Philippine Development Forum (PDF). Co-chaired by the WB, the PDF is a venue for continuous dialogue among donors, government agencies, business groups, NGOs, members of Congress and academia concerning development issues and policy concerns.[50] The aim is to form a consensus among stakeholders on the actions needed to move the development agenda forward. The PDF is also an avenue for generating commitments from donors to support activities listed in the MTPDP that the government is unable to implement on its own, owing to fiscal budget limitations.

Since the interests represented in the PDF are as broad as its membership, the concerns explored in the forum are also wide-ranging, so that trade is only one of many priorities. In recent years, much attention has been given to the country's ability to meet the Millennium Development Goals (MDGs). Hence, aid resources are directed heavily towards poverty alleviation, health and primary education and only tangentially to enhancing trade capacity.

3.2.3 Mainstreaming

Given the process of vetting AfT initiatives, it is not surprising that a good number of these initiatives are mainstreamed into national policies, laws and programmes. Several of these initiatives are worth noting.

First, EMERGE's technical assistance and policy advocacy work are widely credited for promoting the use of the Roll-on, roll-off (RORO) system that lowered inter-island transport costs. The initiative resulted in a law that mandated the upgrading of existing ports to make them RORO-capable and the conversion of more private ports into commercial ports.

Second, the AGILE programme was responsible for a series of legislative reforms that translated the Philippine's obligations under the Uruguay Round into domestic law. Among the laws enacted were the Countervailing Duties Act (RA 8751), the Anti-Dumping Act (RA 8752), the Retail Trade Liberalization Act (RA 8762), the Safeguard Measures Act (RA 8800), the Customs Valuation Law (RA 9135), the Plant Variety Protection Act (RA 9168) and the Optical Media Act of 2003 (RA 9239).

The Philippine's accession to the RKC in 2006 and subsequent ratification of the instrument of accession by the Philippine Senate in 2010 are milestones for which both EMERGE and LINC-EG programmes have claimed credit. These programmes also succeeded in inducing the DA to adopt the harmonized import clearance and inspection system, which was a product of several technical assistance activities.

What guarantees the mainstreaming of the initiatives? An independent evaluation of the TRTA 2 surmised that political buy-in is key to the mainstreaming of some of its initiatives into the regular activities of the DTI. That buy-in was demonstrated by the deep involvement of the Deputy Trade Minister in the programme. The evaluation report also noted that in the other components of the programme, where the heads of the implementing agencies were less involved in the activities, much less mainstreaming was achieved.

3.2.4 Sustainability

Mainstreaming increases the odds, but does not guarantee, that the reforms espoused by the aid initiative will continue and trade capacity will be sustained after the intervention period. The past AfT initiatives impart some important lessons about sustainability.

First, it is essential to have a reform champion in the beneficiary agency to ensure that the legacy or outputs of the aid initiative are preserved and harnessed. This is aptly illustrated by the Philippine Global Trade e-learning Programme (PGTEP) - capacity-building assistance to the DTI established under the EMERGE programme. PGTEP's goal was to educate broad members of society, particularly in the government, business sector, civil society and academia on issues concerning international trade and negotiations. Although the initiative was initially launched in the National Capital Region, there was provision to replicate it in other places in the country. EMERGE had made provision to sustain the initiative by contracting another government agency, the Philippine Trade Training Center (PTTC), to oversee its implementation post-EMERGE. Unfortunately, the PGTEP was discontinued shortly after the EMERGE programme, because the DTI could not provide the required financial resources to sustain it. This would not have happened if the DTI leadership had considered it worthwhile to sustain the programme. But, as there was no one to champion the initiative and mobilize internal resources to sustain it, the programme was abandoned when the aid flow ceased.

Other aid initiatives are sustained when there is sufficient public clamour for their continuance. A case in point is the Standards and Conformance portal that was developed under TRTA 1 and followed through under EMERGE. The portal disseminates information on Philippine standards, as well as those of its trading partners, and solicits comments from stakeholders on any proposed new standard or changes in existing ones. Because of public demand for the services provided by the portal, the DTI was compelled to use the agency's internal resources to sustain it.

Sustainability is also almost assured when the change sponsored by the aid initiative is written into law, as this allows the public to demand its continued application. Many reforms last only as long as their proponents remain in a position to enforce them. Interestingly, reforms embodied in laws that were crafted because of AGILE support withstood several changes in government administration. Among them is the use of the transaction valuation system in the BOC, where frequent changes in leadership have made it difficult for reforms to hold up.[51]

Another important element to sustainability is providing the implementing agency with human resource capacity to carry on the initiative beyond the period of assistance. Most technical capacity-building programmes of USAID and the EU, for example, have standard provisions for the post-aid scenario, i.e., the activities are designed to ensure sufficient transfer of know-how from project consultants (foreign or local) to government personnel who are expected to continue the initiative. For example, the WB-supported technical assistance to automate the customs cargo clearance system practically built the information technology (IT) unit of the BOC, so the system developed by the project consultants could be turned over to the BOC. The technology transfer enabled BOC staff to run and manage the system on its own. Nonetheless, many of the trained personnel subsequently left the BOC, because of more attractive pay in the private sector. It is this problem of quick turnover of trained personnel that continue to scourge many aid-funded technical assistance programmes and undermine their sustainability.[52]

Finally, technology is also a factor that could work for or against sustaining an initiative, but for which no adequate provision could be made by either the donor or the government. On one hand, technological changes can render an AfT-developed system obsolete, thereby undermining its value. On the other hand, new technology can lower the costs of carrying out the change started by an AfT initiative. For example, the customs automated system, which is a product of aid initiatives in the 1990s, had to be replaced because technological changes rendered many of its control features obsolete. However, new technologies have also made it possible for the BOC to continue the automation of the cargo clearance system on its own, since the costs of doing this have fallen substantially. It should be noted, however, that the BOC was in a way compelled to raise local resources to maintain and upgrade the automated system since their clients would not have tolerated a reversion to the manual system.

3.3 Alignment

The articulation of national development strategies and priorities – a prerequisite for ownership – is just one part of the aid-effectiveness equation. Another part is inducing donors to align their assistance to these strategies and priorities and to the country's institutions and procedures. The indications point positively to donors' efforts to make aid initiatives supportive of Philippine development strategies and priorities. And although until recently, donors continued to use their own procurement systems, this was largely owing to weaknesses in the national system. The important point is some donors, at least the major ones, have demonstrated a willingness to help upgrade the quality of the country's system so they could be compatible with their own.

3.3.1 Alignment with national development strategies and priorities

The donor's principal instrument to align their aid initiatives with the country's development strategies and priorities is the Country Assistance Programme (CAP). Currently, 10 bilateral and 4 multilateral donors have CAPs. The main thrusts or priority areas of these programmes are outlined in Annex IV.

Significantly, trade development is not listed as a priority area except in the EU's CAP. But, it must be emphasized that this should not be taken to mean that the aid initiatives are not supportive of trade. Indeed, the support may be indirect but nonetheless substantial.

For example, the Power Sector Development Program (PSDP), co-financed by the ADB and the Japan Export-Import Bank (JEXIM)[53] spanned from 2007 to 2010 and was meant to sustain the achievements of power-sector restructuring and address the critical challenges facing the power sector.[54] Raising the efficiency of the power sector removes a key obstacle to the country's ability to trade, i.e., high power costs, as Philippine rates are the second highest in the region, next only to Japan's. The high cost of electricity has also been blamed for the country's declining competitiveness against its Asian neighbours.

Another critical yet indirect support to trade is the huge assistance channelled to road construction and maintenance. The local business sector often points to poor infrastructure, especially the dismal state of roads and bridges, as key constraint to growth and trade. While the stated objective of a road project may be to disperse economic activity and reduce rural poverty through an efficient transport network, projects of this nature are appropriately considered supportive of trade.

Similarly, while assistance to agrarian reform communities is ostensibly a poverty-alleviating measure, its long-term impact is to empower these communities to engage in trade. The Solar Power Technology Support for Agrarian Reform Communities (SPOTS), for example, sought primarily to improve the socioeconomic conditions of agrarian reform beneficiaries in un-energized and off-grid agrarian reform communities (ARCs). Yet, the project was part of an integrated support for agricultural, social and community development. That is, it was not limited to providing electricity; it also raised agricultural productivity and diversified the ARCs' production base.

In sum, these aid initiatives are addressing major weaknesses in the country's capacity to trade while ostensibly supporting the overarching goals of poverty alleviation and inclusive growth in the Philippine development plan. Contrary to views of some civil-society groups that donors are pushing their own agendas through aid, major donors at least are keen in aligning their assistance with the country's development plan. This is evidenced by the fact that Japan has recently commissioned a team to evaluate its CAP's consistency with Philippine development strategies and priorities. The move was followed by the EU, which also subjected its development cooperation framework from 2000 to 2009 to independent assessment to determine its actual contributions to the country's goals and MDG targets.[55]

3.3.2 Use of country systems

While donors strive to align their assistance with the country's development strategies and priorities, many of them have avoided using country systems during project implementation. One should note, however, that if the country systems were reliable and of high quality, there would be no reason for donors not to rely on them for efficiency reasons. But, often this is not the case. Most recipient country systems are weakened by institutional problems. As a result, donors build separate systems or use their own, particularly in project implementation and procurement. The Paris Declaration, however, encourages donors to help improve, rather than supplant, country systems. The rationale for this is to strengthen the recipient's capacity to develop, implement and account for its policies to its own citizens.[56]

Concretely, some donors require aid recipients to set up a project implementation unit (PIU) that would operate independently of existing local organisation during the term of the initiative. The intention for this is often to shield the project implementation from problems and weaknesses in local organisation. Yet, it could create several problems as well. First, an external PIU undermines the capacity of the aid recipient in managing the activities that directly affect it and sustaining them when external funding ends. Second, it weakens the accountability of the recipient for the outcomes of the initiative and correspondingly their incentives to ensure the initiative's success. Third, because the employment of personnel in the PIU is coterminous to the aid, they are normally paid much more than the permanent staff in the local organisation, which then distorts the local salary structure and engenders resentment among staff members. The ideal set-up is to integrate the PIU into the existing structure of the aid recipient in order to avoid these problems and ensure the initiative is mainstreamed in the recipient's regular functions. However, if the current organisation of the recipient needs to be reformed or lacks the technical capacity to implement the project, the donor may be compelled to use a parallel PIU in order not to compromise the project implementation.

The OECD (2008) reported that in 2007, about 33 donors established parallel PIUs for assistance they provided to the Philippines.[57] This is no longer the practice, as most implementing agencies have set up their own PIUs to handle aid-funded initiatives. In some agencies, like the DA and BOC, one project management office (PMO) is set up for every foreign-assisted project. In others, like the Department of Interior and Local Government (DILG) and the DPWH, one PMO handles a cluster of projects. Still, in other agencies, such as the Department of Transportation and Communication (DOTC), a central PMO implements all foreign-funded projects.[58] In the DENR and the DAR, where one PMO is assigned to one project, an oversight unit or office was formed to coordinate all PMOs. Regardless of the set-up, the implementing agencies determine the personnel to be engaged in the PMO. They could be regular staff of the agency - the DA, Philippine National Railways (PNR) - or contractual personnel and consultants - National Irrigation Administration (NIA) - or a combination of regular and contractual staff (the DAR, the DENR and the DOTC). Contractual personnel are usually hired, because the technical expertise required by the project is absent among regular staff. Since the set-up is not viewed as being created at the behest of the donor, the regular staff members do not take exception to working with non-organic personnel for the duration of the project.

Table 3.5. Project Implementation Arrangements in Selected Agencies

Arrangement	Implementing Agency
Project-based	
- One PMO per project	DA, DAR, DepEd, DENR, DOH, DPWH, DSWD, DTI, LLDA, NIA, North Rail, BOC
- One PMO per cluster of projects	DILG, DPWH, DOTC
With supervising unit with the agency managing the PMOs	BIR, DA, DAR, DENR, DBP, DepEd, DOE, DOH, DOST, DTI, LLDA, LBP, LWUA, MWSS, NIA

Source: Table 2.1, CY 2011 ODA Portfolio Review Report, p. 8.

Nonetheless, many donors follow their own procurement processes, which are not aligned to the Philippine government procurement system, despite recent reforms in the latter. In 2010, the NEDA conducted a limited survey of ODA projects to determine the extent of donors' use of their own procurement systems as opposed to the national system. It reported that less than one-third of aid-assisted projects followed the Philippine government procurement system (Table 3.6). Donors tend to use the country system selectively, i.e. depending on the nature of the procurement. Some donors adopt the Philippine system in contracting for civil works, but not in procuring consultancy services and goods. An example is the WB, which was found to have used its system in all 16 projects requiring consultancy services that were monitored by the NEDA. At the same time, the ADB and the JICA favoured using their own procurement systems for goods, but followed the Philippine system for civil works and consulting services. Overall, the procurement processes applied to two out of three ODA-funded projects were not consistent with the Philippine government system. This may change in the near term, because of the recent initiative to harmonize donors' procurement systems with the Philippines' through the HPBD (as discussed in Section 2.5).

Table 3.6. Number of ODA Projects Following the Government Procurement System

Type of Procurement	ADB/OFID	JICA	WB	Others[1/]	Total
Civil Works	1 of 1	8 of 10	1 of 3	0 of 2	10 of 16
Consulting Services	4 of 11	1 of 1	0 of 16	2 of 49	7 of 77
Goods	0 of 9	0 of 2	12 of 36	19 of 19	21 of 70
Total	5 of 21	9 of 13	13 of 55	21 of 70	48 of 159

[1/] China, Saudi Fund, Korea EDCF, Spain, IFAD
Source: Annex 6-C, 2010 ODA Portfolio Review.

3.4 Donor coordination

Perhaps the brightest spot in aid management in the Philippines is the government's success in engaging donors, implementing agencies and other stakeholders in continuous dialogue concerning nearly all matters affecting aid effectiveness. Two efficient platforms for such dialogue are the annual ODA portfolio review led by the NEDA and the PDF as discussed in Section 3.2.2.

The portfolio review process is a product of the 1996 ODA Act, directing the NEDA to conduct an annual review of the implementation of all aid-funded projects. This was motivated by the need to improve the economy's absorptive capacity for aid – a goal that remains relevant to date. Over the years, the review process has improved substantially in both scope and depth. Beyond mere reporting of outcomes and outputs of projects, the review relates the results of projects and programmes to sectoral goals. Cross-cutting implementation problems are not just identified, but also solutions are explored. The donors and implementing agencies participating in the review process are expected to agree on and commit to actions that would address these problems. The review also tracks the actions actually taken by concerned entities during the year to the commitments made in the previous year. The report generated by the review process eschews the need for individual project review that donors customarily prepare. A recent addition to the menu of outputs generated by the review is the alert system, which calls attention to problematic projects and those falling behind schedule.

An important outcome of this continuous dialogue between donors and implementing agencies is the HPBD mentioned in the previous section. HPBD are geared toward resolving recurring procurement issues and encouraging donors to use the Philippine government procurement system. The PDF sub-working group on procurement provided substantial inputs into the formulation of the HPBD.

The synergies created by the portfolio review process and PDF have encouraged donors to undertake coordinated missions and joint studies. In a survey conducted among donors in 2010, the UN, Germany and the WB are reported to have participated in more coordinated missions than other donors. Germany had the highest ratio of coordinated to individual missions at 3 to 1. The ADB, the UN and AusAid undertook more joint studies than other donors. Of the 21 studies conducted by the ADB in that year, 19 were undertaken jointly with other donors.[59]

In 2010, the three major donors, namely, the ADB, the JICA and the WB, launched a joint analytic work (JAW) with the NEDA with the view of fast-tracking solutions to problems hampering aid delivery. Phase I, undertaken in 2010, examined the causes of start-up delays and bottlenecks in funds flow. Phase II, completed in 2011, identified the factors associated with the success and sustainability of projects.

The JAW initiative is not meant to be short-term or limited to the three donors concerned. Rather, the intention is to turn it into a regular activity as well as a consultative process with stakeholders. The JAW team identifies the issue to study, consults the implementing agencies on their experiences and views on the issue and, together with the agencies, forms an action plan to address the issue. The recommendations are then brought to a body consisting of oversight agencies (the DOF, the COA, the DBM and the NEDA, among others) called the Forward Action Support Taskforce (FAST), which takes the lead in soliciting support from concerned entities to implement the plan.

For example, the JAW Phase I identified that one source of delay in starting up projects is the procurement process, owing to the voluminous documentary requirements involved. The recommendation is to allow advance procurement to enable new projects to start their preparation for procurement even before they receive final approval from the ICC. This recommendation has yet to be accepted by the ICC, but the NEDA, acting as secretariat to the JAW team, already reported "substantial progress" in this effort.[60]

Another recent initiative by some donors to improve coordination of their assistance is to harmonize their policies and procedures in engaging project contractors. In April 2010, several multilateral development banks (MDBs) signed the Agreement for Mutual Enforcement of Debarment Decisions, which stipulates that sanctions imposed by one MDB binds other signatory MDBs.[61]

For all these exchanges and coordination among donors, a surprising recent development is the apparent overlap in two major forthcoming technical assistance programmes: the TRTA 3 of the EU and the Trade-Related Assistance for Development (TRADE) of USAID. The objectives of the two programmes are strikingly similar. TRTA 3 aims "to contribute to the Philippines' integration into the international and regional trading and investment system, thereby strengthening economic development, inclusive growth and poverty reduction."[62] TRADE's stated purpose is more specific: "to contribute to higher growth by supporting reform measures to advance the country's commitments under the Association for Southeast Asian Nations (ASEAN) Economic Community (AEC) Blueprint, which outlines concrete targets for establishing a single market and production base in the ASEAN region by 2015, and to improve the Philippine readiness in joining other free trade agreements such as the Trans-Pacific Partnership (TPP) agreement."[63] And, as shown in Table 3.7, there are clear overlaps in their scope of work.

Table 3.7. Components of EU TRTA III and USAID TRADE Programmes

USAID TRADE		EU TRTA III	
Component	**Target IA**	**Component**	**Target IA**
Policy and institutional environment for trade and investment	DTI	Trade policy development	DTI
Improvement of competition environment	DOJ	Competition policy development	DOJ
Trade facilitation	BOC	Trade facilitation	BOC
Outreach and advocacy activities in support of government's trade agenda	DTI	National quality infrastructure	BPS*
		SPS conformity	DA
		Rapid response facility	Business groups

**BPS is under the DTI.*
Source: USAID (2011) and EU (2011).

Both programmes will be managed by the DTI – which is a departure from the set-up of previous trade-related assistance where the NEDA acted as overall coordinator.

To be sure, much work remains to be done to upgrade the capacity of trade-related institutions, which the TRTA and TRADE are rightly seeking to address. Nevertheless, it is a cause for concern that these two programmes are providing significant resources to the same institutions at the same time. Already, the DTI, the BOC and the DOJ are swamped by almost all forms of assistance from various donors. Their capacities to absorb additional resources are already in question. Moreover, big-ticket programmes, such as these can engender donor dependency among beneficiary agencies.[64]

3.5 Limitations on Absorptive Capacity

The low "burn rate" observed in many aid projects is often ascribed to the limited absorptive capacity of government agencies. Yet, the problem of slow utilisation of aid funds is more vexing than the inability of the target beneficiary to meet the schedule of disbursing aid funds. More often, what is perceived as limitation in the beneficiary's absorptive capacity is a result of complex institutional issues.

Table 3.8 reveals the extent of underutilisation of aid resources based on the profile of ODA loans that were outstanding as of the end of 2011. Except for some loans on productive capacity, the disbursement rates (i.e., actual disbursements as a proportion of target disbursements for the year) are less than 100 percent. Since disbursements on most projects are based on progress billing, this suggests that the target outputs are not being achieved on time. Another indication of project delays is the gap between the age of the loan relative to the target implementation period (i.e., "time elapsed") and funds utilisation rate (i.e., total disbursements as a percentage of total aid commitments). A more than 100 percent time-elapsed rate means that the loan has remained outstanding beyond the target implementation period of the project. If the project is on schedule, the age of the loan would be closely tracking the length of implementation, and the difference between time elapsed and utilisation rates would be negligible.[65] It appears, however, that the problem is no more serious with respect to AfT as it is to other forms of ODA. The average disbursement rate of AfT loans on economic infrastructure (74.6 percent) is just about the same as that of non-AfT loans (75 percent). The difference between time elapsed and utilisation rates in the former (51.9 percent) is just about the same as in the latter (53.7 percent). But, underutilisation of aid seems less a problem for loans to productive capacity, which have an average disbursement rate of 110 percent in 2011[66] and a smaller difference between time elapsed and utilisation rates (36 percent) compared with other loan types.

Table 3.8. Measures of Underutilization of Aid, 2011 (in percent)

	Disbursement Rate (DR)	Utilisation Rate(UR)	Time Elapsed (TE)	TE - UR
AfT loans				
Econ. infrastructure	74.6	55.2	107.1	51.9
Productive capacity	110.3	63.0	90.6	36.0
AfT average	85.4	58.6	106.7	51.0
Non-AfT loans	75.0	54.6	108.5	53.7
All ODA loans	80.1	56.7	107.6	52.3

Source: Authors' calculation using NEDA database

What is causing the delays in project implementation and hence sluggish utilisation of funds? In some projects, the implementing agency did not have the required personnel, infrastructure or counterpart fund to implement the project. This led to the cancellation or reduction in scope of some activities under TRTA 2, for example.[67] In most cases, however, the implementing agency did not have full control over the forces or situations causing the delay, such as right-of-way issues in infrastructure projects; the passage of laws that the donor stipulated as preconditions for the release of funds; intervention by politicians in the design and actual implementation of the project; peace and order problems in the beneficiary area; and delayed delivery by the LGUs of their counterpart resources. Delays have perennially scourged development projects, and attempts to resolve or mitigate them are not in short supply. Still, there are no quick fixes. The right-of-way problem is a case in point; it may be caused by a land valuation dispute, incomplete tenurial documentation or high transaction costs for property and land titling, all of which are beyond the usual scope of aid support.

Where the release of aid funds is contingent on the passage of a law, it is even more difficult to ensure timely disbursements. On the one hand, a law gives some degree of permanency to a reform that the aid intervention aims to effect, thus it is understandable that a donor would insist on it. On the other hand, the executive government agency implementing the project does not usually have enough clout over the legislative body to see through the passage of a law. Consequently, some project activities are postponed or cancelled, because the requisite laws are not passed. For example, in the EMERGE project, capacity-building activities to make Philippines customs comply with the terms of the RKC were put aside, owing to delays in the Philippine Senate's ratification of the country's accession to the convention. The Senate ratification came in 2010, two years after the end of the EMERGE project. At the present juncture, five years since the conclusion of the EMERGE project, Congress has yet to pass the requisite laws enabling the obligations of the Philippines as a contracting party to the RKC.[68]

3.6 Coherence with Environmental Sustainability

Starting with MTPDP 2011-2016, the Philippine government has pushed for the integration of disaster risk reduction (DRR) and climate-change adaptation (CCA) in the development planning process. Apart from providing a general framework for managing environment and natural resources, DRR and CCA are to be mainstreamed in programmes on industry and services, agriculture and fisheries, infrastructure, social development, and even peace and security.

The mainstreaming of CCA is spurred by the development of the Philippine National Framework Strategy on Climate Change 2010-2022, which classifies climate-change initiatives as either mitigation or adaptation.[69] Together with the Framework Strategy, the MTPDP aims to attract loans specifically designed to support climate-change initiatives. The incorporation of DRR is long overdue. Because of its geography and poor record of environment management, disaster incidence in the Philippines has been extremely high. It has, in fact, earned the title of the most disaster-prone country in the world, based on statistics compiled by the Belgian-based Center for Research and Epidemiology of Disasters. And, the disaster record of the Philippines has been worsening – from an average of 8 disasters a year from 1900 to 1990, to 10 disasters a year since 1991.

How are the social objectives of DRR and CCA consistent with enhancing trade capacity? To be sure, the impact is largely indirect, but it could be significant in the long-term. The promotion of climate-responsive agriculture, for example, should eventually translate into a more competitive agricultural sector that is less exposed to the vagaries of nature. In the same vein, increasing the uptake of alternative fuels should make businesses less vulnerable to the price gyrations of traditional fuels and hence more competitive in the global market.

Among the 187 AfT projects initiated between 2006 and 2011, 12 loans and 30 grants, or a total of 42 projects, are determined to have components dealing with climate change. Of this number, 17 projects have an adaptation component; 19 have a mitigation component; and 4, both adaptation and mitigation components. The projects are listed in Annex IV. The next table shows that USD 995 million in AfT grants and loans contracted between 2006 and 2011 are aligned with the environmental goals in the MTPDP. This represents nearly 19 percent of the USD 5.3 billion total AfT funds obtained during the period.

Table 3.9. AfT Initiatives Addressing Climate-Change Adaptation and Mitigation, 2006-2011 (values in US$ million)

	Adaptation	Mitigation	Adaptation & Mitigation	Total
Net Commitments (loans)	217.60	657.60	19.30	894.50
Amount of Grants	85.26	13.66	1.77	100.69
Total	302.86	671.26	21.07	995.19
% of Total AfT Loans	4.55	13.75	0.40	18.70
% of Total AfT Grants	15.07	2.41	0.31	17.79
% of Total AfT	5.66	12.55	0.39	18.60

Source of basic data: NEDA

That nearly one-fifth of AfT funds support projects that are environmentally sustainable is a decent record considering that the initiative to mainstream environment objectives in aid projects started only recently. One may expect to find in the near term an increasing share of AfT projects with pro-environment objectives. For instance, the EU is stepping up its support to the Philippine government in the implementation of policies and regulations related to clean energy and energy efficiency, including the Renewable Energy Act of 2008, through its SWITCH-Asia Programme.[70]

3.7 South-South Cooperation

The substantial cuts in the flow of ODA and AfT from DAC economies at the start of the millennium[71] was somewhat alleviated by the acceleration in the flow of aid from China. Between 2002 and 2007, China channelled USD 5.4 billion in ODA to the Philippines, which was substantially more than the assistance it provided to Vietnam and Burma, amounting to USD 3.4 and 3.1 billion, respectively.[72] Since the ODA was mainly directed to economic infrastructure, it can be regarded as AfT.[73] Yet, apart from magnitude and timing, China's AfT to the Philippines is significant in several ways.

First, coincident with the increase in aid flows is the rapid growth in trade between the two countries. Philippine exports to China grew almost eightfold between 2001 and 2012, while its imports from China multiplied more than 10 times during the same period.[74] The extent aid flows contributed to this bi-directional trade expansion is, however, unclear. Second, as China itself is a developing country and continues to receive aid from DAC members, the relationship between China and the Philippines is viewed as one of South-South development cooperation, purportedly different from the relationship between a developed country donor and a developing country recipient. The former is seen as more beneficial to a Southern country, as it is perceived to be driven by solidarity rather than clientelism.[74] Third, while DAC donors condition their assistance on the recipient country's espousal of political and economic reforms based on market liberalism, China's assistance is presented as "unconditional" to the extent that it does not require the recipient country to commit to any reform or principle.[76] Finally, apart from the absence of conditionalities, China's loan funds are reportedly offered at more attractive terms than those provided by traditional sources.[77]

Nevertheless, it is arguable whether China's AfT to the Philippines can be materially distinguished from aid provided by traditional sources. Like ODA from DAC donors, China's aid is comprised mostly of loans and only marginally of grants. Thus, less than 1 percent of China's ODA to the Philippines between 2003 and 2008, amounting to USD 3.7 billion, was in the form of grants. By comparison, the share of grants in the total ODA during the same period of multilateral agencies, such as the ADB and the WB were 2 percent and 7 percent, respectively, and of bilateral partners, like Japan and Korea, 0.5 percent and 4.2 percent, respectively.[78] Moreover, like other aid sources, China imposes commitment fees on unexpended loans, as can be gleaned from Table 3.4 above.

Recently, two major infrastructure projects involving China's ODA to the Philippines were the subject of Congressional inquiry, owing to allegations of anomalous procurement. It was reported that the contract for the North Rail Project was awarded to a Chinese company without competitive public bidding, in violation of the Philippine government procurement law. In addition, the feasibility study for the project, which the NEDA normally prepares, was instead prepared by the company that won the contract. There were also allegations of corruption in the awarding of the supplier's contract for another project that aims to deploy a national broadband network linking all government agencies.

It has been observed that China's delivery of assistance to the Philippines is not different from its practices in Cambodia and Burma where there is "no substantial and programmatic consultation among the peoples affected by their projects … as if [the] development projects are concerns of the governments (donor and recipient) alone."[79] As a result, some of the projects funded by China's ODA have been criticized for not being responsive to the more pressing needs of the target beneficiaries. An example of this is a project attempting to link public schools nationwide using satellite technology, even as the requirements of these schools are more basic, such as classrooms and books.

In view of the foregoing, it appears difficult to claim that AfT from China fits the South-South Development Cooperation paradigm. There is no evidence to argue that China's AfT is not as much motivated by national interest as aid from traditional sources. And, while the traditional donors' self-interests are tempered by their commitments to the international aid agenda, such as the Paris Declaration for Aid Effectiveness, China has yet to subscribe to the same principles.

3.8 Impact at the Macro Level

The lacklustre performance of Philippine trade[80] stands in stark contrast to its neighbours. While

Philippine trade has beengrowing by about 8 percent a year since the 1990s, the trade of Indonesia, Malaysia, Thailand and Vietnam has beenincreasing by double digits.[81] The upshot is that the Philippines export of goods and services in 2011 was only about a quarter ofthe exports of Malaysia and Thailand, and less than one- third of those of Indonesia. Even more alarming is how far the Philippines has fallen behind some emerging economies. In 2000, total Philippines exportsweremore than twice those of Vietnam. But, in just a decade, Vietnam's exports swelled up, and are now 54 percent more than the Philippines.How it is possible for an economy that only recently integrated in the global marketto overtake the Philippines, which has a much longer record of market reform,isvexing.

Table 3.10. Export Performance of the Philippines Compared to its Neighbours (values in US$ billion)

	Goods and Services		Services		Ave. growth rate (goods & services)		Exports as % of GDP	
	2000	2011	2005	2011	2000-5	2006-11	2000	2011
Indonesia	67.6	222.9	13.5	21.4	7.6	14.5	41.0	26.3
Malaysia	112.4	263.6	19.7	36.0	7.6	7.6	119.8	91.6
Philippines	41.6	69.7	7.0	16.5	2.7	4.1	51.4	31.0
Thailand	82.0	266.0	19.9	41.6	9.6	11.8	66.8	76.9
Vietnam	17.2	107.6	4.2	8.9	16.4	19.1	55.0	87.0

Source: Online World Bank database.

One factor explaining the comparatively poor trade performance of the Philippines is the lack of diversification of its export portfolio. Since the 1990s, Philippines exports have been concentrated in electronics and garments, which comprise nearly half of total exports, while the rest is made up of primary goods, such as copper and coconut. This concentration seems unlikely to change in the near term. There is no clear articulation in the MTPDP of export diversification as a trade strategy; rather, the plan states a very broad (and ambiguous) strategy of pursuing market access through bilateral, multilateral and regional trade arrangements. Moreover, while the Philippine Export Development Plan for 2011 to 2013 sets an ambitious target of increasing exports by 40 percent of the 2010 level (PHP 120 billion by 2016), the sectors targeted for promotion are those that represent the bulk of current exports, such as electronics, agribusiness and minerals. As government support focuses on so called "export winners," it may not be easy for a new sector to break ranks. Hence, the portfolio is likely to remain concentrated in a few goods, at least in the medium term.

Table 3.11. Major Commodity Exports of the Philippines (values in US$ million; shares in percent)

	1986		1996		2006		2011	
	Value	Share	Value	Share	Value	Share	Value	Share
Electronics	900	19.5	9,988	48.6	29,673	63.8	23,796	49.5
Garments	700	15.2	2,423	11.8	941	2.0	1,448	3.0
Coconut	430	9.3	730	3.6	757	1.6	1,784	3.7
Sugar	76	1.7	140	0.7	98	0.2	390	0.8
Copper	267	5.8	349	1.7	1,315	2.8	1,465	3.0
Gold	112	2.4	55	0.3	50	0.1	214	0.4
Banana	128	2.8	237	1.2	405	0.9	471	1.0
Others	1,991	43.2	6,621	32.2	13,287	28.6	18,504	38.5
Total Exports	4,604	8,186	20,543		46,526		48,072	

Source: BSP for all except 1986 figures which were taken from the Medium Term Philippine Development Plan 1987-1992.

Yet another significant drag on Philippine trade performance is its poor infrastructure. Several surveys conducted among business groups have cited inadequate supply of infrastructure as one of the key constraints to Philippine trade competitiveness.[82] Indeed, compared with its neighbours, the Philippines has done less in addressing infrastructure bottlenecks, as evidenced by the Philippines ranking in the quality of infrastructure by the WEF's Global Competitiveness Index.

Table 3.12. Ranking of Quality of Infrastructure of the Philippines vs. Selected ASEAN Economies, 2012

Quality of	PHL	INA	MAL	THA	VNM
Overall infrastructure	98	92	29	49	119
Roads	87	90	27	39	120
Railroad	94	51	17	65	68
Ports	120	104	21	56	113
Air transport	112	89	24	33	94
Electricity	98	93	35	44	113

Source: World Economic Forum, Global Competitiveness Report 2012-13.

The foregoing comparative statistics suggest that the influence of AfT in upgrading Philippine trade competitiveness has not been palpable. But, is it fair to assess the impact of AfT by these measures?

One should consider that AfT is not the only source of funds for infrastructure development; PPP has become a major alternative source. Therefore, the inadequacies in infrastructure cannot be blamed solely on AfT, three-quarters of which is funnelled to economic infrastructure. In addition, infrastructure development provides only indirect, albeit critical, support to trade – mainly by reducing transport costs, facilitating more efficient movement of goods and services and lowering input costs (specifically energy and communication). It may be able to influence the structure of production but not on its own.

What can directly contribute to export volume and diversification is aid to building productive capacity. But, most initiatives that support the build-up of productive capacity are primarily geared toward achieving social goals, such as poverty alleviation and rural employment. For these projects, trade development is only tangential to social objectives. There is no major aid initiative – in the scale and scope of TRTA – supporting production upgrading and trade diversification. However, a few small sector-focused projects have trade development as their main agenda, but their outcomes are unlikely to affect the aggregate trade performance.[83]

In contrast, aid support to improve trade governance is focused and well-coordinated. The best illustrations are the EU TRTAs and US TCBs that were discussed in previous sections. These initiatives were expected to reduce trade barriers, lower transaction costs, eliminate restrictive rules on business processes and direct investments and strengthen regulation. However, the impact of these reforms on trade, i.e., in terms of export value, will probably not be visible for several years and only when accompanied by robust growth in production. Still, it should be possible to deduce the effectiveness of AfT from several measures of competitiveness related to trade governance shown in the next table.

Table 3.13. Competitiveness Ranking of the Philippines vs. Selected ASEAN Economies in terms of Trade Governance Indicators, 2012 *(out of 143 economies for LPI; out of 132 economies for REI)*

	PHL	INA	MAL	THA	VNM
Logistics Performance Index (LPI)	**52**	**59**	**29**	**38**	**53**
Efficiency of clearance processes by border control agencies	67	75	29	42	63
Quality of trade- and transport-related infrastructure	62	85	27	44	72
Ease of arranging competitively priced shipments	56	57	26	35	39
Competence and quality of logistics services	39	62	30	49	82
Ability to track and trace consignments	39	52	28	45	47
Timeliness of delivery to consignee	69	42	28	39	38
Regulatory Environment Index (REI)	**96**	**49**	**22**	**52**	**82**
Government efficiency	111	50	15	47	80
Domestic competition	107	58	13	70	64
Efficiency of financial market	45	29	8	35	68
Openness to foreign participation	92	98	49	89	108
Openness to multilateral trade rules	76	117	103	108	104
Availability of trade finance	41	43	9	25	86

Source: World Bank (2012) for Logistics Performance Index and sub-indicators; WEF (2012b) for Regulatory Environment Index and sub-indicators.

Evidently the Philippines compares poorly with Thailand and Malaysia in overall logistics performance and regulatory environment indices and most sub-indices, except openness to multilateral trade rules. In government efficiency and domestic competition, the Philippines falls in the bottom quartile. It has close rankings though on many indicators with Indonesia and Vietnam, both of which are low middle-income countries like the Philippines. In fact, the Philippines has the third highest LPI in 2012 among economies in the same income group, behind India and Morocco. More important, the 2012 LPI ranking of the Philippines is an improvement from 2007, when it ranked 65th of 150 countries.

Some positive, albeit marginal, improvements in trade capacity have also been reported. For example, the EU's technical assistance in SPS measures is said to have resulted in the growth of food exports to the EU by almost 15 percent a year between 2003 and 2008. However, the impact was uneven across products; exports of fishery products increased but those of coconut products declined.[84] Overall, the economic impact of EU trade assistance is reportedly "mixed," i.e., neutral on trade but positive on investment.

In a JAW undertaken in 2011 by three major donors (the ADB, the JICA and the WB), aid interventions in the Philippines were found to be generally less successful and sustainable than in neighbouring countries. The results of this exercise are striking and somewhat surprising in light of the prudent management of aid in the Philippines. The ADB reported that only 49 percent of its Philippine projects were successful or highly successful, compared with 93 percent in Vietnam, 88 percent in Thailand, 83 percent in Cambodia, 79 percent in Lao PDR and 64 percent in Indonesia. Such a low success rate is hardly specific to ADB projects, since the JICA and the WB reported similar findings. Only 61 percent of the JICA's projects in the Philippines have been rated successful compared to similar projects in Thailand, 96 percent, and in Indonesia, 82 percent. WB assistance to the Philippines has a 72 percent success rate, below the average for East Asia of 82 percent. Worse, from the JICA's experience, the projects that tend to fail are those that are highly relevant, i.e., well suited to the priorities and policies of the target recipient. These are projects mostly in power and transport.[85]

Not only is the probability of success low, but many of those that pass the mark are not sustainable. The ADB noted that only 58 percent of its projects have sustained the outcomes achieved; the corresponding figures for the JICA and the WB are 67 percent and 70 percent, respectively.

If aid management in the Philippines appears to promote the requisite elements for effectiveness, it bears asking why aid is less successful in the Philippines than in other developing countries. None of the major donors provided a satisfactory answer to this puzzle, but the ADB noted that on failed projects, the intervention instruments were faulty and the set targets were overly ambitious. The ADB also remarked on the weak capacity of the LGUs in implementing projects and sustaining the gains achieved. It surmised that projects implemented by the national government tend to be more successful and sustainable than those implemented by LGUs.

Based on the WB experience, sustainability is higher when the following are present: (i) a strong sense of ownership and buy-in from various stakeholders; (ii) awareness, interest and commitment from civil society; (iii) strong support to continue interventions beyond the project period; and (iv) budgetary resources provided even after project closing.[86] Yet, the first two elements mentioned have been recognized before. In fact, many aid-assisted projects engage the target beneficiaries in all stages – from design to implementation – so they could develop a sense of ownership. The last two elements corroborate the JICA's finding that a key constraint to sustainability is the lack of financial resources of the implementing agencies and beneficiaries to maintain the project activities after the assistance period. But, they raise several issues as well. The most obvious is how long should post-project support continue? How is aid dependency avoided when recipients are given assurances of continuous support? Is the project design faulty when it fails to anticipate and make adequate provisions for post-intervention problems?

The reasons for the low success and sustainability, hence insignificant impact, of AfT in the Philippines appear to be far more complex than the explanations offered by the donors. Indeed, it is because of a combination of weak institutions and poor governance that past assistance has been neglected or poorly targeted. In this case, a macro-level assessment is not very informative, since the relationship between aid and macroeconomic variables, such as trade, employment and investments, is tenuous. A more relevant exercise is to trace the impact of AfT on trade governance, focusing on a sector that has received substantial and continuous assistance from various donors. A sector-level analysis of aid impact eschews the problem of attribution in macro-level assessment, since the outcomes can be directly traced to the aid intervention. Such an assessment would provide a more concrete and contextualized evaluation of the immediate benefits delivered by aid and their sustainability. The next section carries out this micro-level assessment on the BOC.

4. CASE STUDY: AFT INITIATIVES IN THE BUREAU OF CUSTOMS

In recent years, all major trade-related technical assistance initiatives to the Philippines have allocated significant resources to improving customs administration. This is partly spurred by heightened interest among donors in supporting customs reform and modernization, as studies have shown that the benefits from streamlined and transparent customs clearance are greater than incremental tariff reductions.[87] It is especially fitting for countries with liberal trade regimes, like the Philippines, to ensure that this is complemented by trade facilitation at the border.

Yet, apart from the global push for trade facilitation, donor agencies have been particularly attracted to the Philippine BOC. In 2002, the BOC was chosen by the WEF as an example of customs modernisation that could serve as a model for other developing countries. The initiative, tagged as "Trade Enhancement Initiative: e-Customs Modernization Project," aimed to demonstrate the feasibility of modernizing customs through the coordinated flow of development aid and public-private sector collaboration. Multilateral institutions, donor agencies and business and trade organisations were enjoined to provide support for a five-year modernisation programme covering customs administration, operations and infrastructure. In response, the JICA provided assistance to conduct a study that measured the time required to release cargo; this was to provide baseline data against which the impact of subsequent interventions could be measured. Subsequently, the JICA extended a USD 10-million grant to develop a customs data warehouse in support of post-entry audit. The EU committed EUR 1.3 million for upgrading the value reference and risk-management systems and building up the BOC's training resources. Commitments were also received from the ADB, the WB, USAID, the Canadian International Development Agency (CIDA) and Conference of Asia Pacific Express Couriers (CAPEC), among others, to support the 28 projects identified in the modernisation blueprint.

Despite the flurry of external assistance, customs performance remains inadequate and public perception of the agency unfavourable. Substantial investments in the information system and infrastructure in recent years have not delivered an efficient, transparent and predictable cargo clearance system. Instead, it still takes as much time to clear cargos now as it took before these investments. Volumes of studies funded by technical assistance projects produced wide-ranging policy recommendations, of which only a handful were considered, and fewer were carried out. Moreover, institutional reforms were quick to dissipate after external support ended. Yet, in the face of these disappointing outcomes, the major donors have not relented. Indeed, two forthcoming major aid initiatives in the Philippines, namely the EU TRTA III and USAID's TRADE, are again devoting considerable resources to customs for at least the next three years.

Why have years of technical assistance failed to turn the corner for Philippine customs? Is the failure due to shortcomings in aid implementation, or are the forces and conditions frustrating reforms beyond the scope of aid? This case study aims to illuminate this issue.

To be sure, reforming customs in an environment characterized by patronage and rent-seeking is a huge challenge, as even a carefully thought-out and executed plan of intervention can be thwarted by well-entrenched beneficiaries of rent-seeking activity. Addressing major obstacles to the movement of goods created by a labyrinthine, inefficient, and unpredictable cargo clearance system requires a generous amount of resources that is supplied on a continuous and long-term basis. This is why donors who understand the underlying problem persist, despite setbacks and the lack of immediate tangible results. But, even if one suspends judgment on the effectiveness of aid by taking a longer-term perspective, it is still useful to examine what gaps, if any, in the design and delivery of aid could be undermining their effectiveness in facilitating reforms.

The next sections review the major support received by the BOC during the past decade. A brief profile of customs and its mandate puts the discussion of aid impact in context.

4.1 Customs Environment

No agency in the Philippines has been nurtured as much by donors as the BOC. Interventions have covered almost all facets of customs work and have been directed at strategic areas, such as the information system, risk management and human-resource development. Aid comes from various sources and in different forms, ranging from hard- and soft-ware for automation, technical advice, training and building institutions to public advocacy. The broad range of foreign assistance is, nonetheless, tied together by a common objective, namely to enhance the capacity of customs for trade facilitation.

While the Philippines is signatory to a number of trade facilitation and free trade agreements,[88] the stipulated primary mandate of the BOC is still that of a traditional gatekeeper – collecting duties and taxes and enforcing national laws at the border.[89] Trade facilitation is generally considered a secondary, if not incidental, mandate. Accordingly, the performance of the BOC is almost singularly measured by the revenue that it collects on behalf of the national government and whether the target collection has been met or surpassed.

The inordinate focus on revenues (and law enforcement to some degree) is obviously no longer synchronised with the present trade environment. Two decades ago, customs' collections (which include import tariffs, excise taxes, and value-added taxes accounted for nearly two-fifths of government tax revenues. But, with continuous tariff reductions, customs' contribution to national government resources fell sharply to less than one-fifth of total taxes in 2011. The current average tariff is less than 5 percent, and less than half of imports are dutiable, but the revenue target has not been adjusted proportionately.

In principle, facilitating trade and safeguarding fiscal revenues are not opposing goals. It should be feasible to reduce delays and business costs in moving goods across national borders while controls are applied to uphold legitimate regulatory objectives. In practice, pro-trade facilitation reforms are often perceived to be at odds with protecting revenues. For example, there is resistance to reduce physical inspection and to rely more on risk management, since this is thought to weaken controls.

Still, other factors impinge on the customs reform and modernisation agenda. Structurally, customs is under the supervision of the DOF; hence its rules and regulations are subject to the approval of the Finance Secretary. In practice, it is given autonomy in setting rules and conducting its operations, but the DOF must also approve any reorganisation plan.

All customs revenues are remitted to the National Treasury except for proceeds from the sale of pre-numbered trade declaration forms. Customs, therefore, relies on a budget that is set and approved annually by Congress. Budget approval is a highly political process, often requiring the courting of favour from those who wield approving power.

During the past years, the BOC's budget and personnel have been shrinking, largely due to fiscal austerity measures, although automation of customs processes is also a factor. Much of the budget is allocated to personnel salaries (about three-quarters); only a limited amount is allowed for capital expenditures, such as the upgrade of computer equipment. The budget for maintenance and operating expenses is used mainly for building upkeep. Thus, for large capital expenditures, it relies on external resources extended through loans or grants.

Customs personnel are subject to standardised salaries for public employees that are considered too low to attract professional staff, much less discourage corruption. Promotion is based less on performance than seniority, and civil service rules make it difficult to dismiss public servants once they have acquired tenure. These conditions do not allow the BOC to acquire sufficient technical skills demanded by modern customs administration; hence it is dependent on technical assistance, especially for new initiatives.

The head of the BOC, bearing the title of Commissioner, is appointed by the President of the Philippines without a fixed term of office. The absence of security of tenure puts pressure on every BOC head to ensure that the target revenue is collected, since it is the only yardstick used to gauge the agency's performance. It also makes the Commissioner's post political – ordinarily awarded on the basis of one's political affiliation rather than job qualifications. The political nature of the position also sets limits on the reforms the Commissioner can pursue. Unless supported by top leadership, organisational and system changes cannot be too "disruptive" and have to be "acceptable" to most stakeholders.

Implementing reforms is made even more difficult by the fact that authority is, in practice, decentralized to the 15 district collection offices that manage the frontline operations at the ports and sub-ports. District collectors can set their own regulations at their ports of assignment provided these are not inconsistent with the general regulations of the bureau. The adjudication of disputes over assessment of duties and taxes are mostly handled at the district level. Hence, the district collectors are the ones perceived by customs clients to have real power over their business transactions.

There is enough awareness, at least among senior officials of the BOC, about the trade facilitation role of customs. This is reflected in the Five-Year Strategic Plan (2013-2017), which lists facilitating trade "in a secured manner" among its five missions.[90] In practice, however, the attention given to this mission is severely dwarfed by the much higher priority assigned to revenue collection. The incentive structure created by the national government is in large part responsible for the subordination of trade facilitation. In 2005, Congress passed legislation prescribing the establishment of a fund built out of excess revenue collection. The purpose of the fund is to reward divisions, officials and employees that have contributed to the "excess" collection.[91] But, the law also provides that officials and employees may be removed from office if their collection falls short of the target by at least 7.5 percent. While it is arguable whether the application of incentives is effective in raising revenue collection (since targets were actually missed in recent years), it sends a strong signal about the priority of the national government.

The irony is that while the national government continues to grade the performance of the BOC based on its collected revenues, the trade community expects the BOC to facilitate trade better. These expectations are largely unmet, as can be gleaned from the BOC's ranking against other customs administrations in a business survey recently conducted by the WEF. Of 132 countries, Philippine customs was ranked in the lowest quartile in terms of the ease and transparency of customs procedures, although it fares better in other measures.

Table 4.1. Business Sector Perception of Customs Efficiency (rank out of 132 countries; 1 = best)

	PHL	INA	THA	MAL	VNM	SGP
Burden of Customs procedures	118	81	78	25	108	1
Efficiency of import-export procedures	48	38	20	26	54	1
Efficiency of clearance process	66	74	43	29	62	1
Transparency of border administration	117	88	82	42	105	3
Irregular payments in export and imports	123	88	91	42	110	2
Corruption Perception Index	103	82	70	48	91	5
Overall efficiency of Customs administration	62	69	36	47	124	1

Source: Global Enabling Trade Index 2012.

Against this difficult backdrop, donors continue to support, and at times instigate, activities and programmes that could lead to reform and modernization of customs administration. In what follows, the achievements and shortcomings of these initiatives are appraised. The discussion focuses on two major undertakings that are critical to enabling customs to facilitate trade: automation of cargo clearance and institution of a post-entry audit system.

4.2 Automation of Cargo Clearance

The BOC is the first government agency in the Philippines to have set up a nationwide electronic network. This owes largely to the development loan extended by the WB in the early 1990s for the computerisation of the two major revenue collecting agencies, the BOC and the Bureau of Internal Revenue (BIR).[92] Prior to the loan, the BOC attempted several times to automate its processes, but could not go further than automating pockets of services, owing to budget constraints.

The WB loan provided the impetus for the development of an integrated cargo processing system. Dubbed the Automated Customs Operations System (ACOS), it embodied five pro-trade facilitation principles, namely: (i) selectivity or intervention by exception to accelerate the release of goods by treating cargos differently according to assessed risk; (ii) post-entry audit, which defers more detailed verification of the cargo after it is released to the trader; (iii) advance processing, i.e., permitting the clearance process to be initiated even before the arrival of cargo; (iv) client self-assessment, i.e., enabling traders to calculate duties and taxes due on their cargo in order to reduce the discretion that customs personnel can exercise in assessing the liability of the trader; and (v) maximum deployment of electronic data interchange (EDI) to reduce face-to-face transactions between customs personnel and traders in order to reduce opportunities for corruption.

Underlying the ACOS is the Automated System for Customs Data Management (ASYCUDA++), an application developed by the United Nations Conference on Trade and Development (UNCTAD), initially designed for use by least-developed countries in Africa. Significantly, the Philippines was the first developing country to adopt ASYCUDA.

Although ASYCUDA had its own limitations in meeting all the automation requirements of the BOC, it was sufficient to meet the basic objectives of automation. After four years of development (1995-1999), the system was rolled out in district ports. Customs processes were streamlined and harmonized across ports; cargo clearance time was significantly cut down; and face-to-face transactions were reduced, albeit not completely eliminated.

However, the gains from automation were short-lived. An immediate reason was that the WB funds dried up before all customs processes could be automated and rolled out in all district ports. After 1999, the BOC ran out of external funds to tap to complete the automation. Since the regular customs budget had no provision for large capital outlays, it was not feasible for the BOC to complete the development of the system on its own. Consequently, some critical processes remained manual.

Why did the funds turn out to be inadequate for project requirements? The lesson here is typical of many aid-supported infrastructure projects. According to a WB post-implementation project report, the specifications for the system were drawn up in 1992, two years before the actual project implementation, when the technology was still DOS-based. Subsequently, a new technology emerged, i.e., the Windows platform. About 550 nodes and 40 servers had to be upgraded to the new platform. Some 300 request notices for modification had to be accommodated during the course of system implementation. These unforeseen adjustments in the implementation plan resulted in a cost overrun of about 40 percent.[93]

To be clear, the ACOS was not funded by the WB alone. The costs incurred during the period of system development from 1993 to 1999 reached USD 34.7 million. The proceeds from the WB loan amounted only to USD 23 million; thus, the Philippine government had to make up for the difference. During this period, the BOC's regular budget was increased by 15 percent beyond its "normal" level, with the additional allocation earmarked for information system development. After the final disbursement of the WB loan, Congress restored the BOC's budget to its "normal" level, i.e., sans provisions for any major capital spending, despite the fact that the ACOS was only half complete.[94]

Since automated and manual processes had to run side by side, the ACOS did little to eliminate face-to-face contact and other opportunities for private dealings between customs personnel and traders. At the beginning of system implementation, corruption was curbed, but only temporarily. In no time, users of the system quickly "learned" its workings and devised means to circumvent the controls.

Any information system, particularly that of customs, requires continuous upgrading to keep it relevant and prevent its users from learning to work around the controls. But, the BOC's regular budget was not adequate even to maintain the hardware of the system, so the computers and servers were allowed to age past their useful lives. Server breakdowns and downtime became frequent, which served as a convenient excuse for customs personnel to override and manipulate the system.

With controls slipping, the BOC had to impose additional requirements on traders that would have been unnecessary if the system had been functioning well. For example, traders were required to submit hard copies of the cargo manifest, despite the fact that customs was receiving electronic copies from shipping lines and port operators, because the completeness and integrity of the electronic database could not be trusted. Thus, instead of simplifying procedures and minimizing the burden on traders, the BOC's policies had the opposite effect.

When the WEF selected the Philippines as a model case for customs reform and modernisation, the ACOS was in a bad state and clearly needed fixing. Thus, for the first time since the ACOS' development, the national government allotted PHP 500 million (USD 9 million) from its eGovernment fund[95] to support its upgrading. Pooling the resources of donors and the national government, the BOC in 2004 replaced the ACOS with a new system it called "e2M Customs." The plan included migrating to ASYCUDAWorld (AW), an improved version of ASYCUDA++, enabling the system to process trade declarations via the Internet; creating a single-window environment for cargo processing; acquiring new computer hardware and software; improving risk management; automating hitherto manual processes; and developing a management information system. The expected benefits were shorter transaction cycles, plugged revenue leakages and more transparent enforcement of trade regulations.

Except for the migration to AW, much of project's targets were ostensibly achieved. Internet lodgement of trade declarations and electronic processing of payments began in 2009. The National Single Window (NSW) was developed. The frequency of system downtime was significantly reduced by the installation of new hardware and software. The selectivity module was upgraded to enhance risk management. A number of manual processes were automated, albeit some key ones, e.g., handling of temporary imports, are still left out in the system. Finally, the capacity of the system to generate timely management reports was enhanced.

While there are results to show off, the intended benefits have not been delivered. Transaction cycles are not shorter, and enforcement of trade regulations is not more transparent. This is clear from a number of studies that evaluated the progress of automation. Two time-release studies[96] – one conducted in 2003, another in 2010 – show that despite the upgrade in the IT system from the ACOS to e2m Customs, changes in process flows, delegation of some customs functions to private service providers and huge investments in hardware and software, there was still no improvement in release times between 2003 and 2010. More serious were the findings of extremely wide variations in release times, and of “selected” cargos clearing faster on average than “non-selected” ones.[97] They suggest erratic, if not distorted, application of controls, and relate the oft-expressed concern by the business sector about the unpredictability of customs processes.

Old revenue leakages may have been plugged but new ones were created. A recent USAID-funded review of the process flow reveals that even as an import entry typically passes through manual verification 12 times in one division alone and goes through 3 levels of review at the unit handling clearance, an audit of cleared entries could still detect “errors” in no less than half of them.[98] The culprit here is the poor design of the system. Some business processes do not match the IT system, providing a pretext for customs personnel to ignore or work around the system. Consequently, controls are sloppily and unevenly implemented, and revenues are lost with or without complicity of unscrupulous personnel.

There are other factors weighing on the effectiveness of aid intervention. A case in point is the upgrading of the selectivity module that was expected to improve risk management. The initiative, supported by EU TRTA II, was prompted by the very high proportion of cargos that were assessed as high-risk, and yet violations were detected in an extremely small number of these selected cargos. In general, a high selection yet low detection rate is a sign that the risk-based selectivity system is broken.

One source of the problem was the absence of controls in the system that would ensure that customs examiners provided feedback on the results of their inspections. The findings of the examiners were manually recorded, hence difficult to collate for analysis and in any event unlikely to be accurate. There was no mechanism to validate the effectiveness of the selectivity parameters through a matching of cargos selected for examination and those detected with violations. To address this gap, one of the important functionalities introduced by the enhanced selectivity module was the mandatory feedback system from examinations, with risk ratings adjusted automatically based on the examination results keyed in the system.

But, the enhanced selectivity module alone cannot improve risk management. Indeed, the selectivity rate remains high and the detection rate low.[99] The apparent lack of impact of a clearly relevant intervention demonstrates the limits to what IT can achieve, as it cannot fix institutional weaknesses. The practice of risk management in the BOC is highly fragmented, i.e., performed by separate units that are poorly (if at all) coordinated. The enhanced selectivity module has not helped forge coordination among the units managing the selectivity screen, implementing border controls, and performing post-entry audit. No one monitors and evaluates the examination findings logged in the system or checks them against the selection results. In sum, the benefits expected from the enhancement of the selectivity module are lacking simply because the module has not been used as intended.

4.3 Capacity Building for Post Entry Audit

During the late 1990s until the early part of 2000, the other focus of aid flows to the BOC was the institutionalization of post-entry audit, one of the most important reforms in support of trade facilitation. Post-entry audit is used to minimize delays in cargo movement by postponing the thorough review of the trade declaration to a period after the cargo is released to the importer. Besides avoiding extensive border checks, post-entry audit provides an opportunity for customs to assess certain components of dutiable value, such as royalties and commissions, which are difficult to verify at the border.

Although it may appear that the push for post-entry audit came from donors, it should be noted that it is part of the country’s commitment as a member of the WTO.[100] At the onset, donors (mainly USAID and the JICA) provided support on all fronts, i.e., technical studies, training of BOC personnel, policy advocacy and even drafting of legislation. Thus, with much donor backing, the BOC championed the passage of legislation titled "Transaction Value Act" (Republic Act 9135) that affirmed the country's adoption of the WTO transaction value system with post-entry audit as a support mechanism.[101]

Upon the creation of an Interim Post Entry Audit Unit (PEAU) in September 2001, the nature of donor assistance turned into capacity building in preparation for the establishment of a permanent unit. USAID, in particular, fielded consultants to design the organisational structure of the permanent unit, draft the audit manual and formulate guidelines for screening, selecting, and recruiting personnel. The latter was meant to ensure that only professional staff would be hired, considering the critical nature of the tasks.

The proposed organisational structure was accepted and contained in the President's Executive Order 160 creating the Post Entry Audit Group (PEAG). Senior officers of the PEAG were appointed in March 2003, and as suggested by the technical assistance, a Board of Examiners was created to handle the recruitment of personnel.

From 2003 to 2006, the BOC was left on its own to carry out the plan for organizing the PEAG. Problems emerged as initial plans were not adhered to. For example, in the selection of personnel, there were major deviations from the recommended staff recruitment system. Political interference was believed to have gotten in the way of the recruitment plan. The audit manual was not followed; instead, audit operations were sporadic, at certain points interrupted by private sector protests about the voluminous data requested by the auditors. Meanwhile, some PEAG personnel were reassigned to other units in the bureau; others were given concurrent assignments. During this period, PEAG did not complete a single audit.[102]

By November 2006, a new head of the PEAG had to be appointed in response to the clamour of the private sector and the group's lacklustre performance. The Voluntary Disclosure Programme (VDP) was launched to provide importers a non-punitive facility for correcting honest errors in entry declarations. The VDP could have been an effective scheme for encouraging compliance, except that it was treated instead as a mechanism to generate revenues for the bureau, using considerably fewer resources than a full-scale audit.

It is worth underscoring that at the outset, the PEAG was always considered another revenue collecting unit in the BOC. A revenue target is, in fact, assigned to the PEAG, just like other frontline units. Although the BOC and the donors collaborated to create the PEAG, they do not share a common vision for the group. The individuals who have headed the PEAG consider the conduct of post-entry audit as an extension of the customs enforcement authority inside the borders, where previously the exercise of such authority was limited to the border. The trade facilitation mandate is lost to past and present heads and members of the group. Instead of working toward reducing border checks and promoting compliance, the group makes use of post-entry audit to chase erring traders and uncollected duties.

Nonetheless, there was a resurgence of aid flows to the PEAG in 2006, which allowed the group to rewrite its audit manual and document its core business processes. A training needs analysis was conducted and used as the basis for designing seminars and training sessions sponsored by various donors. Several PEAG personnel were sent on study trips to Japan and other ASEAN countries. Yet, none of these activities have been effective in changing the mindsets of PEAG members concerning their mandate.

A dramatic improvement in the PEAG's revenue collection coincided with the revival of aid infusions. In contrast to not completing a single audit during its first three years of operation, the PEAG reported conducting 121 audits and collecting PHP 356 million (about USD 8.3 million) duties and taxes in 2010 alone. Its performance in 2011 was even better, generating almost 40 percent more collections from fewer audits (103 companies).

Having maintained a stable number of audit completions annually, the PEAG has managed to keep up with its revenue targets. Some may consider this as evidence of aid success. It should be noted, however, that the application of controls at the border has not changed. From a trade facilitation perspective, the true measure of the PEAG's effectiveness is the extent to which post-entry audit reduces the need for detailed checking of cargos at the border. On this count, aid has failed. Up until now, all audits are enforcement-oriented, targeted at collecting revenues, without regard for the trade facilitation objective.

4.4 Synthesis

AfT at Philippine customs has helped produce a new information system and institutionalize modern control and security procedures. However, these outcomes have not achieved the ultimate objective of simplifying procedures to facilitate trade. Considered against this goal and the significant amount of resources used, AfT has not been effective.

The trade community continues to have a generally negative perception of Philippine customs as shown by the most recent WEF survey. A decade ago, when ACOS was in disarray, Philippine customs ranked far behind Thailand and Malaysia in the same indicators.[103] This is still the case.

This assessment recognizes that the effectiveness of AfT to customs is particularly difficult to ensure, as any intervention must deal with the complex dynamics of corruption and well-entrenched patronage systems in government.[104] Those who are threatened or adversely affected by reform would resist, frustrate or undermine it. Most donors are well aware of this difficulty and have designed their interventions to address the problem. The automation of cargo clearance, for instance, is seen as more than an efficiency measure; it is also a means to foreclose opportunities for customs personnel to exercise discretion that fosters corruption. Unless automation could help put a lid on corruption through transparency and accountability features, it cannot raise the efficiency of customs processes.

Since 2004, a series of technical assistance projects from different donors have helped the BOC diagnose the extent of the corruption problem and formulate a viable plan to resolve it. The outcome is an Integrity Action Plan (IAP)[105] that sets forth concrete strategies and activities to deal with corruption on all fronts. A system of rewards and penalties was established to strengthen its implementation.[106] However, the plan never took off because of frequent changes in BOC leadership (six times in the last eight years).

Past donor interventions in the BOC represent a series of missed opportunities, as previous customs leaders did not harness aid to reduce corruption. The interventions could have been used as a platform for implementing reforms; the automation of cargo clearance and the formation of the PEAG are clear examples. Instead, at the end of donor support, the systems and mechanisms that were set up either fell to neglect or were allowed to be co-opted. Many recommendations that could weaken the patronage system were passed over, since they were politically difficult to implement.

Despite limited gains, donors' enthusiasm to support customs has not waned. This appears to be driven by the perception that prospects for reform are better now, given the moral ascendancy of the current President and Customs Commissioner. The government should, nevertheless, understand that the current thrust of aid intervention is in priming customs for its trade facilitation role. Although it may not seem aligned with the persistent perception of customs as a revenue collector, revenue collection and trade facilitation are not irreconcilable objectives. However, putting revenue targets ahead of all else has prevented customs from pursuing real reforms in the past.

To guard against policy flip-flopping and ensure the continuance of reforms past the period of aid intervention, it is important to elicit stakeholders' involvement in the reform process. This may not be an easy task, however, since many in the trade community have already opted to coast along rather than resist corruption and patronage. Yet, for aid intervention to be effective, given the difficult challenges to implementing institutional reforms, it is essential to draw in as much public support as can be gained. A strong public advocacy campaign to gain maximum support for reforms should be considered in the design of AfT programmes and projects.

5. CONCLUSION

This paper assessed the effectiveness of AfT in the Philippines. It examined the nature, design and delivery of aid initiatives in terms of the elements of aid effectiveness suggested in the Paris Declaration and by the AfT Task Force. The broad findings are generally positive, particularly on ownership, alignment, donor coordination and coherence with environmental sustainability. Much of the credit belongs to the institutions and processes for managing aid the country has developed and nurtured since the 1990s.

Concretely, the Philippine government has done well in engaging a broad spectrum of stakeholders in defining its development agenda and strategies. As the country's development priorities are well articulated, donors are compelled to align their initiatives to these priorities. The Philippine government has also institutionalized structures and systems for coordinating the initiatives of various development actors. A good number of outcomes of aid initiatives are mainstreamed into national policies and programmes as a result, although sustaining them beyond the period of aid intervention poses some difficult challenges.

However, the Philippines presents a paradox in which the requisite elements for aid effectiveness are in place, but the expected gains from aid, namely enhanced capacity to trade, have not been evident in its export performance and comparative measures of trade competitiveness. Indeed, the Philippines lags behind its neighbours in trade performance and governance, despite having a more open trade regime and persistent pursuit of market reforms.

Where is the snag? To be sure, there is no expectation that AfT alone can empower a country to trade or attain competitiveness.[107] A country's ability to participate in the global trading system hinges on a wide array of economic and social factors – not all are within the reach of aid obviously. More important, aid is meant to supplement, not supplant, local development efforts. And, given the stage of Philippine development and the alternative resources that it can tap to pursue its trade agenda, it appears that the most important role of aid is to instigate improvements in trade governance. By no means is it incidental that the best planned and coordinated AfT to the Philippines are the TRTAs and TCBs that were focused on improving the quality of trade policies and regulation and their implementation.

For this reason, the assessment of AfT effectiveness needs to go beyond the generally accepted elements of aid effectiveness. As the customs case study showed, the presence of the elements for aid effectiveness can help in achieving desired outcomes, e.g., the automation of cargo processes, but does not guarantee the realisation of desired impacts, namely effecting institutional reform to lower trade costs and consequently expand trade.

To understand why aid-assisted reform can fail to produce the desired improvement in trade governance, one must look into the political economy of reform. Any reform measure would have its opponents and advocates. Most stakeholders vacillate on either side as the two contending groups vie to win majority support that could determine whether a reform measure could be implemented, mainstreamed and sustained. In general, only measures that have earned a high degree of political acceptability are sustained. Thus, while a measure may be implemented and even mainstreamed, it can be overturned if those opposed to it gain the edge among stakeholders.

It is encouraging to note that a considerable number of AfT-assisted reforms to enhance trade capacity have been enabled by law, as this suggests that AfT has somehow found its way into the politics of trade reform in the Philippines. A reform measure written into law is more difficult to reverse; hence, it stands a better chance of being sustained. But, realizing the expected impact of reform is far more complex, as it is affected not only by how the measure is implemented and benefits are shared, but also by the external environment.[108]

Against this backdrop, the design of AfT programmes and projects should take into account the political economy of trade reform in the country. This can be done in a number of ways. First, a strong advocacy campaign for the reform measure is indispensable, since the weight of public support for the measure matters. This means that an aid initiative should set aside sufficient resources to make the public not just aware, but invested in the reform measure.

Second, making the flow of aid contingent on the legislation of the reform measure may be desirable in some cases, since its status as law makes it relatively difficult to be reversed or undone by forces opposing it. Although this may delay implementation, the passage of a law requires the concurrence of many other sectors, not just the agency implementing the initiative. Thus, it is a way of strengthening country ownership of the aid initiative.

Third, it is important to ensure that the leadership in the recipient organization will champion the reform beyond the life of the aid initiative. Many initiatives are successful in delivering the target outputs, but quickly fade as soon as the flow of aid ceases, owing to a lack of sponsorship within the recipient organisation. Of course, frequent changes in leadership in the recipient organization, as in the case of the BOC, makes it doubly difficult to sustain the reform.

Fourth, stipulating organisational reforms as a precondition for the flow of aid may be expedient to ensure that aid resources are not wasted or lost to corruption. The WB, for example, has stipulated "substantive reorganisation" within the implementing agency (DPWH) as a requirement for continued support to a major road improvement initiative.[109] This may be perceived as aid conditionality; yet, it is necessary to ensure effectiveness. It is, however, important that the development partner preserves the credibility of the stipulated conditions by not yielding on political pressure to disburse aid.

Related to the design of AfT is the need to strike a balance in the allocation of aid to infrastructure, productive capacity and trade regulatory reform. It is said that the country's trade capacity is as strong as its weakest aspect. While nearly three-quarters of AfT are allocated to infrastructure and initiatives on TPR are well targeted and coordinated, aid initiatives to build productive capacity are ad hoc and disparate. The Philippines is like other developing countries where capital formation is low (currently estimated at 19 percent of GDP) because there is not enough appetite for risk-taking in the private sector. Yet, producing and bringing goods to export markets involves taking risks of integrating the various tasks in the supply chain.

Since the Philippines unilaterally liberalized its trade regime in the 1980s, its exports have hardly responded, in levels and span, to expanding opportunities opened up by new regional and multilateral trading arrangements. Exports remain concentrated in electronics and garments; the latter were even adversely affected by the end of the Multifibre Arrangement in 2005. The upshot is that few jobs are being created in export-oriented sectors, including agriculture.

One factor that stifles the growth of the export sector, despite a liberal trade environment, is the high transaction cost faced by micro to medium-sized enterprises in organising, producing and bringing goods and services to export markets. A number of past AfT projects attempted to address this bottleneck by facilitating the formation of industry clusters, linking domestic producers to foreign markets and transferring new product and process technologies to assist in export diversification. But, in these projects, the government assumed the responsibility of integrating the supply chain,[110] which is unfortunate, because when the government takes the lead in an otherwise pure market activity, private stakeholders tend to expect it to provide subsidies in either production or marketing of goods and services. The initiative becomes unsustainable as private producers become dependent on public dole-outs rather than learning to compete in the actual market. The current situation then presents a challenge in designing AfT that could build up the capacity of small-scale private producers to participate in the supply chain. A potential modality of assistance is providing matching grants to private businesses or NGOs, which could in turn support marginalized farmers, fisher folks and micro-enterprises in creating sustainable livelihoods. This would help in the development of supply chains that the country needs to upgrade its overall trade capacity.

In sum, while not discounting the importance of elements of aid effectiveness espoused in the Paris Declaration and by the AfT Task Force, the Philippine case brings into focus the political and economic elements of trade reform, which can limit aid effectiveness despite the presence of the requisite elements. The important lesson that the Philippine experience contributes to the discourse is that for AfT to be an effective trade enabler, it must also be effective in catalysing institutional reforms to improve trade governance.

ENDNOTES

1 OECD/WTO (2011). India and Vietnam received the largest commitments and disbursements of AfT.

2 The Sixth WTO Ministerial Conference in Hong Kong in December 2005 is marked as the launching date for AfT.

3 This refers to what Collier and Dollar (2002) describe as the “new wave of globalization” that began in the 1980s and is distinguished from the previous waves by the surge in international migration, capital movement and trade in services which allow greater participation of developing countries in the global market.

4 The Philippines is the fourth largest recipient of remittances after China, India and Mexico.

5 The Paris Declaration is an international agreement, endorsed by 91 countries, 26 international organisations and 14 civil society organizations, on the elements that can make aid more effective, namely: ownership, alignment, harmonisations, managing for results and mutual accountability. (OECD, 2005).

6 Recently, remittances of overseas Filipino workers have eclipsed the contribution to ODA in financial flows to the Philippines, although ODA is still larger than net foreign direct investments.

7 These are the activities that typically comprised trade-related technical assistance and capacity building initiatives during the first half of the 2000s (Turner, 2008).

8 WTO (2006).

9 The CRS introduced a “trade development policy marker” to identify the trade-related component of aid on productive capacity building. However, only a minority of donors (13 in 2007 and 21 in 2008, out of 41) are reported to have used the marker (Vijil et al., 2011, p. 12).

10 Vijil et al., 2011, p. 11

11 The coding systems followed by the NEDA and the OECD reflect the different objectives of their databases. The CRS is designed to track commitments and disbursements and is useful in determining if there is additionality in aid, i.e., whether AfT represents fresh funds, not a diversion of resources from other forms of aid. The primary purpose for the NEDA’s ODA database is to monitor the implementation of programmes and projects that are supported by aid.

12 Adhikari (2011).

13 ICTSD has published the country reports for Cambodia, Guatemala, Malawi, Nepal and Peru. As of the writing of this report, similar assessments are being undertaken in Bangladesh and Ghana.

14 WTO (2006).

15 It is necessary to be selective because of time and data constraints. Moreover, not all AfT initiatives could be studied, as many were still ongoing and several had been terminated or suspended for various reasons, such as poor design and suspicion of anomaly. Many of the initiatives were three to five years in duration, so it was either not feasible or premature to assess their outcomes, much less their impacts.

16 Usui (2012) estimated that between 1980 and 2009, Philippine labour productivity grew by only 10 percent (or at an average annual rate of 0.3 percent), while it more than doubled in Indonestia, Malaysia and Thailand.

17 These amounts are deflated to 2010 prices.

18 To the extent that the same remittances ultimately resulted in current account surpluses, the need to resort to structural adjustment loans for purely balance of payments (BOP) purposes has been reduced. A larger factor may be the gradual transition of the country to middle-income status, which lowers its priority ranking in the eyes of donors.

19 CY 2011 ODA Portfolio Review Report, p. 4.

20 Based on NEDA ODA loan sector classification.

21 Specifically, 47 percent of total ODA commitments from 1973-2011 are classified AfT in the CRS database.

22 World Economic Forum (2012), p. 292.

23 As a result, these initiatives are not captured in the OECD CRS database.

24 This is based on the stock of AfT in 2011 using the NEDA database.

25 Particip (2011), p. 49

26 Magkilat (2007).

27 The implementing agencies were the following: (1) the Bureau of Product Standards (BPS) under the Department of Trade and Industry (DTI) for the TBT component, the purpose of which was to enhance exporters' knowledge and market access to the EU and review the regulatory framework on technical regulations, conformity assessment, and certification; (2) the Department of Agriculture (DA), the Bureau of Fisheries and Aquatic Resources (BFAR) and the Philippine Coconut Authority (PCA) for the SPS regulations component, to enable Philippine exports to meet the sanitary, health and environmental standards of the EU market, make exports of fish and coconut products safe, as well as strengthen inspection and enforcement measures through a risk management system; (3) the Bureau of Customs (BOC) for customs reforms aimed at reducing clearance time and improving collections through risk management; and (4) the NEDA, DTI Bureau of International Trade Relations (BITR) and the BOC for building the capacity to implement WTO agreements.

28 TRTA 2 had four components, namely (1) trade policy and export development, with DTI, to develop and implement a coherent and effective international trade strategy; (2) standards harmonization and SPS conformity, with DTI – BPS and Philippine Accreditation Office, and DA – BFAR, Bureau of Animal Industry (BAI), National Meat Inspection Service (NMIS), and the PCA, to facilitate compliance with international standards for selected product and service exports; (3) trade facilitation, with the BOC, to enhance efficient movement of traded goods; and (4) a rapid response facility to enable public and private entities to respond efficiently to emerging unforeseen problems and international trade issues. The beneficiaries of the latter were the Department of Justice (DOJ), the Department of Labor and Employment, the DA, the Intellectual Property Office, the Professional Regulation Commission, and the BOC.

29 Other projects that had trade-related objectives include theGrowth with Equity in Mindanao (GEM), the Credit Policy Improvement Project and the Microenterprise Access to Banking Services programmes, The Asia Foundation (TAF) cooperative grant to implement its Economic

Hub programme, and the World Council of Credit Unions to implement the Credit Union Empowerment and Strengthening Project. It managed as well a Millennium Challenge Account - Philippine Threshold Programme (MCA-PTP), of the Millennium Challenge Corporation (MCC), a US government corporation also in the business of providing technical assistance. The MCA-PTP provided assistance for customs reforms and tax administration improvements at the Bureau of Internal Revenue.

30 The programme name was later changed to the Economic Growth Technical Assistance (EGTA) following a Philippine Senate inquiry into its activities.

31 DAI (2004), several pages.

32 EMERGE is one of three projects that are guided by a common Policy Advisory Committee (PAC). These projects fall under the USAID Targeted Interventions for Economic Reforms and Governance (TIERG) Program. The EMERGE contractor coordinated its work with and supported the work of the two Filipino institutional grantees, namely the Ateneo de Manila University Consortium for the Economic Policy and Reform Advocacy (EPRA) Project and the De La Salle University/Angelo King Institute-PHILEXPORT Group for the Partnership and Advocacy for Competitiveness and Trade (PACT) Project.

33 Mindanao is one of the three major island groupings in the Philippines. Three of its six regions are the poorest in the country. Until recently, both donors and the Philippine government have been criticised by ODA observers for the perverse geographical distribution of ODA in favour of richer regions. In 2002, for example, less than 8 percent of total ODA was allocated to Mindanao. The recent focus of development assistance to Mindanao is however seen less as an effort to address past inequities in the geographical allocation of aid than by donors' geopolitical interest to quell Muslim insurgency in the area through economic development.

34 What is covered in this report are the activities of LINC-EG with TCB content.

35 The industrial zone was targeted to be used by a Korean shipping company for shipbuilding, but the investment plan was aborted because of the global financial crisis.

36 A USAID cooperative grant with TAF continued this activity after LINC-EG focused its work with LGUs, regional offices of national government agencies, and the BOC. TAF worked on infrastructure, competition in the transport sector and land titling.

37 See Tsuda and Deocadiz (1986) and Yokoyama (1990), cited in Tadem (2007).

38 The key purpose of this law is to exempt loans that qualify as ODA from the application of an older law setting a limit on the foreign debt the President of the Philippines can enter into (Republic Act 4860).

39 See, for example, Rivera (2000) and (Monsod (1992).

40 Past leaders used ODA as a slush fund to dispense favours to their political allies. The law aims to prevent this by making the President accountable for the flow of aid.

41 These pertain to the aspects of AfT outlined in the ICTSD-SAWTEE methodological framework.

42 Just as simultaneous movement in two variables does not establish a relationship between them, it cannot be inferred that resources intended for non-AfT activities are diverted to AfT simply because the flows are simultaneous and opposite each other.

43 This was the case for the WB-financed Bicol Power Restoration Project. The project involved repair and replacement of electricity transmission infrastructure in areas affected by Typhoon

Reming in 2006. The loan was signed in May 2008. Because of the emergency nature of the project, retroactive financing of 80 percent of the loan amount was allowed, i.e. the loan financed retroactively up to USD 10 million of eligible expenditures paid for by the national government 12 months before the loan was signed. Accelerated procurement procedures were employed, and loan conditionalities were kept to the minimum to avoid delays. (WB, 2009)

44 This refers to programmes and projects outstanding as of December 2011. In the past, some TPR initiatives were in the form of loans, including the acquisition of container x-ray machines by the BOC.

45 There is a third project in the MCC portfolio, which is not AfT; hence, it is not considered here. Titled “Kapit-bisig laban sa Kahirapan”, the project aims to build the capacity of the Department of Social Welfare and Development in delivering comprehensive and integrated social services.

46 The NEDA undertook a review of the commitment fees paid in 2009 and 2010 to establish whether the size of the fees is influenced more by implementation delays than by cost of financing. The result was inconclusive. In 2010, two-thirds of the total commitment fees could have been avoided if there had been no implementation delays, but in 2009, the same proportion was attributable to the cost of financing (ODA Portfolio Review 2010, p. 31).

47 NEDA (2010), p. 27.

48 In preparing the MTPDP and the MTPIP, the NEDA conducts consultations with the legislature, executive agencies, LGUs, the private sector, NGOs and civil society. The plans are drafted, submitted for comment to the NEDA Board and Legislative-Executive Development Advisory Council (LEDAC), revised and finally submitted to the President of the Philippines, who then presents the final form to Congress.

49 The ICC covers projects of the public sector costing PHP 300 million and above that result in new capital formation regardless of financing, public sector projects with foreign borrowing of at least USD 5 million, private sector projects that seek concessional ODA financing under on-lending arrangements and/or national government financing guarantees, including build-operate-transfer (BOT), build-own-operate-transfer (BOOT) and build-transfer (BT) projects, and others as determined.

50 The dialogue is built around eight thematic areas: (i) the MDGs and social progress; (ii) growth and investment climate; (iii) economic and fiscal reforms; (iv) governance and anti-corruption; (v) decentralisation and local government; (vi) sustainable rural development; (vii) Mindanao; and (viii) infrastructure. Each area is handled by a working group that is convened by a government agency as lead and a development partner as co-lead.

51 See discussion in Section 4.

52 The rapid turnover of trained personnel is a different problem from the inadequate technology transfer from foreign consultants to locals alluded to in AfT assessments in other developing countries, such as Nepal. The latter is a less serious concern in the Philippines, perhaps because of a larger pool of technically skilled local consultants. Moreover, the Philippine ODA Law of 1996 clearly stipulates that “in the hiring of consultants, contractors, architects, engineers, and other professionals necessary for a project’s implementation, Filipinos shall be given preference” (Section 11c).

53 JEXIM is now known as the Japan Bank for International Cooperation (JBIC).

54 The specific programme objectives were to: (i) ensure the long-term financial viability of the power sector and ensure the debt-service capacity of the Power Sector Assets and Liabilities Management Corporation (PSALM) during its corporate life; (ii) reinforce the reliability of transmission systems to ensure system integrity; (iii) play a catalytic role for the privatization of the National Power Corporation (NPC); (iv) ensure proper functioning of the newly established Wholesale Electricity Spot Market (WESM) through appropriate application of credit enhancement; and (v) improve the capacity and competence of the Energy Regulatory Commission (ERC) to efficiently and effectively regulate the restructured power sector in a manner that engenders public trust and confidence in the system. (ADB, 2010)

55 ODA Portfolio Review 2010, p.58.

56 OECD (2008), p. 44-8.

57 OECD (2008), p. 44-9.

58 2007 ODA Portfolio Review, p. 2

59 2010 ODA Portfolio Review Report, p. 56.

60 CY 2011 ODA Portfolio Review Report, p. 55.

61 CY 2010 ODA Portfolio Review Report, p. 56.

62 EU (2011), "Terms of Reference: Trade Related Technical Assistance Programme 3" (DCI/ASIE/2011/023-158), p. 4.

63 USAID (2011), "Terms of Reference: TRADE", Section C: Description/Specifications/Statement of Work," p. 1.

64 The TRTA 3 has a budget of EUR 8 million, while the USAID-TRADE project has an estimated project cost of USD13.0 to 13.5 million. Both projects have a timeframe of about four years.

65 For instance, a loan with a term of 10 years is expected to support a project to be implemented in 10 years or less. If on schedule, at the fifth year of the loan, the project should be 50 percent implemented and the funds should be 50 percent utilized.

66 A more than 100 percent disbursement rate suggests that some of the disbursements in the current year pertain to those that were scheduled in the previous years.

67 Analysis for Economic Decisions, p. 23

68 The proposed Customs and Tariff Modernization Act (CTMA) would have made the Philippine law RKC-compliant.

69 The National Framework Strategy on Climate Change defines mitigation as strategies aimed at "facilitat(ing) the transition towards low greenhouse gas emissions for sustainable development," while adaptation refers to "building the adaptive capacity of communities and increasing the resilience of natural ecosystems to climate change."

70 Besides DDR and CCA, the Philippine development plan is mainstreaming other social objectives, such as human rights and gender responsiveness.

71 See Section 2.3.

72 Landingin (2010), cited in Garcia (2012).

73 Among the major infrastructure projects funded by the government of China are the following: (i) Banaoang Pump Irrigation Project (USD 35 million); (ii) General Santos Fish Port Complex Expansion/Improvement Project (USD 25 million); (iii) Agno River Integrated Irrigation Project (USD 89 million); (iv) the North Rail Project, Phases I and II (USD 900 million); (iv) the Non-Intrusive Container Inspection System (USD 150 million).

74 UN COMTRADE data shows that Philippine exports to China increased steadily from USD 792 million in 2001 to USD 6.2 billion in 2012. Similarly, China's exports to the Philippines increased dramatically from USD 1.6 billion to USD 16.7 billion within the same period.

75 Tandon (2008), cited in Garcia (2012).

76 Tadem (2007).

77 The financial terms of the North Rail Project was reported to consist of 3 percent annual interest, with a 5-year grace period and 20 years maturity.

78 See Table 3-1 of Kang (2010).

79 Garcia (2012), p. 9.

80 Trade is measured here in terms of export of goods and services only since it is highly correlated with imports.

81 Specifically, total exports of Indonesia, Thailand and Vietnam grew at average annual rates of 11.1 percent, 11.2 percent and 19.6 percent, respectively.

82 The WEF's Business Survey 2012 ranks "inadequate supply of infrastructure" after "corruption" and "inefficient government survey" among the most important constraints to doing business in the Philippines.

83 Two recent examples are JICA grants to the Negros silk industry (USD 0.67 million) and to small- and medium-sized coffee producers.

84 Particip, p. 51

85 CY 2011 ODA Portfolio Review Report, p. 57.

86 CY 2011 ODA Portfolio Review Report, p. 57.

87 For example, a study by the Asia-Pacific Economic Cooperation (APEC, 1997) found that the impact of trade facilitation, such as streamlining of customs procedures, exceeds that of trade liberalisation, i.e., tariff reduction. Trade facilitation was estimated to increase real GDP in APEC member economies by 0.26 percent, while the gain from trade liberalization was only about half of this, or 0.14 percent. A more recent study by Hoekman and Nicita (2010) confirms the importance of trade facilitation.

88 In June 2010, the Philippines acceded to the RKC, becoming the 70th contracting party to the Convention. Under the Philippine-US Trade Facilitation Partnership (PUSTFP), the Philippines pledges to work towards a 48-hour cargo processing time. And as member of ASEAN and APEC, the Philippines is also committed to the trade facilitation initiatives of these groups.

89 The Tariff and Customs Code of the Philippines, last revised in 1999, defines the functions and powers of BOC as follow: "collecting custom duties, taxes and the corresponding fees, charges and penalties, accounting for all customs revenues collected, exercising police authority for the enforcement of tariff and customs laws, preventing and suppressing smuggling,

pilferage and all other economic frauds within all ports of entry, supervising and controlling exports, imports, foreign mails, and the clearance of vessels and aircrafts in all ports of entry administering all legal requirements that are appropriate, preventing and prosecuting smuggling and other illegal activities in all ports under its jurisdiction, exercising supervision and control over its constituent units, and performing their functions as may be provided by law."

90 Earlier versions of the Strategic Plan (starting with the plan for 2001-2004) include trade facilitation among the missions of BOC, though it is significantly always listed third after efficient collection of revenues and effective enforcement of Customs law.

91 Republic Act 9335, otherwise known as the Lateral Attrition Act, was promulgated in January 2005. It applies also to the BIR.

92 The multi-million dollar loan was for the Philippine Tax Computerization Project, with the BIR and the BOC as beneficiaries. About USD 27 million went into customs automation.

93 Bhatnagar, S. (2001) "Philippine Customs Reform," www1.worldbank.org/publicsector/egov/philippinecustomscs.htm.

94 See Abrenica, M. J. V. (2005). It should be mentioned that the local business sector also made sizeable contributions to the development of the ACOS. For example, the Bankers Association of the Philippines (BAP) donated the payment server and work stations, while the Philippine Chamber of Commerce and Industry (PCCI) built the gateway linking customs to its clients.

95 The creation of the eGovernment fund was provided for by the Electronic Commerce Law (Republic Act No. 8792 passed in 2000. This law mandated all government offices to transact business with the public and perform its functions electronically within two years from its enactment. Thus, government agencies are required to accept documents and payments, and to issue permits and licenses through electronic mediums. The eGovernment fund was created to support this undertaking.

96 See UPecon-Society for the Advancement of Technology Management in the Philippines (2003) and UPecon-Center for Advancement of Trade Integration and Facilitation (2011). Both reports were commissioned by the JICA.

97 Selected cargos are those assessed by the system as "high-risk," hence requiring more detailed customs verification before being cleared for release to trader.

98 Observation made by Robert Holler, USAID consultant, in an evaluation of the cargo clearance system under the USAID-BEAM project, April 2012.

99 Of nearly 12,000 import entries processed in the Port of Manila in February 2011, 85 percent were selected, but only 5 percent had reported violations (e.g., undervaluation and tariff misclassification).

100 Specifically, Article VII of the General Agreement on Tariffs and Trade (GATT).

101 RA 9135 was promulgated in April 2001.

102 Gaticales, Uvero and Madamba (2005), "Customs Audit Performance and Capability Assessment" USAID EMERGE SAF Task 2.1.3.1, March 2005.

103 See Table 5.13 of Abrenica and Tecson (2003).

104 The patronage system often runs up to the top echelons in the political system. Corruption creates a disconnect in the principal-agent relationship between the government and the bureau, where rent-seeking politicians in league with BOC personnel co-opt and privatize the state's prerogatives in the enforcement of trade laws and regulations. See de Dios, E. (2000) and MSI (2006).

105 Mall, Robert (2008) "BOC Integrity Action Plan," MCA-PTP-TAP, March, 2008

106 Mendoza, Heidi (2010) "Support for Implementation of Integrity Action Plan," KE7 Mission Report, TRTA 2, June 15, 2010.

107 There is no claim that AfT is required for an export sector to flourish. This issue has been brought forward in light of the growth of the business process outsourcing (BPO) exports of the country. The BPO sector is believed to have emerged on its own, i.e., without direct assistance from the government or foreign sources. While BPO is indeed largely a private initiative, it bears looking back at the market liberalisation and regulatory reforms in the telecommunications sector in the 1990s that provided the impetus to the sector. In early 2000, the spread of voice-over-Internet protocol (VOIP) technology and changes in regulation defining VOIP as a value- added service strengthened competition in the telecommunications sector and lowered communications costs. These reforms made investments in BPO viable. It is also worth noting that USAID's EMERGE programme provided technical support to the regulator that was instrumental in defining VOIP as a value-added service.

108 Economic shocks, such as the global economic recession in 2008 for instance, could delay the realization of the benefits from the reform, which opponents of the measure could use to their advantage.

109 World Bank (2008).

110 Under the Philippine law, all ODA funds must be channelled to a government entity, hence the role of the government even in projects that aim to build the productive capacity of the private sector.

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ANNEX I. LIST OF AFT LOANS IN THE PHILIPPINES, 2011 (IN US$ MILLION)

No.	Loan Title	Development Partner	Implementing Agency	Signing Date	Net Commitment	Classification	
						NEDA	OECD
1	Southern Philippine Irrigation Sector Project	ADB	NIA	29-Oct-99	50.0	AARNR	PC
2	Infrastructure for Rural Productivity Enhancement Sector	ADB	DA	4-Feb-02	65.2	AARNR	INFRA
3	Agrarian Reform Communities Project II	ADB	DAR	4-Mar-09	70.0	AARNR	PC
4	Philippine Energy Efficiency Project	ADB	DOE	28-May-09	31.1	INFRA	INFRA
5	Financial Market Regulation and Intermediation Program	ADB	DOF	27-Jun-11	200.0	ITT	PC
6	DPWH Bridge Construction Acceleration Project for Calamity-Stricken Areas	Austria	DPWH	24-Jun-08	31.8	INFRA	INFRA
7	Banaoang Pump Irrigation Project	China	NIA	27-Jun-02	35.0	AARNR	PC
8	NorthRail Project Phase 1 Section 1	China	NLRC	13-Sep-04	400.0	INFRA	INFRA
9	Northrail Project Phase I, Section II	China	NLRC		500.0	INFRA	INFRA
10	Agno River Integrated Irrigation Project	China	NIA	1-Feb-10	89.2	AARNR	PC
11	Mega Bridges for Urban and Rural Development	France	DPWH	29-Oct-08	203.4	INFRA	INFRA
12	TulayngPangulo Para saKaunlarang Pang-agraryo Project	France	DAR	19-Mar-09	313.3	INFRA	INFRA
13	Greater Maritime Access (GMA) Ports	France	DOTC	26-Jul-09	204.9	INFRA	INFRA
14	Help for Catubig Agricultural Advancement Project Stage I	GOJ-JICA	NIA	23-Jan-02	67.4	AARNR	PC
15	Rural Road Network Development Project III	GOJ-JICA	DPWH	25-Sep-01	80.2	INFRA	INFRA
16	New Communications, Navigation and Surveillance/Air Traffic Management Systems Dev't	GOJ-JICA	DOTC	21-Feb-03	285.2	INFRA	INFRA
17	Urgent Bridges Construction Project for Rural Development	GOJ-JICA	DPWH	24-Sep-02	235.8	INFRA	INFRA
18	Arterial road Bypass Project I (Plaridel and Cabanatuan)	GOJ-JICA	DPWH	29-Jul-04	80.5	INFRA	INFRA
19	Central Mindanao Road Project	GOJ-JICA	DPWH	30-Apr-04	40.9	INFRA	INFRA
20	Agrarian Reform Infrastructure Support Project III	GOJ-JICA	DAR	15-Apr-08	152.6	AARNR	PC
21	Logistics Infrastructure Development Project	GOJ-JICA	DBP	24-Dec-09	392.9	INFRA	INFRA
22	Agriculture Credit Support Project	GOJ-JICA	LBP	23-Mar-10	188.9	AARNR	PC
23	Road Upgrading and Preservation Project	GOJ-JICA	DPWH	21-Jul-11	523.6	INFRA	INFRA
24	Rural Micro-Enterprise Promotion Programme	IFAD	DTI	31-Oct-06	18.6	ITT	PC

No.	Loan Title	Development Partner	Implementing Agency	Signing Date	Net Commitment	Classification	
						NEDA	OECD
25	Second Cordillera Highland Agricultural Resource Management Project	IFAD	DA	14-Nov-08	26.6	AARNR	PC
26	Rapid Food Production Enhancement Programme	IFAD	DA	9-Nov-09	15.9	AARNR	PC
27	Laguindingan Airport Development Project	Korea	DOTC	19-Jun-98	92.2	INFRA	INFRA
28	Northrail-Southrail Linkage Project	Korea	PNR	16-Mar-05	50.4	INFRA	INFRA
29	Widening of Gapan-San Fernando-Olongapo	Korea	DPWH	27-Mar-06	22.3	INFRA	INFRA
30	Gapan-San Fernando-Olongapo Road Project, Phase II	Korea	DPWH	20-Oct-09	28.4	INFRA	INFRA
31	Bacolod-Silay Airport Access Road Project	Korea	DPWH	20-Oct-09	13.1	INFRA	INFRA
32	Laguindingan Airport Air-Navigation System and Support Facilities Supply Project	Korea	DOTC		13.3	INFRA	INFRA
33	Second Cordillera Highland Agricultural Resource Management Project/OFID	OFID	DA	4-Feb-09	10.0	AARNR	PC
34	Agrarian Reform Communities Project II/OFID	OFID	DAR	4-Mar-09	30.0	AARNR	PC
35	Mindanao Roads Improvement Project	Saudi Arabia	DPWH	2-Apr-06	20.0	INFRA	INFRA
36	Bridge Construction/Replacement Project	Spain	DPWH	10-Feb-10	47.6	INFRA	INFRA
37	Tulayng Pangulo Para sa Magsasaka Project	UK	DAR	6-Dec-06	58.1	AARNR	INFRA
38	Agrarian Reform Communities Development Project II	WB	DAR	4-Jun-03	49.8	AARNR	PC
39	Support for Strategic Local Development and Investment Project	WB	LBP	28-Feb-07	100.0	ITT	PC
40	National Road Improvement Management Project Phase II	WB	DPWH	16-Apr-09	232.0	INFRA	INFRA
41	Agrarian Reform Communities Development Project II (Additional Financing)	WB	DAR	31-Jul-09	10.0	AARNR	PC
42	Rural Power Project (Additional Financing)	WB	DBP	25-Sep-09	40.0	INFRA	INFRA
43	Participatory Irrigation Development Project	WB	NIA	3-Nov-09	70.4	AARNR	PC

Note: NEDA classification: AARNR means "Agriculture, Agrarian Reform and Natural Resources"; ITT means "Industry, Trade and Tourism"; SRCD means "Social Reform and Community Development"; INFRA means "Infrastructure Development"; GID means "Governance and Institutions Development.

OECD classification corresponds to Creditor Reporting System (CRS) codes. PC means "Building Productive Capacity"; INFRA means "Economic Infrastructure"; TPR means "Trade Policy and Regulation".

Source: ODA Portfolio Review 2011.

ANNEX II. LIST OF AFT GRANTS IN THE PHILIPPINES, 2011 (AMOUNT IN US$ MILLION)

No.	Grant Title	Development Partner	Implementing Agency	Grant Amount	Project Start	Classification	
						NEDA	OECD
1	Philippine Energy Efficiency Project	ADB	DOE	1.50	28-May-09	INFRA	INFRA
2	Mitigation of Climate Change through Increased Energy Efficiency and Use of Clean Energy	ADB	DOE	0.93	24-Feb-11	AARNR	INFRA
3	Irrigation System Operation Efficiency Improvement	ADB	NIA	1.00	06-Nov-08	AARNR	PC
4	Rural Community-Based Renewable Energy Development in Mindanao	ADB	NEA	2.00	27-Apr-11	INFRA	INFRA
5	Strengthening Transparency and Accountability in the Road Subsector	ADB	DPWH	1.00	15-Jan-10	INFRA	INFRA
6	Support for the Preparation of the Harmonized Sector Assessments, Strategies & Roadmaps in the Philippines	ADB	ADB PhCO (with GOP as beneficiaries)	0.23	12-Dec-09	GID	PC
7	Strategic Policy Actions for Succesful Structural Transformation and Inclusive Growth	ADB	ADB PhCO (with	0.23	24-Oct-11	GID	TPR
8	SPRMP Provincial Road Management Facility PRMF	AUSAID	DILG	79.14	01-Sep-09	INFRA	INFRA
9	Improving Business Climate	CIDA	IFC (with GOP LGUs	2.12	04-Feb-11	ITT	PC
10	Trade-related Technical Assistance Programme I	EU	NEDA, ECA et al.	4.09	01-Jan-06	ITT	TPR
11	Trade-related Technical Assistance Programme II	EU	NEDA, ECA and	9.19	01-Jan-08	ITT	TPR
12	Increasing Rice Yield and Productivity through the Promotion of Small-Scale Irrigation and Integrated Crop Management Systems in Rainfed Areas (EC Food Facility)	FAO	DA	5.98	01-Oct-09	AARNR	PC
13	Initiative on Soaring Food Prices (ISFP): Increasing Rice Supply in Regions VIII and X by Improving Farmers' Capability through TA Trainings and Demonstration of Rice Production Technologies cum Small-Scale Irrigation Facilities	FAO	DA-BSWM	0.5	01-Dec-08	AARNR	PC
14	Private Sector Development Program Phase 3 (Private Sector Promotion III, Small and Medium Enterprise Development for Sustainable Employment Program)	GIZ	DTI	4.93	01-Oct-10	ITT	PC
15	Greener Business Asia	ILO	DOLE, Social Partners	0.12	01-Jan-10	ITT	PC

No.	Grant Title	Development Partner	Implementing Agency	Grant Amount	Project Start	Classification	
						NEDA	OECD
16	Green Jobs in Asia	ILO	DOLE,NHA, Social Partners	0.1	01-Jan-10	ITT	PC
17	Climate Resilient Farming Communities in Agusan del Norte through Innovative Risk Transfer Mechanism under the Joint Program on the Strengthening the Philippines' Institutional Capacity to Adapt to Climate	ILO	DOLE, DTI, Province of Agusan del Norte	0.6	01-Jan-09	AARNR	PC
18	Follow-Up Research for 2010 TRS	JICA	BOC	0.04	01-Sep-11	GID	TPR
19	Special Assistance for Project Sustainability on Malitubog-Maridagao Irrigation Project	JICA	DA/NIA/ATI	0.16	10-Mar-11	AARNR	PC
20	Data Collection Survey on Agricultural Information Support System with the use of ICT	JICA	DA	0.17	01-Jun-11	AARNR	PC
21	Assistance for formulating strategy and plan for road operation and maintenance	JICA	DPWH	0.11	27-Sep-10	INFRA	INFRA
22	Development Study on Energy Efficiency and Conservation for the Philippines	JICA	DOE	0.24	01-Jan-11	INFRA	INFRA
23	Assistance for formulation on Route Rationalisation and Stabilization Measurement	JICA	DOTC-MIA	0.09	01-Jul-10	INFRA	INFRA
24	Preparatory Study for Metro Manila Interchange Construction Project (VI)	JICA	DPWH	0.53	14-Oct-11	INFRA	INFRA
25	Preparatory Survey for Expressway Projects in Mega Manila Region	JICA	DPWH	1.02	14-Feb-11	INFRA	INFRA
26	Preparatory Survey for PPP Project for Develeopment of a connector road in Manila	JICA	DPWH	1.69	07-Dec-10	INFRA	INFRA
27	Preparatory Survey on LRT Line 2 Extension Project	JICA	LRTA	1.03	01-Jan-11	INFRA	INFRA
28	Preparatory Survey for Expressway Projects in Mega Manila Region	JICA	DPWH	0.00	14-Feb-11	INFRA	INFRA
29	Preparatory Study on New Bohol Airport Construction and Sustainable Environment Protection Project	JICA	DOT/DOTC	0.80	15-Apr-11	INFRA	INFRA

No.	Grant Title	Development Partner	Implementing Agency	Grant Amount	Project Start	Classification	
						NEDA	OECD
30	Rice-Based Farming Systems Training and Support Program for the Autonomous Region of Muslim Mindanao	JICA	PhilRice	1.41	02-Feb-05	AARNR	PC
31	Enhancing the Competitiveness of Fresh and Semi-Processed Agricultural Product Through the Application of Appropriate & Sustainable Packaging Technology	JICA	DOST	0.02	01-Jan-12	AARNR	PC
32	Improving Financial Access of Small Scale Farmers in Mindanao	JICA		0.75	01-Sep-11	AARNR	PC
33	Negros Silk Industry Support Project	JICA		0.67	01-Sep-11	AARNR	PC
34	Planning and Policy Advisor on Agribusiness Development	JICA	DA	0.17	01-Aug-10	AARNR	PC
35	Development and Promotion of Location-Specific Integrated High-Yielding Rice Technologies	JICA	PhilRice	5.54	15-Nov-04	AARNR	PC
36	Irrigators Association Strengthening Support Technical Coopera-tion Project	JICA	NIA	2.37	01-Oct-07	AARNR	PC
37	Planning of Agricultural Policy Resources	JICA		0.06	28-Aug-11	AARNR	PC
38	In-Country Training Program Phase 2: Empowering Farmers Through Capacity Development in Agrarian Reform Communities	JICA	DAR	0.19	01-Dec-09	GID	PC
39	Project for Rural Electrification in Northern Luzon	JICA	DOE			INFRA	INFRA
40	Project for the Study on Airport Strategy for the Greater Capital Region in the Republic of the Philippines	JICA	DOTC	2.42	12-Nov-10	INFRA	INFRA
41	Capacity Development on Transportation Planning and Database Management	JICA	DOTC	1.59	31-Aug-11	INFRA	INFRA
42	System Loss Reduction for Electric Cooperatives	JICA	DOE/NEA	0.37	01-Nov-10	INFRA	INFRA
43	Irrigation Development Planning, Implementation & Operation	JICA	NIA	0.35	16-Jun-10	AARNR	PC
44	Study of Non-Investment Incentive Laws of the Philippines (Phase I)	JICA	DOF	0.05	26-Mar-10	GID	PC
45	Assistance Project on Introduction of Customs Post Entry Audit	JICA	DOF-BOC	0.35	08-Jun-08	GID	TPR
46	Capacity Enhancement of Customs Functions	JICA	DOF-BOC	0.20	01-Aug-10	GID	TPR
47	Expert on the Enhancement of Customs Operation and Intelli-gence Management	JICA	DOF-BOC	0.06	01-Jul-11	GID	TPR

No.	Grant Title	Development Partner	Implementing Agency	Grant Amount	Project Start	Classification	
						NEDA	OECD
48	Philippine Customs Intelligence System	JICA	DOF-BOC	1.55	21-Jul-07	INFRA	TPR
49	Improvement of Quality Management for Highway and Bridge Construction and Maintenance (Phase II)	JICA	DPWH	0.04	01-Oct-11	INFRA	INFRA
50	Study of Energy Efficiency and Conservation	JICA	NEA	1.54		INFRA	INFRA
51	Road Planning & Management Advisor	JICA	DPWH	0.31	10-Jun-10	GID	INFRA
52	Study of Non-Investment Incentive Laws of the Philippines	JICA	DOF	0.23	10-May-11	ITT	PC
53	Investment Advisor	JICA	DTI/BOI	0.43	11-Mar-10	ITT	TPR
54	Capacity Building for a Comprehensive Competition Policy	JICA	DTI-BTRCP	0.10	01-Mar-10	ITT	TPR
55	Study of the Supply Chain of the Philippine Electronics Industry	JICA	DTI-BOI	0.43	21-Mar-10	INFRA	TPR
56	Integrated Transport Implementation and Management	JICA	DOTC	0.11	05-Mar-10	INFRA	INFRA
57	Integrated Transport Policy	JICA	DOTC	0.30	15-Mar-07	AARNR	INFRA
58	Adapting Climate Change Impacts through the Construction of Water Impounding Facilities and Grains Processing Complex	KOICA	DA-NIA	21.76	01-Jan-11	AARNR	PC
59	Establishment of Modern Integrated Rice Processing Complexes in 4 Provinces	KOICA	DA and Provincial LGUs of Pangasinan, Bohol, Iloilo and Davao del Sur	13.00	01-Jan-09	AARNR	PC
60	Enhancing Livestock Industry Performance through an Institutionalized Genetic Improvement System	KOICA	DA-PCC	3.00	01-Jan-10	AARNR	PC
61	Integrated Sustainable Wood Pellet Manufacturing and Industrial Tree Plantation Development	KOICA	DENR-FMB	3.40	01-Jan-10	INFRA	PC
62	Feasibility Study of C-6 Expressway Project	KOICA	DPWH	1.30	01-Jan-10	INFRA	INFRA
63	Feasibility Study of New Passenger Terminal and Master Plan of the Mactan-Cebu International Airport	KOICA	DOTC-MCIAA	1.10	01-Jan-10	INFRA	INFRA
64	Secondary National Roads Development Project	MCC	DPWH	214.40	25-May-10	GID	INFRA
65	Monitoring and Evaluation	MCC	MCC	45.20	25-May-10	AARNR	INFRA
66	Dairy Industry Strategic Review and Design	NEW ZEALAND	Others/Multiagency	0.35	01-Jul-10	AARNR	PC
67	Philippine Efficient Lighting Market Transformation Project	UNDP	DOE	3.13	01-Jan-07	AARNR	INFRA

No.	Grant Title	Development Partner	Implementing Agency	Grant Amount	Project Start	Classification	
						NEDA	OECD
68	Capacity Building to Remove Barriers for Renewable Energy Development (CBRED)	UNDP	DOE	6.43	01-Jan-02	AARNR	INFRA
69	Fisheries Improved for Sustainable Harvest Project	USAID	DA, BFAR	12.73	19-Sep-03	GID	PC
70	Growth with Equity in Mindanao III (GEM III)	USAID	MEDCO	98.87	01-Jan-08	ITT	PC
71	LINC-EG (Local Implementation of National Competitiveness for Economic Growth)	USAID	DAI/Nathan Group	7.13	01-Oct-08	SRCD	TPR
72	Climate Change and Clean Energy Project	USAID	DOE/ERC/Others	3.13	10-May-10	SRCD	INFRA
73	Private Sector Mobilization 2 (PRISM2)	USAID	DOH	16.67	30-Oct-09	SRCD	PC
74	Alliance for Mindanao Off Grid Renewable Energy III (AMORE III)	USAID	DOE	4.16	27-Oct-09	SRCD	INFRA
75	Private Sector Mobilization (PRISM) Project	USAID	DOH	32.00	14-Sep-04	GID	PC
76	Economic Growth Hubs, Infrastructure and Competitiveness	USAID	DILG	6.22	01-Oct-09	INFRA	PC
77	Sustainable Energy Development Program (SEDP)	USAID	DOE	5.50	05-Feb-99	AARNR	INFRA
78	Institutional Support to Public Sector Biotech Crops R&D in the Phils.	USAID	DA/BFAD/DOST/UP	1.00	01-Oct-09	ITT	PC
79	Microenterprise Access to Banking Services Program IV	USAID	MEDCO	7.58	01-May-08	ITT	PC
80	Light Rail Transit Line 1 South Extension	WB	DPWH	1.00	29-Aug-07	INFRA	INFRA
81	Electric Cooperative System Loss Reduction Project	WB	LGU Guarantee Corporation	0.88	05-Nov-04	GID	INFRA
82	Electric Cooperative System Loss Reduction Project	WB	DOF	11.12	05-Nov-04	GID	INFRA
83	Cavite-Laguna North South Highway	WB	DPWH	0.61	11-Mar-09	INFRA	INFRA
84	Philippines International Road Assessment Program (iRAP)	WB	DOF/International	0.25	05-Oct-11	INFRA	INFRA
85	Philippines International Road Assessment Program (iRAP)	WB	DOF/International	0.30	20-Oct-10	INFRA	INFRA
86	IDF Grant for Philippines Institutionalizing Results Monitoring in DPWH	WB	DPWH	0.20	07-Sep-10	GID	INFRA
87	GEF3 FSP-Philippines: Rural Power Project	WB	DOE/DBP	9.00	06-May-04	INFRA	INFRA
88	PH - Chiller Energy Efficiency Project	WB	DENR	2.60	05-Jan-11	INFRA	INFRA
89	PH - Chiller Energy Efficiency Project	WB	DENR	1.00	05-Jan-11	INFRA	INFRA

Note: NEDA classification: AARNR means "Agriculture, Agrarian Reform and Natural Resources"; ITT means "Industry, Trade and Tourism"; SRCD means "Social Reform and Community Development"; INFRA means "Infrastructure Development"; GID means "Governance and Institutions Development.

OECD classification corresponds to Creditor Reporting System (CRS) codes. PC means "Building Productive Capacity"; INFRA means "Economic Infrastructure"; TPR means "Trade Policy and Regulation".

Source: ODA Portfolio Review 2011.

ANNEX III.1 AID TO TRADE-RELATED ECONOMIC INFRASTRUCTURE, 2000-2011 (VALUES IN MILLION US DOLLARS AT CONSTANT 2010 PRICES)

CRS Code		2000-05	2006-11	2000-11	Share (%)
	Transport and Storage				
21010	Transport policy & admin. management	3.7	412.3	416.0	9.7
21020	Road transport	1,130.1	960.3	2,090.4	48.6
21030	Rail transport	235.0	130.4	365.3	8.5
21040	Water transport	426.8	11.5	438.2	10.2
21050	Air transport	524.8	108.6	633.5	14.7
	Communications				
22010	Communication policy & admin. management	6.7	10.0	16.7	0.4
22020	Telecommunications	14.0	7.0	21.1	0.5
22030	Radio/TV/print media	0.2	0.2	0.4	a
22040	Information Communications Technology	0.1	12.9	13.1	0.3
	Energy generation and supply				
23010	Energy policy & administrative management	13.0	26.3	39.3	0.9
23020	Power generation/non-renewable sources	0.0	0.1	0.1	a
23030	Power generation/renewable sources	2.6	5.7	8.3	0.2
23040	Electrical transmission/distribution	22.8	0.5	23.3	0.5
23064	Nuclear power plant		19.3	19.3	0.4
23065	Hydro-electric power plant	0.7	72.7	73.4	1.7
23067	Solar energy	26.9	21.5	48.4	1.1
23068	Wind power plant	95.0	-	95.0	2.2
23069	Ocean power plant		0.4	0.4	a
23070	Biomass	0.2	-	0.2	a
23081	Energy education/training	0.3	0.2	0.5	a
23082	Energy research	0.2	0.5	0.7	a
	Total aid to economic infrastructure	2,503.1	1,800.5	4,303.6	100.0

a = less than 0.1%

Source: OECD CRS database.

ANNEX III.2 AID TO BUILDING PRODUCTIVE CAPACITY, 2000–2011 (VALUES IN MILLION US DOLLARS AT CONSTANT 2010 PRICES)

CRS Code		2000-05	2006-11	2000-11	Share (%)
	Banking and Financial Services				
24010	Financial policy & admin management	34.5	11.5	45.9	3.0
24020	Monetary institutions	0.3		0.3	a
24030	Formal financial intermediaries	91.5	40.6	132.0	8.6
24040	Informal/semi-formal financial intermediaries	22.8	13.0	35.8	2.3
24081	Education training in banking & financial services	0.9	5.8	6.7	0.4
	Business and Other Services				
25010	Business support services & institutions	62.5	66.7	129.2	8.4
25020	Privatisation	0.8	0.2	1.0	0.1
	Agriculture				
31110	Agricultural policy & admin management	30.1	26.8	56.9	3.7
31120	Agricultural development	29.6	35.7	65.4	4.2
31130	Agricultural land resources	100.8	9.3	110.1	7.1
31140	Agricultural water resources	110.9	25.7	136.7	8.9
31150	Agricultural inputs	52.0	25.4	77.4	5.0
31161	Food crop production	3.4	15.2	18.5	1.2
31162	Industrial crops/export crops	0.6	0.4	1.0	0.1
31163	Livestock	7.0	7.6	14.5	0.9
31164	Agrarian reform	94.6	130.4	224.9	14.6
31165	Agricultural alternative development	0.4	1.0	1.3	0.1
31166	Agricultural extension	1.7	1.3	3.0	0.2
31181	Agricultural education/training	2.1	3.7	5.8	0.4
31182	Agricultural research	11.3	8.7	20.0	1.3
31191	Agricultural services	1.6	13.3	14.9	1.0
31192	Plant & post-harvest production & pest control	0.5	1.2	1.6	0.1
31193	Agricultural financial services	0.9	163.7	164.6	10.7
31194	Agricultural co-operatives	1.6	2.7	4.3	0.3
31195	Livestock/veterinary services	5.1	1.9	7.0	0.5
	Forestry				
31210	Forestry policy & admin management	8.0	5.8	13.8	0.9
31220	Forestry development	6.4	15.1	21.5	1.4
31281	Forestry education/training		0.3	0.3	a
31282	Forestry research	1.1	0.3	1.4	0.1
31291	Forestry services	0.5	0.7	1.2	0.1
	Fishing				
31310	Fishing policy & admin management	10.8	7.7	18.5	1.2
31320	Fishery development	44.2	12.1	56.2	3.6
31381	Fishery education/training	0.4	0.9	1.3	0.1
31382	Fishery research	0.6	1.0	1.7	0.1
31391	Fishery services	0.0	-	0.0	0.0

	Industry				
32110	Industrial policy and admin management	22.0	14.7	36.7	2.4
32120	Industrial development	14.7	2.2	16.9	1.1
32130	SME development	9.8	19.6	29.4	1.9
32140	Cottage industries & handicraft	2.4	0.2	2.5	0.2
32161	Agro-industries	0.8	21.9	22.8	1.5
32162	Forest industries	0.1	0.2	0.3	a
32163	Textiles, leather and substitutes	0.2	0.1	0.3	a
32164	Chemicals	0.3	0.3	0.7	a
32165	Fertilizer plants	0.1		0.1	a
32167	Energy manufacturing	0.7		0.7	a
32169	Basic metal industries	0.5	0.2	0.7	a
32170	Non-ferrous metal industries	0.1	0.0	0.1	a
32171	Engineering	5.3	13.0	18.2	1.2
32172	Transport equipment industry	1.5	0.3	1.8	0.1
32182	Technological research & development	2.0	2.3	4.3	0.3
	Mineral Resources and Mining				
32210	Mineral mining policy & admin management	0.8	1.3	2.1	0.1
32220	Mineral prospection and exploration	0.8	2.4	3.2	0.2
32262	Oil and gas	0.9	0.0	0.9	0.1
32266	Industrial minerals	0.6		0.6	A
32268	Offshore minerals	0.0	11.5	0.0	a
	Tourism				
33210	Tourism policy & admin management	2.3	2.6	5.0	0.3
	Total aid to productive capacity building	**805.2**	**737.0**	**1,542.1**	**100.0**

a = less than 0.1%

Source: OECD CRS database.

ANNEX IV. PRIORITY AREAS OF AID ASSISTANCE TO THE PHILIPPINES

Development Partner	Country Assistance Program	Priority Area/Thrust
ADB	Country Partnership Strategy (CPS) 2011-2016 – Country Operations Business Plan	• transport, energy, education, agriculture and natural resources, water resources and other municipal infrastructure and services
IFAD	Philippine Country Strategic Opportunities Programme (COSOP) for the period 2010-2014	Rural poverty alleviation
United Nations System	United Nations Development Assistance Framework (UNDAF) 2012-2018	• universal access to quality social services with focus on MDG; • productive employment for sustained, greener growth; • democratic governance; • resilience toward disasters and climate change • environment and natural resources protection and conservation
World Bank	WB Country Assistance Strategy FY 2010-2012, extended up to FY 2013	• stable macroeconomy • improved investment climate • better public service delivery • reduced vulnerabilities • good governance
Australia	Philippine-Australia Statement of Commitment 2012-2017	education, improving local government capacity, disaster risk management/climate change, peace and security, governance/public financial management, human resource and organizational development, gender, public-private partnership
People's Republic of China	Philippines-China Five-Year Program for Trade and Economic Development, 2011-2016	agriculture and fishery, infrastructure and public works, mining, energy, ICT, processing and manufacturing, tourism, engineering services, forestry
Government of Japan	Country Assistance Policy, 2012-2016	• Promotion of investment through improvement of traffic and transportation network of the Greater Capital Region, improvement of energy-related and water-related infrastructure, and enhancement of administrative capacity • Overcoming vulnerability and stabilizing bases for human life and production activity through improvement of infrastructures to address disaster- and environment-related issues; development of safety nets; enhancement of agricultural production, including processing and distribution of agricultural goods • peace and development in Mindanao

Development Partner	Country Assistance Program	Priority Area/Thrust
Republic of South Korea	Country Partnership Strategy 2012-2016 Framework Arrangement Concerning Country Loans	• socioeconomic infrastructure development • agricultural and water resources development • health and medical service • education • capacity building for public administration
New Zealand	ASEAN-New Zealand Joint Comprehensive Partnership agreement	• agriculture, ecotourism, enterprise development • safe and equitable communities • energy
Canada	Strategy on Sustainable Economic Development	• sustainable economic development
European Union	EU Country Strategy Paper for the Philippines 2007-2013 EU Multi-Annual Indicative Programme 2011-2013	• health, governance, trade-related assistance, vulnerable populations, support to Mindanao peace process
France	French Financial Protocol GPH-AFD MOU on AFD’s Development Cooperation Activities	• ICT, energy, transportation, environment, health • Climate change, green infrastructure, renewable energy and energy efficiency, sustainable urban development, clean transport, water and sanitation, waste management, agro-forestry, biodiversity protection, and PPPs
Spain	Philippines-Spain MOU on Financial Cooperation in Support of Trade and Investment Strategic Partnership framework for Development Cooperation	• water treatment, new and renewable energies, energy and electricity, civil infrastructure, capital goods, turnkey projects, ICT, solid waste treatment, engineering and architectural services and works • health, basic social services, governance, peace process
USAID	Country Assistance Strategy Philippines 2009-2013 Country Development Cooperation Strategy 2012-2016	• economic governance, health, environment and energy, education, Mindanao peace and development

Source: Annex 2-A, ODA Portfolio Review 2011

ANNEX V. AFT INITIATIVES IN ADDRESSING CLIMATE–CHANGE ADAPTATION AND MITIGATION (VALUE IN US$ MILLION)

No	Title of Project/Program	Amount	Intervention
	LOANS		
1	Community-Based Forest and Mangrove Management Project	5.8	A/M
2	Credit Line for Energy Efficiency and Climate Protection in the Philippines	13.5	A/M
3	Integrated Coastal Resources Management Project	33.8	A
4	Mindanao Rural Development Project - Phase II	83.8	A
5	Northrail Project Phase I Section 2	500.0	M
6	Philippine Energy Efficiency Project	31.1	M
7	Philippine Rural Electrification Service Project	22.9	M
8	Rural Power Project (Additional Financing)	40.0	M
9	Second Cordillera Highland Agricultural Resource Mangement Project	26.6	M
10	Second Cordillera Highland Agricultural Resource Mangement Project	10.0	M
11	Solar Power Technology Support to Agrarian Reform Communities	27.0	M
12	Support for Strategic Local Development and Investment Project	100.0	A
	GRANTS		
13	Agusan River Basin Integrated Water Resources Management	1.18	A
14	Decentralized Framework for Sustainable Natural Resources and Rural Infrastructure Management	1.30	A/M
15	Integrated Coastal Resources Management	9.00	A
16	Decentralisation Framework for Sustainable Natural Resources and Rural Infrastructure Management	1.30	A
17	Philippine Energy Efficiency Project	1.50	M
18	Mitigation of Climate Change through Increased Energy Efficiciency and Use of Clean Energy	0.93	M
19	Rural Community-Based Renewable Energy Development in Mindanao	2.00	M
20	Irrigation System Operation Efficiency Improvement	1.00	M
21	National Capability Building for Philippine Land Degradation Assessment and Climate Change Adaptation	2.12	A
22	Development Study on Energy Efficiency and Conservation for the Philippines	0.48	M
23	Increasing Rice Yield and Productivity through the Promotion of Small-Scale Irrigation and Integrated Crop Management Systems in Rainfed Areas (EC Food Facility)	5.98	A
24	Increasing Rice Supply in Regions VIII and X by Improving Farmers' Capability through TA Trainings and Demonstration of Rice Production Technologies cum Small-Scale Irrigation Facilities	0.50	A
25	Linking communities in Southeast Asia to forestry-related voluntary carbon markets	0.47	A/M

26	Intra-African Training and Dissemination of Technical know-how for Sustainable Agriculture and Rural Development with Africa-ASEAN Country Cooperation within the Framework of South-south Cooperation	6.27	A
27	Capacity Building and Regional Collaboration for Enhancing the Conservation and Sustainable Use of Plant Genetic Resources in Asia	1.37	A
28	Railway Management	0.01	M
29	Colloquium on Urban Public Transport	0.01	M
30	Environmentally Sustainable Transportation (EST)	0.02	M
31	Energy Conservation Technology and Machine Condition Diagnosis Techniques for Asian Countries	0.07	M
32	Introduction to Solar Power Generation System for Asian Countries	0.02	M
33	Renewable Energy and Energy Efficiency	0.01	M
34	Installation Method of Small-scale Hydro-power Generation and Wind Power Generation in Rural Area	0.01	M
35	Community-based Forest Management Visayas	4.18	M
36	Adapting Climate Change Impacts through the Construction of Water Impounding Facilities and Grains Processing Complex in the Philippines	19.13	A
37	Adapting Climate Change Impacts through the Construction of Water Impounding Facilities and Grains Processing Complex in the Philippines	21.76	A
38	Integrated Sustainable Wood Pellet Manufacturing and Industrial Tree Plantation Development in the Philippines	3.40	A
39	Establishment of the Algae Bioethanol Research Center in Bohol	2.90	A
40	Philippine Efficient Lighting Market Transformation Project	3.13	M
41	Demonstration of Best Available Techniques& Best Environmental Practices in Fossil Fuel-Fired Utilities & Industrial Boilers in Response to the Stockholm Convention on POPs	4.00	A
42	Mindanao Rural Development Program Phase II - Natural Resource Management Project	6.35	A

Note: "A" means adaptation; "M" means mitigation; "A/M" means adaptation and mitigation.

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