

Third Party Evaluation 2010  
The Ministry of Foreign Affairs of Japan

Country Assistance Evaluation of  
the Philippines  
-Summary-

March 2011

## Preface

This report is a summary of the “Country Assistance Evaluation of the Philippines” undertaken by “Nomura Research Institute, Ltd.” requested by the International Cooperation Bureau of the Ministry of Foreign Affairs (MOFA) of Japan.

Since its commencement in 1954, Japan’s Official Development Assistance (ODA) has contributed to the development of partner countries, and finding solutions to international issues which vary with the times. Recently, there have been increased domestic and international calls for more effective and efficient implementation of ODA. MOFA has been conducting ODA evaluations mainly at the policy level with two main objectives: to support management of implementation of ODA; and to ensure its accountability. Those evaluations are conducted by third parties to enhance their transparency and objectiveness.

This evaluation reviews the Philippine assistance policy as a whole, mainly the Japan’s Country Assistance Program for the Philippines, June 2008. It aims to provide lessons learned and recommendations as reference for ODA policy planning and more effective and efficient implementation of aid activities in the future. In order to fulfill its accountability, the evaluation results have been opened to the public.

Dr. Takeshi Kawanaka, Senior Researcher, Area Studies Center, Institute of Developing Economies / Lecturer, Department of Political Science, Meiji University, and Graduate School of Arts and Sciences, International Christian University, acting as a chief of the study team, and Prof. Yukihiro Torikai, Department of Human Development, School of Humanities and Culture, Tokai University, Doctor of Economics, being an advisor for the study, made an enormous contribution to this report. Likewise, MOFA, the Japan International Cooperation Agency (JICA), and the ODA Task Force as well as governmental organizations in the Philippines, donors and NGOs also made invaluable contribution. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, we wish to add that the opinions expressed in this report do not reflect the views or positions of the Government of Japan or any other institution.

March 2011

**Country Assistance Evaluation**  
**The Philippines**

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**Outline of Evaluation**

**1. Evaluation Results**

(1) Relevance of Policies

With a population of nearly 92 million, the Philippines is a major country in the South-East Asian Region with a favorable national attitude toward Japan. As such, providing ODA and strengthening bilateral ties with the Philippines is significant in itself, and also as a part of the diplomatic strategy to increase the Japanese presence in Asia. The Country Assistance Program (CAP) for the Philippines is compatible with Japan's ODA Charter and its Medium-Term Policy on ODA. It is also compatible with the Philippine government's Medium Term Philippine Development Plan. It complements the priority assistance area of other donors to provide a comprehensive scope of assistance. Initiatives to address global issues have only just commenced, and their specific results are yet to materialize.

(2) Effectiveness of Results

Japanese ODA Loan has provided a significant portion of the Philippines' development budget, contributing to their development. In the area of sustainable economic growth (which includes fiscal sustainability, infrastructure development, assistance for supporting industries and Small and Medium-sized Enterprises, and improvement of legal infrastructure), Japanese ODA has brought significant results. Japan has also made significant contribution to meet UN's Millennium Development Goals (MDGs), as well as disaster relief and poverty reduction through agricultural assistance. Its achievements are well recognized by the government of the Philippines and its people. Japan has also played a significant role in the on-going peace-building in Mindanao, through establishment of Task Force and "Grants for grass-roots and

human security efforts”.

On the other hand, private investment to the Philippines from Japan has not seen significant increase and GDP per capita growth of the Philippines also lags behind other ASEAN countries. Its poverty reduction also has relatively been slow. This suggests that Japan’s ODA has not brought poverty reduction in a straightforward manner. This is partly attributable to the small foreign direct investment into the Philippines, as well as issues on the Philippine side including its political and economic structure and rapid population growth, etc. There are, however, lack of coordination in various interdependent project implementation, which hinders their overall effectiveness, such as the lower usage of some infrastructure procured through Japanese ODA.

### (3) Appropriateness of Processes

Assisted by the growing policy dialogue between the Japanese and Philippine governments, the processes by which assistance is provided by Japan are well understood and highly regarded. The need to speed up the processes of assistance has grown, however, necessitating more frequent policy dialogue. Measures to devolve and decentralize responsibilities for assistance also need to be considered. Japan’s contribution also needs to be better publicized through an improved PR effort, directed both to the public in the Philippines and Japan.

## **2. Main Recommendations**

### (1) Better “Selection and Concentration” of projects and detailed goal setting

As part of the strategy of “Selection and Concentration”, one of the recommendations pointed in the *“Enhancing Enlightened National Interest”* issued by MOFA of Japan in June 2010, the fields and regions covered should be more focused, and coordination between projects should be strengthened. To assist in this process, intermediate goals should be set between project goals and ultimate goals, and projects should be packaged to make its goals more visible.

To make assistance more effective, large scale infrastructure development should be coupled with quick poverty reduction measures and small-scale environmental projects. This will also enhance the PR functions of projects undertaken by local residents.

### (2) Re-vitalize the Grant Aid effort from a long term perspective

Many facilities that were procured through grant aid are still actively used and meticulously maintained, even after a decade. The community is truly grateful for such assistance. In such cases, adding minor assistance like repairs and new equipments would further increase the useful life of the original grant.

When older grant aid projects are reviewed, additional grant will be useful for the better performing ones to enhance the effectiveness of these good results.

### (3) Strengthen the Grass-Roots Grant Aid Scheme

As large-scale infrastructure projects take time to demonstrate their effects to the local residents, grass-roots grant aid that can demonstrate quick results should be enhanced, coupled with large scale projects.

### (4) Improve ODA visibility and PR efforts

The conventional method of publicizing Japan’s input by setting up signboards and

stickers show some effectiveness. Utilizing PR professionals for individual projects may further enhance the existing PR efforts.

Projects with strong citizen participation are well maintained even over time, and the residents show stronger appreciation for Japan's assistance. Further enhancing participatory development, and improvement of the information on the web sites may be effective in improving the public perception of Japanese aid.

(Note: The opinions expressed in this summary do not necessarily reflect the views and positions of the Government of Japan or any other institutions.)

## Chapter 1: Basic Recommendations for Japan's ODA policy toward the Philippines

### **(1) Better "Selection and Concentration" of projects and detailed goal setting**

- Focus on priority regions/projects and enhance coordination between projects
- Couple large scale infrastructure projects with complimenting small scale resident-participatory anti-poverty and environmental projects
- Set clear goals (e.g., doubling of sales in textile sector or doubling of GDP in a certain region) and package projects to achieve the goal

A problem with current ODA is that, while the individual projects and relevant sectors (such as the electric power sector and road improvement) show strong results, they don't seem to translate into the higher goal of economic growth. One reason for this is that coordination between the various project implementations is not always optimal.

Japanese ODA is presently consistent with the Philippines' medium-term goals, and it complements the priority field of other donors. Most of the projects are successful by themselves. There are, however, instances where coordination between projects, both Japanese and the Philippines, are insufficient. One such case is the development of Batangas Port, which suffers from the lack of good access roads. As a consequence, the Japanese firms and other potential beneficiaries cannot utilize its full potential. These firms may relocate to other areas, leading to a lack of coordination between private-sector economic activities and ODA projects.

Another problem is the coordination between Japanese assistance and the efforts by the government of the Philippines. Many projects require complimenting budget outlay from the Philippine side. Too often, this takes too long to materialize, or when it does, it turns out to be insufficient. These problems lower the overall effectiveness of assistance and hinder ODA efforts to translate into growth.

As noted, even ODA by Japan, as the Philippines' largest donor, is insufficient to substantially increase the GDP of a single country. At the least, however, consideration needs to be given to maximizing the economic contribution of what is built by ensuring coordination with other economic factors.

Attention therefore needs to be paid to ensuring that such coordination functions well, which requires that efforts be made to improve the effectiveness of projects through better consultation with the Philippine government. At the same time, Japan should aim to concentrate its projects more geographically so as to create a structure that guarantees better coordination between projects.

Concentrating projects more geographically should also make it easier to set goals. Presently, there is a considerable gap between project goals (e.g., increasing power generated) and ultimate goals (e.g., economic growth). Concentrating projects will make it easier to establish intermediate goals, such as economic revitalization of a specific region, and also to gain a better idea of the effectiveness of projects.

Such a strategy will, however, considerably increase Japan's commitment to certain regions. In order to select these regions and put this strategy into effect, therefore, arrangements must be put in place to enable full and proper consultation with the Philippine government and local stakeholders to ensure that the risk of meddling with domestic affairs is avoided and that there occurs no inappropriate pork barreling of benefit to any particular region.

Similarly, there is an important role to be played by coordination of short-term anti-poverty projects with large-scale projects. The sight of slum housing crowded next to major Japanese infrastructure projects, such as waterways is a common one. In future, consideration should be given to packaging resident-participatory anti-poverty and environmental projects with large projects from the planning stage. Possible complementary projects identified in the course of the field survey conducted for this study include the following:

- Flood control projects can be complemented by capacity development, such as disaster drills by local residents, preparation of manuals on teamwork in the event of disasters, and education on routine river cleanups.
- Rail projects can be complemented by sending in experts to provide small business development support for residents near stations and assist with the formation of shopping districts and similar projects.
- Follow-up of completed grant aid projects (e.g., renewal of machinery and replenishment of consumables) can be complemented by grass-roots grant aid projects for residents at the barangay level.

### **(2) Re-vitalize the Grant Aid effort from a long term perspective**

- Revisit grant aid project after 10-15 years of completion
- If the facilities are well maintained and effectively use, consider additional investment for minor repairs and renewals, to prolong the good effect of the original grant aid.
- Put grass-roots grant aid to good use.

Many facilities that were procured through grant aid are still actively used and meticulously maintained, even after a decade. The community is truly grateful for such assistance. In such cases, adding minor assistance like repairs and new equipments would further increase the useful life of the original grant. When older grant aid projects needs to be reviewed, projects that deserve additional grant can be identified to enhance the effectiveness of these good results.

### **(3) Strengthen the Grass-Roots Grant Aid scheme**

- Expansion of scale of grass-roots grant aid projects
- Strengthen their functions (e.g., Improvement of coordination with large projects and flexibility in project implementation & budgeting)

The number of projects and the budget outlay for grass-roots grant aid are generally decreasing (see “3-3-8 Coordination with non-governmental organizations” in main report). They should be revitalized, along with the enhancement of their functions as follows.

The fields supported by grass-roots grant aid are basic health care, primary education, disability support, ethnic minorities, and rural development, and projects in these fields are expected to contribute to strengthened coordination between large projects and publicity at the local level. Based on the state of the 1996 Local Health Facility Improvement and Equipment Development Project visited for the study (see “3-3-7 PR activities” in the main report), it was concluded that community-based projects are viewed positively as having contributed more than expected to local welfare, and assistance was recognized as having a solid impact. Provided that they are combined with such large projects, however, these projects definitely raise project efficiency and their PR effects. In view of this, the following enhancements to functions should be made.

#### (a) Coordination with large projects

To complement large infrastructure projects, the focus should be placed on: i) projects deriving from large projects that have been delivered (e.g., local capacity development and flood control facilities, as mentioned above), and ii) approval of projects that take advantage of completed projects (e.g., promotion of fair trade with local firms and port facilities). Grass-roots grant aid projects demanding enhanced coordination should also be actively identified by the Japanese Embassy in the Philippines jointly with the JICA Philippine office.

#### (b) Flexibility of spending on soft infrastructure

Many activities supported by the grass-roots grant aid are small, and their conditions can change rapidly over time. Various cost items are susceptible to fluctuations in the market price. There already have been efforts to increase the flexibility of budget outlay in these projects. Further increasing the flexibility can add to the effectiveness of these projects.

### **(4) Improve ODA visibility and PR strategy**

- Assign PR professionals for individual projects in some cases
- Improve PR method

The conventional method of publicizing Japan's ODA by attaching Japanese assistance signs and stickers has shown some effectiveness. To further improve their effectiveness, PR experts may be assigned to strategic individual projects, to assist in PR and advocacy activities.

In the case of the Subic Port Development Project visited as part of the field survey, for example, facilities are managed by the port operator and the presence of the Japanese "brand" was practically invisible from an outside perspective. While one consultant observed that the port's successful implementation is immediately apparent to the expert eye, neither is its value obvious to the layperson nor has any campaign been undertaking targeting such experts. By comparison, an extensive port that has been rapidly built with South Korean assistance employs a conspicuous blue color scheme that makes it stand out better than the Japanese project from a lay perspective.

PR for the Pasig-Marikina Rivers River Improvement Project (II) also visited for the field survey, on the other hand, was found to be functioning superbly. A PR professional was involved as a consultant from the detailed design stage up to 2002, and a campaign contributing to advocacy activities was developed. Using this, the DPHW, which was the implementer, organized a campaign targeted at the local community between 2002 and 2009. Various mass media were also used for this strategy. This produced the following effects that set it apart from other projects and increased its visibility:

- A resident movement has been organized extending more than 30 kilometers along the river, creating a framework for local cooperation in the project.
- Many local NGOs and barangays are working together to relocate illegal occupants. Unlike with many projects, securing land has consequently not been a problem.
- As securing land has not been a problem, major construction contractors have been able to safely procure materials, as a result of which construction has proceeded ahead of schedule.
- These contractors have at the same time strengthened their community ties by such means as i) strengthening relations with barangays by employing local coordinators, and ii) intensively hiring workers from neighboring barangays. Such

PR has made it easy for residents and related groups to see the benefits of the technologies used, including the facts that work could be performed quietly and quickly, and that there would be little need for relocations due to the extensive easement obtainable.

When PR professionals should become involved will depend on the nature of the project concerned, and they are unlikely to be required on all projects. The basic options available, however, are to use them for i) each region, ii) each host institution, or iii) each project type.

Recommendations on how to improve PR strategies are also proposed.

(a) Promotion of further involvement of local residents

Projects in which the residents who benefit are heavily involved remain well maintained even over time, and there is also greater appreciation for Japan's input. In the future, it is important to promote local resident participation in the grass-roots grant aid programs whose functions are to be strengthened by, for example, making use of local residents who can undertake PR and advocacy activities. More specifically, the indications are that activities requiring hardly any outlay would be sufficiently effective in this regard. These include i) putting forward the names of residents who can be involved in projects, suggesting content for such activities at the grass-roots grant aid application stage, and allocating a certain degree of priority to them; and ii) providing T-shirts emblazoned with the Japanese assistance mark to organizations receiving grass-roots grant aid and encouraging their members to wear them during their activities.

(b) Enhancement of online content

Information available online about high-quality assistance such as grass-roots grant aid and emergency relief is insufficient. For example, photographs of disaster relief provided by organizations such as the UNDP show staff in the field wearing UNDP uniforms. Most of the photographs in Japan's case, however, show things such as signing ceremonies and high-level meetings, and lack content that might "move" the viewer. This is something that can be solved by having ODA taskforce members bear it in mind on a routine basis.

The same applies regarding provision of online information on grass-roots grant aid. The Japanese Embassy in the Philippines<sup>1</sup> should put more firsthand information on grass-roots grant aid projects.

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<sup>1</sup> <http://www.ph.emb-japan.go.jp/bilateral/oda/2009.htm>

## Chapter 2: Evaluation Purpose and Principles

### 2-1 Background and purpose

ODA, one of the key pillars of Japan's contribution to the international community, requires efficient and effective implementation. ODA evaluation (policy-level evaluation) is an important method in maintaining high quality assistance.

Japan has consistently maintained good relations with the government of Philippines and actively undertaken measures to support the country's development in the form of ODA since 1954. With a population of nearly 92 million, the Philippines is a major country in the South-East Asian Region with a favorable national attitude toward Japan. As such, providing ODA and strengthening bilateral ties with the Philippines is significant in itself, and also as a part of the diplomatic strategy to increase the Japanese presence in Asia.

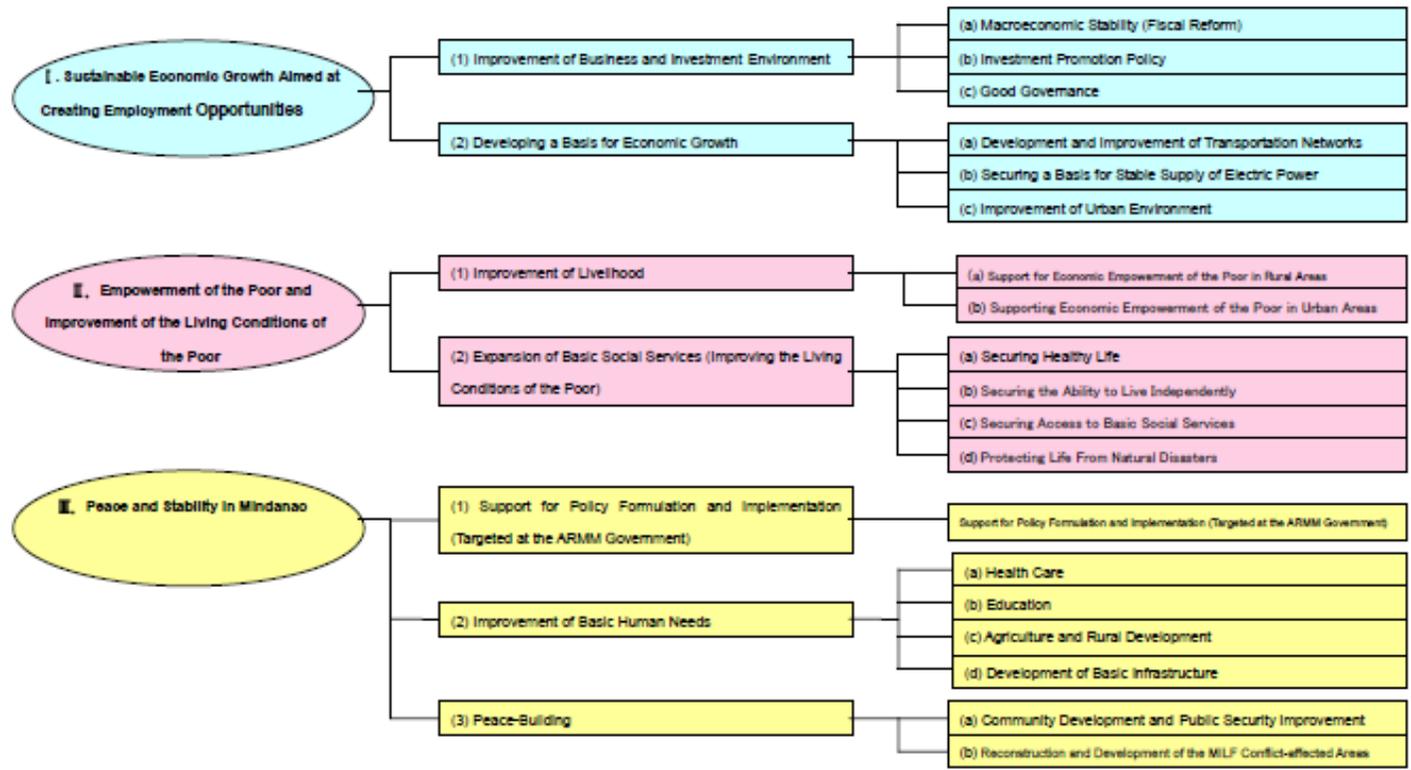
The current Country Assistance Program (CAP) for the Philippines has been established in 2008. Figure 2-1 illustrates Japan's ODA policy for the Philippines as specified in the CAP. The Philippine government has maintained favorable relationship with Japan over the years, and has significant understanding of Japan's ODA. It has cooperated with the Japanese government in various aspects.

As a result, the Philippines have consistently been one of the largest recipient of Japanese aid, and its government has been a strategic partner with Japan. Japan has been the top donor for the Philippines, assisting it through loans, grants and technical assistance. In 2006, Economic Partnership Agreement was signed between the two countries which led to a further assistance from Japan.

This evaluation was conducted with several objectives: to evaluate Japan's ODA policy for the Philippines as a whole, to grasp lessons learned, to offer recommendations for formulating assistance policies, to provide effective and efficient assistance in the future. It intends to feed back the evaluation results to the the Philippines government and development partners for future reference and to publicize Japan's ODA and fulfill accountability to the public.

Figure 2-1 Goal chart based on the CAP

### Japan's Country Assistance Program for the Philippines



(ARMM) : Autonomous Region in Muslim Mindanao  
 (MILF) : Moro Islamic Liberation Front

## 2-2 Methodology and framework

### 2-2-1 Framework and analysis method of evaluation

Japan's ODA policy for the Philippines during the target period were evaluated comprehensively from the viewpoints of purpose, result and process, in accordance with the "ODA Evaluation Guideline Fifth Edition" by MOFA (February 2009). The criteria for evaluation were "Relevance of Policies" (purpose), "Effectiveness of Results", and "Appropriateness of Processes". The specific contents of the evaluation framework are as follows:

#### (1) Relevance of Policies

Relevance of policies was evaluated through verification of factors including consistency with the Philippines's development plans and Japan's priority policies (relevance from the time of formulation through the point of evaluation), relevance to international priority issues, and role sharing with other development partners. Those elements were verified by examining, for example, whether the contents of the CAP were formulated with due consideration to the Philippine's policies, Japan's priority policies and international development issues.

The specific verification items included the following: comparison against Japan's CAP for the Philippines, the Philippine's "10-point Agenda"(2004), and Medium Term Philippine Development Plan, comparison against Japan's ODA Charter and Medium-Term Policy on ODA, the Millennium Development Goals(MDGs), Japan's initiatives concerning issues of development, and mutual supplementation with other development partners.

#### (2) Effectiveness of Results

In order to verify the extent of achievement against the initial goals, the effectiveness of the results was verified by examining the progress in development in each priority sector in the Philippines and then by assessing the contribution of Japan's assistance in each key sector. Since development outcomes are the consequences of a variety of factors including inputs by Japan, other development partners, the Philippine government and other stakeholders such as NGOs/civil society, cooperation with other partners was also taken into consideration when examining Japan's contribution to the Philippine's development.

### (3) Appropriateness of Processes

Appropriateness of processes was verified by the evaluation of whether the system and the process of CAP formulation and implementation ensured relevance of policies and effectiveness of results. Specifically, the study looked into involvement of key stakeholders in the formulation process, incorporation of the evaluation results of the CAP for the Philippines (2008), and coordination among the formulation processes of the CAP.

Concerning the process of implementation, there was analysis of whether the CAP was reflected in implementing agency's plans, whether the implementing system was appropriate, whether policies were monitored/evaluated, and whether the approaches specified in the CAP were actually taken.

### (4) Evaluation summary and recommendations

The evaluation of Japan's ODA policy to the Philippines was comprehensively summarized based on an analysis of the above-described factors. Notable issues for formulation of the next CAP reflecting the evaluation results were presented along with recommendations on points to be improved.

## 2-2-2 Survey process and evaluation implementation

The period of the evaluation was September 2010 through March 2011. Review meetings were held as necessary, attended by members of MOFA, JICA and the evaluation team (consisting of a chief evaluator, an advisor and a consultant team). The evaluation was conducted as follows:

#### (1) Formulation of evaluation design

After discussions with the relevant departments of MOFA and JICA, the evaluation team finalized the evaluation design and established a draft framework of evaluation based on the finalized design. Detailed evaluation questions were established based on the framework.

#### (2) Domestic survey

Guided by the final evaluation design, information necessary for evaluation was collected, mainly through interviews with concerned officials of MOFA, JICA and implementing agencies, intellectuals and other experts. A literature review was also

taken. As a preliminary survey before the field survey, questionnaires were formulated and distributed to the concerned departments of the Philippine government through the Japanese Embassy in the Philippines.

### (3) Field survey

Interviews, collection of related references/data and observation of the project sites were conducted in accordance with the evaluation framework. The targets include the Philippine government agencies, the Japanese Embassy in the Philippines, the JICA Philippine office, Japanese ODA consultants, major development partners, local NGOs/civil society, and Japanese corporations in the Philippines. After completion of the field survey, the results were reported in a review meeting.

## Chapter 3: Evaluation Results

### 3-1 Significance of the assistance to the Philippines

The Philippines has maintained economic growth at a relatively high annual rate of 4.6%-7.3% during the period of 2005-2010, driven by the export growth in its electronic industry, and supported by remittance from migrant workers overseas. Though it is still one of the least developed countries (LDC), the rate of poverty is gradually decreasing due to the economic growth, although nearly 30% of the population is still in poverty. The country's social indicators are also improving, including eight Millennium Development Goals (MDGs) such as the child mortality rate and the maternal mortality rate, both of which have halved from 1990/1991, and the prevalence associated with malaria per 100,000 populations, which decreased from 118.7 in 1990/1991 to 13.3 in 2008.

But on the other hand, in spite of the considerable economic growth, the gaps between rich and poor and urban and rural are widening. The key issue is how to help those who have been left behind by the economic growth. Since the administration has only limited capacity to cope with this issue, services are imperative from the private sector with capital and expertise.

After the completion of World War II, Japan has consistently maintained good relations with the Philippines. As a consequence of Japanese assistance to the country, the Philippine's affinity toward Japan has expanded from the official diplomatic level to the general public.

With regard to geopolitics, the Philippines is situated on the sea lane which secures the safe transportation of materials to Japan, which makes it a strategic partner in Japanese diplomacy.

### 3-2 Macro-level issues in support for the Philippines

Since the 1970-80s especially, a variety of impediments, including macroeconomic management and governance by the government, poor conditions for investment in infrastructure, and rapid population growth, have caused the Philippines' economic growth to lag compared with its ASEAN neighbors.

The ASEAN4, consisting of the Philippines, Indonesia, Thailand, and Malaysia, have achieved economic growth nourished by economic assistance from Japan, and in all

except the Philippines, the cumulative value of economic assistance and GDP per capita have followed extremely similar trends.

The situation in the Philippines has differed from that exhibited by the other three, however, in that the correlation between growth (in terms of GDP per capita) and the increase in economic assistance has by comparison been extremely weak. ODA provided by Japan has undoubtedly been only a tiny contributor to national growth, and the World Bank and ADB too are beginning to look at this problem from the point of view of their assistance for the Philippines.

### 3-3 Evaluation of "Relevance of Policies"

The relevance of policies on the CAP was evaluated from the following angles.

#### (1) Consistency of the CAP with Japan's higher level plans

The ODA Charter revised in 2003 states that the purpose of Japan's ODA is "to contribute to the peace and development of the international community and thereby help ensure Japan's own security and prosperity," and identifies the following four priorities: (i) Reduction of poverty, (ii) Sustainable growth, (iii) Addressing of global issues and (iv) Peace-building.

The CAP has three priority fields; (i) sustainable economic growth to generate employment opportunities, (ii) support for self-reliance and improvement of the living environment for the poor and (iii) peace-building and stability in Mindanao. These appear to have been chosen by appropriately modifying the priorities identified in the ODA Charter to suit actual conditions in the Philippines.

#### (2) Consistency with the needs of the Philippines

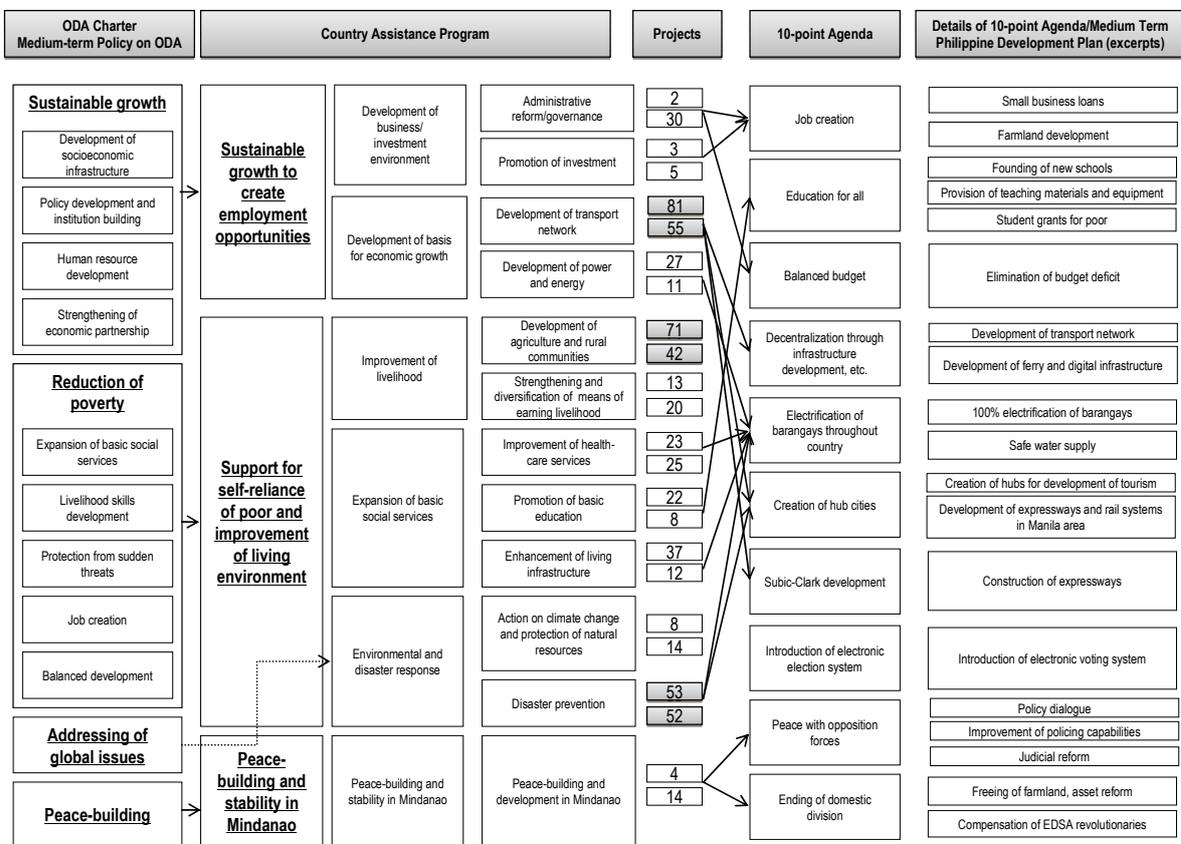
The figure lines up the concerns of Japan's ODA Charter, the CAP, the Philippines' 10-point Agenda, and the Medium Term Philippine Development Plan against one another. This shows there to be good common ground between the categories of assistance identified by Japan's CAP and the priorities identified by the Philippines, particularly in relation to the decentralization and development of barangays and development of economic infrastructure at Subic-Clark and elsewhere specified as goals in the Philippines' 10-point Agenda.

Numerous projects have been implemented since the time of President Aquino down to the present that match the priorities identified by the Philippines itself, particularly in

the fields of development of transport and transportation infrastructure, development of electric power and energy infrastructure (principally thermal and geothermal power), development of agriculture and rural communities (including development of infrastructure in rural areas), and prevention of disasters caused by events such as typhoons, floods, and earthquakes. Set against this, few projects addressed the political and financial issues identified as a challenge by the Philippines in the Aquino-Ramos period, though there have been more since the 2000s especially.

But on the other hand, Japanese assistance in education, which is identified as a priority by the Philippines in its 10-point Agenda as well, is following a downward trend. This is a reflection of Japan's stance that, some progress on development of economic infrastructure in the Philippines having been made, further development should now be the responsibility of the host country.

### Correspondence with the Philippines' assistance needs



It may be noted that addressing global issues, which is one of the four priorities identified in Japan's ODA Charter, is not seen as being among the top three priorities in

the CAP for the Philippines. Nevertheless, many assistance projects are implemented in environmental fields, and responding to natural disaster response has attracted particularly considerable assistance.

### (3) Complementarity with other donors

Alongside Japan, ODA for the Philippines is provided mainly by Australia, the European Union, Germany, and the United States, and organizations such as the Asian Development Bank (ADB) and World Bank (WB). The field survey findings show that their contributions in each field may be broken down as follows.

Targets of ODA in the Philippines and donor countries

<b>ODA target</b>	<b>Donor country</b>
Administrative and financial reform/good governance	Australia, WB, ADB (mainly tax reform), Japan
Investment promotion	Japan, Germany, EU
Development/improvement of transportation network	Japan, Australia, WB, ADB
Electric power and energy reform	Japan
Agriculture/rural area development	Japan
Strengthening and diversifying of livelihood	Japan, WB
Health care	ADB, WB, Japan
Education	Japan, Australia, Germany
Basic infrastructure	Japan
Climate change/nature resources	Mainly Germany, ADB, and USAID
Disaster prevention	Japan
Peace and development of Mindanao	Japan, USAID, WB, ADB

Source: Compiled from interviews with NEDA.

The field survey found that Japan is regarded as having made a far greater contribution in infrastructure in particular than other countries and organizations.

As noted above, Japan plays a major role in providing assistance to the Philippines, and has been involved in projects in numerous fields. However, particular emphasis has been placed on the development of economic infrastructure focused primarily on economic growth. Other donors, meanwhile, have concentrated more on development of social infrastructure (such as health care and education), and support for policy and institutions (such as public finance and governance). In view of the national

development priorities identified by the Philippines in its 10-point Agenda, complementarity between Japanese assistance and that of other donors may be regarded as high.

### 3-4 Evaluation of “Effectiveness of Results”

Japanese assistance for the Philippines has been consistently greater than other donors', and has on average accounted for half of the Philippines' loan portfolio since 1993. It is followed by the ADB and World Bank, and these three donors together accounted for 95% of outstanding loans up to 2001.

In recent years, the proportion of assistance from other donors has risen. In particular, China accounts for 11% of outstanding loans since 2008. Japan's outstanding loans, on the otherhand, continue to decline year by year, but its perceived presence remains extremely high.

#### 3-4-1 Effectiveness of Yen Loans

The largest component of Japanese assistance in monetary terms is Yen Loans. Total Yen Loans to the Philippines amounted to around JPY 2.1 trillion over the 36-year period from 1972 to 2009.

- On a cumulative basis, the largest recipient has been the transport sector, which accounts for 35% of the total. Next is commodity credit, which accounts for 18%. This is followed by electric power (14%) and social services (11%). The majority of lending for social services has consisted of money for regional development projects, such as rural finance and development of water supply in provincial cities.
- Irrigation and land reclamation by drainage accounts for 10% of the total. Most of these projects are flood control projects in the metropolitan region (such as river improvement work in the Manila area) and disaster recovery efforts following the eruption of Mount Pinatubo than rural irrigation and reclamation projects.

Japan has thus provided huge sums of assistance, which have been targeted mainly into infrastructure. However, the Philippines remains heavily dependent on foreign assistance to fund infrastructure development. In 2009, foreign assistance accounted for 43% of the development cost of roads and bridges, and 38% of the cost of airports development.

Infrastructure investment in the Philippines (2009-2010)

(PHP 1,000s)

	2009			2010		
	Assistance	Domestic budget	Total	Assistance	Domestic budget	Total
Roads and bridges	13,288,247	17,851,894	31,140,141	10,612,963	66,172,861	76,785,824
Flood control	3,143,579	1,840,489	4,984,068	2,819,116	4,616,515	7,435,631
Airports	1,568,939	2,555,659	4,124,598	3,263,143	474,500	3,737,643
Mindanao	220,528	1,309,368	1,529,896	55,041	850,000	905,041
Agricultural modernization	3,040,006	13,352,548	16,392,554	9,988,016	18,710,482	28,698,498
Local government	1,996,828	239,368	2,236,196	3,460,488	208,000	3,668,488

	2009			2010		
	Assistance	Domestic budget	Total	Assistance	Domestic budget	Total
Roads and bridges	43%	57%	100%	14%	86%	100%
Flood control	63%	37%	100%	38%	62%	100%
Airports	38%	62%	100%	87%	13%	100%
Mindanao	14%	86%	100%	6%	94%	100%
Agricultural modernization	19%	81%	100%	35%	65%	100%
Local government	89%	11%	100%	94%	6%	100%

Source: Department of Budget and Management, "National Expenditure Program FY 2011."

This dependence on foreign assistance for infrastructure development has assumed growing importance over the past few decades during which the Philippines has struggled to achieve growth. The large sums of assistance provided by Japan targeted mainly into infrastructure may thus have been of enormous significance to the Philippines' development.

### 3-4-2 Key goals for Japanese assistance in the Philippines

#### (1) Economic growth

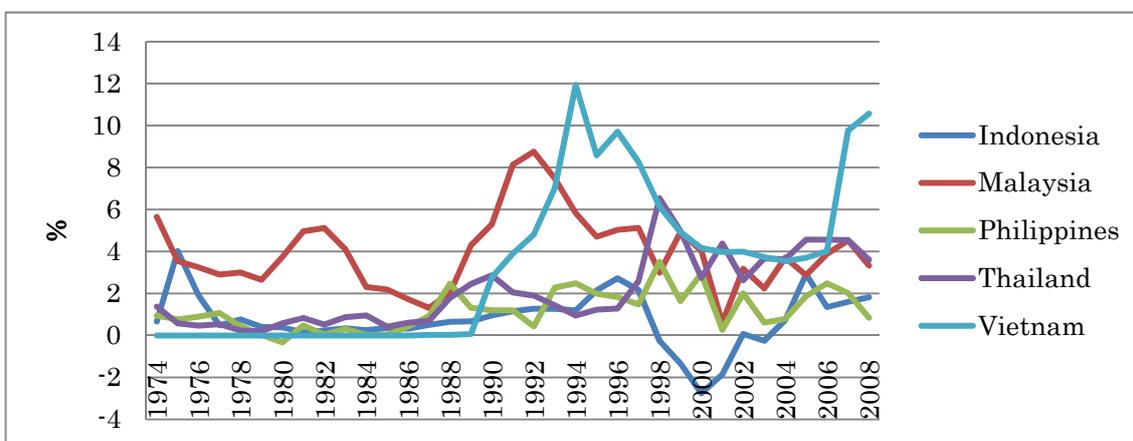
The "sustainable economic growth to generate employment opportunities" that is a

key goal of Japanese assistance for the Philippines consists of two elements: (a) development of the environment for business and investment, and (b) development of the basis for economic growth. The former consists mainly of support in areas such as institutional improvements and development of processing zones, while the latter refers to infrastructure development.

a) Development of environment for business and investment

Below, we consider the state of foreign direct investment (FDI) as one metric of the business and investment environment. In comparison with its neighbors, it can be seen that FDI to the Philippines has not seen significant increase, and its efforts to attract FDI have not made a significant impact. Although Japanese assistance in this field is limited, the investment environment does not appear to be improving. As noted above, the ADB, World Bank, and others similarly view this as a concern.

**Trends in FDI in the Philippines and neighboring countries (as a percentage of GDP)**



Source: World Bank, "World Development Indicators 2010."

b) Infrastructure development

Below, we look at trends in the development of infrastructure forming the basis for economic growth. While Japan provides broad-ranging support for infrastructure, this evaluation focused on the major sectors that MOFA explicitly mentions as their goals; (i) transport infrastructure, (ii) electric power, and (iii) the urban environment.

Japanese Yen Loans for the Philippine transport sector come to JPY 756.7 billion, which is equivalent to around 35% of the total value of Yen Loans. Thus in monetary terms, development of transport infrastructure has been the prime field of Japanese

ODA for the Philippines. As already observed, a considerable portion of Japanese Yen Loans have been allocated to transport infrastructure since the late 1980s. Effectiveness in each field has been as follows.

- The Philippines' road network has improved considerably. Presently, 13% of the Philippines' roads and one third of its arterial national highways have been built or improved with Japanese assistance, and over 250 bridges have also been completed. Japanese assistance thus appears to have been highly effective.
- There has been considerable port development, including the development of numerous regional ports as well as the ports of Batangas and Subic, and the Mindanao container wharf. However, use of Batangas Port has failed to grow due in particular to insufficient development of access roads to it, and it is presently operating at only around 13% of total capacity.
- Regarding the railways, demand for rail freight transportation is weak despite assistance from Japan and, failing to become profitable, the sector's decline continues. Despite efforts by the Philippine government to rehabilitate it, these efforts have not rectified the decline in demand. In this respect, Japanese assistance has not been very effective.
- The development of international airports has been assisted by the provision by Japan of Yen Loans for Terminal 2 at Manila International Airport and the terminal building and runway at Cebu International Airport. The number of passengers using Manila International Airport has almost tripled since Terminal 2 opened, and this has made a major contribution to coping with the growth in air travel to the Philippines.

Next, we consider the electric power and energy infrastructure sector. Yen Loans in this sector have amounted to JPY 286.6 billion to date, accounting for 13% of Yen Loans in total. 59.3% went into power generation and 40.5% into power transmission (though this also includes rural electrification), with the remainder being directed into environmental projects. Technical assistance worth JPY 2.19 billion was also provided between 1994 and 2008. This took the form of the provision of experts and assistance with the development of master plans to help with rural electrification, electricity distribution in urban areas, improvement of energy efficiency, and sector reforms.

- Power generation capacity whose construction was funded by Japanese Yen Loans accounts for 8.3% of total Philippine capacity, and a third of all geothermal power plants were built with Yen Loans.
- Provision from the outset of Yen Loans for geothermal power generation has given

the Philippines energy sources that are not dependent on imported fuels. In terms of its major contribution to the Philippines' energy security, therefore, Japanese assistance may be regarded as having been highly effective.

Although diverse, a large portion of assistance for urban improvement has targeted Metro Manila. Three types of projects are significant: i) alleviation of traffic congestion, ii) urban rail construction, and iii) flood control.

- Regarding alleviation of traffic congestion, the 2001 “Comprehensive Impact Evaluation for the Metro Manila Transport Network” estimates that average congestion on city roads has fallen 10% and average travel speeds have risen 7% as a result of various measures undertaken with Japanese assistance. However, congestion remains a serious problem in the Manila area, and ongoing support is needed.
- A project to enhance capacity on the urban rail lines like Manila LRT-1(Light Rail Transit) or LRT-2, etc., appears to have had a significant effect on improving passenger convenience.
- Flood control is of crucial importance to Manila. Progress on flood control projects in the city has significantly reduced the paralysis of urban functions that arose in the past from flooding caused by small amounts of rainfall.

Although individual projects backed by Japanese assistance have had a certain degree of success, they have not always led to the growth of the Philippine economy and generation of jobs has also been limited. The criticism may thus be leveled that success at the level of individual projects and attainment of project goals has not always led to the attainment of ultimate goals.

An examination of specific projects and sectors also reveals a number of issues.

- In the case of transport, the infrastructure resulting from some projects has not been extensively used and has not contributed to economic activity (e.g., Batangas Port).
- Poor results from assistance for the power and energy sectors, which used to be highly effective, due to excessive electric power supply and demand forecasts, and lack of inter-ministry coordination on projects have resulted in cases where the economic contribution of the infrastructure created has been less than planned.
- In the case of flood control and road development projects, the resulting improved convenience around the facilities developed has led to the formation of slums that

threaten operations in emergencies.

## (2) Reduction of poverty

Reduction of poverty, which is the second priority of assistance for the Philippines, involves a complex combination of factors. The most important fields considered here are: i) agricultural and rural development, ii) health care, iii) education, and iv) disaster prevention.

- Support in the agricultural sector has been provided by sending in numerous experts and JOCV volunteers, and support worth around JPY 17.0 billion has been provided since 1994. Dispatch of experts for the agricultural sector accounted for 42% and youth volunteers for 18% of the Philippine total, enabling loan assistance and technical assistance to be effectively combined.
- In the health care sector, assistance worth JPY 9.1 billion (consisting mainly of grant aid) has been provided since 1994 to fund projects including family planning, measures against infectious diseases (especially tuberculosis) and parasites, and community health programs. The facilities that have been provided are being properly maintained, and are used as the nuclei of key health care services in their communities.
- For the education sector, Yen Loan has consisted to a large extent of primary education projects and primary and secondary education projects in poor regions co-financed with funding from the ADB and World Bank. Grand aid, technical assistance, and JOCV volunteers have also been provided. Particular emphasis has been placed on supporting education in science and mathematics, and assistance of this kind is recognized by the authorities in the Philippines as having made an important contribution.
- Provision of disaster response has included action taken directly by MOFA. In 2009, direct food assistance was provided by MOFA, through the Embassy of Japan in the Philippines, to regions affected by typhoon damage. Later the WFP highly appraised Japan's rapid action within a week of the disaster.

A problem with poverty reduction has been the low record of improvement compared with in neighboring countries. The poverty rate is still almost 30%, and the pace of reduction is extremely slow compared with in Thailand and Malaysia. Thus while Japanese assistance is helping to reduce poverty, its effectiveness has been limited and not especially impressive in comparison with performance in neighboring countries.

### (3) Peace-building

Japan's peace-building efforts in the Philippines have been directed mainly toward the resolution of the conflict on Mindanao. Under the "Support Package for Peace and Stability in Mindanao," Japan has provided Yen Loans worth JPY 597.2 billion since 1980, the bulk of which have gone into the transport sector (roads and ports). Grant aid worth JPY 9.7 billion has also been provided, mainly for disaster prevention, medical services, and recovery work in typhoon-damaged areas. In the technical assistance field, meanwhile, projects have been undertaken to stabilize the region by improving the administrative capabilities of ARMM.

The progress of peace-building in Mindanao has been significantly affected by exogenous factors unrelated to Japanese assistance, thus makes it difficult to arrive at a simple evaluation of the effectiveness of assistance. From the Philippine side, there have been calls for even greater efforts to be directed into social programs (especially community measures). The evidence thus suggests that although Japan has provided considerable support in this area, its contribution has not been fully recognized.

### 3-5 Evaluation of "Appropriateness of Processes"

The evaluation of appropriateness of processes sought to answer the following five questions.

#### *(1) Have actions and approaches been taken to address the specific challenges identified by the CAP?*

The Japanese side has adopted policies accommodating as far as possible not only regular revisions made by Japan to its assistance strategy, but also the slight annual changes made to development plans in response to the Asian economic crisis and new policies unveiled by each administration. They have also accommodated contingencies associated with the Asian economic crisis and signing of EPAs. Given that the number of cancelled World Bank and ADB projects in the Philippines exceeds five a year,<sup>2</sup> Japan appears to be communicating with the Philippine government in a timely manner and adopting appropriate policy responses.

Although the Philippines' Medium-Term Development Plan (MTPDP) sets out development priorities, insufficient spending is allocated to achieve these priorities, and

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<sup>2</sup> Based on the findings of interviews conducted for the field survey (November 2010).

some analyses suggest that it is insufficiently consistent with the Medium-term Public Investment Plan (MTPIP) formulated at the same time.<sup>3</sup> Observers have also noted that the level of priority assigned to projects is subject to change due to the intervention of parliament in the annual budgetary process, and that there exist numerous other issues from the point of view of policy consistency.<sup>4</sup>

Under these circumstances, it has been next to impossible for all assistance agencies, and not just the Japanese government, to accommodate the Philippines' subtly changing requests. While there was one case of a project being cancelled despite a Yen Loan agreement having been entered with the Japanese government,<sup>5</sup> this appears to have been unavoidable in view of the circumstances on the Philippine side, and the Japanese government may be judged to have made every possible effort to avoid such an eventuality.

The bodies responsible for assistance at most of the government agencies that implement projects in the Philippines have ties of some kind with the JICA Philippine office, and projects for which Japanese assistance is sought are typically the subject of inquiries to JICA before or after application to NEDA. As the JICA Philippine office observed, the "more efficient process of making fewer requests and achieving a higher project approval rate" at annual consultations means that the initiatives and approaches identified in the CAP are properly followed by the Philippine side, thus ensuring that efficient projects are formulated. The field survey for national evaluation also confirmed that the CAP for the Philippines is explained to and understood by project-implementing agencies in the Philippines.

*(2) Is attention paid to ongoing needs monitoring (policy consultations and sector-specific meetings, etc.)?*

Interviews for the field survey found that communication between policy officials and project implementers on the Philippine side and Japanese ODA taskforce members in the host country is quite close in comparison with other donors.<sup>6</sup>

ODA Task Force in this case is made up of members drawn from the Economic Section of the Embassy and the JICA Philippine office. The involvement of the Japanese Embassy's Economic Affairs Group in ODA extends over a range of fields,

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<sup>3</sup> JICA, "Review of the Philippines' Development and Growth," October 2010, pp. 2-14.

<sup>4</sup> Interview with the World Bank (October 2010).

<sup>5</sup> Recent projects to have been cancelled despite the conclusion of a yen loan agreement are two special loan projects in FY 2002: the Project to Enhance Sea Rescue and Marine Pollution Prevention Systems, and the Northern Luzon Wind Power Generation Program.

<sup>6</sup> For example, the Philippine Department of Foreign Affairs commented that policy officials have far more opportunities to meet Japanese Embassy officials than U.S. Embassy officials.

including routine collection of information in the Philippines, project formulation, and coordination with JICA and other donors. While its operations span a diverse range and require that it represent Japan, sufficient staffs appear to have been allocated to ensure that they are properly performed.<sup>7</sup> Coordination with JICA as the ODA taskforce is also close. As regards routine activities, the embassy is responsible for the diplomatic dimensions of ODA policy,<sup>8</sup> while JICA is responsible for the practical aspects of projects. A complementary cooperative relationship thus exists between the two.

The JICA Philippine office is, alongside the Economic Section of the Embassy, on the front line of planning, implementation, and monitoring of official development assistance provided by Japan. At present, personnel are allocated primarily to the Economic Affairs Group, Poverty Reduction Group, and Mindanao Group in order to address the three priorities identified in the CAP by MOFA. Support has now been provided to the Philippines for more than 40 years, and the JICA Philippine office has provided proper training for its locally hired staff during this time. Due to the large number of projects handled by the JICA Philippine office, there is naturally a clear division of roles among its staff.

*(3) Is there a proper setup for implementation by ODA Task Force in the Host Country and the ministry?*

Knowledge of the CAP was shared among the relevant Japanese and Philippine parties through policy dialogue. Japan and the Philippines each set up their own Task Force, which then generally worked on plans for around 6 to 12 months.

In the process of evaluating performance in each sector under the old plan and formulating a new plan ahead of the revision of the CAP for the Philippines in 2008, proper consideration was given to factors such as the economic situation faced by the Philippines, other donors' assistance policies, and the future course of Japanese assistance in order to select new priority development goals. Personnel were also selected all the way down to the staff responsible for each taskforce. This information was published online in order to disclose to the Japanese public where responsibilities are located.

Work on revision of the CAP is performed by a council involving relevant Japanese parties in the Philippines and officials from relevant Philippine government agencies. The setup on the Japanese side is distinguished by the high degree of NGO

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<sup>7</sup> The embassy's Economic Affairs Group involved in ODA in the Philippines consists of 10 officials provided by the Japanese government and four staff employed by the embassy

<sup>8</sup> For example, announcement of ODA projects and advocacy activities timed to coincide with diplomatic events such as summit meetings.

involvement compared with the revision of other countries' CAPs: as well as consulting up to 15 NGOs, NGO representatives are invited to be among six experts<sup>9</sup> who help consider from a variety of angles and then finalize the revisions to plans for implementation of assistance.

*(4) Are processes in place to regularly monitor the state of policy implementation?*

Policy implementation is monitored by ODA Task Force in the host country, and individual projects are monitored by JICA. The monitoring findings are then shared. To monitor ODA as a whole, JICA convenes overall monitoring meetings of representatives of 12-13 agencies, including implementing agencies, NEDA, or in some cases, LGU, etc. These meetings consider unsuccessful past projects and new projects that are not proceeding smoothly, and consider how to address issues raised by them. In 2010, these meetings were held once every six months.

As part of project implementation review (PIR), JICA also incorporates use of online monitoring in order to achieve unprecedented levels of efficiency. Available for every project funded by a Yen Loan, this allows project implementers to access a database and share data on project progress with JICA. Grant aid is monitored on each occasion. Regarding technical assistance, the Joint Coordinating Committee (JCC) generally meets once or twice a year. JICA's Philippine office is its only overseas office to have set up an online monitoring system, which serves as a good model for other offices.

*(5) Is there coordination with other donors and international agencies?*

Opportunities for dialogue with other key donors are provided by the Philippines Development Forum (PDF), which has been functioning since 2005. ODA Task Force shares information on assistance policy with each donor, too. General meetings are normally held once a year each March.<sup>10</sup> Several working groups have been set up under the PDF, one of which is the Infrastructure Working Group, led by Japan as joint chair. This working group is the responsibility of the Japanese Embassy's economic secretary, and has already met 10 times. Consultations are also held on projects proposed by funds from Japan, operated by international agencies, like Japan Social Development Fund (JSDF)<sup>11</sup>, etc.

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<sup>9</sup> Mr. Michio Ito (then a JANIC director).

<sup>10</sup> Last held in March 2008, as there was no meeting in FY 2009.

<sup>11</sup> The Japan Social Development Fund (JSDF) was created with a contribution of JPY 10 billion (equivalent to around USD 95 million) by the Japanese government, and is operated by the World Bank. The JSDF is also involved in projects such as community development for the World Bank's "Kapit-Bisig Laban Sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS)" program in the Philippines to eliminate poverty.

**Photos of the Field Survey**

[Site Visit: Old Projects]



Flood Control and Drainage Project  
(Completed in 1998: Manila)



Community Health Facilities/Equipment  
Improvement Project (Completed in 1999:  
Brgy.XXXX, Bulacan)

[Site Visit: Latest Projects]



Pasig-Marikina Flood Control Project  
(Under Construction: Manila)



Kamanava Flood Protection Project  
(Completed in 2008: Manila)

[Other Japan-Assisted Projects]



Central Luzon Highway Construction  
Project (Completed in 2009: Clark)



Light Rail Transit (LRT-1) South Extension  
Project (Completed in 2002: Manila)