



Country Operations Business Plan

October 2009

Philippines
2010–2012

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 August 2009)

Currency Unit	–	peso (P)
P1.00	=	\$0.02
\$1.00	=	P48.03

ABBREVIATIONS

ADB	–	Asian Development Bank
BIMP-EAGA	–	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area
CAPE	–	country assistance program evaluation
COBP	–	country operations business plan
CPS	–	country partnership strategy
CSP	–	country strategy and program
GDP	–	gross domestic product
LGU	–	local government unit
MDG	–	Millennium Development Goal
MFF	–	multitranche financing facility
OCR	–	ordinary capital resources
PFR	–	periodic financing request
PPP	–	public–private partnership
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of the Philippines and its agencies ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 31 December 2000.
- (ii) In this report, “\$” refers to US dollars unless otherwise stated.

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. The country strategy and program (CSP) 2005–2007 for the Philippines¹ focused on fiscal consolidation, improving the investment climate, and acceleration of attainment of the Millennium Development Goals (MDGs). This strategic focus was confirmed by the 2008 country assistance program evaluation (CAPE) for the Philippines² and the Asian Development Bank (ADB) study on the critical development constraints.³ In 2007, ADB and the Government of the Philippines agreed on an operational program for 2007–2008 that extended the CSP by one year through the country operations business plan (COBP) 2007–2008.⁴ Then in 2008, ADB and the Government agreed on an operational program for 2009–2010 that extended the CSP by two more years through the COBP 2009–2010.⁵ By extending the CSP to 2010, the cycle of the country partnership strategy (CPS) was aligned with the Government's planning cycle.⁶ In 2009, ADB and the Government agreed on an operational program for 2010–2012 based on the premises that the (i) 2010 program would be confirmed through a usual program confirmation mission in 2010;⁷ and (ii) strategic alignment of the 2011–2012 program with the Government's medium-term planning and development program would be ensured through the new CPS.

2. Economic growth in the past years helped improve the country's resilience to shocks. Philippine economic growth during 2000–2008 averaged 5.0%.⁸ Gross domestic product (GDP) growth slowed to 3.8% in 2008 when the economy was hit by (i) higher food and fuel prices, and (ii) the global financial and economic crisis. While the country was relatively unaffected by the financial crisis, the effects of the higher food and fuel prices and the global economic crisis will likely impact negatively on poverty and MDG achievement.⁹ The Government responded by increasing the coverage of its flagship social protection program—the conditional cash transfer program—by an additional 300,000 households in 2009. Fiscal consolidation had been noteworthy, with the deficit declining from 2.7% of GDP in 2005 to 0.9% in 2008. The Government is performing a delicate balancing act of mounting an adequate fiscal response to a deteriorating growth outlook in the near term while sustaining market expectations of fiscal prudence and credibility in the medium term. National government debt as a ratio of GDP has been declining in recent years as a result of sound debt management. While this has reduced liabilities, lowered dependence on commercial borrowing, increased access to official development assistance, and eased debt servicing costs, debt as a ratio of GDP is still high at 56.3% and the Government projects it to rise to 57.6% in 2009. Stepping up tax efforts, including increases in tobacco and alcohol excises and the passage of other tax reforms submitted to Congress, would assist in mainstreaming critical public spending while signaling continued commitment to medium-term fiscal consolidation.

¹ ADB. 2005. *Philippines: Country Strategy and Program 2005–2007*. Manila.

² ADB. 2008. *Philippines Country Assistance Program Evaluation: Increasing Strategic Focus for Better Results*. Manila. <http://www.adb.org/Documents/CAPE/PHI/CAP-PHI-2008-20/CAP-PHI-2008-20.pdf>.

³ ADB. 2007. *Philippines: Critical Development Constraints*. Manila.

⁴ ADB. 2007. *Country Operations Business Plan. Philippines, 2007–2008*. Manila.

⁵ ADB. 2008. *Country Operations Business Plan. Philippines, 2009–2010*. Manila.

⁶ The Government prepares medium-term development plans for 6 years to coincide with the presidential term of office. The next plan will cover 2011–2016.

⁷ The next Philippine general elections are scheduled to be held on 10 May 2010. At the national level, the Presidency, Vice-Presidency, half the Senate seats, and all House seats are up for election.

⁸ This was lower than the growth in East Asian developing countries, which grew at an average of 8.7% during 2000–2008.

⁹ The Philippines has been lagging on progress in some key non-income MDG targets relating to universal primary education, maternal and infant mortality, and access to reproductive health services. Governance issues persist, resulting in a high cost of doing business and unequal access to services.

3. Against this background, the CSP remains relevant and robust for 2010–2012. The COBP will maintain the emphasis on alignment around government priorities, selectivity, and quality-at-entry. It will continue ADB support for medium-term policy reforms via the ongoing Financial Market Regulation and Intermediation Program,¹⁰ the Governance in Justice Sector Reform Program, and newly proposed programs on investment climate, conditional cash transfer, and power distribution sector reforms. Greater attention will be paid to investments in infrastructure and climate change mitigation and adaptation.¹¹ Accordingly, the ratio of the amount of investment projects in the 2009–2010 program (35%) increased from the 2007–2008 rate (23%) and will increase further in 2010–2012 (60%).¹²

4. The COBP 2010–2012 is aligned with ADB's long-term strategic framework 2008–2020 (Strategy 2020).¹³ Of the five core areas of operation in the strategy, four—infrastructure, environment, financial sector development, and education—are covered by the proposed lending program, accounting for 77% of expected lending volume. Regional advisory technical assistance (TA) projects in 2010–2012 will support regional cooperation and integration, another core area. The Philippines is engaged in several regional cooperation initiatives, such as the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) and the Coral Triangle Initiative.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

5. The Philippines is an ordinary capital resources (OCR)-only developing member country. For 2010–2012, a lending program of \$2.8 billion is proposed (Appendix 1). The Government is aware that (i) the pipeline includes substantive overprogramming compared to the \$620 million annual allocation to the Philippines included in the planning directions; and (ii) processing will be subject to financing availability. A more definite program for 2010, which is aligned with ADB's work program and budget framework, will be discussed during the country program confirmation mission scheduled for April 2010. The proposed lending program is still considerably below absorptive capacity and demand, especially because of the need to support the Government in mitigating the impacts of the economic slowdown and in view of the improved quality of the portfolio of ADB projects in the Philippines.¹⁴

¹⁰ ADB. 2006. *Proposed Program Cluster, Loan, and Technical Assistance Grant Financial Market Regulation and Intermediation Program (Philippines)*. Manila

¹¹ ADB, in coordination with the International Bank for Reconstruction and Development and the International Finance Corporation, is assisting the Government in preparing a Clean Technology Fund Country Investment Plan. High-priority interventions are (i) supply- and demand-side energy efficiency and conservation in the power, industry, commercial, and residential sectors; (ii) clean and renewable energy, primarily geothermal power, small hydropower, wind, advanced biomass energy, and possibly marginal gas fields; and (iii) public transport systems, advanced vehicle technology, and fuel switching.

¹² Given the mature partnership and the increased demand for investments in climate change, food security, crisis mitigation, and infrastructure, there is a need to free up a larger share of ordinary capital resources to support investments in these priority sectors. The CPS will provide further guidance on target ratios for program and project lending in focal areas of ADB assistance.

¹³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

¹⁴ The disbursement ratio (without program loans) has been rising since 2005 and has been constantly higher than the ADB average since 2006. All program loans have been fully disbursed in a timely manner. One project and two program loans approved in 2008 for the total amount of \$620 million (second highest level of new lending since 2000) aimed at (i) supporting rural development via capacity building of agrarian reform communities, (ii) sustaining fiscal consolidation and public expenditure management reform, and (iii) increasing justice sector effectiveness and efficiency. Overall, \$653.2 million was disbursed in 2008, representing an increase of almost 56% from 2007. The 2006–2007 positive trend in net resource transfers (sovereign) continued in 2008, equaling \$51.2 million. The

6. In view of the (i) capacity development support needed to complement program loans in the 2010–2012 program, and (ii) the high demand for support for sector and local government unit (LGU) governance, the Government requested significant TA support. To ensure higher quality-at-entry, including development of innovative approaches and sector road maps, project preparatory TA will continue to play an important role. The TA program includes 8 capacity development TA projects and 5 policy and advisory TA projects amounting to a total of \$9 million, in addition to 4 project preparatory TA grants (Appendix 1). A summary project description of the 2010 indicative lending and nonlending pipelines is in Appendix 2.

7. The increasing trend of non-sovereign lending is likely to continue. The Philippines is among the largest recipients of non-sovereign support from ADB, receiving 28% of ADB's total 2008 non-sovereign loan and equity disbursements. This momentum will continue and indeed accelerate in light of the heightened priority accorded to private sector development in Strategy 2020.¹⁵ Private sector operations will be flexible in selecting projects, although they will be directed at the development of critical infrastructure projects and the promotion of key financial sector initiatives. Target infrastructure projects will include (i) construction of new power generation plants, including plants that use renewable energy sources; (ii) support for the acquisition of government-owned generation assets and their refurbishment; (iii) expansion or rehabilitation of power transmission lines; (iv) initiatives that promote energy efficiency projects, including projects that reduce system losses; (v) water supply, including projects aimed at reducing non-revenue water; (vi) sanitation and waste management; (vii) toll road construction and operation; (viii) housing finance; (ix) efficient urban transport systems such as light rail transit and bus rapid transit; and (x) construction, modernization, and operation of port facilities. In the financial sector, private sector operations seek to complement the sector reform efforts of the public sector by supporting interventions that broaden access to financial services and contribute to the overall development of the financial sector. This can be accomplished through the provision of loans, equity investment, guarantees, private equity funds, and advisory services to financial services institution and markets. Particular focus will be on supporting (i) micro and small and medium-sized enterprises (SMEs) finance; (ii) housing finance; (iii) trade finance; and (iv) securitization and other capital market transactions, as well as providing access to capital for financial intermediaries and advisory services on corporate governance and other topics. Both official and commercial cofinancing opportunities are actively considered for the targeted infrastructure projects for private sectors.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

8. The lending program reflects the following changes over the COBP 2009–2010 program: (i) a shift from the 2008 to the 2009 program of the Energy Efficiency Project and the Credit for Better Health Care Project; (ii) a shift from the 2009 to the 2010 program of the Integrated Natural Resources and Environmental Management Program, the Financial Market Intermediation and Regulation Program, the Philippine Basic Urban Services Sector Project, the Water District Development Sector Project, and the Rural Electric Cooperatives Development Project; (iii) a shift from 2010 to 2009 of the Local Government Financing and Budget Reform Program, subprogram 2 along with an increase in the amount to \$225 million to support the

performance indicators for the active loans remained sound, placing the Philippine portfolio above the ADB average.

¹⁵ This is also in view of Executive Order 809 on Implementing the Financing Policy Framework for Local Government Units by Identifying New Sources of Funding for First Tier Local Government Units Under Republic Act No. 7160, which came into effect on 9 June 2009. The order allows for direct lending from multilateral development banks to first tier LGUs without sovereign guarantee, pending the adoption of implementing rules and regulations.

Government in its crisis response;¹⁶ and (iv) an increase in the amount of the Road Sector Institutional Development and Investment Program (former Road Sector Improvement Project) multitranche financing facility (MFF), periodic financing request (PFR) 1 to \$62 million. The Metro Manila Urban Services for the Poor, which was initially shifted from 2008 to the 2009 pipeline, had to be dropped because of a lack of government consensus on the financing structure. Six TA projects in the program will be processed in 2009 while two (Decentralized Framework for Operations and Maintenance of Rural Infrastructure and Governance and Public Financial Management) were moved to 2010. Five new TA projects are included: (i) Computer Access Mentorship Program (\$500,000); (ii) Strengthening the Philippine Government Electronic Procurement System (\$600,000); (iii) Support to Policy Formulation in the Philippines (\$225,000); (iv) Local Government Finance and Budget Reform (\$700,000);¹⁷ and (v) Strengthening Transparency and Accountability in the Road Sector (\$1,000,000).¹⁸ The updated lending and nonlending programs for 2009 are in Appendix 3.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

9. In 2009, the Southeast Asia Department allocated 14.4 professional staff years to the Philippines (including 4.3 for project processing and 5.6 for portfolio management)—8.7% of the department's total. A similar level of resources will be required in 2010–2012.

V. RESULTS-BASED MONITORING

10. From January 2005 to 30 June 2009, ADB approved 12 public sector loans totaling \$2,110 million, including \$1,900 million (90%) for 7 policy-based loans and \$210 million (10%) for 5 project loans. In the same period, 30 TA projects were approved for \$24.11 million and 9 grant-financed projects for \$18 million. Since January 2005, 4 private sector projects were approved for \$344.4 million. The amount of generated cofinancing for public and private sector operations in January 2005–June 2009 remains at \$1,332.4 million. Since 2005, to finance its local currency operations, ADB supported two peso bond issues totaling P7.5 billion.¹⁹

11. The strategic positioning²⁰ of ADB's assistance over the past 4 years was rated "satisfactory" by ADB's Independent Evaluation Department in a recent CAPE (footnote 2). The assistance was aligned with the country's priorities reflected in the Medium-Term Philippine Development Plan 2004–2010. The assistance program was particularly effective in helping the Government achieve progress in fiscal performance, which has been one of three CPS priorities. Apart from providing support to the budget to finance reform-induced costs, ADB has also worked on institutional and capacity development, for example, by supporting increased development effectiveness under the Paris Declaration²¹ and implementation of new and more

¹⁶ The Government requested a \$500 million loan under the Countercyclical Support Facility. ADB approved this loan on 24 August 2009.

¹⁷ The TA is on standby for 2009 and firm in 2010.

¹⁸ The TA is on standby for 2009 and firm in 2010.

¹⁹ These comprise bond issues of P2.5 billion in October 2005 and P5 billion in May 2007 to fund a loan to a special purpose vehicle for the resolution of nonperforming loans.

²⁰ The term "strategic positioning" comprises the criteria of program relevance and country alignment, selectivity, and sequencing and continuity.

²¹ The Paris Declaration on improving development effectiveness through ownership, harmonization, alignment, results, and mutual accountability was adopted in March 2005. More than 100 countries and agencies committed themselves to carry out specific actions to improve the effectiveness with which development partners provide, and countries use, development funds. See the website for more information on Paris Declaration: www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1.00.html.

transparent procurement regulations.²² An interplay of loans, TA, and advocacy have had a significant impact on the direction of sector reforms and capacity development, for example in the area of local government and budget reform. To improve dialogue with all development partners, ADB is intensifying or creating partnerships with government-owned and controlled corporations, LGUs, the judicial sector, business groups, academia, and civil society. Updated Country Sector and Thematic Strategies and Plans and/or Road Maps are provided in Appendix 4.

12. The Government is bringing results management and monitoring into its activity mainstream by maintaining an interagency harmonization committee to oversee implementation of the Paris Declaration commitments (footnote 22), and by strengthening systems for public expenditure management and performance budgeting to make the allocation of scarce public resources more efficient. The medium-term expenditure framework ensures that spending is “driven by strategic and policy priorities, disciplined by revenues”.²³ This strengthens the monitoring of all government departments, agencies, and corporations; and requires them to complete strategic reviews, in a move to transform the executive branch into a high-performing, results-oriented government from one that is saddled with bureaucratic overlaps and redundancies.²⁴ Important instruments include the strategic planning matrices, the organizational performance indicator framework,²⁵ and sector effectiveness and efficiency reviews.²⁶ Such efforts encourage agencies to improve service delivery in exchange for access to budget resources; and provide the framework for results-based planning, monitoring, and evaluation in government agencies. ADB has access to outputs from these systems, which it will use to increase development effectiveness. No substantive changes have been made in the results framework of the CSP 2005–2007.

²² Supported by ADB. 2005. *Technical Assistance for Harmonization and Managing for Results* and by ADB. 2008. Manila; and *Technical Assistance for Harmonization and Development Effectiveness*. Manila.

²³ Executive Order 366 on Directing a Strategic Review of the Operations and Organizations of the Executive Branch and Providing Options and Incentives for Government Employees Who May Be Affected by the Rationalization of Functions of the Executive Branch, which came into effect on 4 October 2004.

²⁴ Department of Budget and Management. 2006. *Implementing EO366: A Practical Guide for Managing the Change Process of the Rationalization Program*. Manila (page i). www.dbm.gov.ph/dbm_publications.

²⁵ ADB is supporting the development of this framework, including an operations manual, as the primary vehicle for results-based budgeting (ADB. 2003. *Supporting the Sector Approach and RBM in ADB Operations* Manila). It is also supporting the deployment of the framework in selected departments (footnote 22).

²⁶ The sector effectiveness and efficiency reviews aid the monitoring of operational efficiency, and are complemented by Executive Order 366, whose implementation is supported by ADB (ADB. 2008. *Government Owned-and Controlled-Corporations Reform*. Manila).

INDICATIVE ASSISTANCE PIPELINE

Table A1.1: Indicative Assistance Pipeline for Lending Products, 2010–2012

Sector Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			Co- financing ^a
					Total	ADB (OCR)	Gov't.	
2010 Firm Loans								
Agriculture and Natural Resources								
Integrated Natural Resources and Environmental Management Project	GI	ENV/SOD	SEAE	2008	120.00	100.00	0.00	IFAD 20 ^b
Irrigation Systems Operation Efficiency Improvement Project	GI	GRO/SOD /ENV	SEAE	2008	100.00	100.00	0.00	
Energy								
Rural Electric Cooperatives Project	GI	GRO	SEEW	2007	57.00	57.00	0.00	EDCF 20
Finance								
Financial Market Regulation and Intermediation Program, Subprogram II	GI	GRO	SEFM	-	250.00	250.00	0.00	
Health and Social Protection								
Conditional Cash Transfer Program	TI	GRO/SOD	SESS	2009	100.00	100.00	0.00	
Multisector								
MFF Philippine Basic Urban Services Investment Program – PFR1	GI	SOD/GRO /GOV	SETU	2008	41.00	41.00	0.00	
Water Supply and Other Municipal Infrastructure and Services								
Water District Development Sector Project	GI	GRO/SOD /CAD	SEEW	2008	50.00	50.00	0.00	
Total – 2010 Firm Loans					718.00	698.00	0.00	
2010 Standby Loans								
Agriculture and Natural Resources								
Comprehensive Development for the Agusan River Basin Project (formerly Agusan Integrated Water Resources Management)	TI	GRO/ENV	SEAE	2009	100.00	100.00	0.00	
Energy								
MFF Climate Change Investment Program, PFR1	GI	GRO	SEEW	2009 & 2010	100.00	100.00	0.00	CTF (tbd) EDCF (tbd)
Transport and ICT								
MFF Road Sector Institutional Development and Investment Program, PFR 2 (formerly Road Sector Improvement Project)	GI	GRO	SETU	2008	200.00	200.00	0.00	EDCF 85
Water Supply and Other Municipal Infrastructure and Services								
Manila East Sanitation Improvement MFF \$350m, PFR1	GI	GRO	SEEW		100.00	100.00	0.00	
Manila West Sanitation Improvement MFF \$350m, PFR1	GI	GRO	SEEW		100.00	100.00	0.00	
Total – 2010 Standby Loans					600.00	600.00	0.00	

Sector Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			
					Total	ADB (OCR)	Gov't.	Co- financing ^a
Total – 2010 Firm and Standby Loans					1,318.00	1,298.00	0.00	
2011 Firm Loans								
Agriculture and Natural Resources								
Comprehensive Development for the Agusan River Basin Project (formerly Agusan Integrated Water Resources Management)	TI	GRO/ENV	SEAE	2009	100.00	100.00	0.00	
Rural Infrastructure for Agribusiness Development Project	GI	GRO	SEAE	-	80.00	80.00	0.00	IFAD
Energy								
MFF Climate Change Investment Program, PFR1	GI	GRO	SEEW	2009 & 2010	100.00	100.00	0.00	CTF (tbd) EDCF (tbd)
Public Sector Management								
Justice Reform Program	GI	GRO	SEFM		300.00	300.00	0.00	
Investment Climate Program (Subprogram 1)	GI	GRO	SEFM		250.00	250.00	0.00	
Transport and ICT								
MFF Road Sector Institutional Development and Investment Program, PFR 2 (formerly Road Sector Improvement Project)	GI	GRO	SETU	2008	200.00	200.00	0.00	EDCF 85
Water Supply and Other Municipal Infrastructure and Services								
Metro Cebu Water Supply Project	GI	SOD/GRO	SEEW	2009	70.00	70.00	0.00	
Total – 2011 Firm Loans					1,100.00	1,100.00	0.00	
2011 Standby Loans								
Energy								
Power Distribution Sector Reform Program	GI	GRO	SEEW		200.00	200.00	0.00	
Total – 2011 Standby Loans					200.00	200.00	0.00	
Total – 2011 Firm and Standby Loans					1,300.00	1,300.00	0.00	
2012 Firm Loans								
Agriculture and Natural Resources								
Rural Infrastructure Development Project	TI	GRO/SOD	SEAE	2011	100.00	100.00	0.00	
Integrated Coastal Resource Management Project II	TI	GRO/ENV	SEAE		100.00	100.00	0.00	
Mindanao River Basin Project	TI	GRO/ENV	SEAE	-	100.00	100.00	0.00	
Education								
Southern Philippines Secondary Education Project			SESS	2010	200.00	200.00	0.00	
Energy								
Power Distribution Sector Reform Program	GI	GRO	SEEW		200.00	200.00	0.00	
Power Sector Investment Project	GI	GRO	SEEW		100.00	100.00	0.00	
MFF Climate Change Investment Program, PFR2	GI	GRO	SEEW	2009 & 2010	100.00	100.00	0.00	
Multisector								
Davao City Water Project	TI	GRO	SEEW	2011	50.00	50.00	0.00	
Total – 2012 Firm Loans					950.00	950.00	0.00	
2012 Standby Loan								
Energy								

Sector Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)		
					Total	ADB (OCR)	Gov't. Co- financing ^a
Power Sector Development Program	GI	GRO	SEEW		350.00	350.00	0.00
Public Sector Management							
Local Government Finance and Budget Reform Program Phase 2	GI	GRO	SEFM		300.00	300.00	0.00
Total – 2012 Standby Loan					650.00	650.00	0.00
Total – 2012 Firm and Standby Loans					1,600.00	1,600.00	0.00

ADB (OCR)=Asian Development Bank (Ordinary Capital Resources); CTF = Clean Technology Fund; EDCF = Economic Development Cooperation Fund (Republic of Korea); ENV = environmental sustainability; GI = general intervention; GOV = governance; Gov't = government; GRO= ; IFAD = International Fund for Agricultural Development; JICA = Japan International Cooperation Agency; MFF = multitranches financing facility; OFID = OPEC Fund for International Development; PFR = periodic financing request; SEAE = Southeast Asia Department–Agriculture, Environment, and Natural Resources Division; SEFM = Southeast Asia Department–Financial Sector, Public Management and Trade Division; SEEW = Southeast Asia Department Energy and Water Division; SETU = Southeast Asia Department–Transport and Urban Development Division; SESS = Southeast Asia Department–Social Sectors Division; SOD= social development; TI = targeted intervention.

^a Cofinancing sources and amounts are indicative.

^b The \$20 million expected cofinancing from IFAD is in addition to \$26.5 million approved by IFAD for the Second Cordillera Highland Agricultural Resource Management Project. Source: Project processing information system of the Asian Development Bank.

Table A1.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2010–2012

Sector Assistance Name	Responsible Division	Assistance Type ^a	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2010							
Agriculture and Natural Resources							
1. Supporting Irrigation Reforms	SEAE	CDTA	TASF	800.00			800.00
2. Decentralized Framework for Operations and Maintenance of Rural Infrastructure	SEAE	CDTA	JSF	800.00			800.00
Education							
Southern Philippines Secondary Education Project	SESS	PPTA	TASF	800.00			800.00
Energy							
Energy Sector Development	SEEW	PPTA	TASF	700.00			700.00
Public Sector Management							
1. Governance and Public Financial Management	SEFM	PATA	TASF	800.00			800.00
2. Support for Strategic Development and Planning	PHCO	PATA	TASF	800.00			800.00
3. Support to Policy Development on Decentralization and Local Governance	PHCO	CDTA	TASF	700.00			700.00
4. Investment Climate	SEFM	PATA	TASF	1,000.00			1,000.00
5. Philippines Development Forum	PHCO	CDTA	TASF	400.00			400.00
6. Local Government Finance and Budget Reform	SEFM	CDTA	TASF	700.00			700.00
Multisector							
1. MDG Acceleration and Poverty Reduction	SESS	PATA	TASF	400.00			400.00
2. Developing an Infrastructure Strategy	SETU/SEEW	PATA	TASF	500.00			500.00
Transport and ICT							
Strengthening Transparency and Accountability in the Road Sector	SETU	CDTA	TASF	1,000.00			1,000.00
Total for 2010				9,400.00			9,400.00

Sector Assistance Name	Responsible Division	Assistance Type ^a	Source of Funding		Total (\$'000)
			ADB		
			Source	Amount (\$'000)	
2011					
Agriculture and Natural Resources					
Rural Infrastructure Development	SEAE	PPTA	TASF	800.00	800.00
Education					
Post Basic Education Sector Development	SESS	CDTA	TASF	400.00	400.00
Public Sector Management					
Harmonization and Alignment, Phase 2	PHCO	CDTA	TASF	700.00	700.00
Multisector					
Davao City Water	SEEW	PPTA	TASF	500.00	500.00
Total for 2011				2,400.00	2,400.00

TA = technical assistance; CDTA = capacity development TA; PATA = policy and advisory TA; PPTA = project preparatory TA.

^a These TA projects are being processed for approval in 2008 and will be removed from the 2009 program if approved.

Source: Project processing information system of the Asian Development Bank.

PRELIMINARY SUMMARY INFORMATION ON PROPOSED INDICATIVE LENDING PRODUCTS AND SERVICES FOR THE FIRST YEAR OF THE BUSINESS PLAN

Table A2.1: Summary Information on Proposed Indicative Lending Products and Services for 2010

Project Name	Description
Integrated Natural Resources and Environmental Management Project	<p>Impact The proposed project will incorporate sustainable integrated natural resources and environmental management regimes into the country's development mainstream to improve livelihood opportunities among local dependent communities.</p> <p>Major Components (i) a complementary and synergistic program for supporting enhanced livelihood opportunities; (ii) sustainable land resource management; (iii) conservation of biodiversity; and (iv) a framework of interventions to facilitate the application of integrated natural resources and environmental management interventions in selected watersheds.</p> <p>Expected Outputs and Outcomes The project will rehabilitate economically significant critical watersheds, and support the economic and social development of disadvantaged communities within a decentralized policy and investment framework.</p>
Irrigation Systems Operation Efficiency Improvement	<p>Impact The proposed project will improve agricultural productivity and production on about 50,000 hectares (ha) of irrigated land in Mindanao and Visayas.</p> <p>Major Components (i) Upgrading and expansion of rural infrastructure, including irrigation and drainage systems, roads, and post-harvest facilities; (ii) improvement of system management and agricultural development; and (iii) strengthening the capacity of users for system management.</p> <p>Expected Outputs and Outcome The outcome of the project will be improved irrigation, and associated services on about 50,000 ha of irrigation systems in Mindanao and Visayas. Outputs will include (i) improved knowledge on the part of system users and National Irrigation Administration staff about effective irrigated agriculture and system operations and maintenance; (ii) rehabilitation of irrigation and drainage channels and ancillary infrastructure for water distribution and movement of agricultural inputs and outputs; and (iii) creation of post-harvest facilities and market linkages.</p>
Financial Market Regulation and Intermediation Program Subprogram II	<p>Impact The program will heighten the contribution of the financial sector to the economic growth and development of the country.</p> <p>Major Components Policy measures will be instituted to promote the diversification of financial channels, and enhance transparency and market efficiencies in intermediation.</p> <p>Expected Outputs and Outcome The policy reforms to be carried out under the program will support the Government's medium-term agenda.</p>

Project Name	Description
Conditional Cash Transfer	<p>Impact The Program will contribute to reduced poverty and accelerated achievement of the Millennium Development Goals (MDGs) through increased school attendance among children 6–14 years old, and improved health of children 0–5 years old.</p> <p>Major Components Policy measures will promote (i) implementation and expansion of the Government's conditional cash transfer program, (ii) strengthened basic service delivery through improved tools for supply side assessments and enhanced capacity for achieving quality standards, (iii) monitoring and evaluation, and (iv) program management.</p> <p>Expected Outputs and Outcomes The program will support improved socioeconomic conditions, and delivery of social protection and other services in the Philippines.</p>
Philippine Basic Urban Services Sector	<p>Impact The sector project will (i) increase access by citizens and economic enterprises to basic public infrastructure in urban and peri-urban areas; (ii) enhance the growth of local economies through infrastructure development, and better employment and income opportunities; (iii) improve facilities for the financing of infrastructure investments, including public–private partnerships (PPPs) in the financing and implementation of basic urban services programs; and (iv) improve local government capacity, and empower local institutions and organizations.</p> <p>Major Components The project is expected to have three components: Component A (infrastructure investment plan) will finance subprojects of local government units, possibly in association with private sector proponents, in these subsectors, among others: local roads and bridges, water supply and sanitation, drainage and flood control, solid waste management, bus terminals, public facilities (such as municipal buildings, public parks, and public markets), sports facilities, slaughterhouses and ice plants, and economic infrastructure (such as incubation centers for small and medium-sized enterprises, area development projects, and economic and cluster development zones). Preference will be given to revenue-generating subprojects. Component B (institutional capacity development) will cover capacity development and support for project management, subproject preparation, and implementation; assistance to local governments in computerized financial resource management; assistance to field offices of the Department of the Interior and Local Government in administering and managing the performance measurement system; and cross-learning and governance knowledge management. Component C: Sector reform initiatives for improved PPP in financing, implementing, and operating infrastructure facilities. This component will assist local governments and private sector investors in developing regulatory frameworks and operational guidelines for sector reforms, including those for PPPs.</p> <p>Expected Outcomes The expansion of the area of urban service coverage will promote equitable development across urban areas in the country. The sector project will help (i) reduce the infrastructure backlog, (ii) increase the economic productivity of cities and municipalities, and (iii) improve income and employment opportunities for the affected population.</p> <p>Expected Outputs About 110 eligible local governments and provinces in Luzon (excluding the National Capital Region), Visayas, and Mindanao are expected to invest in various basic urban service sectors. These will include local government units that have expressed interest but were not accommodated in the current Mindanao Basic Urban Services project. The investments and transactions may include lending for private sector investments under build-operate–transfer, build-operate–own, or other arrangements for PPPs.</p>

Project Name	Description
Water District Development Sector Project	<p>Impact The loan will help (i) improve living conditions in urban areas outside Metro Manila, (ii) enhance competitiveness by developing water supply infrastructure, (iii) develop the institutional capacity of water utilities, (iv) support the reorganization and institutional development of water districts and the Local Water Utilities Administration, and (v) contribute to much-needed sector reform.</p> <p>Major Components The project will have the following components: (i) an investment program for urban water supply and sanitation infrastructure, (ii) a capacity development program to improve the financial and operating performance of water utilities, (iii) a program to increase awareness of sanitation and public health issues, and (iv) reorganization of the Local Water Utilities Administration.</p> <p>Expected Outputs and Outcomes The project is expected to (i) increase the access of the population in provincial cities to improved water supply and sanitation, (ii) reduce the quantity of nonrevenue water and enhance asset management, and (iii) improve the operating and financial performance of water utilities.</p>
Rural Electric Cooperatives Development Project	<p>Impact The proposed project will help to ensure reliable and quality electric power delivery services in rural areas. The cost of electricity supply to consumers will be reduced as the final impact of the project.</p> <p>Outcome: Electric Cooperatives will implement specific investment projects to reduce system losses; and improve the efficiency, reliability, and quality of electricity services to the consumers.</p> <p>Outputs The project is expected to contribute to (i) reduced losses of electricity in the distribution system, (ii) increased distribution capacity for load growth, (iii) improved reliability of electricity services, and (iv) improved outreach to new electricity consumers.</p>

Source: Project processing information system of the Asian Development Bank (ADB); ADB staff.

**Table A2.2: Summary Information on Proposed Indicative
Nonlending Products and Services for 2010**

Project Name	Description
Supporting Irrigation Reforms	<p>Impact Improved productivity of irrigated agriculture</p> <p>Major Components (i) Analysis of delegation of infrastructure ownership options (ii) System operations and maintenance capacity development and training</p> <p>Expected Outputs and Outcome The outcome will be that users and systems operations and maintenance staff will participate in the collaborative management irrigation and drainage systems following the National Irrigation Administration rationalization program. Outputs will include (i) analysis of options for transfer and/or delegation of irrigation system ownership to water users organizations, including policy development and pilot application; (ii) capacity development for system operators and farmers in agricultural water management and system operations and maintenance; and (iii) establishing system management and agricultural development programs in upgraded irrigation systems.</p>
Decentralized Framework for Operations and Maintenance of Rural Infrastructure Project preparatory TA	<p>Impact Better access by the rural population to markets and services</p> <p>Expected Outcome Sustained investments in rural infrastructure in the Philippines</p> <p>Expected Outputs Assessment of organizational and institutional capacity for operation and maintenance among local governments Agreed priority actions to strengthen policy and institutional support for decentralized operation and maintenance Support for selected priority actions on a pilot basis</p>
Southern Philippines Secondary Education Project	<p>Impact Increased and more equitable educational attainment among young adults in the Southern Philippines</p> <p>Expected Outcome Quality, efficiency, and sustainability of the secondary education system in the Southern Philippines improved, with expanded access for disadvantaged groups</p> <p>Expected Outputs Enhanced quality and relevance of curriculum, teaching, and educational resources Improved capacity for secondary education system planning, budgeting, and management; and enhanced school administration Expanded enrolment of disadvantaged groups in poorer rural and urban areas</p>
Energy Sector Development	<p>Impact Ensure secure and affordable energy supply with reduced greenhouse gas emissions</p> <p>Expected Outcomes Increased energy efficiency in the power distribution sector Increased use of renewable energy to meet energy demand Consolidation of power sector reform through further strengthening of distribution sector</p>

Project Name	Description
	<p>Expected Outputs Preparation of an energy sector program loan with (i) program lending to sustain achievement of power sector reform and mainstreaming climate change concerns in the energy sector, and (ii) an investment component in the power distribution sector to promote energy efficiency and renewable energy.</p>
Governance and Public Financial Management Phase 1 (Cluster TA)	<p>Impact Improved governance and financial management systems</p> <p>Expected Outcome Strengthened government capacity to improve governance and financial management</p> <p>Expected Outputs Institutional and reporting mechanisms for more effective public financial management More transparent and efficient revenue collection systems</p>
Support for Strategic Development and Planning	<p>Impact Strengthened development planning and management in the Philippines</p> <p>Expected Outcome Enhanced capacities for more responsive and effective systems for development planning and management</p> <p>Expected Outputs Capacity development activities for development planners and managers and technical personnel Improved policy framework and institutional systems for development planning and management</p>
Support to Policy Development on Decentralization and Local Governance Phase 2 (Cluster TA)	<p>Impact Strengthened service delivery for poverty reduction and growth in selected first tier LGUs</p> <p>Expected Outcome Improved access to credit as a result of better governance in core LGU operations of planning, investment programming, revenue administration, and budgeting</p> <p>Expected Outputs Credit rating assessment of selected first tier LGUs Institutional, organizational, and network capacity assessment of core governance operations in selected first tier LGUs Development of action plans for each of the first tier LGUs to improve access to credit Capacity development support to help implement the action plan</p>
Investment Climate	<p>Impact Enhanced capacities for an improved investment climate</p> <p>Expected Outcome Improved access by key decision makers to well researched and discussed policy analysis</p> <p>Expected Outputs Options for improving regulatory climate are analyzed Options for improved trade facilitation are analyzed A transparent public-private infrastructure investment policy framework is developed Competition policy is analyzed.</p>

Project Name	Description
Philippines Development Forum	<p>Impact More effective partnership between government and PDF development partners</p> <p>Expected Outcome Improved Philippines Development Forum process and better substantiation of the government–development partner dialogue</p> <p>Expected Outputs Analytical and expert advice provided on selected development issues Facilitation and/or organizational support to various forum working groups and inputs into the coordination of the overall forum process, where required</p>
MDG Acceleration and Poverty Reduction	<p>Impact Accelerated progress toward achieving off-track MDGs and poverty reduction by 2015</p> <p>Expected Outcome Improved capacity for planning, implementing, and monitoring poverty reduction and MDG programs in the Philippines, particularly at the local level</p> <p>Expected Outputs Organizational and institutional capacity assessment for MDG achievement and poverty reduction, at national and local levels Agreed priority actions to strengthen policy and institutional support for MDG acceleration and poverty reduction Support for selected priority actions on a pilot basis, including support for supply-side strengthening to facilitate conditional cash transfers</p>
Developing an Infrastructure Strategy	<p>Impact Improved energy and water supply infrastructure to promote economic growth</p> <p>Expected Outcome Improved investment climate for energy and water supply projects Mainstreaming climate change concerns in energy and water supply infrastructure planning and investment</p> <p>Expected Outputs Identification of constraints that hinder investment in infrastructure and lessons learned from previous energy and water supply projects Identification of climate change impact on energy and water supply infrastructure Recommendation of successful public–private partnership models for energy and water supply projects Role of ADB and government financing institutions in supporting public–private partnership for infrastructure projects</p>
Local Government Finance and Budget Reform	<p>Impact Enhanced service delivery at the LGU level</p> <p>Expected Outcome Improved oversight and LGU organizational capacities for local financial management, planning, and revenue generation</p> <p>Expected Outputs Enhancing oversight capacities and local government organizational capacities for budget management Improving oversight capacities and local government organizational capacities for innovative financing modalities and debt management Strengthening oversight capacities and local government organizational capacities for revenue generation at the local level</p>

Project Name	Description
Strengthening Transparency and Accountability in the Road Sector	<p>Impact Accelerated progress in strengthening integrity in the road sector</p> <p>Expected Outcome Increased transparency and accountability of road sector budgets and investments, including those covered under the Road Sector Institutional Development and Investment Program</p> <p>Expected Outputs Fiduciary control related to procurement for the Road Sector Institutional Development and Investment Program through use of a procurement advisory team Strengthened internal audit capacity in the Department of Public Works and Highways Improved external accountability and organizational and network capacities of key stakeholders</p>

ADB = Asian Development Bank, LGU = local government unit, MDG = Millennium Development Goal, TA = technical assistance.

Source: ADB staff.

ASSISTANCE PROGRAM FOR 2009
Table A3.1: Assistance Pipeline for Lending Products and Services, 2009

Sector Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			Co- Financing ^a
					Total	ADB (OCR)	Gov't.	
Projects from 2008 and approved in Q 12009								
Energy								
Philippine Energy Efficiency	GI	GRO	SEEW		31.10	31.10	0.00	CEF2 1.5
Health and Social Protection								
Credit for Better Health Care Project	GI	GEN/SOD /PSD	SESS	-	50.00	50.00	0.00	GDCF 0.4
Total– Rescheduled Loans					81.10	81.10	0.00	
2009 Firm Loans^b								
Public Sector Management								
Development Policy Support Program, Subprogram 3 (Program Loan)	GI	GRO/GOV /PSD	SEFM	-	250.00	250.00	0.00	Japan 150
Local Government Financing and Budget Reform Program (Subprogram II) (Program Loan)	GI	GRO	SEFM		225.00	225.00	0.00	AFD 216
Transport and ICT								
MFF Road Sector Improvement - PFR1	GI	GRO	SETU	2008	129.00	62.00	37.00	OFID 30
Total – 2009 Firm Loans					604.00	537.00	37.00	
Total – 2009 Rescheduled and Firm Loans					685.10	618.10	37.00	

AFD = Agence Française de Développement; ADB (OCR)=Asian Development Bank (ordinary capital resources); CEF = Clean Energy Fund; GDCF = Gender and Development Cooperation Fund; GEN = gender equity; GI = general intervention; GOV = governance; GRO = economic growth; MFF = multitranches financing facility; OFID = OPEC Fund for International Development; PFR = periodic financing request; PSD = private sector development; SEFM = Southeast Asia Financial Sector, Public Management and Trade Division; SEEW = Southeast Asia Energy and Water Division; SETU = Southeast Asia Transport and Urban Development Division; SESS = Southeast Asia Social Sectors Division; SOD = social development; TI = targeted intervention.

^a Co-financing sources and amounts are indicative.

^b In addition to these loans, the Government requested for a \$500 million loan under the Countercyclical Support Facility. ADB approved this loan on 24 August 2009.

Source: Project processing information system of the Asian Development Bank.

Table A3.2: Assistance Pipeline for Nonlending Products and Services, 2009

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2009							
Agriculture and Natural Resources							
1. Agusan Integrated Water Resources Management	SEAE	PPTA	JSF	930.00	GEF	250.00	1,180.00
2. Key River Basin Organizations for Water Management Project (formerly Harmonizing Philippines Environment, Natural Resource and Climate Change Policies and Institutions)	SEAE	PATA	TASF	700.00			700.00
Education							
Computer Access Mentorship Program	SESS	CDTA			KOR	500.00	500.00
Energy							
Strengthening Energy Efficiency Phase 2	SEEW	PPTA	JSF	700.00			700.00
Health and Social Protection							
Public-Private Partnership in Health (formerly Support for Sustainable Health Care Investment Project)[attached to Credit for Better Health Care Project]	SESS	CDTA	JSF	1,000.00			1,000.00
Public Sector Management							
1. Improving Public Expenditure Management 2 (attached to Development Policy Support Program, Subprogram 3)	SEFM	PATA	TASF	800.00			800.00
2. Strengthening the Phil Government Electronic Procurement System (PHILGEP)	COS2	PATA	TASF	600.00			600.00
3. Support to Policy Formulation in the Philippines	PHCO	S-PATA	TASF	225.00			225.00
4. Support to Policy Development on Decentralization and Local Governance, Phase 1 (Cluster TA)	PHCO	CDTA	TASF	900.00			900.00
Water Supply and Other Municipal Infrastructure and Services							
Enhancing Metro Cebu's Water Supply Project	SEEW	PPTA	JSF	1,500.00			1,500.00
Total Firm TA for 2009				7,355.00		750.00	8,105.00
Standby Technical Assistance^a							
Public Sector Management							

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Local Government Financing and Budget Reform Program (Subprogram II) ^b	SEFM	CDTA	TASF	700.00		700.00	
Transport and ICT		CDTA					
Strengthening Transparency and Accountability in the Road Sector ^c	SETU		TASF	1,000.00		1,000.00	
Total Standby TA for 2009				1,700.00		1,700.00	

ADB = Asian Development Bank, CDTA = capacity development TA; COS = Central Operations Service Office; GEF = Global Environment Facility; JSF = Japan Special Fund; KOR = Republic of Korea e-Asia and Knowledge Partnership Fund; PATA = policy and advisory TA; PHCO = Philippines Country Office; PPTA = project preparatory TA; SEAE = Southeast Asia Agriculture and Natural Resources Division; SEEW = Southeast Asia Energy and Water Division; SEFM = Southeast Asia Financial Sector, Public Management and Trade Division; SESS = Southeast Asia Social Sectors Division; S-PATA = small scale PATA.

^a Subject to financing availability.

^b Attached to the Local Government Financing and Budget Reform Program (Subprogram II) loan.

^c Attached to the Road Sector Institutional Development and Investment Program Road Sector Improvement Program (former Road Sector Improvement Program)
Source: Project processing information system of the Asian Development Bank.

UPDATED COUNTRY SECTORS AND THEMATIC STRATEGIES AND PLANS AND/OR ROAD MAPS

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
Agriculture and Natural Resources	<p>There is a need to further strengthen (i) programmatic approaches to natural resource management and rural development in river basins; and (ii) institutional arrangements for management of river basins.</p> <p>An economic analysis of the Agriculture and Natural Resources sector in the Philippines is being conducted in support of the Integrated Natural Resources and Environmental Management (INREM) Project. This analysis is assessing the past and current performance of the sector and its contribution to economic growth. The study also includes a strengths-weaknesses-opportunities-threats analysis of the sector to assess the potential for responding to new challenges, in particular climate change and payments for environmental services through such mechanisms as Reducing Emissions from Deforestation and Degradation (REDD). It will also help to identify the most efficient investment opportunities for ADB. The study includes an assessment of the cost to the economy of the current lack of sound river basin management from reduced power and agricultural output as a result of excessive soil erosion. A major issue is identifying alternative farming systems that are profitable enough to induce farmers to change from their current practices to ones that are environmentally sustainable.</p>
Education	<p>The Education Sector Summit that was conducted in 2008 is helpful in assisting the Government and ADB determine directions for ADB's planned engagement in the education sector. Strengthening the role of the private sector in the delivery of education services at all levels of education through the establishment of an improved regulatory and funding environment and increased use of public private partnerships in education was emphasized. Evidence-based analytic and design work to input into the Medium-Term Philippine Development Plan (MTPDP) 2011–2016 has been initiated.</p>
Energy	<p>An assessment of power sector governance and risks was carried out in July 2009. On this basis, a technical assistance grant of \$250,000 was processed to assist the selection of Independent Market Operator to ensure the good governance and transparency of the Wholesale Electricity Spot Market. Given the substantial progress of the power sector restructuring, a full fledged energy sector review is also being undertaken with a view to preparing a new sector roadmap for the energy sector by mid-2010.</p>

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
Finance	No major changes since Country Strategy and Program 2005–2007.
Health and Social Protection	ADB has been engaged in policy dialogue on the social protection strategy and program through the Development Policy Support Program and has also supported the demand side through the Credit for Better Health Care Program approved in 2009. Any involvement in the Government's flagship social protection program, namely the Conditional Cash Transfer (CCT) Program will require careful consideration of issues on sustainability and program management (in particular, targeting and monitoring). ADB also indicated that further dialogue with the Government should be able to establish the basis for ADB's sustained engagement and partnership with the Government in the CCT program on a medium-term basis with options for scaling-up its support.
Public Sector Management	A number of important developments have taken place with regard to key sector challenges. The release of fiscal transfers and special shares from national revenue collection has been made more predictable and transparent. Accountability and efficiency in fiscal and public expenditure management is being improved through medium term planning, automated financial reporting and competency certification system. Dialogue is underway to improve financial management of Local Economic Enterprises through development of a policy framework for their operation and transparent treatment of such entities in the budget. A uniform system in measuring fiscal performance of local governments is being discussed. Efforts to increase own source revenues of local governments are being pursued through valuation trainings and automation of tax payer databases. Recommendations have been made on devising a local personal expenditure policy in the context of staffing, compensation and service delivery. New initiatives on defining the corporate powers of local governments are being explored like public private partnerships in delivering services, bond flotation and inter-Local Government Unit (LGU) cooperation. The expenditure assignments in the education sector are being clarified to effectively utilize Special Education Fund. Opportunities arising from an Executive Order adopted in June 2009 that allows direct lending from multilateral development banks to first tier LGUs without sovereign guarantee are being explored.
Roads	The Philippines completed the development of the Methodology and Framework for National Transport Policy and Planning in December 2008. The development of a

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
	National Transport Plan and a new Medium-Term Public Investment Plan for the country is now underway. ADB prepared a draft transport sector strategy in 2007. A new ADB Transport Sector Assessment and Road Map for the Philippines is under preparation.
Urban Infrastructure	An Urban Consortium was launched in August 2009 and is expected to provide the venue for more systematic discussions on urban issues and pave the way for developing and implementing a more inclusive and responsive urban development agenda. ADB completed its Philippines Urban Sector Roadmap in July 2009 to support strategic decisions regarding investment priorities of the Government and ADB. The roadmap identified limited capacity of government in urban planning, implementation, management and enforcement; and the fragmented and highly technical urban development policies, plans, strategies and programs that do not fully consider the socio-political culture of the country as the core urban problem. The main causes of the problem include institutional and social factors; lack of and dissemination of knowledge; and the negative influence of political patronage and power. The roadmap focuses on five subsectors- water and sanitation; solid waste management; urban transport; urban renewal and basic services for the poor; and multisector initiatives.
Disaster and Emergency Assistance	The Philippines remains one of the world's most disaster-prone countries. While all parts of the country are susceptible to natural disasters, special problems are associated with high population concentrations in urban centers. An ADB-funded National Assessment on the State of Disaster Risk Management in the Philippines, undertaken in cooperation with the United Nations Development Program in 2008, reveals that many of the fundamentals required for effective Disaster and Emergency Assistance are not yet in place. ADB will make further efforts to assist the Government to prioritize and mainstream disaster risk management, particularly in the risk reduction area, and increase disaster preparedness in future ADB assistance.
Environment	A Country Environmental Analysis was conducted in 2008 identifying reform needs in various areas. Since then, progress has been made in better integrating climate change into Government programs. Emphasis will be placed on both mitigation and adaptation, in cooperation with Executing Agencies such as the Department of Energy and the Department of Environment and Natural Resources and other stakeholders, such as the private sector and civil society organizations. The focus on

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
	<p>mitigation will contribute to enhancing national energy security through targeted initiatives (a) to improve energy efficiency, (b) to diversify energy sources, and (c) to improve energy efficiency and to manage appropriate fuel substitution in the transport sector. Further efforts will be made to access the Clean Technology Fund. A pilot project on REDD will be taken up to enhance carbon sequestration by forests in selected river basins, as part of the INREM project. In addition, pilot activities on adaptation will be undertaken to build resilience of agriculture and water resources in a changed climate. ADB noted efforts by the legislative branch to streamline the institutional setting for climate change issues.</p>
Gender Equity	<p>ADB worked with the Canadian International Development Agency, European Commission, United Nations Children's Fund, United Nations Development Fund for Women, and United Nations Population Fund and the Philippine Government's National Commission on the Role of Filipino Women in preparing the 2008 joint country gender assessment entitled 'Paradox and Promise in the Philippines.' The 2008 report updated the 2004 country gender assessment for the country. Through a series of regional consultations and a final consultation, more than 200 representatives of government, nongovernment organizations, and civil society helped select chapter themes and fill gaps in the analysis, and shared personal and institutional case studies to enrich the narrative. The main themes were derived from the country's Framework for Women 2001–2004, the most current snapshot of the long-term Philippine Plan for Gender Responsive Development 1995–2025, which in turn, influences the MTPDP. These themes that are fundamental to empowering women and reducing poverty include (i) women's economic empowerment, (ii) women's human rights; and (iii) gender-responsive governance.</p>
Governance	<p>Progress has been made with regard to the medium-term expenditure framework, the performance-based budgeting system and internal control systems. An empowered Government Procurement Policy Board is overseeing the implementation of the Government Procurement Reform Act to ensure transparency, efficiency, and accountability at the national and local level. Bids and awards committees are functioning in all government agencies, complaint mechanisms have been defined, and posting of invitation and awards on the website is mandated. Harmonized implementing rules and regulations for locally and foreign-funded projects have been adopted in July 2009. The Government has signed the Philippine compliance to the United Nations Convention Against</p>

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
	<p>Corruption provisions and has launched a National Anti-Corruption Program of Action. ADB has played a role in supporting the Government in identifying and addressing governance risks in the areas of procurement, financial management, and corruption and has contributed to the preparation of the Public Expenditure Review and Public Financial Management Performance Report, which applied the Public Expenditure and Financial Accountability framework in assessing the country's public financial management systems, processes, and institutions. The report was launched in May 2009. ADB has also participated in the preparation of the Country Procurement Assessment Report (CPAR) which was accepted by the Government in October 2008. The implementation of the CPAR agreed action plan is being coordinated by the Philippines Development Forum (PDF) Sub-Working Group on Procurement under the oversight of the ADB-led PDF Working Group on Governance and Anti-Corruption. A Governance Risk Assessment covering public financial management, procurement and corruption is underway and two sector governance assessments, for the energy and the road sector, have been completed.</p>
Capacity Development	<p>A coherent Government capacity development strategy is not yet in place. There is a need to strengthen the understanding of more comprehensive capacity development concepts which also comprise organizational development, institutional development and network development. Baseline capacity assessments need to be conducted in a more systematic way at agency level, including LGU level. There is also a need to engage in political economy analysis.</p>
Private Sector Development	<p>In view of the need to mitigate the impact of the crisis and to strengthen the investment climate, efforts are underway to accelerate private sector development in particular with regard to critical infrastructure projects, financial sector development, and education. A new action-oriented Private Sector Assessment is being conducted to inform the upcoming Country Partnership Strategy 2011–2016.</p>

ADB = Asian Development Bank; CPAR = Country Procurement Assessment Report; CCT = conditional cash transfer; INREM = Integrated Natural Resources and Environmental Management; LGU = local government unit; MTPDP = Medium-Term Philippine Development Plan; PDF = Philippines Development Forum; REDD = Reducing Emissions from Deforestation and Degradation.

Source: ADB