

# Asian Development Bank & Philippines

## FACT SHEET

**Table 1. Philippines: Development Indicators**

Non-MDG	
Population in millions	90.46 (2008)
Annual population growth rate (%)	2.0 (2006–2008)
Adult literacy rate (%)	93.4 (2007)
Percent of population in urban areas	64.2 (2007)
MDG	
Percent of population living on less than \$1.25 a day	22.6 (2006)
Percent of population living below the national poverty line	32.9 (2006)
Under-5 mortality rate per 1,000 live births	28 (2007)
Percent of population using an improved drinking water source	93 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.  
UNESCO. 2009. Institute for Statistics Data Centre.  
World Bank. 2009. World Development Indicators Online.

The Philippines achieved unprecedented economic gains over the past years. Average gross domestic product (GDP) growth improved to 5.6% during 2003–2008, versus about 3% during 1990–2000. Strong growth was accompanied by benign inflation, declining national government debt as a proportion of GDP, markedly reduced fiscal deficit, and a robust balance of payments (BOP) position.

Notwithstanding substantial progress, challenges remain and further reforms are needed to sustain economic gains and strengthen the economy's resilience. Private investments and job generation remained inadequate, while poverty incidence remained high at 32.9% of the population in 2006. The economy slowed in 2008, though still performed fairly, amid exogenous pressures stemming from steep commodity prices, the global economic slowdown and financial crisis in advanced economies. GDP growth in 2008 slowed to 4.6%, while the fiscal deficit was at 0.9% of GDP (versus an initial balanced budget goal) to support growth during the global economic downturn. The BOP surplus also eroded with weak external demand and intense investor risk aversion. Although the economy has shown some resilience in 2008, it remains vulnerable to a prolonged and more severe global economic downturn. While an expansionary fiscal policy will provide support, a key imperative is to strengthen tax revenues on a sustainable basis to ensure adequate fiscal space for higher spending for infrastructure and social services. This will be vital in strengthening the country's resilience and supporting its long-term development goals.

### Relationship with ADB

Uniquely, the Philippines is not only Asian Development Bank's (ADB's) founding member and 11<sup>th</sup> largest shareholder, but also its host country. It is the fifth largest borrower, accounting for about 8% of total sovereign and nonsovereign lending. It is also one of the largest clients for private sector lending and equity investments, and is a supplier, winning bids under ADB loans and technical assistance (TA) projects.

In response to assessments that ADB's large program with the Philippines had yielded less than expected, and taking into account economic uncertainties, the Country Strategy and Program (CSP) for 2005–2007 was framed to make a significant break with past practice. In alignment with Philippine priorities, it had a tight strategic focus on fiscal consolidation, an improved investment climate, and the accelerated attainment of the Millennium Development Goals. There is greater selectivity of projects to be supported. The CSP's flexibility has served its purpose well, allowing wide tolerance in the ADB–Philippines partnership and ensuring new operations do not run ahead of the political, macroeconomic, and sector supports needed for sustainability and high impact.

The approved new loan commitments for 2008 at \$620 million were one of the highest since 1998. ADB approved a new operational program indicatively amounting to almost \$1 billion for lending and TA in the Philippines under the Country Operations Business Plan (COBP) 2009–2010. The COBP was developed in close consultation with the Government and other stakeholders and places emphasis on sustaining fiscal consolidation and key sector reforms in infrastructure, environment, and natural resources sectors.

## Impact of Assistance

ADB has directly supported the Government's efforts to increase development effectiveness and has helped implement new and more transparent procurement regulations. Loans, TA, and advocacy have had a significant impact on the direction of sector reforms and capacity development.

ADB approved five loans (including two nonsovereign loans) for \$940 million and 11 TA grants for \$9.4 million in 2008. It supported policy-based operations in the areas of governance and justice reform, improving the investment climate, enhancing governance in public expenditure management, and reducing poverty and achieving greater social inclusion. These programs significantly helped fiscal consolidation. ADB also continued to strengthen agrarian reform communities by inducing long-lasting improvements in the capabilities and well-being of poor and marginalized groups. The net resource transfer (sovereign) from ADB to the Philippines continued to remain positive (\$51.2 million) in 2008.

## Future Directions

A Country Partnership Strategy (CPS) 2010–2016 will be prepared in alignment with the Government's Medium Term Philippine Development Program (MTPDP). The CPS will build on a binding constraints analysis and is likely to include a higher proportion of project lending, made

Table 2. Philippines: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,180	1,270	1,390	1,620	...
GDP growth (% change per year)	6.4	5.0	5.4	7.2	4.6
CPI (% change per year)	6.0	7.6	6.2	2.8	9.3
Unemployment rate (%)	11.8	11.5	8.0	7.3	7.4
Fiscal balance (% of GDP)	-3.8	-2.7	-1.1	-0.2	-0.9
Export growth (% change per year)	9.8	3.8	15.6	6.4	-2.6
Import growth (% change per year)	8.0	8.0	10.9	8.7	5.0
Current account balance (% of GDP)	1.9	2.0	4.5	4.9	2.5
External debt (% of GNI)	65.1	57.7	47.1	41.8	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates. World Bank. 2009. World Development Indicators Online.

Table 3. Philippines: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
620.0	320.0	9.4	1.0	950.4

Cumulative Lending (as of 31 Dec 2008) : \$10,772.8 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$8,389.5 million

possible by (i) the national Government's improved budget position, (ii) the Government's renewed prioritization of public infrastructure and social sectors, (iii) the use of ADB's new lending modalities, and (iv) the adoption by ADB of more liberal cost-sharing for project lending.

## Operational Challenges

The COBP 2009–2010 puts the emphasis on alignment around government priorities, selectivity, and quality-at-entry. Though portfolio performance has remained sound and the number of projects "at risk" went down from 11.1% in 2007 to 7.7% in 2008, there are still important issues to be addressed to sustain the progress achieved and accommodate the changes in the country's internal (upcoming May 2010 elections) and external environment (global economic downturn). One of the key challenges is to preserve the trend of increasing the share of project lending in the new loan approvals despite the rising budget deficit caused by the Government's countercyclical fiscal policy. Greater focus, selectivity and programmatic approach in the use of ADB's technical assistance support is crucial for attaining tangible results in capacity building and institutional development. Given the

Table 4. Philippines: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	48	1,642.26	15.24
Education	8	252.06	2.34
Energy	30	3,053.60	28.35
Finance	21	1,166.00	10.82
Health, Nutrition, and Social Protection	6	317.41	2.95
Industry and Trade	12	225.82	2.10
Law, Economic Management, and Public Policy	5	1,103.00	10.24
Multisector	28	1,175.76	10.91
Transport and Communications	26	1,105.85	10.27
Water Supply, Sanitation, and Waste Management	20	731.06	6.79
<b>Total</b>	<b>204</b>	<b>10,772.83</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

Table 5. Philippines: Project Success Rates

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	38.5	26
Education	0.0	5
Energy	58.8	17
Finance	56.3	16
Health, Nutrition, and Social Protection	66.7	3
Industry and Trade	0.0	2
Law, Economic Management, and Public Policy	0.0	1
Multisector	42.9	14
Transport and Communications	52.9	17
Water Supply, Sanitation, and Waste Management	46.2	13
<b>Total</b>	<b>45.6</b>	<b>114</b>
<b>By Year of Approval</b>		
1960s	50.0	2
1970s	51.5	33
1980s	37.5	32
1990s	45.5	44
2000s	66.7	3

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

importance of improving governance in some key sectors such as transport, urban and rural infrastructure, energy and state-owned enterprises for the efficiency and effectiveness of the public sector, sector-level governance issues will be suitably mainstreamed into the relevant ADB operations. The use of the multi-tranche financing facility (MFF) approach for the upcoming Road Sector Improvement Project may pose challenges, since it will be the first time that MFF will be used in the Philippines.

Among the most persistent portfolio implementation issues are the right-of-way and land acquisition, frequent staff turnover at the local government level, shortfalls in budget cover for counterpart funding, and implementation capacity constraints related to fiduciary processes.

## Partnership

To increase relevance, ADB is intensifying or creating partnerships outside the national Government, with government-owned and -controlled corporations, Local Government Units, the Supreme Court and other pillars of justice, business groups, and civil society.

ADB's financial and technical resources will complement those from development partners, under the paradigm of "moving from coordination to cooperation." The range of development partners is widening to include more intensive dialogue through the annual Philippine Development Forum (PDF) where representatives from civil society, members of Congress, and the private sector attend. There are seven thematic PDF working groups who regularly meet all year-round for consultation and more inclusive participation to craft action-oriented activities in support of the Philippines development agenda.

Table 6. Philippines: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		13
Contract Awards/Commitments	373.9	632.2
Disbursements	419.2	653.2
Loans at Risk (%)	11.1	7.7

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

In conjunction with its lending program, ADB will continue to pursue cofinancing with other official and commercial sources, and private sector partners.

ADB has taken a lead role among development partners in supporting the implementation of Paris Declaration on Aid Effectiveness commitments in the Philippines. An ADB TA project on Harmonization and Managing for Results was recently completed to help make development more effective and efficient and support the achievement of results. Another TA project on Harmonization and Development Effectiveness covers

Table 8. Philippines: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
J.D. Legaspi Construction	Agriculture and National Resources	20.92
R.R. Encabo Constructors and Traders	Agriculture and National Resources	8.78
Persan Construction, Incorporated	Agriculture and National Resources	8.54
AEED-Castle Gold-Ciraco Joint Venture	Multisector	3.41
National Irrigation Administration	Agriculture and National Resources	3.15
P.L. Sebastian	Agriculture and National Resources	2.94
New Kanlaon Construction, Incorporated	Agriculture and National Resources	2.65
C.E. Padilla Construction	Agriculture and National Resources	2.06
Ligao Albay	Multisector	1.88
Bureau of Fisheries and Aquatic Resources	Agriculture and National Resources	1.60

Table 9. Philippines: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Filipino Individual Consultants*	10	11.24
Pacific Consultants International Asia	2	5.52
Pacific Rim Innovation and Management Exponents	2	2.31
Schema Konsult, Incorporated	2	0.56
Economic Development Foundation (EDF)	5	0.50
Ugnayang Tulong sa Pilipinas Foundation, Inc.	5	0.47
Madecor Career Services	2	0.43
Bicol Upland Resource Foundation, Incorporated	4	0.43
Marine Environment Resource Foundation, Inc.	2	0.37
Seaweed Industry Association of the Philippines	1	0.36
Daruma Technologies in Association with Camconsult	2	0.30

\* Consultant may have one or more contracts within the period covered.

Table 10. Philippines: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Filipino Individual Consultants*	1,064	24.64
Pacific Rim Innovation and Management	6	3.17
Poyry IDP Consult, Incorporated	3	1.54
Asia Pacific Projects, Incorporated	2	1.52
Louis Berger Group Philippines, Incorporated	1	0.98
IDP Consult, Incorporated	3	0.93
SEA Consultants, Incorporated	1	0.40
CPRM Consultants, Incorporated	1	0.25
Southeast Asian Regional Center for Graduate Study and Research in Agriculture	1	0.22
Path Foundation Philippines, Incorporated	1	0.20
Leverage Systems Technologies, Incorporated	1	0.19

\* Consultant may have one or more contracts within the period covered.

(i) organizational support to the Government's Harmonization Committee to strengthen ownership and leadership; (ii) improved procedures for supporting advocacy, mutual accountability, knowledge management, capacity development, and monitoring and evaluation functions; (iii) better-integrated results-based sector planning and budgeting systems in the rural development sector; and (v) better harmonized and aligned financial reporting procedures.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

In 2008, the OPEC Fund for International Development provided \$30.0 million loan cofinancing for the Agrarian Reform Communities Project II.

As of year-end 2008, cumulative direct value-added cofinancing for the Philippines amounted to \$2.8 billion for 33 investment projects, and \$21.2 million for 31 TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at [www.adb.org/Documents/Fact\\_Sheets/Philippines/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Philippines/cofinancing.asp).

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 594 contracts were awarded to Filipino consultants worth \$129.96 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 2,460 contracts were awarded to Filipino consultants worth \$107.52 million.

A summary of procurement contracts awarded to companies and consultants from the Philippines for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/Philippines/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/Philippines/procurement.asp).

## About the Philippines and ADB

The Philippines is the eighth largest shareholder among regional members and the 11<sup>th</sup> largest overall.

### ADB Membership

Joined	1966
Shares held	84,304 (2.38%)
Votes	97,536 (2.20%)

**Marita Magpili-Jimenez** is the Executive Director and **Siraj S. Shamsuddin** is the Alternate Executive Director representing the Philippines on the ADB Board of Directors.

**Neeraj Jain** is the ADB Country Director for the Philippines. The Philippines Country Office (PhCO) was opened in 2001 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. PhCO engages in policy dialogue and acts as a knowledge base on development issues in the Philippines.

The Philippine government agency handling ADB affairs is the Department of Finance.

## About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/philippines](http://www.adb.org/philippines)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2009/PHI.pdf](http://www.adb.org/Documents/Books/ADO/2009/PHI.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2008/](http://www.adb.org/Documents/reports/annual_report/2008/)

Depository Libraries  
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