



GERMAN TRADE DELEGATION TO ADB

ADB-PHILIPPINES PARTNERSHIP

Tom Crouch
Country Director
Philippines

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CONTEXT: THE BIG PICTURE

- Global trends, regional transformation, national dimensions
- ADB responding to change and changing needs of clients – ADB's Long Term Strategic

Framework; the Eminent Persons Group Report: *Toward a New Asian Development Bank in a New Asia* (March 2007); Country Strategy and Program 2005-2007;

*ADB as a responsive, reliable,
relevant development partner*



CONTEXT: THE PARIS DECLARATION ON AID EFFECTIVENESS (2005)

- Country **ownership**
- Development partner **alignment** with national priorities
- **Harmonization** among partners and with country systems to reduce transaction costs
- **Managing for results** – outcomes vs inputs & outputs
- **Joint accountability** for results

Philippines has emerged as a leader for effectively customizing this global agenda for its national circumstances



RESPONDING TO CLIENT NEEDS

- Staying relevant and responsive – changes in policies, procedures, products, organization set-up, people
- With the objective of enhancing development effectiveness
- In part, this has resulted in shifts (i) to decentralized operations to facilitate greater country focus; (ii) greater focus on supporting country priorities and systems

To remain relevant for middle income countries like the Philippines, ADB must be nimble



ADB: DECENTRALIZING OPERATIONS

- 67 members
- 48 regional members; 19 non-regional
- 42 active borrowers
- **22 missions in borrowing countries**
- **3 regional offices – Europe (Frankfurt), Japan (Tokyo), North America (Washington)**
- **Pacific liaison & coordination office – Sydney**
- **About 17% (340+) staff are outside HQ**

Philippines Country Office – the primary portal to ADB's Philippine operations



ADB'S RESIDENT MISSIONS HAVE RESPONSIBILITIES FOR ...

- Strategy preparation
- Project pipeline identification
- Economic analysis and reporting
- Policy dialogue
- Project administration
- Portfolio management
- Development partner coordination
- Media engagement

... just about everything

ADB

EXPERTISE IN RESIDENT MISSIONS

- Country director
- Economist
- Program coordination specialist
- Portfolio management specialist
- Sector specialist
- Project implementation specialist
- Thematic specialist
- Media specialist

*... and if we don't have it, we know
where to get it*

ADB

ADB-PHILIPPINES PARTNERSHIP: defining characteristics

The Philippines as ...

- **Host— unique** among ADB's 67 members
- **Shareholder— significant**: 2.2% of voting power; 11th largest of 67 members, 4th largest of 42 active borrowers (after IND, PRC, INO)
- **Client— active**: 5th largest net loans (after cancellations); 5th largest cumulative disbursements; among largest clients for private sector operations
- **Supplier— competitive**: 9th in winning loan contracts; 6th for TA contracts

*A similar profile can be prepared
for each DMC*



ADB's OWNERS: voting shares

Japan & USA	12.8% each
PRC	5.4%
India	5.4%
Australia	4.9%
Indonesia	4.6%
Canada	4.5%
Rep of Korea	4.3%
Germany	3.8%
Malaysia	2.5%
Philippines	2.2%
France	2.2%
Others (53)	34.6%

Regional (48)	65%
Non-regional (19)	35%

Active Borrower (41) a/	39%
Non-borrower + non-active borrowers (26)	61%

a/ Regional minus Australia; Japan; Hong Kong, China; New Zealand; Republic of Korea; Singapore; Taipei, China

**PHI: 11th largest; 4th largest
of active borrowers**

Source: www.adb.org

ADB

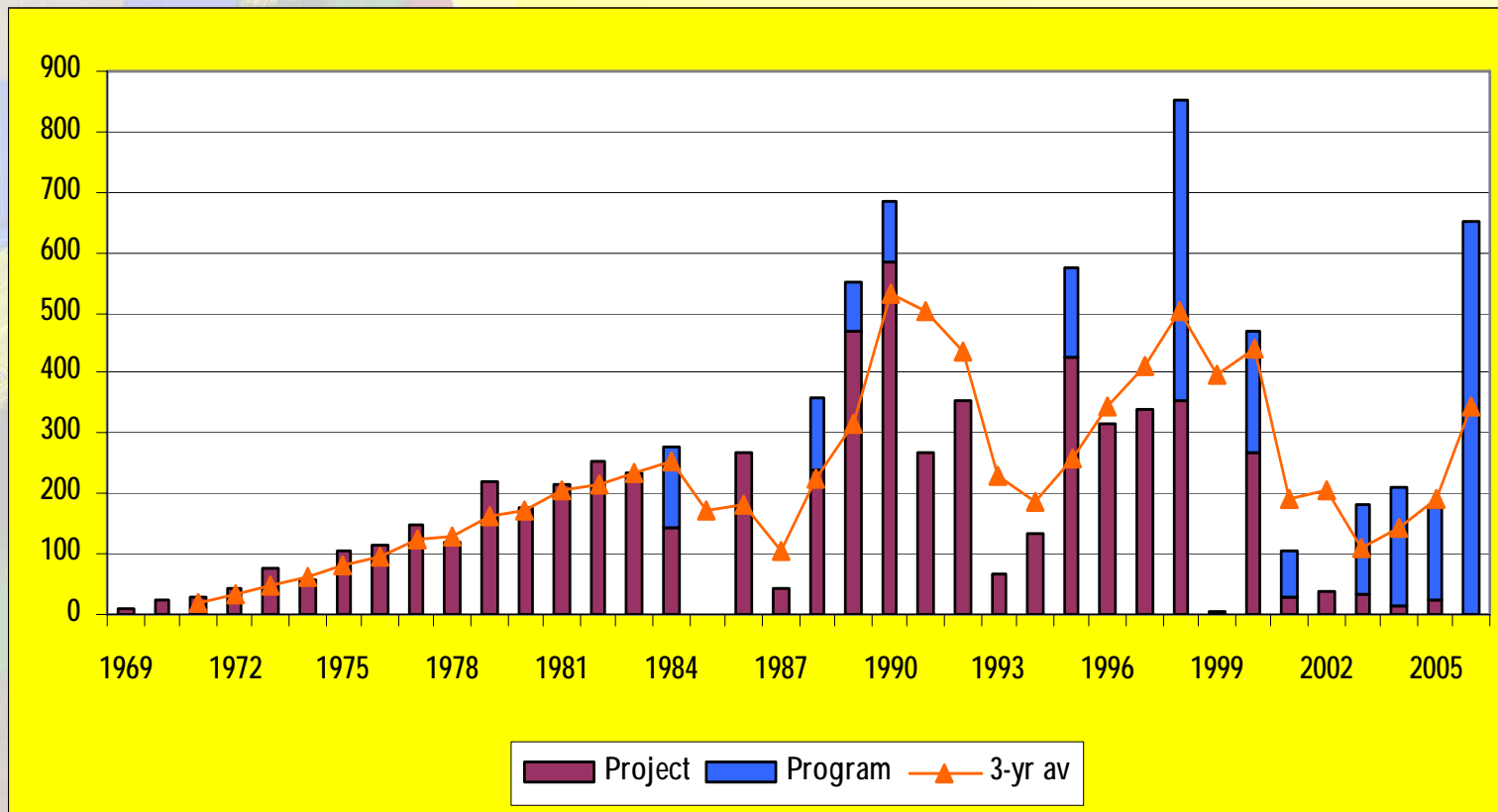
PHI – A MAJOR CLIENT: 10 LARGEST CLIENTS - LOANS

\$ million; 1967-2006; public & private sector

Cum Approved	Loans(\$123bn)	Disbursements	(\$84bn)
INO	21513(17%)	INO	16138
PRC	17947 (15%)	PAK	11321
PAK	16571 (13%)	PRC	10908
IND	16448 (13%)	IND	8856
PHI	9249 (8%)	PHI	7116 (8%)
BAN	8300 (7%)	BAN	5894
ROK	6338 (5%)	ROK	5560
THA	5388 (4%)	THA	4204
VIE	4040(3%)	SRI	2754
SRI	3763 (3%)	VIE	2139

PHI: ANNUAL LENDING COMMITMENTS

\$million

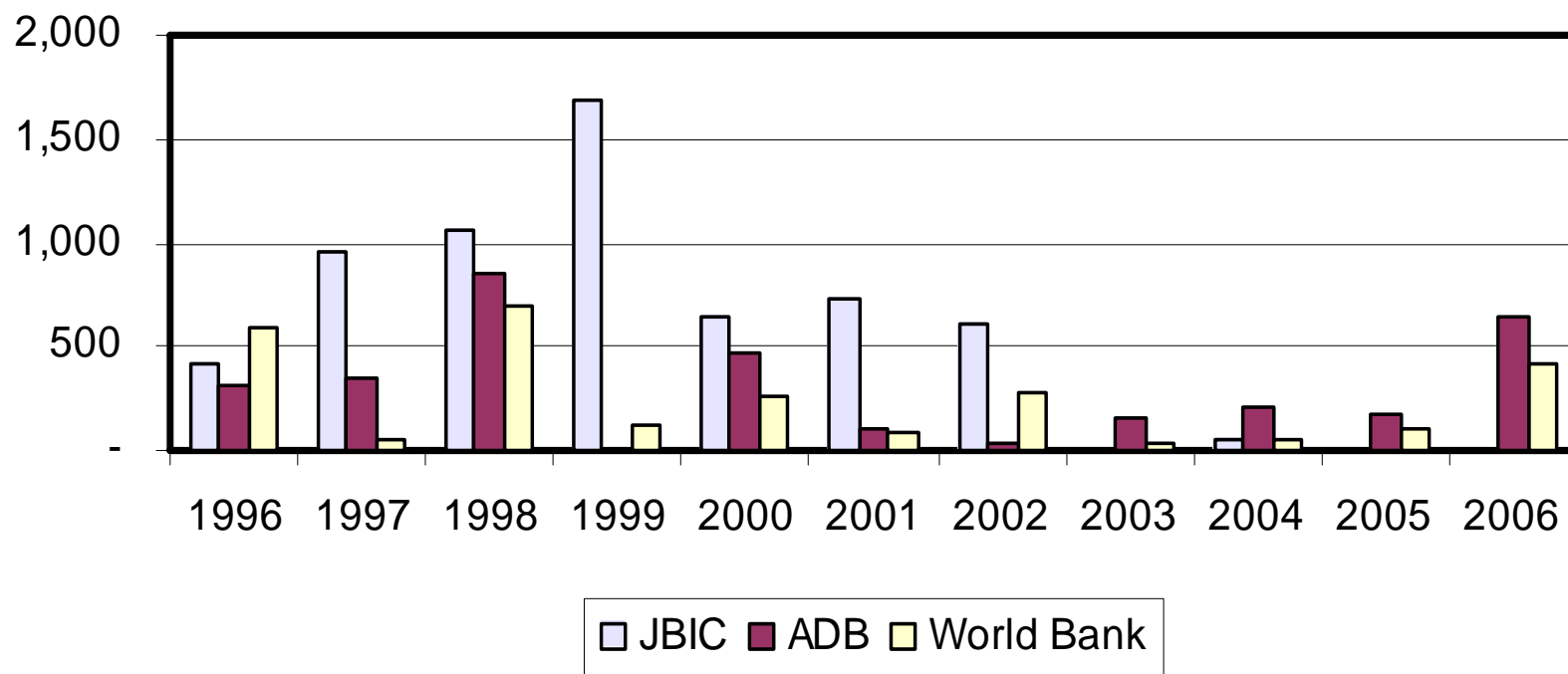


Program lending. Since 1998, 72% of new lending has been for program loans. Under the Country Strategy and Program 2005-2007, ADB agreed with Government it would be appropriate to continue to provide a high proportion of policy-based loans, reflecting: (i) limited absorptive capacity (lack of budget cover) for investment projects as Philippines implemented its fiscal consolidation program; and (ii) the need to supports priority reforms and strengthen the policy environment to improve the climate for sustainable investment projects. Thus, in 2005 and 2006, 86% and 100% of new lending commitments were program loans.



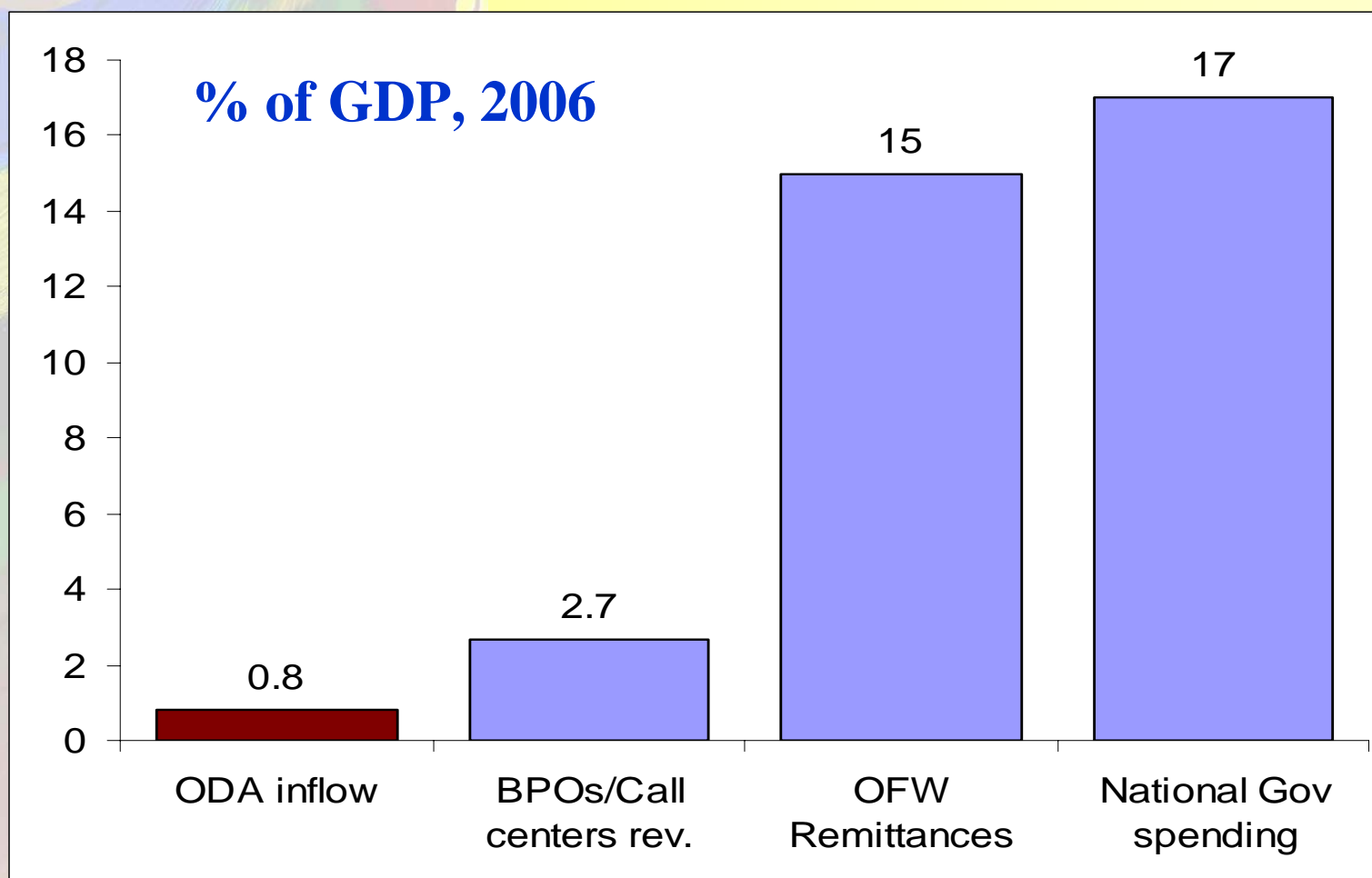
ADB, JBIC & WORLD BANK

LENDING: JBIC, ADB, WORLD BANK (\$m)



The ODA landscape in the Philippines

Official Development Assistance to the Philippines in Perspective, 2006



Source: Dow Jones Newswires, BTr, BSP, Staff estimates

ADB IN PERSPECTIVE

% GDP, 2005-2006

ADB disb.	Net FDI	FX budget financing	OFW remits.	Tax effort	Gov't budget spending
0.5	2.1	4.3	10.9	13.7	17.6

- o ADB's financing is modest.*
- o Development impact comes from (i) strategic focus and operational selectivity (avoiding "mission drift"); and (ii) bundling advocacy and knowledge products with financial resources.*

PHI: a major client for TA

Ten largest TA clients 1967-2006

Member	\$'000	%
PRC	270,440	8.9
INO	247,449	8.2
BAN	170,948	5.7
PAK	159,816	5.3
PHI	146,204	4.8
IND	144,410	4.8
VIE	138,274	4.6
NEP	120,374	4.0
LAO	108,842	3.6
SRI	93,898	3.1

Source: ADB Annual Report



PHI: COMPETITIVE SUPPLIER

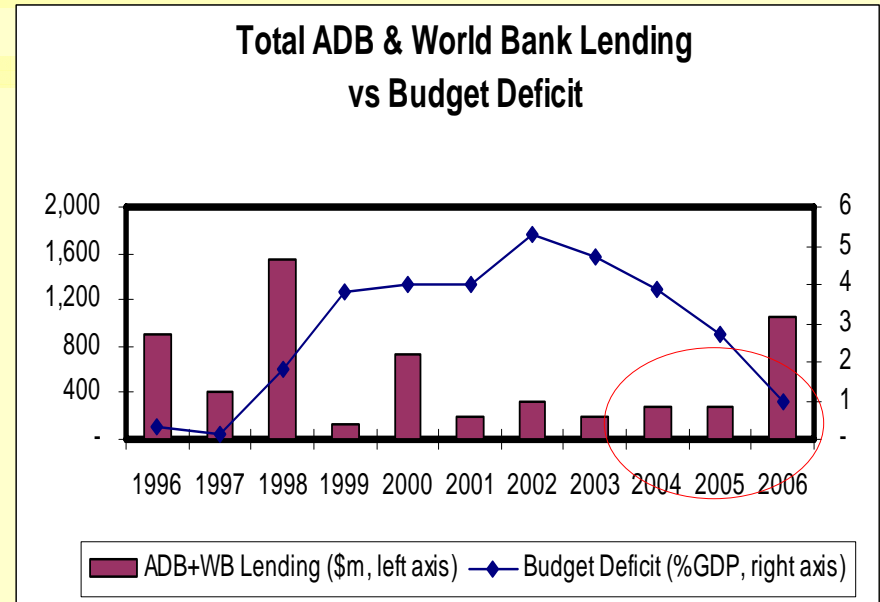
10 largest suppliers, 1967-2006

Project Loan Contracts (\$62bn)		TA contracts (\$2416m)	
PRC	\$9912m; 15.5%	USA	\$471m; 19.5%
IND	\$7694m; 12.1%	UKG	\$348m; 14.4%
INO	\$6640m; 10.4%	AUS	\$297; 12.3%
JAP	\$5482m; 8.6%	CAN	\$189m; 7.8%
ROK	\$3559m; 5.6%	NZL	\$137m; 5.7%
PAK	\$3410m; 5.3%	PHI	\$130m; 5.4%
USA	\$2679m; 4.2%	IND	\$75m; 3.1%
BAN	\$2635m; 4.1%	NED	\$69; 2.8%
PHI	\$2295m; 3.6%	GER	\$67m; 2.8%
GER	\$2225m; 3.5%	JAP	\$64m; 2.6%



2005-2007 Lending Levels – Public Sector

*" The ADB Executive Board has endorsed a new 3-year strategy for operations in the Philippines under which **new lending could range from zero to as much as \$1.5 billion**, depending on the pace of fiscal consolidation and key sector reforms. "* ADB New Release, 13 July 2005 (www.adb.org/media)



Performance based lending

ADB

AREAS OF SUPPORT

- Public sector finance
- Decentralization
- Governance
- Judicial reform
- Finance, especially capital markets
- Infrastructure – power, transport, water
- Urban development
- Rural development & agrarian reform
- Social sectors – health, education

ADB-PHILIPPINES PARTNERSHIP: more than public sector lending

- Technical assistance
- Private sector operations
- Knowledge products
- Sub-regional economic cooperation

ADB effectively bundles knowledge and experience with its financing

SOME LOAN OPERATIONS 2007-2008

POLICY-BASED LOANS

- o Development Policy Support Phase 1 (\$250m, approved)
- o Development Policy Support Phase 2 (\$250m)
- o Local Government Financing & Budget Support (\$300m)
- o Justice Reform (\$300m)

INVESTMENT LOANS

- o Agrarian Reform Communities 2 (\$85m)
- o Integrated Coastal Resource Management (\$34m, approved)
- o Metro Manila Urban Services for the Poor (\$34m)
- o Support to TRANSCO Privatization – Guarantee (\$250m)
- o Irrigation Systems Improvement (\$30m)
- o Basic Urban Services (\$62m)
- o Strengthening Electric Cooperatives (\$60m)
- o Rural Water Supply & Sanitation in Visayas & Mindanao (\$13m)

SOME NON-LENDING OPERATIONS 2007-2008

PROJECT PREPARATORY TECHNICAL ASSISTANCE

- o Irrigational Systems Operation Efficiency Improvement (\$55k)
- o Preparing the Rural Electric Cooperatives (\$55k)
- o Basic Urban Services Sector Project (\$65k)
- o Comprehensive Highland Agriculture Resource Management (\$85k)
- o Development of the Agusan River Basin (\$80k)
- o Road Development (\$tbd)
- o Rural Water Supply & Sanitation in Visayas and Mindanao (\$1000k)

ADVISORY TECHNICAL ASSISTANCE

- o Local Government Financing & Budget Reform (\$80k)
- o Strengthening Institutions for Competitiveness, Growth & Poverty Reduction (\$80k, approved)
- o Strengthening Provincial & Local Planning & Expenditure Management Phase 2 (\$65k)
- o Harmonization and Development Effectiveness Phase 2 (\$50k)
- o Comprehensive Justice Reform (\$1500k)

ADB-PHILIPPINES PARTNERSHIP: OUR VISION

*As a long term development partner,
living and working in Manila, ADB
understands the challenges and shares
the aspiration of achieving
a Philippines free of poverty.*

*We are committed to
working with all Filipinos
to move more rapidly to this goal.*





Thank you

www.adb.org/phco

To register for our e-newsletter, and
other information on the ADB-
Philippines partnership

tcrouch@adb.org

