

MANAGING AID FOR TRADE

Lessons from the Philippines

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An Anomaly ?

	PHILIPPINES	VIETNAM
EXPORTS OF GOODS AND SERVICES (US\$ Billion)		
2000	42	17
2011	70	108
AVERAGE GROWTH RATE OF EXPORTS (percent)		
2000 - 2005	2.7	16.4
2006 - 2011	4.1	19.1





Aid for Trade : Philippines vs.

Vietnam



	PHILIPPINES	VIETNAM
COMMITMENTS (US\$ million, 2011 constant)		
2006-2008	262	2,028
2009-2011	657	2,438
]Rank (2011)	5	2
DISBURSEMENTS		
2006-2008	598	1,253
2009-2011	414	1,805
]Rank (2011)	-	2



Philippines vs. Vietnam : GNI per

PPP, current international \$

	PHILIPPINES	VIETNAM
2000	1,570	3,420
2011	2,390	4,070



BACKGROUND

THE PHILIPPINES

- Low middle income economy
- Strong commitment to economic liberalism
 - Weighted average applied tariff : 4.77% (2010)
 - Two-thirds of tariff lines with MFN rates of 0 to 5%
- Dependent on aid: S-I gap, forex gap, fiscal gap
 - Declining aid inflow : 12% of GCF was aid-funded in 1990
 - OFW remittances larger than ODA inflows, but ODA still larger than net FDI.



BACKGROUND

THE PHILIPPINES

- Ranks 59th out of 148 countries in 2013 WEF Global Competitiveness Report
 - India (60th), Kazakhstan (50th)
 - Transitioning from stage 1 (factor-driven) and stage 2 (efficiency-driven)

- Ranks 108th out of 189 countries in 2013 Ease of Doing Business Index
 - Nepal (105), Fiji (62), Tunisia (51)





Constraints to Trade : Philippines

WEF BUSINESS SURVEY 2012

•Most important problematic factors for importing:

- Burdensome import procedures (1)
- Corruption at the border (2)

•Most important problematic factors for exporting:

- Access to imported inputs at competitive prices (1)
- High cost or delays caused by domestic transportation (5)

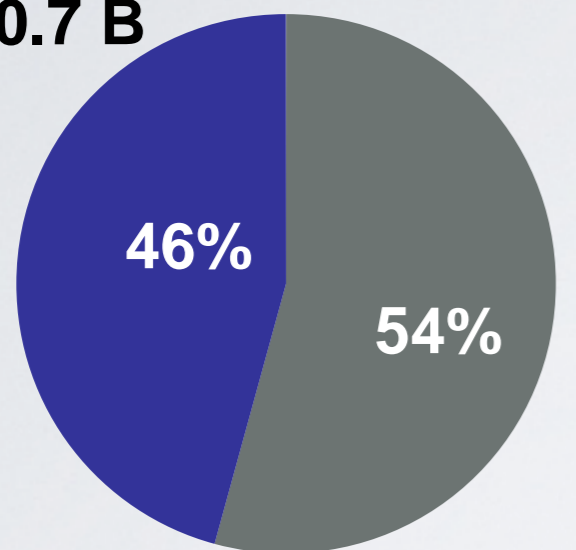
•Most problematic factors for doing business

- Corruption (1)
- Inefficient government bureaucracy (2)
- Inadequate supply of infrastructure (3)

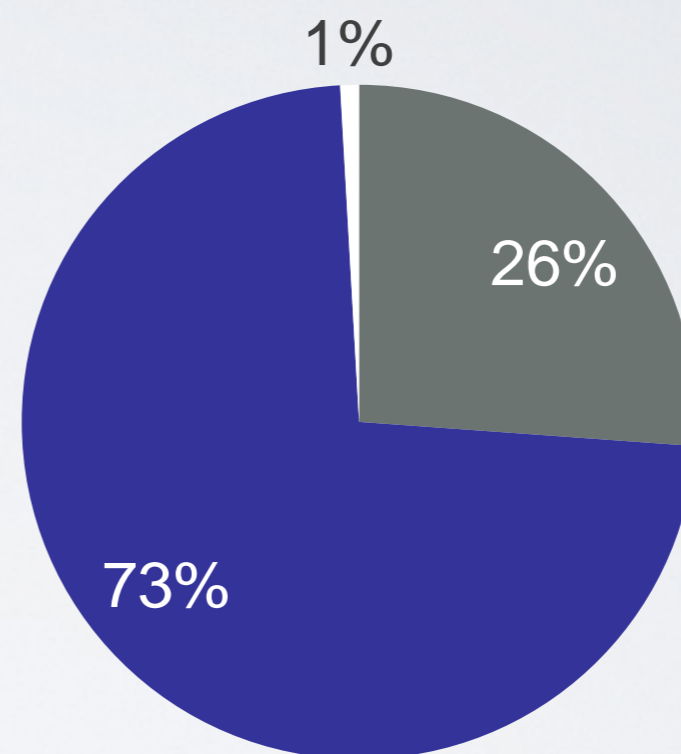


AfT Profile : Philippines 2011

US\$10.7 B

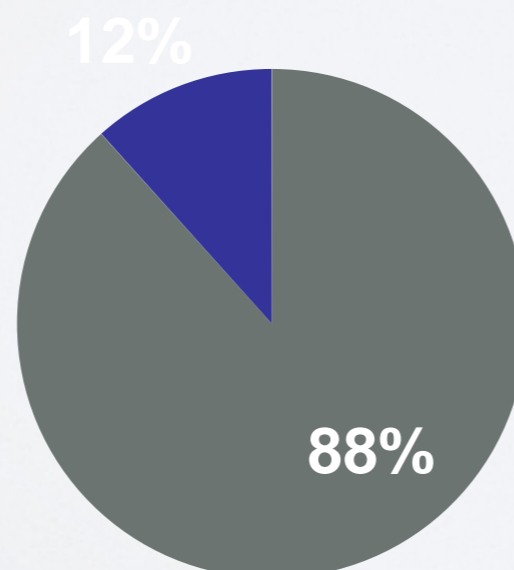


■ AFT ■ NON-AFT



■ Building Productive Capacity
■ Economic Infrastructure
■ Trade Policy and Regulation

■ LOANS
■ GRANTS





PRECURSOR TO REFORM

- **1980s debt crisis:** ODA accounted for almost half of country's debt
 - unproductive and low priority areas or lost to corruption
- **Reforms in ODA management**
 - Accept **only** ODA aligned to previously identified national priority projects, which are urgent and necessary
 - 3 agencies to monitor status and usage of ODA
 - **NEDA** – conduct annual reviews, identify implementation problems, track cost overruns, report to Congress
 - **Commission on Audit** – examine finances of closed and on-going projects
 - **Congressional Oversight Committee**





THE ODA ACT OF 1996

Republic Act 8182; amended by RA 8555

- Tight scrutiny of ODA loans
 - An ODA loan must have a grant element of at least 25% (OECD standard)
- Safeguards to avoid anomalous usage of funds
 - A consultant involved in the design and feasibility check of the project cannot be involved in the implementation.
 - Borrowing Government agency is required to execute the project, except when it does not have capacity
 - Implications on private sector (NGOs) participation
 - Qualified Filipino consultants, suppliers and manufacturers should be given preference.



THE ODA ACT OF 1996

- All ODA loans must have a weighted grant element of not less than 40% at any given time, with 7% interest rate cap.
- Elaborate structure of monitoring and evaluation
 - Inter-agency; often cause of delay
 - NEDA at the helm
 - subordinates the role of DTI for AfT





MANAGEMENT OF ODA

- Country Ownership
- Alignment to National Priorities
- Donor Coordination
- Results-based Management





OWNERSHIP

- Consistency of AfT projects with development priorities
 - Philippine Development Plan (with results matrices)
 - Philippine Investment Plan
 - Development plans of implementing agencies
- National level coordination and stakeholder involvement
 - All projects using ODA must go through evaluation and approval of high-level inter-agency committees.
 - Philippine Development Forum – co-chaired by WB; annual dialogue of donors, government agencies, business groups, NGOs, Congress and academe





OWNERSHIP

- Mainstreaming
 - Technical assistance and policy advocacy work
 - VOIP, RO-RO
 - Legislative reforms
 - Translated Philippine obligations into domestic laws
 - *e.g.*, Retail Trade Liberalization Act, Customs Valuation Law
 - Accession to international treaty
 - *e.g.*, Philippine accession to Revised Kyoto Convention





ALIGNMENT

- Donors formulate Country Assistance Program
 - Overarching goals in PDP: poverty alleviation and inclusive growth
 - As a result, trade development is not explicitly listed as priority area in CAPs, except EU's CAP.
 - The initiatives provide indirect support to trade.
 - *e.g.*, Power Sector Development Program; assistance to agrarian reform beneficiaries





DONOR COORDINATION

- Annual ODA Portfolio Review
 - Participated in by donors and implementing agencies
 - Cross-cutting implementation problems
 - Commitments to address problems and tracking of actions actually taken to resolve the problems
- Harmonized Philippine Bidding Document
 - Common policies and procedures
 - Inspire use of national procurement system
- Joint Analytic Work (JAW) : ADB, JICA, WB
 - Causes of start-up delays and bottlenecks in funds flow
 - Factors for success and sustainability of projects





DONOR COORDINATION

- Mutual Enforcement of Debarment Decisions
 - Sanctions imposed by one donor on a service supplier or project contractor binds other signatory donors
 - against collusion and bid-rigging in infrastructure projects





RESULTS-BASED MANAGEMENT

- Development of Results Matrices (RM)
 - expected results (outcomes and impact), indicators, baseline information, end-of-plan targets, responsible agencies
- Regular monitoring reports
 - Annual Portfolio Review
 - Quarterly Loans Performance Report
 - Semestral Grants Report
 - Quarterly Cost Overrun Report
 - Semestral Alert Mechanism Report
 - End-of-Project Report
- Implementing agencies' scorecard of development partners



EFFECTIVENESS OF AfT

	Project Success	Project Sustainability
ADB	49% of projects have been successful/highly successful below Vietnam (93%), Thailand (88%), Cambodia (83%), Laos (79%)	Only 58% of projects are rated sustainable
JICA	61% of projects have been successful/highly successful below Thailand (96%) and Indonesia (82%)	67% of projects rated “without major problems”
WB	72% of projects had satisfactory ratings below the average for East Asia (82%).	70% are likely sustain outcomes achieved





CASE STUDY

AfT to Customs

- In 1996, BOC automated its system using ASYCUDA, with support from the World Bank.
- In 2002, WEF chose BOC as case model for process and infrastructure modernization.
 - JICA : time measurement study, post-entry audit, customs intelligence
 - EU: value reference and risk management systems
 - USAID: Integrity Action Plan, National Single Window, competency-based human resource management system, drafting of new customs law



CASE STUDY

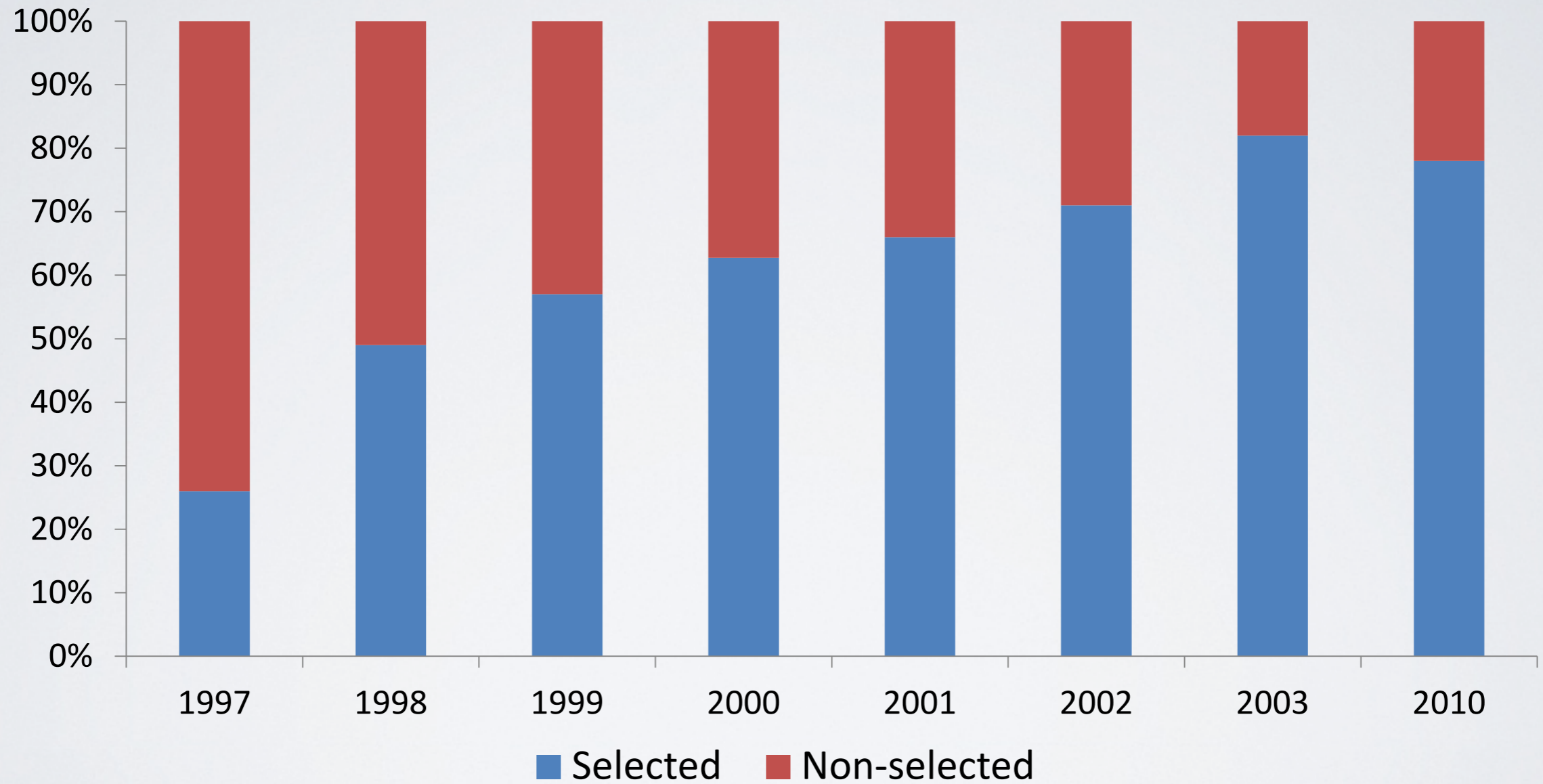
AfT to Customs

- Cargo release times in 2003 and 2010 are not statistically different despite major changes in the Customs IT system.
- Despite automation, variations in release times are extremely wide
 - Half of cargoes are released in no more than 4.75 days from arrival at the port; the other half could take as long as 30 days to release
- Deviations of actual from prescribed processes are prevalent
- Weak controls in cargo processing
- Ineffective risk management system



CASE STUDY

AfT to Customs





CASE STUDY

AfT to Customs

- Organizational resistance to change
 - Of 66 action items in the Integrity Action Plan, only 14 were implemented.
 - Thrash efforts to streamline customs procedures, automate processes, improve transparency, and improve selectivity of inspections
- Frequent changes in leadership
 - Six commissioners in a span of eight years
- Insufficient powers of the Commissioner to institute organizational changes
- Revenue targets vs. trade facilitation
- Continuous flow of aid despite dismal results of past interventions



LESSONS LEARNED

- Good governance structure in managing AfT, while necessary, are **not sufficient** for aid effectiveness.
- Changes initiated by AfT are easy to overturn in the absence of complementary institutional changes.
- AfT design and implementation should therefore take into account the institutional constraints that can impede the attainment of intended results.





Thank you for your attention!

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