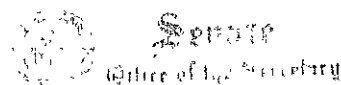


FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



12 MAR -6 24:41

S E N A T E

Senate Resolution No. 739

RECORDED BY: Per

Introduced by Senator Loren Legarda

RESOLUTION

DIRECTING THE SENATE COMMITTEE ON FOREIGN RELATIONS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE UTILIZATION OF FOREIGN AID, WITH THE END VIEW OF ENSURING AID EFFECTIVENESS IN PROMOTING ECONOMIC DEVELOPMENT AND IMPROVING THE SOCIAL WELFARE OF THE FILIPINOS

WHEREAS, Article II, Section 9, of the Constitution provides that the State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide full employment, a rising standard of living and improved quality of life for all;

WHEREAS, Article VII, Section 20 of the Constitution provides that the President may contract or guarantee foreign loans on behalf of the Republic of the Philippines with the prior concurrence of the Monetary Board, and subject to such limitations as may be provided by law;

WHEREAS, developing countries, including the Philippines, have favored foreign aid as an important fund source in achieving national economic development goals;

WHEREAS, the country has received foreign assistance from bilateral and multilateral donors since 1946;

WHEREAS, Official Development Assistance (ODA), under Republic Act No. 8182, is a loan or loan and grant administered with the objective of promoting sustainable social and economic development and welfare in the Philippines and contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations or bilateral agreements or which are members of the United Nations, their agencies and international or multilateral lending institutions;

WHEREAS, Section 4 of RA 8182 provides that the proceeds of ODA shall be used to achieve equitable growth and development in all provinces through priority development projects for the improvement of economic and social service facilities;

WHEREAS, the Philippines, due to its strong diplomatic and trade relations with developed economies, has received foreign assistance from their national aid

agencies like the United States Agency for International Development (USAID) for the United States, the Australian Agency for International Development (AusAID) for Australia, the Japan Bank for International Cooperation (JBIC) and Japan International Cooperation Agency (JICA) for Japan;

WHEREAS, apart from national aid agencies, multilateral creditor organizations such as the Asian Development Bank (ADB) and the World Bank, are also a significant source of foreign aid assistance for the country;

WHEREAS, from 1 January 1995—the effectivity date of RA 8182—until 31 December 2010, the Philippine government has contracted and guaranteed 368 ODA loans, 325 of which remain outstanding with a balance of PhP 755.93 Billion or US\$ 17.25 Billion. This is further broken down to PhP 442.29 Billion or US\$ 17.25 Billion payable to bilateral agencies, PhP 277.56 Billion or US\$ 6.34 Billion to multilateral agencies, and PhP 36.07 Billion or US\$ 0.82 Billion to commercial agencies¹;

WHEREAS, several ODA loans in 2010 were also tagged supporting the Millennium Development Goals (US\$2.91 Billion) and addressing climate change adaptation (US\$0.34 Billion) and mitigation (US\$ 1.04 Billion)²;

WHEREAS, there is a need to review the extent of development impact of foreign aid considering that the PhP 755.93 Billion outstanding balance of the country's total ODA loans is equivalent to 37.79% of the country's total foreign debt of PhP 1.999 Trillion as of end- 2010³;

WHEREAS, as of 2010, total ODA grant amount is US\$ 2.25 Billion consisting of 552 ODA grant-assisted projects (96 new, 178 ongoing and 278 closed within the year);

WHEREAS, the Philippines, among over a hundred countries, adopted the 2005 Paris Declaration on Aid Effectiveness, committing to enhance aid effectiveness by reinforcing the principles of ownership, alignment, harmonization, managing for results, and mutual accountability for development results⁴;

WHEREAS, a study by the Philippine Institute for Development Studies in July 2010 revealed that “the Philippines’ absorptive capacity for foreign aid declined from the period 1986 to 1988 to the period 2003 to 2008⁵. During the latter period, the Philippines disbursed only 16.7 percent of committed ODA and 81.7 percent of the scheduled disbursement. The Philippines ability to meet scheduled disbursements of ODA has been decreasing”;

WHEREAS, the study further disclosed that causes of low aid absorption include the “huge debt burden, including ODA loan repayments, which has diverted financial resources that would otherwise be available for critically important

¹ Commission on Audit (2010) “Consolidated Audit Report on Official Development Assistance Projects”

² National Economic and Development Authority (2011) “ODA Portfolio Review 2010”

³ Bureau of the Treasury (BTr)

⁴ United Nations Rule of Law (2005) “Paris Declaration on Aid Effectiveness”

⁵ Kang, Hyewon (2010) “The Philippines’ Absorptive Capacity for Foreign Aid” Philippine Institute for Development Studies Discussion Paper Series No. 2010-15. July.

infrastructure and social services projects". In addition, "there is evidence of corruption even at the project preparation stage". Moreover, "estimated benefits from projects funded by ODA were not realized due to overestimation of benefits and underestimation of costs";


WHEREAS, the study recommended that "the Philippines should endeavor to combat corruption and establish more transparent ODA programming, evaluation and approval procedures";

WHEREAS, timely, effective and transparent utilization of foreign aid is crucial in reducing poverty, improving social welfare and accelerating economic growth;

WHEREAS, it is incumbent upon Congress, as part of its oversight functions, to require from the government an accounting of foreign aid, review its use by various implementing agencies, and monitor the associated development that has taken place;

NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to direct the Senate Committee on Foreign Relations to conduct an inquiry, in aid of legislation, on the utilization of foreign aid, with the end view of ensuring aid effectiveness in promoting economic development and improving the social welfare of the Filipinos.

Adopted,


LOREN LEGARDA
Senator