

Official Development Assistance to The Philippines: Donor Mapping and Analysis

Technical Report

Foreign, Commonwealth and Development Office (FCDO)

British Embassy Manila

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**UK International
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List of abbreviations

ADB	Asian Development Bank
AFD	French Development Agency
AFF	Agriculture, Forestry and Fishing
AIIB	Asian Infrastructure Investment Bank
APIS	Annual Poverty Indicators Survey
ASEAN	Association of Southeast Asian Nations
BESF	Budget of Expenditures and Sources of Financing
BII	British International Investment
BIP	British Investment Partnerships
BISP	British Support for Infrastructure Projects
BRI	Belt and Road Initiative
BSP	Central Bank of the Philippines
CIDCA	China International Development Cooperation Agency
COA	Commission on Audit
CoEs	Centres of Expertise
DAC	Development Assistance Committee
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DFA	Department of Foreign Affairs
DOF	Department of Finance
DoTr	Department of Transportation
DP	Development Partner
DPWH	Department of Public Works and Highways
DWR	Department of Water Resources
EMB	Environmental Management Bureau
EP	Exploration Permit
EPIRA	Electric Power Industry Reform Act
ESG	Environmental, Social, and Governance
ETB	Executive Technical Board
FCDO	Foreign, Commonwealth and Development Office

FDI	foreign direct investment
GCIP	Green Cities and Infrastructure Programme
GVA	Gross Value Added
IA	Implementing Agency
IATI	International Aid Transparency Initiative
ICC	Investment Coordination Committee
IEMOP	Independent Electricity Market Operator of the Philippines
IRR	Integrated Review Refresh
JETP	Just Energy Transition Partnerships
KRA	key reform agenda
LWD	Local Water District
MDB	Multilateral Development Bank
MGB	Mines and Geosciences Bureau
MTOE	Million Tonnes of Oil Equivalent
MWSS	Metropolitan Waterworks and Sewerage System
NAFMIP	National Agriculture and Fisheries Modernisation and Industrialisation Plan
NDB	New Development Bank
NDHS	National Demographic and Health Survey
NEA	National Electrification Administration
NEC	National Economic Council
NEDA	National Economic and Development Authority
NEP	National Expenditure Programme
NGCP	National Grid Corporation of the Philippines
NGO	non-governmental organisations
NREP	National Renewable Energy Programme
NSCR	North-South Commuter Railway
NSSMP	National Sewerage and Septage Management Program
NWMC	National Water Management Council
NWRB	National Water Resources Board
ODA	Official Development Assistance
ODF	Official Development Finance
OECD	Organisation for Economic Co-operation and Development

OOF	Other Official Flows
PAD	Project Appraisal Documents (PADs)
PCC	Philippine Competition Commission
PDP	Philippine Development Plan
PEA	Political Economy Analysis
PEMC	Philippine Electricity Market Corporation
PEP	Philippine Energy Plan
PH-EITI	Philippine Extractive Industries Transparency Initiative
PIDG	Private Infrastructure Development Group
PIP	Public Investment Programme
PSA	Philippines Statistics Authority
PSALM	Power Sector Assets and Liabilities Management
PVOs	Private Voluntary Organisations
PWSSIS	Philippine Water Supply and Sanitation Information System
PWSSMP	Philippines Water Supply and Sanitation Master Plan
R&D	Research and Development
RE	Renewable Energy
RRP	Report and Recommendation of the President
SARH	South Asia Research Hub
SEPO	State Economic Planning Office
SS	suspended solids
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TA	Technical Assistance
TOR	Terms of Reference
TPES	Total Primary Energy Supply
UFW	unaccounted-for water
UK	United Kingdom
UKEF	UK Export Finance
WESM	Wholesale Electric Spot Market
WRC	Water Regulatory Commission
WWTP	wastewater treatment plant

Glossary of financial flow terms

The definitions below are consistent with the OECD-DAC definitions of key terms and concepts.

Concessional level: A measure of the "softness" of a credit reflecting the benefit to the borrower compared to a loan at market rate.

Debt forgiveness/restructuring: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness (extinction of the loan), or rescheduling which can be implemented either by revising the repayment schedule or extending a new refinancing loan.

Export credits: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

Foreign Direct Investment (FDI): Investment made to acquire or add to a lasting interest in an enterprise. "Lasting interest" implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice, it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

Grants: Transfers made in cash, goods or services for which no repayment is required.

Loans: Transfers for which repayment is required.

Representational intent: Projects that primarily seek to promote a bilateral relationship with another country or promote the language, culture, or values of the country from which the financial transfer originated.

Special purpose vehicle/joint venture. Project companies (independent legal entities) that are established to manage the financing and implementation of a particular project.

Executive summary

Background

The objectives of the assignment are to map out the broad picture of ODA in the Philippines by bilateral and multilateral development partners and contribute to policy analysis for FCDO with a view to shaping its British Investment Partnerships (BIP) country strategy. The analysis places a strong emphasis on looking “behind the data” to identify gaps and potential areas and entry points for specific UK intervention, including opportunities for joint development work with like-minded partners, such as the G7 and Australia.

The UK and the Philippines have a long-lasting relationship built on mutual respect and a commitment to peace and prosperity in the Indo-Pacific region. The ambitions of the UK-Philippines relations are evidenced in the Enhanced Partnership which was launched in 2021 and aims to strengthen collaboration in key areas including development, trade, investment, climate change and the environment.

The Philippine Development Plan (PDP), 2023-2028, is the country’s blueprint for development over the next six years. It reflects the Philippine Government’s strategies, policies, programmes, and legislative priorities in alignment with President Marcos Jr administration’s 8-point Socioeconomic Agenda, which comprises food security, improved transportation, affordable and clean energy, healthcare, social services, education, bureaucratic efficiency, and sound fiscal management.

The PDP’s overall goal is to strengthen job creation and accelerate poverty reduction by steering the economy towards a high-growth path and begin the economic and social transformation for a prosperous, inclusive and resilient society. It aims to strengthen the economic sectors for more higher-quality jobs and produce globally competitive products, modernise the agricultural sector, revitalise industries, and reinvigorate services. More collaboration between local and national governments and facilitating stronger partnerships with the private sector are encouraged. These provisions are well-aligned with the UK’s strategic priorities.

The UK’s development offer

The UK is not a big ODA provider in the Philippines. However, the Philippines is critically important to the UK in the context of the Indo-Pacific Tilt as set out in the 2023 Integrated Review Refresh (IR23) and White Paper on International Development. As a result, there has been a noticeable, though moderate, increase of the UK’s ODA portfolio in the country over recent years. In addition, through the BIP, the UK has expanded its development finance beyond ODA. The use of strategic guarantees, export finance, and other instruments alongside ODA offers the prospect of mobilising additional investment opportunities to countries such as the Philippines. These can help realise development benefits with secondary benefits supporting UK’s strategic priorities.

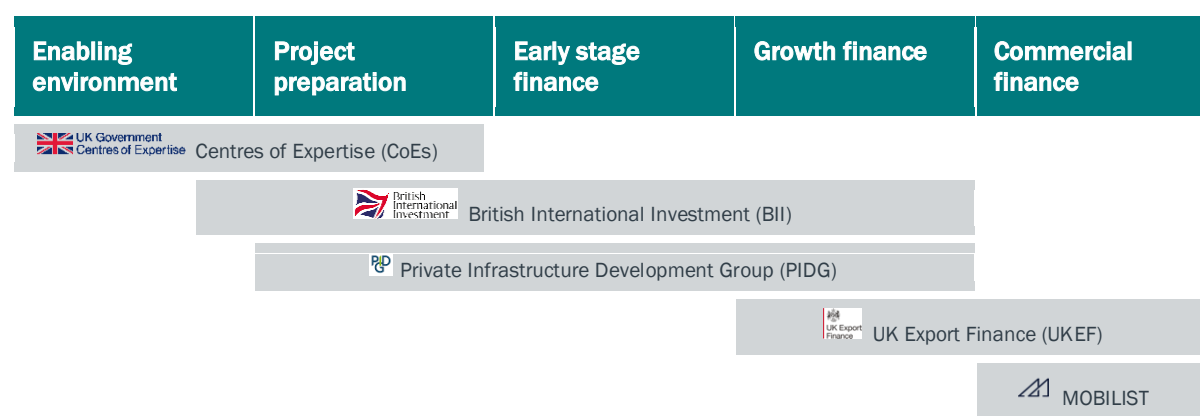


Figure ES1: BIP brings together the UK’s economic development offer which consists of tailored packages of finance, technical assistance and technology transfer to partner countries.

Definition of ODA in the Philippines

The Philippines has adopted the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) definition of ODA, albeit with a narrower interpretation of the term. ODA, as defined in the ODA Act of 1996, pertains to the flow of aid in the form of loans and/or grants that are administered with the aim of “promoting sustainable social and economic development and welfare of the Philippines,” by foreign state governments with which the Philippines has diplomatic, trade, or bilateral agreements, and international and multilateral lending organisations.

The Philippine's definition only covers development partner assistance where the Philippine Government is the implementing/executing agency, and/or a direct beneficiary. Grants channelled through civil society organisations (CSOs), non-government organisations (NGOs), academe, and the private sector are not reported as ODA. This exclusion leads to a significant underestimation of ODA reported by the Philippine Government, particularly from bilateral development partners that primarily channel their ODA contributions through non-governmental channels.

Recent attempts to amend the ODA law, intended to resolve these shortcomings, have not yet succeeded. However, such amendments would not fundamentally alter the types of financial instruments, delivery channels, or co-operation modalities available for development partners, as they are already able to propose different approaches, provided these are in accordance with the established Philippine Government procedures of the National Economic and Development Authority (NEDA), which plays a significant role in ODA oversight, allocation, use, and monitoring.

ODA trends

Active ODA commitments by development partner

At the end of 2022, the amount of active ODA commitments to the Philippines was US\$ 32.4 billion. Of this, 93% or US\$ 30.2 billion was for 106 loans and only 7% or US\$ 2.2 billion were grants (320 grants). These ODA loans and grants were provided by 20 bilateral and multilateral development partners and implemented by 84 partner agencies. About 58% was contributed by multilateral development partners, while bilateral partners shared about 42%.

The UK is one of the smallest contributors in terms of active commitments, ranking 18th out of 20. This position underscores the importance of the UK adopting a strategic approach to ensure its contributions are influential. On the development side, this necessitates a focus on high-impact interventions or identifying and addressing niche priorities that hold significant visibility and importance.

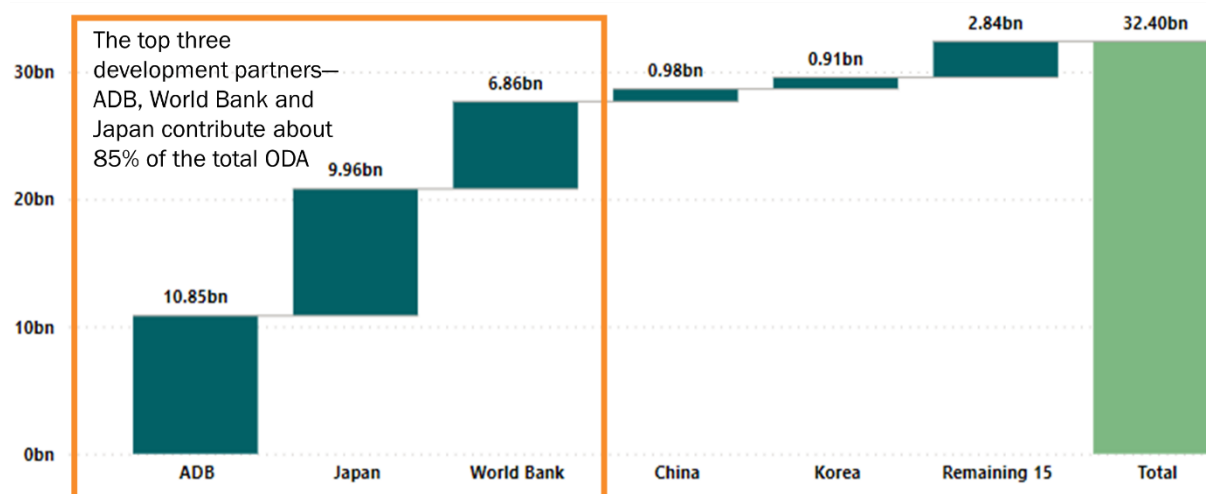


Figure 1: Active ODA commitments by development partner. Source: Own calculations with data from NEDA.

Factors hindering ODA disbursement in the Philippines and the potential role of the UK in improving project preparation, design and procurement

Several factors influence disbursement performance. According to NEDA and interviews with bilateral and multilateral development partners, the low disbursement rates, may be attributed to insufficient preparation and readiness of projects, capacity constraints within concerned Implementing Agencies (IAs), bottlenecks in securing local government permits and right-of-way (ROW), delays or suspension of procurement, the non-approval of proposed budgets, and inadequate budget allocation for loan proceeds in the General Appropriations Act (GAA). Among these issues, the UK is particularly well equipped to assist in enhancing project preparation and readiness through its BIP toolkit.

Disbursements by development partner

In the Philippines, project commitments have consistently been higher than actual disbursements. Multilateral development partner disbursement ratio averaged 75% while that of bilateral development partners 50%. For the G7 countries' the disbursement ratio was 67% while UK's 118%. In the case of the UK, the variance between commitments and spending is primarily attributed to standard grants allocated to scholarship programmes, which have a disbursement exceeding commitments.

Of the top development partners in the Philippines, the highest ratio of disbursements to new commitments was South Korea, at 86%, while China was the lowest at just 8%. China presents a unique case, as Chinese ODA is complicated by geopolitical tensions and controversies, which have also led to the Philippines withdrawing from certain projects under China's Belt and Road Initiative (BRI).

Disbursements by sector

The Government and Civil Society are the largest sectors in terms actual disbursements and also demonstrate the highest disbursement ratio (94%). The Education, Agriculture, Forestry and Fishing, Banking and Financial Services, and Humanitarian Aid sectors also exhibit high disbursement ratios exceeding 90%. Conversely, the Transport and Storage sector, which is the largest category of ODA commitments, substantially underperforms in disbursement (27%). The primary focus in the Transport and Storage sector is rail infrastructure, which has encountered challenges, particularly in securing ROW which has contributed to delays experienced in project execution.

Patterns of bilateral and multilateral donor interventions

The Philippines is characterised by a high degree of development partner concentration. ADB, the World Bank and Japan collectively account for over 79% of ODA disbursed in the Philippines between 2018 and 2021. However, when multilateral development partners are excluded, the distribution becomes more balanced, with several bilateral development partners offering substantial support across different sectors (Figure 1 below).

Non-DAC Donors in Focus: Chinese Official Development Flows Diverge from the ODA Definition and Take On Different Forms

Chinese official flows diverge from the ODA definition and take on different forms, including "hidden debt" created through special purpose vehicles (SPVs), foreign direct investment (FDI), and flexible capital. In 2016, President Xi promised then Philippine President Rodrigo Duterte US\$24 billion in investment, credit and loan pledges. During the Duterte administration, Chinese policy banks, central state-owned enterprises, and major private firms were encouraged to invest or operate in the Philippines. In other words, Duterte's administration led to the surge of different types of Chinese capital, which have had political and developmental implications above and beyond large-scale infrastructure projects. Since taking office in 2022, President Ferdinand Marcos Jr has shifted the Philippines' diplomatic direction. His administration has taken a firmer position on the South China Sea disputes and has terminated loan agreements with China for projects worth almost US\$5 billion.

The USA, for example, has a varied portfolio with major contributions in Water & Sanitation, Humanitarian Aid, Health, Government and Civil Society, and Communications. France, Australia, and Germany also make notable contributions in various sectors. The UK stands out as the largest donor in the Energy sector¹ and maintains a strong presence in Agriculture, Forestry, and Fishing.

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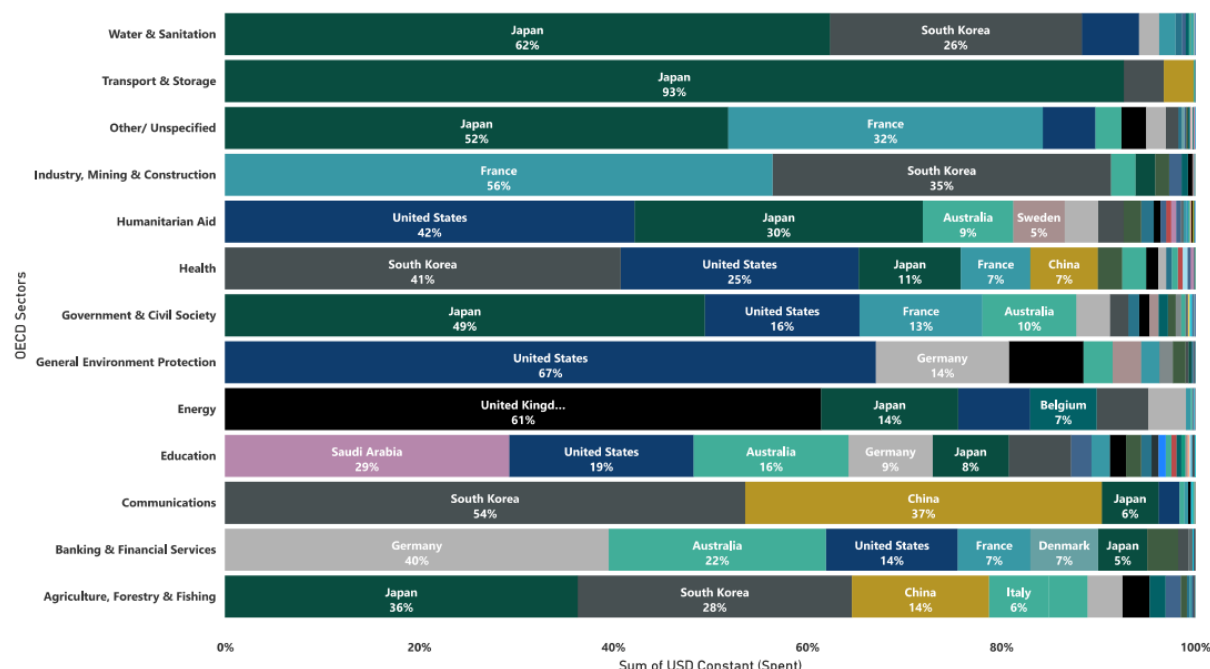


Figure 2: Development partner concentration by sector. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Development finance for climate

Access to ODA is a crucial element of Philippine's efforts in incorporating climate change into programmes and projects. According to NEDA, at the end of 2022 there were 56 projects (22 loans and 34 grants) contributing to climate change adaptation and mitigation and disaster risk reduction (DRR) with total active commitments at approximately US\$ 2.9 billion.

The volume of climate development finance disbursed in the Philippines has been growing. However, the increases consist mostly of projects where climate change mitigation or adaptation is explicitly stated but it is not the fundamental driver or motivation for undertaking them. Projects where climate change mitigation or adaptation is explicitly stated as fundamental in their design or motivation have seen only a marginal increase (see Figure 3).

OOF loans are the major form of climate development finance, making up 59% of all climate-related disbursements. The ADB and Japan are by far the biggest providers of climate development finance in the Philippines. ADB, which describes itself as Asia and Pacific's Climate Bank, spent US\$ \$3.0 billion to climate-related projects (37% of total spend) while Japan spent US\$ 2.4 billion (about half of total spend). The World Bank follows with about US\$ 800 million (equivalent to about 36% of total ODF).

Regarding other bilateral development partners, more than 60% of Australia's ODF is designated as climate-related. Similarly, ODF from France, Spain, the UK, and Germany incorporate objectives aimed at climate change mitigation or adaptation (Figure 4).

¹ Within the Energy sector, the UK has made a considerable investment of approximately US\$32 million through the MOBILIST programme to the ThomasLloyd Energy Impact Trust (TLEI), an investment vehicle focused on sustainable energy infrastructure projects across Asia and including the Philippines.

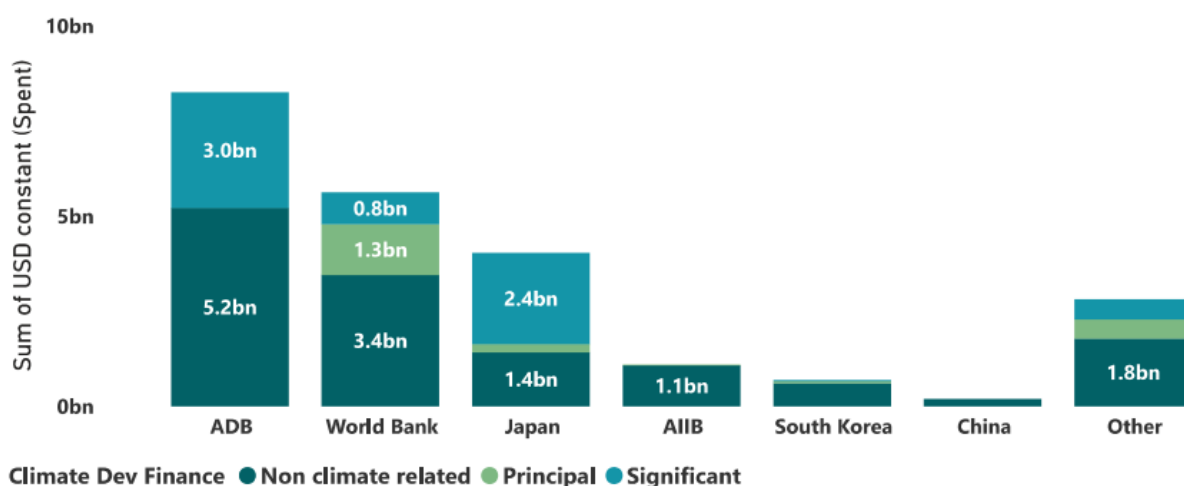


Figure 3: Cumulative climate development finance by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

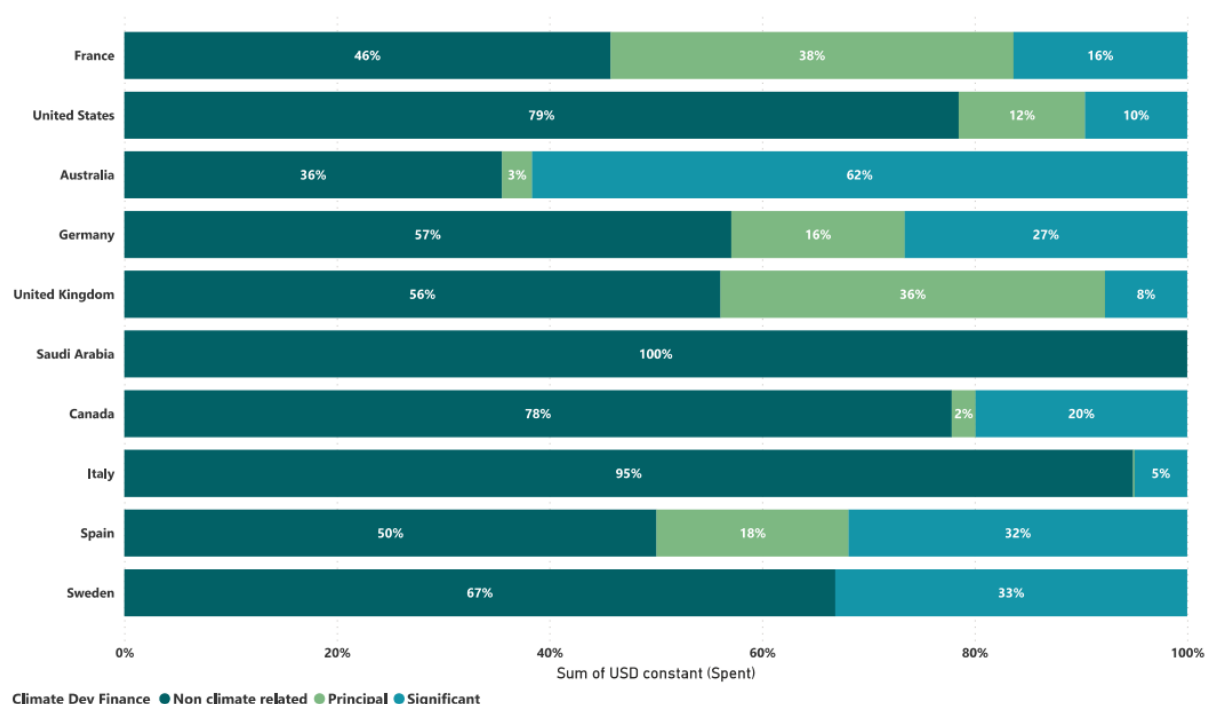


Figure 4: Cumulative climate development finance by bilateral development partners, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Types of financial instruments and co-operation modalities

Various financial instruments, delivery channels, and cooperation modalities are employed by bilateral and multilateral development partners. In general, there are two instruments of bilateral and multilateral assistance: loans (OOF) and grants (ODA). However, it is important to note the nuanced variations within each category. This variation underscores the diverse strategies and preferences among development partners in providing support to the Philippines.

OOF (semi and non-concessional loans, export credits) accounts for about half of the total development flows. This reflects the relative maturity and greater debt-carrying capacity of the Philippine's economy. Infrastructure is the largest single category of OOF, encompassing projects in transport, energy, communications, and water and sanitation. The Health, Government and Civil Society, Education, and General Environmental Protection sectors are the primary recipients of grants.

Multilateral Development Partners: Predominantly OOF	Bilateral Development Partners: A Blend of ODA and OOF
- Policy based loans & budget support - Government-executed project financing - Programme-for-Results (PforR) - Multitranches financing facilities - Commercial cofinancing for non-sovereign projects - Technical assistance	- Contributions to multilateral partners (including multi-donor / single-donor trust funds and UN agencies) - Grants channelled through NGO/civil society/private sector - Sovereign and non-sovereign loans - Soft loans - EXIM financing - Technical assistance

Enhanced Development Support in BARMM: A Focus on Grants and Peace-Building Initiatives

The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) is one of the poorest regions in the Philippines. BARMM accounts for the fourth largest share of region-specific ODA, amounting to over US\$ 800 million. About one-third of this, or US\$ 259.09 million, is provided in the form of grants. This grant component is significantly higher than the national average of 7%. As of December 2022, there were 44 grants from 18 development partners, marking the highest grant assistance received by any region. These grants focus on a variety of interventions including livelihood restoration, education, normalization and peace-building efforts, institutions building, and infrastructure.

Future of ODA in the Philippines

As the Philippines approaches middle-income status, a gradual reduction of ODA is anticipated. Sweden and Finland have already graduated the Philippines from traditional development assistance programmes, opting for loans or EXIM financing. At the same time, non-traditional development cooperation has become more significant, contributing to official development flows. This includes notable non-DAC donors such as China, Saudi Arabia, Türkiye, and United Arab Emirates (UAE), under which the majority of development assistance is allocated bilaterally, although their participation in multilateral institutions has expanded over time. This includes not only the World Bank and regional multilateral development banks (MDBs), such as the ADB, but also new banks including the Asian Infrastructure Investment Bank (AIIB).

The Philippine Government acknowledges that the graduation to middle-income status will have significant implications for the country's fiscal situation and access to concessional loans. To address this challenge, the Philippine Government is exploring alternative ways of financing projects and attracting investments. NEDA has proposed four strategic measures:

- Explore and expand alternative financing mechanisms through domestic resource mobilisation, private sector participation, and PPPs.
- Strengthen the capacity and stability of domestic financial institutions, such as banks and capital markets by enhancing regulatory frameworks and implementing financial sector reforms.
- Improved debt management practices to ensure debt sustainability.
- Uphold good governance practices and transparency in financial management to enhance the country's credibility in accessing financing.

This emerging landscape indicates a move towards more diversified and targeted forms of development assistance. Within this evolving landscape, the UK's BIP is well-suited to the needs of the Philippine Government. It offers a supportive and complementary approach to the efforts of other multilateral and bilateral development partners, thereby maximising the impact of UK's ODA spend.

Entry points for UK policy engagement and programmatic investment

Based on our analysis, we recommend the following strategies for the UK to enhance the impact of its initiatives in the Philippines:

- **Leveraging UK Expertise:** FCDO has comparative advantage and expertise in the climate, nature, environment and infrastructure sectors. It can draw on in-depth sectoral and political knowledge, strong policy and influencing expertise, and co-ordinate learning. Critically, FCDO is able to fill gaps where the lending institutions have limited TA budgets and thus complement the development banks investments, providing untied assistance. A prime example of leveraging this expertise is through BIP, which provided TA to support the formulation of the Philippine National Adaptation Plan (NAP). The NAP provides a strong market signal for priority investment sectors in the coming years and offers a strategic framework to guide the work of development partners operating in the Philippines. In addition, under the CoE for Green Cities and Infrastructure (GCI), the UK is providing support on integrated water resources management and Transit-Oriented-Development (TOD). Another noteworthy initiative is the ASEAN Low Carbon Energy Programme, focusing on green finance and energy efficiency—areas where the UK exhibits notable strength. These flagship programmes underscore the UK's ability to contribute significantly to the Philippines' development landscape, particularly in adopting inclusive and green practices.
- **Enhancing Impact through Multilateral Development Partner Channels:** Through the United Kingdom–ASEAN Catalytic Green Finance Facility (UK-ACGF) the UK is funding the Baguio Resilient City Tourism Project which will improve sanitation conditions in Baguio City. The UK is also funding the Urban Resilience Trust Fund (URTF), a multi-donor trust fund administered by ADB, which supports integrated resilience planning and investments in resilient infrastructure. Continuing to work through multilateral channels will give FCDO a greater probability of securing “quick wins” which in turn will drive more positive engagement with the Philippine Government and development partners in the future.
- **Expanding FCDO's Development Influence in Mindanao (including BARMM) through Strategic Engagement and Leveraging Expertise:** Currently, the FCDO has limited programming in Mindanao, yet FCDO possesses significant experience in working within Fragile and Conflict-Affected States (FCAS). There is a compelling case for considering an expansion of FCDO activities into Mindanao (including BARMM). Such an expansion would not only address the needs of some of the most vulnerable and underserved communities in the country but also align with the FCDO's expertise in navigating complex environments. An iterative approach, backed by a well-crafted strategy for entering and operating in these areas, could greatly enhance the impact of the UK's development efforts. This move could also synergise with the work of like-minded development partners, sending a signal of the UK's commitment to inclusive and green development. Initiatives under the BIP, such as the CoEs, BII and PIDG, offer valuable insights and models for effective engagement in FCAS settings.
- **Harnessing Current Momentum for Enhancing Development Partner Coordination and Policy Influencing:** BEM is positioned to capitalise on the existing momentum by facilitating proactive donor coordination and engaging in national policy discussions. This effort aims to amplify awareness around UK priority issues and champion modifications to the prevailing ODA legislation, setting the stage for meaningful change and enhanced collaboration.

Sector interests

A deep dive analysis involving primary and secondary data covering agriculture, energy, water, and mining sectors was carried out. These sectors are not the only priorities for the UK but were identified by FCDO as requiring further investigation. The purpose of the sectoral analysis was to establish a foundational understanding of each sector, identify gaps and constraints that hinder sector performance, and provide insights and high level recommendations for UK intervention.

Table 1 below summarises our findings and recommendations. We identify Agriculture and Water as the sectors with the greatest potential for ODA engagement. The Energy sector also presents significant opportunities for leveraging previous engagements through the BIP toolkit. For the Mining sector, we recommend an approach that employs non-ODA instruments, similar to strategies used by other like-minded development partners in the Philippines.

Table 1: Assessment of Potential Sector Interventions

Sector focus	Problem Statement & Intervention Logic	Entry points for policy engagement and programmatic investment	Opportunities for joint development with like-minded partners	BIP Instrument	Selection criteria significance rating			
					Recognised national/local priority	Links to climate goals / ICF	Contributions to GEDSI	Political risk
Food security	Agricultural production losses due to extreme shocks and climate change Inadequate transport and logistics restrict the expansion of agricultural value chains and cause supply-side inefficiencies Significant post-harvest losses mainly due to poor handling and management practices	- Access to financing for private sector to improve logistics, manufacturing, postharvest facilities to transform value added and access to markets - R&D and technological innovations on low-cost technologies for irrigation, big data analysis and satellite and modelling data on crop planting and anticipatory action for insurance, prevention and control of zoonotic diseases	Canada, Australia	CoEs, BII, PIDG	Strong	Strong	Strong	Limited
Integrated water resources management	Sector fragmentation hinders the implementation of Integrated Water Resource Management (IWRM) and river basin approach to water resource planning.	- Assisting the national government in formulating and implementing water resources policy and regulations, set within the framework of building resilience and responding to climate change - Advising on blended finance, green and blue bonds flotation and other financial instruments to fund the capital intensive development including bulk water supply and storage, city-wide sewer and sanitation systems, septage treatment plants, for example	World Bank, USA	CoEs and investments, loans, and/or guarantees through BII, PIDG	Strong	Strong	Strong	Limited
Transition into more sustainable and resilient	A challenge to grow generation capacity at the pace of demand growth, particularly in	Support in improving regulatory frameworks (competition, tariff determination and fair rate of return, efficient services, and	ADB, GIZ, USA	CoEs and guarantees, early-stage risk capital, commercial	Strong	Strong	Medium	Medium

Sector focus	Problem Statement & Intervention Logic	Entry points for policy engagement and programmatic investment	Opportunities for joint development with like-minded partners	BIP Instrument	Selection criteria significance rating			
					Recognised national/local priority	Links to climate goals / ICF	Contributions to GEDSI	Political risk
energy systems	certain parts of the country such as Mindanao Weak demarcation and accountability across sector institutions	ESG) and incentivisation to favour RE - Safeguard consumer interests and wider community benefits - Whole Systems Approach (WSA) in guiding a coal phase-out – with timed action plan - RE expansion, and overall carbon and green transition in the Philippine context - Mobilising private finance for RE development and green transition in off-shore wind, hydro, and solar power generation		finance, for example, through BII, PIDG, UK Export Finance, or MOBILIST				
Sustainable and responsible development of critical minerals	High risk sector: - Exploration or mining operations in protected areas or ancestral domains, where potential damage from these projects, particularly to endangered species and food security, could be irreversible. - Human rights violations and social exclusion of indigenous peoples and local communities. - Concerns that Chinese investments may distort the market by subverting economic governance and exclude international interests from participation.	- Advice on how to develop critical mineral resources in a way that aligns with sustainability, transparency, human rights and environmental goals, and supports development priorities - Review of standards for the mining industry—harnessing capabilities of cutting-edge technologies, such as remote sensing and AI to enhance industry regulation and law enforcement	USA, Australia, New Zealand, EU	UKEF products to support eligible critical mineral projects that present opportunities for export of UK goods and services	Strong	Medium	Limited	High

1 Introduction

In November 2023, the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) through the Evidence Fund, which is administered by PwC (London, United Kingdom), commissioned Triple Line (London, United Kingdom and Manila, Philippines) to undertake the ***Official Development Assistance (ODA) to The Philippines: Donor Mapping and Analysis***.

The Technical Report combines a comprehensive secondary data review and findings from meetings and discussions with key informants representing a wide range of stakeholders, including FCDO, government agencies, and bilateral and multilateral development partners.

1.1 Background and objective

The objectives of the assignment are to map out the broad picture of ODA in the Philippines by bilateral and multilateral development partners and contribute to policy analysis for FCDO with a view to shaping its British Investment Partnerships (BIP) country strategy. The analysis places a strong emphasis on looking “behind the data” to identify gaps and potential areas and entry points for specific UK intervention, including opportunities for joint development work with like-minded partners, such as the G7 and Australia.

The UK and the Philippines have a long-lasting relationship built on mutual respect and a commitment to peace and prosperity in the Indo-Pacific region. The ambitions of the UK-Philippines relations are evidenced in the Enhanced Partnership which was launched in 2021 and aims to strengthen collaboration in key areas including development, trade, investment, climate change and the environment. In 2022, the UK Government released a new Strategy for International Development² that articulated several delivery shifts, including those towards bilateral ODA and expanding the UK's toolkit for development, in particular the use of British expertise.

The Philippine Development Plan (PDP), 2023-2028, is the country's blueprint for development over the next six years.³ It reflects the Philippine Government's strategies, policies, programmes, and legislative priorities in alignment with President Marcos Jr administration's 8-point Socioeconomic Agenda, which comprises food security, improved transportation, affordable and clean energy, healthcare, social services, education, bureaucratic efficiency, and sound fiscal management.⁴

The PDP's overall goal is to strengthen job creation and accelerate poverty reduction by steering the economy towards a high-growth path and begin the economic and social transformation for a prosperous, inclusive and resilient society. It aims to strengthen the economic sectors for more higher-quality jobs and produce globally competitive products, modernise the agricultural sector, revitalise industries, and reinvigorate services. More collaboration between local and national governments and facilitating stronger partnerships with the private sector are encouraged. These provisions are well-aligned with the UK's strategic priorities.

1.2 Information in this Technical Report

The Technical Report has three sections:

- 1. Setting the Scene: The ODA Context.** This provides a snapshot of the ODA context including ODA definitions and concepts and the Philippines ODA policy framework and institutions.
- 2. Detailed Analysis of ODA in the Philippines.** Provides an analysis of the patterns of bilateral and multilateral ODA donors, including volumes and distribution of ODA flows and analysis of the types of financial instruments and co-operation modalities being utilised.

² FCDO. 2022. The UK Government's Strategy for International Development.

³ NEDA. 2022. Philippine Development Plan (PDP) 2023-2028. National Economic and Development Authority.

⁴ DBM. 2023. Brief on the 2023 Proposed National Budget. Agenda for Prosperity: Economic Transformation Towards Inclusivity and Sustainability. Department of Budget and Management.

3. **Sectoral Analysis.** This provides an analysis involving primary and secondary data covering agriculture, energy, water and mining sectors. It lays the groundwork for understanding each sector's potential contribution to developmental objectives in the Philippines.

Annexes provide additional key information.

2 Setting the Scene: The ODA Context

2.1 Key concepts

2.1.1 Main categories of flows used in reporting

The concepts used in our analysis are consistent with the OECD-DAC definitions and classifications of official development finance (ODF). Total official flows are separated into Official Development Assistance (ODA), Other Official Flows (OOF) and Private Flows (Official Investment) as shown in Figure 1. ODF is the combination of ODA and OOF. OECD-DAC defines ODF as the sum of bilateral ODA, concessional and non-concessional resources from multilateral sources, and bilateral OOF made available for reasons unrelated to trade, in particular loans to refinance debt. Bilateral and multilateral ODA is then defined as government aid undertaken by central, state or local government agencies at their own risk and responsibility, regardless of the source of funds (taxation or borrowing from the private sector).⁵ This includes transactions by autonomous and semi-autonomous state-owned entities. In the case of the UK, capital injections to British International Investment (BII) are counted as ODA for the purposes of aid spending and meeting the UK's aid target (currently at around 0.5%).⁶

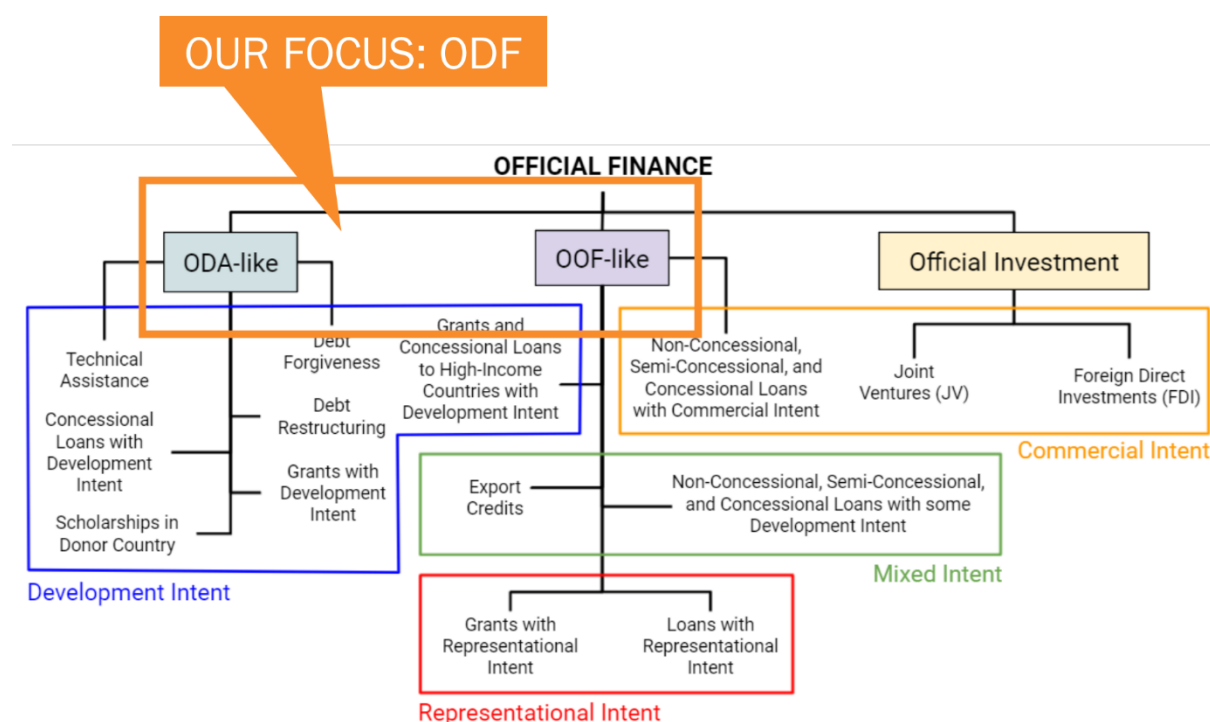


Figure 1: Main types of official flows. Source: Adapted from AidData. 2021.

The classification between ODA and other flows is based on three criteria: intent, concessionality, and the income level of the recipient country. For a project to qualify as ODA, the following criteria must be met:

- The primary purpose of the project must be the promotion of economic development and welfare in the recipient country (i.e., have development intent).

⁵ OECD. 2023. DAC Working Party on Development Finance Statistics: Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire. Development Assistance Committee (DAC).

⁶ Loft P. 2022. British International Investment: Aid and trade. Research Briefing. House of Commons Library.

- The official commitment supporting the project must be concessional in nature (i.e., grant, technical assistance (TA), scholarship, debt forgiveness, or loan with a grant element of at least 25%).⁷
- The project must take place in a country that qualifies for ODA based on its income level (i.e., broadly corresponding to low- and middle-income countries).

Projects that are supported by official financial or in-kind transfers but do not meet all three of these criteria are categorised as other flows.

2.1.2 Financial instruments

Supporting official finance are various financial instruments.⁸ These can be grants, debt (loans, reimbursable grants, debt securities), mezzanine finance (also called hybrid finance), and equity and shares in collective investment vehicles. There are also contingent liabilities, including guarantees and specific debt relief items. Financing from official export credit agencies (e.g., premia paid to insure export credits and indemnities paid under such insurance), do not constitute flows to developing countries and are not reported in DAC statistics.

2.1.3 BIP financial instruments

Under BIP, the UK has significantly expanded its development finance beyond ODA. The use of strategic guarantees, export finance, and other instruments alongside ODA offers the prospect of mobilising additional investment opportunities to countries such as the Philippines. These can help realise development benefits with secondary benefits supporting UK's strategic priorities. Table 1 provides a simplified overview of the BIP financial instruments.

Table 1: Overview of BIP financial instruments

Instrument	Description	ODA Instrument
BII	Development finance institution and impact investor provides flexible long-term investment through direct equity, intermediated equity, debt and trade finance	Yes
Private Infrastructure Development Group (PIDG)	Multi-donor organisation buys equity or bonds and issues guarantees to mobilise investment	Yes
MOBILIST	Works with financial service firms to mobilise capital and support investments into stock market listing	Yes
UK Guarantees	Guarantees repayments to enable additional lending by MDBs, including JETPs	No
Just Energy Transition Partnerships (JETP)	Enables countries to commit to energy transition (except guarantees)	No

⁷ The definition of concessionality remains to be clarified for loans to the private sector and other non-grant instruments (e.g. equity). Pending clarification, according to OCED-DAC, a project under these instruments is considered concessional in character when it conveys a grant element of at least 25%.

⁸ OCED. 2023. Op. cit.

Instrument	Description	ODA Instrument
MDB Reform	Uses existing MDB balance sheets to raise capital and lend more	No
UK Export Finance (UKEF)	Finance for developing country firms or governments to buy UK products and services	No

Source: Adapted from Mitchell I., Hughes S., and Wickstead E. 2023. UK Development Finance beyond ODA: Mapping and Assessing the UK's Non-grant Development Finance. CGD Policy Paper 307. Centre for Global Development (CGD).

2.1.4 Changes in donor influencers: the role of non-traditional donors

Non-traditional development cooperation has emerged as a noteworthy feature, contributing significantly to ODF. Prominent non-DAC donors include China, India, Russia, Brazil, Indonesia, Saudi Arabia, Türkiye, and United Arab Emirates (UAE), under which the majority of development assistance is allocated bilaterally, although their participation in multilateral institutions has expanded over time.⁹ This includes not only the World Bank and regional multilateral development banks (MDBs), such as the ADB, but also new banks including the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB).

Emerging non-DAC donors stand apart, with their resources growing as a proportion of total development assistance. Non-traditional donors often use “foreign assistance” or “foreign aid” to refer to official flows provided to developing countries within the framework of South-South cooperation. Non-DAC donors bring new approaches, models, and types of funding that are fundamentally changing the ODA landscape. A key cooperation modality for these providers is based on the common principle of mutual benefit and often understood as an alternative to the vertical relationships inherent in ODA.¹⁰

In addition to non-DAC country donors, the influence of private philanthropy, non-governmental organisations (NGOs), and other private voluntary organisations (PVOs) has also increased. However, private aid flows remain modest in comparison to total bilateral and multilateral development assistance.

2.1.5 ODA reporting

ODA reporting has data challenges and gaps. There are two principal datasets that cover the majority of bilateral and multilateral international aid: the OECD-DAC CRS and data published in the IATI. A key limitation of both data sets is that they do not include key non-DAC donors, such as China.¹¹ Housed at William & Mary's Global Research Institute, AidData's TUFF partly addresses this challenge by tracking aid and other forms of state financing from emerging donors and creditors not participating in existing global reporting systems. An additional dataset available for the assignment is the Lowy Institute Southeast Asia Aid Map, which probably offers the most comprehensive account of ODF in Southeast Asia.

Table 2 provides a brief description of the data sets including their main advantages and limitations.

⁹ Humphrey C. and Chen Y. 2021. China in the Multilateral Development Banks: Evolving Strategies of a New Power. Report. ODI.

¹⁰ Calleja C., Cichocka B., and Casadevall Bellés S. 2023. How Do Non-DAC Actors Cooperate on Development? CGD Policy Paper 294. Centre for Global Development (CGD)

¹¹ 21 non-DAC countries do report to the OECD. Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Mexico and South Africa do not report to OECD but OECD provides estimates on their co-operation programmes.

Table 2: Overview of key ODA datasets

Dataset	Description
OECD-DAC's Creditor Reporting System (CRS)	OECD-DAC's CRS is the international standard for ODA reporting. Publishers include the 30 members of the OECD-DAC and about 80 other providers of development co-operation, including other countries, multilateral organisations and private foundations. CRS data is released annually with a 12 to 18-month delay. Its reliability is considered strong because it is verified by government sources. However, an important limitation is that not all countries and organisations report to the CRS, and this includes funders such as China, Brazil and India, and many private finance institutions.
d-portal.org	d-portal.org provides information by country or by publisher on development activities and budgets published to the IATI. IATI publishers include donor governments, development finance institutions and UN agencies, NGOs, foundations, and private sector organisations. The strengths of IATI are that it's data is timely, often being updated on a monthly or daily basis, and is detailed and often disaggregated to project transactions. However, it is not verified by an official source because publication is voluntary. Another limitation is because it encompasses the entire aid delivery chain, the same activity is often accounted for by multiple actors with resulting double counting.
Tracking Underreported Financial Flows (TUFF)	Non-DAC donors, such as China, do not participate in OECD's and IATI's reporting systems. AidData's TUFF addresses this challenge and provides a better understanding of the nature and distribution of development finance from emerging donors and creditors. TUFF is consistent with the OECD-DAC guidelines for ODA and OOF, making the data comparable to flows reported by other donors. One limitation, however, is that it only covers the years 2000 to 2017 for the Philippines.
Lowy Institute Southeast Asia Aid Map	The Aid Map takes a broad approach to the term foreign assistance, capturing both ODA and OOF. The Aid Map uses the CRS and IATI as the starting point for identifying development projects. It complements this with information from publicly available documents including annual reports, financial statements, budget documents, news media reporting, and social media sources. The Aid Map also incorporates non-traditional donors. It covers 13,700 projects implemented in the Philippines from 2015 to 2021 by 68 development partners, with a total of US\$31.3 billion spent in ODF.

Based on the above, mapping and analysis of the volumes and distribution of ODA flows to the Philippines for this assignment is informed mainly by the Lowy Institute Southeast Asia Aid Map. Where relevant, IATI data is used to deepen our analysis of private flows (i.e., private foundations and other private sector organisations) and TUFF data to capture further insights related to development finance flows from China. ODA data from global reporting systems are cross-referenced with that published by the National Economic and Development Authority (NEDA) as part of its annual review of the implementation of projects financed through ODA.

Our analysis is subject to certain limitations. Analysis of financial flows covers primarily the period from 2018 to 2021. Data for 2022 and 2023 is partially complete, and therefore only selectively included. Data for non-traditional development partners is likely to be incomplete. Additionally, the OECD relies on partner self-reporting of OOF flows, and development partners report into it to varying degrees. This methodology likely leads to an underreporting of the actual volume of OOF. Despite these limitations, the overall ODA mapping and analysis remains robust and insightful for understanding financial flows.

The next section provides an overview of the Philippines' ODA policy framework and institutions.

2.2 The Philippine ODA policy framework and institutions

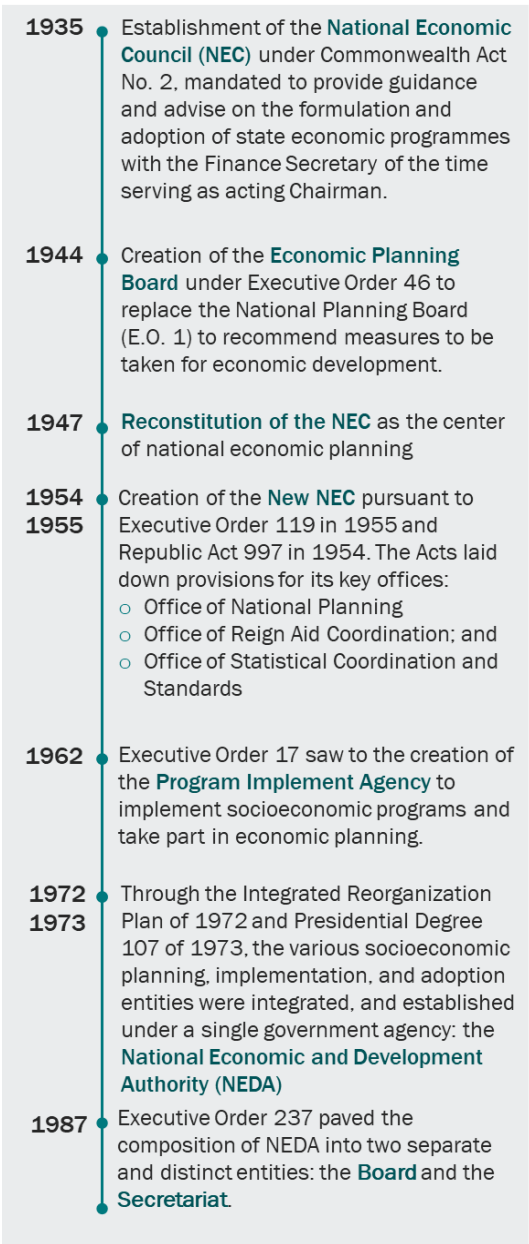
2.2.1 ODA institutions

The Philippine ODA policy framework and institutions evolved over the years. NEDA is the Philippines' national socioeconomic planning body that provides high-level advice and guidance to Executive and Legislative levels of government. Its earliest predecessor, the National Economic Council (NEC) was established in 1935 and has since undergone several reforms, reconstitution, and eventually integration and reorganisation with other socioeconomic councils, resulting in NEDA's establishment in 1973. NEDA underwent another major reorganisation in 1987 to enhance its ability to coordinate the development planning and its policy formulation process.

NEDA comprises the NEDA Board, which is the governing body responsible for setting policy direction for economic and development planning, and the NEDA Secretariat, which fulfils the research and technical support tasks.

The Board consists of the President and Socioeconomic Planning Secretary as Chair and Vice Chair, respectively, with designated department secretaries serving as its members. Assisting its functions are seven cabinet-level inter-agency committees: (i) Development Budget Coordination Committee; (ii) Infrastructure Committee; (iii) Investment Coordination Committee; (iv) Social Development Committee; (v) Committee on Tariff and Related Matters; (vi) Regional Development Committee; and (vii) National Land Use Committee.

The Secretariat is headed by the Socioeconomic Planning Secretary. Its key responsibilities are: (i) the coordination and formulation of policies, programmes, and plans for development at the national and sub-national levels; (ii) review, monitoring, and evaluation of infrastructure projects identified under the Comprehensive and Integrated Infrastructure Programme; and (iii) undertaking critical analyses of development issues and providing policy alternatives to decision-makers.

- 
- A vertical timeline on a light gray background with a dark teal line and circular markers for each year. The text is in a sans-serif font, with key institutions highlighted in teal.
- 1935** Establishment of the **National Economic Council (NEC)** under Commonwealth Act No. 2, mandated to provide guidance and advise on the formulation and adoption of state economic programmes with the Finance Secretary of the time serving as acting Chairman.
 - 1944** Creation of the **Economic Planning Board** under Executive Order 46 to replace the National Planning Board (E.O. 1) to recommend measures to be taken for economic development.
 - 1947** **Reconstitution of the NEC** as the center of national economic planning
 - 1954** Creation of the **New NEC** pursuant to Executive Order 119 in 1955 and Republic Act 997 in 1954. The Acts laid down provisions for its key offices:
 - Office of National Planning
 - Office of Reign Aid Coordination; and
 - Office of Statistical Coordination and Standards
 - 1962** Executive Order 17 saw to the creation of the **Program Implement Agency** to implement socioeconomic programs and take part in economic planning.
 - 1972** Through the Integrated Reorganization Plan of 1972 and Presidential Degree 107 of 1973, the various socioeconomic planning, implementation, and adoption entities were integrated, and established under a single government agency: the **National Economic and Development Authority (NEDA)**
 - 1973**
 - 1987** Executive Order 237 paved the composition of NEDA into two separate and distinct entities: the **Board** and the **Secretariat**

2.2.2 Definition of ODA in the Philippines

The Philippines has adopted the OECD-DAC definition of ODA, albeit with a narrower interpretation of the term. ODA pertains to the flow of aid in the form of loans, TA, and/or grants that are administered with the aim of “promoting sustainable social and economic development and welfare of the Philippines,” by foreign state governments with which the Philippines has diplomatic, trade, or bilateral agreements, international organisations, and multilateral lending organisations. This was first referred to in R.A. 4860 in 1966 as “foreign loans and credits [...] to finance approved economic development purposes,” and later officially defined in R.A. 8182, the ODA Act of 1996, as a loan or loan and grant which meets all of the following criteria:

1. It must be administered with the objective of promoting sustainable social and economic development and welfare of the Philippines.

2. It must be 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.
3. There are no available comparable financial institutions within the Philippines, meaning that the project needs external assistance because it cannot be adequately supported by domestic financial institutions, either due to the lack of capacity or specific types of financial instruments that these institutions can offer.
4. It must contain a grant element of at least 25%.¹² The grant element under this Act is the reduction enjoyed by the borrower whenever the debt service payments, which shall include both principal and interest and expressed at their present values discounted at 10%, are less than the face value of the loan or loan and grant. The grant element of a loan or loan and grant is computed as the ratio of (i) the difference between the face value of the loan or loan and grant and the debt service payments to (ii) the face value of the loan or loan and grant.

GE = Grant Element

$$GE = \frac{FV - DSP}{FV}$$

FV = Face value of the loan or loan and grant

DSP = Debt Service Payments (the sum of all future principal and interest payments, discounted at the present value using a discount rate of 10%)

NEDA's definition only covers development partner assistance where the Philippine Government is the implementing/executing agency, and/or a direct beneficiary. Grants channelled through civil society organisations (CSOs), non-government organisations (NGOs), academe, and the private sector are not reported as ODA.

As the country's premier economic planning and implementation entity, NEDA plays a significant role in ODA oversight, allocation, use, and monitoring. ODA distribution and utilisation, although determined by the President of the Philippines, is guided by the recommendation and direction of NEDA. Under the ODA Act, NEDA is mandated to obtain funds from donor countries, and administer them accordingly for project identification, feasibility studies, master planning at local and regional levels, and monitoring and evaluation of initiatives, projects, and programmes.

Official application for ODA is endorsed either by the Department of Foreign Affairs (DFA) or the Department of Finance (DOF) to the donor-country through its Embassy. Proposed projects undergo a review process by NEDA Secretariat to ensure that they are aligned with national development priorities that are encapsulated in the PDP and the Public Investment Program (PIP), which contains the rolling list of programmes and projects (PAPs) to be implemented by the national government instrumentalities.

2.2.3 National Expenditure Programme (NEP)

Loans and/or grant funds and counterpart budgets are included in the annual national expenditure programme, and are subjected to Congress' review and approval. Its processing is conducted according to NEDA's Investment Coordination Committee's (ICC) guidelines. In preparation of the annual budget, heads of all concerned Implementing Agencies (IAs) certify and approve their respective budget estimates, and from there NEDA and the Department of Budget and Management (DBM) ensure that budgets are aligned with the projects' respective Work and Financial Plan and Programme of Work.

2.2.4 Development Budget Coordination Committee

NEDA's Development Budget Coordination Committee's (DBCC's) role is to review and approve the macroeconomic targets, revenue projections, borrowing level, aggregate budget level and expenditure priorities and recommend to the Cabinet and the President the consolidated public sector financial position and the national government fiscal programme.

¹² For reference, the nine new direct loans secured in 2022 had a the weighted average grant element of 59.24% as computed by the DOF.

Definition of ODA in the RA 8555 as against international nomenclature, including commentary on the proposed changes to the ODA law

ODA, as defined in Republic Act (RA) No. 8182, also known as the ODA Act of 1996, as amended by RA 8555, is one of the Philippine Government's sources of funds to finance programmes or projects that promote social and economic development in the form of loans or grants. The current law puts limitations on the tools bilateral and multilateral development partners can use to provide expertise and support ODA projects as defined by the Philippine Government. This includes:

- Restrictions as a result of provisions that require the weighted average of the grant component of all ODA at any time to be at least 40%.
- Limited flexibility in the loan component of ODA to determine the rate and terms that are considered concessional.
- Lack of explicit provisions for blended finance or financing arrangements where bilateral or multilateral development partners mobilise funds from commercial or private financing institutions.
- Public bidding requirements, such as preference for Filipino suppliers including for acquiring critical capabilities not available in the Philippines.

According to the proposed bill, as a result of the absence of explicit guidance for ODA in blended financing, projects utilising similar financing methods could face legal challenges, potentially increasing the risk of "materially-adverse government action" for these projects. It is important to note that this concern is raised in the bill but has not been corroborated by legal experts.

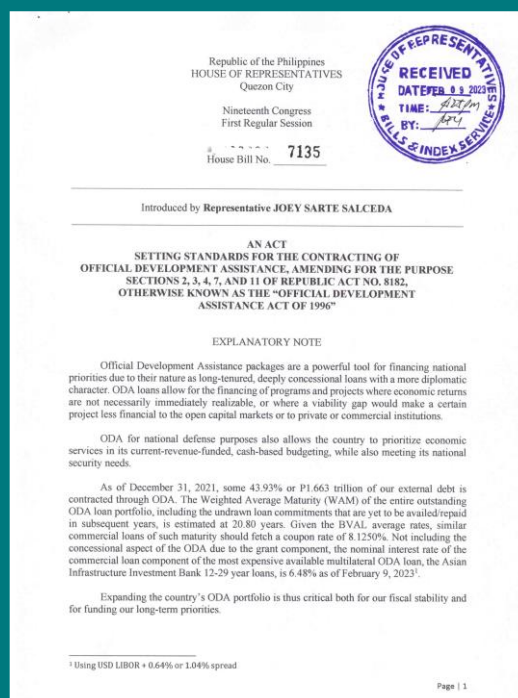
Nonetheless, to address ambiguities in the current law, the bill proposes allowing blended financing in ODA loans and also allowing ODA partners to mobilise financing from private or commercial institutions in funding the loan.

In addition, the bill proposes:

- Reduction of ODA grant component to 15% to attract more ODA, considering that they remain more attractive as a financing option alternatives.
- To delete the 40% requirement for weighted average of the grant component of all ODA.
- Expand the use of loans to include human security.
- Allowing ODA to be used to acquire critical capabilities not available in the Philippines by exempting such capabilities from preference for Filipino suppliers

The bill refers to European bilateral partners, indicating that they may have encouraged these amendments, though specific details of their involvement is not available to us. While none of the interviewed development partners deemed the bill critical, there is a prevailing desire for the recognition of all ODA contributions, and amendment of the ODA law could increase the reported amounts of bilateral ODA flows by NEDA. However, such amendments would not fundamentally alter the types of financial instruments, delivery channels, or co-operation modalities available for development partners, as they are already able to propose different approaches, provided these are in accordance with the established procedures of NEDA.

As of February 2024, there have been no updates regarding the amendment of the ODA law, and based on interviews, it appears unlikely to progress any further.



DBCC comprises the Secretaries from NEDA, DBM, and Office of the President (OP) and is chaired by the DBM Secretary. There is also an Executive Technical Board (ETB), which serves as the clearinghouse of the DBCC and comprises the Undersecretaries and Directors of the DBCC member agencies. The Central Bank of the Philippines (BSP) is invited to attend as a Resource Institution to the DBCC, ETB and Sub-Committees under the DBCC Resolution No. 981 dated June 22, 1988. As a Resource Institution, BSP is responsible for the monetary measures and policies.

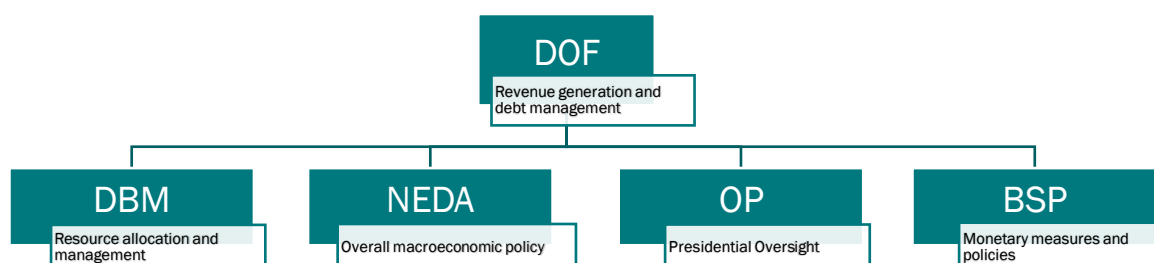


Figure 2: DBCC member agencies and functions.

2.2.5 The budget process

Since 2010, budget and management reforms have strengthened how the government prepares, authorises, implements, and accounts for the use of the national budget. The budget cycle covers four phases:

- Preparation Phase.** NEDA provides the overall macro-economic assumptions with which budgetary levels are to be determined. The DOF helps the DBCC in identifying the sources of financing. Forecasts of revenues to be generated for the budget year and the borrowing that may be required is also estimated. The DBCC determines the overall economic targets, expenditure levels, revenue projections, deficit levels and the financing plan, which is submitted to the President and the Cabinet for approval. Once approved, the DBM issues the Budget Call wherein national agencies prepare their respective budgets based on the released DBM guidelines. Budget estimates are submitted considering IA's own priorities and those of the national government as articulated in the PIP. DBM undertakes technical budget hearings where agencies defend and justify their proposals. The DBM consolidates the budget proposals and submits to the Cabinet for discussion with the President. Once the budget is approved by the President and the Cabinet, it is then submitted to the Congress.
- Legislation Phase.** The President submits to Congress the National Expenditure Programme (NEP), the Budget of Expenditures and Sources of Financing (BESF), and the President's Budget Message. The BESF is presented by the Executive branch to the Legislative branch. The proposed budget is first reviewed by the Committee on Appropriations of the House of Representatives. While budget hearings are simultaneously happening in the House of Representatives, the Senate Finance Committee also starts their own round of hearings and deliberations. The Senate Finance Committee may propose amendments to the House Budget Bill to the Senate for approval. A Bicameral Conference Committee is convened to resolve differences and arrives at a common budget version prior to submission to the President. The President signed the common budget version into a law known as the General Appropriations Act (GAA).
- Execution Phase.** This phase the expenditure programme is implemented and allotments are issued. To help fast-track the process, the government adopted the Simplified Release System (SFRS) where in the Agency Budget Matrix (ABM) is prepared by the DBM in consultation with the government agencies at the beginning of each budget year. The ABM is the blueprint that provides the basis for the budget release. Based on the updated resource and economic development priorities as well as the cash budget programme, the Allotment Release Program (ARP) is prepared. The ARP serves as basis for the issuance of the General Allotment Release Order (GARO) or a Special Allotment Release Order (SARO) to authorise national agencies to incur obligations. DBM will also release the Notice of Cash Allocation (NCA) on a monthly or quarterly basis which specifies the maximum amount of withdrawal that they can make from the

government bank. The Bureau of Treasury replenishes the government servicing banks with funds equivalent to amount of negotiated checks presented by the national agencies.

- **Accountability Phase.** IAs report their actual physical and financial performance through performance indicators. The Commission on Audit (COA) is tasked to scrutinise the legality, propriety and accuracy of government financial transactions.

2.2.6 Oversight functions for ODA projects

Oversight functions are jointly discharged by NEDA, to conduct the annual review of all ODA projects with reports and information submitted by concerned implementing and oversight agencies. The Commission on Audit undertakes audits of ongoing and completed projects, and Congress through the Congressional Oversight Committee, which comprises of seven members from the Senate and the House of Representatives, with five representing the majority and the other two representing the minority.

NEDA also monitors ongoing ODA projects, while concerned IAs, through their designated and respective Monitoring Officers, are tasked to submit quarterly reports to the NEDA Secretariat from which the latter reports to the President every six weeks.

The NEDA ICC consists of the Secretary of Finance as the chairperson, the NEDA Secretary as the co-chairperson, while the Executive Secretary, the Secretaries of Agriculture, Trade and Industry, Budget and Management and the Governor of the Central Bank of the Philippines (BSP), as members. ICC has the following functions:

- Evaluates the fiscal, monetary and balance of payments implications of major national projects, and recommends to the President the timetable of their implementation on a regular basis;
- Advises the President on matters related to the domestic and foreign borrowings programme; and
- Submits a status of the fiscal, monetary and balance of payments implications of major national projects.

2.2.7 The ICC process

Government line agencies prepare and prioritise programmes and projects to support the sector outcomes and goals as noted in the PDP. Prioritised programmes and projects are listed in the PIP. Proposals undergo internal checking and approval of the project review committees for each line agencies before submitting to the Department of Budget for possible internal funding support. Should there be no available head room for national budget cover, the proposal is submitted to NEDA for ODA funding.

Line agencies submit their project proposals and accomplished NEDA ICC forms to the NEDA Public Investment Staff for endorsement to the appropriate NEDA sector staff for evaluation. Once completed, the NEDA Secretariat together with the sector staff will present the results of the evaluation to the NEDA ICC Technical Board (NEDA ICC-TB).

The NEDA Secretariat, in coordination with other line agencies, provides the technical staff support to the Technical Board and Cabinet Committee. The NEDA Secretariat undertakes the evaluation of all programme/project documents submitted to the ICC which includes the technical, financial, economic, social, environmental, institutional development, feasibility as well as policy relevance and alignment. The NEDA Secretariat also provides recommendations and comments for consideration of the ICC.

The NEDA ICC-TB provides direct advise to the proponent on how proposals can be improved and provide implementing and financing options. The NEDA ICC-TB deliberates and endorses projects for the NEDA ICC-Cabinet Committee (ICC-CC) approval. The NEDA ICC TB comprises senior representatives from Office of the President, Department of Budget and Management, Department of Trade and Industry, BSP, Department of Environment and Natural Resources, Department of Energy, and the PPP Centre. NEDA is the chairperson while the Head of the Department of Finance (International Finance Group and Corporate Affairs Group) is the co-chairperson. Other agencies are invited to participation in ICC-TB deliberations when necessary.

The NEDA ICC-CC is the highest decision-making body of the Executive Branch that approves major capital projects. The Committee's decisions on approved projects are presented to the NEDA Board for a formal confirmation. The ICC-CC comprises: Secretary of Finance (chairperson), Secretary of Socio-Economic Planning (NEDA) (co-chairperson), Executive Secretary, Secretary of Budget and Management, Secretary of Trade and Industry, Secretary of Agriculture, Secretary of Energy, Governor of the BSP and the Executive Director of PPP Centre.

2.2.8 Scope of ICC review and decision

The ICC Memorandum dated 27 June 2017 approved recommendation to increase the minimum project cost threshold for ICC review of major investment projects from the then limit of PHP1 billion. Programmes and projects of national line agencies with a total cost of PHP2.5 billion and above regardless of financing sources require ICC approval except as otherwise provided by law, such as, but not limited to:

1. Projects covered by the Public-Private Partnership (PPP) Code of the Philippines (Republic Act No. 11966), which effectively replaces the Philippine BOT Law of 1994. For projects above PHP 15 billion, the NEDA Board is the designated approver, on the recommendation of the NEDA ICC. Generally, projects below P15 billion are approved by the head of the IA.
2. Projects that will require national government borrowing or guarantee covered by Republic Act 4860 (Foreign Borrowings Act of 1966) and Republic Act 8182 (ODA Act of 1996).
3. Projects that require Presidential or NEDA Board approvals based on existing laws, rules and regulations.
4. Ongoing ICC-approved programmes/projects involving changes in scope, change in cost or extension in implementation period or loan validity (as explained under the ICC Memorandum dated 30 September 2016)
5. All proposed projects for funding with the Chinese Government, regardless of amount.

For national government and corporate projects costing below PHP2.5 billion, the proponent must submit a detailed project proposal to the ICC/NEDA Secretariat with a certification signed by the Head of the sponsoring Agency/Corporation. The ICC Secretariat validates the submitted project proposal and may recommend to the ICC-TB the full ICC review and approval or recommend that the proponent agency proceed on its own authority to approve and implement the proposal subject to existing laws, rules, and regulations.

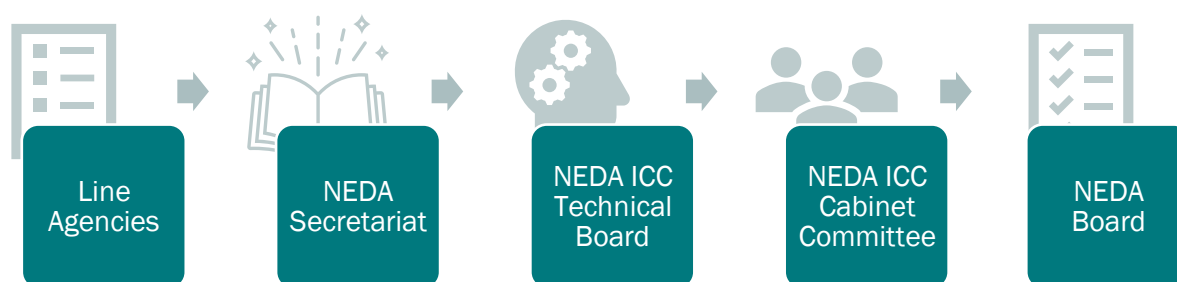


Figure 3: The NEDA ICC process.

The NEDA Board is composed of the President as the chairperson, the Secretary of NEDA as vice-chairperson with the following as members: Executive Secretary, Special Assistant to the President for Investment and Economic Affairs, Secretary of Budget and Management, Secretary of Energy, Secretary of Finance, Secretary of Human Settlements and Urban Development, Secretary of Public Works and Highways, Secretary of Trade and Industry, Secretary of Transportation, Chairperson of Mindanao Development Authority and Deputy Governor of BSP.

3 Analysis of ODA in the Philippines

In this section we provide an analysis of the patterns of bilateral and multilateral ODA donors, including volumes and distribution of ODA flows and analysis of the types of financial instruments and co-operation modalities being utilised.

3.1 Overall trends

3.1.1 ODA commitments

The Philippines has a longstanding engagement with bilateral and multilateral development partners. According to NEDA's 2022 ODA Portfolio Review Report, at the end of 2022 the amount of active ODA commitments was US\$ 32.4 billion.¹³ Of this, 93% or US\$ 30.2 billion was for 106 loans and only 7% or US\$ 2.2 billion were grants (320 grants). These ODA loans and grants were provided by 20 bilateral and multilateral development partners and implemented by 84 partner agencies.¹⁴

Fact box

Actual commitments likely exceed reported figures, as NEDA's ODA reporting does not include grants channelled through NGOs, civil society, academe, or the private sector. While this omission may not fundamentally alter the overall trends and patterns observed, it does suggest a potentially higher level of support than officially accounted for, particularly from bilateral development partners.

In 2022, the ADB became the number one provider of ODA in the Philippines, surpassing Japan, which had the top position for the prior seven years. ADB and Japan each account for about one-third of the total active ODA portfolio (about US\$ 10-11 billion each). The top three development partners contribute about 85% of the total ODA as shown in Figure 4. China and South Korea follow as a distant fourth and fifth, each contributing around 3%. In contrast, comparable countries in the South Asia region, like Indonesia or Vietnam, exhibit a lower concentration of ODA from their top development partners. Annex 2 provides a breakdown of active ODA commitments by all bilateral and multilateral partners.

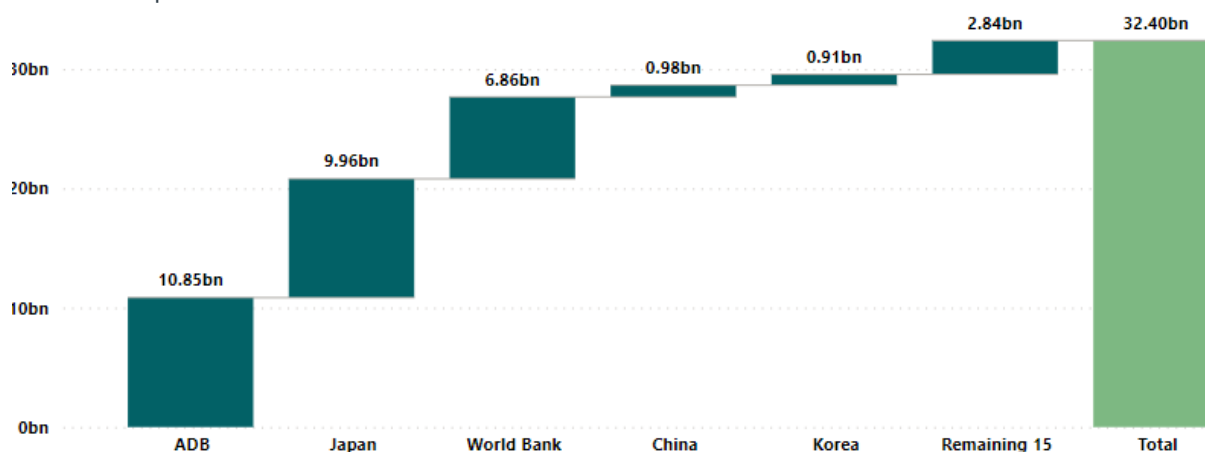


Figure 4: Active ODA commitments by development partner. Source: Own calculations with data from NEDA.

About 58% was contributed by multilateral development partners, while bilateral partners shared about 42%. Together the ADB and World Bank accounted for 95% of multilateral ODA. The AIIB has emerged in recent years as the third largest multilateral partner, but its share remains small (about 2.34%). As of December 2022, the combined active ODA commitments from the G7 countries and Australia were US\$ 11.4 billion or 35% of the total active ODA. USA, France, Australia, and Germany have significant active ODA commitments. The UK is not a big ODA provider in the Philippines, ranking 18th out of 20 development partners (see Figure 5).

¹³ NEDA. 2023. 2022 ODA Portfolio Review Report. National Economic and Development Authority.

¹⁴ Ibid.

Analysing the relation between commitments and disbursements can offer valuable insights on ODA patterns

A commitment is a firm obligation undertaken by an official donor to provide assistance to a recipient country or a multilateral organisation. Commitments measure donors' intentions and can fluctuate as aid policies change. They give an indication about future flows. Disbursements show actual payments made each year. They show the realisation of donors' intentions and the implementation of their aid policies. In ODA reporting systems, commitments, even if multi-year, are recorded in whole in the year they are signed. Subsequent disbursements of an earlier commitment are recorded annually, in the years they are transferred from donors to recipients.

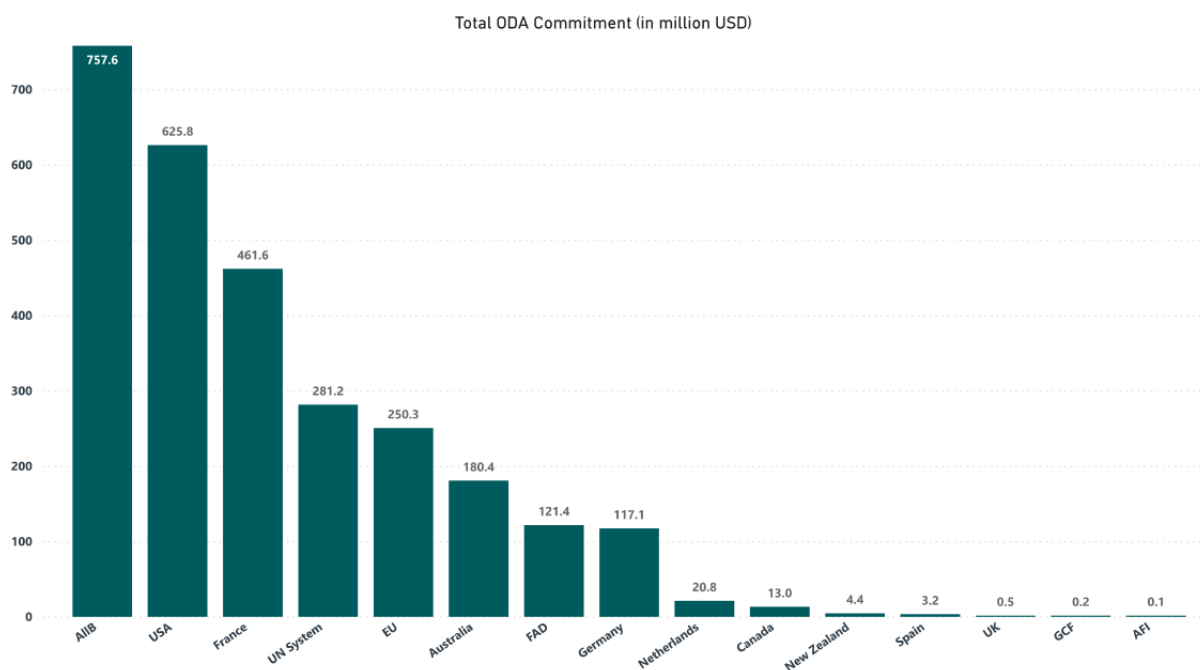


Figure 5: Active ODA commitments by Remaining 15 development partners. Source: Own calculations with data from NEDA.

3.1.2 ODA disbursements

In the Philippines, project commitments have consistently been higher than actual disbursements. Over the four-year period from 2018 to 2021,¹⁵ disbursements corresponded to 64% of total commitments, a figure that aligns with the regional average. Commitments and disbursements increased to their highest level ever in 2020. The significant increase in spending, with total disbursements exceeding US\$9.4 billion, was mostly due to large non-concessional loans from MDBs, such as the World Bank and the ADB, for COVID-19 response.

Several factors influence disbursement performance. According to NEDA and interviews with bilateral and multilateral development partners, the low disbursement rates, may be attributed to insufficient preparation and readiness of projects, capacity constraints within concerned IAs, implementation issues, including bottlenecks in securing local government permits and right-of-way (ROW), delays or suspension of procurement, the non-approval of proposed budgets, and inadequate budget allocation for loan proceeds in the General Appropriations Act (GAA). Disbursement rates during 2020-21 were further influenced by delays in project activity implementation due to the imposition of community quarantines, travel restrictions, and disruptions in supply chains resulting from the COVID-19 pandemic.

¹⁵ The analysis of overall commitments relies on NEDA data, which extends up to 2022. However, for a comprehensive examination of commitments and disbursements across time, development partners, and sectors, the Lowy Institute Southeast Asia Aid Map data has been utilised. It provides insights into the period up to 2021.

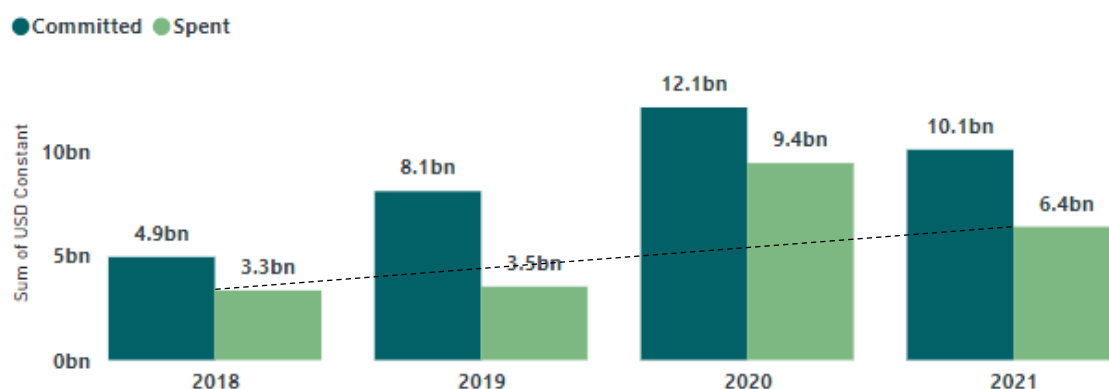


Figure 6: Overall commitments and disbursements. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Disbursements fell in 2021 to US\$6.4 billion, still well above pre-2020 levels. Between 2018 and 2021, commitments averaged US\$8.8 billion per year while actual disbursements US\$5.6 billion per year. Of the top development partners in the Philippines, the highest ratio of disbursements to new commitments was South Korea, at 86%, while China was the lowest at just 8%.

China presents a unique case, as Chinese ODA is complicated by geopolitical tensions and controversies, which have also led to the Philippines withdrawing from certain projects under China's Belt and Road Initiative (BRI). These include the US\$2.5 billion PNR Bicol railway running from Calamba, a city just south of Manila, to Bicol province, on the southern end of Luzon, the US\$1.45 billion commuter rail line in Mindanao, and the US\$ 900 million freight railway connecting Subic Bay Freeport Zone and Clark Freeport Zone.

Multilateral's disbursement ratio averaged 75% while that of bilateral development partners 50%. Disbursement poses a significant challenge for multilateral development partners such as the ADB and the World Bank providing non- or semi-concessional loans (OOF), with a notable surge in volume, especially accelerated during the COVID-19 pandemic. This surge has highlighted issues such as low project implementation capacity within the government, affecting financial performance of project loans and disbursement rates.

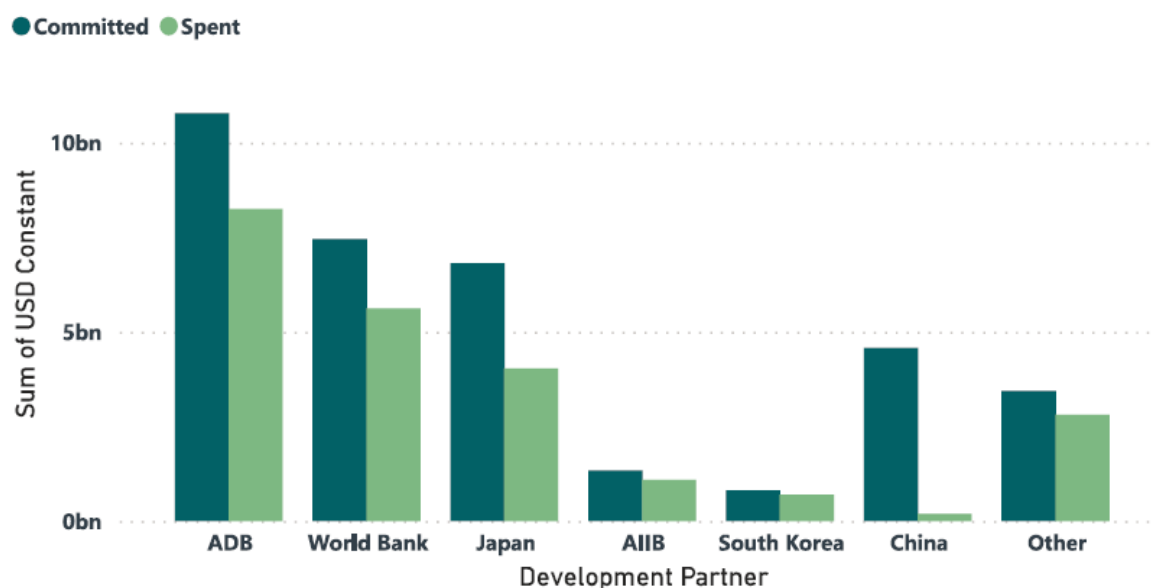


Figure 7: Cumulative commitments and disbursements by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

G7 countries' was 67% while UK's 118%. In the case of the UK, the variance between commitments and spending is primarily attributed to standard grants allocated to scholarship programmes, which have a disbursement exceeding commitments by US\$6.9 million. Additionally, other sectors showing slight variances include health and general environmental protection.

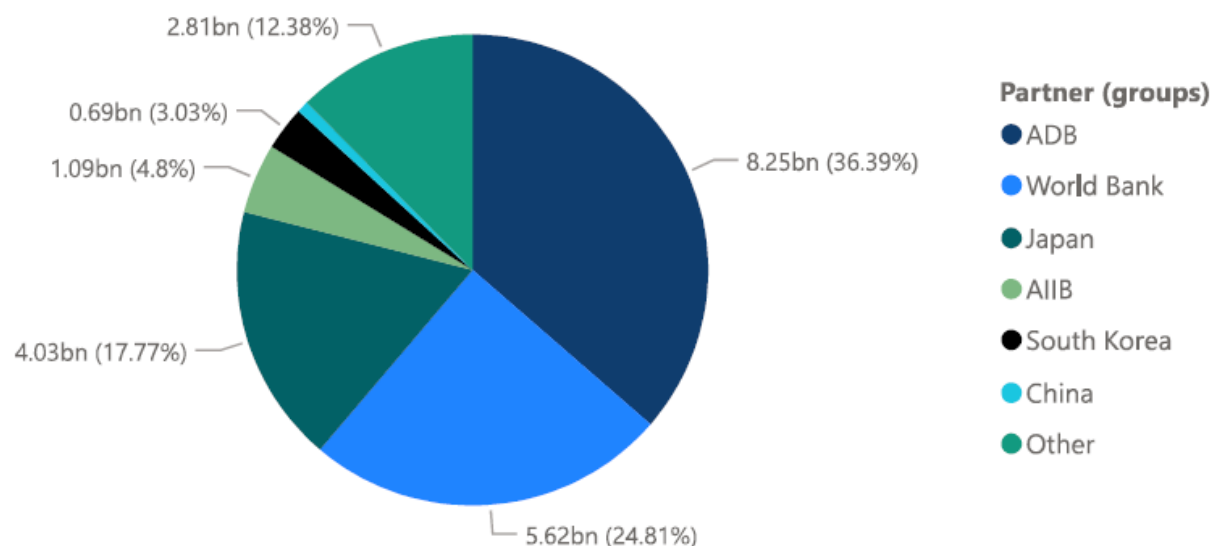


Figure 8: Cumulative disbursements by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

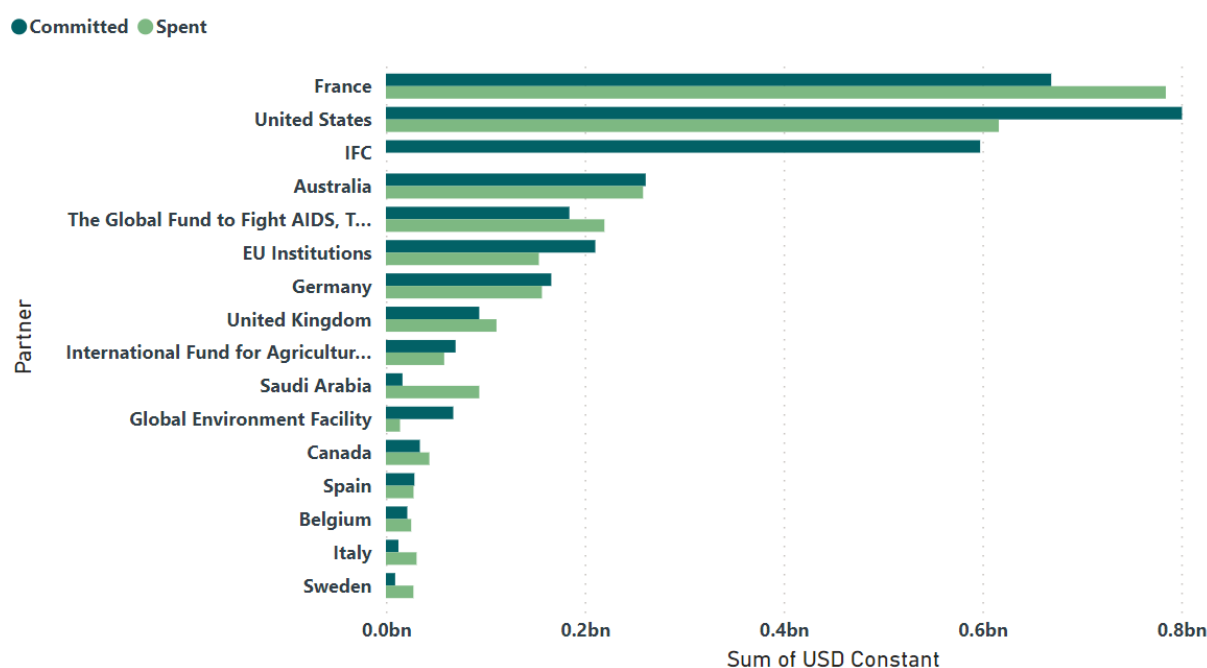


Figure 9: Cumulative disbursements by remaining development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

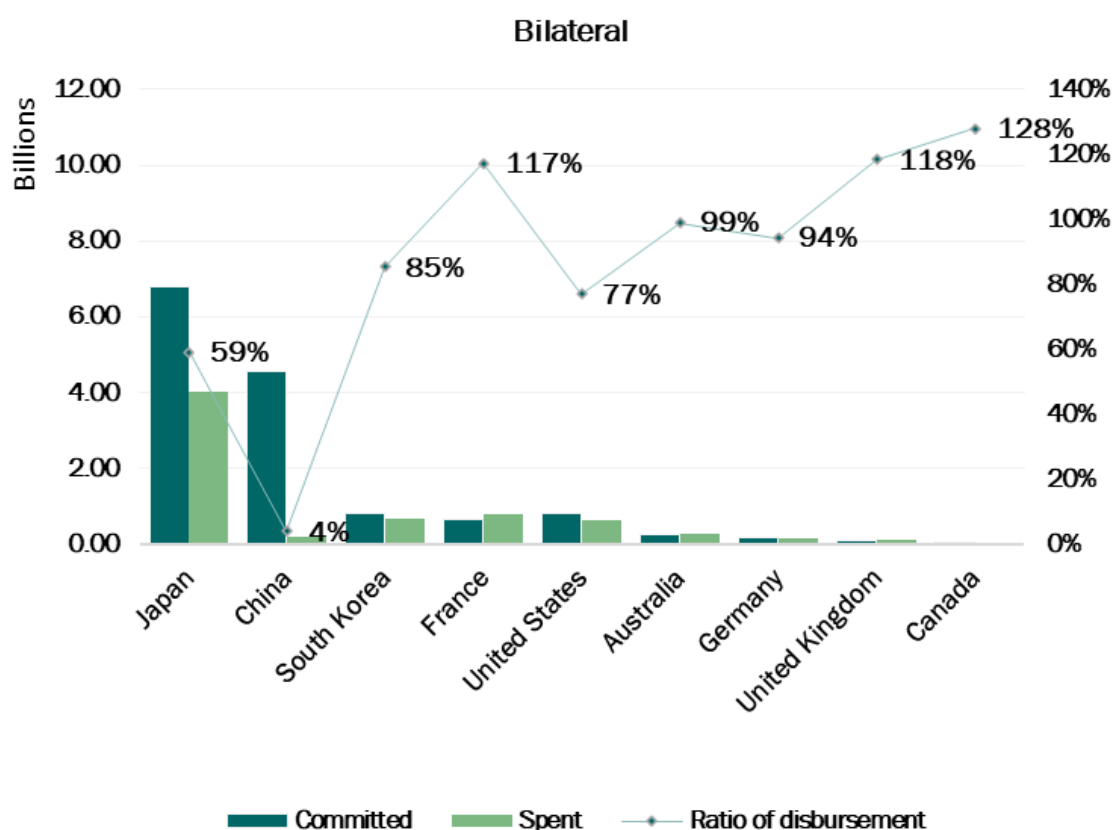
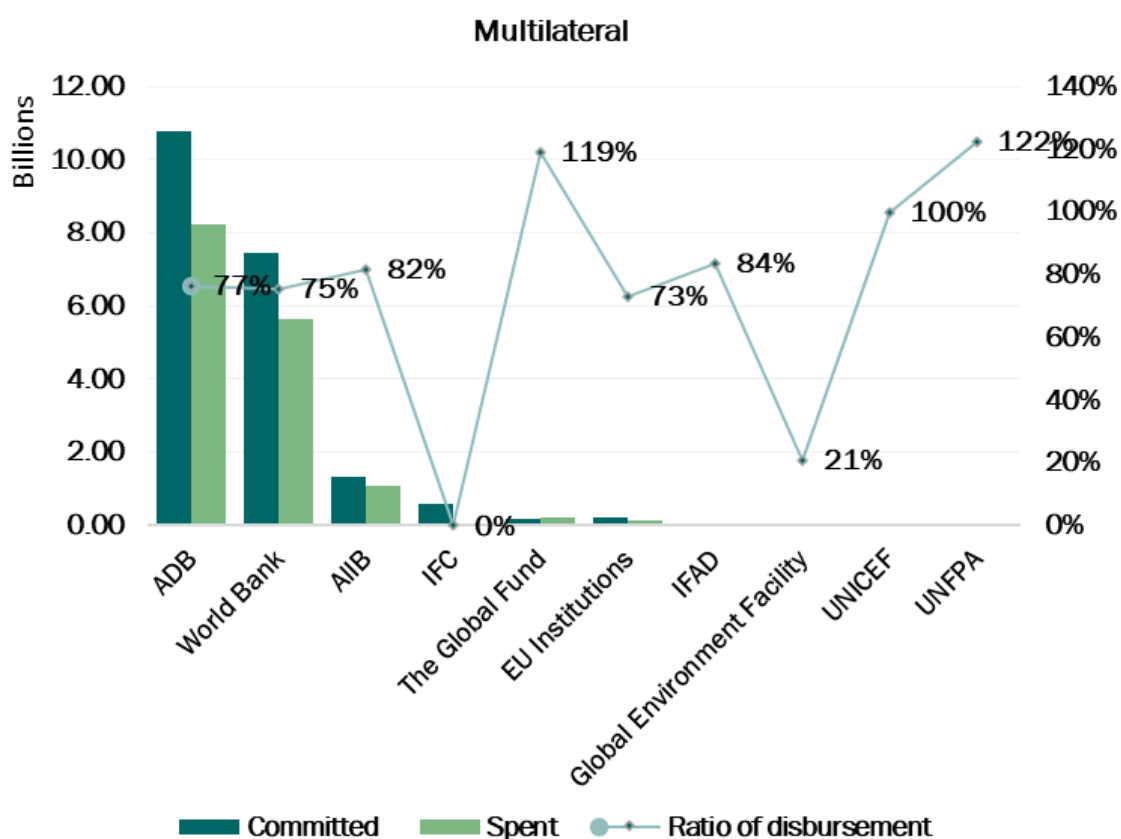


Figure 10: Cumulative disbursements to new commitments by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

3.2 Volumes and distribution of financial flows across sectors

Overall, while there are sectors showing efficient use of development finance, discrepancies and challenges remain, particularly in key infrastructure projects. The Government and Civil Society is the largest sector in terms actual disbursements. Transport and Storage is the second-largest sector in the Philippines by development finance disbursements, but has the lowest disbursement ratio (27%). Education, Agriculture, Forestry and Fishing, Government and Civil Society, Banking and Financial Services, and Humanitarian Aid are the sectors with the highest disbursement ratio (all over 90%). Disbursement ratio for Health projects has been low at 52%.

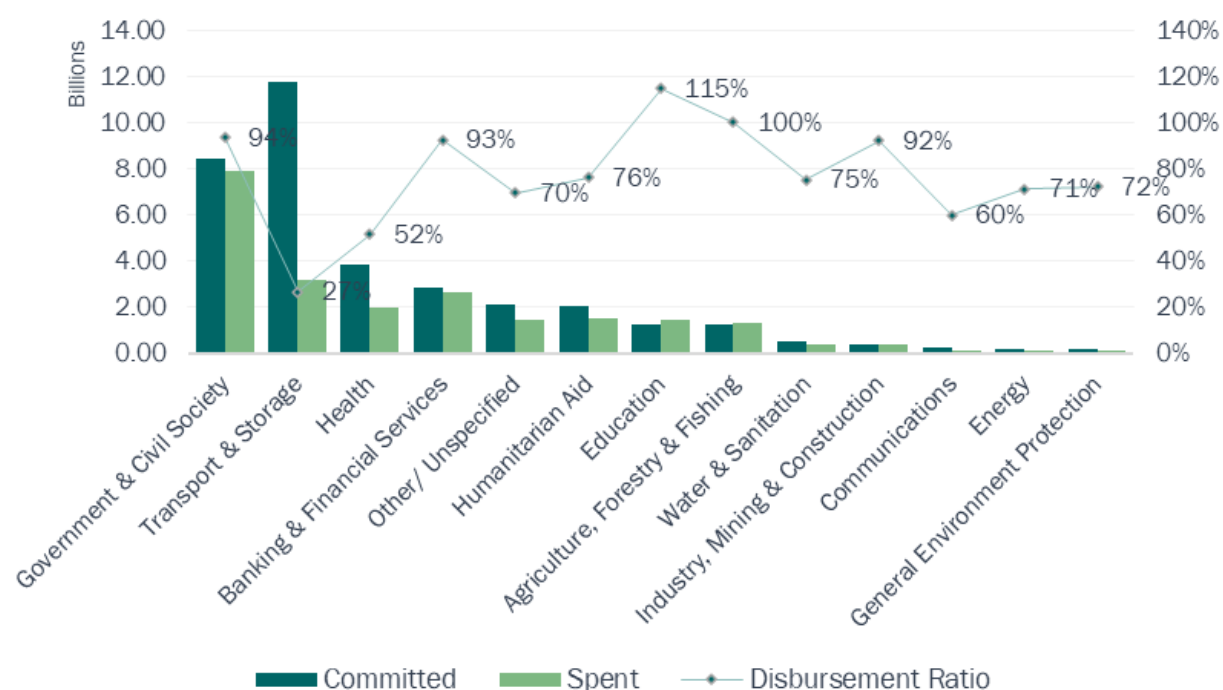


Figure 11: Cumulative disbursements to new commitments by sector, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

The Health sector exhibits an upward trend both in terms of commitment and disbursements. The largest project has been the ADB and AIIB-supported US\$ 700 million Second Health System Enhancement Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility (HEAL 2), which closed in December 2023.

Infrastructure is the second largest category of ODF disbursement after Government and Civil Society, encompassing projects in transport and storage, energy, communications, and water and sanitation. Transport and Storage commitments are on an upward trend.

However, transport projects disbursement is significantly lagging behind. The primary focus in the Transport and Storage sector in the Philippines is rail infrastructure, with projects such as the ADB's Multi-Tranche Financing Facility (MFF): Malolos–Clark Railway Project-Tranche 1 and the North-South Commuter Railway Project financed by Japan (JICA). Together with the ADB, the AIIB co-financed two transportation projects: the Manila Metro Rail Transit Line 4 (MRT4) and the Laguna Lakeshore Road Network (LLRN).

Rail projects have faced difficulties, particularly in securing right-of-way (ROW) which has contributed to delays experienced in project execution. Similar to its disbursement performance, the transport sector had the largest backlog in loan availments amounting to over US\$ 2 billion or approximately half of the net availment backlog of the overall ODA loans portfolio.

The Energy sector received a relatively low amount of development finance. Sector reforms over the years have encouraged private investment, reducing the demand for development finance. Traditionally, ADB had the lead in providing policy advice to the government on power sector

restructuring while the World Bank assumed a more prominent role in rural electrification programmes.¹⁶ Other multilateral and bilateral development partners involved in the sector include JICA, the EU, the USAID, the Korea, and GIZ. As the current administration is embarking on a substantial energy transition agenda, development partners are likely to increase their energy-related programming.

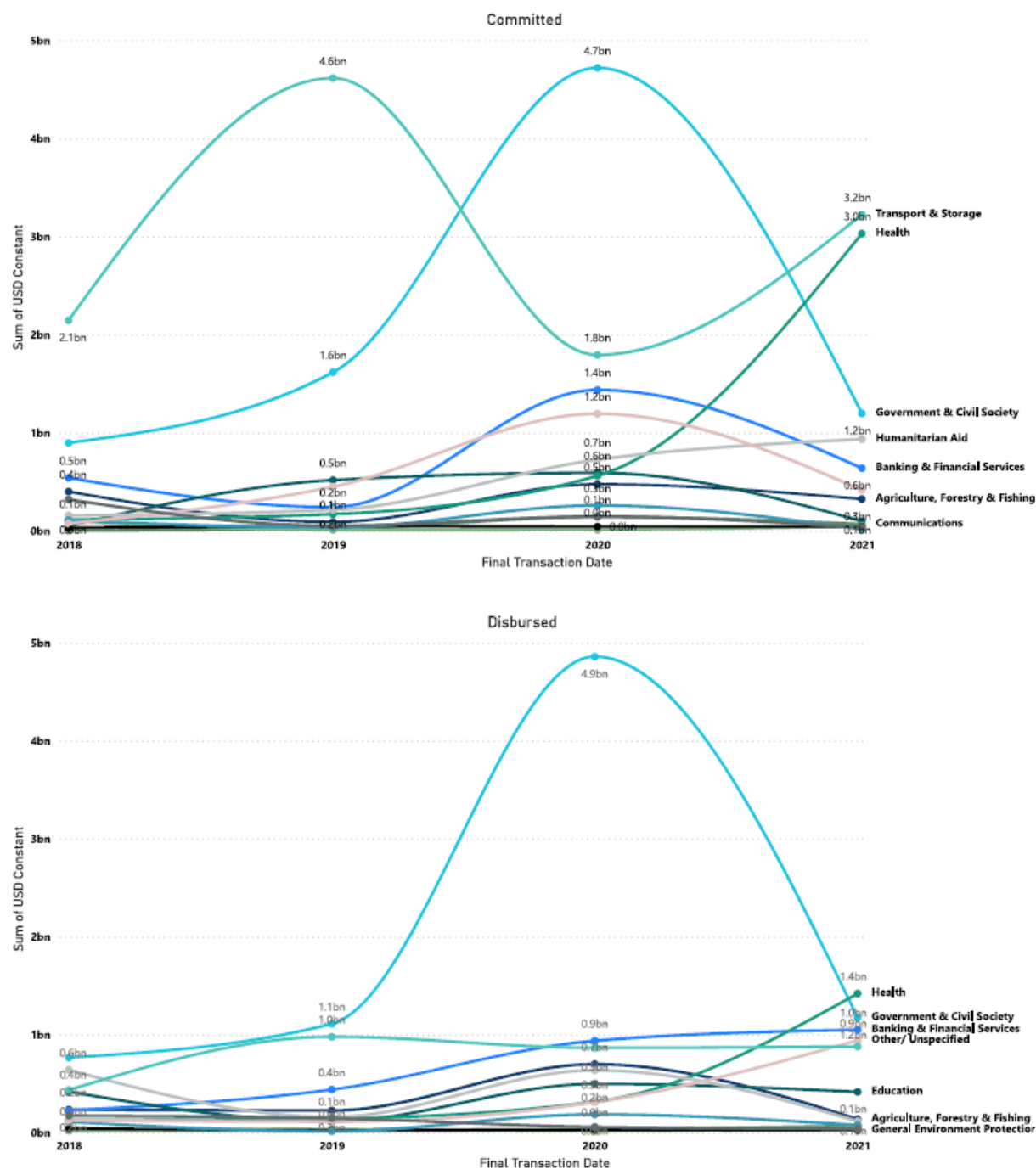


Figure 12: Disbursements to new commitments by sector, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

¹⁶ ADB. 2018. Philippines: Energy Sector Assessment, Strategy, and Road Map.

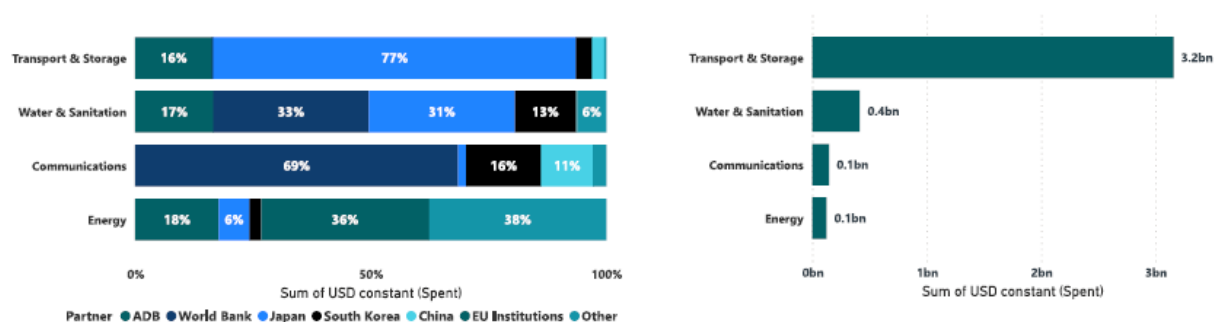


Figure 13: Development partner concentration in infrastructure sectors (left) and cumulative disbursements to new commitments by sector, 2018-21 (right). Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

China is actively involved in the Philippine's infrastructure sector with investments in telecommunications, transport, mining, and energy

Some development partners express concerns regarding Chinese investments, citing potential market distortions and a weakening of economic governance and transparency. There is also a prevalent perception regarding the AIIB's association with China's BRI. However, the AIIB does not maintain a physical presence in the Philippines and has instead relied on multilateral development partners such as the World Bank and ADB to oversee co-financed projects. This reliance constrains the AIIB's direct influence on project decision-making processes in the Philippines.

3.3 Patterns of bilateral and multilateral donor interventions

The Philippines is characterised by a high degree of development partner concentration. ADB, the World Bank and Japan collectively account for over 79% of ODA disbursed in the Philippines between 2018 and 2021. A similar pattern of donor concentration is observed at the sector level, showcasing the dominance of one or two development partners in various sectors.

The ADB is the largest donor in the Government and Civil Society, Education, Agriculture, Forestry and Fishing, and Banking and Financial Services sectors. The ADB's spending rose significantly in 2020, largely through loans directly to the Philippines' Department of Social Welfare and Development (DSWD) for social assistance projects in response to the COVID-19 pandemic. For example, the largest project implemented by the ADB in the Philippines was the COVID-19: Active Response and Expenditure Support Programme, which took the form of a US\$1.5 billion OOF loan.

The World Bank is the largest donor in the Communications, Water and Sanitation, and Humanitarian Aid sectors. Like the ADB, the World Bank's disbursements ramped up in the Philippines in 2020. It significantly increased its financing to support the government's response on health services including vaccination, social protection and relief.¹⁷ Japan's disbursements are concentrated in the Transport and Storage sector. The most significant project is the North–South Commuter Railway Project, which is financed by a concessional loan.

When multilateral development partners are excluded, the distribution becomes more balanced, with several bilateral development partners offering substantial support across different sectors. The USA, for example, has a varied portfolio with major contributions in Water & Sanitation, Humanitarian Aid, Health, Government and Civil Society, and Communications. France, Australia, and Germany also make notable contributions in various sectors. The UK stands out as the largest donor in the Energy sector and maintains a strong presence in Agriculture, Forestry, and Fishing.

¹⁷ World Bank. 2023. Performance and Learning Review of the Country Partnership Framework (CPF) for the Philippines for The Period July 2019-December 2023.

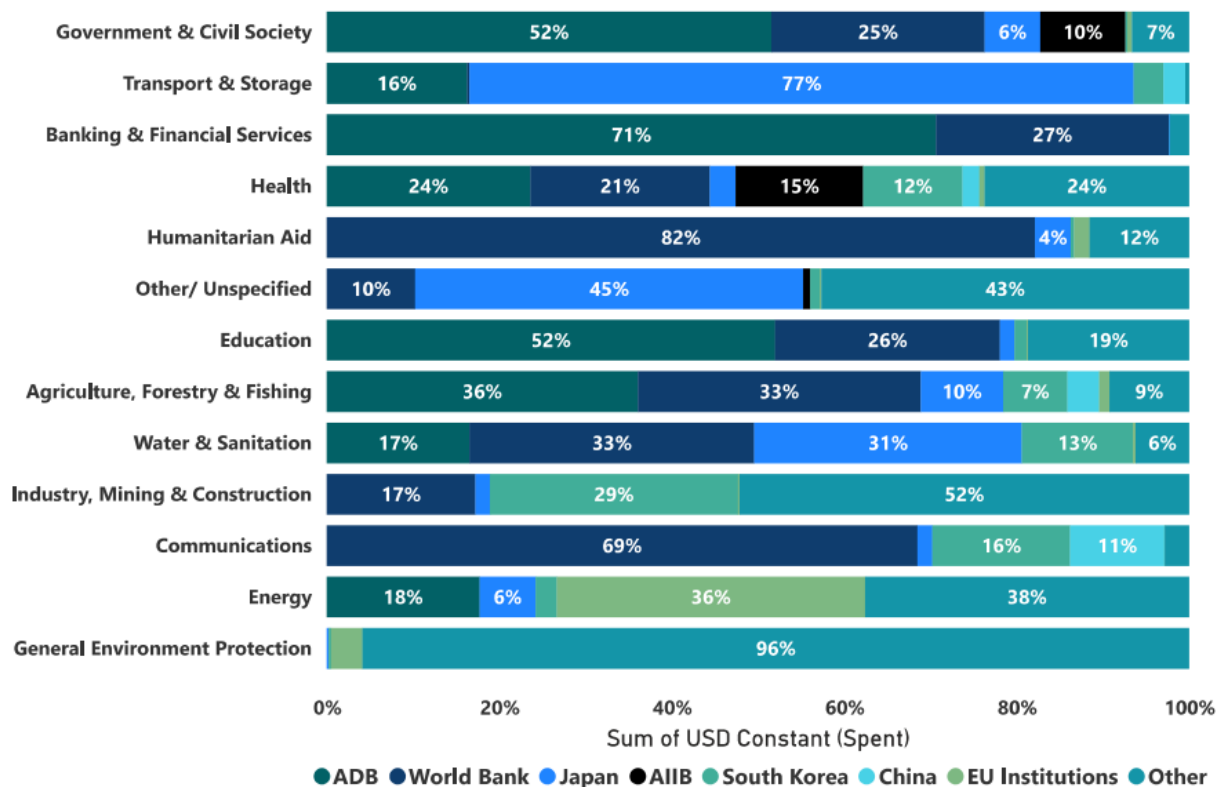


Figure 14: Development partner concentration by sector. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

shows only Bilaterals (Spent)

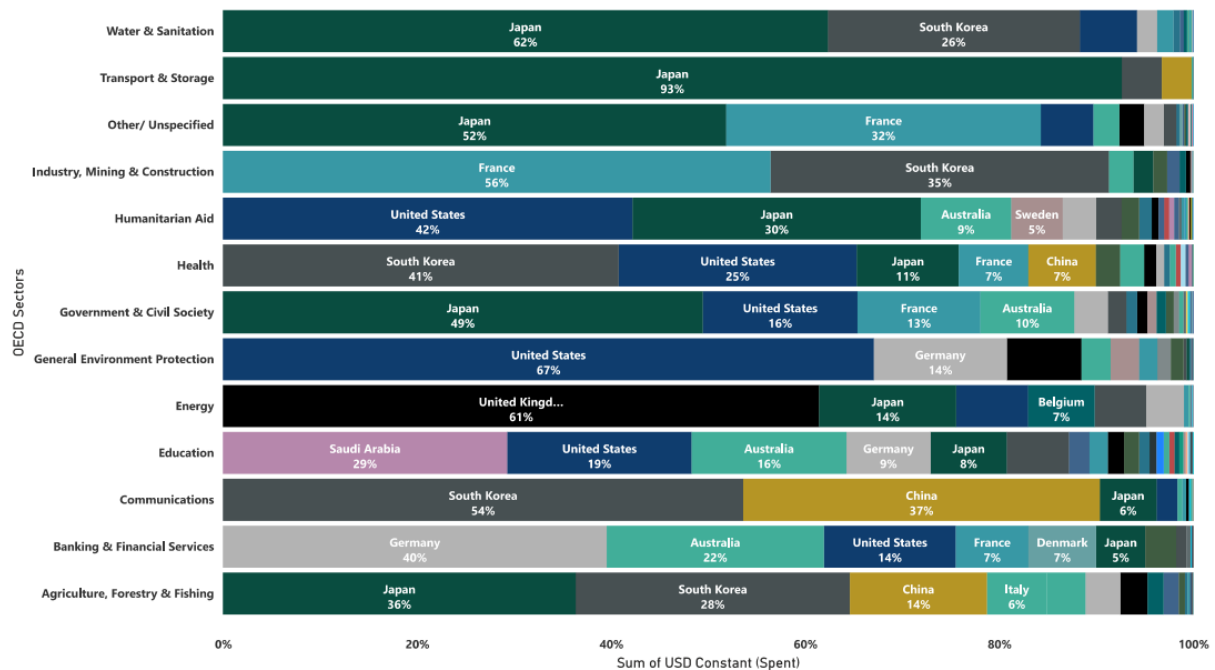


Figure 15: Development partner concentration by sector. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Strengthening UK-Philippines partnerships: a focus on climate, cities, and infrastructure under the Indo-Pacific Tilt

The Philippines is critically important to the UK in the context of the Indo-Pacific Tilt as set out in the 2023 Integrated Review Refresh (IRR)¹⁸ and White Paper on International Development.¹⁹ As a result, there has been a noticeable, though moderate, increase of the UK's development portfolio in the country over recent years. This growth, while still smaller compared to other development partners, signifies a targeted investment in critical areas including:

- **Climate, Nature and Environment:** Through BIP, the UK provided technical assistance to support the Philippines in formulating the Philippine National Adaptation Plan (NAP). The NAP provides a strong market signal for priority investment sectors in the coming years and offers a strategic framework to guide the work of development partners operating in the Philippines.
- **Cities and Infrastructure:** Under the UK Expertise for Green Cities and Infrastructure Programme's (GCIP) Targeted Offer (TO), Transport for London (TfL) and Crossrail International provided support to the Department of Transportation (DOTr) on Transit Facility Design Standards (TFDS) and Transit-Oriented-Development (TOD) respectively. Philippines was subsequently selected for a Deep Country Offer (DCO) with support currently envisaged to focus on integrated urban water resources management and TOD in railway stations in Metro Manila. Prior to this, the Prosperity Fund Future Cities Programme developed a City Development Strategy for Cebu City and Affordable Housing Strategy for New Clark City.

The Philippines is USA's oldest ally in Southeast Asia and share important security ties. Equally important is the substantial trading and investment partnership between the two countries. USAID's programming has focused on three areas: strengthening democratic governance, fostering inclusive and market-driven growth by enhancing regulatory quality and facilitating economic openness, and strengthening environmental and community resilience. USAID's current strategy ends in November 2024, and it has begun the process of developing its next Country Development Cooperation Strategy (CDCS).

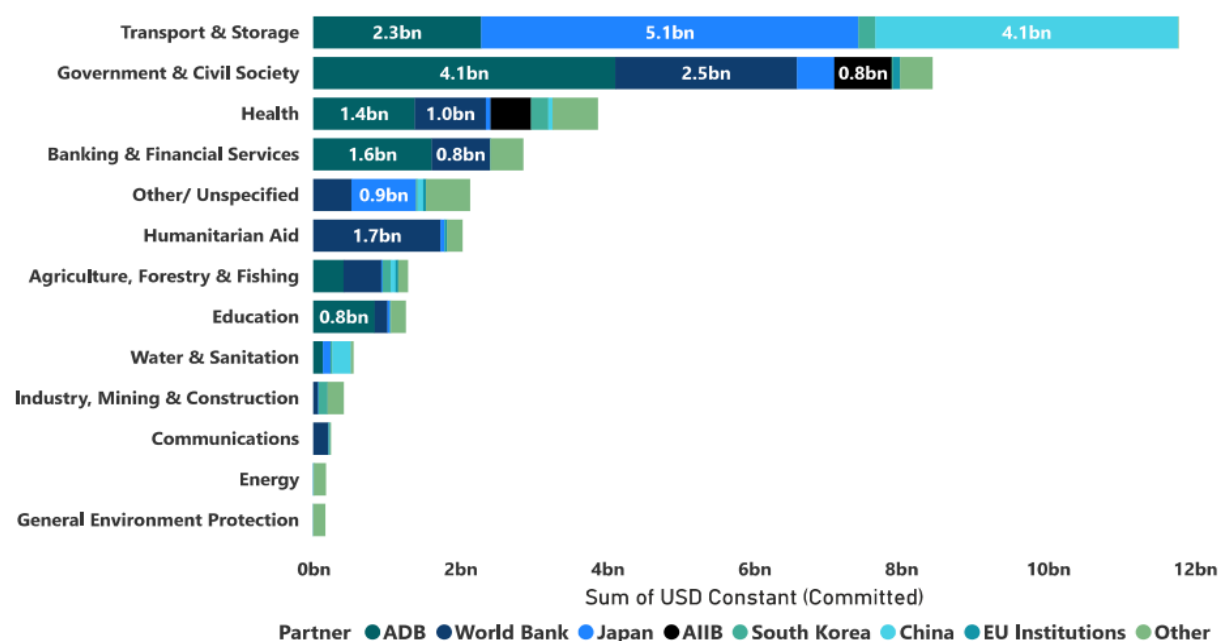


Figure 16: Cumulative disbursements by sector, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

¹⁸ HM Government. 2023. Integrated Review Refresh 2023: Responding to a More Contested and Volatile World.

¹⁹ FCD0. 2023. International Development in a Contested World: Ending Extreme Poverty and Tackling Climate Change: A White Paper on International Development.

Enhanced Development Support in BARMM: A Focus on Grants and Peace-Building Initiatives

The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) is one of the poorest regions in the Philippines. BARMM accounts for the fourth largest share of region-specific ODA, amounting to over US\$ 800 million. About one-third of this, or US\$ 259.09 million, is provided in the form of grants. This grant component is significantly higher than the national average of 7%. As of December 2022, there were 44 grants from 18 development partners, marking the highest grant assistance received by any region. These grants focus on a variety of interventions including livelihood restoration, education, normalization and peace-building efforts, institutions building, and infrastructure.

Australia's development programme has a longstanding focus on education, peace and security, and disaster and climate resilience. This has included early grade education support for disadvantaged and remote communities in the Bangsamoro Autonomous Region, emergency humanitarian support to those affected by Typhoon Rai and Severe Tropical Storm Nalgae through UN agencies and NGOs, research and capacity building projects to improve the productivity, competitiveness and sustainability of agri-food systems, and support to women entrepreneurs and micro and small enterprises. About 40% of Australia support is in Mindanao.

AFD's programming in the Philippines has focused on natural risk management and prevention, as well as sustainable urban development by promoting the decentralisation process. Recent priority areas has been agriculture and fisheries.

3.4 Development finance for climate

Access to ODA is a crucial element of Philippine's efforts in incorporating climate change into programmes and projects. According to NEDA's 2022 ODA Portfolio Review Report, at the end of 2022 there were 56 projects (22 loans and 34 grants) contributing to climate change adaptation and mitigation and DRR with total active commitments at approximately US\$ 2.9 billion.

The volume of climate development finance disbursed in the Philippines has been growing. However, the increases consist mostly of projects where climate change mitigation or adaptation is explicitly stated but not fundamental (categorised as "significant"), with a negligible increase of projects where climate change mitigation or adaptation is explicitly stated as fundamental (categorised as "principal").²⁰ Climate development finance disbursements to the Philippines averages US\$2.2 billion per year, of which US\$1.7 billion consist of projects categorised as "significant" and US\$0.5 billion per year of "principal" projects. OOF loans are the major form of climate development finance, making up 59% of all climate-related disbursements.

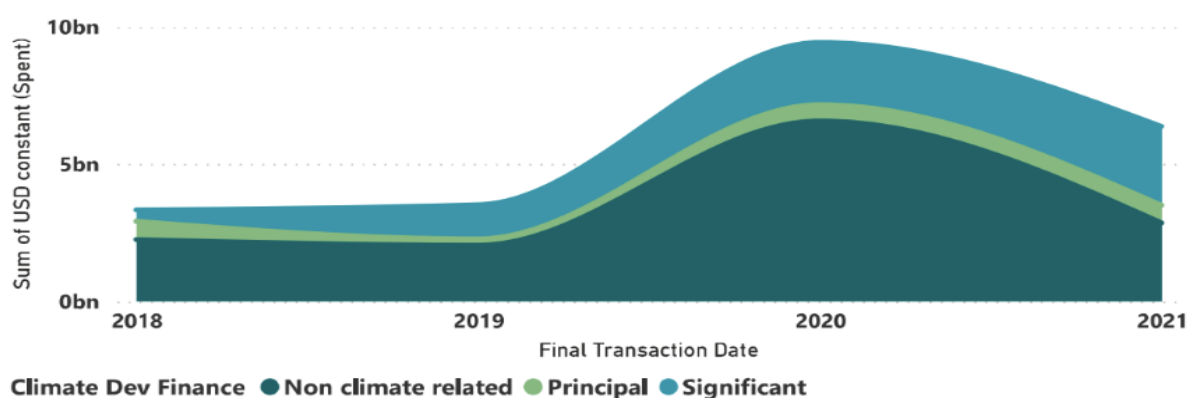


Figure 17: Climate development finance. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

²⁰ The Southeast Asia Aid Map uses an adapted version of the OECD's Rio Markers for Climate to sort projects into three distinct categories: principal, significant, and not climate-related. Rio markers are applied to all bilateral ODA and non-export credit OOF, excluding general budget support, imputed student costs, debt relief except debt swaps, administrative costs, development awareness and refugees in donor countries.

The ADB and Japan are by far the biggest providers of climate development finance in the Philippines. ADB, which describes itself as Asia and Pacific's Climate Bank, spent US\$ \$3.0 billion to “significant” climate-related projects, while Japan spent US\$ 2.4 billion. The World Bank follows with about US\$ 800 million.

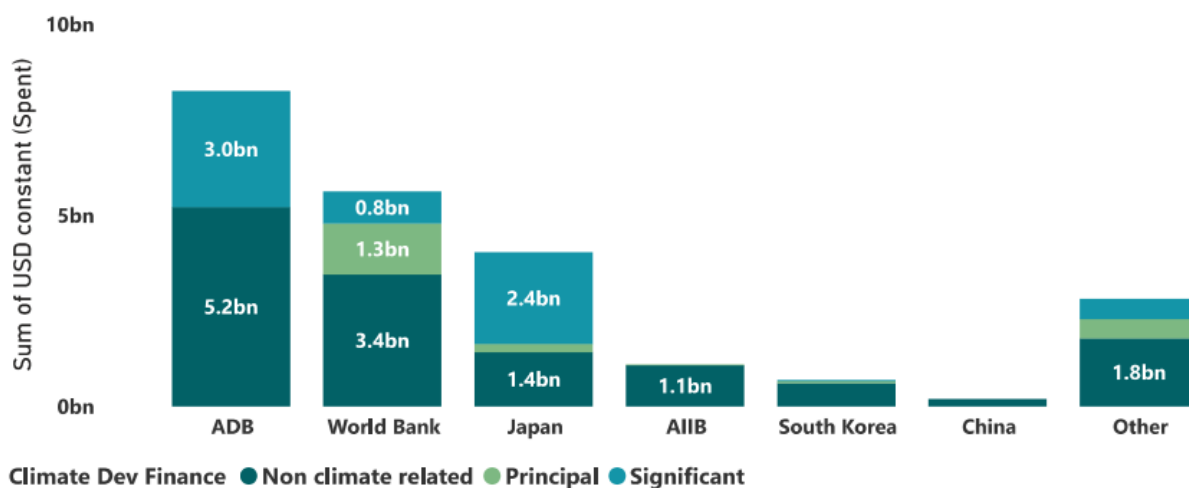


Figure 18: Cumulative climate development finance by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Most spending on “significant” projects was in the Transport & Storage sector, specifically on rail infrastructure, and Banking & Financial Services sector. Spending on “principal” projects was concentrated in the Humanitarian Aid sector, funded largely by loans from the World Bank, such as the US\$ 500 million Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT-DDO). The Philippines is highly vulnerable to natural hazards, facing some of the highest disaster risk levels in the world. Accordingly, multi-hazard response preparedness is the primary purpose of finance for “principal” projects.

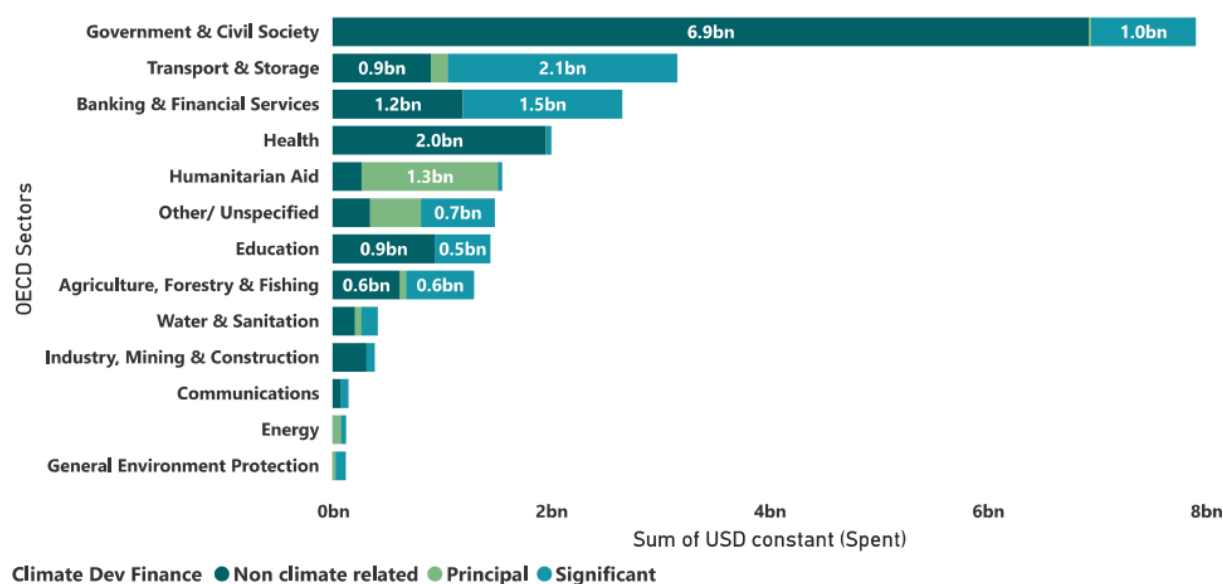


Figure 19: Cumulative climate development finance by sector, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023

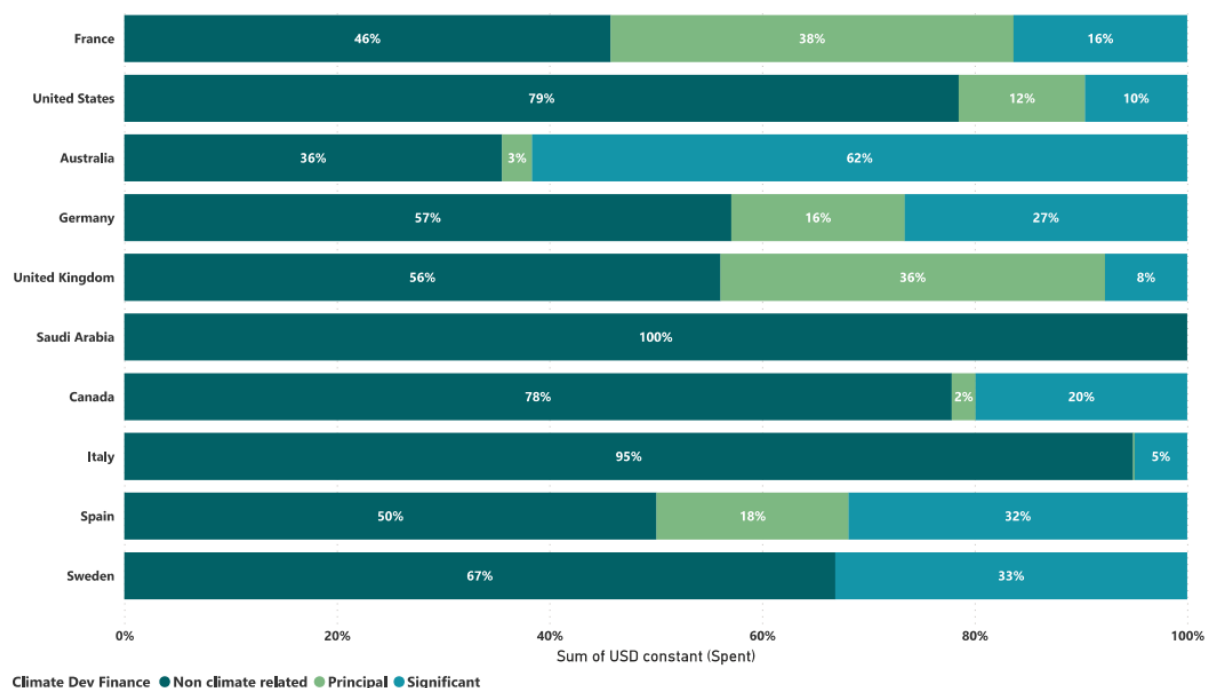


Figure 20: Cumulative climate development finance by bilateral development partners, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

3.5 Types of financial instruments and co-operation modalities

Various financial instruments, delivery channels, and cooperation modalities are employed by bilateral and multilateral development partners. In general, there are three instruments of bilateral and multilateral assistance: loans, grants and TA. However, it is important to note the nuanced variations within each category. This variation underscores the diverse strategies and preferences among development partners in providing support to the Philippines.

Between 2018 and 2021, OOF (semi and non-concessional loans, export credits) accounted for about 53% of total ODF. This reflects the relative maturity and greater debt-carrying capacity of the Philippine's economy. Infrastructure is the largest single category of OOF, encompassing projects in transport and storage, energy, communications, and water and sanitation. The Health, Government and Civil Society, Education, and General Environmental Protection sectors are the primary recipients of grants.

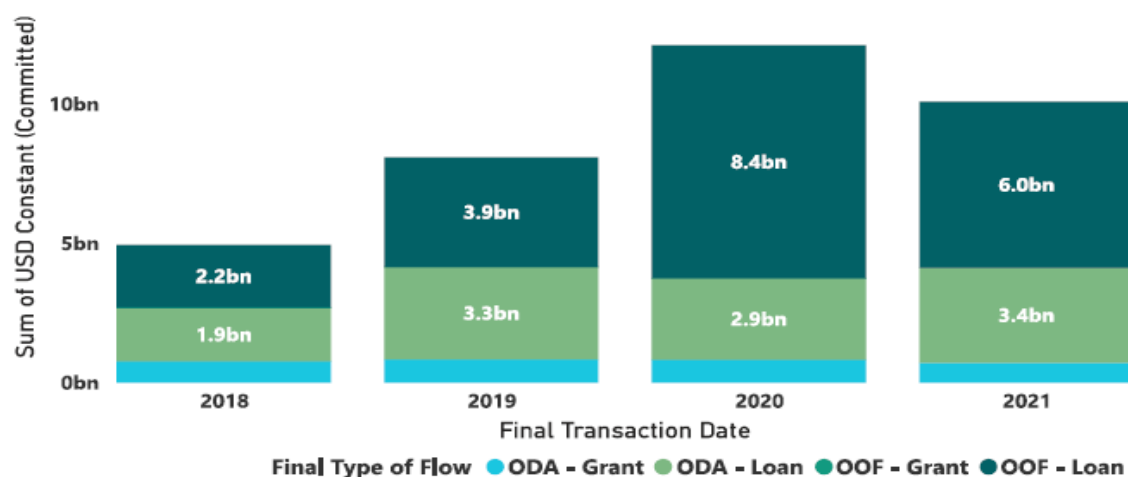


Figure 21: Types of financial instruments, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

The ADB does not provide grants or concessional loans to the Philippines, utilising only non-concessional loans (OOF). This includes Policy-Based Lending (PBL), Sector Development Programmes (SDP), and Multitranche Financing Facilities (MFF). PBL provides general budget support. PBL is disbursed only when the borrower completes policy reforms or actions that have been agreed with ADB. The SDP combines PBL with an investment loan.

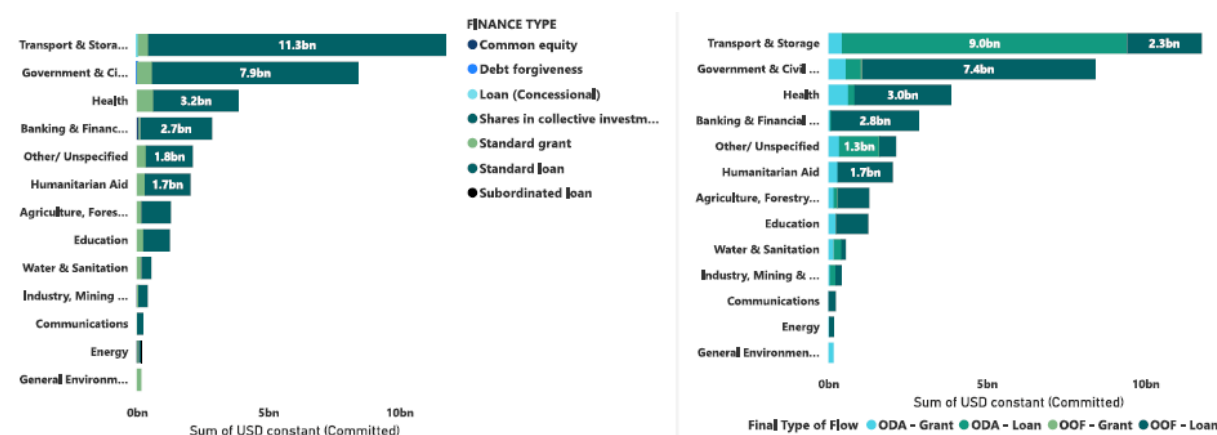


Figure 22: Types of financial instruments by sector, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Development partner cooperation through Trust Funds

Australia has a strategic partnership with the World Bank through the single donor Australia-World Bank Growth and Prosperity in the Philippines (AgaP) trust fund, which has proved an effective and flexible mechanism that enabled DFAT to provide funds and TA to the GoP. This has included about US\$2 million in support of the Mindanao Transport Connectivity Improvement Project and Pre-Feasibility Studies for Energy Transition Projects.

For the BARMM, the World Bank mobilised multi-donor support through the long-established Mindanao Trust Fund (MTF) and more recently through the newly Bangsamoro Normalization Trust Fund (BNTF). The BNTF provides a platform for close collaboration with development partners on to support the normalisation track of the Bangsamoro peace process, including Australia, Canada, the EU and the UK.²¹

An MFF establishes a partnership between ADB and the government for the purposes of working in a sector or sectors. It has features of a standby letter of credit, and can be used to extend debt finance and advice for large stand-alone projects with interrelated components, investment programmes with interconnected components in a sector or sectors, and credit lines for small and medium-sized enterprises and local governments.

Similarly, the World Bank provides OOF loans to the Philippines. The World Bank financing comprises government-executed Investment Project Financing (IPF), Programme-for-Results (PforR), and Development Policy Financing (DPF). IPF is focused on the medium to long-term (5 to 10 year horizon) and can support a wide range of activities including capital-intensive investments, agricultural development, service delivery, credit and grant delivery, community-based development, and institution building. PforR links disbursement of funds directly to the achievement of specific programme results. DPF supports reforms through non-earmarked general budget financing. The World Bank's policy-based financing in the Philippines is alongside with AIIB and ADB.

ADB and World Bank lending operations are underpinned by analytics, advisory services and TA that help the IAs prepare and implement projects, inform policies and execute reforms, and strengthen institutional capacity.

²¹ World Bank. 2023. Op. cit.

Key bilateral development partners all utilise different modalities. Australia (DFAT) is primarily working through three set of modalities: contributions to multilateral partners (including multi-donor / single-donor trust funds), grants channelled through NGO/civil society/private sector, and direct Government to Government (G2G), although much more on policy and TA. Similar to DFAT, USAID offers only grants through cooperative agreements with NGOs/civil society, contracts (private sector), and contribution to multilateral organisations, including UN agencies.

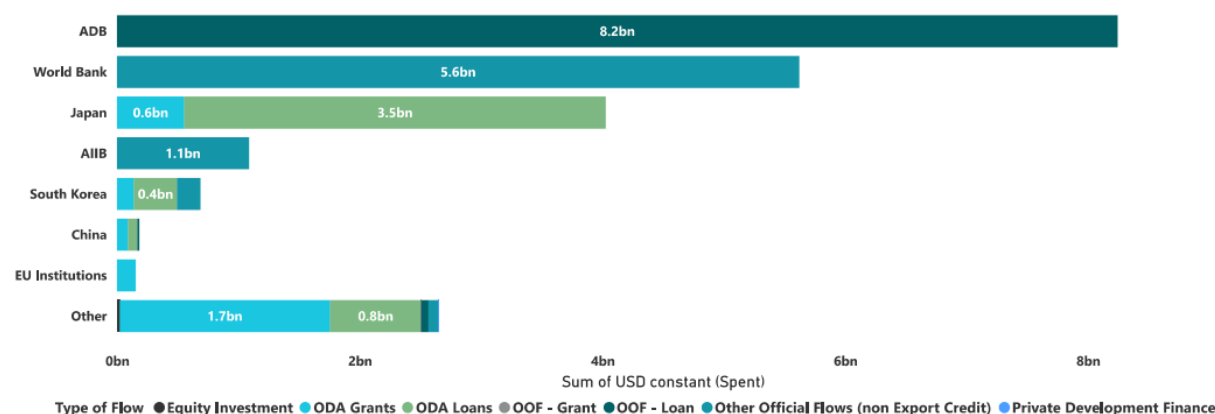


Figure 23: Types of financial instruments by development partner, 2018-21. Source: Own calculations with data from Lowy Institute Southeast Asia Aid Map, 2023.

Japan, South Korea and France offer both grants and loans. Japan's bilateral assistance to the Philippines is concessional in nature, consisting mostly of ODA loans and a small amount of grants. The Philippines is one of the largest recipients of Economic Development Cooperation Fund (EDCF) from the Export-Import Bank of Korea (KEXIM). AFD's development assistance programme has mainly been carried out through sovereign loans, accompanied by TA and capacity building programmes.

From the Philippine Government's perspective, grants and TA are the preferred modalities. Particularly, TA to complement ODA loans is favoured. Grant-based TA serves as an incentive, lowering

As the Philippines approaches middle-income status, a gradual reduction of ODA is anticipated. Australia, for example, is exploring its approach in light of this transition, while Sweden and Finland have already graduated the Philippines from traditional development assistance programmes, opting instead to offer loans. Swedish companies have begun to engage more actively, reflecting a broader trend towards private sector involvement. Similarly, Finland provides EXIM financing. Concessional terms in this case are negotiated by the DOF through G2G framework agreements with development partners. This emerging landscape indicates a move towards more diversified and targeted forms of development assistance, reflecting evolving economic realities and strategic partnerships.

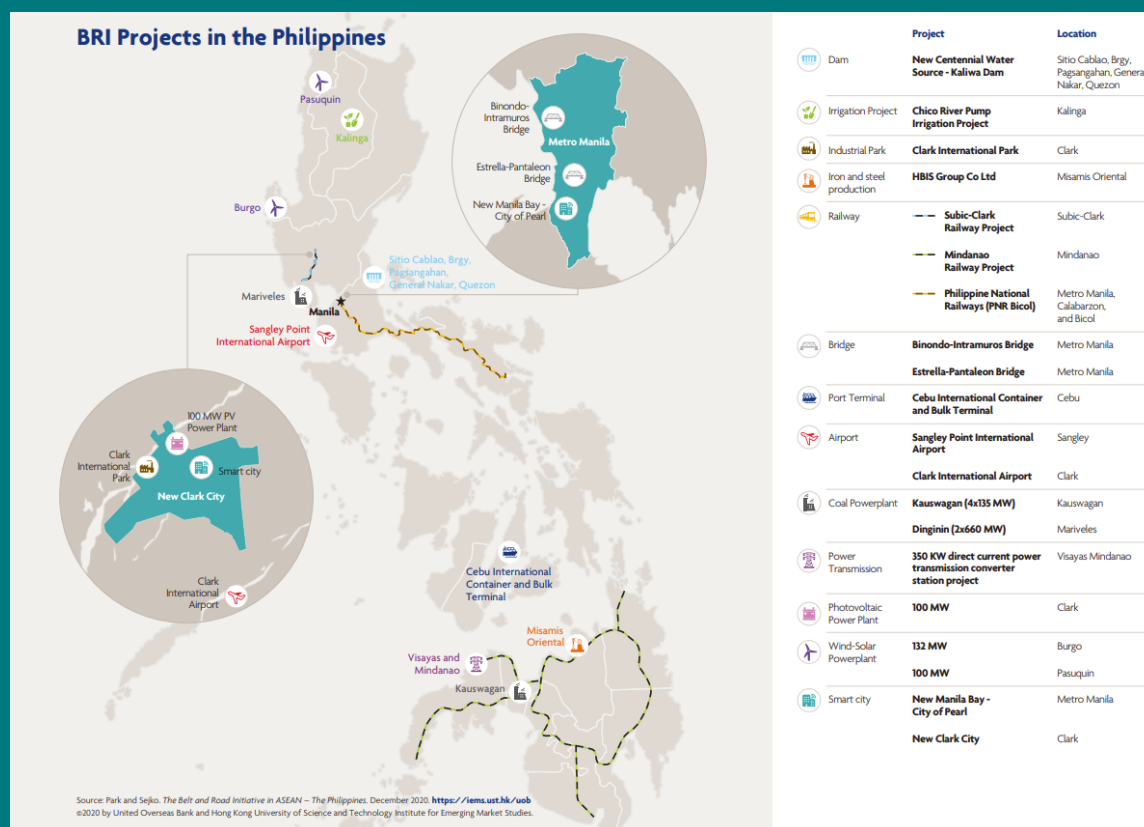
The Philippine Government acknowledges that the graduation to middle-income status will have significant implications for the country's fiscal situation and access to concessional loans. To address this challenge, the Philippine Government is exploring alternative ways of financing projects and attracting investments. NEDA has proposed four strategic measures:

- Explore and expand alternative financing mechanisms through domestic resource mobilisation, private sector participation, and PPPs.
- Strengthen the capacity and stability of domestic financial institutions, such as banks and capital markets by enhancing regulatory frameworks and implementing financial sector reforms.
- Improved debt management practices to ensure debt sustainability.
- Uphold good governance practices and transparency in financial management to enhance the country's credibility in accessing financing.

Non-DAC donors in focus: Chinese official development flows diverge from the ODA definition and take on different forms

Chinese official flows diverge from the ODA definition and take on different forms, including “hidden debt” created through special purpose vehicles (SPVs),²² foreign direct investment (FDI), and flexible capital.²³ NEDA understates these forms of capital.

China has financed large infrastructure projects—many of which are part of the BRI—with the support of its state-owned banks and encouraged mainland Chinese firms to undertake FDI projects. The country’s “policy banks”, China Eximbank and China Development Bank, led a major expansion in lending to the Philippines in the run-up to the BRI. However, since 2013, state-owned commercial banks, including Bank of China, the Industrial and Commercial Bank of China, and China Construction Bank, have played an increasingly important role, with their overseas lending activities increasing five-fold during the first five years of BRI implementation.²⁴ Between 2016 and 2022, Philippines’ Central Bank data showed that firms from China and Hong Kong invested US\$1.7 billion in the Philippines, behind only Japan at US\$2.8 billion, but ahead of USA (US\$1.3 billion), South Korea (US\$1.1 billion), and Taiwan (US\$580 million).²⁵



Source of map: United Overseas Bank and Hong Kong University of Science and Technology Institute for Emerging Market Studies.

²² SPVs are host country entities that receive money from Chinese policy banks to maintain the host country’s debt-to-GDP ratio.

²³ Malik, A., Parks, B., Russell, B., Lin, J., Walsh, K., Solomon, K., Zhang, S., Elston, T., and S. Goodman. (2021). *Banking on the Belt and Road: Insights from a new global dataset of 13,427 Chinese development projects*. Williamsburg, VA: AidData at William & Mary.

²⁴ Ibid.

²⁵ 2023 Foreign Investment Opportunities in The Philippines. In ASEAN Briefing. 9 August 2022. Available Online.

The Philippines' engagement with the BRI has varied over time influenced by domestic politics and foreign policy positions. In 2016, President Xi promised then Philippine President Rodrigo Duterte US\$24 billion in investment, credit and loan pledges. During the Duterte administration, Chinese policy banks, central state-owned enterprises, and major private firms were encouraged to invest or operate in the Philippines. In other words, Duterte's administration has led to the surge of different types of Chinese capital, which have had political and developmental implications above and beyond large-scale infrastructure.²⁶

The TUFF dataset includes information for 65 projects announced between 2000 to 2017. Nine of those projects are identified as part of China's BRI. For the 43 projects for which we have detailed financial data, total commitments amounted to about US\$ 2.2 billion. Actual disbursements of Chinese support has generally trended significantly lower than its commitments.

The first figure below shows the distribution of financial flows by sector. Transport and Storage projects were mainly concessional loan agreements between China Eximbank and the Government of Philippines for the Non-Intrusive Container Inspection System Project and the NorthRail Project, a 80km railway line from Caloocan in Metro Manila to the city of Malolos within the province of Bulacan. The NorthRail Project loan was later cancelled but DOF repaid China Eximbank the amount of US\$180.79 million plus interest. There is only one energy sector project under which the China Development Bank provided a buyer's credit loan for the 632MW Mariveles Coal-Fired Power Plant Construction Project.



Over half (57%) of financial flows were export buyers credit, while loans accounted for about one-third of the total financial flows. Grants totalled only 62 million or 3% of the total flows in the period from 2010 to 2017.



Most of the completed projects in the TUFF are humanitarian support and disaster response, as well as cultural initiatives like the establishment of the Confucius Institute at the University of the Philippines. However, the majority of disbursements have been directed towards infrastructure sectors, particularly transportation, communications, and energy. Annex 3 provides more detailed information on five selected projects, reflecting various aspects of China's approach.

²⁶ Beyond Infrastructure: Chinese Capital in the Philippines Under Duterte. In The Diplomat. 8 April 2022. Online.

4 Sectoral Analysis

A deep dive analysis involving primary and secondary data covering agriculture, energy, water, and mining sectors was carried out. The purpose of the sectoral analysis is to establish a foundational understanding of each sector, identify gaps and constraints that hinder sector performance, and provide insights and recommendations for UK intervention.

4.1 Agriculture

This section offers a comprehensive overview of the Philippine agriculture sector, delineating its value chain from production inputs to distribution processes. It underscores the essential roles of value addition, financial support, and technological advancements in improving sectoral efficiency and productivity. Critical for both employment and national food security, the sector confronts obstacles such as lower growth rates compared to other ASEAN countries and a downturn in agricultural trade. A series of strategic initiatives, legislative policies, and development projects are underway to tackle these systemic issues, aiming to enhance food security and boost the income and productivity levels of farmers and fisherfolk. This reflects the sector's vital contribution to the Philippines' economy and the government's strong dedication to its improvement and sustainability.

4.1.1 Defining the sector

The Philippine agriculture value chain comprises five general segments that include (i) inputs, (ii) production, (iii) processing and storage, (iv) distribution, packaging, and handling, and (v) wholesale and retail markets. It comprises downstream, midstream, and upstream activities, as shown in Figure 20. Value additions at each stage are critical components of the value chain. Access to financing, Research and Development (R&D), adaptive technology, reliable logistics and capacity building are cross-cutting services and facilities that contribute to a more efficient and productive agri-food system.

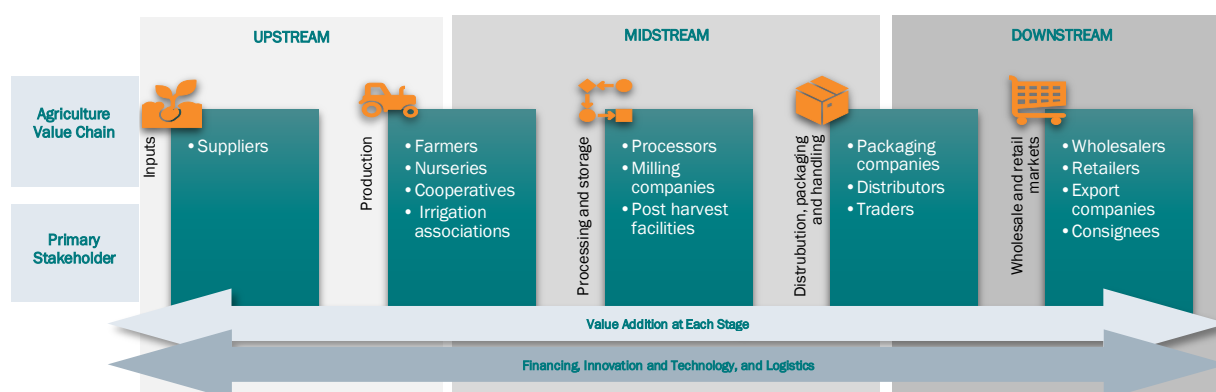


Figure 20: The Philippine Agriculture Value Chain

Upstream, the first and input stage comprises primary stakeholders who are suppliers of agricultural resources, including seeds and fertilizers. The next phase is production and involves activities such as land preparation, ploughing and planting. Farmers, nurseries, cooperatives, and irrigation associations are some of the main participants in this stage.

Midstream involves processing and storage, followed by the distribution, packaging, and handling. These cover the primary and secondary processing of agricultural goods. Here, value adding activities are at the highest because of the transformation of basic agricultural commodities into consumer ready products.

Downstream is when the agriculture-based products and by-products are available to the wholesalers, retailers, consignees, and export companies for final consumption.

4.1.2 Sector importance

The agriculture, forestry, and fishing (AFF) sector is a key sector of the Philippine economy, employing a substantial portion of the population thus providing a source of income to millions of Filipinos. With the current administration's pronouncement of prioritising food security, addressing the distinctive systemic problems of the sector and revitalising the approach to the whole value chain are critical components of the agriculture-food security nexus. The National Agriculture and Fisheries Modernisation and Industrialisation Plan (NAFMIP) 2021-2030 is the main vehicle to achieve the ultimate objective of raising the level of income of farmers and fisherfolk beyond the poverty threshold.

From 2019-2023, the AFF sector contributed an average of PhP1.78 trillion to the country's gross value added (GVA), equivalent to 9.3% of the country's GDP (at constant 2018 Prices). However, it is the lowest contributor among the three major economic sectors — AFF, Manufacturing, and Services. From 2016-2022, agricultural employment was 10.84 million persons or around 23.1% of country's employment.²⁷ Major agriculture products by volume of production include rice, corn, coconut, sugarcane, bananas, and pineapple.

Agricultural productivity is low compared to other sectors and countries. Among the ASEAN countries, the Philippines recorded a mere 2.04% agricultural growth from 1981-2018. Highest growth was reported in Vietnam (3.89%) followed by Indonesia (3.25%).²⁸

4.1.3 Status of major initiatives and projects

The DA oversees 31 projects funded by 17 development partners—nine loan-assisted projects, one loan with grant project and 21 grant-assisted projects—with a total investment of US\$ 3 billion. These cover funding and support services for crops, fisheries, livestock, rural infrastructure, mechanization, extension programmes, and enterprise livelihood initiatives, climate change adaptation and resilience, digital agriculture capacity building, and research and development. They are implemented by the attached agencies and bureaus of the DA.

In addition, there are 13 pipeline projects amounting to US\$540 million that are to be implemented by the current government administration. These pipeline projects are shown in the table below.

Project	Proponent Agency	Investment
Philippine Solar – Powered Irrigation Project	Bureau of Soils and Water Management (BSWM)	US\$ 320 million
Value Chain Innovation for Sustainable Transformation in Agrarian Reform Communities (VISAT)	Department of Agrarian Reform with the Department of Agriculture (RFO CAR and XII with BSWM and ATI)	US\$115 million
Elevating Philippine Dairy Farming: Advancing Capabilities with Technological Support and Capacity Development	National Dairy Authority (NDA)	US\$0.6 million
Philippine Dairy Project	National Dairy Authority	US\$25 million
Strengthening of the Philippine Fisheries Biotechnology Center and Capacity Building Project	National Fisheries Research and Development Institute	US\$5.4 million
Improving Capacity of ASEAN Member States and China in the	Food Development Centre (FDC)	US\$0.2 million

²⁷Statista. Share of people employed in the agriculture industry to the total employment in the Philippines, 2016-2022. Accessed on 8 March 2024.

²⁸ World Bank DataBank. Online.

Project	Proponent Agency	Investment
Implementation of Good Laboratory Practices (GLP)		
Development of Community-Based Agribusiness to Improve the Livelihood and Income of Marginal Farmers in Central Luzon	DA Regional Field Office III	US\$6.5 million
Establishment of Smart Agriculture Manufacturing Technology Development Centre in the Philippines	Philippine Centre for Postharvest Development and Mechanization (PhilMech)	US\$14.7 million
Value Chain Enhancement of High Value Crops through Smart Agriculture	DA Regional Field Office IV	US\$7.8 million
Capacity Building on Aquaculture Development for Income Increase of Fisherfolks of Guimaras Province, Philippines	Bureau of Fisheries and Aquatic Resources (BFAR)	US\$8.6 million
Enhancing Carabao Smallholder Farm Productivity through the Establishment of National Dairy Herd Improvement (NDHI) System in the Philippines	Philippine Carabao Centre	US\$7 million
Philippine Rural Development Project Second Additional Financing	Philippine Rural Development Project – National Project Coordination Office	TBD

Source: Department of Agriculture, 2024.

4.1.4 Policy and institutional landscape

The DA is the government agency responsible for the promotion of agricultural development through its policy framework, public investments, and support services. Since its establishment, several laws have been enacted to respond to the challenges of the sector. Below are some of the recent senate bills approved and passed into laws.

Policy	Description
Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 (RA 11901)	Mandated banking institutions to design and offer financial products and services specific to the needs of their agricultural clients and rural community beneficiaries.
Act Amending the Organic Agriculture Act of 2010 (RA 11511)	Revised to include additional definition of terms, coverage, composition and organisation of the National Organic Agriculture Board, new section on the role of the Bureau of Agriculture and Fisheries Standards and made emphasis on market development and trade promotion.
Organic Agriculture Act of 2010 (RA 10068)	Aims to improve the productivity and income of organic agriculture practitioners by providing financial and technical support to farmers and fisherfolk engaged in organic farming.

Policy	Description
Act to Strengthen Agriculture and Fisheries Modernization in the Philippines of 2004 (RA 9281)	Strengthens agriculture and fisheries modernization by extending the effectivity of tax incentives and mandated funding support.
Agricultural and Fisheries Mechanization (AFMech) Law of 2013 (RA 10601)	Promotes agricultural and fisheries mechanization development in the country. It covers research, development, and extension (RDE), promotion, distribution, supply, assembling, manufacturing, regulation, use, operation, maintenance, and project implementation of agricultural and fisheries machinery and equipment.
The Agri-Agra Reform Credit Act of 2009 (RA 10000)	Promotes agriculture and agrarian reform credit and financing system to improve the productivity of the agriculture and fisheries sectors.
Philippine Fisheries Code of 1998 (RA 8550)	Promotes sustainable fisheries management and development in the country and provides guidelines and regulations for the conservation, protection, and rehabilitation of fishing resources.
Coconut Farmers and Industry Trust Fund Act of 2021 (RA 11524).	Mandates the creation of a 50-year CFITF, as provided under a coconut industry development plan that is yet to be formulated by the Philippine Coconut Authority (PCA), an attached corporation under the Department of Agriculture.
“Sagip Saka” Act of 2019 (RA 11321)	Establishment of the “Farmers and Fisherfolk Enterprise Development Programme”, which aims to promote the establishment of enterprises involving agricultural and fishery products. The Programme aims to provide agricultural extension services, skills development, financing, research and development and business support and development services.
Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 (RA 11901)	Mandates the Landbank and the Development Bank of the Philippines to continue to promote savings and credit in rural areas through affordable deposit products. These financial institutions were also mandated to use their resources to innovate, develop, promote, and invest in digital, automation technology, branchless banking and cash agent operations to reach remote areas.

4.1.5 Development assistance and financing

The agriculture sector is one of the priority sectors in the 2023-28 PDP. Multilateral development partners are generally more involved in providing assistance and financing in the agriculture sector. Typical modalities are through concessional loans or concessional loans and grants, which are usually in the form of TA. The ADB and World Bank are the largest sources of financing for the sector.

Development partners	Description
ADB	ADB announced plans to provide at least US\$14 billion investments for comprehensive programme of support to help address the food crisis in Asia and the Pacific, including in the Philippines. ²⁹ As of April 2023, ADB has

²⁹ ADB Press Release. “ADB Plans \$14 Billion to Ease Food Crisis, Promote Long-Term Food Security in Asia and the Pacific”. Published 27 September 2022.

Development partners	Description
	committed investments amounting to \$2.49b³⁰ for the agriculture, natural resources, and rural development. ADB has two proposed investments in the sector which focuses on Mindanao: (a) Mindanao Irrigation Development Project, Phase I (\$62.70m proposed for 2024 approval), and (b) Mindanao Agro-Enterprise Development Project (\$100m proposed for 2025 approval). The Mindanao Agro-Enterprise Development Project³¹ aims to enhance agricultural diversification and food value chain development in the region through (i) promoting private investments in agro-industry; (ii) improving agricultural logistics and services; and (iii) enhancing product quality and competitiveness. The Mindanao Irrigation Development Project³² aims to increase productivity and resilience of irrigated agriculture in the region by (i) strengthening irrigation planning, design, and management capacities; (ii) developing efficient and climate resilient irrigation systems; and (iii) adopting climate resilient irrigated farming practices.
World Bank	The World Bank has identified three major pipeline projects in Agriculture under investment programme financing: Philippine Rural Development Project Scale-up (US\$600 million, Bank approved in November 2023), Philippine Fisheries and Coastal Resiliency Project (US\$176 million, Bank approved in December 2023), Philippines National Community Driven Development Programme (US\$479 million, Bank approved in October 2023). The Rural Development Project³³ aims to increase rural incomes and enhance farm and fishery productivity in targeted areas by supporting small holders and fishers to increase their marketable surpluses and their access to markets. This will be achieved through: (a) supporting changes in agricultural and fisheries planning, resource programming and implementation practices; and (b) financing priority local investments in rural infrastructure and enterprise development derived from agricultural and fisheries modernization plans, using a value chain approach, and through stakeholder consultations. The development objective of the Fisheries and Coastal Resiliency Project³⁴ is to improve management of targeted fisheries resources and enhance the value of fisheries production to coastal communities in selected fisheries management areas (FMAs). The project comprises of three components: (a) fisheries and coastal resilient resource planning and management (FishCRRM) which aims to strengthen FMA governance through climate-resilient planning to recover fishery resources and build ecosystem resilience, (b) modern and resilient livelihood investments (MARLIN) which plans to enhance the economic value of fisheries and aquaculture to fishing communities through strategic and climate-resilient investments to reduce postharvest losses, expand aquaculture production, and add value to fisheries production; and (c) support to project implementation and management (SuPrIM) will finance technical and operational support for project management and coordination.
JICA	Enhancement of agriculture productivity, processing, and distribution of agricultural products to overcome vulnerability and stabilize bases for human life and production activities remains one of the priority areas. JICA has provided assistance in the form of rural infrastructure, extension of farming

³⁰ ADB. Philippines: Cumulative Commitments as of April 2023. Accessed last 5 March 2024.

³¹ ADB. Philippines: Mindanao Agro-Enterprise Development Project. Accessed last 5 March 2024.

³² ADB. Philippines: Mindanao Irrigation Development Project, Phase I. Accessed last 5 March 2024.

³³ World Bank. Rural Development Project for the Philippines. Accessed last 5 March 2024.

³⁴ World Bank. Philippine Fisheries and Coastal Resiliency Project.. Accessed last 5 March 2024.

Development partners	Description
	technologies, community development, financial accessibility, rural industry development, and introduction of innovative Japanese technologies. Past projects in agriculture include: Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST)³⁵ seeks to provide concessional loans to micro, small, medium and large enterprises, cooperatives, agribusiness enterprises, and financial institutions in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and Conflict-Affected Areas in Mindanao (CAAM) and Market-Driven Enhancement of Vegetable Value Chain in the Philippines (MV2C)³⁶ aims to serve as an input to realize the strategies of the Philippine Vegetable Industry Roadmap 2021-2025 by piloting activities in Benguet, Quezon, and Metro Manila. These activities include capacity building of farmers to diversify harvest time and stabilize vegetable supply. The others include improving the distribution, processing, and consumption of vegetables in the Philippines. JICA is currently formulating its Country Development Cooperation Policy for the Philippines. JICA also shared that priority areas will not radically change in the next cooperation framework.
DFAT	There are no direct investments made for the sector. However, the three pillars of Australia's development strategies on health, stability and economic recovery are seen as contributory components to a more resilient agriculture sector. In this context, the Australian Centre for International Agricultural Research (ACIAR) support to the Philippines focuses on research to make its agricultural products more productive, marketable, and internationally competitive, and to protect the rural poor from climate change. As of 2023-2024, ACIAR has provided AUS5.8m for 18 projects in fisheries, agribusiness, crops, horticulture, livestock systems, among others.
KOICA	Under the KOICA Midterm Strategy for Agriculture and Rural Development (2012-2025) programme area in agricultural development sets priorities in strengthening productivity and value chain of agriculture, stock breeding and fisheries. Support to rural communities is also part of the strategies for partnership.³⁷ Modalities are usually integrated project-type assistance that may include infrastructure support, technical assistance, equipment provision, capacity building and dispatch of Korean experts.
GIZ	GIZ programming supports local farmers increase the incomes by helping them adopt good agricultural practices, operate their farms as a business and access international markets through certification and adherence to sustainability standards. develoPPP³⁸ is a funding programme of the German Federal Ministry for Economic Cooperation and Development (BMZ). It is aimed at companies that want to invest sustainably in a developing or emerging country and expand their local operations. The programme provides technical and financial support of up to 2 million euros thus covering up to 50% of the total costs for suitable projects. Prerequisites for funding are a long-term business interest in the country and a sustainable developmental benefit for the local people. In the Philippines, develoPPP is currently co-implementing four projects on coconut, cacao and coffee with BMZSymrise,

³⁵ Japan International Cooperation Agency Press Release. "JICA trains agri-business owners in Bangsamoro, other conflict-affected areas in Mindanao on raising productivity, marketing amid challenges" Published on 4 February 2022.

³⁶ JICA Press Release. "JICA-DA vegetable value chain project eyed to curb rising food prices and unstable food supply" https://www.jica.go.jp/Resource/philippine/english/office/topics/news/230510_01.html. Published on 10 May 2023.

³⁷ KOICA. Mid-term Strategy for Education. 2021-2025.

³⁸ Partners in Transformation develoPPP.

Development partners	Description
	Franklin Baker, The Absolut Company, Barry Callebaut, Cargill, Friesland Campina, JDE, Nestle, P&G, Unilever and Kennermer.

4.1.6 Sector performance

The agriculture sector plays an important role in the country's economy through employment and food security contributions. Diverse activities form part of the sector, such as crop cultivation, livestock farming and fisheries. Traditional farming methods are still rampant although market transformation is underway. Support for modernisation efforts, technology advancement, additional investments are required improve supply chain infrastructure, enhance market access, and promote value-added products.

Although statistics show mixed results, the Philippine Government has remained committed to strengthening its efforts to improve the efficiency and productivity of the agriculture sector and contribute to the country's objective of achieving food security and resilience.³⁹

Strengths and growth drivers and constraints and downside risks are shown in the following table.

Strengths and growth drivers	Constraints and downside risks
Food security identified as a government priority. Food security at the forefront of the administration's national agenda as anchored on the vision for a prosperous, resilient, and secure Philippines by 2040. Secured budget allocations for specific agricultural commodities. Special provisions on budget allocation for trust funds and commodity specific programmes (i.e., Agricultural Competitive Enhancement Fund, Seed Fund, Livestock Promotion Fund, Competitiveness Enhancement Fund, National Programmes of DA, Farm-to-Market Roads Projects, etc.) were included in the GAA. New ruling on LGU internal revenue allotment from the national government. With the Mandanas Ruling, the additional local government units' financial resources from the national government can create opportunities to strengthen their capacity to implement agricultural development programmes. Enactment of the expanded PPP law. With an improved PPP framework, it is envisioned that through stronger collaboration with the private sector, the law promotes innovation in processes, efficient resource mobilization, and the delivery of high-quality and cost-effective infrastructure projects and services in the country.	Weak growth in agriculture due to slow growth in factors of production (i.e., land, labour and capital) and in total factor productivity (i.e. employment, mechanisation power, irrigated area, fertilizer usage, etc.). Raising investment and agricultural productivity needs improvement in the business climate for the agri-food system. Limited focus on R&D that can effectively enhance long-term sector productivity. Limited access to financing and insurance for small and medium farmers Prevalent changes in average weather conditions, and vulnerability to climate-related risks. Low farm mechanisation and inadequate postharvest facilities Aging farmers and fisherfolks Limited connectivity between production areas and market areas, poor compliance with product standards.

³⁹ NEDA, Philippine Development Plan. 2023-2028. Chapter 5: Modernize Agriculture and Agribusiness.

4.1.7 Entry points for policy engagement and programmatic investment

The UK Government's strategy for international development identifies delivering lasting solutions to food insecurity and malnutrition as one of its priorities. In the context of the Philippines, the Department of Agriculture (DA) has formulated their food security framework as the overarching framework to guide implementation of the National Agriculture and Fisheries Modernisation and Industrialisation Plan (NAFMIP) 2021-2030. The NAFMIP serves as a blueprint to guide sector-wide growth over the next decade. The NAFMIP captures the Philippines Food Security Development Framework and emphasises farm consolidation, modernisation, industrialisation and inclusive agribusiness, export promotion and infrastructure development as its main strategies.

Connecting UK's international development strategy and DA's food security framework highlights potential entry points for policy engagement and programmatic investments. The figure below shows the linkages between the UK's IDS themes on honest and reliable investments, against DA's key results areas. These could help guide how the UK government will design its strategic agenda for the agriculture sector of the country.

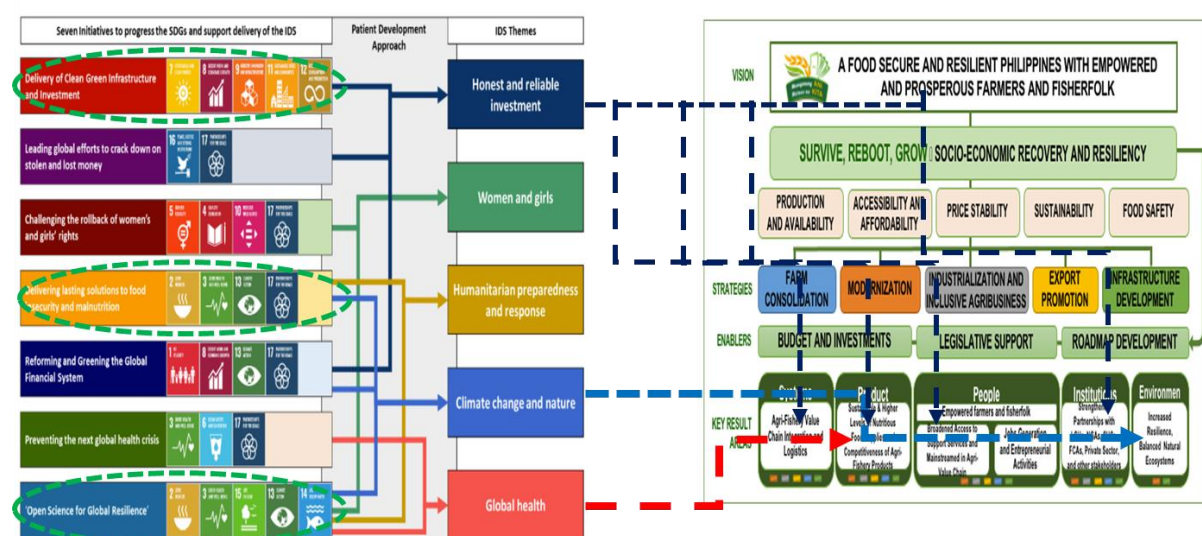


Figure 20: Summary of entry points for policy and programmatic investment using UK Government's Strategy for International Development and Department of Agriculture's Food Security Framework under the National Agriculture and Fisheries Modernisation and Industrialization Plan (2021-2030).

Entry points for policy engagement and programmatic investment are shown in the following table.

UK strength	Implications for Agriculture and Food Security Programming	Strategic entry points for sector programming
Research and Innovation	UK has an excellent reputation as a research broker. There is room for innovative research to be commissioned through UK programmes. UK Centres of Expertise provide tailored advice, evidenced based and technological solutions in the agriculture and food systems through the Gilbert Initiative.	Research based and technological innovations on low-cost solar technologies for irrigation, big data analysis and satellite and modelling data on crop planting and anticipatory action for insurance, prevention and control of zoonotic diseases, among others. Regional-based and commodity specific research studies to maximise value addition of agricultural commodities.
Mobilising private	FCDO can help mobilise private finance, for example through BII, UK	Access to financing for private sector to improve logistics, manufacturing,

UK strength	Implications for Agriculture and Food Security Programming	Strategic entry points for sector programming
finance , especially on sustainable agriculture, resilient coastal communities and forestry	Export Finance or leverage London's role as the Centre of finance. UK also provided over £1b in private investment into sustainable agriculture and forestry and around £190m contribution to the Blue Planet Fund.	postharvest facilities to transform basic agricultural commodities into high-value, export quality goods. Potential areas of focus for exports include poultry, livestock, and high value crops. Development of agriculture hubs comprising wholesale market, facilities, and high-value processing including
Mobilising expertise across UK HMG and UK business and institutions	Between HMG, British business, and UK institutions, the UK has significant experience and expertise in agriculture and research and innovation.	Climate smart agriculture tools and practices and training modules development with UK universities and UK Met Office. Capacity building activities for agricultural and food processing SMEs on accessing additional financing, and technology transfer, among others.
Influencing and leading on ESG issues , mobilising and scaling up action, and overcoming co-ordination failures	Working with like-minded development partners to influence private sector approach and investments in agriculture and food security.	Roadmap on how the private sector can help the government implement the NAFMIP particularly on improving food systems and value-addition on agriculture commodities.
Influence at the national and local levels	UK has broad and deep relations with the Philippine Government. There is scope and interest to engage at the national.	DA has expressed interest and openness to work with the UK government to implement their priority programs and projects relating to food security, research and innovation and capacity building.

4.2 Water

This section explores the complex and interconnected dimensions of the water sector, encompassing the management of surface and groundwater, the provision of water for various uses, and the handling of urban wastewater and stormwater. The significance of the water sector extends beyond environmental concerns, impacting social and economic development. In the Philippines, water plays a pivotal role in various sectors, influencing agricultural productivity, industrial processes, and energy production. However, the country faces challenges such as water pollution, inadequate infrastructure, and the impacts of climate change, leading to reduced water quality and availability. Initiatives aimed at achieving universal access to water and sanitation by 2030 are underway, alongside efforts to enhance water governance and infrastructure. These efforts are critical for ensuring sustainable water management and safeguarding public health and economic growth in the face of increasing water stress and environmental degradation.

4.2.1 Defining the water sector

This section focuses upon the provision and management of water resources, water supply, urban sanitation (also including wastewater management), and stormwater drainage. Specifically, these sub-sectors cover four aspects:

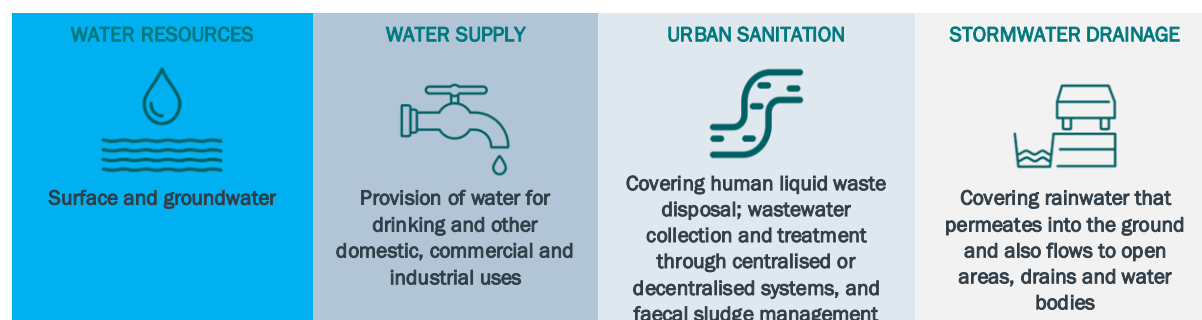


Figure 21: Segments of the water sector.

While there are no exact boundaries between these sectors, for example, poor sanitation often leads to untreated human wastewater mixing with stormwater drainage which can then pollute water resources, financing of interventions is usually based around these sectors. Irrigation, which requires much more water resources than other sectors, utilises around 80% of all water used in the Philippines.⁴⁰ However, irrigation being an integral part of agricultural development, is not covered under this section. The sectors are not mutually exclusive and used irrigation water can be used for urban purposes, while correctly treated urban wastewater can be used for irrigation. Each sub-sector is discussed in more detail below.

4.2.2 Sector importance

Water is the most critical service, being essential for life. Its availability often guides development activities, either through agriculture, industry or in the energy sector, being required for hydro, fossil fuel and nuclear power generation. It also has destructive properties if not controlled effectively, and in the Philippines, this is manifested mainly not only through cyclones and flooding, but also in reduced water resources and in public health, where people lack access to potable water.

Water use is not exclusive to one sector but often has multiple applications. For example, in the Philippines around 59% of allocated water is used for hydropower generation, which uses a non-consumptive process where water is returned to its source after use, maintaining its availability for other uses.⁴¹

Water as a resource needs to be protected and, there are many threats to both its quantity, through reduced storage mainly because of deforestation and urbanisation; and quality through human uses, particularly poor solid and liquid waste management. If this deterioration is not checked, it will have a detrimental effect on the Philippines's economy and human development.

4.2.3 Status of major initiatives and projects

The PDP contains various sector targets that are reiterated in the Philippine Water Supply and Sanitation Master Plan (PWSSMP). The PWSSMP introduces the eight key reform agenda (KRA), each designed as a cluster-type solution to complement infrastructure investments. These are:

- Establishing effective WSS sector institutions
- Building climate resilience
- Strengthening the regulatory environment
- Enabling access to funding and financing

⁴⁰ Senate Economic Planning Office. 2023. The State of Water. AAG 23-03.

⁴¹ Ibid.

- Creating and ensuring effective WSS services
- Managing data and information
- Balancing water supply and demand
- Driving research and development

For both water supply and sanitation, the aim is to have universal access by 2030. Other goals are to reduce unaccounted-for water (UFW) to 20% by 2030. The Philippine WSS Information System (PWSSIS) and regional offices monitor the progress of infrastructure projects, while the NEDA and PMO will monitor the progress of the Key Reform Agenda (KRA).

To meet the PDP targets, the sector requires substantial investments estimated at approximately US\$19 billion from 2020 to 2030. The table below shows the estimated investment requirements to meet the sector requirements.

Investment Requirements <i>(in USD billions)</i>	2020–2023	2024–2030	Total
Physical	13.10	5.97	19.07
Water Supply	4.97	4.16	9.13
Level III	4.18	3.87	8.05
Level II	0.67	0.27	0.94
Level I	0.11	0.01	0.13
Sanitation	8.14	1.81	9.95
Improved/Basic sanitation	6.24	1.50	7.74
Septage	0.87	0.11	0.98
Sewerage	1.02	0.21	1.23
Non-Physical	0.01	0.01	0.02
Eight key reform agenda	0.01	-	0.01
Project Management	0.01	0.01	0.01
TOTAL (in USD billion)	13.11	5.98	19.09

4.2.4 Policy and institutional landscape

The table below lists the legislation enacted over the last five years to support implementation of the various policies and actions proposed under the PDP and PWSSMP, particularly to address the fact that there was no overall apex body for water supply as proposed in the PDP.

Policy	Description
Department of Water Resources, Senate Bill Nos. (SBN) 87, 102, 1021, 1244, 1395, 2013, and 2412	These bills seek to streamline all water-related functions in the government and create a Department responsible for the comprehensive and integrated development and management of water resources and their optimal allocation among competing uses.
Water Regulatory Commission SBNs 102, 1021, 1428, and 2013	It is proposed that a regulatory body with overall authority and powers that cover all service providers, whether private or public, be created. The Commission shall be tasked to promulgate and

Policy	Description
	enforce just and reasonable technical standards, classifications, and measurements of service in Water Supply and Sanitation.
Water Resources and Management Authority SBNs 185 and 268	The bills aim to establish an Authority which shall be responsible for the comprehensive and integrated development and management of water resources of the country.
Sustainable Forest Management Act. SBNs 257, 988 and 2320	The proposed measure seeks to optimise the utilisation of forest resources, including water, to support sustainable development by providing equitable access and benefit sharing to stakeholders.
Final Forest Limits Act. SBNs 664, 886, and 1955	The bills delineate the specific limits of forestlands and all areas within it including watersheds, freshwater and swamps, among others, for the protection, conservation, and development of forest resources.
Protection of Watersheds for Irrigation Act SBN 966	The bill seeks to ensure the protection, conservation and rehabilitation of watersheds supporting the National Irrigation System.
Construction of a Potable Water Supply System in Every Barangay. SBN 310	The bill mandates a 3-year programme by DSWD, DOH, and DPWH for the construction of potable water systems in all barangays. These agencies will prioritize problem areas, consulting LGUs and addressing water-borne diseases.
Safe Drinking Water Act. SBN 1048	The bill requires the physical, bacteriological, chemical, and overall examination of the quality of water from existing sources every two months, amending the Sanitation Code of the Philippines. It directs water service providers to prepare water safety plans to be approved by the DOH.
Water Sustainability Act. SBN 16	This proposed measure aims to update and consolidate all existing frameworks for water management to ensure unhampered access to safe and clean sources of water and guarantee their availability for future generations.
Rainwater Harvesting and Management SBNs 990, 545, 454, 128, 342, and 1687. SBNs 990, 545, and 454	Mandate rainwater harvesting facilities in Metro Manila developments; SBN 128 extends this nationwide. SBN 342 requires catchment in Metro Manila and major city barangays. SBN 1687 stipulates rainwater harvesting in homes, industries, schools, and agriculture.

There were more than 30 national and local government institutions involved in one or more aspects of water supply and sanitation governance, service regulation, resource management, or economic regulation. As such, multiple agencies existed with overlapping mandates involved with policy formulation, planning and investment programming, resource and economic regulation, and setting standards. Yet, there was no national framework nor single accountable entity for the provision of sustainable services.

The Water Resources Management Office (WRMO) under the DENR was established in April 2023 as the provisional coordinating agency within the water sector, awaiting the establishment of the Department of Water Resources (DWR) and the Water Regulatory Commission (WRC), which are under consideration in Congress. The WRMO is mandated to integrate and streamline all governmental initiatives, including planning, policy formation, investment programming, and regulatory measures, to ensure the accessibility, effective utilisation, and sustainable governance of water resources. The introduction of a comprehensive Integrated Water Resources Management Plan (IWMP) is forthcoming.

WRMO's executive arm, the National Water Resources Board (NWRB) is an agency of the Government of the Philippines working on water resources and potable water. It has policy-making, regulatory and quasi-judicial functions. The NWRB is an attached agency of the DENR responsible for ensuring the exploitation, utilization, development, conservation and protection of the country's water resources.

At the immediate service delivery level, water supply and sanitation provision is the responsibility of multiple agencies, including Water Districts (WDs), Local Government Units (LGUs), and the Metropolitan Waterworks and Sewerage System (MWSS) for Metropolitan Manila. As these entities are unable to serve fully their respective franchise areas, several water service providers, mostly community-based or privately owned, have emerged to fill the gap. The table below summarises the multiplicity of water supply and sanitation delivery agencies.

Table 3: Overview of Water Supply and Sanitation Service Providers by Type

WASH Service Provider	Management Type	No. Providers	Level 1	Level 2	Level 3
Local Government Unit (LGUs) Operated Utilities	LGU-run utilities are operated by a unit in the LGU or through decentralized service providers; a limited number of LGUs have signed Joint Venture (JV) agreements with the private sector to provide WASH services.	4,324 (1,000 directly run by LGUs and the rest by other service providers)	1,190	1,665	1,468
Water Districts (WDs)	WDs are autonomous government-owned and controlled corporations, authorised to provide water and sanitation services under Presidential Decree 198. Through a resolution from its local legislative body, an LGU can opt to convert its water utility into a WD. A WD may cover one or more LGU jurisdictions and thus the creation of a WD can be initiated by one or more LGUs. This is particularly useful where more than one LGU shares a common water source.	698	21	5	671
Barangay Water Service Associations (BWSAs)	BWSAs are loosely formed community associations that operate the facilities usually provided by the LGU. These utilities are typically small and are self-regulated.	7,766	3,193	2,620	1,229
Rural Water Service Associations (RWSAs)	RWSAs are loosely formed community associations that operate the facilities usually provided by the LGU. These utilities are typically small and are self-regulated.	1,508	66	638	804
Cooperatives	Small cooperatives also provide water supply, mostly in rural areas. The cooperatives are registered under the Cooperative Development Authority as a juridical entity and are required to obtain a license to operate as a water utility from the NWRB.	409	47	88	274

WASH Service Provider	Management Type	No. Providers	Level 1	Level 2	Level 3
Unnamed Water Service Providers	An unnamed water service provider serves at least 15 households and is not registered formally with any government agency.	8,655	7,946	501	201
Other Service Providers	Homeowners Associations, real estate developers, industrial locators, peddlers, ship chandlers, other private operators, and refilling stations.	3,991	2,214	501	1,275
Public-Private Partnerships (PPPs)	Two private companies—Manila Water Supply Company Inc. and Maynilad Water Services Inc.—are providing water and wastewater management services to Metro Manila under a concession contract. These contracts will run until 2036. Together the two concessions are estimated to service approximately 13 percent of the population.	2			2

Source: USAID. A Financing Framework for Water Supply and Sanitation in the Philippines. USAID's Water, Sanitation and Hygiene Finance (WASH-FIN) Programme. Country Brief Series.

Note: Water systems are classified as follows: Level 1 (point source): A protected well or a developed spring with an outlet but without a distribution system; Level 2 (communal faucet system or stand post): A piped system with communal or public faucets; Level 3 (waterworks system): A fully reticulated system with individual house connections.

In summary, key policy and institutional issues within the sector are:

- Continuing institutional fragmentation and governance gaps at the local level.
- Over 30 agencies lack coordination in water roles (regulation, management, policy-making).
- Scattered and limited WSS data hampers planning and monitoring, weakening the sector.
- LGUs require better technical capacity for WSS duties (irrigation, water supply, drainage, flood control) per the Local Government Code.

4.2.5 Development assistance and financing

The major donors to the Philippines' water sector are the World Bank, ADB, Japan, and the USA. China and the EU are also active. All are involved in the water sector either directly through funding investment in water supply, sanitation or stormwater drainage, or indirectly through support to urban development that includes water and health-related activities.

The table shows examples of development partner-supported water sector programmes and projects.

Development partner	Description
World Bank	Under the Metro Manila Flood Management Project (2017-24), the World Bank is supporting an integrated set of interventions to modernise existing pumping stations and make improvements to appurtenant infrastructure, drainage channels and developing new drains when required. The project will cost US\$500 million, of which about US\$207 million will come from the World Bank. AIIB will provide another US\$207 million and the Philippine Government will provide the remaining US\$84 million.

Development partner	Description
ADB	ADB has engaged with the Philippine Government on water and other urban infrastructure and services for many years, supporting water supply improvements in Metro Manila and provincial cities. For example, through the US\$ 562 million Water District Development Sector Project (2017-25), ADB supported 12 WDs, corporatised water utilities operating outside Metro Manila, to expand and rehabilitate supply systems. It also supported two WDs build pilot sanitation facilities, to reduce water-related diseases due to unsafe drinking water and the lack of sanitation facilities. Through the US\$ 150 million Angat Water Transmission Improvement Project (2016-22), ADB financed the rehabilitation of the Angat transmission system which provides water supply to Metro Manila. ADB also approved a US\$ 300 million loan to upgrade and construct flood protection infrastructure in the Abra river basin in the country's northern Luzon region and the Ranao/Agus and Tagum-Libuganon river basins in the southern Mindanao region.
JICA	Environmental management, including water/sewerage and waste management and disaster risk reduction, are priorities for Japan's development cooperation programme. Indicative recent projects include the Non-Revenue Water Improvement Project in the West Zone of Metro Manila, Septage Management for Metro Cebu Water District, Masterplan Study on Comprehensive Sewerage System Development for Metro Cebu Water District, and Development of a Hybrid Water-Related Disaster Risk Assessment Technology for Sustainable Local Economic Development Policy under Climate Change in the Philippines.
USAID	USAID's Safe Water activities includes: building the technical and managerial capacities of water service providers, emphasising the application of water data and information to design, operate, and maintain resilient natural and built assets; increasing planning and coordination among local, regional, and watershed stakeholders; and improving the resilience of upstream water supplies through integrated water resources management and reducing the volume of downstream demand by building a constituency of water-wise households and businesses. Safe Water works in Negros Occidental and Sarangani and Palawan Provinces. The activity is expected to strengthen services for over one million Filipinos. It has a total budget of US\$ 18 million and is implemented from 2021-24.
JICA	In early 2024, JICA launch a new technical cooperation project to update the flood control strategy for some major river basins in the Philippines. This new cooperation will update the master plans and pre-feasibility studies for flood control in Pasig-Marikina and Cagayan Rivers. Prior to this, JICA has been involved in multiple water sector projects across the country. For example, in Baguio, JICA is helping to address river-water pollution through the installation of modern septic tanks, while in 2023 it provided grant aid of US\$ 12million to fund septage management projects of Metro Cebu Water District.
South Korea	South Korea funded projects the Phase 2 of the Jalaur River Multipurpose Dam Project worth US\$ 200 million which irrigates more than 31,000 hectares of land, mitigates flooding in the downstream communities, and connects bulk-water supply in Iloilo.

4.2.6 Sector performance

Water resources

With an average annual precipitation across the country of 2,400 mm, water resources are considered ample for all uses, with an estimated 126 billion cubic metres of surface, and 20 billion cubic metres of groundwater available. However, this does not translate into adequate water availability to meet the country's demands. Since 2017, national water availability has fallen below the 1,700 cubic metres per capita, defined by various international agencies as the threshold for

water stress, and is now estimated at 1,300 cubic metres per capita.⁴² This is due to rainfall variations across the country and growing water demand. Climate change, while not reducing overall rainfall, tends to increase the length of the dry season, and reduce the number and duration of rainfall events, but increase the rainfall intensity when it does rain. Studies by the Philippine Government and the World Bank indicate that flooding frequency will increase in Luzon and North Philippines, while Mindanao and other islands in the south will receive less frequent but more high-intensity flooding.

If longer dry seasons become the norm, this could also negatively impact water resources as groundwater recharge will be altered with potentially less infiltration due to higher run-off from more intensive rainfall. Surface water retention could also be reduced as reservoirs experience more frequent drying-up, yet encounter more overflows when it does rain.

In 2022, 52% of water resources were approved for various uses based on the number of water permits issued by the NWRB. However, this does not include unregulated/illegal groundwater extraction. In 2017, the DENR estimated that over 130 watersheds required immediate protection and restoration to maintain their water yields, while 11 of the 18 major water basins across the country contained less than 20% forest cover, severely depleting water resources. The DENR also estimates that 43% of the nation's 421 major rivers are polluted with untreated wastewater. This seems a low estimate given the population density of the country and that in 2021, 56% of water bodies used for public water supply had faecal coliform exceeding government guidelines.



Figure 22: Water stressed Areas of the Philippines. Source: NWRB.

⁴² All figures in this paragraph from the Philippines State Economic Planning Office (SEPO). August 2023.

As shown in the figure in the previous page shows, the NWRB has identified 21 groundwater-stressed zones and 15 water-stressed river basins because of current water availability, high and increasing demands from urbanisation and tourism, climate change effects on water, and increasing pollution reducing water quality. The areas affected are spread relatively evenly across the country with about 27% of the population living in these areas. All these factors combined, and if not addressed, suggest that the country could face severe water resource stresses by 2040.

Water supply

Water supply for domestic and non-domestic uses, such as commercial, industrial and institutional, is provided from a combination of surface and groundwater sources.

Based on the 2022 Annual Poverty Indicators Survey (APIS), the Philippines Statistics Authority showed that that 96.3% of households (25.9 million families) had access to basic service levels of drinking water—as accessible drinking water from improved sources within a 30-minute round trip. So it is not necessarily “readily accessible” water, while there is still the potential for water contamination while in transit from the improved source. In 2022, an estimated 2.4% of the population still uses unsafe sources, such as streams, lakes and open wells. This is a large reduction from 12% in 2015 when the PWSSMP was being developed.⁴³

The PWSSMP also estimated that in 2017 around 44% of the country’s total number of households had piped water in their premises, and not all of this is treated or conveyed to the tap stands at the required public health quality. Water losses are considered to be around 22%, which is relatively good. However, given the age of many water systems and the type of water supply delivery, it is unclear how this measurement is made. There is also an issue of low service coverage of local water districts (LWDs):

- 38% or 622 out of 1,617 non-NCR cities and municipalities lack LWD coverage. Private investment in water supply is difficult to encourage in lower-class LGUs and lower-income areas, affecting water supply expansion; thus extending LWD coverage is vital.
- 39% or 343 out of the 875 formed LWDs are non-operational due to lack of sufficient water supply, incomplete water pipeline infrastructure, and the absence of a constituted Board of Directors.

Under a "business-as-usual" scenario, the country is likely to experience a high degree of water shortage by 2040. Thus the PWSSMP estimated that US\$ 4.2 billion would be required for physical investment in water supply to attain universal access by 2030 assuming investment since 2017 has matched the planned US\$ 5.0 billion investment that the PWSSMP envisaged. Around 90% of this required expenditure is on water supply to households which will not only provide the most public health benefits but should also increase revenues. These figures do not include recovery, restoration and rebuilding of water supply systems post-disaster where cyclones, in particular, can damage critical components of water supplies, particularly overhead reservoir tanks, pumping stations and treatment plants.

Urban sanitation

The 2022 APIS puts families with basic access to sanitation at 84%, with 2.6% of families nationwide still using open defecation. As of 2015, only around 17%⁴⁴ and 12%²⁵ of the country's population had access to septage collection and sewerage system services, respectively. For septage and sewerage systems, access is defined as having a service available to users. A household is considered to have access if it is within the franchise or coverage areas of existing sanitation systems and can connect to and tap into them. This number may be different from the number of those that are connected to the systems. Those that are connected to and serviced by these providers are fewer at an estimated 3%²⁵ of the population. In urban areas, septic tanks are mainly used for faecal matter collection, although there are also quite a few decentralised wastewater management systems, with the latter functioning with varied effectiveness. The scale and densities of the septic tanks are a source of contamination of

⁴³ NEDA, 2017.

⁴⁴ PWSSMP Inventory, MWSS Data.

groundwater in urban areas. Most of Metro Manila is not sewered with only 450 km of sewers constructed covering an estimated 25% of the city.

Outside Manila, only a handful of cities have sewerage systems and these tend to be fully overloaded and in need of rehabilitation and expansion. Around 12% of the population has access to sewerage systems and 18% to septage collection. For example, Baguio in Benguet had a small sewerage system installed in the 1930s. An extended sewerage system of around 57 km in total length and a full wastewater treatment plant (WWTP), with a capacity of 8,600 m³/day, was built in 1986 and extended and rehabilitated in 1994. The WWTP was not designed to accommodate all wastewater generated in the city. Despite being overloaded in volume during the wet season, the WWTP's effluent quality is usually within international parameters⁴⁵ although suspended solids (SS) are not measured. The final discharge is to the adjacent Balili River which is graded as Class C⁴⁶ by the DENR. The average daily inflow of sewage to the WWTP has been decreasing over the last few years. This is reported by the city as being due to damaged sewers that leak and reduce the wastewater reaching the WWTP. This is another major cause of soil, groundwater and river pollution. The rest of the city is served by septic tanks or decentralised wastewater systems.

The PWSSMP estimates that US\$ 9.95 billion is required to address sanitation issues and meet the PDP targets of 100% access to safe sanitation by 2030. Of this, only 12%, US\$ 1.23 billion, is earmarked for sewerage and wastewater treatment, with 78% targeted at improving basic sanitation and the balance 10% for septage.

Stormwater drainage

While overall rainfall is not increasing it is becoming less frequent and more intense and thus existing drains cannot discharge stormwater effectively. This issue is exacerbated by urban expansion and increased densification thus reducing infiltration into groundwater and increasing run-off into what are becoming already under-sized drains. Often the pressure for urban land leads to encroachments into the drainage system or other surface water bodies, reducing the capacities of these bodies intended to attenuate stormwater. All this is placing increased pressure on urban drainage systems and increasing the frequency and damage done by flooding.

The urban population of the Philippines has only risen slightly over the last decade from 45 to 48% of the total, but with the total population rising by around 15 million over that period, this has increased the total number of urban inhabitants by 10 million to around 52 million – an overall increase in urban population of 22%, which will have substantially increased the urban footprint, thus increasing stormwater run-off.

With so much of urban areas unsewered, stormwater drains receive nearly all grey water and, although prohibited, also much black water (raw sewage) which poses a health hazard and pollutes receiving water bodies. Overall, this lack of treatment of urban wastewater originating from domestic, commercial, industrial and institutional uses impedes any effective water reuse. Given the increasing water stress, particularly in urban areas, improving water reuse is one method to reduce this stress. However, without substantial investment in wastewater management, both collection and treatment, water stress will only increase along with much greater pollution of ground and surface water bodies, which in turn will accelerate water stresses.

In summary, water sector strengths and growth drivers and constraints and downside risks are shown below:

Strengths and growth drivers

Constraints and downside risks

⁴⁵ Around Biochemical Oxygen Demand (BOD₅) of 10 to 30 mg/l.

⁴⁶ DEMP state this class of water can only be used for agriculture and industrial uses. Class C can receive effluent with BOD₅ up to 50 mg/l and SS 70 mg/l. For Class A water the limits are 30 mg/l (BOD₅) and 50 mg/l SS.

Provision of water and sanitation services is seen as a business, where economic tariffs are commonplace, accepted by government and the community and enable a profitable enterprise to operate with positive returns achieved on investments. Stepped tariffs ensure the poor and vulnerable can afford to access such systems.

Successful public private partnerships through concession agreements, especially in Metro Manila demonstrate private sector participation in the sector works and is able to attract private capital and expertise.

Government policy targets universal water and sanitation access by 2030.

Managing water supply increasingly seen holistically as an integrated water resources sector from cloud seeding to wastewater disposal.

Nature-based solutions to flood control are gaining the support of some national agencies and local governments.

Regulation through contracts increasingly seen as appropriate where private sector is involved. Tariff setting through contracts where possible.

Sector fragmentation hinders the implementation of Integrated Water Resource Management (IWRM) and river basin approach to water resource planning.

Non performing local water districts and municipal water entities limit service coverage and sector financing

Poor sanitation in most urban areas—very few centralized sewer systems, untreated septage leads to serious environmental and health problems

Traditional, but non-nature-based solutions to flood control are the norm.

Irrigation water is wasted when not required by farmers because of inadequate storage and inappropriate pricing of water.

4.2.7 Entry points for policy engagement and programmatic investment

Water Resources and Stormwater drainage

Most protection, rehabilitation and restoration of water resources is based upon catchments and ensuring that wastewater and solid waste do not contaminate or pollute water bodies to the extent that they cannot be used for economic purposes. The types of intervention required to address these issues tend to be multi-pronged through a combination of physical and non-physical interventions. The former is a combination of investment in improved drainage, and the latter is a broader approach to planning and awareness about the causes of floods.

A major change in approach to physical investments has been in the introduction of nature-based solutions (NBS). NBS provides a process to deliver sustainable urban services that can also reduce climate change impacts. It accomplishes this by introducing a more comprehensive perspective and approach to urban service delivery that can be utilised to address the multiple challenges of delivering infrastructure and services to urban areas. Rather than analysing, for example water supply, independently, the annual water cycle including water resources, wastewater management and reuse, groundwater recharge, and seasonal rainfall variations, are all considered. This then allows an identification of potential water stressed areas, where excessive run-off is increasing flood risks, and where pollution and may be occurring. At the same time, it can also include identifying appropriate green and blue infrastructure interventions that offer numerous linked benefits in terms of public health, social cohesion, biodiversity, and climate change mitigation, which create win-win solutions for society, the environment, and the economy. Not only does the NBS approach aim to provide services, but its effective application also reduces disaster risks, particularly those related to climate change.

Urban NBSs comprise a range of interventions, particularly in typology and scale. The common theme is that they utilise interventions that reflect the natural environment for effective application in urban areas. They can operate on several different scales and reflect a wide range of solutions that can

address multiple urban vulnerabilities. **Error! Reference source not found.**table below provides some examples of NBS at various scales.

Table 4: Examples of NBS at various scales

Scale	Stormwater management	Wastewater management	Water Supply	Solid waste	Circulation and access	Disaster Risk Management
Regional	Wetland management Afforestation		Afforestation	Final disposal		Afforestation Vegetation for slope stability
City-wide	Avoid encroachment onto surface water bodies and drains	Waste-stabilization ponds Reed beds to polish wastewater	Reservoir evaporation protection	Recycling plants	Sustainable Urban Drainage Systems Drain maintenance	Including NBS in building codes
Local/Community/Commercial and Industrial Developments	Sustainable Urban Drainage Systems Drain maintenance	Decentralized Treatment Water reuse for green area irrigation	Water reuse for irrigation Groundwater recharge Water districts	Recycling plants Composting	Maximize permeable surfaces Encourage non-fuel vehicle	Cleaning of surface water bodies Maximizing green areas
Household	Green roofs Maximise permeable areas	Greywater reuse	Rainwater harvesting	Reduce, reuse and recycle composting		Green retrofitting

The success of NBS is demonstrated in they are now increasingly being funded by a blend of public and private finance with international finance institutions progressively promoting and delivering finance for NBS interventions. Blending finance utilises any combination of public, private and donor funds for nature-based solutions. The application of NBS usually decreases capital costs through the use of natural materials and reducing the use of concrete and other manufactured construction materials. They still require effective operation and maintenance which can often be more labour intensive than traditional drains, in ensuring that areas intended for infiltration are not encroached upon and kept tidy and waste free. So funds need to be secured for both capital and operational costs. In the Philippines, a more labour-intensive approach is also a socio-economic benefit. Another advantage of NBS is that by substituting natural for manufactured construction materials, overall carbon footprints are reduced.

NBS financing usually requires a blending of financing strategies. There are multiple financing strategies that can be applied, such as market-based instruments that might utilize the “polluter pays principle” or more standard public-private partnerships. Payment for ecosystem services is another measure that can use innovative financing.

One area that causes severe and sometimes irreversible contamination of water bodies is poor management of hazardous waste. This can stem mainly from industrial activities as well as clinical waste. While the remit of this assignment does not cover solid waste, given its potential to impair water resources, potential interventions in this area should be considered. This really requires appropriate environmental discharge legislation combined particularly with effective monitoring, but industries can be supported by incentives and other financial assistance to install technologies required to treat hazardous waste.

Water Supply

A major constraint to the effective management of infrastructure facilities in urban areas of the Philippines is often affordability to the users which can prevent financial viability. Urban water supplies often follow the 80:20 rule, which is that 80% of an urban water utility’s income can come from 20% of the users: mainly large industries and commercial activities. The issue where capital and recurrent costs of water connections and supply service to the of socio-economic equivalent of *last-mile delivery* are not financially viable, needs incentives, invariably in the form of subsidies, which can

be a particular issue in private sector involvement in water supply. However, while water is an *economic good*, it is also a *merit good* – a commodity that should be made available based on need rather than ability to pay, as it is vital to human health, thus justifying subsidies. This issue is not unique to the Philippines and solutions have been identified and applied. It only needs the recognition of decisions makers to build safeguards into technical and financial designs to ensure that all residents benefit from water supply investments. Nevertheless, stepped tariffs, where a basic amount of water is priced below cost and higher charges are levied for additional consumption are commonplace in the Philippines and often negate the need for direct subsidies.

The technical skills to operate advanced technologies, such as water treatment plants, exist. With urban land becoming scarcer water treatment plants need to be more land-efficient implying more advanced treatment methods. With a PPP Centre already established, support across the water sector supply, particularly in utility management and technology transfer, are areas where UK expertise is strong and has the potential to assist the Philippines provide effective, efficient and sustainable water supplies for all urban needs and residents.

Urban Sanitation

While urban sanitation coverage is generally adequate and a key target to improve access to safe sanitation for all by 2030, the provision of sewerage systems (either centralised or decentralised) to collect and effectively treat wastewater, remains very limited. If adaptation goals of more effective use of the water cycle to address climate change issues with regard to water stress are to be achieved, safe household sanitation needs to be fully complemented with effective wastewater management. The current use of large septic tanks in high density urban areas is increasing polluting potential water resources, both on the surface and underground. Septic tanks only have very limited contaminant removal; equivalent to primary treatment (screening and settlement of solids) of a wastewater treatment plant. Many urban wastewater treatment plants are now designed to a fourth level treatment, where final effluent is “polished” so it can be used for irrigation or other non-potable uses.

As for water treatment, technical capacities exist for wastewater operations, it’s mainly a lack of finances, partially associated with both ULG and user affordability, that is the constraint. However, as various studies have shown, if the Philippines does not address its issues related to climate change and water security, this will stall economic growth. Given the major need for sewerage and wastewater treatment, the potential in advocacy, planning and identifying innovative financing, implementation, technology transfer and wastewater utility management, is stronger than in support to water supply. All with greater environmental and climate change-related benefits. Addressing both, from resource to recharge and reuse, via water supply, would pose the greatest assistance. Particularly in linking water supply and sewerage to provide affordable systems.

Entry points for policy engagement and programmatic investment are shown in the following table.

UK strength	Implications for the Water Sector	Strategic entry points for sector programming
Research and Capacity Building	UK has an excellent reputation in practical research and has long been involved in the management of water resources-based catchment areas – river basins. Extensive experience of privatising water and regulating private providers. UK’s privatised water utilities have extensive experience of using artificial intelligence and other computer-aided tools in operating and maintaining water and sewer systems, there are a few areas where the UK can support further scoping and research.	Assistance on the application of artificial intelligence for smart water management. Providing UK products and technology for managing run off and to replenish aquifers.

UK strength	Implications for the Water Sector	Strategic entry points for sector programming
Mobilising private finance , for the water sector	FCDO can help mobilise private finance—through TA, guarantees, early-stage risk capital, etc., including through BII, UK Export Finance, or the Private Sector Development Group. This also provides an opportunity to draw on UK expertise. The UK was a pioneer in private sector participation in the water sector with its establishment of river-basin based water authorities and their catchment area approach to managing the integrated water resource sector.	Support the PPP Center in developing different modalities of private sector participation in the water sector. Encourage LWUA to raise private finance to support the LWDs and LGUs to expand their water supply networks and improve sanitation. With the proposed sale of surplus water from National Irrigation Authority, management of bulk water supply appropriate storage facilities are necessary. Initially bulk water provision and storage facilities would be seen as the first step, with priority given to areas where interest is currently being shown by both the private sector and the local governments. Assist water utilities in improving creditworthiness. Equity investments, loans, and/or guarantees through BII, UKEF. Advising on blended finance, green and blue bonds flotation and other financial instruments to fund the capital intensive development including bulk water supply and storage, city-wide sewer and sanitation systems, septage treatment plants, for example.
Mobilising expertise across UK HMG and UK business and institutions	UK water companies, academe and consultants have significant experience and expertise in financing, operating and regulation of water supply and sanitation operations, and designing and constructing flood control facilities. For example, British companies involved in the design of large-scale water improvement projects in Metro Manila and elsewhere.	Technical assistance to the DENR and BCDA, for example, on the application of nature-based solutions Assist in the assessment of new water sources, including possible desalination Develop nature-based solutions and sponge cities development within the Philippine context. Technical advice on the hydraulic modelling of river systems
Influencing and leading on ESG, regulatory, and water supply and sanitation	Working with other development partners to manage risk and opportunities on water sector sustainability issues Efforts to conserve water, addressing climate change, improving access to water and sanitation especially for the	Promoting transparency within the water sector Mitigating social and environmental externalities of interventions into integrated water resource development.

UK strength	Implications for the Water Sector	Strategic entry points for sector programming
issues , mobilising and scaling up action, and overcoming co-ordination failures	vulnerable groups, streamlining reporting, appropriate regulation whether through the regulators or contracts in the case of PPPs.	Supporting capacity-building for nature-based solutions, mini-sewage treatment plants, aquifer recharging
Influence at the national level	UK has a long-standing relationship with the Philippine Government, including the DENR and others. There is scope to engage further at the national level on policy and technical advisory services to support the design and implementation of national water sector policy and new regulatory approaches.	Assisting the national government in formulating and implementing water resources policy and regulations, set within the framework of building resilience and responding to climate change. Support embedded consultants within DENR, LWUA and perhaps the larger LWDs, BCDA and within major city governments. Strengthening partnerships with relevant government offices, civil society organizations, the private sector and the academia to protect the environment and the country's , water resources, and its people.

4.3 Energy

The section provides an overview of the Philippine energy sector, divided into upstream (fuel sourcing and generation), midstream (transmission), and downstream (distribution and supply) segments. Despite efforts to increase energy self-sufficiency, the Philippines continues to face significant challenges. The section highlights the critical need for expanded renewable energy development, as outlined in key national plans and programs aimed at fostering sustainability, resilience, and efficiency in the energy sector.

4.3.1 Defining the sector

The Philippine energy sector value chain is divided into four key segments: fuel sourcing and generation, transmission, distribution, and supply, shown as Figure 21.⁴⁷

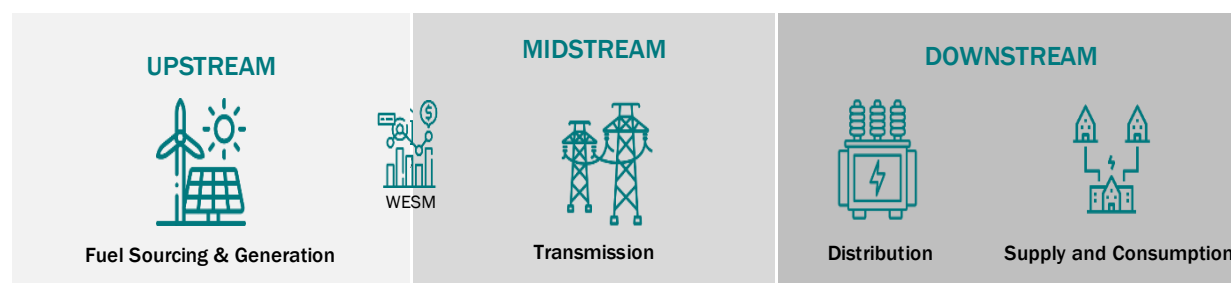


Figure 21: Segments of the energy sector.

⁴⁷ DOE. RA 9136.

Generation is the process of producing electric power from primary energy sources. It includes the design, construction, operation, and maintenance of plants and associated power storage to generate usable energy from nuclear, fossil, and/or renewable sources. As of November 2022, in the Philippines, there were 227 generation companies operating 590 powerplants, 287 of which are on-grid, whilst the rest operate off-grid. However, since the market is fairly consolidated, most generation is undertaken by the Power Sector Assets and Liabilities Management Corporation (PSALM), the San Miguel Corporation, AboitizPower Company, First Gen, ACEN Corporation, Shell PLC, and DIANTER Renewable Energy Resources Philippines—in no particular order.⁴⁸

Generated energy is traded on the Wholesale Electric Spot Market (WESM), which is operated by the private, non-stock, non-profit corporation, the Independent Electricity Market Operator of the Philippines (IEMOP), and governed by the Philippine Electricity Market Corporation (PEMC).

Transmission is the bulk movement of energy from the site of generation to electrical substations. The system comprises three grids according to the country's major islands: the Luzon, Visayas, and Mindanao grids, which are sub-divided further into transmission grids and sub-transmission networks, both of which are predominantly operated by a single concessionaire, the National Grid Corporation of the Philippines (NGCP), which is a consortium of three corporations: Monte Oro Grid Resources Corporation, Calaca High Power Corporation, and State Grid Corporation of China. Generation companies, electric cooperatives, and distribution utilities can also operate some transmission lines, but only under certain conditions. Energy is transmitted across power lines and networks operating within voltage ranges of 69kV to 500kV, according to line lengths and distance, before downstepped to distribution networks prior to the transfer to end-user consumption. Distribution is undertaken by private investor-owned utilities, and electric cooperatives, and most notably, Meralco, the country's largest distribution utility company, which has been privately owned for many years.

Supply involves distributing electricity to consumers, and covers customer service, metering, and billing and collection of tariffs. Distribution utilities also fulfil supply functions, along with retail electricity suppliers that are directly connected to the NGCP, and operate exclusively at the supply level. Where private investor-owned utilities (PIOUs) and electric cooperatives provide power to captive customers, the retail electricity suppliers provide power to a contestable customer base.⁴⁹

Despite the sector's unbundling and privatisation in 2001 to foster innovation, efficiency, and lower power costs, much more work needs to take place to foster greater energy self-sufficiency, resilience, and sustainability. This can be accomplished through the expansion and development domestic energy supply, particularly in renewables, which is supported by the PDP 2023-28, the Philippine Energy Plan (PEP) 2020-2040, and the National Renewable Energy Programme (NREP) 2020-2040.

4.3.2 Sector importance

The Philippines has the most privatised operations of the energy sector within Southeast Asia. However, the country remains dependent on primary supply imports; and after Singapore and Japan, has the highest, unsubsidised energy prices in Southeast Asia.⁵⁰

In 2022, primary and final energy consumption in the Philippines was 50.4 and 35.9 million tonnes of oil equivalent (MTOE), respectively.⁵¹ Although total primary energy supply (TPES) for the same year was 61.6MTOE, domestic energy sources supplied less than half, with net imported energy increasing for the second consecutive year.⁵²

Over the last five years, total final energy consumption (TFEC) has increased by an average of 6% annually, with the transport sector having the largest share of consumption, followed by industry,

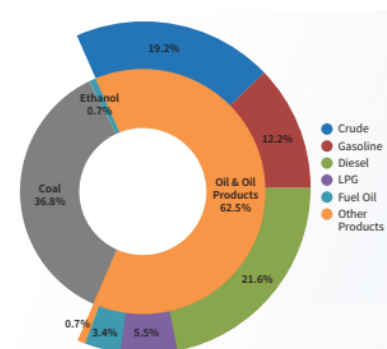


Figure 22: TFEC Sectoral Share (2018-2040)

⁴⁸ Mordor Intelligence. 2023. Philippines Power Companies.

⁴⁹ DOE. 2022. The Philippine Energy Regulatory Framework.

⁵⁰ Lopez, E. 2023. Filipinos pay more for electricity compared to many ASEAN neighbours.

⁵¹ Statista. 2023.

⁵² Philippine Energy Situationer: 2022.

households' use, and then services. Road transport, by far, is the dominant subsector, accounting for 96% of the sector's oil consumption. Energy demand is forecasted to increase further with ongoing and planned developments in rail, road, and air infrastructure.

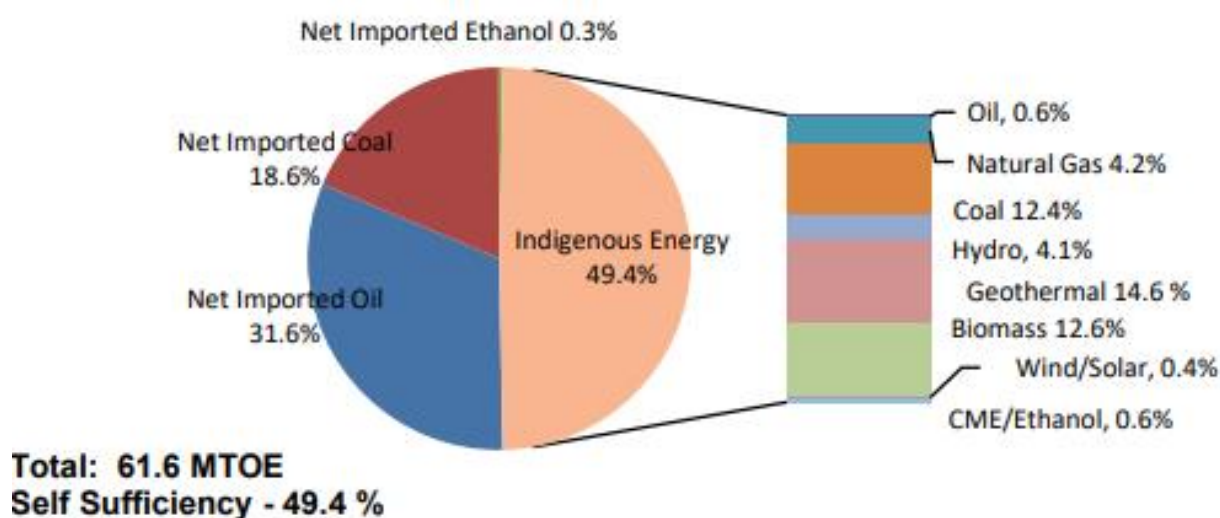


Figure 23: Net energy imports, by fuel (in %) 2022.

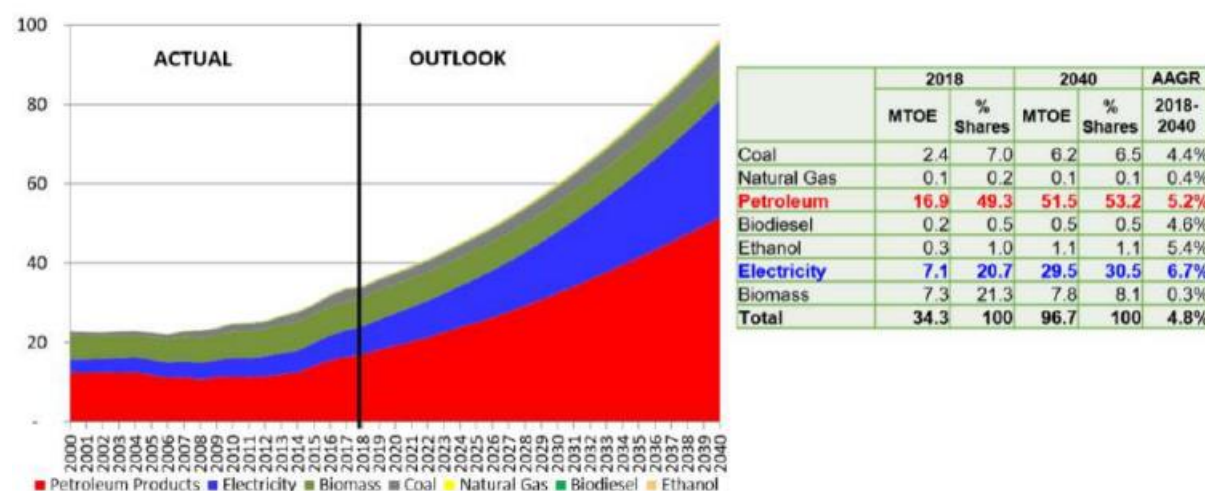


Figure 24: Energy import outlook 2018-2040.

Industry, comprising manufacturing, mining, and construction, has a slower growth in energy consumption, largely attributed to the closure of several mining firms in 2017, thereby reducing the sector's overall energy intensity. However, this pushed the country towards greater fossil fuel imports to meet rising demand. In 2022, net imported energy was reported as 31.1MTOE, up 7.6% from 2021's 28.9MTOE,⁵³ with the bulk of imports being oil and oil products, followed by coal, then diesel (Figure 2). Household energy usage is largely from biofuels (53%), electricity (32%) and oil (16%) products.

⁵³ Ibid.

The country's economy is driven primarily by these energy-intensive sectors, which will grow with technology modernisation, infrastructure development, and electrification as the Philippines reaches upper-middle income status. Reliable access to energy is fundamental to all sectors and the overall wellbeing of the population. It is crucial to achieve greater energy self-sufficiency to strengthen the country's economic, social, and environmental security, growth, and resilience.

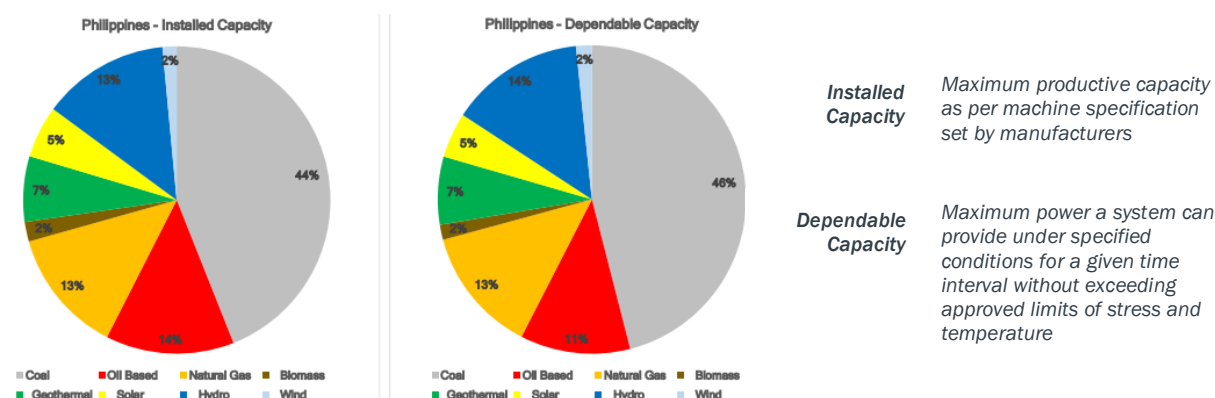


Figure 25: Installed and Dependable Capacity in 2022.

Renewable energy (RE) contributes 29% to the energy mix, but remains well below its potential.⁵⁴ Coal and oil make up approximately 63.2% of the TPES, and 57% of dependable capacity—percentages that have increased over the last five years, despite the push for RE.⁵⁵

Given present trends, final energy consumption is forecasted to increase to 96.7MTOE by 2040, where oil and oil products would still provide 50% of demand, given current generation and limited EV capacities and penetration.

4.3.3 Major initiatives and projects

RE capacity development is private sector-led, and heavily incentivised through tax holidays, credits, and reductions provided through legislation. As of July 2023, the Department of Energy (DOE) reported 265 registered participants in renewable energy market,⁵⁶ who are implementing several initiatives and projects. Of these, notable ones in key RE sectors are shown below.

Project	Description	Capital expenditure
Laguna Lake Floating Solar Development ⁵⁷	The Laguna Lake floating facilities is estimated to have a generation potential of 1.3GW—enough to power 1 million homes. 2,000ha of the inland Laguna Lake has been auctioned off by the Laguna Lake Development Authority with DOE's recommendation for the development of floating solar farms under 15 contracts, which are expected to contribute 1,880MW by 2026. Contracts have been awarded to local Ayala-led ACEN Corp., Singapore's Blueleaf Energy Asia Pte. Ltd., SunAsia Energy, Inc., and Vena Energy Corp.	US\$ 1.5-1.7 billion
Solar Energy Zones	Development of 10,000ha of flat, dry, and irradiated land in Batangas, Nueva Ecija, and Tarlac. ⁵⁸ Solar Philippines has been working on securing a lease and	Not available

⁵⁴ ASEAN Briefing. Philippines Opens Renewable Energy to Full Foreign Ownership. Published 11 January 2023.

⁵⁵ Clean Air Asia. Uncovering Philippines' Coal Experience. Published 1 February 2022.

⁵⁶ PEMC. Philippine Renewable Energy Market System (PREMS). List of Registered Participants. July 2023.

⁵⁷ CleanTechnica. Philippines' Largest Inland Lake to Host Large-Scale Floating Solar Projects Producing Up To 1,800MW. Published Online.

⁵⁸ Solar Philippines. Available Online.

Project	Description	Capital expenditure
	purchase agreement over the last six years for the target zones, which will be opened to third-party locators and partners seeking to build and operate solar farms.	
Nissan Blue Switch Initiative	Part of an ASEAN-wide initiative wherein Nissan builds strategic partnerships with government and private sector partners across the region to promote electric vehicle (EV) use to support disaster relief efforts, energy sharing, carbon reduction, and eco-tourism development. ⁵⁹	Not available
Expansion of EV capacity and usage	ADB loan to support Korean telecommunications, and electronics manufacturing company, Wyntron, Inc. to develop EV charging equipment with fast and overnight charging capabilities. ⁶⁰	US\$20m
Various Geothermal Projects	In 2023, several projects and feasibility studies for geothermal development have been undertaken, providing about 400MW of additional capacity produced by the Philippine Geothermal Production Co. Inc (PGPC) in Kalinga, Benguet, Cagayan, Camarines Norte, and Camarines Sur. ⁶¹	Not available
Energy Development Corp. Geothermal Development	The country's largest geothermal power producer announced plans to drill 40 new geothermal wells in Leyte, and the southern region of Davao. ⁶²	US\$ 1.1 billion
Off-shore Wind	As of November 2023, DOE has awarded 82 off-shore wind energy service contracts which target 63.36GW of additional capacity, of which 10 (6.72GW) should be operational by 2028. ⁶³ These projects will be located along the north Luzon, northern and southern coasts of Mindoro, Panay, west of Manila, and in the Guimaras Strait. DOE is also coordinating with the Department of Transport (DOTr) and the Philippine Ports Authority (PPA) in identifying ports for upgrading to support off-shore wind projects. It has secured support from the Energy Transition Partnership in marine spatial planning, permitting, and consenting. Grid integration and transmission planning will be carried out with World Bank Group assistance.	Not available
4,540MW Hydro Power Plants	Five major hydro power projects separately developed by JBD Water Power, Kibungan Hydropower, National Power, Belisama Hydropower, and First Gen Primate Energy in Calabarzon, Cordillera Administrative Region, and Nueva Ecija. ⁶⁴ All plants are estimated to be commissioned by 2030-2031.	Not available

⁵⁹ Nissan News. Nissan Introduces Blue Switch Program to ASEAN Region. Available Online.

⁶⁰ ADB SEADS. Jumpstarting the EV Market in the Philippines. Published 16 March 2023

⁶¹ Think Geoenergy. PGPC plans 5 new geothermal projects in the Philippines. Published 14 November 2022.

⁶² NIKKEI Asia. Philippines' Lopez Group to pour \$1bn into geothermal energy. Published 28 September 2023.

⁶³ The Philippine Star. Government Urged to Have Stake in 1st Offshore Wind Project. Published 18 December 2023.

⁶⁴ Power Technology. Top five hydro power plants in development in the Philippines. Published 19 July 2023.

4.3.4 Policy and institutional landscape

The DOE administers the energy sector, and prepares the policies, roadmaps, and strategic plans that guide the direction of the Philippine power industry. The current regulatory framework was established under Republic Act 9136, or the Electric Power Industry Reform Act (EPIRA) of 2001. This transformed the power industry through the unbundling and privatisation of the entire value chain, with distribution and transmission later being declared as public utilities. Through EPIRA, the Energy Regulatory Commission (ERC) was established as the overarching regulatory body for the sector, supported by the National Electrification Administration (NEA) for electric cooperatives, and most recently, the Philippine Competition Commission (PCC),⁶⁵ with the generation and supply sectors operating competitively, and the distribution and transmission sectors operating under greater regulation.⁶⁶

Other laws were passed and built on EPIRA, supported PDP and PEP objectives, and accommodated and responded to the changing environmental and climate landscape. These are shown below.

Policy	Description
Biofuels Act 2006 (RA 9367)	Mandated that all liquid fuels for motor vehicles and engines must contain locally-sourced biofuel components.
Renewable Energy Act 2008 (RA 9513)	Significant tax incentives (holidays, preferential rates, exemptions, credits including carbon). Circular 2022-11-0034 in 2022 removed stipulations requiring Filipino ownership to RE resources, allowing foreign investors to own 100% equity in exploration, development and use of solar, wind, hydro, and tidal energy resources.
Climate Change Act 2009 (RA 9729)	The Act established the Climate Change Commission, and integrated mitigation and adaptation components into development and poverty reduction programmes. It also mandated the inclusion of “gender-sensitive, pro-children, and pro-poor perspective[s]” in RE plans and programmes to strengthen inclusive and resilient development for all.
Mini-Hydro Law 1991 (RA 7156)	Supports the strengthening indigenous and self-reliant technological resources and capabilities for energy self-sufficiency through the incentivisation of development, operation, machinery and materials importation for mini-hydroelectric power developers.
Energy Virtual One-Stop Shop 2018 (RA 11234)	Development of an online platform to streamline the permitting processes of power generation, transmission, and distribution projects.
Murang Kuryente Act [Affordable Power Act] 2019 (RA 11371)	Php208 billion concession from Malampaya Fund for PSALM’s stranded contract costs and debts assumed from the National Power Corporation to protect public interest and ensure the provision of reliable and affordable energy.
Energy Efficiency Act 2019 (RA 11285)	Institutionalisation of policies on energy efficiency and conservation, to increase energy efficiency and renewable energy technologies, and mandate activities toward its achievement. This also includes the strengthening of the labelling initiative to set out energy efficiency requirements of air conditioners, refrigeration appliances, televisions, and lighting products.

⁶⁵ ADB. 2018. Philippines: Energy Sector Assessment, Strategy, and Roadmap

⁶⁶ ERC. 2022. The Philippine Energy Regulatory Framework. Presentation by Atty. Monalisa C. Dimalanta. ERC Chairperson and CEO.

Policy	Description
Electric Vehicle Industry Development Act 2022 (RA 11697)	The EVIDA Law sets out the regulatory framework and roadmap to expand the operation of EVs. Addresses issues associated with energy imports and fossil fuel dependence.
Adopting a National Position for a Nuclear Energy Programme 2022 (EO 164)	The country remains divided on nuclear energy development. The International Atomic Energy Agency (IAEA) prescribed a 19 milestones approach to support the country's nuclear power sector, the first step of which is to establish a national policy.
Philippine National Nuclear Energy Safety Act (House Bill 9293)	As of November 2023, PhilATOM, aims to provide a “comprehensive legal framework for nuclear safety, security, and safeguards” for the safe usage of nuclear energy. Approved by the House of Representatives, but no further updates are available on the status of bill.

4.3.5 Development assistance and financing

The DOE has opposed tapping ODA loans for energy infrastructure-related development. As such, most, if not all development assistance and financing in the sector are focused on the provision of technical assistance and capacity building under grant funding. Major development partners have expressed varying levels of interest in increasing their involvement in the energy sector, but have also cited DOE's preference for TA support, while the privatised nature of the sector may limit further participation. As activities carried out to expand generation, transmission, or distribution capacity are carried out by the private sector, the extent of international development partners' involvement is primarily in coordination. For example, a Japanese private sector firm seeks to develop a solar farm; coordinating and securing required approvals from relevant Philippine government agencies and entities will be carried out and/or supported by Japan.

Development partner	Description
UK	The preparation of the Energy Efficiency and Conservation Roadmap 2023-2050 was jointly supported by the UK Government, Carbon Trust, and USAID. The Strategy focused on institutional capacity building and the institutionalisation of energy conservation at a national and local levels. It sets targets for long-term emissions savings to reduce pollution, greenhouse gas (GHG) emissions, enhance energy security, and lower energy costs, with the ultimate goal of decoupling economic growth from energy demand and emissions.
USAID	USAID's Energy Secure Philippines (ESP) (2021) is a five-year, US\$34m project focused on deploying clean energy systems, improving the efficiency of energy utilities, enhancing competition, and making progress toward climate mitigation objectives in the country. In 2023, ESP strengthened gender equality and development components to better align with USAID's Gender Policy, Philippine government's Updated Gender Equality and Women's Empowerment Plan, the updated PDP, and the Philippine Plan for Gender-Responsive Development through its Women in Energy Leadership, Innovation, and Resilience activity. USAID has undertaken capacity building of local governments, to support the institutionalisation of Local Energy Codes, Local Energy Efficiency and Conservation Programmes (EECPs), Local Energy Plans, comply with the Government Energy Management Programme, and integrate the Energy Virtual One-Stop Shop (EVOSS) system. USAID also developed the Retail Electricity Online Portal (2023), a web-based monitoring platform for the competitive retail electricity market. It provides a digital marketplace for consumers to promote freer competition, and reduce energy costs. City of Energia (2023) is an online portal aimed at expanding awareness and best practices in energy efficiency, identification, regulation and consolidation of EV operators and applicants to standardise the sector, and facilitate compliance

Development partner	Description
	requirements of businesses operating in the commercial, transport, and industrial sectors.
JICA	Unique solar power technology was introduced in the Pampanga Economic Zone in partnership with Japanese company, Advantec. This is estimated to produce 3.6m KW annually. There is also hydroelectric project proposal with DOE but no further details were available or shared. The Philippines LNG Terminal, which began operations in 2022, is part owned by Osaka Gas and the Japan Bank for International Cooperation, has a 5 mtpa capacity, as of 2023.
UNDP	UNDP's De-risking Renewable Energy Investment (2020) programme carried out a de-risking analysis for off-grid solar in BARMM.
Energy Transition Partnership (ETP) ⁶⁷	Upgrading Energy Regulations for the Energy Regulatory Commission (ERC) of the Philippines to strengthen the ERC's capacity to champion the energy transition. The Demand-side Management Policy project focuses on aligning policies with climate targets. It aims to establish a Policy and Programme for the energy sector to reduce energy demand, enhance grid efficiency and reliability, delay the need for additional power plants, reduce GHG emissions, and displace fossil-fuel based power generation. Smart Grid Transformation in the Power Distribution Sector project seeks to develop a financing framework and investment options for Electric Cooperatives. . Establish an energy service company (ESCO)-in-a-Box Platform to support local ESCOs through the provision of legal and financing tools to facilitate transactions, provide technical training, and operational guidance. Philippines Grid Diagnostic and Roadmap for Smart Grid Development project supports modernisation through investment upgrades and improvements to the governance structure. Upgrading Design and Implementation of the Energy Battery Storage Market Mechanism of the Philippines Electricity Market Mechanism
EU	EU's Access to Sustainable Energy Programme (2016-2021) supported rural electrification through RE development and energy efficiency. Under the programme, the EU is to provide a EUR 60 million grant to support the Philippines' green economy transition through the Green Economy Programme in the Philippines (GEPP). Initiatives will include, among others, work on energy efficiency and renewable energy deployment.

4.3.6 Sector performance

The PDP, PEP, and NREP have all set ambitious targets to support the vision of a resilient and inclusive clean energy future for the Philippines. Energy transition targets include the expansion of REs in the energy mix to 35% by 2035, and 50% by 2040, 10% EV penetration rate, 5% energy savings on oil products, and GHG emissions reduction of at least 12%.

Despite this, the trend in RE's contribution to the energy mix has varied, falling from 33% in 2009 to 21% in 2019, to 21% and 29% in 2021 and 2023, respectively. The current administration has been vocal in its support for tapping into RE potential, particularly with recent updates in legislation amendments and incentives to attract both local and foreign investment in the sector.

⁶⁷ Southeast Asia Energy Transition Partnership (ETP) is a multi-donor partnership formed by governmental and philanthropic partners to accelerate sustainable energy transition in Southeast Asia in line with the Paris Agreement and Sustainable Development Goals. Philippines is one of the partner countries.

Beside opening up RE development and operation to 100% foreign ownership, progress has also been made in setting up a nuclear power framework for the country. Although there is still a long way to go, the PhilATOM House Bill has been signed, which should support the country accomplishments under the International Atomic Energy Agency's considerations.

Sector strengths and growth drivers and constraints and downside risk are shown below.

Strengths and growth drivers	Constraints and downside risks
RE potential. Development of RE capacity with the aim of transitioning from fossil-fuel based generation is substantial and largely untapped. Favourable political environment. Energy efficiency, RE expansion, and reduction of fossil fuel dependency are government priorities, under incentives and legal / regulatory reform to attract both local and international investment. Under the EEC Act, for example, there are some 39 energy efficiency-related issuances to set the framework and guidelines accordingly. RE sector investment/ownership restrictions lifted. Foreign investors are able to own up to 100% equity in Philippine entities engaged in the exploration, development, and utilisation of solar, wind, hydro, ocean, and tidal energy sources. Process improvements. The EVOSS enables the synchronous processing of information, and serves as decision-making portal for permits and certification for generation, transmission or distribution projects, improving efficiency and transparency. Existing relationship with DOE. FCDO supported the DOE in the development of the NEECP,	High electricity prices. Philippines has one of Asia's highest electricity tariff rates A challenge to grow generation capacity at the pace of demand growth, particularly in certain parts of the country such as Mindanao High capitalisation requirement. Although technology to harness and store RE is likely to become more affordable over time, the time and costs associated with securing permits, development, construction, operation, and maintenance are high. No penalties or disincentives for using other energy sources. Although encouraged, there are no regulations that mandate energy transition, or penalise continued use of fossil fuel sources. Weak demarcation and accountability across sector institutions

4.3.7 Entry points for policy engagement and programmatic investment

A sizeable component to the UK international development and partnership strategies is in supporting and investing in climate resilience, clean energy development, just transitions, and green infrastructure. The Philippines' energy sector priorities are outlined across four major strategic plans, and for 2024 onwards, seek to secure an energy future that is clean, efficient, and accessible to all. Overarching objectives presented in its plans include the integration of major grids, retail competition and open access (RCOA), exploration and expansion of alternative and RE sources, complete electrification, and the overall improvement of the sector and its processes, operations, and resilience. Clearly, there is significant potential for the UK to support and facilitate high-impact and sustainable transformations in the Philippine energy sector.

UNITED KINGDOM	Key Guiding Strategies	PHILIPPINES
UK International Development Strategy		Philippine Energy Plan 2018-2040
ASEAN-UK Plan of Action		Power Development Plan 2020-2040
UK International Climate Finance Strategy		Philippine Development Plan 2023-2028
UK Export Finance Business Plan		National Energy Efficiency and Conservation Programme 2023-2050

Given the sector's level of privatisation, G2G opportunities would realistically be limited to the provision of TA and capacity building. Outside of grant-supported work, meaningful involvement in the Philippines energy sector could occur through the BIP. For example, BII aims to provide patient, long-term capital to support private sector growth and innovation, particularly in RE ventures, and climate finance, which aligns with the UK's objectives

for supporting just transitions, improving energy access, and delivering climate finance under its ASEAN-UK Plan of Action, Climate Finance Strategy, and Just Energy Transition Partnerships.

Reference Scenario

35% RE Share by 2040

LNG Imports 2022

Biofuels blending (2% biodiesel, 10% bioethanol)

5% EV Penetration

**based on existing trends*

Clean Energy Scenario

35% RE by 2030; 50% by 2040

1.5% increase in LNG consumption

5% biofuels blending starting 2022

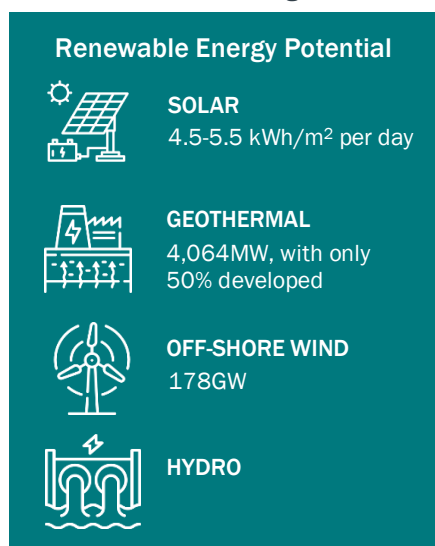
10% EV Penetration

5% energy savings on oil products

12% GHG reduction for NDC

Energy Transition, Efficiency and Conservation

The UK demonstrated significant success in its coal phase-out, having cut production and use to just



over 1% of the country's energy mix in 2023⁶⁸, from 22.6% in 2015, and 91% in the 1970s.⁶⁹ It has dropped coal and gas usage by 97% and 45%, respectively, whilst expanding the RE share, particularly through offshore wind development. The experience and lessons learned in these endeavours, supplemented further with the FCDO's Whole Systems Approach (WSA) to Energy and WSA Tool could be useful in guiding a coal phase-out, RE expansion, and overall carbon and green transition in the Philippine context.

Through its Green Deal, the UK also has reduced energy demand, and thus, intensity. With household energy usage accounting for a third of final energy consumption in the Philippines, much could be learned to accelerate initiatives and progress toward objectives laid out in the country's updated NEECP 2023-2050. The push for wider adaptation of energy efficient appliances, buildings, and infrastructure is also anticipated to require significant investment at both the national and local levels, to support public sector EEC targets.

Regarding technical assistance and institutional strengthening, the FCDO can engage the DOE to support the development, and funding of a network price control and performance framework and investment programme, similar to that of UK's own RIIO-2, to tighten market regulation, provide the benefits to consumers, and further facilitate the delivery of cleaner energy.

Digitalisation

A major component of Philippine development objectives is in digitalisation across all sectors, to enable data-driven decision-making, transparency in reporting, real-time monitoring and management, and rapid response. As one of the leading asset management powerhouses, the UK offers greater value add to energy infrastructure. The UK has made groundbreaking advancements in manufacturing, transport, and energy, through advancements in asset and enterprise risk management systems, digital infrastructure, and data and AI-enabled operations. Application of technological and system advancements can take place in emission tracking and reduction,

⁶⁸ Carbon Brief. 2024. Analysis UK Electricity from fossil fuels drops to lowest level since 1957. <https://www.carbonbrief.org/analysis-uk-electricity-from-fossil-fuels-drops-to-lowest-level-since-1957/>

⁶⁹ UK Energy Statistics. 2016. https://assets.publishing.service.gov.uk/media/5a819976ed915d74e623322f/Press_Notice_March_2016.pdf

optimisation (waste reduction, system reliance, theft and transparency), data organisation and insights (specifically to fill in the significant gaps in data identified in the NEECP), or dashboards to improve monitoring and evaluation (M&E), management, and KPIs. With broader FCDO support, private sector and non-profit entities with experience of working and coordinating regulated markets can continue to grow, and potentially establish themselves in the Philippine energy market.

Private Sector Investment and Mobilisation

An overarching theme across UK's international partnerships and development strategies, is with the expansion of investment, funding, and support for climate-related pursuits. Specifically mentioned objectives include, supporting just transitions and clean energy development, adaptation and resilience, wide-spread electrification, GHG emissions reduction, the expansion of UKEF's clean growth portfolio, mobilisation of private-sector finance, and doubling the country's climate finance contributions by 2026.

There is a sizeable alignment in priorities between the countries, particularly in:

- **Universal electricity access by 2030.** In 2021, electricity access in the Philippines was reported at 97.5%. Those without access, <3%, comprise some 880,000 households in rural and less developed regions, have limited accessibility to the primary grid, and other municipal services.
- **Net-zero and just energy transition.** The country seeks to expand its RE share and reduce reliance on coal and oil-fired production and imports. Off-shore wind and hydropower generation have not been widely developed, with the UK ranking top 5 in world in 2022 for wind-powered electricity generation (generating 80TWh from wind alone), and with 25% of UK electric coming from wind power, there is an opportunity to leverage UK expertise to support the Philippine's RE targets.
- **Investment mobilisation.** Progress in the power sector's EEC and RE targets requires a significant amount of infrastructure development as pointed out by some NGA department heads during the KILs, exceed the financial capacity of even the country's largest conglomerates. Although projects are proposed, more will be required to make significant strides toward energy self-sufficiency.

In summary, within the energy sector, FCDO's key strengths and comparative advantages include:

UK strength	Implications for Energy Programming	Strategic entry points for sector programming
Supporting green growth	The UK has achieved much success in its own green growth, and in moving away from the use of traditional fuel sources. That, partnered with its expertise and investment, can serve to make significant progress in the Philippines energy sector's clean energy objectives.	Supporting energy resilience and RE as a backbone for green growth, driving the transition towards a low-carbon economy.
Research and Capacity Building	UK has an excellent reputation as a research broker and has made great strides in EEC, renewable, and alternative energy. Although much work has already been done and/or is in progress to support the sector's energy transition, investment, and expansion strategies, there are a few areas where the UK can support further scoping and research.	Hydrogen and green hydrogen potential and usage, nuclear power feasibility and its regulatory framework. Provide support in bridging the data-gap, and accelerating digitalisation efforts to facilitate data-driven management and decision-making.
Mobilising private finance, for	FCDO can help mobilise private finance (through TA, guarantees, early-stage risk capital, etc.), for example	Restrictions on the ownership of operating entities have been lifted, allowing for foreign ownership of

UK strength	Implications for Energy Programming	Strategic entry points for sector programming
RE development and green transition	through BII, UK Export Finance, or the Private Sector Development Group. This also provides an opportunity to draw on UK expertise.	equity in firms engaged in the exploration, development, and usage of solar, wind, hydro, and tidal energy resources. Investment, loans, and/or guarantees through BII, UKEF or other relevant green and transition bonds to finance high-capital developments in off-shore wind, hydro, and solar power generation.
Mobilising expertise across UK HMG and UK business and institutions	Between HMG, British business, and UK institutions, the UK has significant experience and expertise in energy.	Whole Systems Approach (WSA) to Energy in guiding a coal phase-out, RE expansion, and overall carbon and green transition in the Philippine context
Influencing and leading on ESG, regulatory, and energy issues , mobilising and scaling up action, and overcoming co-ordination failures	Working with like-minded development partners to influence private sector intervention and investments. Whole of Systems Approach to Energy, Data and AI-Driven Management and Decision Making, Regulatory guidance for improved price controls and performance.	Advice on the development and expansion of RE and alternative energy sources, and regulatory guidelines and framework to ensure sustainability, transparency, and continuous improvement. Supporting capacity-building for off-shore wind, and off-grid systems Unlocking indigenous potential in RE, gas, and hydrogen Support in improving regulatory frameworks, price controls, and incentivisation to favour RE and deliver the significant benefits to end-users
Influence at the national level	UK has broad and deep relations with the Philippine Government. There is scope to engage further at the national level on NEECP, the update of which was supported by the UK Government, and PEP targets.	Strengthening partnerships with relevant government offices, civil society organizations, the private sector and industrial players, and the academia to develop acceptable, science-based and risk-informed strategies to harness RE capacity, and maintain a high standard of care and operations to protect the environment, natural resources, and people.

4.4 Mining

4.4.1 Defining the mining value chain

The mining value chain comprises five key segments: exploration, mineral extraction (or mining), intermediate processing, product manufacturing, and recycling. Figure 22 provides an illustrative example of the segments of the mining value chain.

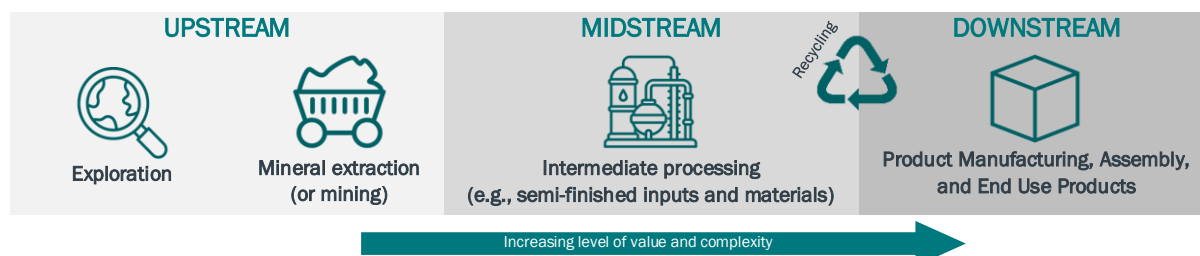


Figure 22: Segments of the mining value chain.

Mineral exploration is the search for minerals that occur in concentrations that may be economically viable to extract and process. Exploration covers a wide range of activities, including reconnaissance, geological surveys, prospecting, and feasibility studies. There are currently 47 active Exploration Permits (EP) granted by the DENR's Mines and Geosciences Bureau (MGB).

The next step is mining, which is the process of extracting minerals and other materials. There are two main methods of mining: surface/open-pit and underground. The choice depends on the size, shape, and ore grade or mineral richness of the deposit. The Philippines instituted a ban on open-pit mining for copper, gold, silver, and complex ores in 2017, which was subsequently lifted in 2021. While specific operations may differ, mineral extraction generally involves the use of heavy machinery for drilling, blasting, excavating, loading, and hauling minerals for processing. Mining is typically capital-intensive, and new mines can take anywhere from five to 25 years to become operational. There are 57 operating metallic mines in the Philippines. Small scale mining (artisanal mining) is also common.

Intermediate processing refers to actual mineral processing, chemical extraction, and refining. Mineral processing treats the ore to eliminate as much waste as possible. Chemical extraction often uses high-temperature processes, such as smelting or aqueous solutions, to process the metal-bearing solids and transform them into intermediate compounds that are refined to their elemental or metallic state. There are currently seven processing plants or smelters in the Philippines. Once processed, the metals are used in any number of end use products. Nevertheless, most metals in the Philippines are currently extracted and exported for processing abroad.

Recycling helps relieve the pressure on primary resources and presents a cost-effective and environmentally friendly alternative to opening new mines, effectively feeding into a circular value chain.

The significance of critical minerals has surged alongside the increasing need to facilitate the transition towards a greener future

Batteries, electric vehicles (EV), solar panels, windfarms, and transmission lines generally require more critical minerals to build than their fossil fuel-based counterparts. The types of mineral resources used vary by technology. Lithium, nickel, cobalt, manganese and graphite are used in batteries. Rare earth elements are essential for permanent magnets used in wind turbines and EV motors. Electricity networks need a large amounts of aluminium and copper. The rapid growth in demand is providing new opportunities for the industry, but supply chain disruptions and geopolitical uncertainty has complicated where critical minerals might come from.

Source: International Energy Agency (IEA)

Mining value chains face pressure from recent shifts in commodity markets, including strong price fluctuations, shrinking value pools, and changing market structures. Environmental, social, governance (ESG) and climate concerns continue to evolve, with new regulatory policies and requirements being introduced.⁷⁰

To build competitive value chains, different stages of the industrial process need to be integrated. In the Philippines, the current focus is upstream, primarily around minerals extraction and limited intermediate processing. Recognising the evolving landscape, the PDP 2023-28 identifies the development of value-adding activities and downstream industries within the mining sector as a key priority.

4.4.2 Mining sector importance

According to DENR-MGB, 30% percent of the country's land area, or about nine million hectares, is identified as having high mineral potential, although only about five percent of this has been explored and three percent are covered by mining contracts.

The Philippines is amongst the top countries in the Asia-Pacific region regarding metal reserves, notably for copper, nickel and gold. Quartz, mica, iron, gypsum, feldspar, chromite, calcite and sulphur are also found but in smaller quantities.

The Philippines is a significant contributor to nickel markets, ranking fourth in terms of reserves globally, and producing an estimated 360,000 metric tons of contained nickel in 2022, equivalent to 11% of the global production. Cobalt is the main factor for the increased interest in minerals used in the production of batteries in the Philippines. The country has the fourth-largest cobalt reserves globally, with an estimated 280,000 tonnes. The Philippine's copper reserves are 4.8 billion tonnes, approximately two-thirds of the country's total metal reserves. Much of the copper and nickel reserves lie in underdeveloped projects, presenting an opportunity for the country, particularly amid the rising global demand for green metals.⁷¹ The country's robust nickel and copper production is expected to continue, supported in part by the anticipated commencement of operations at the Tampakan project⁷² (see Section 4.4.3 for more detail).

However, it is a different story for gold, as production from new mines starting operations in 2025 is expected to be insufficient to cover the impact of several gold mines going offline.⁷³

Table 1: Philippines metal production

Metal			2022 production	Global ranking	Share of world production
			Metric tonnes		
Critical minerals	Major battery metals	Lithium	-	-	-
		Nickel	360,000	2	11%
		Cobalt	3,800	5	2%
		Graphite	-	89	Negligible
	Copper		258,729	29	0.3%
Gold			29	26	1%
Silver			56	22	Negligible
Chromite			147,492	17	Negligible

Source: DENR. MGD. Online.

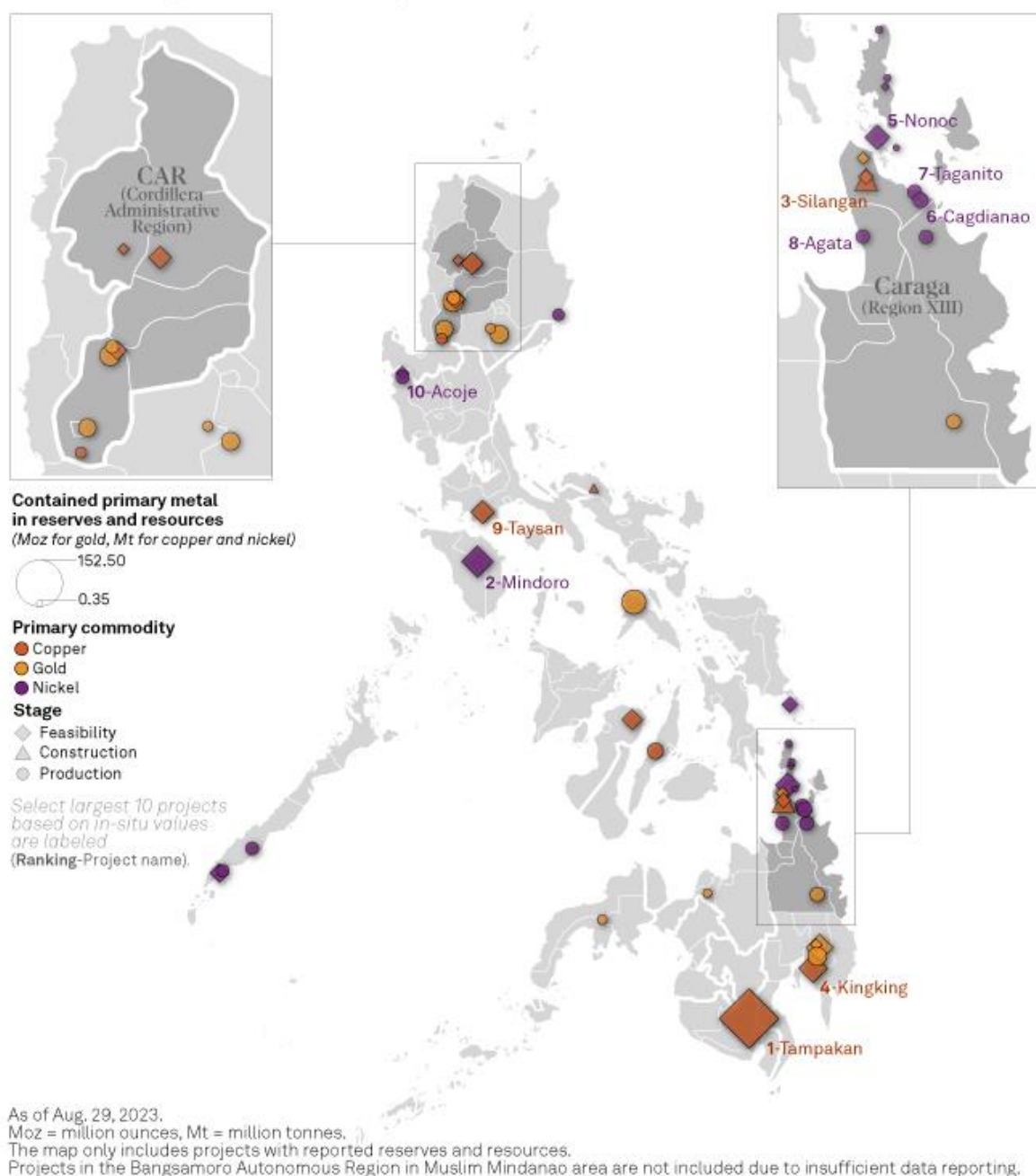
⁷⁰ PwC. 2023. Mine 2023: 20th edition: The era of reinvention.

⁷¹ Ibid.

⁷² S&P Global Market Intelligence. 2023. Philippines: Mining by the Numbers.

⁷³ Ibid.

CAR and Caraga are active mining hotspots



Source: S&P Global Market Intelligence. 2023.

China, Japan, Korea, Australia, and Canada are the major importers of the Philippines' copper, gold and nickel exports. In 2021, China was the main buyer being the destination of over 40% of the total mineral exports, and this is followed by Japan with about 34%.

Despite considerable mineral wealth, the mining sector accounts for a relatively small share of the broader Philippine economy. In 2022, sector-wide production amounted to just over PhP 238 billion with mineral exports reaching US\$ 7.53 billion, accounting for less than 10% of national exports or 1% of GDP. The sector generated PhP 44.84 billion in national and local taxes, fees and royalties in 2022, and accounted for 205,000 jobs, or roughly 0.5% of total employment.⁷⁴

⁷⁴ DENR-MGB. 2023. Mineral Industry At a Glance.

Nickel plays a crucial role in the green energy transition, yet it faces challenges of illiquidity in trading and volatility in prices stemming from supply concentration and geopolitical tensions

With demand for lithium expected to surge over the next two decades, concerns regarding the sustainability of its extraction have arisen as a result of its intensive use of water. The Philippines, ranking in the top 5 globally in terms of nickel reserves, exports around 90% of its nickel to China. The most productive region is Surigao del Norte in Caraga, while key nickel mining operations include the Taganito, Rio Tuba, Cagdinao, Carrascal and Adlay Cagdianao Tandawa mines. Nickel Asia and Global Ferronickel, two mining companies, operate extensively throughout the Philippines. There is considerable Chinese investment in some of the nickel mines on Dinagat Island in Caraga.

Source: Laura Treviño Lozano. The Backstage of Nickel Supply for the European Green Transition: Considerations for EU Public Buyers on Mining Workers in the Philippines. SAPIENS Network Published 30 March 2023. Available Online.

4.4.3 Status of major initiatives and projects

Below are some major mining projects under development and construction.

Project	Description	Capital expenditure
Silangan Project in Surigao del Norte	Silangan Mindanao Mining Co., Inc, a subsidiary of Philex Mine, is developing the underground mine. An In-Phase Mine Plan feasibility study was completed in 2020. Mining is expected to start in March 2025, and is considered one of the biggest investments in Mindanao.	US\$ 224 million
Tampakan copper/gold mine	The Tampakan project is a national government priority. It will be mined by Sagittarius Mines, Inc (SMI) and is located between the towns of Tampakan, South Cotabato and Kiblawan, Davao del Sur in southern Mindanao. The project is considered the largest untapped minefield in Southeast Asia. It is estimated to contain 15 million tons of copper and 17.6 million tons of gold. Feasibility studies and permits, including environmental compliance certificates, are all complete. The project has started constructing facilities and engineering and design work. The expected start date is 2026.	US\$ 500 million (actual to date)
King-king Copper-Gold Project	St Augustine Gold and Copper's JV partner Nationwide Development Corporation (Nadecor) is developing the King-king Copper Gold Project in Davao de Oro. It is expected to recover 3.16 billion lbs of copper and 5.43 million oz of gold over the 25-year mine and process life. The Environmental Impact Statement and Assessment are underway.	N/A
Mabilo gold/copper project	RTG Mining is the international partner in this project, which is located in Camarines Norte. Feasibility studies and drilling are complete. Financial discussions are ongoing. The project is expected to produce 18,000t of copper and 67,000oz of gold (approximately 160,000oz of gold-equivalent), through an initial mine life of eight years.	US\$ 161 million

Project	Description	Capital expenditure
Mankayan gold/copper mine	IDM International is the international partner in this project, which is located in Benguet. Two drilling holes have been completed, with some 62 technical holes drilled. These projects offer significant opportunities in prospecting, exploration, extraction, refining and processing, and rehabilitation. Resources are estimated to be 1.1 million tonnes of contained copper and 3.7 million ounces of contained gold and an Inferred Resource of 0.2 million tonnes of contained copper and 0.6 million ounces of contained gold.	US\$ 220 million

Source: Australian Trade and Investment Commission. Mining in the Philippines: A New Chapter. Published 13 July 2023. Available Online.

4.4.4 Policy and institutional landscape

Mining is regulated by Philippine Government policies established under the 1987 Constitution mandating that the state owns all natural resources.⁷⁵ The primary legislation is the Philippine Mining Act of 1995, Republic Act (RA) No. 7942 (Mining Act) and its Implementing Rules and Regulations (IRR), and the DENR Administrative Order (AO) No. 2010-21.⁷⁶ The Mining Act governs large-scale exploration, development and utilisation of mineral resources. Local government units (LGUs), provinces or municipalities, may enact ordinances that apply to mining activities and companies operating in their localities. These ordinances need to conform to the Constitution and should not contravene national laws, such as the Mining Act.

The DENR's MGB oversees the mining industry and ensures compliance with the Mining Act. The DENR-MGB administers and disposes of mineral lands and resources through the grant of exploration permits (EPs) and Mineral Agreements (MAs) to Qualified Persons.⁷⁷ The DENR-Environmental Management Bureau (EMB) implements applicable environmental laws.

The MGB aims to promote the development of mineral processing and value-adding activities while at the same time intensifying the enforcement of environmental safeguards and targeting of social development components in mining operations.

DENR is undertaking a number of legislative initiatives that include reviewing mining laws to ensure that standards are updated and that the associated implementing rules and regulations take full advantage of recent technologies.⁷⁸ It wants to strengthen the monitoring of extractive industries' compliance, including mining and quarrying, to existing environmental laws, rules, and regulations.

The DENR is also undertaking a review of laws that cover small-scale mining with the goal of modernizing industry standards and increased protection for such miners. Specifically, DENR is seeking to amend Republic Act 7076, also known as the People's Small-Scale Mining Act of 1991, to provide social assistance, labour protection, and government-backed assistance programs for the benefit of small-scale miners.⁷⁹

Executive Order (EO) No. 79, s.2012, as amended by EO No. 130, s. 2021 (Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure

⁷⁵ Mining Laws and Regulations Philippines 2024. International Comparative Legal Guides (ICLG). Published 19 September 2023.

⁷⁶ Ibid.

⁷⁷ The DENR Memorandum Order No. 99-10 defines Qualified Person as any Filipino citizen of legal age and with capacity to contract, or a corporation, partnership, association or cooperative organised or authorised for the purpose of engaging in mining, with technical and financial capability to undertake mineral resources development and duly registered in accordance with law, at least 60% of the capital of which is owned by Filipino citizens.

⁷⁸ DENR to Strengthen Mining Sector for PH Economic Growth. Press Release. Published 9 November 2022.

⁷⁹ DENR Advances Formalization of Small-Scale Mining in PH. Press Release. Published 3 October 2023.

Environmental Protection and Responsible Mining in the Utilization of Mineral Resources) set up the Mining Industry Coordinating Council (MICC). The MICC is tasked with reforms related to the mining industry, including mine safety and environmental policies.

The Philippine Extractive Industries Transparency Initiative (PH-EITI) is a government-led, multi-stakeholder initiative implementing EITI, the global standard that promotes the open, accountable management, and good governance of oil, gas, and mineral resources. PH-EITI was established in 2013, pursuant to Executive Order No 147, Series of 2013, and is mandated to mainly ensure the Philippines' commitment to the implementation of the EITI Standards.⁸⁰

Overall, the Philippines has established a comprehensive mining policy and regulatory framework. However, historically, there has been either no or limited implementation of these policies and regulations. This lack of implementation can be attributed to various factors, including limited capacity, political will, and ineffective monitoring and enforcement mechanisms.

4.4.5 Development assistance and financing

In the Philippines, mining has emerged as a significant sector, with increasing focus on sustainable and appropriate mining practices. However, mining is not a sector that typically receives significant ODA. Only a small number of development partners have offered support in this area. For example, Australia does not have an active mining ODA programme, instead covering this area through its commercial business. The World Bank also does not work on mining in the Philippines.

The table offers examples of mining-related programmes for further insight.

Development partner	Description
UK	The UK's Natural Environment Research Council (NERC) and the Philippine Council for Industry, Energy and Emerging Technology (DOST-PCIEERD) co-funded two research projects on sustainable mineral production. ⁸¹ Each project receives GBP 1.2 million and PHP 15 million over a three year period from 2021-24. One of the research projects investigates new sustainable technologies to limit the environmental hazards of mine tailings. The other evaluates legacy mining impacts and sustainable mining futures in the Philippines.
USA	In November 2023, USAID, US Commercial Service, the University of the Philippines Public Administration Foundation (UPPAF) and five Philippine Government departments (DENR, ARTA, DOF, DILG, DTI) signed an MOU to operationalise a US\$5-million TA programme to develop the country's critical minerals sector. ⁸² This includes technical support for streamlining permitting processes, advancing policy reforms, improving minimum governance standards, and helping facilitate investments in minerals processing and other downstream industries. USAID will support increased production of processed minerals and expand downstream mineral industries in the Philippines, such as production of electric vehicle components and ICT equipment, while improving governance standards in the mining industry.
New Zealand	The New Zealand embassy is working on a new mining-related project that aims to leverage the knowledge and experiences working with the Maori indigenous communities New Zealand in sustainable resource management and apply them to similar contexts in the Philippines.

⁸⁰ PH-EITI. 2024. Online.

⁸¹ UKRI. NERC Supports a Green Future for Philippines Mining. Published Online 18 November 2021.

⁸² US Embassy in the Philippines. Partnership Launched to Implement U.S.-Funded Php280 Million Programme for Philippine Critical Minerals Sector. Press Release. 17 November 2023.

Development partner	Description
European Union	In October 2023, EU and the Philippines signed a new EUR 60 million Financing Agreement for the Green Economy Programme. ⁸³ The programme will focus on circular economy, reducing waste and plastic usage, ensuring water supply and wastewater treatment, promoting energy efficiency, and deploying renewable energy. On top of that, the EU is exploring opportunities for projects aimed at developing the Philippines' local mining industry, supporting communities, and ensuring a secure global supply of critical raw materials. Implementers of the Green Economy Programme will be GIZ and Expertise France.

4.4.6 Sector performance

Unlike recent past administrations' reluctance towards mining, the current Administration has placed a high priority on revitalising the mining industry to enhance revenue generation and employment opportunities. The Administration wants mining in the Philippines to follow responsible and sustainable mining practices, emphasising a balance between protecting the environment, benefiting local communities and supporting the government's socio-economic agenda. These developments send a positive "signal" to potential investors interested in the country's resources.⁸⁴

However, significant expansion in exploration activities or in downstream activities have yet to materialise. Overall, the mining industry remains risk-averse as companies are heavily focused on mine site projects.⁸⁵

The Philippine government is keen to triple the size of the country's mining sector by 2027, with nickel playing a central role in this revitalisation. The Philippine Nickel Industry Association, a lobby group, is developing a roadmap to identify downstream markets for nickel mining companies, such as local processing and preparation of raw materials for batteries.⁸⁶ Currently, only two mines in the Philippines are processing extracts, both partly owned by Nickel Asia Corporation (NAC).

Below we provide a summary of key strengths and constraints influencing sector performance and growth opportunity.

Strengths and growth drivers	Constraints and downside risks
• Demand for green metals is growing. Countries, including the USA, Australia, China, and the UK, are looking at the Philippines with keen interest in mining, particularly nickel. • Mining has emerged as a new government priority. Incentives have been introduced to strengthen and improve sector performance. Implementation of an appropriate tax regime for extractive industries and management of externalities that impose risk.	• Environmental concerns. Many proposed exploration or mining operations are to be undertaken in protected areas or ancestral domains. Smaller mining companies often employ outdated or environmentally harmful technologies. The potential damage from these projects, particularly to endangered species and food security, could be irreversible. • Human rights violations and social exclusion of indigenous peoples and local communities. Existing policies aimed at social inclusion have had limited success. Revenue sharing

⁸³ EU Press Release. Global Gateway Forum: EU and Philippines sign €60 million Green Economy Programme. Published 25 October 2023.

⁸⁴ Australian Trade and Investment Commission. Op. Cit.

⁸⁵ S&P Global Market Intelligence. 2023. Op. Cit.

⁸⁶ Philippine Centre for Investigative Journalism (PCIJ). Rise of Electric Cars Threatens Philippine Forests. Published Online 8 December 2021.

Strengths and growth drivers	Constraints and downside risks
• Improved efforts on transparency and accountability. The government is to strengthen the monitoring and governance of the extractive sector by enhancing civic space, encouraging people participation, and institutionalizing the EITI principles at the national and sub-national levels. • Mining and CSR: Mining companies and the Chamber of Mines are currently investing more on CSR to demonstrate their commitment to responsible mining and sustainable development. More can be done.	provisions also remain an issue. Mining communities have a history of disempowerment and tenurial conflicts. Additionally, child labour remains prevalent in hazardous artisanal and small-scale gold mining operations, with indigenous children being particularly vulnerable to exploitation. • Perception of Chinese financing. Concerns that Chinese investments may distort the market by subverting economic governance and exclude national companies and workers, as well as other international interests, from participation. • Limited Philippine industrial capacity. • Poor monitoring and enforcement mechanisms.

4.4.7 Entry points for policy engagement and programmatic investment

Critical minerals, essential for a range of clean energy technologies, have risen up the policy and business agenda in recent years. Rapid growth in demand is providing new opportunities for the industry, but a combination of volatile price movements, supply chain bottlenecks and geopolitical concerns has created a potent mix of risks for secure and rapid energy transitions.⁸⁷

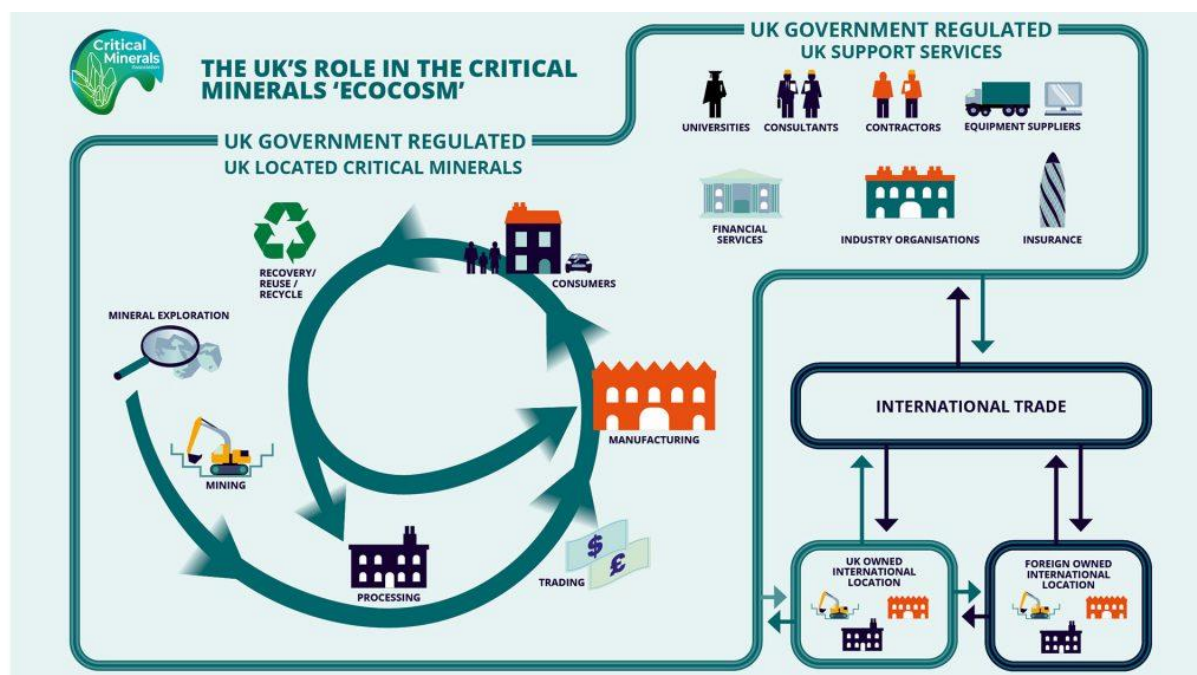
The UK updated its critical mineral lists and strategy in light of the evolving market context in 2022. The strategy, *Resilience for the Future: The UK's Critical Minerals Strategy*, sets out the UK Government's approach to accelerating growth of the its domestic capabilities, collaborating with international partners and enhancing international markets to make them more responsive, transparent and responsible.

The Critical Minerals Strategy also highlights the importance of the UKEF for funding critical minerals and expressly states that UKEF products can support eligible critical mineral projects, including overseas projects that present opportunities for export of UK goods and services. The Critical Minerals Strategy pledges to work with development banks to direct ODA towards helping like-minded, resource-rich countries develop critical mineral resources in a market-led way that aligns with sustainability, transparency, human rights and environmental goals, and supports development priorities.

Governments are taking action to form alliances, develop policies and fund initiatives that enhance security of their supplies for critical minerals

Many countries have recently introduced legislation to address critical minerals production, processing and manufacturing. The UK revised its Critical Minerals Strategy in March 2023. The most significant of these is probably the US Inflation Reduction Act (IRA) with approximately US\$ 370 million in spending and tax credits to support clean energy industries and supply chains. Another recent trend has seen government establish funds to invest in critical minerals projects. For example, Australia's export credit agency, Export Finance Australia, set up the Critical Minerals Facility to fill gaps in private financing for critical mineral projects.

⁸⁷ IEA. Critical Minerals Market Review 2023.



Source: UK Critical Minerals Association.

To strengthen its market intelligence functions to gain better insights into the markets, the UK established the Critical Mineral Intelligence Centre (CMIC) in 2022, with the aim of advising the government and supporting the implementation of the new strategy.

In 2023, the UK Government released an updated strategy, Critical Minerals Refresh: Delivering Resilience in a Changing Global Environment, to reflect the changing global landscape and geopolitical developments. Under this, the government announced the establishment of an independent Task and Finish Group on Critical Minerals Resilience for UK Industry, to investigate the critical mineral dependencies and vulnerabilities over UK industry sectors and opportunities for industry to promote resilience in its supply chains.

The UK, with its expertise in sustainable mining practices and commitment to responsible resource extraction, can contribute significantly to advancing the critical minerals agenda in the Philippines.

Within the mining sector, FCDO's key strengths and comparative advantages include:

UK strength	Implications for Mining Programming	Strategic entry points for sector programming
Supporting green growth	This would help boost green growth and reduce poverty.	Advice on how to develop critical mineral resources in a way that aligns with sustainability, transparency, human rights and environmental goals, and supports development priorities / production value and contribution to GDP / foreign investment / revenue, taxes and fees.
Research	UK has an excellent reputation as a research broker. There is room for innovative research to be commissioned through UK programmes, such as those of UKRI, NERC, among others. This would help improve both the understanding of key mining sector issues and FCDO's	Design of mineral extraction models with minimal environmental footprints Building skills and knowledge: integration of sustainable development into minerals education

UK strength	Implications for Mining Programming	Strategic entry points for sector programming
	approach to them to increase green growth through mining.	
Mobilising private finance, especially responsible mining investments	FCDO can help mobilise private finance, for example through BII, UK Export Finance or leverage London's role as the Centre of finance. This also provides an opportunity to draw on UK expertise.	Leveraging London's role as the Centre of mining finance and metals trading to encourage international markets to be more responsive, transparent, and responsible UKEF products to support eligible critical mineral projects that present opportunities for export of UK goods and services
Mobilising expertise across UK HMG and UK business and institutions	Between HMG, British business, and UK institutions, the UK has significant experience and expertise in mining. Relevant business and institutions include: British Geological Survey (BGS), HR Wallingford	Undertake geological surveys, mapping and production of geoscientific and mineral information databases Identification of new mineral reserves and use of technological support for decision making
Influencing and leading on ESG issues, mobilising and scaling up action, and overcoming co-ordination failures	Working with like-minded development partners to influence private sector approach and investments	Promoting transparency from the industry Mitigate the social and environmental externalities of the green transition Support and capacity-building for small-scale mining ventures Community-based restoration and reforestation projects for post-mining landscapes Unlocking indigenous potential in mining regions: circular economy & rehabilitation strategies across the full mine life cycle
Influence at the national level	UK has broad and deep relations with the Philippine Government. There is scope to engage at the national level on mining sector issues.	Strengthening partnerships with different government offices, civil society organizations and advocates, industries, and the academia to develop acceptable, science-based and risk-informed strategies to conserve and protect the environment and natural resources Review of standards for the mining industry—harnessing capabilities of cutting-edge technologies, such as remote sensing and AI to enhance industry regulation and law enforcement

ANNEXES

Annex 1. List of Key Documents

- ADB. 2022. ADB Plans \$14 Billion to Ease Food Crisis, Promote Long-Term Food Security in Asia and the Pacific. Press Release. Published 27 September 2022.
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Annex 2. ODA commitments by development partner

Development partner	Loan Net Commitment (in million USD)	Grant Amount (in million USD)	Total ODA Commitment (in million USD)	% Share
ADB	10,728.46	117.85	10,846.31	33.47
Japan	9,684.09	280.25	9,964.34	30.75
World Bank	6,834.90	29.71	6,864.61	21.18
China	822.22	156.91	979.13	3.02
Korea	793.87	117.13	911.00	2.81
AIIB	757.60	-	757.60	2.34
USA	-	625.83	625.83	1.93
France	459.96	1.62	461.58	1.42
UN system	-	281.21	281.21	0.87
EU	-	250.32	250.32	0.77
Australia	-	180.40	180.40	0.56
IFAD	121.43	-	121.43	0.37
Germany	-	117.08	117.08	0.36
Netherlands	-	20.84	20.84	0.06
Canada	-	13.04	13.04	0.04
New Zealand	-	4.39	4.39	0.01
Spain	-	3.15	3.15	0.01
UK	-	0.47	0.47	0.001
GCF	-	0.22	0.22	0.001
AFI	-	0.12	0.12	0.001
TOTAL	30,202.54	2,200.55	32,403.09	-

Source: NEDA. 2023.

Note: Actual commitments likely exceed reported figures, as NEDA's ODA reporting does not include grants channelled through NGOs, civil society, or the private sector.

Annex 3. Chinese development projects

Project	Flow class	Description
Phase 2 of the Angat Water Utilisation and Aqueduct Improvement Project (AWUIAP)	Export Buyer's Credit	In 2010, China Eximbank and the Metropolitan Waterworks and Sewerage System (MWSS) signed a \$116.6 million preferential buyer's credit (PBC) agreement for the second phase of the AWUIAP. The purpose of the project was to transport raw water from Angat Dam to the La Mesa Dam and then onward to a set of water treatment plants in La Mesa and Balara. The project was originally scheduled to be completed in March 2013 but it was completed eight months ahead of schedule and officially inaugurated in July 2012. The project was a source of local controversy. In 2011, the Philippine Large Diameter Pressure Pipe Manufacturers Association urged the new MWSS Board members appointed by President Aquino to rescind the commercial contract that was issued to CWE. It alleged that limiting the bidding among three Chinese state-owned firms violated the country's procurement law. The Philippine Large Diameter Pressure Pipe Manufacturers Association also said the contract price was excessive compared to the cost of the Phase 1, which was carried out by three of its members. The MWSS Board, however, did not act on the association's recommendation to rescind the contract.
Mariveles Coal-Fired Power Plant Construction Project	Export Buyer's Credit	In 2010, the China Development Bank (CDB) and GNPowder Mariveles Coal Plant Ltd. Co. (GMCP), a SPV and joint venture of Aboitiz Group (70% ownership stake) and Blackstone (30% ownership stake), signed a \$493 million buyer's credit loan agreement for the 632MW Mariveles Coal-Fired Power Plant Construction Project. The loan carried the following borrowing terms: 11.5 year maturity and an interest rate of LIBOR (average 6-month LIBOR rate in 2010 = 0.519%) plus a 3% margin. Sinore also provided buyer's credit insurance. The proceeds of the loan were to be used by the borrower to partially finance a US\$580 million EPC contract that it signed with China National Electric Equipment Corporation (CNEEC). CDB acted as the sole offshore lender, mandated lead arranger, and lead underwriter for the offshore term loan facility tranche. Citigroup, Standard Chartered Bank, BDO Unibank provided a US\$227 million onshore term loan facility tranche for the project. The US\$1 billion independent power project (IPP) was also financed with US\$280 million of equity contributions from Denham Capital Management, Power Partners, Sithe Global Power, and PMR Holding Corporation. The GNPowder Mariveles was touted as the first power plant in the Philippines to be fully financed by the private sector without government support. The Philippine Government did not issue a sovereign guarantee in support of the onshore or offshore loan facility tranches. The power plant was designed to make generating capacity available and sell power to off-takers (industrial companies and distribution utilities) under long-term power purchase agreements (PPAs), as well as a portion into the Philippine wholesale electricity spot market. CNEEC was the general EPC contractor responsible for implementation. However, China Communications Construction Group Co. Ltd. (CCCC) was also involved in implementation. Construction commenced in 2010. Construction was completed in 2012 and the power plant went online in 2013.

Project	Flow class	Description
Agno River Integrated Irrigation Project (ARIIP)	Export Buyer's Credit	In 2009, China Eximbank and the Government of the Philippines signed a \$89.15 million preferential buyer's credit (PBC) agreement for the ARIIP. The estimated borrowing terms of the PBC are as follows: 20 year maturity, 5 year grace period, and 3% interest rate. The final maturity date of the PBC is January 21, 2030. The loan entered into force in 2010. The proceeds of the PBC were to be used by the borrower to partially finance a commercial contract between the National Irrigation Agency of the Philippines and China CAMC Engineering Co., Ltd. (CAMCE). The purpose of the project was to provide water for irrigation through the construction of new diversion and canal systems, to rehabilitate existing irrigation facilities to improve water delivery in the service area, to restore non-functional service area through improved water delivery or augmentation of water supply, to increase agricultural productivity and farmers income, to generate employment. CAMCE was the EPC contractor responsible for implementation. The owner of the project is the National Irrigation Agency of the Philippines. The project commenced in February 2010 and it was completed ahead of schedule in June 2013.
Northrail Project	Export Buyer's Credit	In 2004, DOF and China Eximbank signed a \$400 million preferential buyer's credit loan agreement for Phase I, Section I of the Northrail Project. The loan reportedly carried the following terms: 20 year maturity, 8.25 year grace period, and 3% interest rate. DOF, in turn, on-lent the proceeds of the loan to North Luzon Railways Corporation (NLRC or Northrail). The proceeds of the loan were to be used by the ultimate borrower (Northrail) to partially finance a US\$421,050,000 commercial (turnkey) contract between Northrail and China National Machinery and Equipment Group (CNMEG). The purpose of the project was to build an 80 km railway line from Caloocan in Metro Manila to the city of Malolos (within the province of Bulacan). A formal groundbreaking ceremony took place on April 5, 2004. However, Northrail did not issue a 'notice to proceed' to CNMEG until February 2007. In May 2007, the Supreme Court of the Philippines ruled that the loan agreement was a commercial deal and not a government-to-government one and as such it should have undergone competitive bidding. In July 2012, China Eximbank advised DOF that it was cancelling the undisbursed balance of the US\$400 million loan and it demanded immediate payment of US\$180.79 million drawn from the US\$400 million loan. DOF negotiated with China Eximbank to pay US\$180.79 million of loan principal plus interest in four equal instalments over two years.
Clark Global City	Syndicated Loan Agreement	In 2017, Bank of China, Banco de Oro (BDO), and Philippine National Bank (PNB) signed a 10-year \$690 million syndicated loan agreement with Clark Global City Corporation — a special purpose vehicle and subsidiary of Udenna Corporation — for the acquisition of shares in Global Gateway Development Corporation (GGDC) and the development of Clark Global City. Clark Global City is a planned mixed-use central business district development at the Clark Freeport Zone. The implementation of Clark Global City Project was officially launched on 2017 and it is ongoing. 47 hectares of the 177 hectares of the Clark Global City has been developed to date.

Source: AidData. TUFF.

Annex 4. Development finance distribution by implementing agency

The Department of Transportation (DOTr) has the largest share of the active ODA portfolio with just above US\$ 10 billion or 32% (Figure 5). DOTr's loans portfolio was also the largest in terms of magnitude and included the largest ODA-funded project in the Philippines, the JICA- and ADB-funded North-South Commuter Railway (NSCR) System (about US\$ 5.9 billion). The top three agencies together (DOTr, DOF, and DPWH) are responsible for over two-thirds of the entire ODA portfolio (US\$ 22.56 billion).

Development partner (DP)-implemented projects are grants that are administered directly by the development partners, including Australia, EU, GIZ, KOICA, Netherlands, New Zealand, USAID, and UN agencies (UNDP, UNFPA, UNIDO, FAO, IOM).

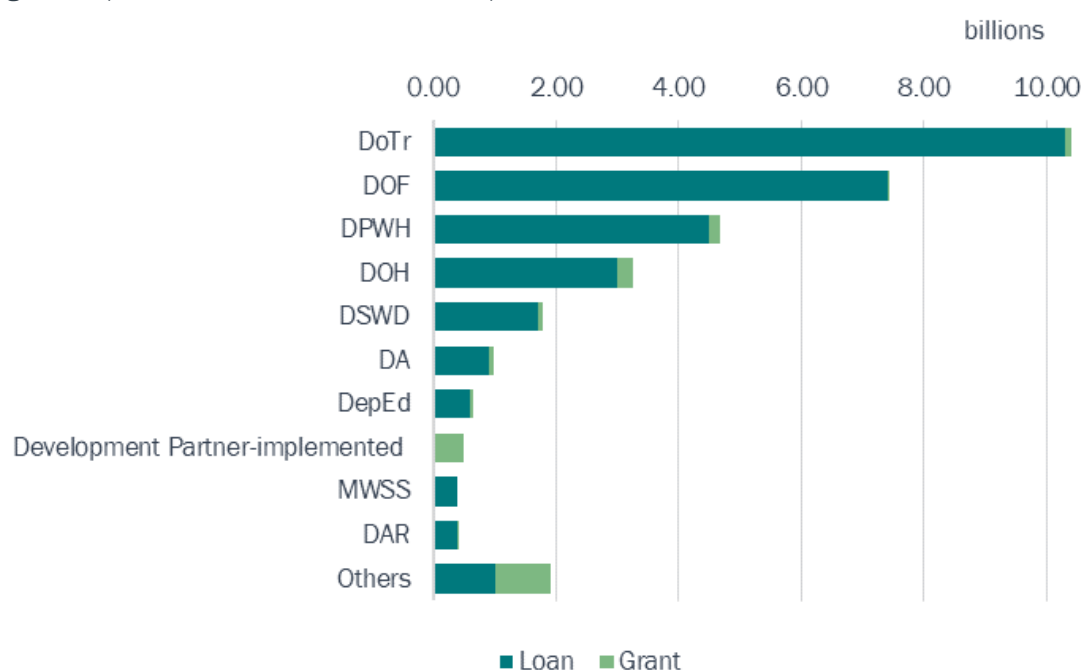


Figure A1: ODA Distribution by Implementing Agency. Source: Own calculations with data from NEDA.

