

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The government's efforts to develop the finance sector are being supported by a number of strategic donors through both bilateral and multilateral arrangements. Support is being provided to strengthen public financial management, tax policy, monetary operations, operations of the government bond market, and regulatory capacity.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Asian Development Bank			
	Capacity Development of Financial Regulators ^a	2011–2015	\$1.0
	Capacity development for SEC		
	Diagnostics of the equity and corporate bond market		
	Support to develop a repo market		
	Support to launch PERA		
	Strengthening Treasury Operations and Capital Market Reform ^b	2014–2016	\$0.5
	Debt and cash management functions in Bureau of the Treasury improved		
	Support to Bureau of the Treasury to develop the primary dealer system		
	Broad capital market development		
	Capacity Development to Support Regulation and Oversight at the Insurance Commission ^c	2013–2014	\$0.2
	Support to the Insurance Commission to introduce risk-based capital		
	IT upgrades in the Insurance Commission to support introduction of risk-based capital		
International Finance Corporation			
	Philippines Credit Bureau	2013–2014	\$0.7
	Determination of the appropriate business model		
	Development of the road map to establish the credit information system		
	Selection of a technical partner to develop the credit bureau system and provision of advisory services to implement the bureau		
International Monetary Fund			
	Through the Resident Representative Program, the IMF provides advice and technical support to monetary policy, local currency bond market development, banking supervision, and tax policy.	Intermittent	NA
Japan International Cooperation Agency			
	Technical Assistance to the Government of the Philippines	2015–2016	NA
	Support to develop a credit bureau		
	Support to SEC to introduce reporting based on XBRL		
United States Treasury, Office of Technical Assistance (OTA)			
	Through the Resident Advisor Program, the US Treasury provides support to the Bureau of the Treasury to improve the government bond market, including developing the primary dealer system, improving the operation of the secondary market and increasing its liquidity, upgrading infrastructure and adopting international standards, and capacity development. In addition, the OTA is supporting the development of macro prudential supervision and providing a budget advisor to work on the national payroll system.	2014–2016	NA

United States Agency for International Development

Technical Assistance to the Government of the Philippines

2014–2016

NA

Provide technical assistance to the SEC in developing its strategic operations plan.

Conduct an assessment of the Information and Communications Technology Department's capabilities and provide recommendations to strengthen its capacity to support corporate compliance of registered companies.

Conduct a training needs assessment for SEC offices and departments in support of strengthening capacity and skills.

Develop a comprehensive training program that supports SEC's reengineered structure.

Improve case management and administration.

Develop the quality assurance review system and guidelines.

Technical assistance to improve SEC strategic communications

IT = Information Technology, IMF = International Monetary Fund, OTA = Office of Technical Assistance, PERA = Personal Equity Retirement Account, SEC = Securities and Exchange Commission, XBRL = eXtensible Business Reporting Language.

^a ADB. 2011. Technical Assistance to the Republic of the Philippines for Capacity Development of Financial Regulators. Manila.

^b ADB. 2014. Technical Assistance to the Republic of the Philippines for Strengthening Treasury Operations and Capital Market Reform. Manila.

^c ADB. 2013. Technical Assistance for Capacity Development to Support Regulation and Oversight at the Insurance Commission. Manila.

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

2. Donor coordination and collaboration is ongoing between the three major financial sector development partners; ADB, the IMF, and OTA. This cooperation is specific to the Encouraging Investments through Capital Market Reforms program (EICMR), and has supported the completion of several policy actions including the introduction of the global-standard Global Master Repurchase Agreement. Informal communication between the donors, the executing agency, and the private sector is essentially constant. Formal meetings are held periodically with the Bureau of the Treasury which acts to lead donor coordination. Outreach to other stakeholders, such as the central bank, is scheduled on a regular basis. Finally, training and workshops sponsored by ADB are opened to all implementing agencies and stakeholders.

3. The EICMR utilizes a programmatic approach recognizing that finance sector development is challenging and requires a long gestation period and proper sequencing. The program has been structured into three interrelated outputs. The first output will strengthen the government bond market to develop a market-determined term structure of interest rates along a variety of maturity points. After introducing the appropriate infrastructure and hedging instruments, a reliable yield curve will emerge. This term structure, or yield curve, is an essential building block which will support the eventual issuance of corporate bonds, derivatives, and structured financial instruments such as project bonds. The second output will progressively encourage short-term depositors into becoming longer-term savers by reducing administrative burdens and costs, and then by providing an expanded range of investment vehicles and products. Finally, the program will open the market to foreign participation, bringing additional funding, funding models, and expertise.

C. Achievements and Issues

4. The initial design of the program relies heavily on a diagnostic performed jointly by the International Monetary Fund (IMF), World Bank, United States Treasury Office of Technical Assistance (OTA), and the Asian Development Bank (ADB). The diagnostic, which now serves to delineate the activities of the development partners, identified that increasing the volume of trading would be the most effective way of increasing liquidity in government securities over the medium term. Specifically, providing an environment conducive to dealing by the existing investor base would allow the market to mobilize liquidity more readily. Over time, increased secondary market dealing would then facilitate investment in long-term government securities, increasing the economy's absorptive capacity of government securities, and ultimately reducing the government's borrowing cost in the domestic market through the elimination of the liquidity premium. Efforts to broaden and increase the diversity of the investor base were considered longer-term endeavors. The diagnostic provided specific preconditions to begin the reform effort, including a well-functioning money market, enhanced tradability between the taxable and tax-exempt investor bases, and active securities lending and borrowing through a secure securities depository. These preconditions, and the subsequent reforms to develop a system of primary dealers (e.g., market makers) and to introduce a repo market, form the basis of the program.

D. Summary and Recommendations

5. The donor coordination modality utilized between the three primary financial sector donors has proven highly efficient and effective. Specifically, the donors, working together, have developed a unified priority list of sequenced reforms. Beginning with the permanent presence of an OTA resident advisor, ADB and IMF have provided well timed and coordinated interventions which have served to supplement the limited budget and narrowly focused expertise of the OTA resident advisor. These interventions, encompassing highly technical advice, capacity development, project management, subscriptions and workshops have supported the achievement of numerous milestones and have leveraged program effectiveness for all three donors. ADB will continue this coordination and will attempt to enlist the coordinated support of other donors beginning with the Japan International Cooperation Agency.