Philippines/ Indonesia /Vietnam

Ex-Post Evaluation of Japanese ODA Loan

Emergency Budget Support Loans Extended to Three Southeast Asian Countries

Philippines: “Emergency Budget Support Japanese ODA Loan”

Indonesia: “Economic Stimulus and Budget Support Loan”

Vietnamm: “Eighth Poverty Reduction Support Credit with Economic Stimulus Support”

External Evaluators: Masumi Shimamura, Mitsubishi UFJ Research and Consulting Co., Ltd.
Teruyuki Tanabe/Katsuhiko Nakadate, PB Japan Co., Ltd.

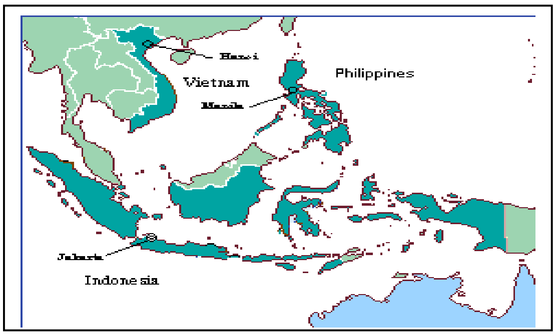
0. Summary

The funds were given immediately to each of the programs under evaluation after the loan contract agreement was finalized. They were used as part of the fiscal funds necessary for the measures to stimulate the economy in each of the countries under the global financial and economic crisis. Through this, it was possible to implement the designated measures to stimulate the economy at appropriate times in each country. As a result, the economy in each country has quickly recovered from the economic crisis through the years of 2009 to 2010.

In each of these projects under evaluation, the size of the funds and the timing of their provision were appropriate, and it increased the possibility to foresee the financial management in each country, as well as supported the implementation of the measures to stimulate the economy. Had it not been for the programs, it is possible to think that each country might have had difficulty in securing an alternative fund source considering the financial environment then, in effect adversely influencing the implementation of measures to stimulate the economy, as well as the quick recovery from the economic crisis and sustaining economic growth.

From the above indications, it concludes that the validity and the effectiveness of the funding in these programs are high.

1. Program Description



Program Location(s)


Feedback Seminar

1.1 Background and Approach to Evaluation

The financial crisis triggered by the subprime loan in the United States in 2007, followed by the collapse of Lehman Brothers in September 2008, developed into a global financial/economic crisis (GFEC). The emerging Asian countries with rapidly growing economy were not immune from the effects of the global economy. The slowdown of exports and investment by the decline in real demand worldwide, lower tax revenues, and its impact on the real economy in countries including Japan, Europe and the United States greatly affected them. It was an urgent issue in emerging Asian countries to support the economy through the rapid implementation of measures and policies, in order to limit the negative impact of global financial and economic crisis, and to promote the recovery of the economy as soon as possible.

Against this backdrop, the Japanese government, in the London Summit in April 2009, announced that "they were prepared to provide support of more than US$ 1 trillion in total ODA for the promotion of strengthening the growth and the domestic expansion in Asia itself", and introduced the framework of the "Emergency Financial Support Loan", utilizing the scheme of JICA ODA Loan. Based on the recognition that Asia is an important growth center open to the world, contributing to its economy, the loan was introduced with the purpose to financially support the stimulus package of each country and to accelerate the activation of the Asian economy amidst the fear that the funding towards high-priority projects, such as major infrastructure and social safety nets would be difficult as the economic crisis is prolonged and the slowdown of Asian economies resulting in lower tax revenues. This measure has been decided to be a temporary measure of a three-year-period, in cooperation with the World Bank and the ADB, and will turn into a flexibly scale financial support of up to 300 billion yen.

This evaluation took up three Southeast Asian countries (Vietnam, Indonesia and the Philippines) to which the emergency budget support loans were extended. Analysis was made based on each country context with cross-country, comparative perspectives to evaluate the effectiveness of emergency budget support, and recommendations and lessons learned were then extracted.

1.2 Program Outline

The objectives of the programs are to provide budget supports to Vietnam, Indonesia and the Philippines, which face difficulties in mobilizing funds to implement economic stimulus measures due to such reasons as decreasing government revenues under the GFEC, thereby contributing to the recovery and sustainable development of the economies.

Country	Vietnam	Indonesia	Philippine
	Eighth Poverty Reduction Support Credit with Economic Stimulus Support (L/A No. VN-C11)	Economic Stimulus and Budget Support Loan (L/A No. INP-37)	Emergency Budget Support Japanese ODA Loan (L/A No. PH-C23)
Loan Approved Amount/ Disbursed Amount	47,900 million yen ／ 47,900 million yen	9,361 million yen ／ 9,361 million yen	13,830 million yen ／ 13,830 million yen
Exchange of Notes Date/ Loan Agreement Signing Date	November, 2009 ／ November, 2009	December, 2009／ December, 2009	March, 2010／ March, 2010
Terms and Conditions	Interest rate: Yen LIBOR (6 month) Repayment period: 15 years (Grace period: 3 years) Grace period: 3 years) General untied	Interest rate: Yen Libor (6 month) Repayment period: 15 years (Grace period: 3 years) Grace period: 3 years) General untied	Interest rate: Yen LIBOR (6 month) Repayment period: 15 years (Grace period: 3 years) General untied
Borrower / Executing Agency(ies)	The Government of the Socialist Republic of Vietnam/ State Bank of Vietnam (SBV)	The Government of the Republic of Indonesia/ National Development Planning Agency (BAPPENAS)	The Government of the Republic of the Philippines/ Department of Finance (DOF)
Final Disbursement Date	November, 2009	December, 2009	March, 2010
Main Contractor (Over 1 billion yen)	N.A.	N.A.	N.A.
Main Consultant (Over 100 million yen)	N.A.	N.A.	N.A.
Feasibility Studies, etc.	N.A.	N.A.	N.A.
Related Projects	・ 8th Poverty Reduction Support Credit (co-financed with WB/ADB)	・ Climate Change Program Loan (II) (co-financed with AFD)	・Development Policy Support Program (III) (co-financed with ADB)

2. Outline of the Evaluation Study

2.1 External Evaluators

Masumi Shimamura, Mitsubishi UFJ Research and Consulting Co., Ltd.

Teruyuki Tanabe / Katsuhiko Nakadate, PB Japan Co., Ltd.

2.2 Duration of Evaluation Study

Duration of the Study:	September 2011 – August 2012
Duration of the Field Study:	November 30, 2011 – December 13, 2011 (Philippine)
	January 15, 2012 – January 28, 2012 (Indonesia)
	January 29, 2012 – February 11, 2012 (Vietnam)
	April 22, 2012 – April 28, 2012 (Philippine)

2.3 Constraints on the Evaluation Study

The evaluation study was conducted based on the "effectiveness" of five evaluation criteria of DAC, with particular emphasis on the funding effect. As evaluation of emergency budget support should reflect individual and unique context of each country, the evaluators considered that putting unanimous rating for three countries was not appropriate, and therefore decided not to put the overall rating as well as the sub-rating in accordance with each evaluation criterion.

Evaluation was conducted in the following steps.

(1) The evaluators attempted to review each economic stimulus package adopted by each country, in response to the global financial and economic crisis after the Lehman Shock in 2008. Those policy packages are not necessarily consistent with the targeted program of the Japanese ODA Loan; however, the evaluators consider that the targeted programs of the Japanese ODA Loans are subordinate to the economic stimulus packages of each country, and therefore it would be meaningful to review such policy packages as much as possible in the evaluation study.

(2) The evaluators have reviewed economic policies of each country based on the available documentations, as well as additional data and information added through the field surveys. However, some of the data and information were not available due to reasons such as relatively short span of time since the implementation of the economic stimulus measures.

(3) Consequently, this report consolidates the evaluation of the economic stimulus measures of each country, evaluated quantitatively and qualitatively within the extent of the data and information confirmed directly and indirectly under such limiting conditions to an extent possible.

(4) In particular, the evaluators have reviewed the contribution of the Japanese ODA Loans in the total budget required for the economic stimulus packages. In addition, some considerations have been given to (a) what would have happened if the economic stimulus packages were not implemented, and (b) what would have happened if it were not for the Japanese ODA Loan.

3. Results of the Evaluation

3.1 Effects of Global Financial and Economic Crisis

The global financial and economic crisis was touched off by the collapse of the US subprime mortgage market in 2007, and was enhanced by the Lehman Shock in September 2009. In the awakening of the global recession, Asian nations, which had become the center of growing economies, were not free from the effects of the global recession. Although the multitudes of effects were different from one country to another, their real economies were more or less damaged by GFEC.

As shown in Table 1, the GDP growth rate in the Asian region recorded at 7.9% in 2008 and then dropped to 6.6% in 2009. The same rate for ASEAN-5, comprising of Indonesia, Thailand, Philippines, Malaysia, and Vietnam, reached at 4.7% in 2008 and declined significantly to 1.7% in 2009.

Table 1: Selected Asian Economies: Real GDP, Consumer Prices, and Current Account Balance

(Unit: annual percent change unless noted otherwise)

	Real GDP				Consumer Prices[1]				Current Account Balance[2]			
			Projections				Projections				Projections	
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Asia	**5.2**	**3.5**	**6.9**	**7.0**	**5.8**	**2.0**	**4.1**	**2.8**	**4.0**	**3.6**	**3.4**	**3.3**
Advanced Asia	**0.2**	**−3.0**	**3.1**	**3.2**	**2.8**	**−0.1**	**0.3**	**0.8**	**2.4**	**3.1**	**2.6**	**2.4**
Japan	−1.2	−5.2	1.9	2.0	1.4	−1.4	−1.4	−0.5	3.2	2.8	2.8	2.4
Australia	2.4	1.3	3.0	3.5	4.4	1.8	2.4	2.4	−4.4	−4.1	−3.5	−3.7
New Zealand	−0.1	−1.6	2.9	3.2	4.0	2.1	2.1	2.5	−8.6	−3.0	−4.6	−5.7
Newly Industrialized Asian Economies	**1.8**	**−0.9**	**5.2**	**4.9**	**4.5**	**1.3**	**2.3**	**2.3**	**4.9**	**8.9**	**6.6**	**6.6**
Korea	2.3	0.2	4.5	5.0	4.7	2.8	2.9	3.0	−0.6	5.1	1.6	2.2
Taiwan Province of China	0.7	−1.9	6.5	4.8	3.5	−0.9	1.5	1.5	6.2	11.2	8.5	7.7
Hong Kong SAR	2.1	−2.7	5.0	4.4	4.3	0.5	2.0	1.7	13.6	11.1	12.1	10.1
Singapore	1.4	−2.0	5.7	5.3	6.5	0.2	2.1	1.9	19.2	19.1	22.0	22.4
Developing Asia	**7.9**	**6.6**	**8.7**	**8.7**	**7.4**	**3.1**	**5.9**	**3.7**	**5.7**	**4.1**	**4.1**	**4.1**
China	9.6	8.7	10.0	9.9	5.9	−0.7	3.1	2.4	9.4	5.8	6.2	6.5
India	7.3	5.7	8.8	8.4	8.3	10.9	13.2	5.5	−2.2	−2.1	−2.2	−2.0
ASEAN-5	**4.7**	**1.7**	**5.4**	**5.6**	**9.3**	**2.9**	**4.8**	**4.6**	**2.7**	**5.1**	**3.3**	**2.2**
Indonesia	6.0	4.5	6.0	6.2	9.8	4.8	4.7	5.8	0.0	2.0	1.4	0.4
Thailand	2.5	−2.3	5.5	5.5	5.5	−0.8	3.2	1.9	0.6	7.7	2.5	0.3
Philippines	3.8	0.9	3.6	4.0	9.3	3.2	5.0	4.0	2.2	5.3	3.5	2.3
Malaysia	4.6	−1.7	4.7	5.0	5.4	0.6	2.0	2.1	17.5	16.7	15.4	14.7
Vietnam	6.2	5.3	6.0	6.5	23.1	6.7	12.0	10.3	−11.9	−7.8	−6.9	−6.0
Other Developing Asia[3]	**3.9**	**3.7**	**4.3**	**5.0**	**12.9**	**11.5**	**9.1**	**7.4**	**−2.3**	**−0.8**	**−1.0**	**−1.3**
Memorandum												
Emerging Asia[4]	7.0	5.6	8.2	8.2	7.0	2.9	5.4	3.5	5.6	4.9	4.5	4.5

[1]Movements in consumer prices are shown as annual averages. December–December changes can be found in Tables A6 and A7 in the Statistical Appendix.

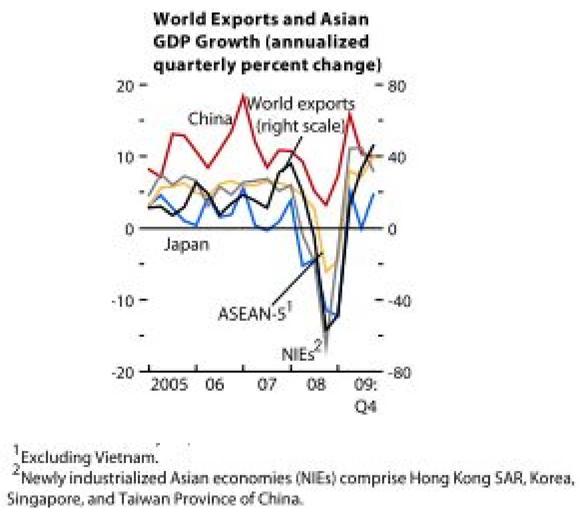
[2]Percent of GDP.

[3]Other Developing Asia comprises Islamic Republic of Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Fiji, Kiribati, Lao People's Democratic Republic, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Samoa, Solomon Islands, Sri Lanka, Timor-Leste, Tonga, and Vanuatu.

[4]Emerging Asia comprises all economies in Developing Asia and the Newly Industrialized Asian Economies.

Source: World Economic Outlook April 2010, IMF

Impact of the financial and economic crisis appeared through several channels in Asia. Firstly, volume of trade, especially exports from Asia dropped significantly due to the decline in demand worldwide. As many countries in the region are export-led economies, fall in exports immediately brought slowdown in economic growth (Figure 1).

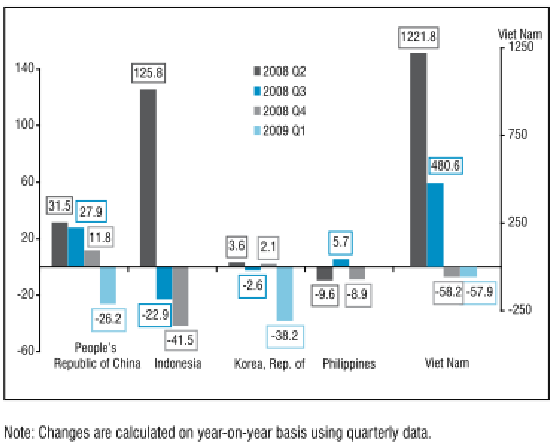


Source: World Economic Outlook April 2010, IMF

Figure 1: World Exports and Asian GDP Growth

(unit: annualized quarterly percent change)

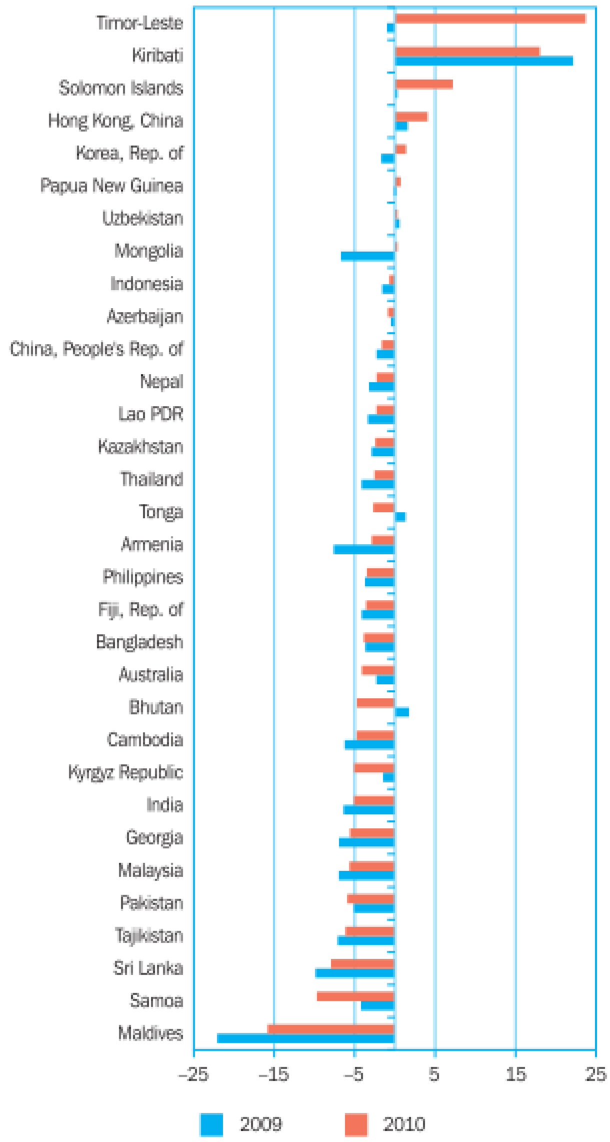
Secondly, investment capital into the region had been withdrawn. As shown in Figure 2, the year-on-year rate of increase for foreign direct investment to emerging Asian countries declined in the 1st quarter of 2009, from 2nd quarter of 2008.



Source: The Global Economic Crisis/Challenges for Developing Asia and ADB's Reponses, ADB

Figure 2: Foreign Direct Investments in Selected DMCs (Unit: % change in $ value)

Also, government revenues decreased in many countries in the region, due to the decline in corporate income tax as well as personal income tax caused by the GFEC, which resulted in widening the budget deficits in 2009 (Figure 3).

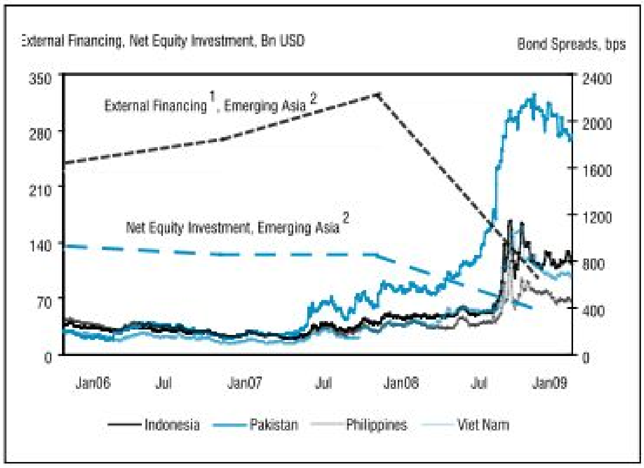


Source: Key Indicators for Asia and the Pacific, 2011, ADB

Figure 3: Fiscal Balance as Percentage of GDP, 2009 and 2010

In addition, as seen in Figure 4, upon the crisis, foreign investment and external finance from abroad, such as securities investment, had decreased significantly in Asian countries. Since many Asian countries rely on external finance as its resource for economic growth, it had become one of their government's most critical tasks to secure financing for resiliency plans against global crisis and further economic growth. In particular, it was a more serious issue for countries with fiscal deficit, which balances the finance by external borrowing.

On the other hand, due to the global financial and economic crisis, capital flight from financial assets occurred on a global scale. As a result, the risk premium on government bonds denominated in U.S. dollars in offshore government bond market soared. As shown in Figure 4, spread in the government bond market exceeded 10%, for such countries as Vietnam, Indonesia, and the Philippines during the second half of 2008. Under these circumstances, options for securing funding for infrastructure projects and/or policy with large-scale fiscal stimulus may become limited, and uncertainty in finance and policy administrations, as well as political risks, significantly increased, compared to the pre-crisis period.



[1] External financing comprises net inflows of loans and equity and use of foreign exchange reserves, less errors and omissions.

[2] Emerging Asia includes the People's Republic of China, India, Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand.

Note: The bond spreads are based on JP Morgan's Emerging Markets Bond Index for sovereign bonds.

Source: The Global Economic Crisis/Challenges for Developing Asia and ADB's Response, ADB

Figure 4: Developing Asia—External Finance Falls and Borrowing Costs Rise
(Unit: External Financing, Net Equity Investment, Bn USD Bond Unit: Spreads, bps)

3.1.1 Vietnam

GFEC affected Vietnam and its real GDP growth rate decelerated to 6.3% in 2008 from previous year of 8.5%, and further dropped to 5.3% in 2009.

In addition, export dropped sharply from 29.1% year-on-year increase in 2008 to 8.9% decrease in 2009, due to declining external demand and oil prices. Import also dropped from 27.9% year-on-year increase in 2008 to 13.3% decrease in 2009, as domestic demand for production materials also declined. Trade balance remained negative, as the decrease in import was greater than decrease in export.

Inflation rate elevated to 23% in 2008 from 8.3% of the previous year because of overheating of the economy before the GFEC. Inflation slowed down to 6.9% in 2009, due to stringent economic and monetary policies as well as the effects of the GFEC.

Investment inflow into the nation also dropped due to GFEC, with 75.4% year-on-year decrease in 2009.

Fiscal balance of the government was negative before the GFEC, and the gap widened to

-10.6% of GDP in 2009, from the previous year of -3.1%, due to introduction of stimulus packages.

As a result of the government increasing the issuance of bond and external borrowings in order to fill the finance gap, outstanding public debt rose from 43.9% in 2008 to 49% in 2009.

Table 2: Vietnam Economic Indicators

	2007	2008	2009	2010
Real GDP Growth Rate (%)	8.5	6.3	5.3	6.8
GNI per capita (PPP, US$)	2,560	2,740	2,870	3,070
Consumer Prices (% change)	8.3	23.0	6.9	9.2
Private Consumption Expenditures (Nominal, bil peso)	740.6	1,001.0	1,102.3	1,317.6
Current Account Balance (% of GDP)	▲10.0	▲11.8	▲6.2	▲4.0
Fiscal Balance (% of GDP)	▲4.6	▲3.1	▲10.6	▲8.0
Balance of Payment (% of GDP)	▲14.6	▲14.0	▲8.5	▲6.7
Export (% change)	21.9	29.1	▲8.9	26.4
Import (% change)	38.5	27.9	▲13.3	1.2
Exchange rate (peso/ US$)	16,105	16,302	17,065	19,589
Public debt outstanding (% of GDP)	45.6	43.9	49.0	52.7
Foreign Reserve (100 mil US$)	209.6	230.2	141.5	123.8
Unemployment rate (%)	4.6	4.7	4.6	4.3
Poverty rate (%)	N.A.	13.4	12.3	14.2

Source: MOF、MPI、GSO、ADB、WB、JETRO

3.1.2 Indonesia

The effects of 2008/2009 GFEC on Indonesian economy were relatively minor.[1] The economic growth slowed down after the fourth quarter of 2008, and the real GDP growth rate in 2008 and 2009 fell to 6.0% and 4.6%, respectively. However, it did not fall into minus but remained strong, and it went back on course of recovery after the second half of 2009, and increased to 6.1% in 2010.

The most direct and short-term effects on real economy were seen in export decrease. Due to decrease of global demand and collapse in oil prices, export growth rate fell sharply from 9.5% (2008) to -9.7% (2009). After that, supported by economic recovery in Asian region, it recovered to 14.9% (2010) and 18.5% (until the third quarter of 2011) in a short time. Import growth rate also fell drastically from 10% (2008) to -15.0% (2009), however, it recovered to 17.3% in 2010 as in the case of exports.

Steady domestic consumption pulled up the country's economic growth after early 2009. Especially, the fact that domestic purchasing power was maintained, consumer demand was

[1] The fact that Indonesia was able to take into account the lessons learned from the 1997/1998 Asian financial crisis (sound fiscal management including strengthening the external debt risk management) and its efforts to carry out political and economic structural reform since then may have contributed as the background factor for minor effects.

stimulated due to the general election (April, 2009), and budget execution was facilitated (strengthened government absorption capacity) all led to facilitate domestic consumption.

The FDI fell drastically from Rp. 9.32 billion in 2008 to Rp. 4.88 billion due to the effects from the GFEC.

Although budget deficit (ratio to GDP) increased from 0.1% in 2008 to 1.6% in 2009 as a result of the government's economic policy to cope with the crisis, it reduced to 0.7% in 2010.

Public debt outstanding (ratio to GDP) has been steadily decreasing. While budget deficit increase was observed in 2009 after the GFEC, public debt outstanding decreased from the previous year due to the rising rupiah (acting on the external debt burden to decrease on a rupiah basis) and the lowering interest rates (acting on the interest payment burden to decrease).

Effects on social aspects such as unemployment rate and poverty rate were limited, and these rates have been consistently decreasing after the GFEC.

Table3: Indonesia Economic Indicators

	2007	2008	2009	2010
Real GDP Growth Rate (%)	6.3	6.0	4.6	6.1
GNI per capita (PPP, US$)	3,470	3,740	3,940	4,200
Consumer Prices (% change)	6.6	11.1	2.8	7.0
Private Consumption Expenditures (real, trillion Rp.)	2,510.504	2,999.957	3,290.843	3,641.997
Current Account Balance (% of GDP)	2.4	0.0	2.0	0.8
Fiscal Balance (% of GDP)	▲1.3	▲0.1	▲1.6	▲0.7
Balance of Payment (billion Rp.)	25.3	12.7	26.2	24.3
Export (% change)	8.5	9.5	▲9.7	14.9
Import (% change)	9.1	10.0	▲15.0	17.3
Exchange rate (Rp./US$)	9,419	10,950	9,400	8,991
Public debt outstanding (% of GDP)	35.2	33.1	28.4	26.1
Foreign Reserve (billion USD)	56.9	51.6	66.1	96.2
Unemployment rate (%)	9.1	8.4	7.9	7.1
Poverty rate (%)	16.6	15.4	14.1	13.3

Source: MOF、Bank Indonesia、WB

3.1.3 Philippines

The external shocks in 2008 such as the surge of food and oil prices in international market, financial turmoil caused by so-called sub-prime crisis in the US, and the global economic crisis triggered by the Lehman Shock in 2008 affected the economy of the Philippines. The effects of the GFEC emerged on the real economy of the Philippines after mid-2008. The real GDP growth rate in 2008 backtracked to 3.7% from 7.1% in 2007, and it further dropped to 1.1 % in 2009.

Appreciation of international commodity prices, especially food prices such as rice, as well as oil prices, had pushed up import prices and domestic inflation rate. The inflation rate was elevated to 12.5% in August 2008. It dropped to 8.0% in December 2008, with an annual average rate of 9.3% for 2008, due to the effects of the GFEC.

On the other hand, the government revenue decreased due to the downturn in the economy, and budget deficit increased to 0.9% of GDP in 2008, from 0.2% of the previous year, and further widened to 3.7% in 2009.

Also, the slowdown in private consumption and exports, decrease in growth rate of remittance from Overseas Filipino Workers (OFW), and deterioration in employment conditions (i.e. increase of layoffs by foreign investment companies and returning workers from abroad) put strong downward pressure on economic growth. Furthermore, the Typhoon 16 and 17 in late 2009 damaged the economy.[2] Major industries such as agriculture as well as the infrastructure suffered significant damages, which brought the loss of 4.4 billion US dollars (2.7% of GDP) as total to the nation. Effects of such natural disasters were also behind the economic slowdown in 2009.

Table 4: Philippines Economic Indicators

	2007	2008	2009	2010
Real GDP Growth Rate (%)	7.1	3.7	1.1	7.3
GNI per capita (PPP, US$)	3,490	3,680	3,720	3,980
Consumer Prices (% change)	2.8	9.3	3.2	3.8
Private Consumption Expenditures (Nominal, bil peso)	5,064	5,740	5,993	6,442
Current Account Balance (% of GDP)	4.8	2.1	5.6	4.2
Fiscal Balance (% of GDP)	▲0.2	▲0.9	▲3.7	▲3.5
Balance of Payment (% of GDP)	5.7	0.1	3.8	7.2
Export (% change)	6.4	▲2.8	▲21.7	33.8
Import (% change)	7.2	4.2	▲24.1	26.9
Exchange rate (peso/ US$)	46.15	44.32	47.68	45.11
Public debt outstanding (% of GDP)	53.9	54.7	54.8	52.4
Foreign Reserve (100 mil US$)	302.1	331.9	387.8	553.6
Unemployment rate (%)	7.3	7.4	7.5	7.4
Poverty rate (%)	26.4 (Note 1)	N.A.	26.5	N.A.

Source: NSCB、BSP、ADB、WB、JETRO

Note 1): For 2006

3.2 Countermeasures against the Crisis and Evaluation

In order to cope with the GFEC, governments of Vietnam, Indonesia and the Philippines, respectively adopted emergency economic stimulus measures through increasing public spending, for enhancing infrastructure investment, social security, and monetary policies (Table 5).

2 JICA conducted a needs assessment jointly with World Bank and other donors after the disaster.

Each country announced introduction of such measures in late 2008, and implemented them in 2009 and partially in 2010.

Size of the stimulus measures were 8.8% of GDP for Vietnam, 1.3% for Indonesia, and 4.1% for the Philippines. It is noted that the proportion is rather large in Vietnam in comparison with its economic size. Each country financed those measures by external borrowings and issuance of national bonds. Table 5 summarizes the stimulus measures adopted by three countries.

Table 5: Economic Stimulus Measures against Global Financial and Economic Crisis

	Vietnam	Indonesia	Philippines
Economic stimulus package	Economic Stimulus Measures'	Fiscal Stimulus Program (Panitia anggaran DPR-RI dengan pemerintah dalam rangka pelaksanaan pasal 23 UU 41 tahun 2008 tentang ABPN 2009, 24th February, 2009)	ERP: Economic Resiliency Plan
Period	Jan 2009 - Dec 2010	Jan 2009-Dec 2009	Jan 2000 - Dec 2010
Budget (plan/actual)	145.6 tril dong (8 bil US$) / 147 tril dong (8.6 bil US$) (1US$＝17,065 dong (2009))	73.3 trillion Rp. (about 6.9 billion USD)／N.A. (Note: accurate actual amount under the fiscal stimulus program cannot be grasped since some items are integrated into the ordinary budget items, but the disbursement rate is deemed to be more than ninety percent.) （1US$=10,408 Rp.（2009））	330 bil peso (7 bil US$) / 286.1 bil peso (6 bil US$) (1US$= 47.68 peso (2009))
Per GDP (%)	8.8% (2009)	1.3% (2009) (The budget size of the fiscal stimulus program is the planned figures.)	4.1% (2009)
Policy target	(a)To boost production, business and export; (b)To apply measures for investment and consumption stimulation; (c)Financial and monetary policies; (d)To ensure social welfare; and (e)Organization of implementation	(a) Facilitation of consumption (activation of domestic demand) (b) Improving business resilience and competitiveness (c) Creating jobs through labor-intensive construction of infrastructure	(a) Ensure sustainable growth and attain the higher end of the growth targets; (b) Save and create as many jobs as possible; (c) Protect the most vulnerable sectors – poorest of the poor, returning overseas Filipino workers, and workers in export industries; (d)Ensure low and stable prices; and (e) Improve competitiveness in preparation for the global economic rebound.

Major Policies (Achievements)				
Fiscal Policies				
	Fiscal	(a) Tax cut (41.3 tril dong) (b) 4% interest subsidy (14.3 tril dong) (c) Advanced budget (35.6 tril dong) (d) Carrying-forward the capital investment projects for 2008 to 2009 (29.7 tril dong) (e) Additional government infrastructure bond (13 tril dong) (f) Others (9.8 tril dong) (g)Postponement of collection of investment capital advanced for 2009 (3.4 tril dong)	(a) Reduction in income tax (43 trillion Rp.) (b) Reduction in VAT and import duties etc. (13.3 trillion Rp.) (c) Investment in infrastructure and fighting poverty (17 trillion Rp.) Note: Figures in parentheses are the planned figures since accurate actual figures cannot be grasped.	(a)Tax cut (40 bil peso) (b)Small-scale / Community Infrastructure Projects (151 bil peso) (c)Infra fund (50 bil peso) (d)Housing fund (95 bil peso) (e)Education facility (14 bil peso) (f)Health facility (4 bil peso) (g)Rural road (5 bil peso)
	Infrastructure related	(a) Advanced budget (35.6 tril dong) (b) Carrying-forward the capital investment projects for 2008 to 2009 (29.7 tril dong) (c) Additional government infrastructure bond (13 tril dong) (d)Postponement of collection of investment capital advanced for 2009 (3.4 tril dong)	(a) Public Works Infrastructure Development (flood control, roads and bridges, irrigation, drainage etc.) (6.2 trillion Rp.) (b) Communications Infrastructure Development (rail links, airports, ferry ports and wharves etc.) (2.1 trillion Rp.) (c) Energy Infrastructure Development (power plant and transmission lines etc.) (0.5 trillion Rp.) (d) Housing Infrastructure Development (0.5 trillion Rp.) (e) Construction of Market Infrastructure (0.3 trillion Rp.) (f) Infrastructure spending for construction and rehabilitation of farming community road and irrigation infrastructure (0.2 trillion Rp.) (g) Improvements to Vocational Training (0.3 trillion Rp.) (h) Rehabilitation of warehouses for storage of staple goods (0.1 trillion Rp.) (i) Development of Healthcare Infrastructure (0.1 trillion Rp.) Note: Figures in parentheses are the actual figures.	(a)Small-scale / Community Infrastructure Projects (151 bil peso) (b)Infra fund (50 bil peso) (c)Housing fund (95 bil peso) (d)Education facility (14 bil peso) (e)Health facility (4 bil peso) (f)Rural road (5 bil peso)
	Infrastructure related	81.7 trillion dong (56%)	10.4 trillion Rp. (14.2%) Note: The denominators in calculating the percentages are the planned figures since	31.96 bil peso (96.8%) Note: Budgeted amount. Actual expenses are not available. (a) also includes

spending (% of economic stimulus package)		the accurate total actual amount of the fiscal stimulus program cannot be grasped.	programs relating to social protection and data for infrastructure alone also not available. According to NEDA, actual expenses under ERP are 28.61 bil pesos.
Social Protection			
	8.8 trillion dong for support for 62 poor provinces, housing support for the poor, and assistance to the poor 2.3 mil households for Tet holiday	PNPM: National Community Block Grant Program (0.6 trillion Rp.) Note: This item is included in "(c) Creating jobs through labor-intensive construction of infrastructure" above. Figures in parentheses are the planned figures since accurate actual amount cannot be grasped.	(a) CLEEP (13.7 bil peso) (b) CCT (7.5 bil peso) (c) Additional spending for SSIs (30 bil peso) Note: ( ) is the amount budgeted.
Monetary Policies			
	(a) Dong devaluation (b) Decrease in policy rate (c) Decrease in reserve rate (d) Credit guarantee for SMEs (e) Banking sector reform	(a) After the rise in interest rate in October 2008, interest rates were cut (275bp) consecutively for eight months after December, 2008. (Policy interest rate: 6.75%) (b) Liquidity supply through reduction of deposit reserve ratio (c) Raising the cap for deposit insurance from 100 million Rp. to 200 million Rp.	(a) Decrease in policy rate (b) Decrease in reserve rate
Other	ADB Countercyclical Support (500 mil US$) (Dec 2009)	ADB Countercyclical Support (500 mil US$) (December, 2009)	ADB Countercyclical Support (500 mil US$) (Sep 2009)

Source: Evaluators prepared based on the available information and data.

3.2.1 Vietnam

The government of Vietnam introduced the Economic Stimulus Package in December 2008, totaling to 145.6 trillion dong, or US$8 billion (actual expenditures estimated to be 147 trillion dong). Major components are (i) reduction of corporate income tax (CIT)/ personal income tax (PIT)/ value added tax (VAT); (ii) 4% interest subsidy; (iii) public investment; and (iv) social protection, which addressed the necessary policy actions for recovery of the economy.

As for tax reduction, there were (i) 30% reduction in CIT for small and medium sized enterprises (estimated reduction was 13 trillion dong) ; (ii) exemption of PIT for 1st and 2nd quarter of 2009 (6.5 trillion dong); and (iii) 50% reduction in VAT for selected items (8.6 trillion dong). These were to help promote the business activities, private consumption, and investment. The planned budget is 28 trillion dong, and the actual expenditures are 41.3 trillion dong.

As for 4% interest rate subsidy, SBV provided interest subsidy to commercial banks for their short-term and medium- to long-term lending, to stimulate the economy through promoting business, consumption and investment. The planned budget is 17 trillion dong, and the actual expenditures are 14.3 trillion dong.

As for public investment, the government brought forward infrastructure investment for highly prioritized, quick-disbursing and labor-intensive projects such as irrigation and transportation, to stimulate the economy and promote employment. The planned budget is 90.8 trillion dong, and the actual expenditures are 81.7 trillion dong.

For social protection, the government introduced various programs for the poor and the vulnerable, including assistance for the poor in 62 provinces, contribution of bounty to 2.3 million poor households for Tet holidays and housing assistance for those with low-incomes. The planned budget is 10.2 trillion dong, and the actual expenditures are 8.8 trillion dong.

On the other hand, the government adopted a series of monetary easing policies, including (i) devaluation of exchange rate, (ii) lower policy rate and reserve deposit rate; (iii) provision of credit guarantee; and (iv) banking sector reform.

Table 6: Economic Stimulus Package in 2009

	Economic Stimulus Package (Note 1)
Period	Jan 2009 - Dec 2009 (Note 2)
Size	147.0 trillion dong (approx. 8 billion US$) (for revenue side: 41.3 trillion dong) (for expenditure side: 105.7 trillion dong)
Revenue side (Table 9: I)	① Tax reduction for CIT/PIT/VAT (41.3 trillion dong)
Expenditure side (Table 9:II)	② 4% interest subsidy (14.3 trillion dong) ③ Carry-forward of state budget (35.6 trillion dong) ④ Carry-forward of 2008 investment capital (29.7 trillion dong) : National budget (22.5 trillion dong) + Government bond (7.2 trillion dong) ⑤ Additional government bond (13 trillion dong) ⑥ Other (State deposit) (9.8 trillion dong) ⑦ Postponement of collection of investment capital（3.4 trillion dong）

Source: ADB Countercyclical Fund Completion Report, MOF

Note 1): Introduced by 30/2008/NQ-CP dated Dec 11, 2008. Budget for economic stimulus package was approved by the national congress in June 2009.

Note 2): A part of interest subsidy program was extended till the end of 2010. Other measures were completed by end of 2010. All the other measures were completed within 2009.

Table 7: Economic Stimulus Measures for 2009

I. Revenues

(Unit: bil dong)

Item	Plan	Actual	On/Off-Budget	Remarks
1.Tax reduction and exemption	28,000	41,250		
(1) Corporate tax	13,000	N.A.	On-Budget	
(2) Personal income tax	6,500	N.A.	On-Budget	
(3) Value added tax	8,600	N.A.	On-Budget	
Total	28,000	41,250		

II. Expenditures

(Unit: bil dong)

Item	Plan	Actual	On/Off-Budget	Resource
1. 4% Interest Subsidy	17,000	4,300	Off-Budget	Foreign reserve
2. Advanced budget	37,200	35,570	On-Budget	
(1) Urgent projects	26,700	N.A.		
(2) 62 poor provinces poverty reduction programs	1,525	N.A.		
(3) Others	9,000 (Note 1)	N.A.		
3. Carrying-forward capital investment projects for 2008 to 2009	30,200	29,670		
(1) Capital investment financed by state budget	22,500	2,490	On-Budget	Carry-over of 2008 Budget
(2) Capital investment financed by government bond	7,700	7,180	Off-Budget	Carry-over of 2008 government bond
4. Additional government infrastructure bond	20,000	13,000	Off-Budget	Additional issuance of infrastructure bond
5. Other expenditures (Note 2)	9,800	9,800		
(1)Purchasing rice and petroleum for national reserve	2,800	2,800	On-Budget	2009 Budget
(2)Other	7,000	7,000	On-Budget	2009 Budget
6. Postponement of collection of investment capital	3,400	3,400	On-Budget	2009 Budget
Total	117,600	105,740		
Grand Total (I+II)	145,600	146,990		

Source: JICA, MOF

Note 1): Increased budget for rehabilitation of irrigation canals, investment for infrastructure of handicraft clusters and aquaculture production (3,000 billion), financial assistance for the house construction for poor households (500 billion), subsidy for interest difference (2,500 billion), additional capital for the Central People Credit Fund (500 billion); additional budget for trade promotion domestically and externally; financial support for enterprises to maintain employment, extend production and export (1,000 billion)

Note 2): Additional budget to purchase rice and petroleum for national reserve purpose in the expected amount of 2,800billion (1,300 billion for rice purchase and 1,500 billion for petroleum). Advance for the unplanned recurrent expenditure to ensure the social safety purposes for instance; financial assistance to the enterprises affected by economic slowdown (to pay salary for employees, social insurance); financial support for the replacement of three wheel vehicles, support for recovering the damage caused by natural calamity and epidemic diseases approximately 7,000 billion (including additional assistance to the poor for Tet holiday (1.7 trillion dong) and support for the housing for the poor (3.6 trillion dong)) .

3.2.2 Indonesia

The Indonesian government implemented a total amount of 73.3 trillion Rp. fiscal stimulus program utilizing the FY 2009 budget in order to cope with the global financial and economic crisis. The program consisted of three pillars: (1) reduction in income tax (43 trillion Rp.); (2) reduction in VAT and import duties etc.; (13.3 trillion Rp.), and (3) investment in infrastructure and fighting poverty (17 trillion Rp.), with following three objectives:

1) Sustaining and/or strengthening public purchasing power to maintain growth in household consumption at 4.0% to 4.7%;
2) Maintaining corporate/business resilience in the face of the global crisis; and
3) Creating employment and mitigating the impact of job losses through the labor-intensive infrastructure construction policy.

Table 8: Fiscal Stimulus Program by the Indonesian Government

（Total of 73.3 trillion Rp. (6.9 billion USD)）

Reduction in income tax (43 trillion Rp.)
Reduction in VAT and import duties etc. (13.3 trillion Rp.) ・Reduction of VAT on oil/gas ・Reduction of import duties on raw materials and capital goods ・Reductions in income tax rates ・Reduction of geothermal tax
Investment in infrastructure and fighting poverty (17 trillion Rp.) ・Reduced price for automotive diesel ・Discounted electricity billing rates for industrial users ・Additional infrastructure expenditures ・Upscaling of Community Block Grants (PNPM)

Source: JICA appraisal documents, answers to the questionnaires, information obtained during filed mission etc

Note 1): The parliament added an additional 2 trillion Rp. (for infrastructure investment) to the fiscal stimulus program budget (71.3 trillion Rp.) proposed by the government when approving the program (24th February 2009).

Note 2): In addition to newly introduced measures such as reduction of tax, the continuation of existing infrastructure development initiatives are also included in the fiscal stimulus program.

Note 3): Modification and addition of the fiscal stimulus program did not take place. Continual and/or expansive initiatives and projects have been incorporated in the ordinary budget after FY2010.

In order to expedite budgeting for the fiscal stimulus program, the Indonesian government amended the macroeconomic indicators for 2009 budget and realized parliamentary approval of a second revised budget including the said program in a timely manner (August, 2009). Following measures were implemented to achieve the above objectives.

(1) Fiscal stimulus measures to sustain and increase public purchasing power (facilitation of consumption)

Table 9: Public Purchasing Power Stimulus (2009)

(Unit: trillion Rp.)

	Budget Allocation for Calendar Year 2009	Actual Disbursement (as of 31st December, 2009)
A. Tax Savings	24.5000	24.5000
1. Lower non-oil, non-gas income tax rates	13.5000	13.5000
2. Income tax-free band raised to 15.8 million Rp.	11.0000	11.0000
B. Subsidies	1.3500	0.8283
1. Tax subsidies	1.0000	0.8283
2. Non-tax subsidies (Generic medicines)	0.3500	-
Total	25.8500	25.3283

Source: Indonesia MOF, answers to the questionnaires, information obtained during filed mission etc

Note 1): "Non-tax subsidies（Generic medicines）" was not implemented.

Since the steady growth of individual consumption in domestic market has been contributing greatly to Indonesia's economic growth, the government introduced measures to facilitate consumption through activation of domestic demand. They include reducing personal income tax rates and controlling the rise of commodity prices by subsidizing cooking oil, which is necessary for daily life. These measures contribute to support household budgets and to fight poverty.

Besides subsidies on generic medicines, budget related with "facilitation of consumption" has been executed by the end of December 2009. According to the MOF, the actual disbursement of tax subsidies turned out to be less than the budget allocation due to efficient implementation of the measures.

(2) Fiscal stimulus measures to bolster competitiveness, business resilience and exports (economic stimulus through supporting corporate sector)

Table 10: Stimulus for Improved Business Resilience and Export Competitiveness (2009)

(Unit: trillion Rp.)

	Budget Allocation for Calendar Year 2009	Actual Disbursement (as of 31st December, 2009)
A. Reduction in tax	18.5000	18.5000
1. Lower non-oil, non-gas income tax rates	18.5000	18.5000
B. Subsidies	16.4728	N.A.
1. Tax subsidies	12.3000	2.0212
2. Non-tax subsidies	4.1728	N.A.
C. Financing (State equity injection for ASEI etc.)	0.5000	0.5000
Total	35.4728	N.A.

Source: Indonesia MOF, answers to the questionnaires, information obtained during filed mission etc

Note 1): The actual disbursement of "Non-tax subsidies" is not available since the accurate disbursement of budget expenditure for fiscal stimulus program cannot be grasped for this item. (This item is unified with the ordinary budget items: "fuel subsidies" and "power subsidies", therefore, the disbursed amount cannot be segregated for the fiscal stimulus program.)

Note 2): ASEI (Asuransi Ekspor Indonesia) is the export insurance organization in Indonesia.

The most direct and short-term effect of global economic crisis were seen on (net) export decline (due to rise in import bill for raw materials), and decline of external purchasing power of money. As such, the government introduced measures to strengthen business sector activities and to bolster export competitiveness through reducing corporate tax, subsidizing import customs duties, financing export insurance organizations (Asuransi Ekspor Indonesia (ASEI), Askrindo and Jamkrindo) etc. The government also provided subsidies to VAT on exploration of oil and natural gas, aiming to expand future business activities in the said areas.

Although accurate disbursement amount for non-tax subsidies cannot be grasped, budget on "economic stimulus through supporting corporate sector" has been executed by the end of December 2009. According to the MOF, the disbursement amount turned out to be less than the budget allocation for tax-subsidies due to efficient implementation of these measures.

(3) Fiscal stimulus measures to create jobs and alleviate impacts on unemployment (infrastructure development and job creation through public works)

Table 11: Fiscal Stimulus for Labour-Intensive Infrastructure Improvements (2009)

(Unit: trillion Rp.)

	Budget Allocation for Calendar Year 2009	Actual Disbursement (as of 31st December, 2009)
I. Expenditure for Infrastructure Development	10.9450	10.3807
1. Public Works Infrastructure Development	6.6012	6.2258
2. Communications Infrastructure Development	2.1988	2.1088
3. Energy Infrastructure Development	0.5000	0.4917
4. Housing Infrastructure Development	0.5000	0.4944
5. Construction of Market Infrastructure	0.3150	0.2993
6. Infrastructure spending for construction and rehabilitation of farming community road and irrigation infrastructure	0.2600	0.2396
7. Improvements to Vocational Training	0.3000	0.2585
8. Rehabilitation of warehouses for storage of staple goods (rice and corn)	0.1200	0.1128
9. Development of Healthcare Infrastructure	0.1500	0.1498
II. National Community Block Grant Programme (PNPM)	0.6015	N.A.
Total	11.9365	N.A.

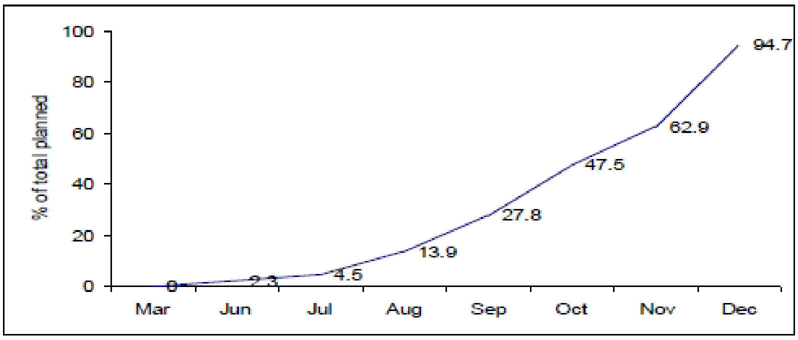
Source: Indonesia MOF, answers to the questionnaires, information obtained during filed mission etc

Note 1): The actual disbursement for the PNPM is not recorded in the budget expenditure book of the DG Budget

Public investment was given greater importance for countercyclical measures including social development such as poverty alleviation since employment generation effects and spillover effects were expected.

"Expenditure for infrastructure development" contained public works, which have been already budgeted as well as highly urgent infrastructure development, which can be implemented within FY2009. The disbursement rate recorded 94.7%. The Indonesian government has introduced disbursement facilitation measures through (1) promoting advance procurement processing, appointing multiyear Treasury officers, and speeding up disbursements through the Treasury; (2) establishing a committee to monitor the 2009 budget activity list and improve budget disbursements; (3) improving the recording and reporting system in budget spending units; and (4) issuing a series of circulars with simplified mechanisms and processes to carry over unspent 2008 budget funds.[3] According to the MOF, the initiatives not implemented within FY2009 have been incorporated into the FY2010 ordinary budget or later to be implemented.

Figure 4: Disbursement rate of the Infrastructure Component of the Fiscal Stimulus in 2009



Notes: The total budget allocation for the infrastructure component of the fiscal stimulus was Rp10.2 trillion. Of this, 94.7% was disbursed and implemented in 2009.
Source: December 2009 Report on Monitoring the Fiscal Stimulus, National Development and Planning Agency (BAPPENAS).

Source: ADB Project Completion Report Countercyclical Support

Figure 5: Disbursement Rate of the Infrastructure Component of the Fiscal Stimulus

On the other hand, the government has implemented following measures as monetary policy. (1) Stabilizing exchange rate (avoiding the increase of substantial burden of external debt and unpayable debt repayment due to depreciation of exchange rate); (2) stabilizing and securing confidence of government bonds; (3) securing and stabilizing foreign currency reserves; and (4) stabilizing and securing confidence of banking sector/financial sector.

3.2.3 Philippines

The government of the Philippines announced to introduce 330 billion peso or US$ 7 billion worth of Economic Resiliency Plan (ERP) in January 2009, in order to mitigate and recover

3 ADB Project Completion Report Countercyclical Support

from the adverse effects of the GFEC and attain sustainable economic growth, through a mixture of fiscal, tax and legislative measures. The size of the ERP is 4.1% of the nominal GDP in 2009.

The objective of the ERP is to support the economy through increasing the public spending, to mitigate the impact of the global economic crisis and to underpin the economy in short-term, and to sustain the economy through various measures in medium- to longer-term.

The major components of ERP are as follows (initial budget).

1) Expansion of infrastructure development and social welfare services through budget interventions (160 billion peso)

2) Large-scale infrastructure projects through infrastructure fund (100 billion peso)

3) Tax reduction and exemption (40 billion peso)

4) Additional benefits from Social Security Institutions (30 billion peso)

The actual expenditures under ERP are estimated at 286.1 billion peso (86.7% of the planned budget) as shown in Table 6. It is noted that the Housing Program instead of Infrastructure Fund is listed in the actual, but the details has not been made clear through the survey. The government is now conducting an overall evaluation of the ERP.

Table 12: ERP Budget Plan and Actual

(Unit: bil peso)

	Plan	Actual (as of end-2009)
1. Increase in NG budget from 2008 to 2009 (Small-scale / Community Infrastructure Projects)	160	151
2. Tax Relief for Individual Income Tax	20	20
3. Tax Relief for Corporate Tax	20	20
4. Additional Infrastructure Fund through Bond Issue	100	-
5. Housing Program (Pag-Ibig Fund)	-	95
6. Additional benefits from SSIs	30	-
Total	330	286

Source: NEDA, DOF, JETRO

Table 13: ERP Major Programs and Achievements

(1) On-budget Programs

	Description	Plan (2009 and 2010)	Achievement (2009 and 2010)
Comprehensive Livelihood and Emergency Employment Program	Designed and approved in October 2008 to address the impact of the economic	465,828 placements. 2009 budget was 13.7 billion peso.	Implementation began in January 2009. By Sept 2009, 328,262 placements

(CLLEP)	slowdown on employment and poverty. Includes livelihood and emergency employment programs. Targeted workers affected by the crisis such as redundant workers in the export sector, returning overseas Filipino workers, unemployed youth, and poor families		made. Program wound down in 2010. In Oct 2009, a part of budget transferred for supporting areas affected by Typhoon Ondoy and Pepeng. As of Jan 2010, 6,446 afflicted people employed.
Conditional Cash Transfer (CCT)	Provides income support of 1,400 peso per month to recipient poor families, with attached conditions related to pre- and postnatal care; children’s attendance at preschool, elementary school, and junior high school; and child immunization.	Government intended to increase coverage to 699,000 households as a response to the crisis, and scale up to 1 million households in 2010 Total budget for 2009 was 7.5 billion peso	770,662 families covered in 2009. 1,035,431 families covered in 2010.
School Vouchers Program	Provides scholarships to children in poor families through a voucher system.	Government intended to cover 652,000 children for a total budget of 4.3 billion peso in 2009 and 676,000 children for a total budget of 3.9 billion peso in 2010	660,098 children covered in 2009, 691,099 children covered in 2010
Food for School Program	Provides rice allocations to elementary schoolchildren	467,707 children covered in 2009	502,163 children covered in 2009
Employment Support Program (SEA-K)	Provides capital assistance and capability building program for livelihood projects	14,105 households in 2009	34,815 households covered in 2009, 19,047 households covered in 2010
Tindahan Naitin Program	Tindahan Natin are retail outlets providing subsidized rice to poor consumers	1.2 million households	60,500 households received subsidized rice in 2009. Overall, the program assisted 4.7 million beneficiaries. It was discontinued in June 2010 and savings reallocated to the CCT program
Education facilities enhancement	Construction and repair of classrooms and library hubs	2009 budget: 7.7 billion peso, and 2010 budget: 6.6 billion peso	7,559 classrooms/ library hubs rehabilitated in 2009 for 3.8 billion peso. 5,373 schools rehabilitated in 2010

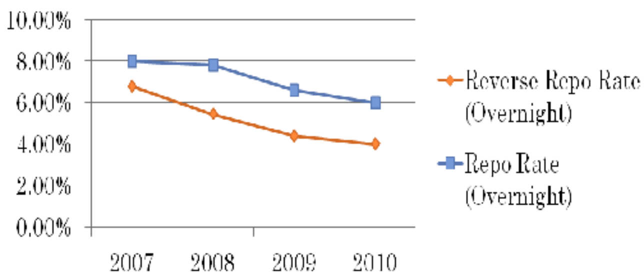
Health facilities enhancement	Construction and repair of health facilities	Government intended to construct and repair 200 health facilities with a budget of 2.1 billion peso in 2009, and 400 facilities with a budget of 1.9 billion peso in 2010	211 medical centers constructed and repaired in 2009. 393 medical centers constructed and repaired in 2010
Farms-to-market roads	Building feeder roads	P5.2 billion budgeted for the program in 2009, with completion in 2010	1,420 km rural feeder roads constructed in 2009. 1,642 km rural feeder roads constructed in 2010.
Vocational training	Provision of technical and vocation training	5.66 bil peso	NA

(2) Off-budget Programs

	Description	Plan (2009 and 2010)	Achievements (2009 and 2010)
Health insurance program	Provide support for health insurance for the poor households	50 bil peso each for 2009 and 2010 for 4.7 mil households	5.3 mil households (2009) and 3.5 mil households (2010) benefited.
Lending program for housing (Pag-IBIG Fund)	Public fund for lending program for housing	85 bil peso for 2009	95.1 bil peso (2009)
Issuance of infrastructure bonds by NDC (National Development Company)	Issuance of infrastructure bond for large-scale projects.	100 bil peso	NDC issued 50 bil peso infrastructure bond in Aug 2009

Source: NEDA Report on Implementation of Philippine Economic Resiliency Plan (March 2010), ADB Countercyclical Support Completion Report

In addition, BSP adopted a series of monetary easing policies (Figure 6), such as decreasing reserve repo rate (borrowing rate) and reserve rate (lending rate) as well as lowering reserve rate.



Source: Based on BSP Database

Figure 6: Policy Interest Rate (unit: %)

In face of the economic downturn, government revenues decreased from 23.0% of GDP to

21.2%, which resulted in an increase of the budget deficit, from 0.9% of GDP in 2008 to 3.7% in 2009.

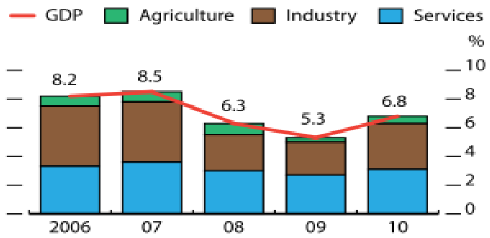
3.3 Effects of Economic Stimulus Measures

This section reviews the recovery path of each country from the adverse effects of the GFEC, and effectiveness of the economic stimulus measures of each country.

3.3.1 Vietnam

Real GDP growth that decelerated from 6.3% in 2008 to 3.1% in the 1st quarter of 2009 recovered owing to stimulus policies up to 5.3% in the 2nd quarter, 6.0% in the 3rd quarter, and 6.9% in the 4th quarter with full-year rate of 5.3%. Further, in 2010, the growth rate retuned to 6.8%, which was the level before GFEC. It appears that Vietnam achieved relatively steady recovery compared to the surrounding countries.

Figure 7 and Table 14 show real GDP growth rates and sector contributions. Due to GEFC, the growth rate of agriculture, industry and service sectors all declined toward 2009. Conversely, the growth rate of these sectors all improved toward 2010 compared to the previous year.



Source: ADB Asian Development Outlook 2011

Figure 7: Real GDP Growth Rates and Sector Contributions

Table 14: Real GDP Growth Rates and Sector Contributions

	Agriculture	Industry	Service	GDP
	(Percentage points)			(%)
2006	0.7	4.2	3.3	8.2
2007	0.7	4.2	3.6	8.5
2008	0.8	2.5	3.0	6.3
2009	0.3	2.3	2.7	5.3
2010	0.5	3.2	3.1	6.8

Source: ADB Asian Development Outlook 2011

Meanwhile, export which decreased by 8.9% in 2009 recovered in a short period to 26.4% increase in 2010, while import which decreased by 13.3% in 2009 recovered to 21.2% increase in 2010. New inward direct investments also recovered from 75.4% decline in 2009 to 5.4% increase in 2010.

On the other hand, inflation rose to 9.2% again along with the economic recovery in 2010.

Fiscal deficits, which largely increased to 10.6% in 2009, continued to be large although slightly decreased to 8.0% in 2010 due to scaling down of the Economic Stimulus Policies.

Outstanding public debt continued to be at a high level, which increased from 49% of GDP in 2009 to 52.7% in 2010 due to government bond issues and external borrowings etc. for financing fiscal deficits. Outstanding external debt in particular was 42% of GDP in 2010, which increased from 2007 by 10% and comprised 39% of Japanese Yen, 27% of SDR, 22% of US$, and 9% of Euro.[4]

Major reasons for the prompt recovery from the crisis and steady economic growth were: i) the adverse effects of shrunken external demand due to GFEC were relatively small since the share of domestic consumption, and demand in the total economy was large compared to external demand; ii) the Economic Stimulus Measures of the government was effective so that domestic demand comprising domestic consumption and investment recovered quickly and remained robust; iii) export remained strong owing to the exchange rate policy of maintaining weak Vietnamese Dong and composition of main export items comprising textile / garment and food which were less vulnerable to GFEC, and so forth.

On the other hand, impacts of GFEC on social sector appeared limited, because such social indicators as unemployment rate and poverty incidence stayed rather constant before and after GFEC.

Vietnamese government estimated that GDP growth in 2009 was only 3-4%, if the economic stimulus measures were not implemented,[5] and thus considered the Economic Stimulus Measures were effective in increasing aggregate demand under GFEC.

3.3.2 Indonesia

Although Indonesia's GDP growth rate declined from 6.0% in 2008 to 4.6% in 2009, it went back on course for recovery by the fourth quarter of 2009 and the economy has achieved solid growth of 6.1% in 2010 due to the implementation of various measures for economic recovery.

Among the government's fiscal stimulus measures, "facilitation of consumption (activating domestic demand)" was appropriate taking into consideration of recent Indonesia's economic structure of domestically pulled economy. Research results[6] have shown that household consumption and aggregate output have been pushed up by 1.7% and 1.3%, respectively,

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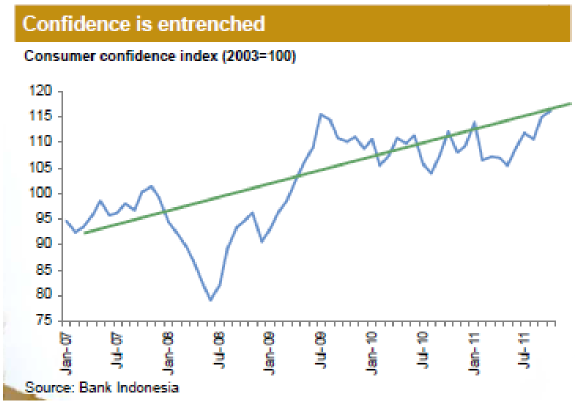
4 Ministry of Finance of Vietnam; External Debt Bulletin, July 2011

5 MPI, Report on the Results of the Economic Stimulus Policies and Ensuring Social Securities from 2008 to the Present and Proposed Policy Solutions to the Future, October 2009

6 Source: Dr. Boediarso Teguh Widodo, "Fiscal Policy Effectiveness in Stabilizing Fluctuate Business Cycle and Its Implementation Towards Output Aggregate", January, 2012 (Original report in Bahasa Indonesia)

because of the fiscal stimulus measures. The fiscal stimulus measures are deemed to be implemented effectively in the environment where national confidence toward domestic economy has been secured and sound fundamentals have been maintained. When looking at the trend of consumer confidence index, it has significantly declined in the first half of 2008 before the global crisis, however, it has drastically picked up after the second half of 2008 during the period of implementation of fiscal stimulus measures by the government.



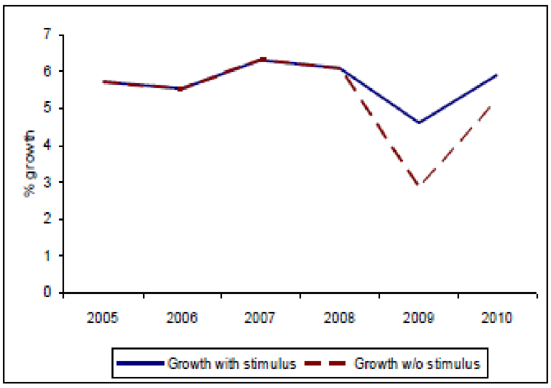
Source: Indonesia MOF

Figure 8: Consumer Confidence Index

In addition, support to the poor was provided through subsidy on VAT for cooking oil and Cash Transfer Program in rural area. It has been pointed out that the fiscal stimulus measures were well targeted.

The government's fiscal stimulus measures were provisional (special budget for the measures was secured only in FY2009), and have ended as the economic recovery took place both internationally and domestically.

The ADB estimated that the fiscal stimulus have pushed up 2009 GDP growth rate by 1.6% to 1.8%. It is likely that the growth rates would not have turned negative even without the measures and would maintain steady figures (around 3% according to ADB estimation).



Source: ADB Project Completion Report Countercyclical Support

Figure 9: GDP Growth With and Without the Fiscal Stimulus

The fiscal stimulus takes into account to secure Indonesia's long-term development and long-term economic competitiveness through infrastructure development and modernization of economic markets, which are currently considered as insufficient.

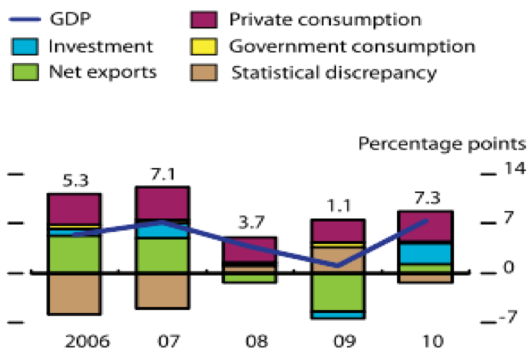
The main reason for success in Indonesia's economic and countercyclical measures stems form the fact that government was able to take initiative to maintain sound macroeconomic management and to secure credibility from people and private sector under the leadership of President Yudhoyono. The government quickly and appropriately took measures to avoid effects of external shocks and was able to facilitate economic recovery through implementing various measures to strengthen domestic economy resilience (lowering tax, creating additional infrastructure expenditure, scaling up social development support mechanism etc.).

3.3.3 Philippines

The Philippine economy recovered swiftly with 7.3% of GDP growth in 2010 from 1.1% of 2009, owing to increased public spending through the Economic Resiliency Plan (ERP), steady domestic private consumption and domestic investments sustained by remittance from Overseas Filipino Workers (OFW) and recovered exports.

Partly owing to relatively appreciated Philippine peso, which contributed to hold down prices of imported goods, the inflation rate, which recorded 9.3% in 2008, was rather stable after the crisis with the rates of 3.2 % in 2009 and 3.8% in 2010, which were within the range of BSP's target of 3.5-5.5% for 2009/2010.

Figure 10 and Table 15 show GDP growth rates and sector contributions. Almost all sectors recorded negative growth in 2008 due to the GFEC. Similar trend continued in 2009, where only government consumption increased under the Economic Stimulus Measures with increased public spending. The Measures continued into 2010, although government consumption decreased from the previous year. With the fiscal spending, all sectors including private consumption, investment and export returned to a right track toward recovery in 2010.



Source: ADB Asian Development Outlook 2011

Figure 10: GDP Growth Rates and Sector Contributions

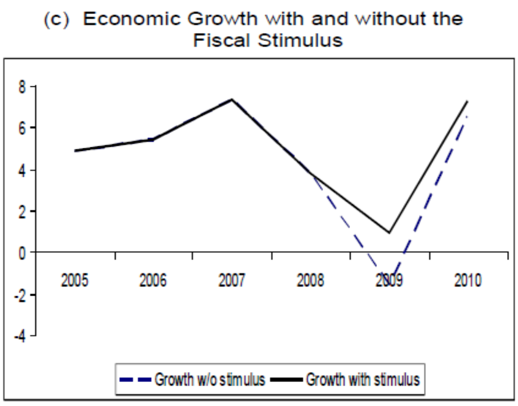
Table 15: GDP Growth Rates and Sector Contributions

	Private consumption	Government consumption	Investment	Net exports	Statistical discrepancy	GDP growth rate
Year	(percentage point)					(%)
2006	4.3	0.7	0.8	5.3	-5.8	5.3
2007	4.6	0.4	2.2	4.9	-5.0	7.1
2008	3.6	0.0	0.4	-1.3	1.0	3.7
2009	3.2	0.7	-1.0	-5.4	3.6	1.1
2010	4.3	0.2	2.9	1.3	-1.3	7.3

Source: ADB Asian Development Outlook 2011

On the other hand, the stabilized political environment in the Philippines as well appeared to have contributed to the economic recovery. Transition to the new administration in May 2010 was smoothly completed and, as a result, confidence in improvement of governance and business environment had become widely shared. The stable political environment urged businesspersons and consumers to be more positive in domestic investment and private consumption, which supported the fundamentals of solid Philippine economy.

As shown in Figure 11, ADB estimated that the overall ERP contributed pushing up GDP growth rate by 1.7-1.9 percentage point, while the growth rate in the same year was negative 0.6-1.0% in "without ERP" case. National Economic Development Agency (NEDA) provided more conservative estimate of 0.6% decrease in GDP growth rate in "without ERP" scenario.



Source: ADB Countercyclical Support Fund Completion Report

Figure 11: Economic Growth with and without the Fiscal Stimulus

3.4 Effectiveness of the Emergency Budget Support

The evaluation of the effectiveness of the Emergency Budget Support, through the Japanese

ODA Loans, to Vietnam, Indonesia, and the Philippines is as follows, with particular emphasis on the effect of the funding.[7]

3.4.1 Compensating the Financial Balance

The provision of this loan compensated the financial gap in the budget necessary for the implementation of the economic stimulus and crisis measures by the government in both countries at an opportune time.

For Vietnam, the government estimated the 2009 budget deficit to be US$3,081 million, out of which US$559 million (18.1%) was to be financed by the external borrowings. At actual basis, the 2009 budget deficit turned out to be US$3,586 million, out of which US$2,234 million (64.8%) was financed by the program loans. JICA ODA Loan financed US$500 million or 21.5% of the donor's assistance, which accounted for 13.9% of the budget deficit.

The government of Vietnam made a request for the ODA Loan to Japan in July 2009, and the full fund was disbursed in Nov 2009. With that fund, the 2010 budget was financed.

In Indonesia, the assumed budget deficit in FY2009 was US$13,808 million, of which 23.3%, equivalent to US$3,223 million, was planned to be financed through foreign borrowing. In actuality, budget deficit of the said fiscal year turned out to be US$8,514 million, of which 34.7%, equivalent to 2,953 million US$ was covered by program loans from donors. The emergency budget support provided by JICA accounted for 3.4% (US$100 million) of total program loans, which corresponds to 1.2% of total budget deficit.

The Indonesian government requested emergency budget support to Japanese government in October 2009, and the loan was disbursed in December of the same year. The duration of the Fiscal Stimulus Program by the Indonesian government was one year in 2009, however, continual and/or expansive initiatives and projects have been incorporated in the ordinary budget after FY2010. The program loan has covered the country's fiscal gap in a timely manner.

In the case of the Philippines, for 2010, the government budgeted fiscal deficit to be US$4,764 million, and 25.8% out of which, US$1,231 million was to be budgeted for financing by external borrowings through program loans from donors. At actual value, the 2010 fiscal deficit was 6,971 million dollars, 10% of which is 704 million dollars covered by the program mortgage loans from donors.

The JICA ODA Loan accounted for US$169 million, which covered 2.4% of the fiscal deficit, and provided 24.0% of the financial support from donors. Also, it added up to 282 million US$ worth together with the Development Policy Support Loan (III) provided at the same time with the ODA loan, and the Yen loan program assistance provided 4.0% of the FY 2010 fiscal deficit and 40.1% of overall assistance program loan.

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[7] This report excludes analysis on crowding out and government expenditure multiplier, due to constraints on data and the volume of pages.

The government made a request to Japan in Sep 2009 for the budget support of US$250 million, accounting for 5.2% of the expected budget deficit, and 20.3% of the planned external borrowings. Out of US$250 million, JICA ODA Loan accounted for US$150 million and DPSP (III) for US$100 million. All the funds were disbursed in Dec 2009.

For each country, the scale of the support provided through the emergency financial support by the JICA is considered appropriate.

Table 16: Fiscal Balance for Vietnam/Indonesia/Philippines (Unit: Mil $)

	Vietnam (2009)	Indonesia (2009)	Philippines (2010)
Revenue	**23,674**	**92,660**	**27,258**
Expenditure	**31,994**	**106,468**	**31,449**
Fiscal Balance	**- 8,320**	**- 13,808**	**- 4,764**
Financing Gap	**- 3,081**	**- 13,808**	**- 4,764**
Finance by ODA (Program Loan)	**559**	**3,223**	**1,231**

Source: Data from JICA

Note) Expenditure of Vietnam includes off-budget expenditure.

Table 17: 2009 State Budget for Vietnam (Unit: bil dong)

		Plan	Actual
On-Budget			
A	Revenue	404,000	629,187
	1. Revenue and grant	389,900	466,286
	2. Brought forward revenue	14,100	162,901
B	Expenditure	456,578	661,972
	3. Current expenditure	330,078	326,666
	4. Capital investment	112,800	181,363
	5. Contingency	13,700	-
	6. Carryover	-	153,943
C	Brought forward to local government	-	28,413
D	Balance (D=A-B-C)	▲52,578	▲61,198
Off-Budget			
E	Off-budget expenditure and net lending (7+8+9)	89,400	79,366
	7.Government investment bond	36,000	35,511
	8.On-lending	25,700	23,675
	(i) ODA+Commercial	25,700	23,675
	(ii) Sovereign Bond	-	-
	9.Additional spending from Stimulus	27,700	20,180
	(i) Advanced budget from 2010 (Note 1)	-	-

	(ii)Carry-forward from 2008 (Gov't bond) (iii)Additional Gov't bond issuance for 2009	7,700 20,000	7,180 13,000
F	**Fiscal balance (D-E)**	▲141,978	▲140,564
G	**Financing Gap**	141,978	140,564
H	Financing	141,978	140,564
	1. On-budget Finance	52,578	61,198
	(1) Domestic borrowing	43,038	30,860
	(2) **External borrowing**	9,540	**30,338**
	2. Off-budget (Government bond)	63,700	55,691
	3. Off-budge (On-lending)	25,700	23,675

Source: MOF

Note 1): The carryover national budget (budget 37.2 trillion dong, actual 35.6 trillion dong) was executed in B.4, having the necessary fund secured due to the revenue of the year 2009 increasing more than expectedly as a result.

Table 18: Vietnam: Budget Support by Donors (2009)

	Program	Amount		Terms	Note
		(Mil US$)	(%)	(rate, rp y (grace))	
JICA	8th Poverty Reduction Support Loan (PRSC8)	77	3.3	1.2%, 30 yr (10 yr)	7 bil JPY
	Economic Stimulus Support	500	21.5	Yen Libor (6 mo), 15 yr (5yr)	47.9 bil JPY
WB	PRSC8	350	15.1	IDA condition	
	Program 135	100	4.3	IDA condition	
	Higher Education DPL1	50	2.2	IDA condition	
	Public Investment Reform DPL1	500	21.5	IBRD condition	
ADB	PRSC8	100	4.3	ADF/IDA similar	
	Countercyclical Fund	500	21.5	OCR/USD Libor +200 p.a.	
AfD	Public Investment Reform DPL1	72	3.1		100 mil EURO
Other	PRSC8	75	3.2		EU (incl. grants)
Total		2,324	100.0		

Source: MOF, ADB, WB, EU, AfD, JICA
Note 1): Calculated as 1US$=0.72 Euro (Average in 2009)

Table 19: 2009 Fiscal Revenue and Expenditure in Indonesia (Unit: trillion Rp.)

	2009 (second revised budget)	2009 (Actual)
Revenues and Grants	**871.0**	**848.8**
Tax Revenues	652.0	619.9
Non Tax Revenues	218.0	227.2
Grants	1.0	1.7

Expenditures	**1000.8**	**937.4**
Central Government Expenditures	691.5	628.8
Transfer to Regions	309.3	308.6
Primary Balance	-20.3	5.2
Surplus/Deficit	**-129.8**	**-88.6**
Finance	**129.8**	**112.6**
Domestic Financing	142.6	128.1
Domestic Bank Financing	56.6	41.0
Non Bank Financing	86.0	87.1
Of which Government Securities (net)	99.3	99.5
Foreign Financing	-12.7	-15.5
Program Loan	30.3	28.9
Project Loan	39.0	29.7
Subsidiary Loan	-13.0	-6.2
Amortization	-69.0	-68.0
Surplus/(Deficit) Financing	**0.0**	**24.0**

Source: Indonesia MOF

Table 20: Indonesia Government's Financing Plan for 2009 Second Revised Budget

Financing Plan (Total)	Amount (million USD)	%
Government Bond	**9,453**	**76.4**
Program Loan	**2,887**	**23.3**
・JICA	600	4.9
・WB	1,487	12.0
・ADB	500	4.0
・AFD	300	2.4
Others	**26**	**0.3**
Total	**12,366**	**100.0**

Source: JICA appraisal documents

Table 21: Breakdown of JICA Program Loans (Unit: million USD)

Development Policy Loan (V)	100
Infrastructure Reform Sector Development Program (II)	100
Climate Change Program Loan	300
Economic Stimulus and Budget Support Loan	100
Total	**600**

Source: JICA appraisal documents

Table 22: Program Loans in Indonesia (Unit: million US$)

Donors	2008	2009	2010	2011 Plan	2011 Actual
JICA	500 (18.3%)	600 (20.3%)	505 (15.7%)	300 (14.0%)	100 (6.6%)
WB	1,197 (43.9%)	1,553 (52.6%)	1,704 (53.1%)	1,242 (58.0%)	1,011 (66.9%)
ADB	830 (30.4%)	500 (16.9%)	700 (21.8%)	500 (23.3%)	400 (26.5%)
AFD	200 (7.4%)	300 (10.2%)	300 (9.4%)	100 (4.7%)	-
Total Program Loan	**2,727 (100%)**	**2,953 (100%)**	**3,209 (100%)**	**2,142 (100%)**	**1,511 (100%)**

Source: Answers to the questionnaires from Indonesia MOF

Note 1): The main reason for the gap between plan and actual in 2011: the government did not borrow Climate Change Program Loan, which was initially planed (for JICA and AFD: CCPL, for WB: CCDPL).

Table 23: State Budget for the Philippines (Unit: 100 million peso)

	2007	2008	2009	2010	2010 (Note 1) (mil US$)
Revenue	**11,365.6**	**12,029.1**	**11,232.1**	**12,079.3**	**26,777.4**
Tax Revenue	9,329.4	10,491.8	9,816.3	10,936.4	24,243.8
Non-tax Revenue	2,034.7	1,536.0	1,413.9	1,138.8	2,524.5
Grant	1.5	1.3	1.9	4.1	9.1
Expenditure	**11,490.0**	**12,710.2**	**14,217.4**	**15,223.8**	**33,748.1**
Central government	9,552.9	10,480.2	11,570.9	12,428.3	27,551.1
Transfer to local government	1,937.1	2,230.0	2,646.5	2,795.5	6,197.1
Fiscal Balance	**-124.4**	**-681.1**	**-2,985.3**	**-3,144.6**	**- 6,971.1**
Financing	**991.1**	**1,601.1**	**2,298.4**	**3,516.5**	**7,795.4**
Domestic	429.5	1,693.1	773.7	2,186.0	4,845.9
Bond (gross)	3,269.6	4,292.6	3,219.0	4,898.4	10,858.8
Repayment	2,840.2	-2,599.5	-2,445.3	-2,712.5	- 6,013.1
Foreign	561.6	-92.0	1,524.8	1,330.5	2,949.5
Program Loans	419.7	264.2	745.7	317.5	703.8
Project Loans	276.8	245.2	222.6	289.6	642.0
Other	487.7	203.7	1,545.4	1,966.5	3,694.3
Repayment	-622.5	-805.1	-988.9	-1,243.1	- 2,755.7
Finance Gap	**1,069.5**	**474.8**	**-660.3**	**371.7**	**824.0**

Source: Bureau of the Treasury, DBM
Note 1): 1US$= 45.11 peso (2010)

Table 24: Budget Support by Donors (Unit: Mil US$)

Donor	2008	2009	2010 (Plan)	2010 (Actual)
JICA		96 (Note 1)	250	282
ADB	584	750	350	0
World Bank		324	418	382
France (AfD)			213	198
Total	584	1,170	1,231	878

Source: DOF, JICA
Note 1): For DPSP (III)

3.4.2 Securing the Ability to Foresee the Acquisition of Financial Budget

Under the international financial/economic crisis of the time, the method of acquiring the financial budget was extremely limited in each of the countries. Domestic as well as international financial market became extremely unstable, the premium of government bonds rose in each country with the global economic recovery being unforeseen, and the acquisition of funds through the market was greatly difficult. For example, the Indonesian government had the need to secure the possibility to foresee the acquisition of financial budget, including the amount for the government debt for which the due date was approaching in the year 2009 as well as 2010. The financial support from the donors was considered very effective as low-interest as well as reliable method in acquiring the financial budget in such emergency times.[8] In addition, the breadth of the budget deficit increased conversely as the government tax revenue decreased, due to such as the economic downturn in the businesses. In such situation, it was an urgent issue to find a stable source of alternate budget for each national government.

In each of the countries receiving the ODA Loan, it has brought about effects such as the following:

1. High concessional fund compared to the conditions in financing through the market, including national bonds.
2. Increased the ability to foresee the financial funding for the years mentioned, allowing more stable fiscal management.

As shown in Table 25, the coupon rates for 10-year national bond were rather high at around 8 - 10% due to global financial environment, while JICA Budget Support helped to procure the finances at cheaper cost based on yen-denominated LIBOR (6 month) with the 2009 average rate of 0.668% and 0.431% for 2010.

Without this support, it is most likely that the uncertainty of the budget source would increase, diminish and delay the implementation of the economic stimulus and crisis measures, and as a result, the recovery of the economy would be deterred, or else give a negative impact on the economic society. Even though the scale of the emergency budget support from JICA was relatively small, it was part of the fund procurement target of the Indonesian government with the funding resource and risk dispersement in mind. An Indonesian government authority stated that, without this support, it would have been necessary to procure funding through the market high in risk and cost.[9]

In the field study, the government authorities in each of the country recognized that the emergency budget support by JICA met the funding needs of the government at an opportune time and was given swiftly as well. A government authority in the Philippines highly commended that the scale and the timing of the provision of the loan was appropriate and swift. Also, the Vietnamese government authority believed that the scale of the ODA Loan was appropriate, with the view of it being enough to cover the budget to implement the economic stimulus and crisis measures (16.7% of the 30 hundred million US$ was covered in the year 2009 budget gap).

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8 Other than receiving budget support, the Indonesian government concluded contract for a stand-by loan with the WB, ADB, Japan (JBIC), and Australian government. The loan was intended to support the government to access financing from the market, and was designed to provide finance using Deferred Drawdown Option (DDO) in the event the government encounters shortage of fund due to the aggravation of conditions for issuing government bond. In case such situation occurred, each donor was to finance the financial gap in accordance with the ratio of loan amount. While the government was able to avoid such situation in terms of results, this funding instrument contributed to facilitate government's access to financial and capital markets and brought in sense of security to the market.

9 Indonesian government puts up its policy to receive donor assistance (loans) selectively in ordinary times, however, under the emergency situation, the government decided to take a strategy to diversify funding sources.

In addition, some government officials pointed out that the JICA emergency budget support contributed in the stabilization of the macro economy and in the acquision of trust towards the domestic economy through the implementation of economic stimulus and crisis measures. For example, the financial support by the main donors in Indonesia became a powerful signal to the market, and the trust from the citizens and private sectors towards the Indonesian economy and the market increased greatly.

Table 25: National Bond Coupon Rate and JICA ODA Loans Interest Rate

	10-year National Bond Coupon Rate (2009)	JICA ODA Loan Interest Rate Yen LIBOR (6 month flat)
Vietnam	11.45%	0.668%(2009 average)
Indonesian	10.06%	0.431%(2010 average)
Philippines	7.99%	(Ref) 0.340%(2011 average)

Source: JIC, ADB Asia Bond Monitor、global.rate.com

3.4.3 Loan Conditions

Each of the Japanese ODA Loans came with the floating interest rate as its condition, adopting the yen-based LIBOR flat rate. In the field study, with the consideration that the government at the time was greatly limited in the methods to procure funds, and the timing of the economic stimulus and crisis measures in mind, the ODA Loan provided for the funding needs of the government at an opportune time. Because there was no other option to replace such support in its scale, the government has expressed their great appreciation for this Loan. In addition, in the case of Vietnam and Indonesia, there has not been any additional administrative cost in adopting the floating interest rate. Since the World Bank and the ADB also adopt the floating interest rate similarly, it is believed that there was no major hindrance in doing so.

However, each country fully understands the fact that in employing the yen-based floating interest rate, the risk in both exchange and the interest will arise. For example, according to the field study, the Vietnamese government claimed it is their policy to reinforce further the risk management of foreign loan portfolio, even though they already monitor closely the change in the exchange and interest rate more than ever. In doing so, the capacity development of the related departments is an urgent issue, and they expect support from Japan.

3.5 Outlook

3.5.1 Vietnam

The Vietnamese government introduced a strong economic tightening policy with the government resolution No.11 in February 2011, aiming at stabilizing the macro economy and controlling inflation against the accelerated inflation during the economic recovery process after

2010. This was the shift of priorities in macroeconomic management from seeking higher growth to stabilizing the economy with monetary restraint (raising reserve requirements and policy interest rate), and fiscal expenditures curtailment as core policy measures aiming at stabilizing macro economy and managing inflation.

As a result, the inflation peaked out with 23% CPI increase in August 2011 against August of the previous year, and it fell down to full-year rate of 18.6% for 2011. On the other hand, the economy decelerated from the latter half of 2011 due to the effects of the tightened fiscal policy and slowdown of European and American economy, and, as a result, real GDP growth in 2011 was 5.9%, lower than the previous year by 0.9%. While the government set 6-6.5% as the target of economic growth for 2012, maintaining appropriate balance between growth and stability is now the key issue in managing macro economy as same as for other countries in the region under unstable world economic climate.

Under the circumstance, Vietnamese government has been consulting with major donors such as the World Bank and JICA aiming at early commencement of EMCC (Economic Management and Competitiveness Credit), the succession program of Poverty Reduction Support Credit (PRSC), recognizing financial support from donors as important financing source as was in the past. The government also intends to accelerate reform of SOE, public investment and banking sector, etc. for the purpose of strengthening the infrastructure necessary for medium and long-term economic growth and improving competitiveness of industries.

3.5.2 Indonesia

The Indonesian government foresees firm economic growth in the future and has established its growth target in the level of 7%. The government aims to further promote stabilization of domestic market (domestic and foreign investment), and efficiency in financial expenditures (strengthening budget absorption capacity in infrastructure development etc.). The government is also getting prepared for possible effects of external shocks through gradual reduction of subsidies and controlling inflation.

The Yudhoyono administration has prepared “The Master Plan for Acceleration and Expansion of Indonesia’s Economic Development 2011-2025” (MP3EI) and has hammered out a long-term development plan focusing on the economic areas. It sets a policy target that the country will become one of ten big economies by 2025 – to become a developed country status with balanced and sustainable high growth, by leveraging total of 4,000 trillion Rp. infrastructure investment (power, transportation etc.) as the driving force. Japan intends to actively support such initiatives by the Indonesian government.[10]

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[10] MOFA “Country Assistance Strategy for Indonesia” (April, 2012)
http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/hoshin/pdfs/indonesia.pdf

3.5.3 The Philippines

GDP growth slowed down from middle of 2011 again due to European debt crisis, the Japan earthquakes, Thai floods etc. and the GDP growth of the year 2011 fell to 3.7%.

The government initially aimed at achieving fiscal healthiness in 2011 budget by way of reducing the fiscal expenditures for nonessential and slimming down the budget. However, under the concerns that reducing government spending would adversely affect business environment, 2012 initial budget appropriation was issued with P1.816 tril, the record high level of 10.3% increase from P1.645 tril of 2011, to address necessary fiscal interventions for sustaining the economy, and fiscal deficit is expected to swell again.

The Aquino Administration set target of budget deficits down to 2% of GDP by 2013 and the accumulated fiscal deficit to 47% of GDP by 2016. To achieve these targets, the government intends to improve the revenue collection ratio to GDP from 12.8% in 2010 to 16 - 18% by 2016 by enhancing Public Expenditure Management (PEM). It is necessary for the Philippine government to commit to the continuation of these efforts, and is necessary for Japanese government to continue support to such efforts of the Philippines.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

The funds were given immediately to each of the programs under evaluation after the loan contract agreement was finalized. They were used as part of the fiscal funds necessary for the measures to stimulate the economy in each of the countries under the global financial and economic crisis. Through this, it was possible to implement the designated measures to stimulate the economy at appropriate times in each country. As a result, the economy in each country has quickly recovered from the economic crisis through the years of 2009 to 2010.

In each of these projects under evaluation, the size of the funds and the timing of their provision were appropriate, and it increased the possibility to foresee the financial management in each country, as well as supported the implementation of the measures to stimulate the economy. Had it not been for the programs, it is possible to think that each country might have had difficulty in securing an alternative fund source considering the financial environment then, in effect adversely influencing the implementation of measures to stimulate the economy, as well as the quick recovery from the economic crisis and sustaining economic growth.

From the above indications, it concludes that the validity and the effectiveness of the funding in these programs are high.

4.2 Recommendations

4.2.1 Recommendations to Executing Agency

(1) The countermeasures against GFEC and the Economic Stimulus Measures implemented

by each country and their outcomes will provide valuable lessons when a crisis is replicated in the future. In this connection, it is suggested for each country to conduct comprehensive evaluation of those measures at soonest opportunity. Further, each country is encouraged to share the knowledge, experiences and lessons learned through the evaluation, not only in each country, but also with the regional countries in ASEAN as well as international community. For instance, these evaluation results on policy measures and lessons at the time of economic and financial crisis would provide valuable and practical insights to Myanmar, in the course of its re-integration into the global economy. It would be useful to compile information of each country regarding countermeasures against GFEC for public sharing.

(2) There were some reports missing, which implementing agencies were obliged to submit to JICA in accordance with the Loan Agreement. Timely submission of agreed documents needs to be followed from the viewpoint of contractual compliance.

4.2.2 Recommendations to JICA

(1) Japan is expected to continue its commitment to economic growth and stability of Asian economy and, to this end, while maintaining collaboration with international organizations, it would need to be well prepared for providing self-sustaining support when Asian economy is hit by another critical economic fluctuation in the future. To implement such supports effectively and efficiently, it is also necessary to improve the framework and the mechanism of the emergency budget support toward more user-and-beneficiary-friendly support tool.

Indonesian government for example maintained sound and conservative economic management policy including public debt management, and allowed borrowing of necessary funds for Economic Stimulus Measures very selectively except for emergency cases. Indeed, the government under the crisis this time employed the strategy to diversify funding sources and policy options. While receiving program loans from donors as a means to obtain concessional funding under the crisis, Indonesian government utilized standby financing arrangement named Deferred Drawdown Option (DDO) [11] for strengthening access to financial market. The success of Indonesian government in overcoming the crisis would lead to increased reliance on DDO and decreased reliance on donor financial support. Therefore, JICA will have to consider means of budget support including DDO in the future considering various factors such as size of a country, macroeconomic situation and policies, economic development and donor relationship etc., and when decided to extend support, JICA should consider magnitude, conditions etc. of the support.

[11] See Footnote 8

(2) ADB provided similar financial supports through the Countercyclical Support Facility (CSF) at almost similar timing of JICA's supports to all of the three countries. CSF has gradually been institutionalized as a permanent framework for financial support under sudden and large economic fluctuations, and ADB has been improving the system toward more donor-friendly and recipient-friendly system by accumulating knowledge and experiences obtained through implementation of CSF. For example, it was pointed out that evaluation of CSF should focus more on transition of macroeconomic situation through formulation and implementation of the Economic Stimulus Measures since CSF was not tied to specific conditionalities or projects. It was also pointed out necessary to improve evaluation methods in such a way as to extend evaluation period so that effects of the Economic Stimulus Measures on various macroeconomic indicators would be captured more accurately in medium and long-term. Such discussions will provide JICA with a good reference, and it is desirable to deepen policy dialog further between two organizations and to share methodologies and documentations, which would also be good from the viewpoint of reducing administrative cost of recipient countries.

4.3 Lessons Learned

(1) The governments of the three countries under the evaluation study should be highly appreciated in that they formulated and implemented the Economic Stimulus Measures promptly and timely as countermeasures to GFEC. The Economic Stimulus Measures of these countries were commonly comprising three components, i.e. fiscal measures including increased fiscal spending and tax reduction, social safety net for vulnerable sectors through social security systems and monetary policies, and were steadily implemented in the form of the package of short-term/immediate fiscal stimulus measures, the package of remedies for socially vulnerable people, and the package of measures for medium-long term growth such as infrastructure development. Each country analyzed the circumstances and challenges rightly and implemented the countermeasures with ownership, while donors -including JICA- responded and supported their self-help efforts, and, as a result, each country achieved prompt recovery rather swiftly. One of the reasons for the success is considered to be the improved public expenditure management (PEM), which helped implementing public works and expediting budgetary spending timely. Each country had been addressing and tackling with PEM for many years with the supports of donors under the framework of policy assistance and it provided a good example of enhancing effectiveness of policies at the time of crisis by steady improvements of policies at the pre-crisis period. Nevertheless, delay in budget execution was observed and, therefore, it is necessary to continue efforts for further improvement.

(2)The governments of the three countries expressed that they highly valued the timing and the size of the Emergency Budget Support Loans, with which those governments were able to implement the Economic Stimulus Measures. Modality of provision of each budget support is evaluated purposely designed to meet the objective to provide financial support in rather flexible and timely manner in the midst of the crisis, as it was provided using the framework of existing program loan such as policy support program. In addition, as stated in (1), it is considered that progression of policy and administrative improvements in the area of PEM or public financial management through the existing policy support programs is considered to work as an effective back-up for the economic stimulus measures. It is a good example of the policy support and budget support working together to enhance effectiveness of each intervention with one another.

On contrary, there might be the case where no such a framework as policy support program exists, when JICA considers a budget support to be provided.[12] Although the evaluated programs were provided under the frameworks of policy support programs, the modality was not a prerequisite for provisions of emergency support programs as the emergency budget support were not provided based on the policy matrix. One of the major purposes of the emergency budget support is to provide quick financing as a countermeasure against the crisis, and therefore the timing of the fund provision is very important to enhance the effectiveness of such a support. In this respect, it is appropriate that the administrative requirements for provision of the fund should be as simple and flexible as to an extent possible. Furnishing the program setting in advance in pre-crisis period would make the process more transparent as well as make it easier for the borrower to compare several funding opportunities that are available. It would also be expected to reduce the operational costs for both JICA and borrowers. For instance, some technical improvements may be considered to enable the budget support to be provided upon confirmation of two conditions i.e. a budget plan (financial requirement) and economic stimulus measures that address combating the crisis.

[END]

[12] In this respect, Dr. Homi Kharas (Brookings Institution, former Chief Economist and Director, Economics and Finance, East Asia and Pacific, World Bank) has pointed out that it is not appropriate to establish conditionality/policy actions in the time of urgent economic crisis, as no time should be lost for economic recovery. (Source: Interview with Dr. Homi Kharas in the course of JICA study on budget support evaluation – Evaluation of ODA Yen Loan Package 7 (Indonesia) in 2009)