

OECF Supports the Philippines' Local Governments for Better Public Service Delivery Pay Regards to the Real Needs of Local People

The OECF (The Overseas Economic Cooperation Fund, Japan: President, Chairman of the Board, Kyosuke Shinozawa) is providing the Republic of the Philippines with 13 loans under the 22nd ODA Loan Package amounting to ¥120,711 million in total.

The related loan agreements were signed today at the OECF's Head Office in Tokyo by Mr. Kyosuke Shinozawa, President, Chairman of the Board, OECF, and H. E. Mr. Edgardo B. Espiritu, Secretary, Department of Finance, the Republic of the Philippines, H. E. Mr. Domingo L. Siazon, Jr., Secretary, Department of Foreign Affairs, the Republic of the Philippines, H. E. Mr. Ramon Z. Abad, Chairman, the Development Bank of the Philippines (DBP), and H. E. Ms. Remedios L. Macalincag, President and Chief Executive Officer, DBP.

As a result, the cumulative total of ODA loan commitments to the Republic of the Philippines stands at ¥1,572 billion 406 million (222 commitments).

The amounts and conditions of the loans, with a description of each project, follow.

1. Highlights of the 22nd ODA Loan Package to the Philippines

The loan package supports self-help efforts of the Philippines, which strives for quick recuperation from the Southeast Asia's currency crisis, and establishment of structurally tenacious socio-economy. Thus the projects included in the package, which covers transportation sub-sectors of railways, ports, shipping, roads and airports, aim for achievement of efficiency and coherence of the economic activities. It also includes projects tackling various issues: namely, regional development, environmental betterment, agricultural development and stabilization of food supply, poverty alleviation, and human resources development. It is noteworthy of the loan package that the OECF will finance "Local Government Units Support Credit Program," a financial intermediary loan which intends to strengthen financial and administrative capacities of the local government unit (LGUs) in order to enhance local initiatives.

The Philippines, after its enactment of Local Government Code (LGC) in 1991, has transferred certain public services (namely, local infrastructure, water supply and sewerage, solid waste management, school construction, basic health care, social welfare, environmental conservation, and agricultural extension services) to LGUs as their mandates. The system of Internal Revenue Allotment (IRA) as well as the levy of local tax was improved at the same time. The system, however, has yet to provide elaborate financial sources to LGUs, which differ in each financial positions and public services required. With their short history of administration and the weak tax bases, little number of LGUs can manage public projects for the betterment of public service delivery to the local people, within their current revenues.

With this background, the Program intends to support project implementation of LGUs, whereby it is expected that the projects will respond to the needs of local residents in a more elaborated manner. It is also expected that the program will promote efforts of local residents to participate in development. The other project in the package, such as "Metro Iligan Regional Infrastructure Development Project," "Fisheries Resources Management Project," and "Southern Mindanao Integrated Coastal Zone Management Project," will also cover administrative supports to LGUs.

2. Loan Amount and Conditions

	Project	Amount (mil. Yen)	Interest Rate (% /Year)	Repayment Period/Grace Period (Year)	Tying Status	
					Civil Work	Consulting Service
1	Metro Manila Strategic Mass Rail Transit Development (Line 2) Project (Phase III)	23,668	0.75*	40(10)*	General-Untied	-
2	Metro Manila Interchange Construction Project (Phase IV)	5,849	2.2* 0.75**	30(10)* 40(10)**	General-Untied	Partially-Untied
3	Batangas Port Development Project (Phase II)	14,555	2.2* 0.75**	30(10)* 40(10)**	General-Untied	General-Untied
4	Arterial Road Links Development Project (Phase III)	13,564	2.2* 0.75**	30(10)* 40(10)**	General-Untied	Partially-Untied
5	Domestic Shipping Modernization Program (Phase II)	19,990	2.2* 0.75**	30(10)* 40(10)**	General-Untied	General-Untied
6	Selected Airports (Trunkline) Development Project (Phase I)	5,728	2.2* 0.75**	30(10)* 40(10)**	General-Untied	General-Untied
7	Metro Iligan Regional Infrastructure Development Project	4,328	2.2* 0.75***	30(10)* 40(10)***	General-Untied Partially-Untied	Partially-Untied
8	Iloilo Flood Control Project (Phase I)	458	1.7* 0.75**	30(10)* 40(10)**	General-Untied	Partially-Untied
9	Agno River Flood Control Project (Phase II)	6,734	1.7* 0.75**	30(10)* 40(10)**	General-Untied	Partially-Untied
10	Southern Mindanao Integrated Coastal Zone Management Project	3,201	1.7* 0.75***	30(10)* 40(10)***	General-Untied Partially-Untied	Partially-Untied
11	Local Government Units Support Credit Program	6,072	2.2* 1.7* 0.75***	30(10)* 40(10)***	General-Untied	Partially-Untied
12	Central Luzon Irrigation Project	14,136	2.2* 0.75**	30(10)* 40(10)**	General-Untied	Partially-Untied
13	Fisheries Resource Management Project	2,428	1.7* 0.75***	30(10)* 40(10)***	General-Untied Partially-Untied	Partially-Untied
	TOTAL	120,711	-	-	-	-

* Procurement for Goods and Services, **Consulting Service, ***Procurement for Goods and Services and Consulting Service

1,7,10,11,13 Standard environmental Project

8,9,10,11,13 Special environmental Project

3. Project Description

(1) Metro Manila Strategic Mass Rail Transit Development(Line 2) Project (Phase III)

In Metro Manila (17 cities and municipalities, land area:636 km2, population: 9.45 million), Light Rail Transit (LRT) Line 1(north - south line) started its operation in December 1984 to improve the traffic system, which is excessively dependent on road transportation. However, traffic congestion in Metro Manila is currently close to the maximum permissible level, as a result of rapid economic growth. To make traffic conditions better, a Vehicle Volume Reduction Program has been in force since December 1995.

Consequently, there is an urgent need for a mass rail transit network as an alternative to buses and jeepneys. The Philippine government is moving toward integrating the Metro Manila rail network (Lines 1,2,3,4,5,6 and other lines) under LRTA, especially by urgently constructing the Line 2 (east-west line), which will be connected to Line 1 and is included in the Flagship Projects selected by the President Ramos in 1993.

The project involves the construction of a new mass rail transit line (Line 2), approximately 14 km in length, from about the halfway point of LRT Line 1 in Recto to Santolan in Pasig City via the Legarda-Nagtahan-Magsaysay-Aurora corridor in order to provide safe, reliable, and environmentally friendly mass transportation services to meet the fast-growing demand and to ease current heavy traffic congestion in Metro Manila. The new line is expected to carry 580,000 people per day using four cars, at three- minute intervals, when it begins scheduled operation in the year 2001.

The project is the third phase of the preceding Metro Manila Strategic Mass Rail Transit Development (Line 2) Project Phase I(Loan agreement dated March 29, 1996 amounting to 24,712 million Japanese Yen) and Phase II(Loan Agreement dated March 18, 1997 amounting to 26,344 million Japanese Yen).

The loan is for civil works for superstructure, stations, vehicles, systems and trackworks.

The Executing Agency is the Light Rail Transit Authority (LRTA) (Address: Administration Building LRTA Compound, Aurora Blvd., Pasay City, Philippines; TEL: 63-2-832-0423; FAX: 63-2-831-6449).

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(2) Metro Manila Interchange Construction Project (Phase IV)

In Metro Manila, road projects have mainly focused on 6 Circumferential Roads (C-1 to C-6) and 10 Radial Roads (R-1 to R-10). However, as a result of rapid economic and population growth, these roads have failed to keep up with the increase rate of vehicles, which is above 9%. People in Metro Manila have suffered from chronic traffic congestion with the average car speed of only 18km per hour. Among the roads above, C-4 (Epifanio de los Santos Avenue: EDSA) is the most important Circumferential Road with the heaviest traffic congestion (in 1995, it had about 200 thousand cars in average per day). On the other hand, C-5 located outside of EDSA was constructed partly by ODA loan recently.

Although it was expected to help alleviate EDSA's traffic, C-5 already started suffering from traffic jam like on EDSA with 60 thousand cars a day in the heaviest portion.

The traffic jam mainly results from the congestion at the major intersections. The government has been trying to develop grade separated structures at all the intersections on EDSA and C-5 with radial roads. OECF has supported the construction of interchanges in Metro Manila in Phase I to III of Metro Manila Interchange Construction Project, Metro Manila Urban Transportation Project and Engineering Service Package among others (total amount: about 27 billion yen). This Project follows the above projects, and after the construction of 7 interchanges included in this Project (4 sites are only for detailed design under the Project), interchange construction on EDSA and C-5 will be almost completed. According to Metro Manila Urban Transportation Integration Study (MMUTIS) which is being implemented by Japan International Cooperation Agency (JICA), construction of interchange at the intersections on EDSA and C-5 with radial roads is indispensable for the alleviation of traffic congestion in Metro Manila.

Taking these circumstances into consideration, the Project will construct three interchanges (detailed design was already completed) at: EDSA/Quezon Boulevard Intersection (daily average traffic: 140 thousand cars), C-5/Ortigas Avenue Extension Intersection (90 thousand cars) and C-5/Boni Serrano Avenue - Katipnan Avenue Intersection (80 thousand cars). It will also conduct detailed design for four intersections of EDSA/Roosevelt Avenue Intersection (180 thousand cars) and EDSA/North Avenue - West Avenue Intersection (190 thousand cars), which are already suffering from heavy congestion, as well as C-5/Kalayaan Avenue (R-4) Intersection (130 thousand cars) and C-5/Lanuza St. - Julia Vargas St. Intersection (60 thousand cars), which are predicted to become more congested because of the urbanization of suburbs and development of vicinities. With all these above, traffic jam are expected to be relieved and residential circumstances will be improved.

The loan is for construction of above-mentioned three interchanges and consulting services (e.g. detailed design, construction supervision).

The executing agency is the Department of Public Works and Highways (DPWH) (Address: 2nd Street, Port Area, Manila City, Philippines; Tel: 63-2-527-2712; Fax: 63-2-527-8933).

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(3) Batangas Port Development Project (Phase II)

Rapid economic growth in the Philippines during recent years has accelerated growth in the volume of international container cargo. Consequently, concern has been raised over the handling capacity of the Port of Mania which is located in the center of Metro Manila. In addition, heavy traffic congestion around the Port area has aggravated inefficiencies in the handling of passenger and cargo volume. Therefore, an alternative and supplemental international seaport is urgently needed to improve transport efficiency and de-congest the concentration of passenger and cargo handling in Metro Manila.

The objective of the Project is to develop Batangas Port into a major international container terminal (with a handling capacity of 4.34 million tons of foreign container cargo by year 2005). Because of its strategic location, Batangas Port is believed to be the most appropriate port that will complement the Port of Manila. It is located within the CALABARZON area, a newly developing area consisting of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. Adjacent to Metro Manila, the CALABARZON area is expected to contribute to the overall achievement of the developmental objectives of the country. Based on the results of the engineering services (E/S) for Phase II of Batangas Port (including detailed design, study of regional development for Batangas City and its environs), the project components under this loan will include the construction of container berths and other related port facilities; flyover construction from the access road to the main gate of the Port; and job training. The civil works component is expected to reduce traffic congestion in Metro Manila, improve efficiency in the country's transportation system and achieve a balanced development in the CALABARZON area. On the other hand, the job training component will address the socio-economic impact of Batangas Port on the region's population (Batangas City alone has a population of 212 thousand as of 1995) with full consideration of the welfare and livelihood of the local people including those affected by the development of the port complex.

The Project is based on the Master Plan for the Batangas Port Development (Phase I to IV) prepared by Japan International Cooperation Agency (JICA) in December 1985. OECF provided a loan (as per Loan Agreement signed in July 1991) amounting to ¥5,788 million for Phase I and another loan (as per Loan Agreement signed in March 1997) amounting to ¥878 million for the E/S of Phase II.

The loan is for civil works including container berths, reclamation, pavement works, flyover construction; job training programs; and consulting services (e.g. construction supervision).

The executing agency is the Philippine Port Authority (PPA) (Address: Muelle de San Francisco Street, Gate 1, South Harbor, Port Area, Manila, Philippines; Tel: 63-2-527-8356; Fax: 63-2-527-4749).

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(4) Arterial Road Links Development Project (Phase III)

In the Philippines, roads play a major role in the transport of people and commodities. In 1993, the country's road transport carried about 90% of passengers and 55% of freight. Recognizing this, the Philippine government has steadily expanded its national road network. As a consequence, the country has attained a relatively high road density of 0.54km/km2 (higher than Thailand's 0.34 km/km2, Malaysia's 0.12 km/km2, Indonesia's 0.14 km/km2, as of 1993). However, there is a lot of room for improving the quality of roads in the Philippines. This is because its arterial road network is characterized by unpaved roads, deterioration of pavements, damaged bridges and a narrowness of road lanes.

In the past, OECF has mainly financed projects for the improvement of the Philippines' North-South arterial road network. In addition, construction / improvements should also be undertaken in the East-West lateral and island circumferential roads in order to provide complete transport coverage to communities that are not served or have poor access to roads. Improvement of the arterial roads have become crucial in order to upgrade road efficiency and safety.

The third Phase of Arterial Road Links Development Project will address the above concern. Improvement of four (4) major road sections under the civil works component is expected as follows:

Mindoro West Coast Road (about 107 km), which is an important road to transport agricultural produce from Occidental Mindoro and links this province to the other provinces in the region, Metro Manila and CALABARZON

Bongabon-Baler Road (about 15 km), which is an east-west linkage road connecting Baler in Aurora to the Philippine-Japan Highway in Luzon

Cebu South Road (about 31 km) which is a major national arterial road and forms an integral part of the overall network of the Cebu Island and Metro Cebu

Philippine-Japan Friendship Highway in the Visayas (about 46 km) which is part of the major trunk road connecting the Northern tip of Luzon to the Southern tip of Mindanao

The objective of the Project is to construct a well-built and well-maintained national road network in the provinces of Occidental Mindoro, Aurora, Cebu, Samar and Leyte. This is to ensure continuous and efficient flow of people, goods and services and enhance the economic development and welfare of the people in the project areas.

For a smoother implementation, the Department of Public Works and Highways (DPWH), the Executing Agency of this Project, will undertake the Project in cooperation with the

concerned Provincial Governments in these areas.

The loan is for civil works and consulting services (e.g. detailed design, construction supervision).

The executing agency is the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines; Tel:63-2-527-4807; Fax:63-2-527-5635).

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(5) Domestic Shipping Modernization Program (Phase II)

In the Philippines, which consists of more than 7,000 islands, the domestic shipping plays an important role because economic activities and people's life depend on maritime transportation. In view of public nature of the maritime transportation, shipping fees had been kept at a low level and shipping routes had also been regulated strictly by the government. Since the profitability of domestic shipping is not necessarily high, ship owners could not afford to renew aged vessels, and improvement of maritime safety remained as a second concern. In order to cope with this situation, the Government of the Philippines provided this sector with medium and long-term loans for renewal, repair, and reform of vessels and construction of harbor cargo handling facilities through Domestic Shipping Modernization Program (conclusion of the loan agreement in December 1994), while encouraging competition for the improvement of services through deregulation. As a result, not only aged vessels were renewed but also consciousness of domestic shipping companies on the observance of the safety standard was improved because the acquisition of classification of vessels was a condition for financing, and technical assistance to end-users was carried out by the consultant. In the shipping routes assisted by the Program, rapid, safe, and comfortable maritime transportation services have been achieved. Fund demands for construction of domestic shipping infrastructure is still top urge to be met although the 1st phase of the Program contributed a lot to the domestic shipping. Private financial institutions in the Philippines can not supply sufficient medium and large-term fund to this sector and is not furnished with know-hows such as project appraisal and technical assistance to end-users. In addition, in order to solve various problems in the domestic shipping sector in an integrated manner, it is necessary to supply funds not only to acquisition and repair of vessels but also construction of equipment in local harbor facilities, construction/improvement of small and medium sized shipyard and institutional building for education/training of employees in the maritime industry.

This program, as 2nd phase of Domestic Shipping Modernization Program, will provide medium and long-term funds for private ship owners, private shipyard companies, private harbor cargo handling companies, harbor owners and private maritime education/training institutions together with technical assistance to end-users and technical transfer to private financial institutions. The objectives of the Program are a) improvement of safety, convenience, and comfortability of maritime transportation, b) stimulation to competition in the domestic shipping market, c) increase of efficiency in domestic shipping, and d) development of local areas through maritime transportation.

The loan is for re-lending by the Development Bank of the Philippines to the domestic shipping sector and consulting services (e.g. assistance for DBP in project appraisal and monitoring).

The executing agency is the Development Bank of the Philippines (DBP) (Address: P. O. Box 1996, Makati Central Post Office 1200, Metro Manila, Philippines; TEL: 63-2-818-9511; FAX : 63-2-815-1611)

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(6) Selected Airports (Trunkline) Development Project (Phase I)

Although the air transportation in the Philippines has relatively small share in the domestic transportation sector (in four years (1990 - 1993), it accounts for 0.96% of passenger transportation and 0.14% of freight transportation), its increase rate is prominent in recent ten years (1986 - 1995) (in passenger transportation 40.5%, freight transportation 89.8%). For its speed, punctuality and comfortableness, air transportation is considered to be indispensable for economic development. In the Philippines, which consists of more than 7,000 islands, air transportation will become more important as a means to convey people and goods with the economic development and increase of income level.

There are 90 National Government Airports in the Philippines; there are 7 International Airports, which are used for international flights, 12 Trunkline Airports, which connect principal commercial centers in the nation, 37 Secondary Airports, which serve for cities and towns and 34 Feeder Airports for towns and rural communities. Up until recently, the government focused on development and expansion of International Airports in big cities such as Manila, Cebu and Davao. However, the government decided to provide at least one airport which meets ICAO (International Civil Aviation Organization) standards in each of 13 Regions and has started the development of airports according to the number of domestic passengers that airports serve for. Manila, Cebu and Davao came as the first to third, and they are now being developed (the former two are being equipped by OECF and the latter is by ADB). Iloilo came as the forth (to be funded by Germany), and Cagayan de Oro as the fifth (by Korea), and Zamboanga as the seventh (by private sector). The development of the sixth, Bacolod, (Negros island, domestic passenger in 1994: approximately 320 thousand) and the eighth, Tacloban (Leyte island, 240 thousand) remains to be needed.

Among the Trunkline Airports in Visayas Region, the Project will fund the preparation of a detailed design as well as construction of the New Bacolod (Sila) Airport, detailed design for expansion of existing Tacloban Airport and immediate improvements of existing Bacolod and Tacloban Airports to satisfy operational requirements and to cope with the increasing air traffic demand.

The Project is based on the Feasibility Study prepared by JICA (Japan International Cooperation Agency) on March 1997.

The loan is for construction of the New Bacolod (Sila) Airport, immediate improvements such as procurement of security equipment for two existing airports and consulting services (e.g. construction supervision). Besides, JICA-based technical assistance will be provided for the detailed design portion.

The executing agency is the Department of Transportation and Communications - Air Transportation Office (DOTC-ATO) (Address: MIA Road, Pasay City, Philippines; Tel: 63-2-833-0215; Fax: 63-2-832-1961).

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(7) Metro Iligan Regional Infrastructure Development Project

Mindanao island accounts for 34% of the total area of the Philippines with 102km², 24% of population with 16.2 million residents and 18% of Gross Domestic Product (GDP).

Although Mindanao is relatively underdeveloped compared to Luzon and Visayas areas, there is an emerging thrust for development recently due mainly to the peace accord concluded between the government and Moro National Liberation Front (MNLF) and tightened economic linkages with neighboring countries under BIMP-EAGA (Brunei Darussalam-Indonesia-Malaysia-Philippines, East ASEAN Growth Area). Especially, 2 provinces of northern Mindanao, Misamis Oriental and Misamis Occidental, are within short distance from Cebu, a center of Visayas region, and are one of the major industrial area with food processing, steel and metal working industries, among others, in addition to being an area of agriculture, forestry and fisheries. The Philippine government is planning to accelerate the development of northern Mindanao by constructing industrial estates and improving infrastructures under "Cagayan De Oro - Iligan Corridor."

Metro Iligan Regional Agro-Industrial Center (MIRAIC), an industrial estate

designated as national project by Department of Trade and Industry (DTI) and a core of the Corridor, will be constructed by private sector by 2003 in the suburbs of the Municipality of Linamon, a neighboring Municipality of Iligan City, a capital of Lanao del Norte, and is expected to create 33,000 jobs in the total area of 334 has. In order to easily attract the foreign and domestic industries and to maximize its economic impact on the area, it is indispensable to urgently develop and improve off-site infrastructures, such as provincial roads, power plant and airport, concurrently with the development of MIRAIC.

On the other hand, the development of Lanao del Norte province is quite important with a view to sustaining stable peace and order situation in Mindanao. The province of Lanao del Norte belongs to Special Zone of Peace and Development (SZOPAD), a priority area for Mindanao development established under Southern Philippine Council for Peace and Development (SPCPD) as a fruit of the peace accord between the Philippine government and MNLF.

Metro Iligan Regional Infrastructure Development Project, with the purpose of encouraging the investment in MIRAIC and promoting economic development in northern Mindanao, will improve the road network by paving and/or widening the existing provincial roads and assure stable power supply and reduce energy cost by constructing small-scale hydropower plant in the suburbs of MIRAIC. In addition, the Project contains training of the provincial government's staff and preparation of integrated area development plan and comprehensive land use plan for the area.

The loan proceeds will be used for concrete paving and/or widening of existing provincial roads (total extension: 54.4km), replacement of bridges (2 lanes, 15m wide), construction of small-scale run-off river type hydropower plant (11.9MW) and consulting services (e.g. detailed design, construction supervision).

The executing agency is the Provincial Government of Lanao del Norte (Address: Gov. A.A. Quibranza Provincial Government Center, Picarangan, Tubod, Lanao del Norte; TEL: 63-63-341-5241; FAX: 63-63-341-5345).

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(8) Iloilo Flood Control Project (Phase I)

Iloilo City (population: about 340 thousand in 1996; main industry: service industry and agriculture) is a capital of the Iloilo Province, located in the Panay island, and the second largest city (population: the seventh in the Philippines) in Visayas region after Metro Cebu. It is expected to develop as a core of the region. It features a heritage from the Spanish colonial era, such as Catholic churches, and has tried to promote tourism. However, Iloilo City has frequently suffered from flood caused by typhoons and torrential rain. The prominent example would be the flood in July 1994 when the unusual heavy monsoon hit the nation. As a result of heavy rain, more than 80% of Iloilo City was submerged under floodwaters and all transportation and communication systems were disrupted for about three days, affecting a total of 25,000 families at Jaro District in Iloilo City. Therefore, implementation of a flood control project is urgently required.

For the development of local economy, it is necessary to develop infrastructure, protect the area from frequent flood damage, improve the quality of urban environment and sanitary conditions, and provide residents with stable living conditions. Aside from that, the river in the City is polluted by drainage of living and waste dumping, which have remarkably harmed the overall scenery and image of the City. It is strongly requested to establish a system of water quality management and control waste dumping in order to improve the environment surrounding the river.

The objective of the project is to mitigate flood damage in the Iloilo and Jaro rivers through the construction of floodway, improvement of the river channel, which will contribute to the betterment of living condition in the area. It also aims to upgrade the flood control technology through a study for the improvement of river environment and technology transfer. In addition, the project is designed to facilitate an appropriate river management system and to create a pleasant environment surrounding the river by controlling the pollution caused by drainage of living and waste dumping.

The Project is based on the feasibility study conducted by Japan International Cooperation Agency (JICA) in February 1995.

The loan is for the development of infrastructure facilities in the relocation sites and consulting services (e.g. detailed design).

The executing agency is the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines; Tel: 63-2-527-8921; Fax: 63-2-527-4121).

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(9) Agno River Flood Control Project (Phase II)

The Agno river in the Central Luzon, which runs through the Pangasinan plain into the Lingayen Gulf, has the fifth largest river basin in the Philippines (size: 9,952km²; 59% of Tone river, the largest river in Japan). There are approximately 1.33 million people living in the area, who cultivate the land mainly for agriculture. However, they have frequently suffered from flood caused by typhoons and torrential rain. The Agno river has high riverbed piled with lahar from Pinatubo volcano in the south, which makes the area more vulnerable to flood disaster.

The 20th Yen Loan Package included the Agno and Allied Rivers Urgent Rehabilitation Project (currently civil work is ongoing), which covers the lower reaches (about 50km) of the Agno River. However, flood control work is also necessary at the upper and middle reaches, especially at middle reaches (about 69km), of the river for effective flood control. When a typhoon hit the nation in July 1996, the area, including cities and agricultural land, was damaged by flood (estimated amount of damage: 163 million yen), and people in the area became fully aware of the urgent needs for a flood control project in order to improve their living conditions and promote local economy.

The Project aims to mitigate flood damage that is caused as often as once in ten years and to contribute to betterment of living conditions in the region. In order to achieve this goal, the loan will support the improvement of the existing river channel and diking system, and the construction of new dikes, diversion structure and floodway, which are aimed for the development of retarding basin as a mitigator of flood damages in Pangasinan and Tarlac Provinces. In addition, the Project includes development of disaster prevention facilities in the retarding basin as well as programs for the improvement in livelihood of the residents. The Project intends to secure welfare, improve living and sanitary conditions, and eventually, support the development efforts in the area.

The Project is based on a feasibility study conducted by Japan International Cooperation Agency (JICA) in December 1991, and a detailed design prepared by the Philippine government under the Yen Loan in March 1994. It is a follow-up to the on-going Agno and Allied Rivers Urgent Rehabilitation Project (Phase I) (Loan Agreement dated August 30, 1995 for ¥8,312 million).

The loan is for civil works and consulting services (e.g. construction supervision).

The executing agency is the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines; Tel: 63-2-527-8921; Fax: 63-2-527-4121).

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(10) Southern Mindanao Integrated Coastal Zone Management Project

In the Philippines' coastal areas, coastal and watershed ecosystems are being endangered. For example, mangrove forests have decreased as a result of proliferation of fish ponds and illegal logging, and many coral reefs have been destroyed by shoreline siltation and destructive fishing practices. Based on the National Integrated Protected Areas System (NIPAS) Act of 1992, the country has been promoting the protection of coastal resources in the NIPAS area with the initiatives of the national government, and the sustainable development in the non-NIPAS area with the initiatives of local governments. However, the deterioration of coastal environment has been caused not only by the above factors but also by the siltation and flood resulting from upland denuded forests as well as the lack of appropriate sewage treatment facilities. Therefore, in order to preserve the coastal environment, it is necessary to establish an integrated management system for the protection and restoration of coastal and watershed ecosystems, which covers upland watersheds and coastal area downstream, and coastal zone management system including land use plan.

Mindanao island enjoys rich forest and marine resources; however, its environment has been deteriorated by the rapid economic development. In "Sarangani Bay - Mt. Matutum Watershed" (230,000 ha, NIPAS area) in south-eastern part of Mindanao (Region XI, in the Provinces of Sarangani and South Cotabato), particularly, 7,070 ha of the forest, which is approximately 50% of the NIPAS mountain area, has been denuded. In addition, the sewage from rapidly developing General Santos City (population: 340 thousand in 1996, population growth from 1993 to 1998 is 6.7% p.a.) has negative impacts on the environment of Sarangani Bay which is one of the most important habitats in the world for coral reefs, Dugongs, and green sea-turtles. Therefore, the measures to protect its environment should be urgently taken. On the other hand, the coastal and fishery resources have been deteriorated in "Malalag Bay - Balasiao Watershed" (6,500 ha, non-NIPAS area) in the same region (Province of Davao del Sur) because of the upland denuded forests and destructive fishing practices. Accordingly, it is necessary to promote sustainable development and prevent further deterioration of the environment.

The objective of the Project is to undertake the implementation of an integrated environmental protection and management of critical ecosystems both in upland watersheds and the coastal area downstream, based on a watershed management approach, at "Sarangani Bay - Mt. Matutum Watershed" and "Malalag Bay - Balasiao Watershed." The Philippine government considers the Project as a pilot project and plans to replicate the experience of the Project for the environmental protection in other areas in Mindanao and all over the country in the future. More specifically, for "Sarangani Bay - Mt. Matutum Watershed (NIPAS)," the Project will cover reforestation (upland and mangrove forest rehabilitation in coastal area), civil work (slope protection, inland siltation mitigation, shoreline siltation and erosion prevention, and sewage treatment facility), environmental conservation and protection center, and alternative livelihood support, which will protect environment. For "Malalag Bay - Balasiao Watershed (non-NIPAS)," the Project will cover reforestation (upland and mangrove rehabilitation in coastal area), civil work (water quality monitoring, farm to market road and water supply as the support for agroforestry), and alternative livelihood support, which will promote sustainable development and prevent further deterioration of the environment.

The loan is for reforestation, civil work, environmental conservation and protection center, alternative livelihood support, and consulting services (e.g. project supervision).

The executing agencies are the Department of Environment and Natural Resources (DENR) (Address: Visayas Avenue, Diliman, Quezon City, Philippines; Tel: 63-2-929-6626; Fax: 63-2-927-6755) and the Municipal Government of Malalag, Davao del Sur (Address: Malalag City Hall, Municipality of Malalag, Davao del Sur, Philippines; Fax: 63-82-553-3178).

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(11) Local Government Units Support Credit Program

In the Philippines, various activities previously undertaken by the national government, such as solid waste management, public health, environmental conservation, water supply, sewerage, sanitation and housing, were transferred to local government units (LGUs), as a result of Local Government Code (LGC) of 1991, and the system of Internal Revenue Allotment (IRA) and collection of local tax was improved. However, provision of public services in these sectors is not sufficient both in quantity and quality, mainly due to the LGUs' constraints in finance and human resources.

In terms of the financial aspect, there are few LGUs which have sufficient credibility to secure private financing for the provision of public services in the above sectors, where cost recovery is not possible in many cases. Accordingly, it is necessary to provide less credible LGUs with medium- and long-term financing through Government Financial Institutions (GFIs) in conformity with national policies and plans, and, thus, to improve the public services of such LGUs. Furthermore, it is required to develop and improve LGUs' bond market and LGUs' borrowing mechanism.

Based on such situation, Local Government Units Support Credit Program will provide low-interest and medium- and long-term fund to LGUs with medium or high credibility, through a policy-based directed credit program with the Land Bank of the Philippines (LBP) as a conduit GFI. In this way, the Program intends to reasonably diversify the fund sources of LGUs in addition to inducing their self-help effort, meet urgent investment needs of LGUs, and support implementation of national government's priority policies in the area of environment, health and housing, until the tax base is firmly established and fiscal position of national and local governments become sound. The targeted activities of the Program include; water supply, flood control, sanitation, reforestation, sewerage, solid waste management, public health, and low-cost housing.

Under the Program, consultants will be hired to assure project implementation consistent with the Program policy and to finance sub-projects in good quality by; assisting LBP in preparation of implementation program, and finding, appraisal and supervision of sub-projects to be implemented by LGUs; supporting LGUs in formulation and implementation of sub-projects; and conducting training of LBP staff and LGUs officials; among others.

The Program will be implemented in close coordination with a country focused training program for LGUs' officials in the Philippines initiated in FY 1997 by Japan International Cooperation Agency (JICA). On the other hand, the Program will consider the financing of sub-projects, feasibility study (F/S) of which was prepared through an assistance from Canadian International Development Agency (CIDA).

The proceeds of the loan will be utilized for sub-loans to be provided by LBP to LGUs and consulting services.

The executing agency is the Land Bank of the Philippines (LBP) (Address: 319 Sen. Gil Puyat Avenue Extension, Makati City, Philippines, TEL: 63-2-818-9411, FAX:63-2-817-4619).

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(12) Central Luzon Irrigation Project

In the Philippines, agriculture is an important industry; the agricultural production accounts for 20% of the Gross Domestic Product and about half of the labor population are engaged in agriculture. However, as a result of the high population growth, rice production has failed to meet the increasing demand. On the other hand, two thirds of the poor, representing 40% of the population, consists of farmers and fishermen in the rural areas. Thus, increasing agricultural production and enhancing the living standards of farmers are considered urgent and important issues not only to accomplish stable food supply for the nation but also to alleviate the poverty and reduce social disparity.

The Central Luzon Plain is the largest grain-producing area in the Philippines and plays an important role in supplying food to the surrounding areas including Metro-Manila. However, the Upper Pampanga River Integrated Irrigation System (UPRIIS), the largest national irrigation system in the Philippines, is facing several problems that need urgent solution; its main reservoir lacks water and its existing irrigation and drainage facilities are damaged and decrepit. As a result, it cannot support sufficient rice production and the living standards of the farmers remain low. On the other hand, in the province of Tarlac and the nearby areas, there is plenty of groundwater and groundwater irrigation systems were constructed in 1970's funded by OECF (Groundwater Irrigation Project), the World Bank, and the United Nations. However, operation and maintenance of these systems had been inadequate since the farmers have failed to pay the high costs of electricity used to run the systems as a result of the Oil Crisis. In 1996, OECF provided Special Assistance for Project Sustainability (SAPS) and the study confirmed the feasibility of reactivating the facilities and sustaining proper operation with the use of diesel engines instead of electric motors.

The objectives of the Project are a) to improve the existing irrigation and drainage facilities in the UPRIIS, b) to construct irrigation and drainage facilities in the Casecnan Extension Area, and c) to reactivate the Tarlac Groundwater Irrigation System, in order to increase production and to improve living standards of farmers in the area. The Project will also cover the establishment of operation and management system through the organization and reactivation of Irrigators' Associations, capacity strengthening of the executing agency through consulting services and support to increase the income of farmers through the establishment of Pilot Demonstration Farms for the production of cash crops using groundwater irrigation. Through the beneficiaries' own efforts, the Project is expected to be sustainable .

The loan is for civil works and consulting services.

The executing agency is the National Irrigation Administration (NIA) (Address: NIA Building, EDSA, Diliman, Quezon City, Philippines; Tel: 63-2-929-6071; Fax: 63-2-926-2846).

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(13) Fisheries Resource Management Project

The fisheries sector is important in the Philippines; it accounts for 4% of Gross Domestic Product and 5% (about 990 thousand people) of employment. In addition, fisheries are important as a principal source of protein for the Filipinos and, thus, it is indispensable to secure its supply. However, the coastal environment (for example, mangrove and coral reef) has been destroyed and fisheries resource has been exhausted in recent years, due to the illegal fishing and overfishing by commercial fisheries, and capital-intensive large scale aquaculture. Because of the decline in fishing catch, the local fisherfolk found themselves in poverty, and such circumstance forced them to the illegal fishing, which resulted in a vicious circle; the destruction of the coastal environment became predominant, and it has resulted in even less fishing catch. Lack of appropriate regulations in fishing practice is another reason that have worsened the above problems. In order to secure sustainable fishery supply, it is necessary to establish a fishing licensing system and to study the way to preserve and restore the coastal environment and fisheries resources.

Under these circumstances, OECF funded Fisheries Sector Program in March 1991, which successfully institutionalized coastal resource management, resource assessment, and organization and training of the municipal fisherfolk in the 12 bays nationwide. In these areas, resource management activities that take over the Program are needed. On the other hand, lack of statistical fishery data has made it difficult to establish an appropriate plan for the coastal resource management. In addition, preparation of specific plans are urgently needed for the development of commercial offshore fisheries by the Filipinos and promotion of aquaculture business targeted for the domestic markets.

The objectives of the Project are to prevent further decline in fishing catch, to alleviate the poverty of fisherfolk, and to implement plans for coastal environment preservation. In 18 bays nationwide including the areas of Fisheries Sector Program, the Project will support the coastal resource management as well as the improvement of living standards of fisherfolk, along with the capacity building of both national and municipal implementing agencies. More specifically, the Project will promote the fisheries resource management through reforestation, establishment of the artificial underwater reefs, procurement of coastal patrol boats, establishment of fishery statistical data collection system, institutionalization of fishing licensing system, and enhancement of living standards of fisherfolk through the establishment of fisherfolk associations and alternative livelihood of fisherfolk. Besides, enlightenment and training will be introduced at the national level as well as at the municipal level, and a Master Plan will be drawn up for the development of the fisheries sector in the Philippines including the commercial and aquaculture sub-sectors in order to resolve the above problems in the sector.

The loan is for reforestation, procurement of equipment, training, and consulting services (e.g. project supervision).

The executing agency is the Department of Agriculture, Bureau of Fisheries and Aquatic Resources (DA-BFAR) (Address: 860 Quezon Avenue, Quezon City, Philippines; Tel: 63-2-372-5048; Fax: 63-2-372-5043).

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