

## LOAN PROVIDED TO HELP IN RECOVERY FROM ASIAN CURRENCY CRISIS

### **The 23rd ODA Loan Package to the Philippines Totaling Unprecedented 135.74 billion yen to Assist the Country's Self-help Efforts**

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1. Japan Bank for International Cooperation (Governor: Hiroshi Yasuda) decided to extend the 23rd ODA loan package for 13 projects totaling 135.74 billion yen to the Republic of the Philippines, and signed loan agreements today. The loan agreements were signed at the JBIC's Head Office in Tokyo by JBIC Governor Hiroshi Yasuda and H.E. Romeo Abelardo Arguelles, Ambassador Extraordinary and Plenipotentiary of the Philippines to Japan. (For the project name, loan amount and conditions, please see the attached.)
2. This loan package is designed to assist the government of the Philippines in its self-help efforts to make a swift recovery from the currency crisis and construct a solid-structured economy and society. Focus is on the following three areas:
  - (1) Support for small- and medium-sized enterprises (SMEs) with the purpose to deal with the deteriorating economic growth caused by credit crunch of private banks with the provision of two-step loans;
  - (2) Assistance for the social development sector that benefits the poor, in an effort to alleviate the growing social unrest caused by unemployment, the declining real wage and other problems such as education and water supply projects; and
  - (3) Infrastructure development with a view to securing medium- and long-term development such as projects to solve infrastructure bottlenecks, as well as to contribute to environmental and disaster prevention.This loan package may also be characterized as enhancing local governments' ability, community participation in development, and the alliance with NGOs.
3. It is worth noting that the loan covers, among others, the following projects:
  - "Industrial and Support Services Expansion Program (Phase II)" aimed at providing medium- and long-term capital to the manufacturing and related supporting industries, particularly to SMEs, through the Development Bank of the Philippines and giving technical and management guidance to the enterprises of supporting industries;
  - "Secondary Education Development and Improvement Project" that is designed to build and renovate schools and provide educational materials. It is attempted to improve both the quantity and quality of secondary education in 26 provinces which are identified as a top priority regional area in the Philippines' poverty alleviation strategy; and
  - "Rural Water Supply and Sanitation Project (Phase V)" intended not only to develop water supplies and sanitation facilities but also to organize water utilization associations and maintain facilities with support from NGO's.
4. With the signing of these loan agreements, the accumulated amount of ODA loans provided by JBIC to the Republic of the Philippines has reached 1,744,556 million yen with 236 projects.

## Loan Amount and Conditions

Project Name	Amount (mil. yen)	Interest Rate (%, p.a.)		Repayment Period/ Grace Period (Years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Industrial and Support Services Expansion Program (Phase II)	35,350	0.75***	0.75***	40/10	40/10	General Untied	Bilateral Tied
Environmental Infrastructure Support Credit Program (Phase II)	20,529	0.75**	0.75**	40/10	40/10	General Untied	Bilateral Tied
Secondary Education Development and Improvement Project	7,210	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Rural Water Supply and Sanitation Project(Phase V)	951	1.3*	0.75**	30/10	40/10	General Untied	Bilateral Tied
Bohol Irrigation Project (Phase II)	6,078	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Agrarian Reform Infrastructure Support Project (Phase II)	16,990	1.8 1.3*	0.75**	30/10 30/10	40/10	General Untied General Untied	Bilateral Tied
Arterial Road Links Development Project (Phase IV)	15,384	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Cordillera Road Improvement Project	5,852	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Philippines-Japan Friendship Highway Mindanao Section Rehabilitation Project (Phase II)	7,434	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Rehabilitation and Maintenance of Bridges along Arterial Roads Project (Phase IV)	5,068	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Maritime Safety Improvement Project (Phase C)	4,714	1.8	0.75**	30/10	40/10	General Untied	Bilateral Tied
Pinatubo Hazard Urgent Mitigation Project (Phase II)	9,013	1.3*	0.75**	30/10	40/10	General Untied	Bilateral Tied
Pasig-Marikina River Channel Improvement Project (Phase I)	1,167	1.3*	0.75**	30/10	40/10	General Untied	Bilateral Tied
Total 13 Projects	135,740						

\* Standard Environmental Project (As for Agrarian Reform Infrastructure Support Project (Phase), the interest rate of Standard Environmental Project is adopted into water supply portion of the project.)

\*\* Special Environmental Project

\*\*\* Project supporting small and medium-sized enterprises

(For detailed information on individual projects, please contact the reference noted on page 2.)

## Project Descriptions for the 23rd ODA Loan Package to the Republic of Philippines

### (1) Industrial and Support Services Expansion Program (Phase II)

The promotion of industry, especially the manufacturing industry, is essential for the economic development of the Philippines. However, the proportion of the country's GDP accounted for by manufacturing (about 22% in 1997) has not changed significantly since the 1980s, and manufacturing has not become an engine of economic growth. In addition, as the proportion of employment in the manufacturing industry has only increased by about 10% since the end of the 1980s, its contribution to job creation is also low.

The cultivation and promotion of small- and medium-sized enterprises are important for the economic development of the Philippines as well as for raising the level of the country's entire manufacturing industry, adding value, and alleviating anxiety about employment after the currency crisis. However, small- and medium-sized enterprises generally have limited access to finance (especially medium- and long-term finance), information and technology. This is an obstacle to the expansion and modernization of small and medium-sized enterprises.

This project plans to provide medium- and long-term finance to the manufacturing industry and related supporting industries, particularly to small- and medium-sized businesses, through the Development Bank of the Philippines (DBP). It will also provide technical support such as technological and management guidance and marketing advice to enterprises in supporting industries. It aims to contribute to economic development and job creation in the Philippines, by means of, the promotion of the Philippines' manufacturing industry and cultivation of supporting industry. The sector targeted for funds is the manufacturing industry and supporting industries, and the end-users will be enterprises with less than 200 million pesos in gross assets before the financing with a minimum of 70% Philippine owned. The finance will be used for such purposes as construction, expansion and modernization of production facilities, purchasing of equipment and machinery, introduction of new technology, research and development, training, consulting services and working capital. The finance methods will be indirect finance (wholesale) through private financial institutions (PFIs) and direct finance (retail) from the DBP. The DBP, which will be the executing agency for this project, will appraise and supervise end-users' projects with support from consultants. It will also provide support for end-users and coordinate policy and implementation with ministries and agencies related to the promotion of the manufacturing industry and small- and medium-sized enterprises. The proceeds of the loan will be used to provide DBP loan funds and consulting services (marketing support, technology and management guidance for end-users).

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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### (2) Environmental Infrastructure Support Credit Program (Phase II)

In the Philippines, particularly in Metro Manila, air and water pollution have become serious problems with the increase in the population and vigorous economic activity. For example, in Metro Manila, density of total suspended particulates (TSP) are five times as high as the environmental standard. In addition, the degeneration of water quality in the Pasig River and Lake Laguna has become a particular problem in recent years. In 1977, the government of the Philippines enacted the Pollution Control Law which established environmental standards for air and water quality, noise and the discharge of waste. In addition, it set up a system to ensure the observance of environmental regulations by private business including the implementation of environmental impact assessments when companies invest in facilities and equipment, monitoring of discharges by companies and ordinances to close down the operations of violators. However, the existing regulations are not being adequately observed, and it is necessary to provide incentives to enterprises to carry out environment-related investment through concessional financing in addition to a thorough regulatory and monitoring system. Recently, in addition to increased public environmental awareness, the Estrada administration has announced the enforcement of the law and increased penalties for polluters. Therefore, pressure on polluting industries will increase in the future, and increased investment in the environment is expected. The Development Bank of the Philippines (DBP), the executing agency of this program will appraise and supervise end-users' projects with support from consultants. It will also provide support for private financial institutions and end-users and coordinate policy and implementation with ministries and agencies concerned with the prevention of industrial pollution. In addition, an Environmental Credit Policy Board has been established with the goal of achieving smooth and effective implementation of the project.

The program will provide medium- and long-term finance through the DBP to private businesses, mainly small- and medium-sized enterprises. It will promote investment to improve the environment by giving technological support to borrowers, private financial institutions and the DBP with the goal of contributing to the prevention and reduction of industrial pollution.

In 1996, an ODA loan was extended to the Environmental Infrastructure Support Credit Program, and this program is Phase II of it.

The proceeds of the loan will be used for DBP loan funds and consulting services (support for enterprises in planning and implementing a project, environmental monitoring support, etc.) provided by the DBP.

The executing agency is the Development Bank of the Philippines (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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### (3) Secondary Education Development and Improvement Project

In the past, the standard of education in the Philippines was considered high compared to other developing countries. However, due to the political and economic upheaval in the 1980s, standards have fallen recently, with problems including delays in the provision of educational facilities and a decline in the standard of science and mathematics education. In addition, the recent Asian currency crisis has exposed the country's weak industrial base in terms of international competitiveness. In order to improve international competitiveness to achieve an early recovery from the currency crisis and as a provision for the future, there is an urgent need to improve the quality and quantity of basic education (elementary and secondary education), which forms the basis of a quality labor force. The Philippines has taken steps such as making basic education free and increasing the education budget. The Social Reform Agenda (SRA), a leading policy of the former Ramos administration, addressed the eradication of poverty and the establishment of social justice. In particular, the expansion of basic education was prioritized under the SRA. This is ongoing under the current Estrada administration. Against this background, in March 1997, an ODA loan supported the expansion of basic education focusing on the provinces given priority by the SRA with the Third Elementary Education Project (TEEP) (co-financed with the World Bank).

However, compared to elementary education, secondary education in the Philippines is not widespread (attendance rate: elementary: 95%, secondary: 64%), and the completion rate is a mere 52% compared with 74% for elementary education. Moreover, access to education is even lower in the poor provinces targeted by the project, with an attendance rate of 46% for secondary education (all figures 1997). In addition, the length of secondary education in the Philippines is four years, which is short by international standards, making it difficult for students to fully absorb the curriculum. In order to improve this situation, an appropriate distribution of financial resources based on the situation of education in each region is essential. At the same time, to achieve this, it is also necessary to transfer authority to the regional offices of the Department of Education, Culture and Sport (DECS) and strengthen ties with local governments.

This project, co-financed with the Asian Development Bank, aims to improve the quality and quantity of secondary education in 26 poor provinces identified by the SRA and Philippines Commission to Fight Poverty Programs as priorities by building and refurbishing schools, providing educational materials, training teachers and distributing textbooks. The project will be implemented from the bottom up with the establishment of a detailed education investment plan based on a survey of secondary education in each province, followed by consultations with local governments, school principals and PTA groups.

The aim of the project is not only to improve the standard of secondary education but also to increase the policy implementation capacity of the regional offices of DECS and local governments. The goal also includes the establishment of a sustainable expansion in basic education alongside on-going TEEP based on the cooperation of the educational administration and the schools.

The proceeds of the loan will be used for some of the costs of building and renovating schools, procuring school furniture and educational materials and consulting services (detailed design, assistance with implementation, supervision of construction, assistance with procurement, etc.).

The executing agency is the Department of Education Culture and Sports (DECS) (Address: UL Complex, Meralco Avenue, Pasig City, Philippines, TEL: 63-2-633-7256, FAX: 63-2-631-8492).

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#### (4) Rural Water Supply and Sanitation Project (Phase V)

The water supply system in the Philippines is divided into three types. Level I denotes water supply from a well or pump with around 15 households for each facility, Level II denotes water supply from a public standpipe with 4 - 5 households for each facility, Level III denotes water supply to single households by means of piped water. Water supply is mainly Level I in rural areas, and Level II and III in urban areas. In the countryside, which is the target of this project, access to water supplies is 87% (1998). People who do not have access to public water supplies use water from rivers, lakes and rainwater. In addition, sanitation facilities in these areas are inadequate, and the construction of sanitation facilities for schools and public facilities lags particularly behind.

In its Medium-Term Philippines Development Plan 1999-2004, the government of the Philippines aims to increase access to public water supplies in the countryside to 93% nationwide by 2004. Although the decentralization promotion policy of the Local Government Code of 1991 transferred jurisdiction over water supply and sanitation from the central government to local governments, and a system of guidance and support from the Department of the Interior and Local Government (DILG) was established, there has been no progress in increasing the finance and capacity of local governments to implement projects, which has become an obstacle to the expansion of water supply and sanitation.

This project aims to contribute to providing good quality drinking water and improving water sanitation in three provinces on Luzon Island (Ilocos Sur, Nueva Vizcaya and Zambales), two provinces on Mindoro Island (East Mindoro and West Mindoro), and in Palawan, by providing public water supply and sanitation facilities. The project will increase the ability of local government and DILG employees and will be carried out through a task force of related organizations formed by local governments with the cooperation of the DILG. The participation of local people will be sought in the provision of facilities and the completed facilities will be maintained and managed by local people's organizations (water utilization associations). In addition, NGOs will play the role of community organizers of local people and carry out technical training for the maintenance and management of facilities and water charge collection.

Local government will be responsible for 50% of the costs of the project with central government responsible for the remaining 50%. The proceeds of the loan will be used for the central government's share of the cost of public water supply and sanitation facilities, consulting services (detailed design, bid assistance, supervision of construction, training, etc.) and support for NGOs.

The executing agency is the Department of the Interior and Local Government(DILG) (Address: Francisco Gold Condominium II, EDSA, corner Mapagmahal Street Diliman, Quezon City, Philippines, TEL: 63-2-928-6357, FAX: 63-2-925-0362).

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#### (5) Bohol Irrigation Project (Phase II)

Agriculture, which accounts for about 20% of GDP and about 50% of the working population, is an important industry in the Philippines. However, production of rice, the staple food, has not kept pace with the high population growth rate (1990-95 average 2.3%). In addition, two thirds of those in absolute poverty, who comprise about 40% of the country's population, are members of farming and fishing families in provincial areas. Therefore, increasing food production and improving the living standard of farmers is an urgent and important issue in order to achieve a stable domestic food supply, eradicate poverty and eliminate disparities between urban and rural areas.

Bohol (1995 population 990,000), where agriculture is the main industry, is one of the most economically backward regions of the Philippines. Although it has cultivatable land and a high potential for agricultural production, crop harvests have failed to increase due to the lack of irrigation facilities, and the farmers remain poor. Therefore, it is necessary to provide the basic facilities for agriculture in Bohol. In particular, it is important to increase food production and improve the living standards of farmers by providing irrigation facilities. This project aims to increase production by improving the basic facilities for agriculture, raise the living standards of farmers and generate employment. It will build the Bayongan Dam and irrigation facilities in the lower reaches of the Malino Diversion Dam in northeastern Bohol, which was built during Phase I of Bohol Irrigation Project. The project does not only aim to provide and improve facilities. It also aims to create a sustainable program based on the self-help of the local inhabitants, as it will establish a management and maintenance system through the organization of water utilization associations and implement policies to improve the management system of the executing agency using consulting services.

The proceeds of the loan will be used for civil works and consulting services (bid assistance, supervision of construction, etc.).

The executing agency is the National Irrigation Administration (NIA) (Address: NIA Bldg., EDSA, Diliman, Quezon City, Philippines, TEL: 63-2-929-6071, FAX: 63-2-926-2846).

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#### (6) Agrarian Reform Infrastructure Support Program (Phase II)

About 40% of the population of the Philippines is in poverty, and the rural poor, including landless farmers, account for about two thirds of the poor. In addition, some rural villages still have a feudal land ownership system and the disparities in the incomes of landowners and tenant farmers have widened. In 1987, the government of the Philippines began the Comprehensive Agrarian Reform Program (CARP), which aimed to improve the income of landless farmers. The Ramos and Estrada administrations have achieved the distribution of 2.9 million hectares of land, which exceeds that attained by the Aquino administration (distribution of 1.7 million hectares in six years). The Estrada administration is aiming to complete land distribution by 2004. However, integrated support for the beneficiaries of land distribution such as infrastructure, organization of farmers, finance and technology services have lagged behind and are an obstacle to achieving increased productivity and income for farmers.

The Department of Agrarian Reform (DAR) has approved Agrarian Reform Communities (ARC) in over 900 locations nationwide. Using ARCs as the basic unit of development, it has promoted integrated support for services such as the provision of basic infrastructure, organization of farmers and finance, which are required for the improvement of agricultural productivity. The ODA loans supported agrarian reform in its 20th loan package to the Philippines with projects including the Agrarian Reform Infrastructure Support Project and the Rural Farmers and Agrarian Reform Support Credit Program. This project follows the Agrarian Reform Infrastructure Support Program (Phase I), which provided basic infrastructure and organizational support to ARCs in 78 locations. It will provide the basic economic infrastructure (irrigation, post-harvest processing equipment, farm roads and water supply) needed for agriculture to ARCs in about 150 locations nationwide. In addition, it will support the organization of farmers and strengthening of local governments, and aims to contribute to improvements in agricultural productivity and increased living standards for agricultural families. Further, this project also includes some minority ethnic group and remote area ARCs.

In the implementation of the project, the Department of Agrarian Reform will be the Lead Executing Agency with the National Irrigation Association (NIA) and Department of Public Works and Highways (DPWH) as Collaborating Executing Agencies to supervise civil works. In addition, NGOs will participate in the organization of farmers, the consolidation, organization, formation and strengthening of agricultural cooperatives and training.

The proceeds of the loan will be used for civil works, procurement of machinery and equipment, organizational reinforcement and consulting services (bid assistance, supervision of construction, training for local government employees, support for the organization of farmers and agricultural cooperatives, environmental monitoring, etc.).

The executing agency is the Department of Agrarian Reform(DAR) (Address: MIA 3/F Dar Bldg., Elliptical Road, Diliman, Quezon City, Philippines, TEL: 63-2-926-1667, FAX: 63-2-926-8961).

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#### (7) Arterial Road Links Development Project (Phase IV)

The road network is an important means of transport in the Philippines. The road network carries about 90% of the passengers and about 50% of the freight. As intensive investment in the extension of national highways and secondary highways, which are the basis of the road network, was first carried out only up to the beginning of the 1980s, the serviceability and quality of roads has become a problem. Specifically, there are many unpaved roads (paved rate in 1999: National Primary Roads 71%, National Secondary Roads 47%). Therefore the roads do not function adequately as trunk roads. In addition, there are frequent obstructions to traffic efficiency due to damage caused by natural disasters such as typhoons and a lack of alternative routes. A safe and efficient trunk road network is urgently needed in order to promote the domestic movement of people and goods and support the development of the provincial economy.

This project will carry out the road and bridge improvement for loop roads on Catanduanes Island and Bohol Island, a trunk road in southern Leyte, the road between Naga and Toledo on Cebu Island and the Dalton Pass section of the Philippines-Japan Friendship Highway in north Luzon. It is expected that the project will promote the movement of people and goods, improve transport efficiency and reduce costs, promote provincial economic development and improve the welfare of the people by improving the north-south

and east-west trunk roads and island loop roads which make up the main national highway network.

The proceeds of the loan will be used for paving and improving the roads described above, building bridges and consulting services (detailed design, bid assistance, supervision of construction, environmental monitoring, etc.).

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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#### (8) Cordillera Road Improvement Project

The Cordillera Administrative Region (the six provinces of Abra, Benguet, Ifugao, Kalinga, Apayao and Mountain Province), which is located in the central northern part of Luzon Island, is a steep mountainous region. 70% of the land area (1.83 million hectares) is hilly, and it is the source of the rivers of northern Luzon. The main industry is mining and industries, which accounts for 58% of gross regional product (50.7 billion pesos in 1997), but 60% of the region's population (1.25 million in 1995) are involved in agriculture, including the cultivation of rice and mountain vegetables. The regional government has established the Cordillera Regional Development Plan, which aims to alleviate poverty by promoting agriculture, mining and tourism, improving incomes and expanding employment opportunities. However, the provision of basic infrastructure such as roads and telecommunications has been hindered by the geography of the area. The road network in the Cordillera district is inadequate (about 80% of roads in the area are unpaved), and road transport is frequently cut off due to damage caused by disasters such as typhoons. The development of a trunk road network is essential for the basic infrastructure of the area.

This project will provide road and bridge improvement for the east-west road between Baguio and Aritao (about 100 km), connecting Baguio, the central city of the Cordillera region, to the Philippines-Japan Friendship Highway. It is expected that the project will play a strong role in development by improving the transportation of agricultural goods and increasing access to social services such as schools and hospitals, as well as improving the living standards of people living in remote areas, including a large number of people from minority ethnic groups.

The proceeds of the loan will be used to improve and pave the road described above, build bridges and for consulting services (detailed design, bid assistance, supervision of construction, environmental monitoring, etc.).

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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#### (9) Philippines-Japan Friendship Highway Mindanao Section Rehabilitation Project (Phase II)

As Mindanao Island is the least developed of the three areas of Luzon, the Visayas and Mindanao, the government of the Philippines has established the Mindanao 2000 Development Framework Plan and has been making efforts to encourage the development of the island including the promotion of the regional economic group, EAGA (East Asian Growth Area) with Indonesia, Malaysia and Brunei. The Philippines-Japan Friendship Highway connects the east of the island from north to south. It runs from the Lipata Ferry Terminal, which is the doorway to the Luzon and Visayas regions, on the northern tip of the island through the Agusan River basin, which is expected to develop as a rice producing region, to the island's biggest city, Davao (1995 population: about 1 million). It is an important north-south trunk road for the eastern part of the island.

However, it has been nearly 20 years since it was built, the road has been damaged and rehabilitation are urgently needed.

This project will carry out road and bridge improvement along the Mindanao section of the Philippines-Japan Friendship Highway (total length: about 156km). Phase I of the project in the 21st loan package has been already supported by an ODA loan to the Philippines. This project will continue Phase I, which selected the priority sections based on the extent of deterioration of the road surface and bridges. This project aims to maintain the north-south trunk road for the eastern part of Mindanao Island and contribute to the island's development.

The proceeds of the loan will be used for paving and improvement of the road described above, building bridges and consulting services (detailed design, bid assistance, supervision of construction, environmental monitoring, etc.).

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

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#### (10) Rehabilitation and Maintenance of Bridges along Arterial Roads Project (Phase IV)

The Philippines-Japan Friendship Highway and the Manila North Highway which cuts through the Luzon Island from north to south, play a major role in the transport of people and goods, forming the main arteries of Luzon. Many of the bridges along these roads were built between the 1930s and the 1960s and have obvious signs of damage caused by aging and natural disasters, reducing the safety and efficiency of transport. In addition, one of the bridges on the Manila North Highway collapsed due to flood damage as a result of the typhoon in September 1998, demonstrating the urgent need to repair and upgrade old bridges.

This project will rebuild 15 bridges (total length about 2,550m) on the Philippines-Japan Friendship Highway and the Manila North Highway and upgrade major bridges with severe deterioration. It aims to guarantee the safety of traffic linking the capital to provincial areas and contribute to promoting the movement of people and goods and the development of Luzon Island. Further, in the preceding three phases, ODA loans supported the maintenance and rehabilitation of 23 bridges (total 8.8 billion yen) selected by feasibility studies carried out by the Japan International Cooperation Association (JICA). In addition, some of the bridge-building projects in this project will also aim to transfer bridge-building technology to the Philippines.

The proceeds of the loan will be used for the rehabilitation and maintenance of the bridges described above and consulting services (detailed design, bid assistance, supervision of construction, environmental monitoring, etc.).

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

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#### (11) Maritime Safety Improvement Project (Phase C)

As the Philippines is an archipelago consisting of over 7,000 islands, it is heavily dependent on marine transport for economic and social activity. Domestic shipping plays a comparatively major role, and services between islands are an important means of transport for the general public. However, in view of the public interest in shipping services, fares, shipping routes, ports and frequency of services have been highly regulated, and earnings in the shipping industry are not very high. This low level of earnings has delayed investment in new ships and the consequent deterioration of ships has hindered improvements in the safety and efficiency of shipping services. In addition, the facilities and regulations for safety and marine environment are also inadequate, which has led to a large number of accidents, with 2,249 people losing their lives in 671 shipping accidents between 1990 and 1998.

Therefore, the government of the Philippines is using deregulation to encourage competition between services and is trying to promote domestic shipping services. In addition, it is improving safety with measures to encourage the renewal of ships and providing shipping lane signals. The ODA loans has been already extended to the Philippine shipping industry through the Development Bank of the Philippines to promote the renewal and renovation of old ships as part of the Domestic Shipping Modernization Program (Phase I: December 1994, Phase II: September 1998 loan agreements). In addition, it has supported the repair and increase of shipping support facilities such as lighthouses and buoys in the Philippines main shipping routes in the Manila-Visayas region in Phase I (July 1991 loan agreement) and Phase II (August 1995 loan agreement) of the Maritime Safety Improvement Project. Further, the government of the Philippines is providing shipping support facilities and buying patrol boats using its own funds and those supplied by other donors with the aim of improving maritime safety. In the future, the proper maintenance and management of the increased shipping support facilities will be required, but the buoy tenders (boats which inspect buoys and lighthouses) owned by the government are old and do not function adequately. In Phase B of the Maritime Safety Improvement Project, an ODA loan was supplied to purchase one buoy tender and to carry out repairs on the buoy tender base port in Cabite in the outskirts of Manila. However, the Visayas region,

which is a major shipping route, also requires the construction of a buoy base port as well as an increase in its buoy tenders.

This project aims to contribute to the improvement in the safety of maritime transport, and in turn to improve the efficiency of maritime transport through the purchase of two buoy tenders, the construction of a buoy base port on Macatan Island and the expansion of maintenance and management system for shipping assistance facilities in the Visayas region.

The proceeds of the loan will be used as funds to procure buoy tenders and for consulting services (detailed design, bid assistance, supervision of construction, etc.).

The executing agency is the Department of Transportation and Communications (DOTC) (Address: The Columbia Tower, Barangay Wack-Wack, Ortigas Avenue, Mandaluyong City, Philippines, TEL: 63-2-727-6401, FAX: 63-2-723-5501).

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#### (12) Pinatubo Hazard Urgent Mitigation Project (Phase II)

In June 1991, Mount Pinatubo, which is located in the center of Luzon, experienced its biggest eruption in this century. Since the eruption, typhoons and torrential rain have caused deluges of pyroclastic deposits (mud flows or lahars) every year, leading to major mud slide disasters in the Sacobia-Bambam River, the Abakan River, and the Pasig-Potrero River. In particular, a landslide caused by a major secondary eruption in October 1993 washed the upper reaches of the Sacobia River into the Pasig River. Since then, secondary flooding disasters occur frequently in the Pasig-Potrero River when there is torrential rain due to damage in the lower reaches of the river caused by mud flows, a rise in the level of the riverbed and the closing up of river channels.

Against this background, the rehabilitation work in the Sacobia-Bambam River basin in the Pinatubo Hazard Urgent Mitigation Project (March 1996 loan agreement) has been supported by an ODA loan. As part of the consulting services for the same project, a strategy survey for the Monitoring and Planning on Lahar/Mudflow Control Works in Pasig-Potrero River Basin was also carried out. In addition, using its own funds, the government of the Philippines has constructed a mega-dyke in the Pasig-Potrero River basin as a countermeasure to mud flows. However, in addition to an urgent need for repairs to the mega-dyke, there is a strong demand in the Pasig-Potrero River basin for the rapid construction of integrated mud flow prevention facilities aimed at the rehabilitation and revival of the disaster area based on the plan described above, which includes short, medium and long-term strategies.

This project aims to reduce the frequency of mud flows and flooding and support the rehabilitation of the area by dredging river channels, strengthening the mega-dyke and building peripheral dykes in the Pasig-Potrero River area in central Luzon. In addition, the goal is to contribute to the improvement of living standards and safety for the local people and in turn to the development of the region's economy.

The proceeds of the loan will be used for civil works and consulting services (detailed design, environmental monitoring, etc.).

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

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#### (13) Pasig-Marikana River Channel Improvement Project (Phase I)

Due to its geographical and climatic features, the Philippines frequently suffers from flooding caused by torrential typhoon rains. Metro Manila suffers flooding on an almost annual basis due to its position on low, flat land on the lower reaches of the Pasig-Marikana River and the flooding and inadequate drainage of that river. In addition, the dumping of garbage and discharge of sewage into the river by the people who live alongside it have further worsened flooding in the capital due to the build up of sludge on the bottom of the river and its reduced flow capacity.

Against this background, the Estrada administration has set up the Pasig River Rehabilitation Commission, which spans related ministries, and it has adopted the improvement of the environment in the river basin as one of the key issues for its administration. The ODA loans has supported flood control in the Metro Manila area in the past for Pasig River Flood Control Project and Metro Manila Flood Control Project - West of Mangahan. However, given the importance of alleviating flood damage in the capital and improving the riverside environment in the future, this project was also formulated by implementing SAPROF in 1998.

This project seeks to contribute to alleviating flood damage in the metropolitan area and improve the riverside environment. It will (1) rehabilitate the Pasig-Marikana River (dredging and excavation), (2) construct river facilities (embankments and dykes) and (3) support improvement in the disaster and environmental awareness of the local inhabitants. Phase I of the project will carry out the detailed design and additional studies needed before the rehabilitation of the river and construction of the facilities described above can take place. It will also carry out public education programs, training for employees of the executing agency and improvement in the living standards of people who are resettled. In addition, it will provide housing and infrastructure in resettlement areas for people who need to be relocated.

The proceeds of the loan will be used for civil engineering work and consulting services (detailed design, environmental monitoring, training the employees of the executing agency, etc.).

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

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