

JBIC Provides Special Yen (ODA) Loan to the Philippines --For Expressway Development Project--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today (5 p.m. JST) will sign an ODA agreement amounting to 41,931 million yen with the Bases Conversion and Development Authority (BCDA) for the Subic-Clark-Tarlac Expressway Project in the Philippines to be implemented by BCDA. The signing will take place in the presence of President Arroyo who is currently visiting Japan.
2. The loan will be extended from the Special Yen (ODA) Loan Facility instituted in December 1998. The proceeds of the loan will be used to finance the procurement of materials, equipment, services and consulting services for constructing a 90-kilometer toll road connecting Subic, Clark and Tarlac in Central Luzon, in the northern part of the Philippines.
3. Central Luzon, which covers an area of 1,650 thousand square kilometers and is located north of Metropolitan Manila, is an important region for agricultural production in the Philippines where rice-growing is a primary crop and is also a core industrial zone comparable to the CALABARZON region south of Metropolitan Manila. As the region embraces the Subic Bay Special Economic and Freeport Zone and the Clark Special Economic Zone, which were established after the withdrawal of the U.S. Air Force and Navy in 1992, developing infrastructure, including port and airport facilities, and attracting private firms to these areas will facilitate the region to take over part of the hub function of cargo traffic currently concentrated in Metropolitan Manila. However, like the rest of the country, the low rate of paved roads in trunk and secondary national roads pose a problem to the effective use of the key roads in the region. The rates for the country as a whole and the region were 71% for trunk roads, and 47% for secondary national roads, as of 1998. In addition, highway routes are extremely inadequate, as their construction has mainly been confined to Metropolitan Manila and part of the North-South Luzon Expressway. At the same time, contribution of Japanese technology and know-how in construction of roads, bridges, etc. will be possible under the Special Yen (ODA) Loan.
4. The project will construct a four-lane highway between Subic, Clark and Tarlac that will provide a main transportation network and facilitate human and cargo transport in Central Luzon, thereby contributing to the integral and sustainable development of the regional economy. Drawing on the Special Yen (ODA) Loan Facility, the project is expected to bolster economic activity in the region, which in turn will relieve the concentration in Metropolitan Manila.

While JBIC conducted an appraisal in June 2000 for this project, it was not subject to the Ex-Ante Project Evaluation Report. Information on projects for which appraisal were conducted after April 1, 2001 are made available to the public.

(See Appendix for details)

JBIC Provides Special Yen (ODA) Loan to the Philippines — for Expressway Project in Philippines—

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today signed an agreement to extend an ODA loan amounting to 41,931 million yen with the Bases Conversion and Development Authority (BCDA) for the Subic-Clark-Tarlac Expressway Project in the Philippines to be implemented by BCDA. The signing took place between Mr. Rogelio L. Singson, Chairman and President of BCDA, and Governor Shinozawa of JBIC in the presence of President Arroyo who is currently visiting Japan. The loan will be extended from the Special Yen (ODA) Loan Facility instituted in December 1998.

(Special Yen (ODA) Loan Facility)

Japan's Special Yen (ODA) Loan Facility was instituted in December 1998 to help bring early recovery to the crisis-affected Asian economies. Its primary objectives are: to promote projects that have a significant effect on stimulating the economy and create employment; to develop a business environment conducive to private-sector investment; and to achieve the structural reform of the economy through improvement in productivity. This Facility offers a more concessional rate than ordinary lending to support efforts of the recipient countries.

1. Loan Amount and Terms

Project Name	Loan Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Subic-Clark-Tarlac Expressway Project	41,931***	0.95*	0.75**	40/10	40/10	Tied	Bilateral Tied

* Rate for Special Yen (ODA) Loans

** Rate for Special Environmental Projects

***This amount was increased by 17,106 million yen to 59,037 million yen in fiscal 2007

2. Economic Conditions in the Republic of the Philippines

The Philippine economy enjoyed steady growth after the Ramos administration, came to power in June 1992. However, as a result of the Asian economic crisis which started in Thailand in July 1997, it experienced a contraction of output in 1998. Although the economy has subsequently returned to the recovery path, the country urgently needs to build a system that will help it withstand another similar crisis in the future to ensure sustainable growth. A significant proportion of the population of the Philippines still live in poverty, and income disparities between urban and rural areas continue to grow. To address these problems, the Government of the Philippines launched the Medium-Term Development Plan for 1999-2004 in September 1999, which aimed at achieving "sustainable growth and social equity." The Plan placed priorities on the following development goals: infrastructure development; agricultural development; social and human resources development; industrial and service sector development; governance and institutional capacity building; and macroeconomic stability.

In March 1999, the Government of Japan sent a high-level mission for economic and technical cooperation to the Philippines, and reached agreement with the Philippine government on mid- and long-term priority assistance areas and objectives in line with the above-mentioned development goals. Based on this agreement, JBIC drew up in December 1999 the Medium-Term Strategy for Overseas Economic Cooperation Operations for the Philippines, which encompasses the following priority areas: (1) strengthening the economic structure and removing impediments to growth to achieve sustainable growth; (2) reducing poverty and regional disparities; (3) environmental conservation and disaster prevention; and (4) human resource development and institutional capacity building. The present ODA loan is in accord with these priority areas.

3. Subic-Clark-Tarlac Expressway Project

(1) Background and Necessity of the Project

Central Luzon, which covers an area of 1,650 thousand square kilometers and is located north of Metropolitan Manila, is an important region for agricultural production in the Philippines where rice-growing constitutes a primary crop and as a trading center for agricultural produce from northern Luzon. It is also a core industrial zone comparable to the CALABARZON region south of Metropolitan Manila, and to the extent that it absorbs an influx of population from the northern part of Luzon, the region is expected to alleviate concentration in Metropolitan Manila. In particular, as the region embraces the Subic Bay Special Economic and Freeport Zone and the Clark Special Economic Zone, which were established after the withdrawal of the U.S. Air Force and Navy in 1992, developing infrastructure, including port and airport facilities, and attracting private firms to these areas will facilitate the region to take over part of the hub function of cargo traffic currently concentrated in Metropolitan Manila. However, like the rest of the country, the low rates of paved roads in trunk and secondary national roads pose a problem to the effective functioning of the key roads in the region. The rates for the country as a whole and the region were 71% for trunk roads, and 47% for secondary national roads, as of 1998. In addition, highway routes are extremely inadequate, as their construction has mainly been confined to Metropolitan Manila and part of the North-South Luzon Expressway.

(2) Objective and Brief Description of the Project

The project will construct a four-lane toll highway that will provide a 90-kilometer link between Subic, Clark and Tarlac. This will facilitate human and cargo transport in the Central Luzon area and contribute to the integrated and sustainable development of the regional economy. In addition, the project is expected to bolster economic activity in the region, thereby relieving concentration in Metropolitan Manila.

The proceeds of the loan will be used to finance the construction of highway and bridges as well as consulting services which include detailed design, environmental management and monitoring, and assistance in bidding and contract negotiation.

The executing agency is the Bases Conversion and Development Authority (BCDA)

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