

## HELPING PHILIPPINES TO REDUCE POVERTY AND PROTECT THE ENVIRONMENT

### --The 24th ODA Loan Package Totalling 54,642 Million yen--

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1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today in Tokyo series of loan agreements for nine projects in the aggregate total of up to 54,642 million yen with the Government of the Republic of the Philippines. This brings the cumulative ODA loan commitments JBIC has made to the country to 1,873,268 million yen covering 251 projects.
2. The assistance package this year has taken up agricultural infrastructure and participatory development projects, aiming to achieve sustainable growth of the Philippine economy and bring direct benefits to the poor in line with the targeting of the following priority areas in the Medium-Term Strategy for Overseas Economic Cooperation Operations.
  - (1) Strengthening the economic structure and removing impediments to growth for sustainable growth
  - (2) Reducing poverty and regional disparities
  - (3) Environmental conservation and disaster prevention
  - (4) Human resources development and institutional capacity building
3. Specific projects include the Help for Catubig Agricultural Advancement Project, which develops irrigation and water supply, and upgrades roads in the Catubig Valley in the east-central section of Northern Samar, thereby providing infrastructure for agricultural production and improving the general health of the population; the Mindanao Sustainable Settlement Area Development Project, which develops agricultural infrastructure and provides assistance to farming thereby reducing poverty among farmers in Mindanao Island, the region notable for prevalent poverty; and Sustainable Environmental Management Project in Northern Palawan, which designs an environment management program and implements works to halt soil erosion, thereby ensuring comprehensive environmental conservation in Northern Palawan.
4. While JBIC has undertaken appraisal and confirmed the necessity, justification, and effectiveness of ODA loan projects, it has newly introduced ex-ante project evaluation system that will set more quantitative indicators to measure project performance and make an explicit account of the subsequent evaluation plan. Among the series of loans signed today, "Help for Catubig Agricultural Advancement Project" and the "Rural Road Network Development Project (Phase III)" are designated pilot projects for Ex-Ante Project Evaluation Report carried out from fiscal 2001 (see Press Release issued today on JBIC web site at <http://www.jbic.go.jp>).

(See Appendix for details.)

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### 1. Background and Necessity of the ODA Loans

Under the Ramos administration, which was inaugurated in June 1992, the Philippine economy enjoyed a steady growth. But in 1998 it experienced a negative growth, as a result of the Asian economic crisis which had started in Thailand in July 1997. Although the economy has subsequently come back to the recovery path, the country urgently needs to build up systems that will help it withstand another attack of similar crisis in the future to ensure a sustained recovery. The Republic of the Philippines still has many people living in poverty, and the income gap between urban and rural populations continues to widen. To address this problem, in September 1999 the Philippine government announced the Medium-Term Development Plan for 1999-2004, which aims to achieve "sustainable growth and social equality." The Plan places priority on the following goals: development of infrastructure; agricultural development; social development and fostering of human resources; development of the industrial and service sectors; governance and the development of institutions; 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, in December 1999 JBIC drew up 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 current ODA loans fall into these priority areas.

### 2. Loan Amounts and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Arterial Road Links Development Project (Phase V)	8,294	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Metro Manila Interchange Construction Project (Phase V)	5,543	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Selected Airports (Trunkline) Development Project (Phase II)	11,743	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Rural Road Network Development Project (Phase III)	6,205	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Help for Catubig Agricultural Advancement Project	5,210	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Mindanao Sustainable Settlement Area Development Project	6,515	2.2	0.75**	30/10	40/10	General Untied	Bilateral tied
Agno River Flood Control Project (Phase II-B)	2,789	1.7*	0.75**	30/10	40/10	General Untied	Bilateral tied
Laoag River Basin Flood Control and Sabo Project	6,309	1.7*	0.75**	30/10	40/10	General Untied	Bilateral tied
Sustainable Environmental Management Project in Northern Palawan	2,034	0.75**	0.75**	40/10	40/10	Bilateral tied	General Untied
Total	54,642						

\*Standard environmental project

\*\*Special environmental project

### 3. Description of the Project

#### (1) Arterial Road Links Development Project (Phase V)

Roads are the most widely used means of transportation in the Philippines, accounting for 90% of total passenger travel and 50% of freight traffic. The national arterial highways and national secondary roads make up the backbone of the country's road network. However, the majority of this network is not paved (the rate of paved roads is 71% for national arterial roads and 47% for national secondary roads (1998)). The national road network is, thus, not serving adequately as transport infrastructure. In addition, damages by natural disasters and the lack of alternative routes at a time of emergency often reduce transportation efficiency. Therefore, a safe and efficient arterial road network should be developed urgently to facilitate the domestic transportation of people and freight and thereby invigorate regional economies.

This Project consists of the following five components: (1) the segment between Ligao and Pio Duran in the province of Albay (the east-west trunk road); (2) the Patapat Viaduct in the province of Ilocos Norte (the east-west trunk road); (3) the segments between Suyo and Abatan via Cervantes and Mankayan, and between Cervantes and Sabangan in the Cordillera Administrative Region (the east-west trunk road); (4) the segment between Catarman and Calbayog on the island of Samar (the east-west trunk road); and (5) the segment between Iloilo and Capiz on the eastern side of the island of Panay (the islands circulating road). Upgrading inferior segments of the national arterial road network will benefit the surrounding areas by raising the efficiency of passenger and freight transport and reducing transportation costs, thereby contributing to the sustainable socioeconomic development of the regional economies.

The proceeds of the loan will be used for paving and bridge rehabilitation in the five sections of the road network and consulting services (concerning detailed design, environmental monitoring, bidding support, etc.).

The executing agency is the Department of Public Works and Highways (DPWH). (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-304-3804; Fax: +63-2-304-3805)

#### (2) Metro Manila Interchange Construction Project (Phase V)

Development programs for the road network in the capital region of Manila (Metro Manila) have concentrated on the region's six circumferential roads and ten radial roads. Even though 98% of all transportation in the metropolitan area is by road, road improvement has not kept up with the increase in traffic resulting from population growth and expansion

of the economy. The result is a worsening urban environment beset by serious problems which include: chronic traffic congestion that reduces the average motor-vehicle speed to about 8 km/hr; considerable economic loss; exhaust emissions and traffic noise; and an increase in traffic accidents. To help resolve these problems, JBIC has in the past successively offered support for the construction of overpasses at major intersections where traffic congestion is particularly severe.

This Project involves: (i) the construction of interchanges at four intersections on the EDSA (Circumferential Road No. 4, an important, heavily traveled road in Metro Manila), and on Circumferential Road No. 5 (an outer loop road situated further from the center); and (ii) the detailed design of interchanges for four intersections on Circumferential Roads Nos. 3 and 2, which are also heavily traveled. This Project will reduce the ever-worsening traffic congestion in Metro Manila, improve road capacity, and promote the efficient flow of traffic of people, freight and services. It also promotes urban development by raising traffic safety and reducing the impact of air pollution and noise along the roads.

The proceeds of the loan will be used for the construction of interchanges and consulting services (environmental and traffic management, detailed design, bidding support, etc.). The executing agency is the Urban Road Projects Office of the Department of Public Works and Highways (DPWH). (Address: 2nd Street, Port Area, Manila, Philippines; Phone: +63-2-304-6644; Fax: +63-2-304-3872)

### (3) Selected Airports (Trunkline) Development Project (Phase II)

Although air transport accounts for a relatively small proportion of total domestic transportation volume in the Philippines, its share is increasing steadily. It is recognized that air transport is one of the factors that are conducive to economic development, because of its relative speed, reliability and comfort. Airplanes are expected to play an increasingly important role carrying passengers and freight in this nation of more than 7,000 islands, as the economy grows and incomes rise. The Philippine government has announced its intention to develop in each of the country's 13 regions at least one airport that meets international standards (set by ICAO (International Civil Aviation Organization)). The government has begun upgrading airports, starting with those serving the greatest number of domestic travelers.

The Bacolod and Tacloban Airports are important trunkline airports located in the central region of Visayas. These two airports rank 5th and 8th respectively in terms of number of passengers served (540,000 and 300,000 respectively in 1997). Passenger and freight traffic volumes grew at an annual rate of 10.7% and 4.7% from 1992 to 1997 at Bacolod Airport and 16.1% and 13.2% at Tacloban Airport. Similar growth is projected in the coming years.

This Project involves the construction and expansion of new airport facilities at both airports to meet growing demand for passenger and freight transport and to raise the safety of air transport services. It will contribute to the sustainable socioeconomic development of the islands of Negros and Leyte and the surrounding regions.

The proceeds of the loan will be used for engineering and construction work for runways, passenger terminals, etc., for the procurement of safety devices, materials and other equipment, and consulting services (environmental management, bidding support, etc.).

The executing agency is the Department of Transportation and Communications (DOTC). (Address: The Columbia Tower, Ortigas Avenue, Mandaluyong City, Philippines; Phone: +63-2-727-7960; Fax: +63-2-727-1703)

### (4) Rural Road Network Development Project (Phase III)

Roads are the most widely used means of transportation in the Philippines, accounting for about 90% of total passenger travel and 50% of freight traffic volume. The national road system is relatively well developed in terms of kilometers covered by the network, but the majority of them are not paved. During the rainy season, some of the unpaved sections deteriorate so much that they are impassable. In addition, Bailey bridges are still being used. In sum, rural areas hardly have a safe and efficient road network. Thus urgent steps are required to improve the quality of the country's rural road network. Previous road development projects focused primarily on improving the network of national arterial roads, and national secondary roads, for which this Project was designed, are still not developed adequately.

This Project involves upgrading the ten segments of national secondary roads and strategic roads across the country to ensure safe and efficient transport on the rural road network serving the adjacent areas, thereby promoting the development of the local economies and helping to redress the economic disparity between rural and urban areas.

The proceeds of the loan will be used for paving roads, replacing bridges and consulting services (detailed design, environmental monitoring, bidding support, construction supervision, etc.).

The executing agency is the Department of Public Works and Highways (DPWH). (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-304-3812; Fax: +63-2-304-3810)

### (5) Help for Catubig Agricultural Advancement Project

Agriculture (including forestry and fishing) is an important industry to the Philippines, accounting for about 20% of GDP and hiring more than 40% of the workforce. However, the production of rice, the staple food, falls short of domestic demand, due partly to rapidly increasing population. About 40% of the population lives in poverty, and about two-thirds of them belong to farming or fishing families in rural areas. Increasing food production and raising the living standards of farming families remain urgent and important challenges to ensure a stable domestic food supply, reduce poverty (especially in farming villages) and help redress the economic disparity between rural and urban areas.

Northern Samar on Samar Island in the region of Visayas, central Philippines, is one of the areas in the country where socioeconomic conditions are least developed. Its income level is less than half the national average. Crop yields in the region are not increasing, partly because of poor irrigation facilities, result in inability of farmers unable to improve their economic lot. Therefore, improving irrigation facilities is called for to raise farm income. In addition, the people's living conditions and livelihoods would also benefit from upgraded water supply, better national and provincial roads in the region, measures to combat schistosomiasis (snail fever), and the development of farmers' organizations.

This Project aims to develop agricultural infrastructure, primarily irrigation facilities, in the Catubig Valley in the east-central part of Northern Samar. This will increase crop yield, improve the farmers' livelihood, and help improve health and sanitation levels in the area. The Project also has significance in the context of ongoing devolution of powers to rural areas, since it will be the pioneering comprehensive regional development project implemented primarily by the local government.

The proceeds of the loan will be used to: develop irrigation facilities and the drainage system; upgrade national and provincial roads; implement measures to combat schistosomiasis (snail fever); upgrade water supply facilities; support agricultural management; procure materials and equipment for the objectives; and conduct consulting services (detailed design, support for the development of farmers' organizations, support for environmental monitoring, etc.).

The main executing agencies are: the Provincial Government of Northern Samar (Address: 2/f, New Capitol Building, Catarman, Northern Samar, Philippines; Phone: +63-54-354-1278; Fax: +63-55-354-1239); the National Irrigation Administration (NIA) (Address: NIA Bldg, EDSA, Diliman, Quezon City, Philippines; Phone: +63-2-929-6071; Fax: +63-2-926-2846); and the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-527-4111; Fax: +63-2-527-5635).

### (6) Mindanao Sustainable Settlement Area Development Project

About 40% of the nation's population lives in poverty, two-thirds of whom are tenant farmers without owning their land and belong to the rural poor. Some farming villages still have a feudal land ownership pattern, and the income gap between landowners and peasant farmers is very wide. Through its Department of Agrarian Reform, the Philippine government is promoting agrarian reform by distributing land to landless farmers and helping them manage their farms after they obtain land. Of specific relevance here is the Comprehensive Agrarian Reform Program (CARP), which has been underway since 1988. It is crucial for this Program to promote the distribution of land; develop agricultural production infrastructure so that farmers would remain on the land they obtain; and further improve support services for farm management. Achieving these important goals will raise farmers' yields and increase their income.

This Project will be implemented in newly settled areas on the island of Mindanao, which are often located in regions that are not only remote but hilly or mountainous as well. Much of the arable land lacks vegetation, and the soil is being eroded. Agricultural productivity is therefore low, and farming other than rice farming (for example, the production of cash crops and fruit trees) are becoming important. Roads and other basic infrastructure in the area are poorly developed, hindering the transport of agricultural product and the materials and equipment required for agriculture. The social and educational infrastructure is also not fully developed. These problems should be rapidly addressed through comprehensive measures that are designed to benefit farmers and take into account local conditions on Mindanao.

This Project will provide comprehensive support for farming families inhabiting settlements of Mindanao, by developing the basic infrastructure required for agricultural production, improving social infrastructure, providing support services for farm management, and offering education and health services. The Project will also support the establishment of farmers' organizations, and strengthen local governments. These efforts will, as a result, raise crop yields and improve the living conditions of farming families, thereby reducing poverty on Mindanao and contributing to sustainable development.

The proceeds of the loan will be used to: develop the basic infrastructure including irrigation facilities, farm roads, and post harvest facilities; support farm management; protect the environment; construct and rehabilitate the Barangay Health Stations and schools; procure material and equipment for the aforementioned objectives; and conduct consulting services (detailed design, strengthening farmers' and local governmental organizations, environmental monitoring, bidding support, construction supervision, etc.).

The main executing agencies are: the Department of Agrarian Reform (DAR) (Address: Elliptical Road, Diliman, Quezon City, Philippines; Phone: +63-2-926-1667; Fax: +63-2-926-8961); the National Irrigation Administration (NIA) (Address: NIA Bldg, EDSA, Diliman, Quezon City, Philippines; Phone: +63-2-929-6071; Fax: +63-2-926-2846); and the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-527-4111; Fax: +63-2-527-5635).

### (7) Agno River Flood Control Project (Phase II-B)

The Philippines is prone to natural disasters because of its geological location and meteorological conditions. About 20 of the approximately 30 typhoons that originate each year over the Pacific Ocean come close to the Philippines, and about 10 of these reach land in that country. Other natural disasters include numerous volcanic eruptions and

earthquakes. In addition, partly due to the country's socioeconomic conditions that urban areas have developed in flat low-lying land that is prone to flooding, the Philippines frequently and seriously suffers from flooding and mud sliding during the rainy season. The average annual damages caused by these disasters amount to about 0.4% of GNP, and the number of people killed exceeds 800 (most of them poor). Such disasters are a serious impediment to socioeconomic development in the Philippines, and strong measures are needed to control floods and mud slides.

The Agno River flows through the broad Pangasinan Plain in central Luzon, then empties into the Gulf of Lingayen. The Agno is the 5th largest river in the Philippines, draining 5,952 km<sup>2</sup> (approximately the same area as the drainage basin of the Abukuma River in Japan). In this plain, where about 1.33 million people live and the main occupation is farming, floods caused by typhoons and localized torrential downpours are an annual occurrence. This situation has been worsened by accumulations of mud on the river bed caused by an eruption on Mt. Pinatubo in the south, thus making the area even more susceptible to flooding.

The Project involves the construction of diversion and floodway structures, the construction and repair of dikes, the construction of bridges, and support for the development of a resettlement site for displaced people in the middle stretch of the Agno River which flows through the provinces of Pangasinan and Tarlac in central Luzon. These endeavors will reduce flood damage in the Agno drainage basin, thereby improving the area's living environment and sanitation, and contributing to the development of the local economy.

The proceeds of the loan will be used for civil work needed for flood control and the development of a resettlement site, and for consulting services (basic surveys and design, contract bidding support, etc.).

The executing agency is the Department of Public Works and Highways (DPWH). (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-304-3813; Fax: +63-2-304-3752)

#### (8) Laoag River Basin Flood Control and Sabo Project

Many typhoons that originate each year over the Pacific Ocean come close to the Philippines, and some reach land there. Other natural disasters include numerous volcanic eruptions and earthquakes. These geological and meteorological phenomena pose an additional threat because of certain socioeconomic conditions, particularly the fact that urban areas have developed in flat low-lying land that is prone to flooding. Serious flooding and mud slides frequently occur during the rainy season. Such disasters are a serious impediment to the Philippines' socioeconomic development, and strong measures are needed to control floods and mud slides.

The Laoag River flows through the province of Ilocos Norte in northern Luzon. It is one of the Philippines' important rivers, draining 1,332 km<sup>2</sup> (approximately the same area as the drainage basin of the Oi River in Japan, which is 1,240 km<sup>2</sup>). In the Laoag River drainage basin, floods and sand deposits caused by typhoons are an annual occurrence.

Damage is often especially severe in farming areas that are essential to the economy of Ilocos Norte, and about 1,000 hectares of farmland have been lost over the last 20 years. A number of stopgap measures have been implemented to deal with this situation, such as the construction and repair of dikes, but the problem remains unsolved and comprehensive efforts are urgently needed to control flooding.

This Project involves the construction of Sabo dams, the construction and repair of dikes, and the construction of spur dikes on the Laoag River in the province of Ilocos Norte in northern Luzon. The new and improved structures will reduce flood damage in the Laoag River drainage basin, thereby improving the region's living environment and sanitation, and contributing to its socioeconomic development.

The proceeds of the loan will be used for civil work needed to construct Sabo dams and flood control devices, and for consulting services (detailed design, environmental management, etc.).

The executing agency is the Department of Public Works and Highways (DPWH). (Address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-304-3813; Fax: +63-2-304-3752)

#### (9) Sustainable Environmental Management Project in Northern Palawan

The Philippines is blessed with rich natural resources, both on land and in the sea, but over the last few years random development has harmed ecosystems by destroying forests and coral reefs. The Philippine government therefore places much importance on environmental conservation. Repairing the damage and maintaining the environment in its natural state cannot be accomplished simply through legislative constraint on development or government-directed measures that do not reflect the wishes of local residents. Other steps are required, such as provision of the public awareness programs, alternative sources of livelihood, and guidance for better living conditions, while at the same time implementing measures which fully reflect the desires of the residents who will be affected.

The northern part of the province of Palawan, dubbed as the "last unexplored area of the Philippines", is an ecological treasure endowed with coral reefs, tropical rain forests, dugong habitats, and rare creatures. Unfortunately, illegal fishing activities, such as fishing with dynamite, are destroying unique coral reefs, and forests are being illegally cut as well. These destructive activities are spoiling ecosystems and causing erosion on land. Deteriorated road surfaces are also subject to soil erosion, and this also seriously damages ecosystems on land and threatens marine creatures in nearby coastal areas. The resulting decline in the quality of natural resources causes the local people to increase their destructive fishing and harvesting practices, so that they can obtain the same yields as before. It is feared that the drying-up of the natural resources will eventually result in further poverty. It is therefore urgently required to protect the unique environment and ecosystems so as to enable the sustainable use of natural resources.

This Project, to be implemented in northern Palawan, draws up ECAN (Environmentally Critical Areas Network) zone maps, puts in place construction work to prevent soil erosion, and promotes ecotourism to protect the region's unique environment and ecosystems.

The proceeds of the loan will be used for construction work for soil erosion protection, for the procurement of equipment for ECAN maps drawing and consulting services (drawing up ECAN maps, enhancing the capability and systems required to draw such maps, establishing standards and guidelines for implementing ecotourism, detailed designs for civil work, etc.).

The executing agencies are: the Department of Tourism (DOT) (Address: T.F. Valencia Circle, T.M. Kalaw St., Rizal Park, Manila, Philippines; Phone: +63-2-523-1930; Fax: +63-2-526-7545); the Palawan Council for Sustainable Development Staff (PCSDS) (Address: Provincial Agricultural Center, Irawan, Puerto Princesa City, P.O. Box No. 45, PPC, 5300 Palawan, Philippines; Phone/Fax: +63-48-433-2698); and the Department of Public Works and Highways (DPWH) (address: Bonifacio Drive, Port Area, Manila, Philippines; Phone: +63-2-527-4111; Fax: +63-2-527-5635).