

JBIC Signs ODA Loan Agreement with the Philippines --Supporting Flood Control in Metro Manila by Drawing on Japanese Technology--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today a loan agreement totaling up to 8,529 million yen with the Republic of the Philippines for the Pasig-Marikina River Channel Improvement Project (Phase II).
2. The Project aims to alleviate flood damage and improve the environment of the river basin by rehabilitating the dike of Pasig-Marikina River that runs through Metro Manila. Since the majority of areas targeted by the Project have solid ground, the Project will draw on Japanese technology such as the water jet vibro technique^[1] to reduce vibration and noise generated during construction work, as well as to cut short the necessary construction period. The proceeds of the loan will be applied to civil work, procurement of machinery and equipment, and consulting services required for the rehabilitation of the dike.
3. Metro Manila is directly hit by 70% of typhoons that are spawned near the Philippines. In addition, its urban zone, located in a low-lying area, often sustains damage from flooding and landslide disasters during the rainy season. To make matters worse, due to advancing urbanization and population concentration, low-income residents have flocked to the areas along rivers, thus giving rise to illegal waste disposal and untreated wastewater flowing into river waters. As a result, the water discharge capacity of the rivers has declined and polluted mud has accumulated, thereby further exacerbating flood damages. Considering this background, the Government of the Philippines considers flood control measures for the watershed of Pasig River that crosses the heart of Metro Manila, as well as its tributary Marikina River, to be one of the most significant issues. Under this situation, the Project is expected to protect Metro Manila, the hub of the political, economic and cultural activities of the country, from flood damages, and to contribute to the stable economic development of this region.
4. JBIC to date has assisted in the development of economic infrastructure including the transport sector, which has posed a bottleneck for growth, environmental conservation including disaster prevention, alleviating economic gaps between city and province by supporting the farming village development, and human resource development in the Philippines. Through the provision of ODA loans, JBIC intends to continue assistance, whose major pillars are "to strengthen economic makeup underpinning the sustainable growth and to overcome factors that constrain growth," as well as "poverty reduction."

([Click here for details.](#))

[1] A technique developed in Japan to drive steel pipe sheet piles, characterized by the parallel use of a vibro hammer which generates vertical oscillation, and a water jet cutter which blasts high-pressure water. The greatest advantage of this process is the ability to rapidly construct steel products on rock bed and other hard soil. Japan has many experiences of construction using this technique and thus has accumulated know-how and expertise.

1. Loan Amount and Terms

Project Name	Amount (mil. yen)	Interest Rate (% per annum)	Repayment Period/Grace Period (Year)	Procurement
Pasig-Marikina River Channel Improvement Project (Phase II).	8,529	0.75*	40/12	Japan Tied

*Special Terms for Economic Partnership (STEP)

2. Project Executing Agency

Department of Public Works and Highways (DPWH)
Address: Bonifacio Drive, Port Area, Manila, Philippines
Tel: 63-2-304-3804
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3. Political and Economic Situation in the Philippines

The Philippines has a population of 83 million and a land area of around 300,000 square kilometers, about 80% of that of Japan, with the archipelago consisting of over 7,000 islands.

After the ouster of President Estrada, Vice President Arroyo succeeded him and assumed the Presidency in January 2001. As she won the presidential election in May 2004, she was assured a second term, and her long-term government is to rule the country for a total of nine years. The government led by President Arroyo gives continued priority to strong ties with the U.S, while at the same time placing weight on multilateral diplomatic relations primarily within Asia and ASEAN, and the promotion of economic diplomacy. A general election will be held in 2007, and a presidential election in 2010.

The economic growth slowed down after the Asian currency crisis in 1997. In 2004, however, the economy achieved 6.2% GDP growth, the highest rate in 15 years. It is believed that recent high growth was supported by rising employment attributable to the growing service sector and outsourcing, and an increase in consumption with remittances from overseas Filipino workers. With regard to fiscal budget, the Arroyo government responded to the increasing trend of deficit by passing the Revised Expanded Value Added Tax Law, the Sin Tax Law, and the Lateral Attrition Law. As result of these efforts, combined with reductions in public spending and other expenditures, the fiscal deficit fell to 2.1% relative to GDP (2006).