

FY2007 Japanese ODA Loan Package to the Philippines

--Supporting Regional Economic Growth through Disaster Recovery and Poverty Reduction through Land Tenure Reform--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on December 18 two Japanese ODA loans totaling up to 19,406 million yen with the Government of the Philippines for the Pinatubo Hazard Urgent Mitigation Project (Phase III) and the Agrarian Reform Infrastructure Support Project (Phase III).
2. The Pinatubo Hazard Urgent Mitigation Project (Phase III) will support infrastructure development, including improvement of drainage facilities and rivers, as well as technical assistance, including formulation of disaster prevention and evacuation plans, in Central Luzon, which sustained devastating damage by the Mt. Pinatubo eruption in 1991. In this project target area, the rivers are still clogged by outflow and sedimentation of pyroclastic flow caused by the eruption, and the river discharge capacity is impaired, thus causing floods during typhoon and rainy seasons. The project is expected to mitigate flood and inundation damage, secure distribution of goods and improve the hygienic environment, thereby contributing to the overall recovery and the sustainable development in Central Luzon.
3. The Agrarian Reform Infrastructure Support Project (Phase III) aims to increase agricultural productivity and raise the income level of farmers by supporting development of basic infrastructure, including small-scale irrigation facilities, as well as strengthening local communities, including water users' associations in Agrarian Reform Communities (ARCs) across the country. The project will thereby contribute to poverty reduction in rural areas.
4. While the Philippine economy has grown at an annual average of approximately 5% over the past five years, its poverty rate still remains high at a 30% level. Thus maintaining sustainable growth and promoting poverty reduction are important on the country's agenda. Under these circumstances, the Philippine Government has been focusing on development of economic and social infrastructure, which is posing an impediment to growth. JBIC will continue to support the Philippine Government with priority placed on growth of the regional economy, with disaster recovery and poverty reduction through agrarian reform.

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

1. Project Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period(Years)	Procurement
		Main Component	Consulting Service		
Pinatubo Hazard Urgent Mitigation Project(Phase III)	7,604	1.5	0.01	30/10	General Untied
Agrarian Reform Infrastructure Support Project (Phase III)	11,802	1.5 0.75*	0.01	30/10 40/10*	General Untied
Total	19,406				

* Preferential terms are applied to the water supply component, as it will contribute to the prevention of infectious disease and poverty reduction.

(1) Pinatubo Hazard Urgent Mitigation Project (Phase III)

The 1991 eruption of Mt. Pinatubo, located in Central Luzon, Philippines, was one of the largest volcanic eruptions of the 20th century. With the towns and rivers covered by volcanic ashes, the surrounding areas of Mt. Pinatubo sustained a severe loss of human and physical assets. In addition, the region continued to be frequently affected by mud flow and flooding during typhoon and rainy seasons every year. Since infrastructure, houses and agricultural land were extensively damaged, living conditions of the local people became unstable, and the region lagged behind in development.

To date, JBIC has supported the improvement of living conditions of the affected population, as well as the development of the regional economy, by financing: Phase I (totaling about 6.9 billion yen) in FY1995 targeting the Sacobia-Bamban River Basin; and Phase II (totaling about 9 billion yen) in FY1999 targeting the Pasig-Potrero River Basin, under which rivers and roads were improved. In the downstream area, however, rivers are still clogged by mud flow, and the urban area and arterial roads continue to be damaged by flooding. Traffic and distribution routes are thus often cut off, commercial activities are obstructed and the hygienic environment has worsened.

Phase III will support infrastructure development, including improvement of drainage facilities and rivers, and technical assistance, including formulation of land use plans and disaster prevention and evacuation plans, in the downstream of Pasig-Potrero River Basin and its confluent Porac-Gumain River, since these rivers remain clogged by outflow and sedimentation of pyroclastic flow. The purpose of the project is to help the region achieve sustainable growth, by mitigating flood and inundation damage, securing distribution of goods and improving the hygienic environment. The project will also contribute to the development of the investment climate, since the project area is located in the Subic-Clark area, the former U.S. military base site; the Philippine Government has been promoting the development of this area as an international logistic hub for Southeast Asia. The proceeds of the loan will be applied to civil works, procurement of equipment, and consulting services.

Project executing agency: Department of Public Works and Highways (DPWH)
Address: Bonifacio Drive, Port Area, Manila, Philippines
Tel: +63-2-304-3804 Fax: +63-2-304-3805

(2) Agrarian Reform Infrastructure Support Project (Phase III)

In the Philippines, the incidence of poverty still remains high at 30% of the population, and the majority of poor people live in rural areas. In its medium-term development plan, the Philippine Government gave a high priority to poverty reduction, and has been addressing agrarian reform in a bid to improve the livelihoods of poor peasants and landless farmers in rural areas.

To support such government efforts, JBIC provided the Japanese ODA loan (totaling about 6.2 billion yen) for the Phase I in FY1995, and another (totaling about 10.8 billion yen) for the Phase II in FY1999. Phase I and II have supported development of basic infrastructure, including small-scale irrigation facilities in, respectively, 79 and 150 Agrarian Reform Communities (ARCs)[1] across the country, as well as institutional strengthening of farming cooperatives and water users' associations.

Phase III targets about 130 ARCs and the scope of the project was expanded to include, in addition to the traditional assistance including basic infrastructure development and institutional strengthening, the establishment of an information marketing center which will also benefit farmers in the neighboring area, and thus disseminate the project impact to broader areas. The project is expected to contribute to poverty reduction by increasing farming output and income of residents in rural areas more effectively.

The proceeds of the loan will be applied to civil work, procurement of equipment, institutional formulation and enhancement, and consulting services (including the management of the overall project, assistance for institutional development, and supervision of construction work).

Project executing agency: Department of Agrarian Reform (DAR)
Address: 4th Floor, Main Bldg., DAR Compound,
Elliptical Road, Diliman, Quezon City 1101, Philippines
Tel: +63-2-928-3642 Fax: +63-2-454-2150

[1] ARC is a community of Agrarian Reform Beneficiaries (ARBs), comprising one or multiple barangays (the minimum administrative units) or municipalities (towns). Department of Agrarian Reform (DAR) gives approval to these communities based on a given criteria. With a view to boosting a Comprehensive Agrarian Reform Program (CARP), DAR adopted "ARC Development Policy" in 1993, which facilitated the organization of ARCs. Under the ARC Development Policy, DAR selected some ARCs from among the vast areas covered by CARP, designated them as a core base of development in each rural region, and then focused its assistance on infrastructure and institutional development. The policy is thus aimed at promoting CARP by advancing assistance characterized by small-scale regional development.