

JBIC Signs ODA Loan Agreement with the Philippines

--Supporting Environmental Protection and Promoting Japan-U.S. Cooperation in Water Sector--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed today a Japanese ODA loan agreement totaling up to 24,846 million yen with the Development Bank of the Philippines (DBP) in Manila to finance the Environmental Development Project.
2. The project is aimed at providing private corporations, Local Government Units, Government Owned and Controlled Corporations and others, with mid- and long-term funds through DBP to make capital investments for addressing environmental improvements. The project is thus expected to contribute to environmental protection and improvement of living conditions by reducing emissions of environmental pollutants. The proceeds of the loan will be applied to lending for the following four sectors and consulting services: (1) water supply and sanitation; (2) renewable energy; (3) industrial pollution control; and (4) solid/health care/hazardous waste management.
3. In the Philippines, growing population and a significant increase in economic activities have caused deterioration of living conditions particularly in Metro Manila, including a lack of water, water contamination, air pollution, and an increasing volume of wastes. In order to promote capital investments for environmental improvement, it is essential to provide the mid- and long-term funds. However, due to the difficulty in generating returns and investment risk, the private financial institutions are reluctant to provide the mid- and long-term finance. There is, thus, a need for the public financial institutions to provide the long-term loans with low interest.
4. Since the public financing alone cannot effectively meet the financial needs, it is crucial to utilize the private funds for accelerating the improvement of living conditions. Based on the U.S.-Japan Clean Water for People Initiative[1], individual projects for the water supply and sanitation sector of this project are co-financed by DBP and the private financial institutions (PFIs), and the PFIs are co-guaranteed by the United States Agency for International Development (USAID) and the Local Government Unit Guarantee Corporation (LGUGC) of the Philippines. Furthermore, DBP and JBIC will establish a Fund[2], where payment from the Project is accumulated to be used for financing new projects in the future, in an effort to ensure sustainable fund supply.
5. JBIC will continue to make commitments to environmental protection and pollution control, while examining projects like the Environmental Development Project which utilizes funds of the Japanese ODA loan to pump-prime the private funds.

(Click here for details.)

[1] U.S.-Japan Clean Water for People Initiative was announced at the World Summit on Sustainable Development in Johannesburg in 2002, with an aim to strengthen U.S.-Japan cooperation in the water sector. The Republic of the Philippines is one of the pilot countries. The Initiative was established as part of the U.S.-Japan Partnership for Security and Prosperity which was reaffirmed by former Prime Minister Koizumi and U.S. President Bush in 2001.

[2] Philippine Water Revolving Fund (PWRF)

Reference

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period(Years)	Procurement
		Project	Consulting Services		
Environmental Development Project	24,846	0.65*	0.01	40/10	General Untied
		1.4	—	30/10	

* More concessional loan terms are applied to the components which address global environmental problems (water supply contributing to poverty reduction, renewable energy, sanitation, industrial pollution control, and waste management).

2. Project Executing Agency

Development Bank of the Philippines
Address: Sen. Gil J. Puyat Avenue Corner Makati Avenue, Makati City, Philippines
Tel: +632-818-9511

3. Political and Economic Conditions of the Philippines

An archipelago of 7,109 small and large islands, the Republic of the Philippines is located along the route of marine transport providing linkage between Japan, Southeast Asia, the Middle East and Europe. Its land area is about 0.8 times the size of Japan, with a population totaling 87 million, the second largest among the ASEAN member countries.

Upon the change of government in January 2001, Macapagal-Arroyo, the vice president under former President Estrada, assumed the office of President vacated by Estrada, and went on to win the presidential election in May 2004. President Arroyo’s agenda include administrative and financial reforms, signing a peace accord with anti-government forces, and reconciliation of people regardless of social stratum.

In foreign affairs, the administration’s policy is based on security, economic diplomacy, and the protection of Overseas Filipino Workers, and also give priority to strong ties with China, Japan, and the U.S.

Driven by large remittances from millions of Filipinos who work abroad, consumer spending has been expanding, with real GDP registering robust growth in recent years. The country achieved a 7.3% real GDP growth in 2007, the highest ever in the past 31 years and far beyond the government target of 6.1-6.7%. Growth of remittances sent by workers abroad (an increase of 13.2% from the previous year) played an important role in the growth of real GNP, which exceeded US\$157.6 billion. Per capita GNP reached US\$1,777, a year-on-year increase of 20.7%.