

Japanese ODA Loan Signed with the Philippines -Supporting Economic and Policy Reform for Sustainable Economic Growth-

1. Today, JICA signed a Japanese ODA loan agreement with the Republic of the Philippines, providing up to 9,293 million yen for the Development Policy Support Program (II). [1]
This loan will support development policy of the Philippine government. The total amount of Development Policy Support Program funds when combined with \$250 million from the Asian Development Bank's is approximately \$350 million.
2. The Philippines achieved a high level of economic growth of 7.2 percent in 2007 compared to 4.9 percent in 2003. Moreover, the national government debt dropped to 59 percent of the GDP from 78 percent in 2003, contributing to a trend of improved macroeconomic activity. However, to keep the Philippines' economy on the track of steady economic growth over the mid-term, the fiscal base must be stabilized through expanded revenue while making public expenditures more efficient. There is also a need to strengthen the administration's governance along with improving the investment climate and infrastructure. Over 30 percent the population of the Philippines live in poverty and the expansion of the support system for these people is a serious concern. There are also concerns over the effects of the global economic crisis on the Philippines.
3. To approach these issues, the Philippine government has planned set of policy actions in the following key areas:
 1. Macroeconomic and fiscal stability,
 2. Governance in public expenditure management and anticorruption,
 3. Investment climate and infrastructure, and
 4. Social inclusion.

This Japanese ODA loan was provided on the evaluation that results of implementing above policy actions were generally satisfactory. The Development Policy Support Program (II) provides the fiscal support necessary to achieve reform in the four key areas mentioned above, and will be allocated to settlement funds to allow the import of general commodities into the Philippines. The reforms supported through this loan such as enhancing social safety net are now even more important to assist the society and economy of the Philippines in alleviating the effects of the global economic crisis.

4. There has been an increased focus on strengthening economic ties between the Philippines and Japan since the Japan-Philippine Economic Partnership Agreement entered into force in December 2008. JICA became involved including from formulating this reform plan after hearing the views and suggestions of people involved in the Japanese Chamber of Commerce and Industry of the Philippines. This aid is expected to make such contributions as improvements to tax refund procedures, strengthening of customs functions, ratification of the Revised Kyoto Convention [2] and reforms to the Public Private Partnerships system. This will improve the investment climate for the private sector including companies from Japan.
5. In parallel with the Loan, JICA has been extending technical cooperation in order to support economic and fiscal reform in the Philippines in the various sectors. Examples are dispatch of policy adviser, cooperation for establishing customs information system for, Bureau of Customs, cooperation for the improvement of assets and liabilities management for the national power sector and light railway transit. JICA will combine its various aid implements including suggestions for improvement plans to the Philippine government and reliable follow-up on progress status. Not only will a synergetic effect result for the project, but the project will effectively bring about sustainable economic growth in the Philippines.

(For further details, [click here.](#))

[1] The Asian Development Bank started the Development Policy Support Program in 2007 and decided to provide loans for its second phase in 2008. This phase is the first time a Japanese ODA loan will be provided for this program in a co-financing form.

[2] The Revised Kyoto Convention (the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures) was widely adopted by developing nations to simplify and modernize customs procedures. Implemented by the World Customs Organization in June 1999, it aims to develop international trade by harmonizing customs procedures as well as making them more efficient and transparent.

Reference

Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% / year)	Repayment /Grace Period (years)
Development Policy Support Program (II)	9,293	1.4	30/10

Executing agency:

Philippine Department of Finance

Address: DOF Building, BSP Complex, Roxas Boulevard, Manila, Philippines

Phone : +63 (2) 523-6051 Fax : +63 (2) 526-8474