

Japanese ODA Loan Signed with the Philippines Creating Employment and Improving Agricultural Productivity in Rural Areas

1. On November 25, JICA (President Sadako Ogata) signed an agreement with Land Bank of the Philippines (LBP) in Manila, the capital of the Republic of the Philippines, to provide a Japanese ODA loan for up to 14.608 billion yen for the Agricultural Credit Support Project.
2. Working through the LBP, the Agricultural Credit Support Project will provide two-step loans to finance agricultural cooperatives and organizations, small- and medium-sized agricultural businesses and large-scale agribusinesses throughout the Philippines. The project will also assist streamlining the loan procedure for the LBP and borrowers as well as enhancing the capacity of the LBP to appraise loan applications. Other aspects of the project include assisting agricultural cooperatives, organizations and other borrowers with the loan application procedure and bookkeeping, and carrying out promotions and marketing to develop business, thereby improving the ability of businesses to qualify for more financing. The creation of rural employment as well as the purchase of seeds, fertilizer and agricultural tools that will result from these measures will improve agricultural productivity and alleviate poverty throughout the Philippines. The proceeds of the loan will be allocated to operating funds, capital investment funds and other financing as well as to consulting service.
3. Although the Philippines has achieved an average economic growth rate near 5 percent over the past five years, the poverty rate remains a high at 30 percent, about 75 percent of which are said to be engaged in micro businesses or landless farmers or fisher folks. Land ownership is difficult for the rural poor, who have limited access to financing and technology. As a result, the agricultural output has remained at a low level. With little access to infrastructures for processing, storing and transporting agricultural products, farmers generally have no choice but to sell their crops at low prices. In addition to the lack of the medium- to long-term financing needed in the agricultural sector, financial institutions have hesitated to handle the high risks and to hold risks of such loans. The lack of adequate collateral or other inability to meet the loan requirements set by financial institutions means that loan applicants are unable to secure financing. It is for these reasons that about seven (7) out of ten (10) farmers are said to be reliant on high-interest informal financing agencies, making improvements to institutional financing a pressing need.
4. Considering these circumstances, the Philippine government has made small-business access to loans, including those for agriculture, along with creating employment through the development of farmland one of President's 10-point agenda. As a step to secure food supplies, a policy for promoting financing for agricultural production was worked out at the National Food Summit held in the Philippines in August 2008, which will receive assistance from this project.
5. With the aim of alleviating poverty, JICA has a policy to continue providing proactive assistance while integrating JICA's three tools of assistance—technical cooperation, Japanese ODA loans and grant aid—to assist the Philippine government in its focus on rural development and improving agricultural productivity.
6. In September and October 2009, typhoons Ketsana and Parma (known locally as Ondoy and Pepeng) caused tremendous damage in the Philippines. In addition to the objectives described above, this project is expected to play a role in disaster recovery, and it is hoped that the project will be actively incorporated in the Philippines.



LBP president and JICA Chief Representative
with DOF Secretary Teves

Reference: Loan Amount and Terms

Reference

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period (years)	Grace Period (years)	Procurement
Agricultural Credit Support Project	14,608	1.4 0.65* 0.01†	30 40 40	10 10 10	Untied

* The preferred interest rate of 0.65% applies to sub-loans to agricultural cooperatives and institutions as well as to other small- and medium-sized agricultural businesses.

† An interest rate of 0.01% applies to the consulting services.

2. Executing agency

Land Bank of the Philippines

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Tel: (632) 522-0000

3. Planned implementation schedule

(1) Completion of project: October 2016 – when JICA completes the lending to the LBP

(2) Mailing of letters of invitation for consulting services: September 2009 (already sent)

(3) Tender announcement for initial procurement package for international competitive bidding on project construction: Although there will be no tenders for construction, economic activity is expected to result as successive projects develop from sub-loan funding provided by intermediary financial institutions.