

Signing of Japanese ODA Loan Agreement with the Republic of the Philippines

–Supporting enhancement of the business and investment environment, and contributing to promotion of investments from Japanese companies–

Today, the Japan International Cooperation Agency (JICA) signed a loan agreement with the government of the Republic of the Philippines to provide a Japanese ODA loan of up to 7.775 billion yen for the Development Policy Support Program-Investment Climate. The ODA loan will support the development policies of the Philippines using co-financing with the Asian Development Bank (ADB).

In 2010, the Philippines recorded a 7.6 percent GDP growth rate, and while that economic growth decelerated in 2011 due to, among other things, the European sovereign-debt crisis, the underlying tone of the economy is firm with the growth rate expected to reach 4.8 percent in 2012. Based on these circumstances, foreign direct investment from Japan has become more active in the Philippines, particularly as an overseas destination of the manufacturing industry.

In order to achieve more sustainable economic growth, the government of the Philippines has prioritized a policy of improving the business and investment environment in order to promote direct foreign investment. It will do so by 1) improving competitiveness, 2) improving infrastructure and 3) facilitating employment. To address these policy issues, the government of the Philippines has set policy actions for concerned government agencies to undertake to improve policies and institutions. People from the public and private sectors of both the Philippines and Japan have discussed necessary measures to improve the business and investment environment at the Sub-Committee on Improvement of the Business Environment, established under the framework of the Japan-Philippines Economic Partnership Agreement (JPEPA). As a result, requests by Japanese companies for improvements were reflected in the policy actions formulated by the government of the Philippines, and JICA has supported the implementation of those actions by dispatching investment advisors, developing the capacity of customs officers and conducting studies about infrastructure development in Metro Manila.

The decision was made to provide this Japanese ODA loan based on the results of policy dialogues and based on policy action achievements. The loan will be used as settlement funds for importation of general commodities. The ODA loan is expected to contribute to the enhancement of the investment climate (such as improvement of VAT refund procedures, facilitation of customs procedures and institutionalization of PPP) for the private sector (including Japanese companies).

The relationship between the Philippines and Japan has deepened markedly in recent years, and during President Aquino's visit to Japan in September 2011, the "Japan-Philippines Joint Statement on the Comprehensive Promotion of the 'Strategic Partnership'" was released, confirming that cooperation between the two countries is growing even stronger.

JICA will continue work on development issues in the Philippines utilizing various schemes such as ODA loans, technical cooperation and grant aid.



Signing ceremony

Reference

1. Terms and Amounts of Loan

	Amount (million yen)	Annual interest rate (%)	Repayment (years)	Grace Period (years)	Procurement
Development Policy Support Program-Investment Climate	7,775	1.40	30	10	General Untied

2. Project Summaries

Executing Agency

Department of Finance

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Planned Implementation Schedule

(i) Completion of project: October 2012 – with completion of the loan procedure

(ii) International competitive bidding will not take place for consultant hiring and project construction.