

2006 Philippines Development Forum (PDF)
March 30-31, 2006
Tagaytay City, Philippines

**STATEMENT OF
THE REPUBLIC OF KOREA**

Fiscal & other policy reforms

We applaud continuous government effort to implement important fiscal and other policy reforms necessary to put the Philippines on track for development. We are particularly conscious of efforts to further reduce deficit and collect more taxes making more funds available for key development projects.

Notwithstanding Philippines' relative success in fiscal and other areas, there are also a lot of challenges that have to be addressed like the need to focus on implementation of critical government reforms and take urgent action on opportunities that will create results to improve the quality of life, reduce poverty, and increase opportunities for all Filipinos.

Investments

Korea remains committed to help the Philippines in its development efforts. By the end of 2005, Korean companies have invested more than US\$1.1 billion at 954 projects mostly located in export processing zones, and if we include plants and other BOT projects such as Malaya and Ilijan Power Plants financed through foreign funding, the amount would reach US\$3.5 billion.

New Korean investments as well as expansion of existing investments keep on coming to the Philippines. Hanjin Heavy Industries will invest US\$700 million at Subic Bay Shipyard. Korea Electric Power Company (KEPCO) has embarked on Naga Power Plant in Cebu (200MW, US\$270 million) and has undertaken the Ilijan Power Plant expansion (600MW, US\$500 million).

In addition, Korean companies are eyeing mineral mining and energy development industry as big ticket investment areas. Tourism, health care and retirement services, and export processing are additional areas of future Korean investments to the Philippines.

Investor Issues & Concerns

We would like to reiterate previous issues and concerns raised by the Joint Foreign Chambers, particularly:

- 1) Accelerate privatization of government's power assets

- 2) Speed up work on Alabang Viaduct (TR1), Alabang to Calamba road widening (TR2), Calamba to Sto. Tomas toll road (TR3)
- 3) Strengthen the One-Stop Action Center (OSAC) for investments-placing it under the Office of the President
- 4) Further streamline administrative procedures and eliminate the duplications in requirements and processes

Korea would like to stress the need to fast track the setting-up of a Korean Desk at the Board of Investments as agreed upon during the State Visit of President Roh Moo-hyun to the Philippines last December. We also suggest to study the possibility of lifting the common carrier's tax imposed on foreign airlines in line with the principle of reciprocity as espoused by ICAO (International Civil Aviation Organization).

Likewise, as the Philippines needs to generate more investments, an Investor Roadmap has to be prepared at the soonest time possible to provide investors with a simple guide on how they go about in investing in the country. This Investor Roadmap has to be widely circulated and shall contain all the steps required from the potential investor with the corresponding time frame and fees being charged.

Korean ODA to the Philippines

In support of the Millennium Development Goals (MDG) of the United Nations, Korean ODA will be increased from US\$705 million last year to US\$3.4 Billion in 2015. The Philippines, having been selected as one major beneficiary for Korean ODA is one of the top priority countries for funding. We are now preparing the five-year medium term plan for the Philippines and we will closely coordinate with relevant government authorities in completing and implementing the said plan.

Under the concessional loan of the ODA, five previous projects worth US\$41.2 million were completed in the area of telecom network expansion and power distribution network transmission.

Nowadays, Korean ODA loans worth US\$100 million are focused on infrastructure building such as railway (SouthRail), airport (Laguindingan Airport in Cagayan de Oro City), and road improvement (Gapan-San Fernando-Olongapo road expansion). By 2009, Korea is working on another US\$160 million for the Philippines.

Under the grant part of the ODA, Korea from 1991-2004 allocated US\$25.42 million, invited 1,054 Filipino trainees to Korea, financed six development research projects, and dispatched 16 Korean experts and 140 Korean volunteers to the Philippines.

Other major Korean grants to the Philippines include: a) Friendship Medical Center in Cavite (US\$3.8 million); b) Vocational Training Center in Davao

(US\$5.23 million); c) IT Training Center in Quezon City and Bulacan (US\$5.0 million); d) Modern Integrated Rice Processing and Milling Complex in Aurora (US\$2.3 million); e) US\$1.0 million Leyte Landslide Assistance; and f) other material and emergency rescue assistances.

Korea remains committed in pursuing its main focus areas for assistance in the Philippines: education & training, ICT, healthcare, infrastructure construction, and development of Mindanao.

Towards this end, we will continuously work with relevant Philippine government agencies to ensure success of these areas.

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KOREAN Official Development Assistance
POLICY DIRECTION

Korean ODA has dramatically increased through the years as support to the Millennium Development Goals (MDGs) of the United Nations. From US\$705 million last year, it will be increased to US\$3.4 billion in 2015. Korea is now working on sharing the Korean type development model especially in providing strategic assistance in main focus sectoral areas like economic planning, public hygiene, health environment, and anti-poverty. Job training, education, general HRD (human resource development), infrastructure construction, and IT (information technology) industry are other major focus areas.

New focus areas of Korean ODA are in helping developing countries attain:

- 1) Knowledge based economy
- 2) Good governance (democratic value) & refuge assistance
- 3) Security (anti-terrorism)

In the short term, Korean ODA will focus on project by project assistance both on grant (technical cooperation), and loan concession. This will progress into sectoral approach implementation mixing both grant and loan. At this stage all loan concessions will include technology in the package and will be interlink with other projects.

In the medium to long-term, the percentage of grant assistance will be increased relative to loan concession. By 2009, grant assistance will be 45% of the total Korean ODA and in line with OECD guideline, it will be gradually untied the grant assistance.

Korea is now trying to build up an overseas disaster rescue system and US\$5-10 million has been allocated as reserve funds for rescue. A coordinating body is also being set up where Korean NGOs have been invited to be part of the coordinating body.

An ODA Police coordination committee will also be set up under the Office of the Korean Prime Minister.

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