

PHI: Second Public-Private Sector Dialogue for Post-Disaster Assistance
2 December, 2009
ADB Statement

Thank you Mr. Chairman. We would like to start by thanking the Government for convening this second public-private sector dialogue. On the basis of our experience of the Asia Pacific region, one thing is clear. The Government deserves our congratulations for the speed at which the post-disaster needs assessment (PDNA) has been prepared. In less than ten weeks from that unfortunate Saturday in September, we are here today discussing financing of post-disaster recovery and reconstruction. ADB was pleased to participate in the PDNA and we would like to thank all the participants including the reconstruction commission, representatives from numerous Government agencies, development partners, and Post-Disaster Recovery Foundation for hard work, and excellent team work and cooperation. We do believe that the report provides a solid basis for prioritizing needs.

Past 15 months or so have been exceedingly difficult for the Philippines due to circumstances largely beyond its control. First, the global financial crisis, then the world-wide economic meltdown and as if that was not enough the forces of nature also decided to be unkind to the Philippines. To deal with the economic difficulties, and at the Government's request, ADB joined the counter-cyclical efforts by promptly mobilizing a significant package of budgetary support and doubled its financial assistance in 2009 to nearly \$1.3 billion on disbursement basis.

In the true spirit of partnership, ADB is prepared to respond with similar vigor to assist the country, be it in the public or private sector, as it mobilizes a massive recovery and reconstruction program. We thank Secretary Teves for succinctly outlining the fiscal outlook for 2009 and 2010. The public sector clearly faces difficult fiscal choices. In this context, there are two important considerations.

- First, although any crisis calls for an extra-ordinary response, the Government is right in calibrating its proposals prudently against longer term fiscal sustainability.
- Second, the private sector has to be called upon to work shoulder-to-shoulder with the public sector.

ADB has a wide range of instruments to support public and private operations, and to deliver them quickly.

Let me first outline ADB's response to the large public sector needs identified in the PDNA. I would then touch upon available instruments for private sector support.

On the same day that we received a request from the Government, ADB provided a \$3 million grant from our purpose-specific Asia Pacific Disaster Response Fund to assist the Government mobilize immediate assistance after Ondoy.

We have closely examined the portfolio of our ongoing loans in the Philippines and identified nearly \$75 million that could be re-allocated and utilized for recovery and reconstruction, mostly in agriculture and housing sectors – two sectors identified as urgent priorities by the PDNA.

On 26 November, ADB approved a fast disbursing loan for \$225 million in support of decentralization reforms. Given that LGUs will have to shoulder a part of public funding of reconstruction, this amount is available for immediate disbursement. We expect an equal amount to become available in the first quarter of 2010 via co-financing of this program by another development partner (can we name them?).

ADB's new lending to the Philippines during 2010-2011 for public sector projects is expected to total about \$1.3 billion. Within this resource envelope, we have \$380 million programmed as project loans for the agriculture and natural resources sector. The funds are currently earmarked for identified projects according to the Government's priorities. Scope and size of projects can be adjusted to meet urgent reconstruction needs in the sector.

Similarly, during 2010-2011, \$268 million is allocated for the road sector. ADB would be happy to work with the authorities in adjusting the scope, and if needed, the size of this planned loan in view of massive damages suffered in this sector.

In 2010, there is an allocation of \$100 million for social protection programs. The processing of this loan can be speeded up and if needed, the amount can be scaled up.

We are thankful to the PDNA team for including a chapter on disaster risk reduction and management. As I had stated on 9 November during the 1st Public-Private Sector Dialogue for Post-Disaster Assistance, ADB would be prepared to provide grant funds for technical assistance for DRM. I do not want to prematurely state a specific amount of ADB assistance. It is important that partner assistance for DRM is well coordinated and delivered as a single package. Uncoordinated effort would be inefficient and counterproductive. The Government can not afford either.

To sum up, ADB would be able to mobilize nearly \$825 million over 2010-2011 in support of post-disaster recovery and reconstruction program. In addition, \$225 million is available for immediate withdrawal through the Local Government Financing and Budget Reform Program. Should the Government require additional resources, we would certainly explore all options.

Let me now briefly turn to the private sector component of the post-disaster efforts. ADB can provide direct financing and/or risk mitigation to entities, or for projects or business activities, in the private sector which do not require sovereign guarantee. Direct financing can include loans, other debt instruments and equity. Credit enhancement products for risk mitigation comprise guarantees and syndications. Guarantees may be conditional or unconditional and take the form of credit guarantees or political risk guarantees. ADB also has a well-resourced trade finance facilitation program, which provides loans and guarantees through partner banks in support of international and intra-regional trade in developing Asia. In the first 10 months of 2009, the Program supported over \$1.3 billion in trade, over 80 per cent of which supported intra-regional trade. The Program continues to expand rapidly and will be implemented in the Philippines within the first quarter 2010.

Mr. Chairman, exceptional circumstances call for exceptional responses. And I want to assure you of complete responsiveness and partnership of ADB as the Philippines undertakes recovery and reconstruction after terrible natural disasters. Thank you.