

REMARKS BY THE AMBASSADOR OF JAPAN,

MAKOTO KATSURA

– the Philippine Development Forum at Clark, Pampanga –

March 26-27, 2008

A. Remarks made in the plenary session on 26 March morning.

- First of all, let me welcome the theme of this time's meeting: Accelerating Inclusive Growth and Deepening Fiscal Stability. Now that the fiscal reform has made a substantial progress as explained by Honorable Secretary Teves, we think that it is a good opportunity for the Philippines to amply derive the potential of its economy.
- Japan, as a development partner, has been providing continuous supports to Philippine development based on the close and amicable bilateral relationship. We would like to reiterate Japan's determination to the enduring assistance, in a wide range of areas, and with the best "policy-mix" of multiple facilities of ODA as loan assistance, grant assistance and technical assistance. For instance, the Government of Japan has assisted the Philippines' efforts to improve the basic infrastructure such as roads including the Subic Clark Tarlac Expressway, bridges, ports, and airports, mainly through loan assistance. On this point, I would like to point out that our loan assistance is very concessional, with interest rates which could be as low as 0.3% and with repayment period which could be as long as 40 years, including 10-year grace period.
- We believe that both ODA and private sector activities are essential for the development. On the private sector side, Japanese corporations play a substantial role in improving the electricity generating capacity of the Philippines by making large investments, which in total amount up to US\$4.23 billion only within the past three years. The salient example is the investment by Marubeni and TEPCO, amounting to US\$3.4 billion.
- In relation to the investment climate, at least to attract the Japanese

investors, let me emphasize the importance of early ratifications of the Japan-Philippines Economic Partnership Agreement (JPEPA) and the Protocol amending the Tax Treaty. Both of them, I believe, will contribute to the investment climate of the Philippines.

- We appreciate the update by Secretary Teves on the Philippine Fiscal Program. I join other development partners in commending the Philippine Government's efforts for fiscal reform, but we understand that the Government of the Philippines is faced with the challenge to achieve both the balancing of the budget this year and the increase in infrastructure spending. We hope that this forum can further pursue ways to realize the sustainable revenue structure for meeting the said challenge.
- Japan, as a member of the Paris Declaration, highly appreciates the initiative and efforts made by the Philippine Government in this respect. We are currently revising our Country Assistance Strategy to the Philippines, aiming at a further harmonization between the development planning of the Philippine government and our ODA assistance.

B. Remarks made in the plenary session on 26 March afternoon.

- As I mentioned in the morning session, we regard infrastructure as one of the most critical conditions for "accelerating inclusive growth". Japan is ready to provide continuous support to the fundamental infrastructure facilities which are crucial to transportation and logistics. In this context, we express support to the proposal presented by Director General Augusto Santos to spin-off the current Sub-Working Group on Infrastructure under the Working Group on Growth and Investment Climate to become an independent Working Group, and show our willingness to assume the role of the convener together with the NEDA, once such group is established.
- The development of Mindanao, the most unprivileged region in the country, still has to remain in our focus. We believe that it is important for this Forum to come up with a clear message to support the reconstruction and development of Mindanao, especially when the peace agreement between the Philippine Government and the MILF is in sight. Japan will stay actively committed in supporting Mindanao under the Japan Bangsamoro Initiatives for Reconstruction and

Development (J-BIRD).

C. Remarks made in the plenary session on 27 March.

- Let me first of all join the previous speakers in thanking and commending the Department of Finance and the World Bank for the excellent preparations and organizations of this meeting, which turned to be very useful and successful.

Please allow me to make the following 3 comments.

- Firstly, I would like to welcome once again the tremendous efforts in fiscal reform being made by the Secretary Teves and his team, and to reiterate that tax efforts, both on planning and implementation sides, are issues of critical importance.
- Secondly, the need of specific focus on Mindanao was mentioned by many speakers yesterday and today. I, too, explained our policy to continue JBIRD. In this connection, I would like to emphasize the importance of capacity building on the recipients' side, in particular that of such institutions as Autonomous Region of Muslim Mindanao (ARMM), Bangsamoro Development Agency (BDA), and LGUs within the region.
- Thirdly, I believe we have been unanimous in considering infrastructure as one of the most essential issues in the Philippines. I once again express my support to NEDA'S proposal to establish a separate Working Group specifically addressing infrastructure issues, and our willingness to take a role as a co-convener. Japan, together with other stakeholders, would like to remain actively engaged in the future policy dialogues with the government of the Philippines and other development partners.