

Ex-Ante Evaluation (for Japanese ODA Loan)

Southeast Asia Division 5, Southeast Asia and Pacific Department, JICA

1. Name of the Program

Country: The Republic of the Philippines (the Philippines)

Program: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: July 1, 2020

2. Background and Necessity of the Program

(1) Current State and Issues of the Response to COVID-19 and Priority of the Program in the Philippines

In the Philippines, the first case of novel coronavirus infection ("COVID-19") was confirmed on January 30, 2020. February 2 saw the first death due to the infection. Since then, the number of infected people has been growing. By June 7, COVID-19 had infected 21,895 people and claimed 1,003 lives. The number of deaths per fixed number of people is higher than any other ASEAN member state. Due to efforts by the Government of the Philippines, the country secured 13,627 hospital beds and 2,018 ventilators for COVID-19 patients by the end of May. Yet the number of infections is still growing, highlighting the need to continue strengthening the country's healthcare system.

As part of its efforts to contain COVID-19 infections (and ease containment measures later as appropriate), the Government of the Philippines declared a state of public health emergency on March 9. On March 16, it placed the entire country under a state of calamity. On March 24, the Government enacted the Bayanihan to Heal as One Act (Republic Act No. 11469) to combat the COVID-19 pandemic. On the same day, the Government declared a state of national emergency (of three months' duration, extendable subject to parliamentary approval) and imposed an enhanced community quarantine ("ECQ") across Luzon, the island where the capital city of Manila is located, for a period ending on April 13. ECQ, which restricted people's movement, including going outside, was extended until the end of May. Even from June 1 onward, community quarantine has remained in place in many areas including Metro Manila, although some restrictions have been eased in stages.

ECQ, which is aimed at preventing the spread of COVID-19 infections, has considerably restricted the country's economic activity, sending the economy into a tailspin. The Government of the Philippines projects that the economic growth rate will decrease to the range of minus 2.0 to minus 3.4 percent (6.0 percent in

2019). By April, temporary closures and the introduction of flexible working arrangements due in large part to ECQ pushed the unemployment rate to 17.7 percent (compared to 4.5 percent in October 2019) or a loss of some 7.3 million jobs.

The Philippines has close economic ties with Japan. Its exports and imports to and from Japan exceeded 1 trillion yen, respectively, in 2019. Japanese firms operating in the Philippines, which totaled 1,502 in number in October 2017 (ranking eighth in the world) have been hit hard as well. A questionnaire survey conducted by the Japanese Chamber of Commerce and Industry of the Philippines shows that only 0.8 percent of Japanese firms were in normal operation in April, right after the ECQ was imposed. Apart from close economic ties, interaction of people between the two countries is also intensive. There are about 17,000 Japanese living in the Philippines (as of October 2018) and some 277,000 Filipinos living in Japan (as of June 2019). Controlling the spread of infection in the Philippines has a significant impact on infection control in Japan as well as on the Japanese economy, including Japanese firms operating in the Philippines. Therefore, assisting the Philippines in recovering and maintaining its economic activity by using the newly-introduced COVID-19 crisis response emergency support yen loan is also highly relevant for Japan.

As the Philippine economy is hit hard by the pandemic, the Government of the Philippines on May 17 announced the Philippine Program for Recovery with Equity and Solidarity (PH-PROGRESO), a crisis response package totaling 1.74 trillion pesos (9.1 percent of GDP). The package is made of four pillars. The first pillar, totaling 595.6 billion pesos, is emergency support for vulnerable groups and individuals. The second pillar, totaling about 58.6 billion pesos, is direct financial support for the response to COVID-19, including funds to finance health insurance and the purchase of medical equipment and supplies, as well as allowances to health care providers. The third pillar, totaling 1,089.3 billion pesos, is a set of fiscal and monetary actions to keep the economy afloat. The fourth pillar is an economic recovery plan (under consideration) to create jobs and sustain growth. The crisis response package will be financed largely through the reallocation of the government budget, the underwriting of national bonds by the central bank, and borrowing from international financial institutions. A lack of funds is expected in the face of the prolonged impact of COVID-19 and a drop in tax revenues. The COVID-19 Crisis Response Emergency Support Loan ("the Program") provides budget support for the Government of the Philippines to help

meet the demand for funds needed to respond to this crisis. It is a co-financing scheme with the COVID-19 Active Response and Expenditure Support Program ("CARES") implemented by the Asian Development Bank ("the ADB").

(2) Japan and JICA's Cooperation Policy and Operations in Relation to the Response to COVID-19

Japan's Country Development Cooperation Policy for the Republic of the Philippines (April 2018) identifies "strengthening a foundation for sustainable economic growth" and "ensuring human security for inclusive growth" as two of the priority areas. The policy focuses on bolstering the underpinnings for sustainable economic growth. It also focuses on overcoming vulnerabilities to various risks such as infectious diseases that impact the poor in particular, and stabilizing and fortifying the foundations of people's lives. The JICA Country Analysis Paper for the Philippines (June 2020) states that timely assistance is necessary to support the country's finances and healthcare sector, stressing the need to bolster the efforts of the Government of the Philippines to tackle the COVID-19 pandemic crisis. The Program is consistent with these policies and analyses. In addition, the stable and sustainable development of the Philippines plays a part in ensuring the stability and peace of the Indo-Pacific region, thus contributing to peace and stability in "a free and open Indo-Pacific".

(3) Other Donors' Activity

In response to the COVID-19 crisis, the ADB has already approved the Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO), an emergency aid package totaling 20,000 million dollars worldwide. In April 2020, the ADB approved 1,500 million dollars in loans to the Philippines under CARES. It is also providing grant aid, totaling 8 million dollars, for beefing up the testing framework and supporting food supplies.

The World Bank has approved the Third Disaster Risk Management Development Policy Loan (500 million dollars), a development policy loan program for helping to build the capacity to recover from disasters including COVID-19. It has also approved the Emergency COVID-19 Response Development Policy Loan, totaling 500 million dollars, for social protection and support for small and medium-sized enterprises (SMEs) in response to the COVID-19 pandemic. In April, the World Bank approved the Philippines COVID-19 Emergency Response Project worth 100 million dollars for the purchase of medical equipment and supplies and the capacity development of research laboratories to meet the emergency needs of the health sector.

The Asian Infrastructure Investment Bank (AIIB) approved a co-financing program with the ADB's CARES, totaling 750 million dollars, in May.

3. Program Description

(1) Program Objective(s)

The objective of the Program is to curtail the spread of COVID-19 in the Philippines suffering from its pandemic and support the governments' emergency response for social protection/relief to affected people and economic stimulus by/through providing budget support, thereby contributing to promoting the economic stabilization and development efforts of the Republic of the Philippines.

(2) Program Site/Target Area

The entire Philippines

(3) Program Component(s)

The Program will provide budgetary support to the Government of the Philippines, which will formulate and implement the following crisis response package, a set of programs aimed at mitigating the impact of COVID-19.

Program	Main components
(a) Scaling up medical response	The purchase of medical equipment and personal protective equipment, etc., development of the response capacity of testing, research, and health facilities, and the delivery of health security to patients and health care providers
(b) Social assistance	Cash transfer to poor households and the provision of unemployment allowances and vocational training to unemployed people
(c) Small businesses relief	Wage subsidies, credit guarantees, tax debt relief, and financing facilities for small businesses
(d) Support to agriculture and other economic sectors	Interest-free loans for farmers and other crop producers, and the purchase of emergency rice stocks
(e) Local government support	Additional budget allocations and emergency lending to local governments for their response to COVID-19

(4) Estimated Program Cost (Loan Amount)

Loan amount: 50,000 million yen

(5) Schedule

From April 2020 to the end of May 2021 (14 months in total). The Program will be completed upon loan disbursement (scheduled for July 2020).

(6) Program Implementation Structure

- 1) Borrower: Government of the Republic of the Philippines
- 2) Guarantor: None
- 3) Executing Agency: Department of Finance

(7) Cooperation and Sharing of Roles with Other Donors

1) Japan's assistance activities:

The government will provide medical equipment and supplies as part of its technical cooperation for combating COVID-19 in the Project for the Establishment of the One Health Prevention and Treatment Network Model for the Elimination of Rabies in the Philippines. This project, whose implementing agencies include the Research Institute of Tropical Medicine, is being conducted under the wider Science and Technology Research Partnership for Sustainable Development (SATREPS).

2) Other donors' assistance activities:

The Program, a co-financed with the ADB and other lenders, involves joint monitoring with them.

(8) Environmental and Social Consideration / Cross-Cutting Issues / Category of Gender

1) Environmental and Social Consideration

- ① Category: C
- ② Reason for Categorization: The Program is likely to have minimal adverse impact on the environment under the JICA Guidelines for Environmental and Social Considerations, released in April 2010.

2) Cross-Cutting Issues: None in particular

3) Category of Gender: GI (S) gender informed (Significant)

<Description of activities and reason for classification>

Women make up a majority of the beneficiaries of social support and small business support in the crisis responses covered by the Program. In addition, the ratio of beneficiaries by gender will be monitored. Therefore, the Program is classified as a gender integrated program.

(9) Other Important Issues

- ① The Japanese side will discuss with the Philippine counterpart the possibility of taking advantage of the monitoring opportunity in the Program to transfer expertise on infection prevention and health insurance.

- ② The Government of Japan extends assistance in cooperation with international organizations (technical assistance to health care providers and the provision of supplies to medical facilities for controlling and preventing infection spread) and bilateral grant aid (the provision of health and medical equipment). Synergy with the Program is thus expected.

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicators)

Indicator	Baseline (Actual value in April 2020)	Target (by when)
Number of days it took for COVID-19 confirmed cases to double	3-4	30 or more (December 2020)
Poverty rate (%)	20.7 (estimate for 2020) ¹	18 or less (April 2022)
Amount of money given under the Emergency Subsidy Program ² (100 million pesos)	-	2,050 (April 2021)
Number of COVID-19 tests (per day)	3,000	8,000 (May 2020)
Number of households benefited by the Emergency Subsidy Program	-	18,000,000 (July 2020)
Number of MSMEs receiving wage subsidies	-	1,000,000 (December 2020)

Notes:

1. The poverty rate was 16.6% in 2018. The ADB predicts that the rate will increase to 20.2% by the end of 2021 and further to 20.7% by 2020 if no economic support is given to poor households hit by COVID-19.
2. A program will give a monthly amount of 5,000-8,000 pesos per household for two months to some 18 million poor households in response to ECQ. The ratio of beneficiaries by gender will be reported in the monitoring phase.

(2) Qualitative Effects

The recovery and stabilization of social and economic activities in the Philippines as well as the recovery of close social and economic relations with Japan. (These aspects will be comprehensively assessed in light of such figures as the percentage of Japanese firms in the Philippines that have successfully reopened their business, imports and exports, and the number of Japanese entering and

leaving the Philippines, as well as the amount of Japanese direct investment in the country and other indicators of the country's economic relations with Japan.)

(3) Internal Rate of Return: Not calculated because the Program is a program loan.

5. External Factors and Risk Control

(1) Preconditions: None in particular.

(2) External Conditions: Measures to put COVID-19 under control are maintained globally and the rapid deterioration of the situation is avoided.

6. Lessons Learned from Past Programs

In the aftermath of the financial crisis of 2008, JICA launched an emergency budget support loan program. The ex-post evaluation report on the program emphasizes that the timing of financing is crucial since one of the objectives of emergency budget support is to extend financing in a timely manner to facilitate crisis responses. It adds that the procedures up to the loan disbursement should desirably be as simple and flexible as possible. The report concludes that in light of its objectives, emergency budget support can possibly be improved so that it will be made available as long as the recipient government comes up with fiscal plans (that meet the demand for funds) and an economic stimulus package.

Having learned the lessons described above, the Program extends co-financing with the ADB's already-approved emergency budget support (CARES) and shares the framework needed for monitoring and other purposes. This facilitates project formulation in the Philippines, which is under community quarantine, thus paving the way to the timely provision of loans.

7. Evaluation Results

The Program is consistent with the development issues and policies of the Philippines as well as Japan's and JICA's cooperation policies and analyses. It focuses on controlling the spread of COVID-19 infections, extending social protection and relief to affected people, and supporting the fiscal aspect in relation to economic measures. Also, the Program will likely contribute to five of the SDGs: Goal 1 (No Poverty), Goal 2 (Zero Hunger), Goal 3 (Good Health and Well-being), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequalities). All these aspects suggest that it is highly relevant to support the implementation of the Program.

8. Plan for Future Evaluation

(1) Indicators to be Used

As indicated in sections 4. (1) to (2).

(2) Timing

Ex-post evaluation: 2 years after program completion

End