



## The Philippines

# 19 Metro Manila Air Quality Improvement Sector Development Program

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This project's objective was to stabilize the Philippines balance of payments and improve the air quality management system through provision of a loan with conditionality that requires implementation of relevant policies, thereby contributing to stability of the domestic economy and to improvement in air quality management in Metro Manila.

**Loan Amount/Disbursed Amount:** 36,300 million yen/36,300 million yen

**Loan Agreement:** March 1999

**Terms and Conditions:** Interest rate 0.75%; Repayment period 40 years (grace period 10 years); General untied

**Final Disbursement Date:** December 2003

**Executing Agency:** Department of Environment and Natural Resources (DENR), Department of Transportation and Communication, and others



**External Evaluator:** Taro Tsubogo (KRI International Corp.)

**Field Survey:** December 2004

## Evaluation Result

The funds provided under this project in two tranches were allocated to import settlement, and used for costs of the Air Quality Action Plan (AQAP) and other development projects. The project period was longer than planned because it took time to confirm the implementation of environmental policy in line with the AQAP, which was a condition of Tranche 2 of the loan. However, the project cost remained the same as planned.

This project, combined with the support of the Asian Development Bank (ADB), contributed to stabilizing the balance of payments after the currency crisis. Foreign exchange reserves increased from US\$10.81 billion (3.1 months of import cover) in fiscal 1998 to US\$16.87 billion (4.7 months) in fiscal 2003. Environmental policies in line with AQAP were introduced almost as planned, under which improvement of the motor vehicle inspection system, and various public awareness campaigns to enhance public awareness of environmental issues were implemented, and the Clean Air Act (CAA) was enacted.

In the macro economy, further deterioration in growth of Gross Domestic Product (GDP) and inflation was halted, and key economic indicators are on track for recovery. Environmental conditions have also been improved as the total PM10 (suspended

particulate matter of 10 micrometers [ $\mu\text{m}$ ] in diameter or smaller) emissions in Metro Manila had dropped to 71,000 tons in 2001 from 116,000 tons in 1998. There are no problems in terms of technical capacity and operation and maintenance system of the executing agencies in implementing the AQAP initiatives.

The Metro Manila Airshed Governing Board (MMAGB), which was intended to lead both project-related and sector policies and to coordinate the relevant agencies, remains a provisional body in fact. In order to confirm its position within the AQAP framework, the Board's necessity, responsibilities, and rights need to be reviewed.

## Third-Party Evaluator's Opinion

As a result of this project, the CAA was enacted and the need for measures to counter air pollution came to be widely recognized. Efforts for improvement in environmental conditions are continuing today, and the government ratified the Kyoto Protocol in 2003.

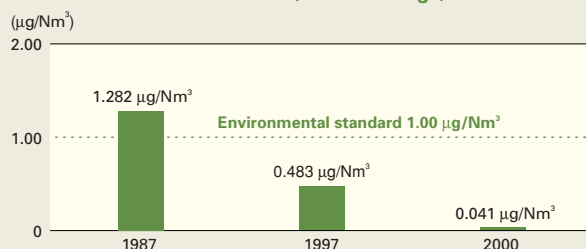
**Third-Party Evaluator:** Mr. Cesar E. A. Virata (public sector)

Obtained an MBA and a master's degree in mechanical engineering from the University of Pennsylvania. Presently holds the post of Chairman and Representative Director of C. Virata & Associates, Inc. Former Prime Minister. Specializes in finance and public administration.

### Effect of the project: changes in ambient concentration of lead (Metro Manila)

In Metro Manila (population: approx. 10 million; population of Tokyo: approx. 12 million), the sale of leaded gasoline has been banned since April 2000 in order to satisfy the conditionality imposed in this project and the ambient concentration of lead has been reduced substantially.

#### Ambient concentration of lead (annual average)



Vehicle emission testing which was suggested to be introduced through this project