

ADB grants \$250 mn loan for Philippines

The Asian Development Bank (ADB) said Wednesday it extended a \$250-million loan to help to strengthen the Philippine government's fiscal management and reform programmes.

The Manila-based ADB said the loan will help the Philippine government in dealing with the adverse impact of the recent developments in the global economy.

It will also boost the government's efforts to implement measures to strengthen the investment climate with focus on reducing red tape, and support for infrastructure policy and rural development.

The bank said the loan is the second of a three-part Development Policy Support Programme aimed at helping the Philippines achieve its medium-term development goals. The first loan was approved in February last year.

The ADB noted that while the government implemented a series of programmes to improve fiscal imbalance, 'the surge in commodity prices in early 2008, volatility of US financial markets and economic slowdown in developed economies have negatively affected the Philippine economy.'

'Despite the negative impacts, the Philippine economy has weathered the external shocks well compared to some of our other member economies,' said Kelly Bird, an economist in the ADB's South-East Asia Department.

'This resiliency is due to the government's commitment to fiscal discipline and key reforms, including tax reforms, the absence of fuel subsidies in the national budget, previous trade reforms and synchronized fiscal and monetary policies' he added.

Bird said the external shocks will challenge the government's resolve to maintain fiscal and macroeconomic stability and performance.

'The second loan addresses these issues through greater flexibility in fiscal policy in 2008 and 2009, further enhancement in tax revenue collection, and support for the government's conditional and targeted cash transfer programme currently piloted as a way to mitigate the worst effects of these shocks to the poor,' he said.

The ADB said the third part of the loan is expected to be processed next year.

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