

Philippines

Export Industry Modernization Project (II)



Wood products processing plant

Outline of Loan Agreement

Loan Amount / Disbursed Amount	6,015 million yen/5,935 million yen
Loan Agreement	January 1988
Terms & Conditions	Interest rate 3.0%p.a. Repayment period 30 years (Grace period 10 years)
Final Disbursement Date	August 1995

Project Outline

Long-term, low-interest loans and managerial/technical guidance were extended to businesses in non-traditional, export-oriented industries (clothing, wood products, food processing, light metal processing, and household goods) via the Technology and Livelihood Resource Center (TLRC), with the aim of promoting these sectors of the economy.

Results and Evaluation

A total of 215 sub-projects were implemented, including clothing (56 loans), gifts and household goods (35 loans), wood products (33 loans), light metal processing (29 loans), and food processing (16 loans). The majority of loans were small scale ranging from 2 to 40 million pesos, and averaging 7.4 million pesos. Regionally, sub-projects were concentrated in southern Luzon and Cebu.

Ninety-seven of the sub-loan borrowers have completed repayment, and a sample survey targeting 43 sub-projects with an outstanding balance confirmed that the loans have been effective in increasing revenues and employment in wood product and food processing industries, and in gift and household goods industries.

Non-traditional, export-oriented businesses are vulnerable to external factors, such as fluctuations in international prices and the exchange rate, therefore projects in the wood products, light metal processing, and clothing industries have experienced continual difficulties, while the food processing, gifts, and household wares industries have performed comparatively well.

In terms of lessons learned for future, similar projects, sufficient care must be taken to ensure that appropriate risk analysis, including the potential impact of price/exchange rate fluctuations, is undertaken by the intermediary financial institution.