

Philippines

Domestic Shipping Modernization Program



Newly procured vessel

Outline of Loan Agreement

Loan Amount / Disbursed Amount	15,000 million yen / 12,700 million yen
Loan Agreement	December 1994
Terms & Conditions	Interest rate 3.0%p.a. Repayment period 30 years (Grace period 10 years)
Final Disbursement Date	March 2000

Project Outline

Low-interest, medium- to long-term loans were extended to private-sector ship owners and ship repair companies engaged in the domestic shipping industry via the Development Bank of the Philippines (DBP) with the aim of supporting the purchase and repair of the various types of shipping vessels used for inter-island transport. Further, the modernization of ship construction/repair equipment and loading equipment was undertaken, targeting at improved efficiency and safety in marine transportation.

Results and Evaluation

The project covered 56 sub-projects (41 corporate borrowers), namely, procurement of new ships (56 loans) and second-hand ships (52 loans), ship repairs (6 loans), and installation / repair of loading equipment (5 loans). The project's consultants provided guidance to loan assessors at DBP, developed a training program, and technical support on presenting market information, and so on.

The total transport capacity of ships procured via this project has risen to roughly 15,000 people and 95,000 tons, project vessels account for 20% of all newly purchased vessels nationwide (548 between 1995-99) and approximately half the total tonnage. This has resulted in increased operation of inter-island ferry services and small, high-speed boats, improved farmer access to markets and post-harvest processing facilities, and made it easier for people living in the regions to attend work and school.

With regard to sub-loan repayments, although the arrears ratio was less than 1% until 1999, the collapse of the peso in the wake of the currency crisis has resulted in the deterioration of business conditions at some companies, and it will be necessary to maintain a vigilant watch on future developments.