

Feeder Ports Program

Report Date: March 2000
Field Survey: August 1998

1 Project Summary and Japan's ODA Loan

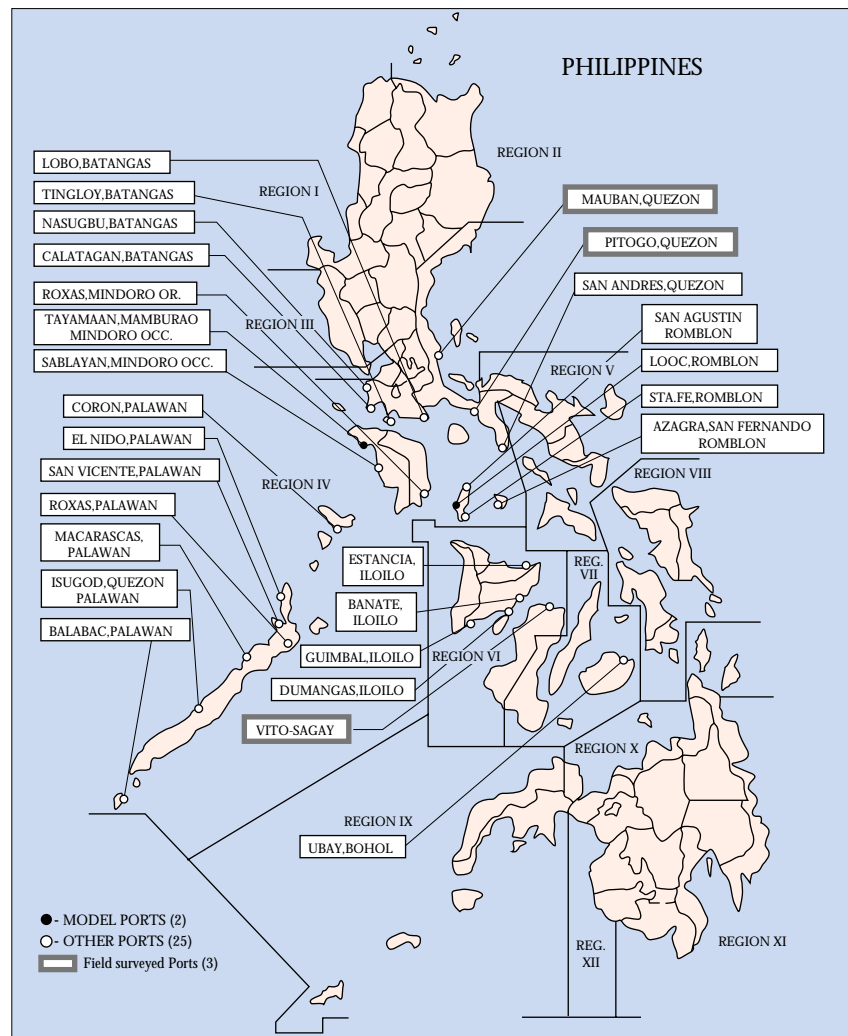
By systematically enhancing the infrastructure of existing feeder ports in Regions IV, VI, and VII (Bohol Island only) of Republic of the Philippines, this project aims to improve access to central provincial cities from remote areas that largely depend on water transport for daily transportation, and thereby to raise the living standards and the industrial foundation of these regions. The project scope as of appraisal consists of (1) the construction of 25 ports, (2) the procurement of construction equipment, surveying and monitoring equipment, etc., and (3) consulting services (Construction supervision of 25 ports of (1) above, detailed design of 50 ports including the ports of (1), and procurement of equipment related to (1) and (2)).

The ODA Loan covered the entire foreign currency and part of the local currency of the project costs.

2 Analysis and Evaluation

(1) Project Scope

During the appraisal stage of this project, twenty-five ports were selected as the ports for construction, but as the result of surveys by consultants and local government, as well as the existence of a margin in the funding amount, it was deemed that the actual ports for construction could be changed. Due to the improvements in the method of selection, the total number of ports was raised from 25 to 27 ports (including 11 ports that were



Borrower	Republic of the Philippines
Executing Agency	Department of Transportation and Communications (DOTC) [Jurisdiction department was changed from Department of Public Works and Highways (DPWH) to DOTC]
Loan Amount	¥2,090 million
Loan Disbursed Amount	¥2,046 million
Date of Exchange of Notes	December 1987
Date of Loan Agreement	January 1988
Final Disbursement Date	October 1997

originally selected in the project planning stage).

(2) Implementation Schedule

Completion of this project was delayed 5 years and 2 months, and the loan disbursement period was extended once by 2 years and 6 months. The main reasons the implementation schedule was extended were (i) the documents for the selection of the consultants had to be resubmitted, (ii) there were two bid tenders resubmitted for the model port, (iii) it took a long time to obtain construction permits from the Department of Environment and Natural Resources, (iv) repair work has to be performed due to typhoon damages, and (v) it was difficult to make smooth construction preparations for the construction of multiple ports geographically dispersed in remote areas under a single contract.

(3) Project Cost

This project exceeded its total funding by 69 million yen, including a reduction of 44 million yen in ODA loan amount, and a 113 million yen increase in the portion borne by the Philippine government. The main reasons for this increase in the project cost was an increase in civil works (approx. 27%), a price escalation due to extension of the implementation schedule, and the necessity of performing repair work following the completion of construction in order to repair damages caused by typhoons.

Comparison of Original Plan and Actual

Item	Plan	Actual
1. Project Scope		
(1) Feeder ports construction	Total 25 ports Model port 2 ports Other port 23 ports	Total 27 ports Model port 2 ports Other port 25 ports
(2) Procurement of construction equipment and materials	i) Construction barge 3 ii) Tugboat 1 iii) Surveying instrument 13 iv) Echo sounder 4 v) Rubber fender 204 vi) Under water camera 2	As planned As planned As planned As planned As planned As planned
(3) Consulting Services	Preparation of detailed design 50 ports Supervision assistance of procurement and construction 25 ports	61 ports 27 ports
2. Implementation Schedule		
(loan agreement signing to project completion)	January 1988 to December 1992	January 1988 to February 1998 (Delay of 5 years and 2 months)
3. Project Cost		
Total project cost	¥2,338 million	¥2,407 million
(ODA loan portion)	(¥2,090 million)	(¥2,046 million)
Exchange Rate	1 peso = ¥7	1 peso = ¥4 (Average rate at the time of loan disbursement)

(4) Project Implementation Scheme

The project headquarters established for this project implemented port construction on a service contract basis. During the implementation of the project, project headquarters authority was transferred from Department of Public Works and Highways (DPWH) to Department of Transport and Communications (DOTC). Loan agreement change formalities were promptly completed and there were no problems in particular regarding implementation.

(5) Operations and Maintenance

The 27 ports covered by this project are well used on the whole. A comparison of the data obtained by consultants regarding the amount of cargo and the number of passengers at the 27 ports during the detailed design stage (1990) and upon completion of the project (1997) shows that the average cargo volume rose by 47%, and the average number of passengers rose by 324%.

Operations and maintenance scheme is still not sufficiently established. Following the construction of the ports, ownership of

the 27 ports was transferred to PPA, which became in charge of operations and maintenance, and operations and maintenance functions can further be transferred to local governments if they request. However, due to various reasons foremost amongst which local governments do not have large-scale repair budgets, at present, operations and maintenance functions have not been transferred to local governments for any of the 27 ports (but transfer procedures are in progress for 3 of these ports). Except for 5 ports, PPA's role does not extend to substantial management, due to the fact that feeder ports are located in remote areas and the inability of PPA to allocate sufficient personnel and funds for port operation. However, while they do not have formal maintenance responsibilities, local governments in some cases actively perform small-scale repairs and improvements as a way of asserting ownership through port maintenance to the greatest extent possible.

Currently, there is no need for new facilities repair work at any of the ports, but considering long-term maintenance in the future, it is necessary to clarify the actual operations and management system, and for this purpose, it is desirable for DOTC and PPA to rapidly address this issue, including performing a review of the system currently in place. A concrete proposal would be for PPA, which has ownership of the ports, to perform large-scale work such as the rehabilitation of facilities in case of damage and the expansion of port facilities, and for the local governments to perform small-scale maintenance and repair work, thus dividing responsibilities between these two parties. It is hoped that such a system dividing responsibilities will be clearly defined taking into consideration the financial status of each party.

(6) Impact on the Environment

No particular negative impact on the environment has been detected for this project.

(7) Project Effects and Impacts

(i) Direct Effects

The raised efficiency of cargo and passenger transport at the ports can be mentioned as an improvement result regarding port use. A conspicuous efficiency improvement is the fact that, prior to this project, insufficient port facilities allowed only banca boats (small boats) from coming alongside piers, so that cargo was handled by mooring larger cargo ships off the coast and transferring cargo to banca boats (offshore stevedoring), and passengers were handled by transferring them to smaller boats. Thanks to this project, such inefficient handling is not longer necessary. This project has also considerably improved access from remote areas to central provincial cities. The average financial internal rate of return for the 27 ports as calculated by consultants was 22.4% upon completion of the project, higher than the 21.7% rate calculated during the detailed design stage.

(ii) Indirect Effects

By providing better transportation and shipping means to small-scale businesses such as fishermen, farmers, and tradesmen, this project is contributing to expand the range of their economic activities. Moreover, these improvements stimulate local industry and increase employment opportunities and income for local residents.



A Small Wharf for Commercial Fishing Boats at Pitogo Port



A Pier with Light installed by the City at Mauban Port



Vito Sagay Port , capable of servicing Small Ferries with this Loan