

Ex-ante Project Evaluation Report

1. Name of Project

Country: Republic of Philippines

Project Title: Logistics Infrastructure Development Project

L/A signed on: November 9, 2009

Loan Amount Approved: 30,380 million yen

Recipient: Development Bank of the Philippines

2. Background and Necessity of Project

(1) Past results (present condition) and issue of the development of the logistics sector in Philippines

In order to realize continuous economic growth toward employment creation, which is priority objective of the Philippines, it is indispensable to develop and expand the logistics infrastructures to promote domestic and foreign private investment, and especially, development of maritime transportation from an island to an island and ground transportation within an island are important factors. However, due to the limitations of the government's budget allocation for infrastructure investment, etc., public infrastructure investment stood at only around 1.5% compared to GDP (2006). At present, insufficient infrastructures such as ports, roads, processing and storage facilities, transportation equipment, etc., of agricultural products, livestock, etc., have become problems in the Philippines, whose development situation is regarded as poor among ASEAN countries. Among others, in the Philippines whose key industry is agriculture, inadequate development of logistics infrastructures have been causing higher domestic logistics cost compared to other ASEAN countries as well as deterioration of fresh foods as illustrated by postharvest loss of 42% for vegetables and 23-32% for fruits, and consequently acts as a hindrance to promotion of the primary industry. Hence, for this archipelagic country which consists of more than 7,100 islands, establishing logistics network based on effective combination of roads and sea routes is a priority and urgent issue.

(2) Development policy of the logistics sector and the rationalization of this project in the Philippines

Development and expansion of logistics facilities is consistent with the priority objective of the Government of the Philippines and the Medium Term Philippine Development Plan (2004-2010) aimed at reduction of nation's logistics cost through development of an effective logistics network, including completion of establishing the "Strong Republic Nautical Highway" utilizing "Road Ro-Ro Terminal System" (RRTS: a

transportation system combining road traffic and Ro-Ro¹ (ferryboat transportation service), as the policy objective. In addition, the President's State of the Nation Address in July 2006 pointed out the necessity for modernization and streamlining of such domestic logistics network. Further, the Executive Order No. 170 (January 2003), which is aimed at development of RRTS, including participation by the private sector, and promotion of investment in the operation, mandates that Development Bank of the Philippines (hereinafter referred to as "DBP") to provide the private sector with a long-term financing for this specific purpose.

(3) Assistance policy of Government of Japan and JICA toward logistics sector in the Philippines and past experience

The Country Assistance Program of Government of Japan (June 2008) describes "Sustainable Economic Growth Aimed at Creating Employment Opportunities" as the priority area of assistance and "improving basic infrastructure for economic growth" being the development issue. Under such program, the Country Assistance Strategy of JICA (July 2009) created a cooperation program the "Improvement of Transportation Network" program and it is giving priority to development of networks of major roads and maritime major traffic.

JICA has continuously provided assistance for development of the transportation infrastructures in the Philippines such as urban and local major roads, ports, airports, etc., including development and renovation of the Japan-Philippine Friendship Highway which runs throughout the Philippines, through loan assistance and grant aid. In addition, JICA has been conducting technical cooperation such as formulation of comprehensive transportation planning both in rural and in urban areas including the Metro Manila.

(4) Assistance by other donor agencies

The World Bank considers economic growth as one of the priority assistance areas and conducts loan project "National Roads Improvement and Management Project" (total project cost of approx. 576 million U.S. dollars) which covers from planning to operation and maintenance of roads, as well as assistance focusing on major roads as JICA. The Asian Development Bank is conducting technical assistance for development of the transportation sector from the intermodal point of view and is currently considering a loan project "Road Sector Improvement Project" (total project cost of approx. 500 million U.S. dollars).

¹ Roll-On/Roll-Off: Ferryboat transportation system by which cargo trucks can board and alight by themselves. Introduction of this system is recommended because efficiency of expensive cargo handling could be improved.

(5) Necessity of this project

This project is consistent with the development policy of Government of the Philippines and the Country Assistance Strategy of JICA and aimed at assistance for improvement of the transportation sector, which is a constraining factor of continuous growth of the Philippines. While the government policy has been determined to the effect that development of the infrastructures will be promoted through investment by the private sector and local government units, financing by private financial institutions of the Philippines is limited to short-term fund. Therefore, government financial institutions such as DBP, etc are required to provide medium and long-term fund necessary for the infrastructure project. In light of the above, there is high necessity and appropriateness for JICA to implement this project which provides medium and long-term finance through DBP.

3. Project Description

(1) Project objectives

The purpose of this project is to promote investment activities for development of the logistics infrastructures, reduce logistics cost and consequently increase logistics volume by financing medium and long-term fund for the purpose of development of the logistics infrastructures to local autonomous bodies, private companies, government-owned and controlled corporations and cooperative associations through DBP throughout the Philippines, and further contribute to continuous economic growth of the Philippines.

(2) Project site/target area

The whole of the Philippines

(3) Project outline

1. Outline of the entire project plan

This project is to provide assistance for development of the logistics infrastructures by two-step loan through DBP.

2. Details of the project

① Target sector

Ro-Ro ships, RRTS-related facilities, toll roads, local roads, road repairing facilities, transportation facilities, bulk-cargo logistics facilities, refrigerated logistics facilities, etc.

② Application of the fund

- (a) Fund for plant and equipment investment for the aforementioned subproject
- (b) Fund for initial operation associated with the aforementioned
- (c) Interest during construction period
- (d) Consulting service

③ Target end user

- (a) Private companies (provided that more than 70% of the capital is financed by the Philippines)
- (b) Local Government Units
- (c) Government-owned and controlled corporations
- (d) Cooperative associations

④ Lending methods

- (a) Direct loans (financing by DBP to end users)
- (b) Indirect loans (financing by DBP through Private Financial Institutions (hereinafter referred to as "PFIs") or Microfinance Institutions (hereinafter referred to as "MFIs"))

(4) Total project cost

40,540 million yen (Yen loan amount: 30,380 million yen)

(5) Project implementation schedule

Scheduled from November 2009 to November 2016 (total of 85 months). Project completion is defined as when the financing by JICA to DBP is completed (scheduled to be completed in November 2016).

(6) Project implementation structure

- 1) Borrower: Development Bank of the Philippines
- 2) Guarantor: The Government of the Republic of the Philippines
- 3) Executing Agency: Development Bank of the Philippines
- 4) Operation and management/maintenance and administration system

1. Monitoring system

DBP and PFIs/MFIs shall conduct monitoring of situation of compliance of environmental standards for equipment and facilities financed in this project and response of individual end user companies based on reports submitted by end users on a regular basis.

2. Re-financing special account

In this project, surplus funds arising out of a gap between the repayment period of sub-loan and the repayment period of the yen loan will be utilized and a revolving fund will be established to make a new loan under the same conditions. Balance and operation situation of such account shall be annually reported by DBP to JICA for six years after completion of loan implementation. Further, DBP shall carry out audit as to administration situation of such account on a yearly-basis and report results of such audit for six years after completion of loan implementation.

(7) Environmental and social considerations, reduction of poverty and social development

1) Environmental and social considerations

① Category: FI

② Reason of categorization

Loans will be provided to financial agents under this project and it would be impossible to specify a sub-project before JICA's approval of loans, and further it is supposed that such sub-project will have effects on environment. Therefore, this project falls under the category FI under "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations" (established in April 2002).

③ Others and monitoring

DBP will carry out categorization based on environmental and social effects of individual sub-project and necessary measures, etc., in accordance with JICA's environmental guidelines while receiving assistance by consultants which will be employed under the yen loan. In addition, if a sub-project includes a project falls under the category A, environmental and social considerations shall be carried out in accordance with the procedures of the category A and it will be necessary to submit a report on environmental and social consideration appraisal (EIA) to JICA in order to obtain JICA's approval.

2) Promotion of poverty reduction

None

3) Promotion of social development (gender prospective, prevention of infections diseases including HIV/AIDS, participatory development, care for people with disabilities, etc.)

None

(8) Collaboration with other donors

None

(9) Other important issues

It is planned to collaborate with individual experts “Integrated Transport Policy” and “Assistance for formulation on Route Rationalization and Stabilization Measurement” who are dispatched by JICA and provide assistance for formulation of comprehensive traffic plan, etc.

4. Outcome of Project

(1) Indicators of performance and effectiveness

Indicator	Reference value (At the time of approval of sub-project)	Target value (2018) [2 years after project completion]
1. Sub-loan		
Total Amount of Sun-loan (million yen)	-	37,600
Percentage of amount of overdue unpaid credit (Note 1) (%)	-	Below the baseline of Central Bank of the Philippines (5.76% as of the end of June 2008)
2. RRTS Vessel		
Number of constructed/rehabilitated/purchased vessels (number)	-	To be determined after selection of consultants
Time saving: average travel time for specific route (time/year) (Note 2)	To be determined at the time of approval of a sub-loan	To be decreased from the time of approval of a sub-loan
3. Other RRTS facilities		
Number of constructed/rehabilitated/purchased facilities (number)	-	To be determined after selection of consultants
4. Toll Roads, LGU Roads, Access Roads, Road Maintenance Equipment		
Length/Number of constructed/rehabilitated/purchased road/ facilities (km/number)	-	To be determined after selection of consultants
Daily traffic (number/day)	To be determined at the time of approval of a sub-loan	To be increased from the time of approval of a sub-loan
Time saving: average travel time for specific route/section (time/year)	To be determined at the time of approval of a sub-loan	To be decreased from the time of approval of a sub-loan
5. Transport Facilities		
Number of purchased facilities	-	To be determined after

(number)		selection of consultants
Daily cargo volume (ton/day)	To be determined at the time of approval of a sub-loan	To be increased from the time of approval of a sub-loan
6. Bulk Chain		
Number of constructed/rehabilitated/purchased facilities (number)	-	To be determined after selection of consultants
Daily bulk cargo volume (ton/day)	To be determined at the time of approval of a sub-loan	To be increased from the time of approval of a sub-loan
7. Cold Chain		
Number of constructed/rehabilitated/purchased facilities (number)	-	To be determined after selection of consultants
Daily refrigerated/frozen cargo volume (ton/day)	To be determined at the time of approval of a sub-loan	To be increased from the time of approval of a sub-loan

(Note 1) Ratio of Nonperforming Loan shall be calculated in accordance with the baseline of Central Bank of the Philippines. The current baseline defines that a nonperforming loan shall mean a loan which has not been repaid for more than three months.

(Note 2) Operational hour including cargo handling

(Note 3) Enter representative example as to an indicator of each sub-sector. While receiving assistance by consultants to be employed under the yen loan, DBP shall consider availability of data, select appropriate indicator for each sub-project at the time of examination and determine applicable baseline at the time of approval.

(Note 4) In the event that a sub-loan is provided before selection of consultants, DBP shall select a baseline and target in accordance with the operation and effect guidelines and carry out review of such baseline and target after selection of consultants while receiving assistance by such consultants.

(2) Internal rate of return

Not applicable

5. External Conditions and Risk Control

The development policy of the nation's logistics network by the Government of the Philippines including the national maritime route will be basically maintained even after the presidential election in 2010. In addition, the policy which mandates DBP to provide private sector with a long-term financing is unchanged.

6. Evaluation Results of and Lessons Learned from Findings of Similar Projects Undertaken in the Past

The previous similar projects taught lessons that it is important to carry out close exchange of information with related government agencies and related industries for the purpose of satisfactory business progress. Upon implementation of this project, in light of such lessons, exchange of information will be carried out with related government agencies and related industries on a regular basis.

7. Plans for Future Evaluation

(1) Indicators to be used for future evaluation

1. Sub-loan

Total amount of sub-loan (million yen)

Percentage of amount of overdue unpaid credit (%)

2. RRTS Vessel

Number of constructed/rehabilitated/purchased vessels (number)

Time saving: average travel time for specific route (time/year)

3. Other RRTS facilities

Number of constructed/rehabilitated/purchased facilities (number)

4. Toll Roads, LGU Roads, Access Roads, Road Maintenance Equipment

Length/Number of constructed/rehabilitated/purchased road/ facilities (km/number)

Daily traffic (number/day)

Time saving: average travel time for specific route/section (time/year)

5. Transport Facilities

Number of purchased facilities (number)

Daily cargo volume (ton/day)

6. Bulk Chain

Number of constructed/rehabilitated/purchased facilities (number)

Daily bulk cargo volume (ton/day)

7. Cold Chain

Number of constructed/rehabilitated/purchased facilities (number)

Daily refrigerated/frozen cargo volume (ton/day)

(2) Timing of future evaluation

Two years after completion of this project

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