

## **Third Party Evaluator's Opinion on Philippines-Japan Friendship Highway Rehabilitation Project (I)(II)**

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### **Criteria-1 (Relevance)**

The Philippines-Japan Friendship Highway project, starting back in the 1960's, was a key project of the Philippine Development Plan (and has been a major part of the medium-term development plans since then). The highway has provided the major north-south trunk line for the country through which a major portion of the inter- and intra-provincial travel and cargo flow, especially in the contiguous areas of the country. Because the completion of the highway took place over a few decades and the initial emphasis was on the length and only secondarily on the maintenance of the highway, road quality was "unavoidably sacrificed." Over the years, the use of the highway has greatly intensified. Therefore, traffic disruption due to road deterioration (caused by normal road wear and due to "unsuitable road design and inferior construction work, inadequate operation and maintenance, and incomplete enforcement' of rules on overloading) has become increasingly costly in terms of loss of gross domestic product.

The rehabilitation of the Philippines-Japan Friendship Highway, therefore, has been a key part of the public investment program in recent years as disruptions in the less maintained sections of the highway has impeded the flow of people and goods. The negative impact of these sections of the highway has increased as the Philippine economy has become more internally integrated in the last few decades. And as the country becomes more integrated to the global markets, these opportunity costs are expected to increase. Thus, the project has been given a very high priority in the medium-term development plans.

### **Criteria-2 (Impact)**

All available feedback on the impact of the project has been favorable. The beneficiary study indicates that respondents generally enjoyed enhanced access to public facilities such as market centers, hospitals, and other public facilities. Nearly all respondents experienced an increase in income by 10% to 20%. As the literature on common facilities such as roads and public transit show, the benefit to direct users normally underestimate total benefits because indirect beneficiaries also experience increases in income and asset values as the decrease in congestion and the increase in the reach of road and other economic networks have second- and later-round benefits. Thus, the total benefits tend to be a multiple of the initial impact felt by direct users. This is reflected somehow in the increase in growth rates of the two regions where most of the rehabilitation projects are located. While we cannot totally ascribe all the growth of the regions to the rehabilitation projects and some care has to be exercised to incorporate the effect of the business and regional cycles, the resulting upward trend in growth rates for regions II and V would have been held back if the flow of goods and people were to continue to be impeded by road disruptions. While the growth rate in region II has been volatile, the growth in the gross regional product of regions II and V show a rising trend. With the improved flow of goods and people provided by the rehabilitated trunk road, this rising growth trend should continue in the future. **Thus, the government should ensure the continued good maintenance of the roads.**

Because the project entailed only the repair of existing roads, the normal side-effects of resident dislocation, business disruption and other disruptions were either absent or drastically minimized. On the other hand, because of the road improvement, the normal environmental effects of road noise, dust, and other normal highway disturbances have been reduced. In the long term, therefore, the environmental and social impact should be unequivocally positive.