

**Third Party Evaluator's Opinion On
BORACAY ENVIRONMENTAL INFRASTRUCTURE PROJECT**

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Overview on Relevance, Efficiency and Effectiveness

This Opinion focuses on two criteria—Impact and Sustainability in order to provide value-added inputs for future projects. The other three criteria are discussed briefly in support of the two main criteria.

The project was relevant given the prevailing circumstances at the time of its inception. The project objectives clearly foresaw the need for improving environmental structure in Boracay, given its limited “carrying capacity” as an island with surrounding environmental diversity facing a projected increase in tourism. Efficiency was on the whole achieved but it was still somewhat degraded primarily because of the increase in project costs following the 1997 Asian and assorted delays caused by adjustments in both “the plan and design for each output” and in securing clearances (p. 7). Effectiveness was acceptable but overall benefits were somewhat limited in part because the project was in a “catch-up” mode—tourism in Boracay starting in the 21st century outpaced the construction of environmental infrastructure. The project was already hampered in its ability to expand due to the doubling of foreign exchange—in US Dollar terms, from around Pesos 24 to Pesos 50 to the dollar.

Criteria 1: Impact

The Project Report (Pages, 12-15 & 19-20) discusses the project impact, and both the project technology and deliverables were relatively straightforward, so that certain components of the project can be quantitatively assessed, and this Opinion has no quarrel with the report's conclusions.

However, the critical issue on Impact with respect to the Boracay Project is the imperative to develop environmental infrastructure based on a larger future scale, given uncontrollable and unforeseen external factors, as indicated in Page 17 of the Report. In the Boracay case, projected tourism was probably underestimated (in 1999), so the project could not cope with the rapid influx of tourists and the corresponding build-up of tourist infrastructure that strained the island's already limited capacity. After the tsunami, Boracay permanently “captured” part of the tourism market that used to frequent Sri Lanka and Phuket. And word-of-mouth plus an aggressive Boracay-specific tourism promotional campaign is probably already straining the capability of the project infrastructure as it was conceived at inception (and modified later). Note that, unlike an investment project, where the uncertainty of fluctuating market demand may limit the project size or scale, in an environmental project, and specifically for an island (like Boracay), environmental degradation is a given.

Delays created another drag on Impact. The issue is not only about “catching-up”, but also about “locking-in” the ownership and responsibility for the project. The longer the delay, the less the beneficiaries perceive benefits from the project, and sustainability depends upon commitment by the beneficiaries.

Criteria 2: Sustainability

The Project Report (in Pages 15 & 16) seems to imply some uncertainty on the project's Sustainability, and sustainability is in doubt if for no other reason that the outputs (on Page 19 & 2) of the project infrastructure are probably already under strain. The issue centers on the devolution of responsibility to the LGU (Local Government Unit). Devolution has accelerated in the past decade and it represents a structural change affecting all projects, and localities. However, the financial and human resource capabilities of the LGU vary widely. For the Boracay project the LGU acts a “proxy” or intermediary for the beneficiaries, since different units must maintain and sustain the project infrastructure. The LGU for Boracay appears limited in both its training and financial capability.

The Third Party Evaluator worked on tourism and environmental development in Phuket (Island) from 2002-2004, and the sustainability of the island's water treatment facility, waste-disposal, and sewage collection was always in doubt, despite the relative prosperity of the local government and the national government's willingness to provide added financial and technical assistance to keep Phuket internationally competitive. One critical factor was (and is) that both the local government and the direct beneficiaries were (and are) balancing the immediate economic benefits from rapid tourism growth against the longer-term realization of the limits of growth for Phuket given the state of the island's environment. One “solution” was to “export” pollution to the relatively pristine outer islands surrounding Phuket by promoting tourism there, since the hotels and beach facilities were and are often owned by Phuket-based investors. Boracay faces the same issue of sustainability as Phuket on a worse scale—Boracay is smaller, there are fewer “outer islands” to visit, and to some extent, Boracay historically was and is “the outer island” (from the mainland).

