

# Batangas Port Development Project

Theme: Resettlement of residents (JBIC evaluation focuses on the resettlement of residents and commissions the third-party to evaluate this issue separately).

Report Date: March 2000  
 Field Survey: May and November 1999  
 Third-Party Evaluator: Prof. Emma Porio, Ateneo de Manila University

## 1 Project Background and Japan's ODA Loan

### (1) Background

Since the 1980s, the Philippines government has been planning to develop Batangas Port, 110km south of Manila, as the country's second largest port after Manila Port. At the time, the berthing facilities and the hinterland of the port were narrow and crowded, making orderly and efficient harbor operation impossible. In response to a petition from the Philippine government, JICA conducted a feasibility study in 1984 and prepared short-term and long-term development plans. This project corresponds to the short-term plan, while phase II of the project covers a portion of the long-term plan. The loan agreement for phase II was signed in September 1998.

### (2) Objectives

To improve and expand the cramped and inadequate facilities of Batangas Port, in order to make transportation more efficient and promote development in the surrounding regions.

### (3) Project Scope

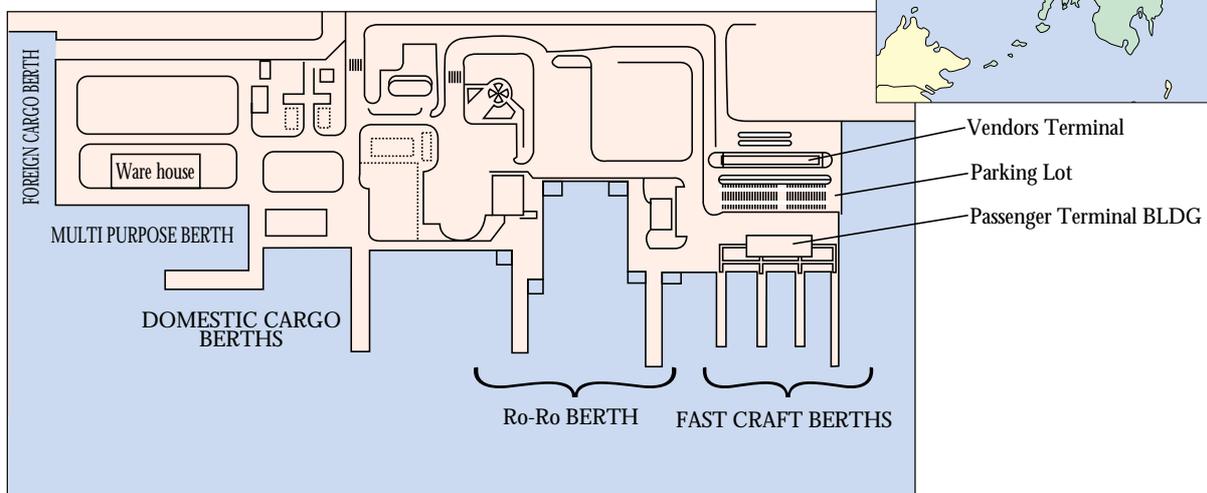
Construction of berthing facilities, terminals and other buildings, construction of facilities to support relocated residents, and consulting services (the loan covered the entire foreign currency portion of the project and some of the local currency portion).

### (4) Borrower/Executing Agency

Republic of the Philippines / Philippine Ports Authority (PPA)

### (5) Outline of Loan Agreement

Loan Amount	¥5,788 million
Loan Disbursed Amount	¥5,497 million
Date of Exchange of Notes	March 1991
Date of Loan agreement	July 1991
Loan Conditions	
Interest Rate	2.7%,
Repayment Period (Grace Period)	30 years (10 years)
Procurement	General Untied
Final Disbursement Date	July 1999



1 Dr. Emma Porio, Professor and Chair, Department of Sociology and Anthropology  
 Graduated doctor of sociology at Hawaii University. Has conducted numerous investigations and research projects into urban poverty and relocation, particularly in the Philippines. Has also worked as a consultant for the World Bank and UN etc.

## 2 Analysis and Evaluation

### (1) Project Scope

There were a number of changes to the scope of the project. The main changes were as follows:

- i) Changes from groyne/breakwater to fast craft berths.
- ii) Cancellation of the construction and improvement of domestic cargo berths.
- iii) Construction of additional facilities to support relocated residents.

The first two changes were due to changes in the types of ships used, while the third was added to provide adequate support for relocated residents.

### (2) Implementation Schedule

Construction was completed in March 1999, three years and seven months later than planned. The main reason was a delay of one year and seven months in reaching the contract concurrence with JBIC due to problems with relocating residents. The above-mentioned alterations to the scope of the project caused a further delay of around one and a half years.

### (3) Project Cost

The cost of this project (port construction) was kept within the planned amounts. The cost of the resettlement of residents (not covered by the loan) increased approximately four times from the planned 46 million Peso to 181 million Peso.

### Comparison of Original Plan and Actual

Item	Plan	Actual
<b>1. Project Scope</b>		
i) Port construction		
• Construction & improvement of Ro-Ro berths	Construction of 4 berths, Improvement of 2 berths (Water depth 5m, Length 120-130m)	Construction of 6 berths
• Foreign cargo berths	1 berth (Water depth 10m, Length 185m)	Same as left
• Multi-purpose berths	1 berth (Water depth 10m, Length 220m)	Same as left
• Creation of reclaimed land, construction of various buildings	Passenger terminal, warehouse, parking lot etc.	Same as left
• Small craft berth (with breakwaters)	1 place	Change to 7 fast craft berths
• Construction & improvement of domestic cargo berths	2 berths (Water depth 10m, Length 220m)	Cancelled (postponed to Phase II Project)
ii) Construction of facilities supporting relocated residents		
• Roads pavement from resident relocation site, Sico to city center	-	9km (addition)
• Vendors terminal within the port site	-	1 building (addition)
iii) Consulting Services	310 M/M	390M/M
<b>2. Implementation Schedule</b>		
(Start of tendering for port construction to Completion of construction)	January 1992 to August 1995	January 1992 to March 1999
<b>3. Project Cost</b>		
Total project cost	¥7,717 million	¥7,308 million
ODA loan portion	¥5,788 million	¥5,497 million
Exchange Rate	1 peso = ¥6.8 (Rate at the time of appraisal)	1 peso = ¥3.8 (Average rate at the time of loan disbursement)

### (4) Project Implementation Scheme

Executing agency was Philippine Ports Authority (PPA), which is a public corporation established in 1974 under the supervision of Department of Transport and Communications (DOTC). It is responsible for the construction, operations and maintenance of state-owned ports. PPA set up a project team with 30 staff for this project. For the resettlement of residents, PPA carried out all legal procedures and provided the relocated residents with various kinds of assistance. Even though it was not possible to gain the agreement of a part of the residents and their houses were demolished, the problem-solving efforts of the executing agency were commendable.

There were no significant problems which can be attributed to shortcomings of the consultants or contractors, and the overall performance of the parties involved in the project was satisfactory.

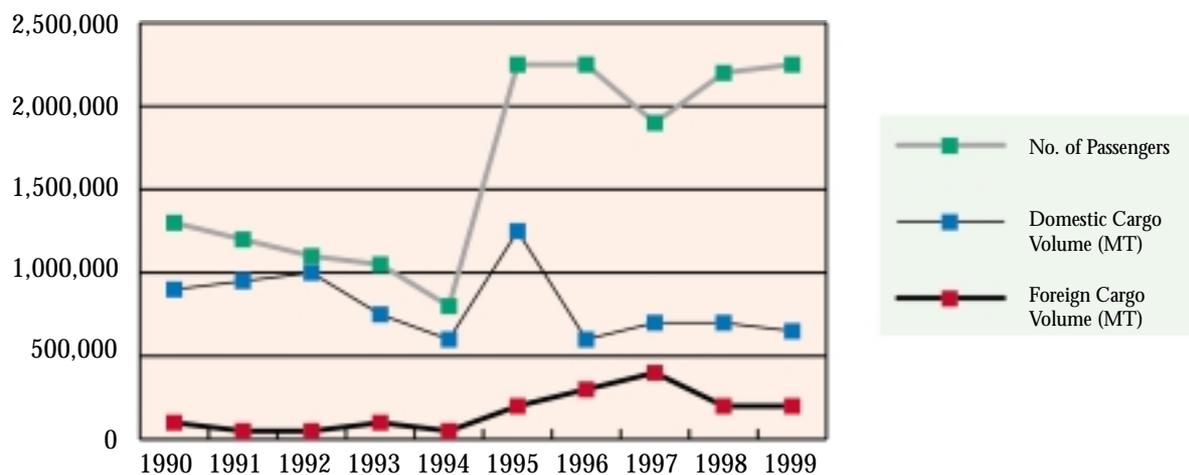
## (5) Operations and Maintenance

The current port became operable in November 1998, with PPA handling the operation and maintenance of the facilities and a private-sector operator commissioned to operate the cargo handling terminal. At this stage there are no notable problems in the operation and maintenance situation.

## (6) Port Operation

As the graph below shows, the passenger traffic of Batangas port had increased largely over the past ten years (due to the introduction of the fast craft, vessels in 1995), while the volume of cargo handling was stagnating. However, other statistics show that the volume of vehicles carried on Ro-Ro vessels has been growing considerably, which indicates that the actual volume of domestic cargo may have been increasing. Since June 1999 foreign container vessels have been using the foreign cargo berth, which can be expected to bring further increases in cargo volume.

### Changes of Cargo and Passenger Traffic at Batangas Port (1990-1999)



Source: PPA materials

## (7) Project Effects and Impacts

### (i) More Efficient and Orderly Port Operation

The construction and expansion of the port under this project made efficient and orderly port operation possible. In particular, the construction of specialized berths to handle Ro-Ro vessels, fast craft vessels and general cargo vessels, separated the flows of vehicles, passengers and freight. This made the movement of passengers and freight more efficient and safer. Furthermore, the crossing time for the Ro-Ro vessels to Calapan Port on the opposite coast has been shortened by 1~2 hours because the vessel does not have to wait for a berth.

### (ii) Regional Impacts

This project made the transport of freight and passengers between the islands of Mindoro and Luzon more efficient, and can be expected to promote the future development of Mindoro. Batangas Port is also attracting investment. In 1995 Batangas state had only one industrial estate, but by now there are 15, and some of the companies which moved into the industrial estates have begun exporting containers through Batangas Port. Considering the worsening traffic conditions in the Manila capital region, there is likely to be large potential demand for Batangas Port as an alternative to Manila Port. The phase II project is going to expand the foreign cargo container facilities, which will make Batangas Port more effective as a supplement to Manila Port.

### (iii) EIRR

The provisional figure calculated at the time of the initial plan was 15.37%, and the actual figure is 15.22%, which indicates that the project is delivering the anticipated level of quantitative benefit. The benefits counted in the calculated EIRR figure are the economic effects of i) reduced waiting times, ii) greater passenger numbers, and iii) increased container traffic.

## 3 Problems and Countermeasures Concerning the Resettlement of Residents

<In addition to the JBIC evaluation of this part of the project, JBIC commissioned Professor Porio of Ateneo de Manila University in the Philippines to conduct a third-party evaluation.>

### (1) Process

The implementation of this project necessitated the relocation of 718 households (survey in 1986) in the vicinity of the port. These were illegal settlers with no land ownership. The PPA consulted Batangas City, National Housing Authority and Barangay

Council\* and selected Balete (7km from the port) and Sico (15km from the port) as the relocation sites. However, a group strongly opposed to relocation arose among the residents facing relocation. They refused to relocate to Balete and Sico and came to lead the negotiations with the government side. The negotiations made little progress and the start of construction was delayed. In the meantime, the number of residents subject to relocation doubled to 1,467 households, of which 500 consented to relocation. The majority still would not agree to be relocated. From January 1994 the government issued a number of notices to vacate, which were ignored by the residents. Eventually the houses were demolished between June 27th and July 3rd 1994, and several people were injured in the turmoil of the first day. The mass media and NGOs in Japan and the Philippines strongly criticized the project as an "inhumane project".

Note: \* A barangay is the smallest administrative division in the Philippines. A barangay council is run by residents' representatives and led by a barangay captain elected by the residents.

## **(2) Response from PPA and the Philippine Government**

Republic Act No.7279, which was enacted in 1992, stipulated for the first time that relocation sites must be provided even for illegal settlers who must be unavoidably relocated due to public works projects. The act included detailed rules to the effect that, when there is no alternative to demolition, the process should be carried out in a humane manner. The Philippines government carried out all procedures related to the relocation of residents for this project, including the demolition, in accordance with the law, and the relocated residents were provided with a level of assistance exceeding that prescribed in the act. The benefits provided include a core house\* provided free of charge or a supply of cash, 15,000 Pesos Disturbance Pay, basic services in the relocation destination, and loans for livelihood program. Furthermore, as the negotiations with the residents were not proceeding well, high officials of the central government took on responsibility for direct negotiations with the residents after 1993. Thus the Philippines government was involved at a national level in efforts to solve the issue of resident relocation.

Note: \* Houses where only the structural frame and outer frame are prepared.

## **(3) Response from JBIC and the Japanese Government**

Since the time of the appraisal for this project (1990), JBIC and the Japanese Government have been calling for relocations to be carried out peacefully under the responsibility of the Philippine government. JBIC received the request from PPA for contract concurrence in May 1993, but agreement was withheld due to the lack of progress on the issue of resident relocation. In July 1994 the Japanese government expressed its strong dissatisfaction to the Philippine government on the fact that demolition was carried out without notification to the Japanese side, and the injuries which resulted. The Japanese government halted the loan procedure for this project. After the Philippine government's efforts to win the consent of the residents were recognized, and the number of consenting households increased, the Japanese government resumed the loan procedure. At that time the Philippine government promised to continue the efforts to persuade the dissenting residents, and to improve the standard of living of relocated residents. In order to support the above efforts, the Japanese government built a clinic in Sico and supplied medical equipment to the existing clinic at Balete on a grant basis. In addition, the road between Sico and the city center (9km) was repaired using a portion of this loan.

## **(4) Findings of the Third-Party Evaluation**

### **(i) Resettlement Process under this Project**

All procedures relating to the resettlement of residents for this project were conducted in accordance with the law, and relocation package was far more expensive than other resettlement projects in the Philippines. The fact that, despite these efforts, demolition took place without the consent of some residents was partly due to the emergence of a strong opposition group from among the residents, which distanced the government and residents from each other's positions from then on. The government side selected the relocation sites through discussions with representatives of the residents, but those representatives did not systematically pass on information to the residents they represented. The government should have made the discussions with the residents in more participatory manner by checking the transmission of information to the residents from their representatives and confirming the existence of a consensus among the residents.

The relocation of residents for the second phase of the project in 1998 was intricately planned, drawing on the lessons of the first phase, and enough discussions were held with the residents before the relocation.

### **(ii) Impact on the relocated residents**

A majority of the residents are satisfied with their houses and basic infrastructure. However, as is typically the case with offsite relocation (relocation to a site away from the initial location), the major negative impact is in the form of reduced income and employment opportunities. This occurred because most of the relocated residents were involved in informal jobs closely related to the port, working as vendors and stevedores. The government has attempted some livelihood programs, but they did not necessarily bear fruit, partly due to the lack of entrepreneurial skills on the part of the residents. The residents should be given

opportunities for training to gain organizational and business skills.

The problems of resident relocation differ from case to case, and there is no generally applicable solution. However, in the case of the resettlement under this project, the parties involved (including JBIC) can draw the following lessons:

#### 4 Lessons Learned

- (1) In addition to consultations with the residents' representatives stipulated by law, more participatory forms of discussion should also be considered where necessary to accommodate the diversity of the residents.
- (2) The list of relocated households should be finalized at one time before the project.
- (3) Infrastructure development in the relocation sites should be completed prior to the relocation.
- (4) The residents should participate in the formation of livelihood programs.



Batangas Port (Parking in the Port is now possible after its expansion)



Relocation Site , Baleta



Relocation Site , Sico