Meta Analysis of Ex-Post Evaluation Reports
by Country and Sector

Country Review Report

Philippines

Final Report

January 2003

This country review report (China) was complied and analyzed by Global Group 21 Japan at the request of Development Assistance Operations Evaluation Office, Project Development Department of the Japan Bank for International Cooperation (JBIC).

Foreword

This analyses ex-post evaluation reports (henceforth, evaluation report) for 65 projects to the Philippines by the Japan Bank for International Cooperation (JBIC).

In order to improve the quality of aid projects in developing countries, JBIC has conducted ex-post evaluations of completed projects. Ex-post project evaluation is the assessment of how a project was implemented and administrated in contrast with initial plans, and whether the expected results were realized after completion of the project. The ex-post evaluations are conducted with two goals in mind. The first is to compile the lessons learned from the project evaluations, and use the lessons in the implementation of future projects. The second goal is to improve transparency of aid projects, and to increase the accountability for people both in Japan and the borrowing countries through disclosure of evaluation results.

The goal of this review is to create an overview of the performance of completed the projects to the Philippines using ex-post evaluation reports, to analyze the data to determine the cumulative effect of the Japanese ODA loan projects to the Philippines and to derive possible lessons or recommendations for future ODA loan projects. In addition, by reviewing and studying the evaluation indices, it is hoped that reference material for future appraisals, administration and evaluations will be provided.

This report consists of four chapters. The first chapter outlines all projects in the Philippines as well as the 65 projects to the Philippines analyzed in this report. Chapter two establishes a framework for the analysis, and chapter three analyzes the performance of 65 projects based on the evaluation reports. Chapter four presents the comprehensive results of the analysis, and offers lessons learned and recommendations for future projects to the Philippines.

The performance analysis is performed through the establishment and analysis of five primary criteria broken down into 23 evaluation check criteria.

Table of Contents

1. Economic and social trends in the Philippines

1.1 Politics, economy, and society[1]

(1) Politics

The Marcos regime in the Philippines began in 1965 and lasted for approximately 20 years, followed in 1986 by the forming of the Aquino administration through the "People Power" revolution. Although the country experienced political and economic confusion following the revolution, a relatively stable democratic government began to take shape in the early 1990s. The Ramos administration (1992-98), in particular, strongly promoted national reconciliation through peace negotiations with rebel groups (right-wing nationalists, communists, and southern Muslims), and was able to achieve the domestic political stability that had been greatly desired by the Philippines. The subsequent Estrada administration succeeded temporarily in establishing a stable administrative base with the ruling party taking over the reins of the Congress; however, in mid-1999, support for the administration suddenly declined and in January of 2001, the current president, Arroyo, was inaugurated. President Arroyo's main policies are poverty reduction, the establishment of political ethics by eliminating corruption, and national harmony through peace negotiations with rebel groups.

Administration changes following the Marcos regime have been as follows:

1965	President Marcos inaugurated (1972: declaration of martial law)
1986	February revolution resulted in President Aquino's inauguration, Marcos' exile
1992	President Ramos inaugurated
1998	President Estrada inaugurated
2001	President Arroyo inaugurated

(2) Economy

The Marcos presidency embarked upon export-oriented industrialization in the 1970's through efforts such as proactively introducing foreign capital, but due to such factors as the oil crisis, economic growth in the Philippines remained among the lowest in the ASEAN countries. In the 1980's, in addition to high interest rates internationally and the global recession following the oil crisis, there was an international balance of payments crisis due to political instability and capital flight. At the end of the Marcos regime the economy was devastated.

Economic activity recovered during the Aquino administration in the latter half of 1986

[1] Content in this chapter is based on the Ministry of Foreign Affairs' Country Assistance Plan.

through an increase in prices for primary products, a drop in the price of crude oil, and a capital reflux from abroad. However, the 1990's ushered in a period of adjustment that included a deterioration in trade terms and a recession in the United States. The Ramos administration actively promoted reforms such as deregulation, privatization, restrictions on monopolies, trade and investment liberalization, and tax reform, and worked toward export-led growth through the introduction of foreign capital. In 1995, through these policies, the country was able to achieve a per capita GNP of US$1000, an objective stated in the Medium-Term Development Plan (1993-1998).

The impact of the Asian economic crisis following July of 1997, while not as great as in Indonesia and other neighboring countries, did extend to the Philippines. With the major decline in the value of the Peso, the worsening of the fiscal balance, and the increasingly apparent failures in direct investment, the 1998 real GDP growth rate set the record for worst negative growth since 1991. In 1999, however, with a recovery in agricultural production thanks to improved weather conditions as well as good conditions in the manufacturing sector, the GDP growth rate increased to 3.4%. In 2000 as well, the GDP growth rate achieved a 4.0% increase, supported by major growth in the manufacturing industry, along with good consumer spending and exports. In 2001, the GDP recorded increases of 3.2% in the first quarter, and 3.3% in the second quarter, for a first half increase of 3.3%, recording positive growth during a time when the Japanese and U.S. economies were stagnant and many Asian countries were suffering dull growth.

However, the Arroyo administration was navigating difficult waters as it faced such economic concerns as a fiscal deficit, a reduction in trade surplus due to the deceleration of the U.S. economy and the overall stagnation in Southeast Asia, and a drop in value of the Peso and a failure to increase investments because of civil unrest.

(3) Constraints on development

There are two main constraints on development inherent to the Philippines: the existence of rebel groups and the frequent occurrence of natural disasters. Although the existence of the Communist and Islamic rebel groups has remained an obstacle to national reconciliation and civil safety, and has restricted growth, peace negotiations between the government and these groups have been discontinued. Meanwhile, due to geographic conditions, the Philippines are hit every year by typhoons, and suffer significant damage as a result. Earthquakes also frequently occur in this region.

Table 1-1: Shift in key indicators

	1985	1990	1996	1997	1998	1999	2000
Real GDP (bn Peso)	572	721	849	893	888	918	955
Real GDP growth rate (10%)	-7.3	3.0	5.8	5.2	-0.6	3.4	4.0
Per capita nominal GDP (US$)	562	715	1,152	1,120	867	992	953
Unemployment rate (%)	7.1	8.1	7.4	7.9	9.6	9.4	10.1
Domestic investment rate (%)	14.3	24.2	24.0	24.8	20.3	18.8	17.8
Domestic savings rate (%)	18.8	18.7	14.6	14.2	12.4	14.3	16.5
Current account balance (% of GDP)	-0.3	-5.8	-4.8	-5.3	2.4	9.2	12.5
Fiscal balance (% of GDP)	-2.0	-3.7	0.3	0.0	-1.9	-3.8	-4.2
External debt (% of GDP)	86.7	69.0	48.5	55.5	73.3	68.3	69.7
Rate of increase in consumer price index (%)	23.4	13.2	9.1	5.9	9.7	6.7	4.4
Exchange rate (Peso/US$)	18.6	24.3	26.2	29.5	40.9	39.1	44.2
Population (million)	54.7	62.0	71.9	73.5	75.2	76.8	78.4
Population growth rate (%)	2.4	3.2	2.3	2.2	2.3	2.1	2.1

Note: Real GDP figures shown at 1985 values.
Figures for 2000 are provisional.
Source: ADB

1.2 National development plan

The Medium-Term Philippine Development Plan in the Philippines was drawn up as the blueprint for the national development plan. The development plans and their central issues from 1967 to 1998 were as follows[2]:

Marcos regime

- Four-year Economic Plan (1967-'70) — increase in employment opportunities, development of infrastructure, development of mining and manufacturing
- 2nd Four-year Economic Plan ('71-'74) — same as above
- 3rd Four-year Economic Plan ('72-'75) — increase in employment opportunities, fair income distribution, regional development
- Four-year Development Plan ('74-'77) — increase in employment opportunities, regional development, agricultural reform and economic growth
- Philippines Five-year Development Plan ('78-'82) — food self-sufficiency, increase in employment opportunities, economic growth

[2] Reference was made to the JICA Second Philippines Country Assistance Research Committee Report (March 1994) for the history of changes in the development plans.

• Philippines Five-year Development Plan ('83-'87)	promotion of economic growth and human resource development
• Revised Philippines Development Policy ('84-'87)	economic reform (currency stabilization, monetary-tightening)
Aquino administration	
• Medium-Term Philippine Development Plan ('87-'92)	poverty reduction, productive job creation, social justice
• Revision of the same policy ('88-'92)	emphasis on industry
• Revision of the same policy ('90-'92)	stabilization of the economy
Ramos administration	
• New Medium-Term Philippine Development Plan ('93-'98)	strengthening of industrial base and improvement of quality of life

The development plans during the Marcos regime emphasized the importance of promoting exports, and particular importance was placed on stimulating domestic demand and developing import-substitution policies. The final revised plan of the administration ('84-'87), however, was drawn up during reschedule negotiations with IMF as a result of the financial crisis, and became an austere economic plan, the main purpose of which was economic structural adjustment. The Aquino administration's Medium-Term Philippine Development Plan ('87-'92) that followed focused on recovery from the economic slump resulting from the confusion at the end of the Marcos regime, and changed the direction from economic tightening policies to a policy of growth. However, in the midst of the macroeconomic imbalance resulting from deterioration in the domestic and foreign environment due to the Northern Luzon Earthquake and the Gulf War, this plan was also revised in 1989 and its focus shifted from economic growth to structural reform. The New Medium-Term Philippine Development Plan ('93-98) under the Ramos administration aimed, as did plans during the Aquino administration, at poverty reduction, correcting inequalities, increasing productive employment, and sustainable economic growth. It also aimed to strengthen the macroeconomic structural adjustment policy established by the Aquino administration, as well as to achieve high growth through economic efficiency by such methods as utilizing private sector vitality.

The current plan is the Medium-Term Philippine Development Plan ('99-2004) announced in September 1999, under which the goal is to achieve "sustainable development and growth with social equity" compiled mainly by the National Economic Development Authority (NEDA) under the Estrada administration. Under that plan, the percentage of poor households dropped from 40.2% in 1988 to 32.1% in 1997. However, the breakdown showed that, compared with a drastic reduction from 21.6% to 7.1% in the metropolitan area, poverty in the rural areas was

only slightly reduced, from 46.3% to 44.4% and income distribution ratios show that income distribution to the lower levels is decreasing. Therefore, this administration is targeting the reduction of poverty (especially in rural areas) and improvement in redistribution of income, while it continues to focus on its central goal, "sustainable development and growth with social equity" with increased market activity and liberalization. To this end, the administration is focusing on such means as accelerating rural development for agricultural modernization, providing basic social services such as education, health care, welfare, and housing to the socially vulnerable, developing sustainable infrastructure, promoting international competition policies, and achieving macroeconomic stabilization and improvement in governance.

In January of 2001, the plan was reviewed with the change in political power from the Estrada administration to the Arroyo administration, and was revised as the Medium-Term Philippine Development Plan (2001-'04). This plan has the same priorities and objectives as the poverty reduction policy of the administration, with the following central points:

- Macroeconomic stabilization and sustainable economic growth
- Creation of employment opportunities
- Social development and human resource development
- Assistance for the socially vulnerable
- Rural development
- Promotion of competition in manufacturing and service industries
- Promotion of tourism
- Promotion of government and private sector cooperation
- Elimination of the digital divide
- Correction of regional disparities
- Urban development
- Maintaining public order and Mindanao development
- Improvement in governance

2. The Japanese ODA loan projects to the Philippines

2.1 Loan conditions for the Philippines

Table 2-1 shows the cumulative figures of project Japanese ODA loan projects to the Philippines by sector as of the end of September 2001. Of the total 244 projects (based on number of loan agreements totaling 1.86 trillion yen, 20 were commodity loans totaling 374.8 billion yen, and 224 were project loans totaling 1.49 trillion yen. Target sectors for project loans covered a wide range of sectors such as infrastructure, manufacturing sectors, and social services, but the highest percentage of projects were in the transportation sector, representing 43% of the total project loans. Within the transportation sector, roads represented, both in number of projects and in total amount, the largest percentage, followed by railways and ports. Outside the transportation sector, many loans were provided for projects in gas and electricity (19%) and irrigation, flood control, and reclamation (12%). A large percentage was allocated for economic infrastructure, such as electricity and communications, with the total amount targeting these three sectors representing 73% of the total project loans.

2.2 Priority areas of assistance to the Philippines

According to the Ministry of Foreign Affairs' Country Assistance Program, the following four areas are priority areas for assistance: (1) enhancement of the economic system for sustainable growth and overcoming factors that restrict growth, (2) poverty reduction and correction of regional disparities, (3) environmental conservation and disaster prevention, and (4) human resource development and system creation. These priorities were based on discussions between the Economic Comprehensive Survey Group (dispatched to the Philippines in March of 1999) and the Philippine government regarding development issues and medium-to-long term economic cooperation.

JBIC is also providing assistance with a principle focus on these four areas. According to the Country Specific Work Implementation Policy by JBIC, specific priority action items for each area are as follows:

(1) Enhancement of the economic system for sustainable growth and overcoming factors that restrict growth
- improvements to the economic infrastructure
- enhancement of the industrial structure (development of supporting industries)

(2) Poverty reduction and correction of regional disparities
- modernization of agriculture and fisheries
- elementary and secondary education
- improvement in basic living conditions

(3) Environmental conservation and disaster prevention

- environmental conservation
- disaster prevention measures
- cooperation on social sector (basic human needs (BHN))

(4) Human resource development and system creation

- occupational training
- higher education
- creation of an “e-Government”

Table 2-1: Cumulative yen loans to the Philippines by sector (as of September 2001)

Type of industry	Number of projects	Approved loan amount (million yen)	Composition ratio (%)	Composition ratio within loans (%)
Transportation	96	641,283	34.5	43.2
Roads	44	271,264	14.6	18.3
Bridges	6	25,774	1.4	1.7
Railways	13	125,141	6.7	8.4
Airports	8	68,939	3.7	4.6
Ports	16	81,836	4.4	5.5
Maritime transportation	8	62,919	3.4	4.2
Other	1	5,410	0.3	0.4
Mining and Manufacturing	10	137,845	7.4	9.3
Manufacturing	9	133,817	7.2	9.0
Other	1	4,028	0.2	0.3
Social services	26	132,403	7.1	8.9
Education	5	42,507	2.3	2.9
Strengthening of administrative management	1	4,986	0.3	0.3
Water supply, sewerage, and sanitation	14	52,630	2.8	3.5
Environmental conservation in multisector	1	3,201	0.2	0.2
Urban/rural community infrastructure	5	29,079	1.6	2.0
Telecommunications	11	45,074	2.4	3.0
Electric power and gas	29	280,787	15.1	18.9
Transmission lines and distribution systems	13	116,160	6.2	7.8
Power plants	14	158,058	8.5	10.6
Other	2	6,569	0.4	0.4
Agriculture, forestry and fisheries	13	71,631	3.8	4.8
Agriculture	8	47,764	2.6	3.2
Forestry	1	9,294	0.5	0.6
Fisheries	4	14,573	0.8	1.0
Irrigation and flood control	38	174,723	9.4	11.8
Other	1	2,000	0.1	0.1
Project loan total	224	1,485,746	79.9	100.0
Commodity loans, etc.	0	374,810	20.1	
Total	244	1,860,556	100.0	

3. Performance Analysis

3.1 Outline of projects under review

The projects reviewed in this report are the 65 Philippine Japanese ODA loan projects that have undergone a follow-up evaluation, up to and including FY2001. A table listing the project name, sector, sub-sector, date of loan agreement (L/A), construction period, and the year of evaluation of all of the projects under review has been included in an appendix.

The 65 total projects are divided by sector as follows: 30 transportation projects, 10 irrigation, flood control projects, 8 electric power and gas projects, 8 social services projects, 4 mining and manufacturing projects, 3 agriculture, forestry and fisheries projects, and 2 telecommunications projects. The 15 road projects represent half of the total transportation sector projects followed by ports and railways (Table 3-1).

By year, loan agreements in the first half of the 1980's represent approximately one third of the total or 21 projects, followed by the latter half of the 1980's (14 projects), and the latter half of the 1990's (13 projects) (Table 3-2).

Table 3-1: Project numbers by sector

Sector	Number of projects	Sector	Number of projects
Transportation	**30**	**Social services**	**8**
Marine transportation	3	Education	2
Airports	2	Strengthening of administrative management	1
Ports	5		
Railways	4	Water, supply, sewerage, and sanitation	4
Roads	15		
Other	1	Urban/rural community infrastructure	1
Telecommunications	**2**	**Mining and manufacturing**	**4**
Electric power and gas	**8**	**Agriculture, forestry and fisheries**	**3**
Transmission lines	3	Agriculture	2
Power plants	5	Fisheries	1
		Irrigation, flood control	**10**
		Total	**65**

Table 3-2: Number of projects by date

Dates	Number of projects
1970-1974	5
1975-1979	12
1980-1984	21
1985-1989	14
1990-1994	13
Total	65

Note: Based on date of loan approval (the earliest in cases of multiple loan agreements).

3.2 Analysis of the five primary evaluation criteria

This section presents the analysis of the performance of each project, based on the ex-post evaluation report. The five evaluation criteria make up the framework of the analysis. Analysis is based on the Principles for Evaluation of Development Assistance adopted in 1991 by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). The five criteria are the relevance, efficiency, effectiveness, impact, and sustainability of the plan. In order to undertake a detailed evaluation of the plan, the above-mentioned five criteria have been again divided as in Table 3-2 into subordinate levels called Evaluation check items (23 in total). Following that, verification of each evaluation check criterion was conducted based on information recorded in the evaluation reports, and a performance analysis was conducted.

Table 3-2: The Five Evaluation Check Criteria and Evaluation Check Items

Project Relevance	Does the goal and the approach to the project match the priorities and policies of the target group, counterpart country and the donor?
A1. Consistency with Development Policy and Priority Issues	Do the project goals and overall goals of this project match the development policies (including the national policy and master plan) and priority issues of the country or region in question?
A2. Relevance of Project Scope	Was the project plan (scope and approach) at the time of appraisal judged appropriate to achieve the overall and project goals?
A3. Relevance of Project Scope Alteration	In cases where project scope was altered after the project was implemented, were the alterations relevant?
A4. Relevance of Project Goals at the Time of Evaluation	In cases where terms and conditions were altered after the planning stage, are the project goals still valid at the present?
Efficiency of Implementation	Was the input appropriate and achieved as planned in terms of quality, quantity and timing? Was the method used the most efficient in regard to output?
B1. Completeness of Output	Was the output (project results) completed as planned?
B2. Implementation Schedule Efficiency	Were there any problems in the project that caused the implementation schedule to exceed original plans?
B3. Project Cost Efficiency	Were there any problems in the project that caused the project costs to exceed original plans?
B4. Project Implementation System	Was the system appropriate for decision-making, monitoring and troubleshooting during the project?
Effectiveness	Achievement of Project Purpose. To what extent did the project output achieve its purpose?
C1. Output Utilization	Is the output (project results) being used adequately? (Determined primarily using the operation indicators. In cases where there is no planned value, sufficiency will be determined using absolute values.)
C2. Project Goal Realization	Was the direct effectiveness of the project sufficiently realized, and was the project goal sufficiently achieved? (Determined primarily using the effect indicators. When there is no planned value, sufficiency will be determined using absolute values)
C3. Achievement of EIRR	Is the Economic Internal Rate of Return sufficient when compared with initial project values?
C4.Effect of Technical Assistance	Were the training and technological instruction component effects sufficiently realized?
Impact	Was the intended overall goal of the project achieved? Direct, indirect and subordinate results in terms of technical, economical, socio-cultural, institutional and environmental aspects.

D1. Contribution to Overall Goal Achievement	To what level were the original overall goals of the plan achieved, and to what extent did the project contribute to their realization.
D2. Impact on Policy and Institutional System	What impact did the project have upon development policy of the country in question and the institutional system of the sector in question? Was the impact positive or negative?
D3. Socio-Economic Impact	What kind of impact was there on the regional society and economy? Was the impact positive or negative?
D4. Impact on Technology	What contribution did the project make to technological innovation and improvement in the country in question?
D5. Impact on Natural Environment	What impact was there on the regional environment? Was the impact positive or negative?
D6. Resident Relocation and Land Acquisition	What impact was there on regional society in terms of resident relocation and land acquisition?
Sustainability	After completion of aid, to what extent will the agencies and organizations of the counterpart country be able to sustain the output and effects of the project?
E1. Output Condition	Is the output (project results) being maintained and operated appropriately? Is facility in good condition?
E2. Operation and Maintenance System	Are the systems, human resources (quality and quantity), work procedures (manuals) technology, maintenance facilities and equipment, and stock and procurement of spare parts for operation and maintenance sufficient?
E3. Financial Resources for Operation and Maintenance	Are sufficient financial resources available for appropriate operation and maintenance? Are those resources expected to remain available in the future?
E4. Continuation of Needs	Is it expected that need for the project will continue in the future?
E5. External Factors	What external factors will have a major effect on project effects and sustainability (environment, politics, policy, institutional systems, market, other related projects, etc.)? Is it expected that positive factors can be maintained in the future?

3.2.1 Project Relevance

In the text, the words “plan” and “objective” each refer to the initial plan and the objectives of the initial plan (in principal, at the time of appraisal); however, in cases where project revisions were approved during the implementation of the project, they refer to the revised plan and objectives. This definition will be used throughout the remainder of this document.

(1) Consistency with development policy and priority issues

The majority of the 65 projects were deemed as having been satisfactorily relevant to the governmental development policies or priority development issues. In judging their relevance, they were broadly divided into the following types:

1) Projects that were consistent with priority development sectors listed in the six-year Medium-Term Philippine Development Plan, particularly projects in the roads, ports, and transportation sectors.
2) Projects that fit with the established development plans for each sector, e.g. irrigation, electric power.
3) Projects that targeted poverty issues, a long-standing priority development issue in the Philippines, in particular urban and rural income disparity correction. Projects with rural sites in each sector are relevant.

Note that even for projects in which mention is not made of relevance to top development policies and priority issues, it is possible to speculate a high degree of relevance to development policies, judging from their connection to similar projects.

(2) Relevance of Project Scope

Although relevance of project scope was indeterminable for approximately half of the projects due to a lack of sufficient information, where judgment was possible, it was decided that for many projects the initial plan sufficiently reflected needs and external conditions.

However, problems with the initial plans of several projects created adverse effects on project implementation and effectiveness. In the case of three power plant construction projects, preliminary studies were insufficient, making major revisions to the project scope at the implementation phase unavoidable. For example, it appears that during the feasibility study (F/S) conducted by National Power Corporation (NPC) for the Palinpinon II Geothermal Project, the underwater cable route was determined based solely on the shortest distance without surveying the sea floor terrain nor the currents. As a result, the route was changed considerably upon a detailed study conducted by a consulting service following the start of the

project, resulting in a request for additional funding.

It should be noted here that, while it is possible to interpret major revisions to project scope during the implementation phase to be the result of insufficient study during the planning stage of the project, this report does not necessarily do so. In other words, it is not surprising that differences will exist between study accuracy and external conditions from the time of the initial study and the detailed design at implementation stage. For this reason, it is likely that there will often be changes to the plan during the detailed design phase.

(3) Relevance of project scope alternations

While there were some type of revisions made to the plans of more than 70 percent of the projects, most revisions were relevant. The major reasons for the revisions were: 1) the geographical and technical conditions of the location and the needs of the beneficiary became clear at the detailed design stage, and 2) revisions were made in response to natural disasters, policy changes, changes in societal and economic conditions, etc. that were unforeseeable during the planning stage. The latter includes projects whose scope had to be reduced due to inflation and a lack of government funds in the Philippines[3].

(4) Relevance of project goals at the time of evaluation

There were no projects for which the relevance of project objectives had greatly diminished at the time of evaluation. However, there are a small number of projects for which there was some concern about relevance.

One of those is the Mactan (CEBU) International Airport Development Project. During the implementation of the project, aviation demand was expected to greatly increase, but the actual number of passengers fell below the estimates. The evaluation followed on the heels of the Asian economic crisis, and as demand trends were largely dependent on external conditions such as the economic recovery of surrounding Asian countries, the situation was largely unavoidable. Furthermore, in the Leyte Industrial Estate Port Development Project, few companies had moved into the industrial park at the time of evaluation and only one company was using the port facilities.

[3] e.g. Nationwide Information-Education Dissemination Project.

3.2.2. Efficiency of Implementation

(1) Completeness of output

In approximately 80% of the projects, output was attained as planned at the time of evaluation, excluding those projects that were still under construction due to construction delays. In the remaining 20% of the projects, output was not attained as planned. The main reasons are listed below:

1) Insufficient domestic funding

A shortage of domestic funds in the Philippine government caused some output to be curtailed. Cases include two projects in the road sector[4] and the Flood Control Dredging Project in the Pampanga, Bicol and Cotabaco River Basins. In the Flood Control Project, the ships and equipment for dredging were procured according to plan, but the dredging has not happened as planned due to budget shortfalls.

2) Failure to acquire land

Due to an inability to acquire land as planned, sections of unfinished construction remained in the Metro Manila Radial Road No.10 and Related Roads Project (Stage I) and the Metro Manila Circumferential Road No.5 and Radial Road No.4 Construction Project, diminishing project results.

(2) Implementation schedule efficiency

Construction delays occurred in many projects, with half of the 65 projects experiencing delays in excess of three years. Delays occurred in nearly all sectors, but are most evident in the transportation sector and the irrigation, flood control, and reclamation sector. The main reasons for delays in the 32 projects that fell more than three years behind schedule are as follows (the total number of projects exceeds 32 because in some cases a project was delayed for multiple reasons):

- Plan revisions: 12 projects
- Natural disasters (typhoon, earthquake), adverse weather conditions: 12 projects
- Difficulties in land acquisition, relocating residents: 11 projects
- Delays in bidding tender and procurement procedures: 8 projects

[4] West and Northwest Leyte Road Improvement Project and Metro Manila Circumferential Road No.5 and Radial Road No.4 Construction Project.

- Deterioration in civil conditions: 6 projects
- Insufficient domestic funding: 6 projects
- Delays accompanying change in government and change in policy: 4 projects
- Problems with competency of implementing agency and contractors: 4 projects

For delays resulting from plan revisions[5], delays were prone to increase as facility construction sites were added[6] and as project scope continued to be revised. Projects in sectors such as railways, roads, and irrigation that were affected by typhoon damage (10 projects) were the most striking of the projects affected by natural disaster and in these cases projects were either interrupted or required more time to repair damaged facilities. Furthermore, there were a significant number of road sector projects[7] in the greater capital metropolitan area in which major construction delays resulted from longer than expected land acquisition processes.

(3) Project cost efficiency

Although in slightly more than half of the projects, the project costs (total project costs denominated in foreign currency) fell within the projected costs or had overruns of 10% or less[8], the remaining half of the projects overran project costs by more than 10%. While there are a few projects in the first group whose scope was drastically reduced in order to avoid project cost overruns[9], the efficiency of project costs has been determined to be low in those cases. Construction projects for roads and power plants seemed to have a relatively low efficiency.

The main reasons for project cost overruns were, 1) additional construction due to plan revisions, and 2) a steep rise in the cost of construction materials. An extremely high number of cases saw cost overruns due to additional construction because of scope revisions during implementation. Since construction material prices increased significantly, projects for which the project implementation timeframe was extended because of construction delays experienced even greater project costs.

(4) Project implementation system

Evaluation of the project implementation system was by and large unfavorable. Only

---

[5] Refer to 3.2.1 (3) Relevance of plan revisions (p.22) for the reasons for plan revisions.
[6] e.g. The Fishing Ports Project (Package 1) and Fishing Ports Development Project.
[7] e.g. Metro Manila Circumferential Road No.5 and Radial Road No.4 Construction Project, Metro Manila Urban Transportation Project, Metro Manila Interchange Construction Project(II).
[8] As the Philippine currency, the peso, drastically depreciates against the yen, despite major domestic currency overruns, the scale of overruns in the total amount in foreign currency tends to be smaller.
[9] Because the number of vehicles procured for the Nationwide Information-Education Dissemination Project was reduced, project outcome was also curbed. For Calaca II Coal-Fired Thermal Power Plant Project, the scope was reduced due to a large overrun in project costs, and additional loans were provided to compensate.

one-third of all projects had appropriate ("overall good") implementation systems, approximately 30% of projects had some areas of concern, and 10% of projects were criticized for having problems. There was no comment about the system evaluation for the remaining projects in the project evaluation reports.

The most criticized problem areas of the project implementation system were, 1) problems in the competency of the agencies implementing projects and 2) competency (technical and fiscal) of the contractors. However, in some sectors trends were different. In the roads sector, the evaluation of the implementation agency (organizations that fall under the Department of Public Works and Highways or related organizations) was extremely high, but the contractor's performance was extremely poor, and three projects ended in cancelled contracts[10]. Meanwhile, in the case of two industry projects[11], a power plant, and an agricultural project[12], there was a problem with the competency (insufficient staff experience, technology, and morals of the implementing agency that diminished the efficiency of the project.

[10] Metro Manila Radial Road No.10 and Related Roads Project (Stage I), Circumferential Road No.3 Construction Project and Philippine-Japan Friendship Highway Improvement Project (II).
[11] Bataan Export Processing Zone Project (1), Export Industry Modernization Project.
[12] Tongonan Geothermal Power Plant Construction Project and Expanded Seed Production and Distribution Project (1) (11), respectively.

3.2.3 Effectiveness

(1) Output utilization

Based on operational indicators, the output of 29 projects, or slightly less than half of the total 65 projects, was deemed to have been utilized to a satisfactory degree, while for 18 projects the output was seen as having been somewhat, but not fully utilized. There were 10 projects for which a determination based on the information in the project evaluation report was difficult. There were 8 projects whose output utilization was far lower than planned, and they are dispersed widely as follows: one port project, two railway projects, one industrial project, one improvement of administration functions project, one communications project, one power plant project, and one irrigation, flood control, and reclamation project. The reasons for low utilization include: 1) insufficient maintenance expenditures for facilities and equipment due to lack of funding, 2) low operation rates due to frequent breakdowns arising from insufficient maintenance, and 3) low utilization rates due a smaller than estimated demand increases.

With respect to the two railway projects, project objectives were not sufficiently attained because trains did not operate as planned[13]. This was due to reasons such as revisions to project scope owing to squatter problems near the tracks and insufficient maintenance of the procured railcars. In addition to these two projects, output utilization conditions in the railroad sector projects were poor overall. Furthermore, in projects in both the ports and irrigation sectors dredging was the objective, but in both cases, due to lack of operational funding, the utilization of the procured and maintained dredging ships was very poor, hindering the attainment of the expected outcomes[14].

(2) Project goal realization

The degree of project goal attainment was ascertained by the performance of outcome indicators as well as the qualitative remarks in the project evaluation report. While project goals were almost completely attained for two-thirds of all projects, other projects had some type of problem and did not sufficiently attain the project goals.

There were four projects with particularly low attainment levels, one each in the railways, industrial, strengthening of administrative management, and irrigation and flood control sectors. Each had extremely low output utilization and that is seen to have hindered the attainment of project goals.

The project goal of the Philippine National Railways Commuter Service Project (I) (II) was

[13] Improvement and Modernization of Commuter Line South Project and Philippine National Railways Commuter Service Project (I) (II).

[14] Harbor Maintenance Dredging Project (I) (II) and Flood Control Dredging Project in the Pampanga, Bicol and Cotabaco River Basins (I) (II), respectively.

to deal with the increase in commuter transportation demand in metropolitan Manila by adding new railcars and by constructing a railcar inspection base, as well as to provide an inexpensive means of commuting to relocated residents arising from a relocation policy to move inner-city squatters (illegal residents) to outside the city. However, as previously mentioned, the utilization of the railcars was poor and the level of goal attainment was low (no data related to utilization of railways by slum residents was provided).

In the Bataan Export Processing Zone Project (I), the project goal was industrial promotion through the construction of an export-processing zone, but there were few tenant companies (approximately one-third of the planned figure), and the level of goal attainment was low. In this case, however, during the follow-up project, the Bataan Export Processing Zone Project (II), processing zone infrastructure was improved and management consulting was carried out with respect to management and operations, and these efforts resulted in an increase the number of tenant companies as well as a major improvement in the level of goal attainment. Despite the fact that the external environment during the project implementation period was not conducive[15], in light of the fact that satisfactory results were achieved in the end, this project is a success story in terms of goal attainment since the follow-up project fully compensated for the inadequacies of the previous project.

The project goal of the Meteorological Telecommunication System Development Project was to effectively distribute weather information and to expedite warnings to citizens by upgrading the meteorological telecommunication system, thus reducing the damage caused by typhoons and monsoons. However, the telecommunication system that was set up suffered from interference problems with the cellular communications system, resulting in extremely inefficient data acquisition, and in fact, was not a reliable system. At the time of evaluation, however, adjustments had been made between the NTC (National Telecommunications Commission) and the cellular communications companies, resulting in a resolution to almost all interference problems. Due to these adjustments, data acquisition efficiency of the meteorological system seems as though it will continue to improve.

By repairing dredging ships, purchasing new dredging ships and adding supplemental ships as part of the river development program, the Flood Control Dredging Project in the Pampanga, Bicol and Cotabaco River Basins (I) (II), aimed at the reduction of flood damage through dredging. However, as mentioned in the previous section, budget shortfalls resulted in the actual dredging falling far short of the planned work levels (less than 30%), making it

[15] In the beginning of the 1980's the country experienced difficulties such as 1) a flattening of the economic growth rate, 2) a worsening of international balance of payments caused by an export slump and import growth, and 3) an increase in cumulative foreign debt. In 1983, President Aquino was assassinated, followed by the political turmoil witnessed in 1986.

difficult to attain the objective.

(3) Achievement of IRR

An IRR (economic internal return rate (EIRR) or financial internal return rate (FIRR)) is recorded for nearly half of all projects.

In most cases, there were no actual recalculated values at evaluation time that were far below the planned values, however, there were three projects (each 1 project for railways, urban/rural community infrastructure, and irrigation and flood control) for which the actual IRR was extremely low, at equal to or less than 30% of the planned value[16].

In the case of the Revitalization of Main Line South Project, the FIRR at the time of planning was projected on passenger proceeds at 7.9%, but by the time of evaluation, yearly operating costs exceeded operating income for the Main Line South and as a result, a meaningful actual FIRR was unobtainable.

In the Metro Cebu Development Project (II), in order to improve the Metro Cebu area's city service national highways were expanded and new roads were constructed, a new north terminal was built, the public market was expanded and developed, and the waste processing system was upgraded. However, due to low utilization of the north bus terminal, the actual FIRR fell far below the planned value.

The objective of the Small Water Impounding Management Project was to build a small dam and develop a variety of uses of the water resources such as flood control, irrigation, daily water supply, power generation, and prevention of soil erosion. However, at the evaluation time, the EIRR calculated solely on the benefits of irrigation based on crop yields and per-unit costs was a negative value. Reports stated, however, that if cultivation efficiency had been improved, or if factors such as the flood control impact had been accounted for in the calculations, a higher EIRR could have been expected.

(4) Effect of Technical assistance

Approximately 70% of all projects either did not include training or technical instruction in their scope or did not mention such results. For the remainder, technology transfer was deemed to have effectively taken place in approximately two-thirds of the projects. Particular recognition was given to the effects of skills training conducted by consultants to their counterparts.

Meanwhile, it was pointed out that in some cases employees following the training, changed jobs or were moved to a different section where the obtained skills were not fully

[16] For example, if the planned EIRR was 20%, the actual value was less than 6.0%.

utilized. For example, in The Flood Forecasting Systems Project (I) (II), although eleven employees of the implementing agency (the Philippines Meteorological Agency) had received training in Japan, eight of them had left their jobs at the time of evaluation.

3.2.4 Impact

(1) Contribution to overall goal achievement

Contribution was evaluated from two perspectives: the degree to which goals were achieved, and how the projects contributed to their achievement. However, in just over half of the projects, goals were not clearly established, or the degree of contribution or relevance of the project results to the goal was difficult to ascertain.

For the majority of the remaining projects, a high degree of contribution to the achievement of the goals was observed, particularly in the road, water supply, sewerage and sanitation, and power plant sectors. However, the degree of contribution to the goals was deemed to be low for two projects: the Bataan Export Processing Zone Project (I), and the Flood Control Dredging Project in the Pampanga, Bicol and Cotabaco River Basins (I) (II). As noted in the above “Achievement of project goals” section, neither of these projects sufficiently achieved the project goals themselves, and therefore the degree of contribution to the goals was also low. However, as previously mentioned, for the Bataan Export Processing Zone Project (I), since the follow-up project did achieve the project goals, the goals were also achieved to a considerable degree.

(2) Impact on policy and Institutional systems

There were very few project evaluation reports that noted an impact on policy and organization systems. In fact, only 10% of the 65 projects, or six projects, noted such an impact. In each case a positive impact was reported.

In the Metro-Manila Urban Transport Improvement Project, the recommendations and improvement strategies listed in the BASU Administration Improvement Report, compiled by a consultant as part of the project, were used by the Department of Transportation and Communications in traffic administration. Additionally, the ASEAN-Japan Development Fund for the Republic of the Philippines Category B and the Irrigation Operations Support Project were both projects in which one of the aims was to strengthen the target organization (the former the Joint Agricultural Cooperative, the latter the Water Users Association), and in the case of both projects, the operational system of the organization and the profitability were both enhanced.

(3) Socio-economic Impact

Social-economic impacts were noted in the evaluation reports of less than half of all projects. In addition, the cause and effect relationship between project implementation and impact was not fully explained, and there are many statements that did not lend themselves to

conjecture.

In projects for which there was some notation, every case indicated a positive impact. There were relatively plentiful examples of impact in the reports of projects in the maritime transportation, roads, and water supply, sewerage and sanitation sectors. However, negative impacts were not reported (note, as impacts related to resident relocation and land acquisition are noted in another section, they were not included here).

Chief examples of impacts are as follows:

1) Job development

Many projects reported that one of the results was the creation of new jobs. For many, jobs were created as a result of industry and tourism development promotion[17].

2) Improvement of access to social services, public services

Access to public facilities such as schools and hospitals was improved through mainly rural transportation sector projects[18]. Furthermore, secure access to safe water was assured through the water supply and sewerage projects[19].

3) Acquisition of foreign currency

Reports regarding the airport and fisheries industries sectors indicated that there were projects that had direct foreign currency earnings in the form of facility use fees, and projects that achieved foreign currency acquisition by promoting industry or increasing exports[20].

4) Lifestyle changes

The water supply, sewerage, and sanitation sector projects freed residents from the burden of drawing water thereby giving them more time, and allowing them to spend their time on other productive activities[21].

5) Changes in human relationships within the local community

---

[17] e.g. Philippine-Japan Friendship Highway Ferry Service Project, Metro Manila Urban Transportation Project, and The Fishing Ports Project (Package 1) / Fishing Ports Development Project.

[18] Feeder Ports Program, Philippine-Japan Friendship Highway Rehabilitation Project.

[19] Rural Water Supply Project (I) (II) (III), Provincial Cities Water Supply Project.

[20] Air Navigation Facilities Modernization Project and Nationwide Air Navigation Facilities Modernization Project (II), Mactan (Cebu) International Airport Development Project, The Fishing Ports Project (Package 1) and Fishing Ports Development Project.

[21] Rural Water Supply Project (I) (II) (III).

Through the small-scale finance projects[22] of the two-step loans to farmers via agricultural cooperatives, farmers were able to borrow money without hesitation, making it easy to procure equipment and materials, and giving them great peace of mind. The rural financial system of this project had the impact of transforming the kinds of human relationships found in the community, from being blood-relative centered to being local-community centered. In addition, the electrification projects that targeted depressed areas contributed to the creation of a local community by getting local residents involved in joint activities to receive the power supply[23].

6) Other

In the port rehabilitation projects, the industry around the ports was revitalized. In the transportation sector projects, improved access to public transportation promoted tourism development.

(4) Impact of technology

The target for evaluation here was technological impacts outside the scope of the project. It was surmised that many of the projects had some form of technological transfer or the transfer of know-how, but there were few follow-up evaluation reports where this was made clear, only about 10% of the total.

In the irrigation and flood control sector projects, a comparatively large number of examples indicated a favorable technological impact. For example, in the Flood Forecasting Systems Project and the Flood Forecasting and Warning System for Dam Operation Project (I) (II), technological training was regularly conducted at related agencies, and technology transfer was conducted mutually with every agency through on-the-job-training. In addition, project implementation itself served as a good opportunity to improve the skills and technology of employees from each agency through interaction with other related agencies.

(5) Impact on natural environmental

Approximately one-third of all projects reported some form of environmental impact. Seventy percent of those reported either no particular negative impact or a positive impact on the environment.

Through the Maritime Safety Improvement Project lighthouses were either newly built or repaired, improving navigation safety. As a result, accidents such as tankers running ashore

[22] ASEAN-Japan Development Fund for the Republic of the Philippines Category B.
[23] Metro Manila Depressed Area Electrification Project.

decreased, and this is deemed to have had an indirect positive effect on the environment. Traffic flow became smoother as a result of the Metro Manila road projects[24], resulting in reduced automobile pollutant emissions. Also, through the Small Water Impounding Management Project, farmers benefiting from the project became aware of the importance of managing water resource, deemed a positive effect in terms of environmental awareness.

In the Calaca II Coal-Fired Thermal Power Plant Project, after the bad aftertaste left behind from the environmental pollution problems that occurred during the operation of Plant 1, there was opposition from the local residents toward the building of Plant 2. However, with the implementation of various environmental measures that aimed at reducing the amount of flying coal dust, preventing noise pollution, preventing atmospheric pollution, and improving monitoring, the situation was largely improved[25].

Meanwhile, there were also some projects in which negative impacts were pointed out. Those impacts, however, were either areas of concern that existed previously and were not currently observable, or were impacts of a very slight degree.

In the Bataan Export Processing Zone Project (I) (II), operational problems at the wastewater treatment and solid waste treatment facilities raised concerns that if the number of tenant companies and/or workers increases in the future, environmental problems will be unavoidable.

(6) Resident relocation and land acquisition

Projects in which resident resettlement and land acquisition occurred, noted by the follow-up evaluation reports, were mainly found in the transportation sector, including ports, railways, and roads. This occurred in 19 projects or just less than 30% of all projects. Four projects reported that land acquisition was involved but it was not particularly a problem, and five projects reported that while it caused construction delays, the issue was eventually resolved. There were 10 projects for which the project scope had to be revised since the issue could not be resolved. Four of the projects in which the problem could not be resolved and the scope had to be revised were Metro Manila road projects, and the problem was dealt with by changing the route[26].

In the Batangas Port Development Project, although the procedures for resident

[24] e.g. Metro Manila Radial Road No.10 and Related Roads Project (Stage I), Circumferential Road No.3 Construction Project, Metro Manila Roads Pavement Improvement Project.

[25] However, it should be noted that according to a third-party evaluation, room for improvement still remains in the systems for monitoring atmospheric pollutant sources and the environment.

[26] Metro Manila Radial Road No.10 and Related Roads Project (Stage I), Circumferential Road No.3 Construction Project, Metro Manila Circumferential Road No.5 and Radial Road No.4 Construction Project, and Metro Manila Urban Transportation Project.

resettlement were done in compliance with the law, agreements were not reached with some residents and their houses were forcibly demolished resulting in some injuries. Since the houses were demolished without notification to the Japanese side, the ODA loans were temporarily frozen. Following that, the number of households consenting to resettlement was increased through efforts made by the Philippine government, and loans were resumed. Relocated resident support road rehabilitation was also added to the project scope.

Problems with squatters in some areas were unresolved in the Improvement and Modernization of Commuter Line South Project, resulting in exclusion of those areas from the project.

The overall impact of the 10 Metro Manila road sector ODA loan projects was evaluated in detail. The Metro Manila Radial Road No.10 and Related Roads Project (Stage I) is one project in which case studies were conducted on four areas in which resident relocation occurred. Through the study, it became clear that despite the great amount of efforts made by the Philippine government, the following problems occurred:

- Transparency of the relocation process was not necessarily preserved. Many (residents) were unhappy with the treatment they received from officials. This depended on the methods used, as it was legally permissible for demolition to be undertaken either with or without residents' consent, and whether or not there was agreement on the part of parties involved about the new residences. This problem was particularly serious in the case of squatters.
- There were some occasions in which the new residences were not ready on time. The relocated residents were very concerned about the availability of electricity and water, the proximity of schools, and the availability of medical services. There were many cases in which the new residences were not ready until relocated residents formed a group to put pressure on the authorities concerned. The government must deal with challenges such as the existence of professional squatters, the lack of funding, and coordination with existing plans.
- Squatters who had no way to find a job or make a living at the new residence were sometimes forced to sell their ownership or right to use the new residence and move out. Support for the relocation process was insufficient.
- Compensation for legal residents was insufficient. There were many cases in which the amount of compensation was far below the market rate.

3.2.5 Sustainability

(1) Output condition

Of all the projects, only a quarter had a satisfactory current state of output (physical situation), and many had some type of problem. Among those, eight projects were determined to be in a particularly serious situation, with the following breakdown by sector: irrigation and flood control (3 projects), railways (2 projects), roads (1 project), manufacturing (1 project) and power plants (1 project).

In the case of the three irrigation and flood control projects, the operations and maintenance activities were poor; thus the equipment and facilities did not achieve their full potential[27]. In the case of the Manila and Suburbs Flood Control and Drainage Project and the Nationwide Flood Control Dredging Project (Telemetering Portion), large amounts of garbage dumped by squatters accumulated in the drainage area of the rivers, drainage canals and the pump station's flood control reservoir, and blocked the downstream flow capacity, with operation and maintenance unable to cope. This was a result of unresolved typical urban problems such as population, housing, and garbage, and was not a problem that could have been solved by the operations and maintenance systems of this project.

In one of the two railway projects, the Philippine National Railways Commuter Service Project (Phase I) and Philippine National Railways Commuter Service Project (Phase III, Stage I) it was determined that the railcar conditions were not good as a result of poor upgrading, operations, and maintenance. However, in the case of the Improvement and Modernization of Commuter Line South Project, ground subsidence was occurring and the road bed facilities were being degraded because squatters dumped waste water on the tracks in the project implementation area and were illegally collecting and selling ballast. These problems would also be difficult to solve through the project alone.

Aside from these issues, other sustainability problems existed, such as railways with damage remaining from typhoons[28].

(2) Operation and maintenance system

Thirty percent of the projects were judged to have good operation and maintenance systems, 40% of projects had areas of concern or problems, and 30% of projects did not provide sufficient information from which to make a determination. While the operation and maintenance system in the roads and manufacturing sectors was relatively good, numerous

[27] Cagayan Integrated Agricultural Development Project, and Flood Control Dredging Project in the Pampanga, Bicol and Cotabaco River Basins (I) (II) in addition to the exemplified projects.

[28] Ilocos Norte Rural Road Improvement Project.

problems were pointed out with respect to the systems of the railways, and water supply, sewerage, and sanitation sectors.

In the case of four railway projects[29], each project's operation and maintenance was adversely affected by a lack of skills on the part of the national railway employees, insufficient workers, and low morals. These problems were the result of insufficient budget.

In the Rural Water Supply Project (I) (II), organizational strengthening of the water association in charge of implementing operation and maintenance fell behind schedule, and training of the person(s) in charge was also insufficient.

Meanwhile, the Ilocos Norte Irrigation Project (Stage 1) is an example of a project for which the operation and maintenance system was functioning extremely smoothly. The Maintenance Division of the Irrigation Project Work Office managed the irrigation facilities, and staffed five water works with water facility engineers, as well as managed the personnel at the water gates and irrigation associations. "Zanjeras" a local traditional irrigation cooperative system, was still being utilized and the facilities were being effectively maintained.

(3) Financial resources for operation and maintenance

Less than 20% of the total projects were deemed to have had established a sufficient budget for future operation and maintenance. Nearly 30% of projects had some cause for concern with respect to financial resources, just over 20% clearly had problems, and the remaining 30% did not provide enough information with which to make a determination.

The projects that were criticized for having particularly serious problems are the same four railway projects that were mentioned in the previous section. The Philippine national railway, the primary organization of the project, continued to run at a deficit and operating revenue was not even able to cover personnel costs. In addition, the government was planning a cut in subsidies to the national railway.

In water supply and irrigation projects[30], the budget was supposed to be able to cover the operation and maintenance by collecting fees from the benefiting citizens and farmers, but since the collection rate was low, the project ran into problems with insufficient budget.

It should be noted that in the Bataan Export Processing Zone Project, as a result of the fact that the number of tenant companies fell far beneath the plan, the operation agency EPZA (Export Processing Zone Agency) fell into a fiscal crisis and was unable to pay funds for operation management fees. However, as a result of implementing a follow-up project, the

[29] Railcar Maintenance Depot Construction Project, Revitalization of Main Line South Project, Improvement and Modernization of Commuter Line South Project, and Philippine National Railways Commuter Service Project (Phase I) and Philippine National Railways Commuter Service Project (Phase III, Stage I).
[30] Rural Water Supply Project (III), Small Water Impounding Management Project, and Irrigation Operations Support Project.

number of tenant companies dramatically increased, solving the problem.

(4) Continuation of needs

Approximately half of the projects have been deemed as being needed on an on-going basis. In approximately 10% of the projects, it was determined that there was no ongoing need for those projects. The remaining projects did not provide sufficient information for analysis.

At the time of evaluation, structural problems were seen in the external environment supporting the continuity of need for the Subic Ship Repair Yard Project (E-S) and an improvement could not be expected in the near future. Those problems included: a global maritime transportation slump and a slump in shipbuilding resulting in fewer repaired ships, excessive competition in the dockyard industry resulting in orders at low prices, and a decrease in the number of foreign ships entering Philippine ports as a result of a depression in trade.

(5) External factors

Of the projects under review, close to 40% commented in particular about external factors such as policy, natural conditions, social and economic environment, and related projects, and most noted conditions that were favorable for project outcome.

In the education sector projects[31], budgetary measures and policies continued to be in line with the project content, and in the Metro Manila road maintenance projects[32], assistance from other donors was combined with the project so that an improvement in project outcome could be expected.

Meanwhile, there were some negative external factors as far as the projects were concerned. For example, in railway projects, as mentioned previously, there was a trend of the government cutting subsidy monies to the national railway, and in the Metro Manila sector projects, trouble in land acquisition caused a bottleneck that had not yet been solved.

[31] Elementary Education Project, Nationwide Information-Education Dissemination Project.
[32] Metro Manila Urban Transportation Project, Metro Manila Roads Pavement Improvement Project, and Metro Manila Interchange Construction Project (I) (II).

3.3 Issues specific to the Philippines

When evaluating the ODA loan projects to the Philippines, particular attention should be given to factors inherent to the country such as natural disasters and civil unrest. This section will offer an overview of such issues and will study the types of impact they have on the projects.

(1) Geographical conditions and the frequent occurrence of natural disasters

The Philippines is an island nation comprising approximately 7000 islands. Eleven of those are major islands. In addition, it is the country with the largest number of volcanoes in the world, and a region in which earthquakes frequently occur. Moreover, the Visayan Islands and Luzon Island are in the path of typhoons and suffer extensive damage every year from heavy rains, severe storms, flooding, and landslides. These types of natural disasters damage facilities that are under construction or that have been completed, and there are many occasions in which the implementation of a project falls behind because of damage repair.

(2) Civil unrest issues

In the Philippines, the main rebel groups are divided into the Islamic (Muslim) rebel groups and the communist insurgents.

Among the Muslim rebel groups, a Final Peace Agreement was signed between the Philippine government and the Moro National Liberation Front (MNLF) in September 1996, and development assistance in southwestern Mindanao was conducted by Japan and other assisting agencies. However, movements by some of the previous MNLF soldiers still represent a potential destabilizing factor. Official peace negotiations have been started with the rebel group the Moro Islamic Liberation Front (MILF), following those with the MNLF, but violent conflict has not necessarily come to an end. Furthermore, the extreme Islamic fundamentalist group Abu Sayyaf (ASG) is also continuing activities mainly in western Mindanao. At the same time, peace negotiations between the communist insurgents and the Philippine government have come to a halt, but the government looking at a future policy of pushing forward negotiations with armed groups in each region. Although communism is on the decline worldwide and internal fighting is also waning, both remain obstacles to national harmony and civil safety.

These types of civil unrest issues arising from anti-government guerrillas in regions where projects are being carried out are major factors impeding the smooth implementation of such projects.

(3) Impact on Projects

Table 3-4 is a summary of the evaluated projects that were impacted by natural disasters and civil unrest. In light of the fact that 17 of the total 65 projects were impacted in some way, these types of problems clearly represent major obstacles when implementing projects in the Philippines. In addition to the impact of unrest caused by rebel groups, general civil safety issues are also included in the list.

Natural disasters such as typhoons, floods, or earthquakes impacted fourteen projects. In most cases, construction was interrupted or additional construction became necessary, resulting in construction delays, and in some cases, the delays led to an increase in project costs. There were some instances in which the facilities that were built under the project were damaged by the natural disaster, and since there wasn't a sufficient budget or system for operations and maintenance, repairs could not be made expeditiously, and the project impact was diminished.

Most of the 10 projects in which construction delays were caused by civil unrest were projects targeting rural sites. Interference with construction caused delays in many instances, and in some cases civil unrest led to a termination of the contractor's agreement. There were also situations in which during construction or following the completion of a project, facilities or equipment were broken or stolen.

Table 3-4: Impact of natural disasters and civil unrest

Project name	Sector	Natural disaster	Civil unrest	Damage incurred
Philippine-Japan Friendship Highway Ferry Service Project	Maritime transportation	x	x	• A port that was built by the project was damaged by a typhoon and has not been repaired. • The ferry company that is operating the ferry is afraid of doing business due to worsening civil conditions.
Leyte Industrial Estate Port Development Project	Ports and harbors	x		• Part of the paving on the berth was damaged by a typhoon.
Feeder Ports Program	Ports and harbors	x		• Project was halted and construction delays occurred due to typhoon damage.
Revitalization of Main Line South Project	Railways	x		• Construction delays due to implementation of additional work as a result of typhoon damage. • Passengers, cargo decreased as a result of typhoon damage.
Ilocos Norte Rural Road Improvement Project	Roads	x	x	• Restoration of flood damage caused by typhoon was added to project scope. • Construction delays and increase in project costs due to typhoon damage and worsening civil conditions (raids by the New People's Army and by gangs of robbers). • Immediately following completion of roads targeted by project, flooding due to typhoon damaged roads.
West And Northwest Leyte Road Improvement Project (I) (II)	Roads	x	x	• Construction delays due to typhoon damage. • Dissolution of contract with the contractor for part of construction section after discussions regarding worsening civil conditions.
Disaster Prevention and Rehabilitation Project (Philippine-Japan Friendship Highway and Naguilian Road)	Roads	x	x	• Major construction delays due to typhoon damage and civil unrest.
Philippine-Japan Friendship Highway Improvement Project (II)	Roads		x	• Performance of the local consultant was poor, resulting in a broken contract and major construction delays. An underlying reason was that quality foreign companies did not bid on the job due to poor civil conditions in that area.
Philippine-Japan Friendship Highway Rehabilitation Project	Roads	x	x	• Scope changes, construction delays, and project cost overruns resulted from earthquake damage.
Meteorological Telecommunication System Development Project	Improvement of administration functions	x		• Construction delays as a result of plan revisions necessitated by damage from a major typhoon (Dec. '94).
Rural Water Supply Project (III)	Water, sewerage, and sanitation	x	x	• Major construction delays resulted from earthquake and worsening civil conditions.
Rural Telecommunication Development Project (Regions I and II)	Communications	x	x	• Construction delays due to worsening civil conditions in the targeted area. • Loss of equipment due to natural disasters, worsening civil conditions.
Cagayan Valley Electrification Project Cagayan Valley Rural Electrification Project	Power transmission lines	x		• As a result of the Oct. '82 typhoon 26 power poles were toppled and were still being repaired at the time of evaluation.
Mindanao Transmission Line Project (Butuan-Bislig-Manat)	Power transmission lines		x	• Construction delays due to civil unrest.
Ilocos Norte Irrigation Project (Stage 1)	Irrigation, flood control, and reclamation	x		• Construction delays due to typhoon damage.
Cagayan Integrated Agricultural Development Project	Irrigation, flood control, and reclamation		x	• Major construction delays as a result of interference by anti-government guerillas.

The Flood Forecasting Systems Project Flood Forecasting and Warning System for Dam Operation Project (I) (II)	Irrigation, flood control, and reclamation	x		• Construction delays due to typhoon damage. • Damage to equipment from typhoons and flooding. • Damage to equipment because of vandalism or burglary. • Difficulties in maintenance due to frequent appearances of guerillas at the precipitation station.

4. Conclusions

4.1 Performance analysis overview

(1) Summary

The majority of the 65 projects conducted in the Philippines for which ex-post evaluation was carried out demonstrated positive effects. In general, project planning was deemed highly relevant, and project effect developed as expected. In particular, most projects had achieved their objectives to a significant extent, with projects judged not to have reached their goals amounting to a small minority.

On the down side, there were difficulties with regard to sustainability and implementation efficiency for a number of projects, rooted in obstacles that tend to limit the development process in the Philippines in general such as natural disasters, public security, and political instability, all of which are external factors beyond the reach of project control.

No clear trends can be observed in analysis by sector. Transportation project, however, generally performed well (with the exception of the railway sector) while the percentage of problematic railway; water supply / sewage /sanitation; irrigation / flood control; and reclamation projects were slightly high. For projects demonstrating less than satisfactory performance, some difficulties were resolved by follow-up projects.

The following is a summary of performance analysis for projects reviewed, broken down into five major evaluation criteria.

(2) Relevance

Relevance is the category for which, among the five, the least number of problems have been found, with no projects deemed to have any conflict with their overall goal or with national development issues. Projects carried out in the Philippines were found to have been formulated based on medium-term development plans and sector-based development planes.

Project scope was altered for a number of projects. Though most of the alteration were relevant to project objectives, in some cases, particularly electric power station construction, the alteration stemmed from inadequate feasibility studies at the preliminary appraisal stage. It has to be noted that level of survey precision on project details as well as external conditions may differ between feasibility study stage and implementation stages; therefore it is not appropriate to assert that the survey at the project planning stage was inadequate based solely on the fact that the project had to be altered.

(3) Efficiency

The most significant problem observed related to projects carried out in the Philippines was the delay in construction period. Construction periods for the majority of projects reviewed were extended,

with half incurring a significant delay of more than three years. There were numerous reasons for these delays, with a number of cases affected by modifications made to project plans, natural disasters, public security, land acquisition, and difficulties with procurement procedures on the Philippine side. The construction period extension also led to increases in project costs. Although delays occurred in nearly all sectors, the transportation as well as irrigation/flood control/reclamation sectors were most severely affected.

(4) Effectiveness

Project objectives were deemed to have been satisfactorily achieved for many projects, and with out-put and facility/service usage substantial, ODA loan projects in the Philippines are considered effective. However, based on the IRR, a substantial number of projects did not meet planning stage targets in terms of economic and financial viability. A case was noted in which the first phase of an industrial development project attracted a disappointing one-third of the number of companies established as the target during the planning stages. However, in a successful example of project implementation, this number increased ---far exceeding targets--- under a follow-up project, which incorporated the use of management consulting services on infrastructure development and management/operations issues.

(5) Impact

Socio-economically positive impact is acknowledged with regarded to relatively large number of projects, while other impact was rarely described explicity on reports to the effect that impact entails indirect effects beyond direct project objectives. Examples of economic impact reported included employment creation ---as a product of the promotion of industry and tourism--- and acquisition of foreign currency. In the social sphere, impact took the form of improved access to public services such as hospitals and schools; reduced labor burden leading to restructuring of daily activity schedules; changes in relationships within the community, and so on. The instance of such reports was particularly high with regard to the road, shipping, and water supply/sewage/sanitation sectors.

One-third of projects surveyed reported environmental impacts, and either some positive impact or the absence of negative impact was reported in 70% of cases. The incidence of sunken ships, for instance, has declined with improved safety measures, and the alleviation of traffic congestion in the capital area has resulted in reduced vehicle pollutants emissions.

There were a total of 15 projects where project scope had to be altered or construction period significantly extended due to stumbling blocks related to land acquisition and relocation of residents. Four of these projects were road projects in the Metro Manila area, with each involving modification of the routes originally planned. Other scenarios involved problems related to relocation of residents for port and railway projects.

(6) Sustainability

All sectors entailed problems with sustainability, in particular the railway; water supply/sewage/ sanitation; irrigation/flood control/reclamation sectors.

Due to inadequate maintenance and operations, three-fourths of the projects surveyed involved physical limitations on output, with many reports pointing to inadequacies in revenue sources and budget for operations and maintenance, which led to a situation where facility operations, rehabilitation, and maintenances could not be property carried out to constraints on staff and spare parts. While there were many instances where the maintenance and operations structure was inadequate due to budgetary limitations, on the flip side, where budget was properly secured, no problems were reported in the area of operations and maintenance.

Among projects carried out in the capital area, those that failed to address city-wide problems such as illegal settlers and garbage issues, in addition to the operations and maintenances structure issues, in some cases did not achieve the extent of impact desired.

4.2 Lessons Learned / Recommendations

(1) Continuous assistance to priority sectors, with a long-term view

In a case where an industrial development project failed, a follow-up project was implemented until original project objectives were achieved; similarly by providing continuous assistance to specific regions or sectors, it is possible to promote the desired project effect. The majority of projects implemented so far have been consistent with developing plans in the Philippines, and therefore highly relevant. However, it is recommended that sector and region-based development assistance will be furthered, from a long-term standpoint, in closer conjunction with other donors. Additionally, future sector planning strategies and management consulting for the related parties should be considered for integration into consulting services in order to ensure sustainability.

(2) Thorough consideration of risk factors such as land acquisition and natural disaster

Projects in the Philippines have been significantly affected by problems with land acquisition (particularly in the capital area), with natural disasters, and, especially in rural areas, with public security. These issues, which constitute intractable risk factors beyond of the control of project-related parties, are linked to dramatic review in project scope, delays in the construction period, and cost increases. In particular, relocation issues stemming from land acquisition have escalated into social problems in some cases, which may result, inevitably, in fatal damage to the projects. In efforts to cope with these types of risks, project-related parties should hold joint discussions, beginning with the formulation and project planning stages, on strategies to both avoid potential problems as well as to handle issues which may arise. Lessons gleaned from past projects should be incorporated at this stage.

A typical illustration of these complicated issues can be observed with regard to flood control and drainage projects in the capital region, in that difficulties stemming from garbage collection problems and/or illegal squatters, and so on, cannot be solved through the efforts of project personnel alone. Solutions such as treating the issues as a comprehensive set of urban problems, and in so doing enlisting the assistance of the Philippine side, along with the implementation of a range of complementary projects to reduce the magnitude of obstacles, should be considered.

(3) Secure allocation of operation and maintenance budget

Projects in the Philippines generally exhibit problems related to operations and maintenance, with the main source of difficulty being lack of budget. In many cases, this lack of budget has served to weaken the structure of the operations and management agency itself. Among these, there are instance where the agency is highly dependent on the government for financial assistance due to perpetual deficit, as well as cases where usage fees are not properly collected from users.

In order to resolve problems related to lack of budget, organizational reforms to enable a more

efficient operational structure, as well as the establishment of methodology designed to accurately measure required budget levels, are required. Also, it is believed that incorporation of the use of consulting services and/or SAF would effectively contribute to the formulation of a setup to secure operations and maintenance budget.

Reviewed Projects (the Philippines)

Project Name	Sector	L/A
POWER PLANT BARGE PROJECT	Electric power and gas	Feb-79~ Sep-83
TONGONAN GEOTHERMAL POWER PLANT CONSTRUCTION PROJECT	Electric power and gas	Jun-80
SOUTHERN NEGROS GEOTHERMAL DEVELOPMENT PROJECT	Electric power and gas	Jun-81
CALACA II COAL-FIRED THERMAL POWER PLANT PROJECT	Electric power and gas	Sep-87~Dec-94
PALINPINON II GEOTHERMAL PROJECT	Electric power and gas	May-89~ Jan-93
CAGAYAN VALLEY ELECTRIFICATION PROJECT	Electric power and gas	Nov-74~ Jan-78
MINDANAO TRANSMISSION LINE PROJECT (BUTUAN-BISLIG-MANAT)	Electric power and gas	Jun-81
METR0 MANILA DEPRESSED AREA ELECTRIFICATI0N PR0JECT	Electric power and gas	Jun-90
PHILIPPINE-JAPAN FRIENDSHIP HIGHWAY AND ITS RELATED ROADS IMPROVEMENT PROJECT	Transportation	Mar-76
MANILA NORTH ROAD IMPROVEMENT PROJECT (ROSARIO-LAOAG SECTION)	Transportation	Nov-78
ILOCOS NORTE RURAL ROAD IMPROVEMENT PROJECT	Transportation	Jun-80
PHILIPPINE-JAPAN FRIENDSHIP HIGHWAY LOAN PROJECT (II) (LAOAG-ALLOCAPAN SECTION)	Transportation	Jun-81
METRO MANILA TRAFFIC ENGINEERING AND MANAGEMENT PROJECT	Transportation	May-82
WEST LEYTE ROADS AND NORTH-WEST LEYTE ROADS IMPROVEMENT PROJECT	Transportation	Sep-83~ May-89
METRO MANILA RADIAL ROAD NO.10 AND RELATED ROADS PROJECT (STAGE I)	Transportation	Sep-83
CIRCUMFERENTIAL ROAD NO.3 CONSTRUCTION PROJECT	Transportation	May-86
METRO MANILA CIRCUMFERENTIAL ROAD NO.5 AND RADIAL ROAD NO.4 CONSTRUCTION PROJECT	Transportation	Jan-88
PHILIPPINE-JAPAN FRIENDSHIP HIGHWAY REHABILITATION PROJECT	Transportation	May-88
METRO MANILA URBAN TRANSPORTATION PROJECT	Transportation	May-89
REGIONAL TOURISM DEVELOPMENT ROADS PROJECT	Transportation	May-89
METRO MANILA INTERCHANGE CONSTRUCTION PROJECT	Transportation	Feb-90~Jul-91
DISASTER PREVENTION AND REHABILITATION PROJECT (PHILIPPINE-JAPAN FRIENDSHIP HIGHWAY AND NAGUILIAN ROAD)	Transportation	Feb-90
METRO MANILA ROADS PAVEMENT IMPROVEMENT PROJECT	Transportation	Jul-91
PHILIPPINE NATIONAL RAILWAYS COMMUTER SERVICE PROJECT (PHASE I)	Transportation	Apr-74~Jan-78
RAILCAR MAINTENANCE DEPOT CONSTRUCTION PROJECT	Transportation	Sep-83
REVITALIZATION OF MAIN LINE SOUTH PROJECT	Transportation	May-89
IMPROVEMENT AND MODERNIZATION OF COMMUTER LINE SOUTH PROJECT	Transportation	Jul-91
AIR NAVIGATION FACILITIES MODERNIZATION PROJECT	Transportation	Nov-78~ May-86
MACTAN(CEBU) INTERNATIONAL AIRPORT DEVELOPMENT PROJECT	Transportation	Jul-91
HARBOR MAINTENANCE DREDGING PROJECT	Transportation	Jan-78~ Nov-78

Project Name	Sector	L/A
PORT CARGO HANDLING EQUIPMENT EXPANSION PROJECT	Transportation	Jun-80
LEYTE INDUSTRIAL ESTATE PORT DEVELOPMENT PROJECT	Transportation	Jun-81
FEEDER PORTS PROGRAM	Transportation	Jan-88
BATANGAS PORT DEVELOPMENT PROJECT	Transportation	Jul-91
SUBIC SHIP REPAIR YARD PROJECT (E-S)	Transportation	Sep-77~ Mar-79
PHILIPPINE-JAPAN FRIENDSHIP HIGHWAY FERRY SERVICE PROJECT	Transportation	Jan-78
MARITIME SAFETY IMPROVEMENT PROJECT	Transportation	Jul-91
METRO-MANILA URBAN TRANSPORT IMPROVEMENT PROJECT	Transportation	Jun-80
MAIL DISTRIBUTION EQUIPMENT EXPANSION PROJECT	Telecommunications	Jun-80
RURAL TELECOMMUNICATION DEVELOPMENT PROJECT (REGIONS I AND II)	Telecommunications	Jun-81
MANILA AND SUBURBS FLOOD CONTROL AND DRAINAGE PROJECT	Irrigation and flood control	Mar-73~ Sep-75
RIVER DREDGING PROJECT	Irrigation and flood control	Aug-74~Nov-78
CAGAYAN INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT	Irrigation and flood control	Apr-77
FLOOD FORECASTING AND WARNING SYSTEM FOR DAM OPERATION PROJECT	Irrigation and flood control	Jan-78
ILOCOS NORTE IRRIGATION PROJECT (STAGE 1)	Irrigation and flood control	Jun-81
FLOOD FORECASTING AND WARNING SYSTEM FOR DAM OPERATION PROJECT	Irrigation and flood control	May-82~ May-86
NATIONWIDE FLOOD CONTROL DREDGING PROJECT (TELEMETERING PORTION)	Irrigation and flood control	Sep-83
BOHOL IRRIGATION PROJECT	Irrigation and flood control	Sep-83
METRO MANILA FLOOD CONTROL PROJECT (II)	Irrigation and flood control	Jan-88
SMALL WATER IMPOUNDING MANAGEMENT PROJECT	Irrigation and flood control	Jan-88
IRRIGATION OPERATIONS SUPPORT PROJECT	Irrigation and flood control	May-89
EXPANDED SEED PRODUCTION AND DISTRIBUTION PROJECT	Agriculture, Forestry and Fisheries	Sep-73~ Nov-78
ASEAN-JAPAN DEVELOPMENT FUND FOR THE REPUBLIC OF THE PHILIPPINES CATEGORY B	Agriculture, Forestry and Fisheries	Mar-92
THE FISHING PORTS PROJECT (PACKAGE 1)	Agriculture, Forestry and Fisheries	Nov-78~ May-82
BATAAN EXPORT PROCESSING ZONE PROJECT	Mining and Manufacturing	Sep-75
EXPORT INDUSTRY MODERNIZATION PROJECT	Mining and Manufacturing	Jun-80
BATAAN EXPORT PROCESSING ZONE PROJECT (II)	Mining and Manufacturing	May-84
ASEAN-JAPAN DEVELOPMENT FUND FOR THE REPUBLIC OF THE PHILIPPINES CATEGORY B	Mining and Manufacturing	Jun-91~ Dec-94
RURAL WATER SUPPLY PROJECT	Social services	Nov-78
RURAL WATER SUPPLY PROJECT (II)	Social services	Jun-80
RURAL WATER SUPPLY PROJECT (III)	Social services	May-86
PROVINCIAL CITIES WATER SUPPLY PROJECT	Social services	Jan-88~ May-92

Project Name	Sector	L/A
NATIONWIDE INFORMATION-EDUCATION DISSEMINATION PROJECT	Social services	Jun-80
ELEMENTARY EDUCATION PROJECT	Social services	Jul-91
METRO CEBU DEVELOPMENT PROJECT (II)	Social services	Feb-90
METEOROLOGICAL TELECOMMUNICATION SYSTEM DEVELOPMENT PROJECT	Social services	Feb-90

The first Loan agreement year/month and the last Loan agreement year/month are described for multi-phased projects, etc.