

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The project is supporting the Government of the Philippines to meet its infrastructure development objectives. The Asian Development Bank (ADB) is providing a loan of \$100 million from its ordinary capital resources. The government is contributing counterpart funding of \$64.06 million, bringing the total project cost to \$164.04 million. The project became effective on 1 February 2018 and the loan closing date is 30 June 2022. The Department of Finance (DOF) is the executing agency, while the Department of Transportation (DOTr) and the Department of Public Works and Highways (DPWH) are the implementing agencies. Department of Transportation (DOTr) and the Department of Public Works and Highways (DPWH) are the implementing agencies. Department of Transportation (DOTr) and the Department of Public Works and Highways (DPWH) are the implementing agencies.

2. The project is composed of four outputs: (i) road and bridge projects prepared; (ii) water projects prepared; (iii) rail, public transport, port, and airport projects prepared; and (iv) project development management systems improved. The DPWH is implementing outputs 1 and 2. The allocation of the loan is \$23.00 million for output 1 and \$28.25 million for output 2. The DOTr is implementing output 3 with an allocation of \$25.54 million. Output 4 will provide support to both the DOTr and DPWH and is allocated \$3.60 million. The unallocated amount is \$19.61 million.

B. Performance of the Project

3. Following the approval of the project on 27 October 2017 by the ADB Board of Directors, the current project became effective on 1 February 2018. The current project is performing well based on the following assessment:

- (i) **Delivery of expected outputs.** On behalf of the government, ADB recruited the facilities' three framework consultants for outputs 1, 2, and 3, which enabled the DOTr and DPWH to sign contracts within 2 months after loan effectiveness on 1 February 2018. Shortly after they were mobilized, the project consulting firms helped the government agencies select projects and plan their preparation. As a result of this review, the government decided to focus on large projects, which benefit most from the access provided by the project to international expertise. Project preparation activities are ongoing under the consultants' contracts;
- (ii) **Satisfactory implementation progress.** The project is progressing as scheduled. For output 1, eight subprojects were identified by the consultant and approved by the DPWH for further study. Four subprojects will undergo feasibility study preparation, with completion expected by April 2020. For output 2, flood risk management master plans for six river basins have been conducted. The draft feasibility studies were initiated and are expected to be completed by December 2019. For output 3, seven project preparation activities under the consultant contract are being conducted. Output 4 has no activities because the government is utilizing separate technical assistance provided by ADB to develop capacity for the project preparation activities (TA Grant).¹ Individual consultants engaged through the TA and ADB staff consultants have so far provided much-needed technical support for both departments in implementing project activities. In

¹ ADB. 2017. *Technical Assistance to the Republic of the Philippines for Strengthening Infrastructure Capacity and Innovation for Inclusive Growth*. Manila.

addition, various capacity building programs for DPWH staff have been initiated and are ongoing in 2019, with funding from the TA. As of 30 June 2019, cumulative contract awards were \$77.09 million (77.09% of total loan amount) and disbursements were \$11.76 million (11.76% of the total loan amount) against an elapsed time of 33.0%;

- (iii) **Satisfactory compliance with safeguard policy requirements.** The project focus is on improving public system management and providing consulting services to support in the preparation of infrastructure projects for the DOTr and DPWH. As such, it is not expected to have any direct adverse social and environmental impacts or to impact indigenous peoples. The current project category is C for environment, involuntary resettlement, and indigenous peoples;
- (iv) **Successful management of risks.** The project has implementing measures to manage risks. The DPWH has an established project management office to oversee the day-to-day implementation of the project. The DOTr has a project management unit under the undersecretary for planning. In addition, the DOTr has formed project-specific management units for three rail projects and the New Cebu International Container Port. Efforts are being made to form a separate PMU for other subprojects. At a high level, the project's steering committee—composed of ADB, the Department of Budget Management, DOF, DOTr, DPWH, and National Economic and Development Authority—meets regularly to discuss project progress and implementation issues, jointly identify solutions, and agree on the next steps. The committee has already met twice in 2019 (in March and June);
- (v) **On track rating.** The current project's performance rating has been *on track* since effectiveness, except for a period in the second quarter of 2019 when the rating was *potential problem* because of low disbursements. Measures to accelerate the disbursement were undertaken by DOTr to return the project performance rating to *on track* status at the end of the second quarter of 2019;
- (vi) **Project midterm review.** A midterm review was conducted from 5 to 13 June 2019 to assess compliance with loan covenants; review project progress; and discuss the institutional, administrative, and technical aspects of the projects. ADB, the DOF, DOTr, and DPWH agreed to update the project's procurement and contract awards and disbursements projections to reflect current realities and agreed actions; and
- (vii) **Reallocation of loan proceeds.** The DOF has requested ADB to reallocate the entire \$19.61 million unallocated portion of the loan to outputs 1 and 3. The steering committee authorized this reallocation on 1 March 2019. An additional \$10 million will be allocated to output 1 to enable the DPWH to fund essential project preparation activities for the priority projects, including engaging a new consultant for the detailed design of the Metro Manila bridges. A total of \$9.61 million will be allocated to the DOTr to fund additional project preparatory activities.

C. Conclusion

4. Overall, the project is performing well, and additional financing is warranted. The project is eligible for additional financing. The current project and proposed additional financing are consistent with the current country operations business plan.² The proposed additional financing will enable planned activities for identified priority projects to proceed and assist the Government of the Philippines to meet its infrastructure development objectives.

² ADB. 2018. *Country Operations Business Plan: Philippines, 2019–2021*. Manila.