1. Project Data

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>P079935</td>
<td>PH- Natl Rds Improv. &amp; Mgt Ph.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Practice Area(Lead)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Transport &amp; ICT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>L/C/TF Number(s)</th>
<th>Closing Date (Original)</th>
<th>Total Project Cost (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD-75520</td>
<td>31-Dec-2012</td>
<td>576,020,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank Approval Date</th>
<th>Closing Date (Actual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-May-2008</td>
<td>31-Dec-2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IBRD/IDA (USD)</th>
<th>Grants (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>232,000,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>232,000,000.00</td>
<td>0.00</td>
</tr>
<tr>
<td>186,698,535.48</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Prepared by
Kavita Mathur

Reviewed by
Vibecke Dixon

ICR Review Coordinator
Christopher David Nelson

Group
IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Program goal was “the establishment of road management arrangements which ensure the upgrading and preservation of the National Road System (NRS) in an environmentally, socially and financially sustainable manner” (Project Appraisal Document (PAD) para 12).

The project constitutes the second phase of the Program. The project development objective (PDO) for Phase 2 was “to assist the Borrower in improving operation, organizational effectiveness and fiduciary control in the management and financing of the national road system, to enhance road user satisfaction in the project area and to improve efficiency in the use of financial resources in the road sector” (Loan
Revised PDO: To improve the condition of the national roads network and management effectiveness of the Department of Public Works and Highways (DPWH) at the national and local level (Restructuring Paper December 12, 2014).

b. Were the project objectives/key associated outcome targets revised during implementation?
   Yes

Did the Board approve the revised objectives/key associated outcome targets?
   Yes

Date of Board Approval
   12-Dec-2014

c. Will a split evaluation be undertaken?
   Yes

d. Components

Component 1. National Road Improvement and Asset Preservation (appraisal estimate US$519.3 million; actual cost US$421.75 million).

- National Road Improvement (appraisal estimate US$238.5 million; actual cost US$168.96 million). This included works and services for road upgrading, rehabilitation and widening, bridge replacement, and landslide rehabilitation, totaling approximately 450 km of roads and about 1,000 m bridges on the arterial National Road Network.

- Road Asset Preservation (appraisal estimate US$280.8 million; actual cost US$252.79 million). Preservation works on the National Road System (NRS) including: (i) long-term performance-based maintenance contracts for 1000 km of the arterial road network (including the Strong Republic Nautical Highway); (ii) preventive (periodic) maintenance of about 1,200 km of the NRS (annually over four years); (iii) advisory support for implementation of the asset preservation program and for improving the service delivery of routine/general maintenance under Department of Public Works & Highways (DPWH)/Special Roads Support Fund (SRSuF).

Component 2. Institutional and Capacity Development (appraisal estimate US$56.1 million; actual cost US$45.98 million).

- Business Process Improvements: Institutionalize and implement the modern business tools for planning, financial management and procurement that were designed and piloted under NRIMP-1 in all regional and majority of district offices of DPWH.
• **Corporate Effectiveness**: Upgrade and modernize the corporate structure, processes and operating codes of DPWH to make it a user responsive, transparent, and efficient public sector agency with high integrity standards. This component included four subcomponents: (i) Organizational Effectiveness - enhancement of DPWH effectiveness through an institutional audit and organizational restructuring, including national initiatives on rationalization, corporate standards, integrity, performance management and leadership; (ii) Road Partnerships – provide support for a multi-stakeholder partnership of road users and non-governmental organizations for improving responsiveness and transparency in the road sector, for communicating with DPWH, Road Board and various government agencies; (iii) Road Management Service Delivery – support a pilot for commercializing the current operations of district engineering offices to improve service delivery of road maintenance and other functions; and (iv) Integrity Support - strengthen the fiduciary integrity of the project implementation, through independent technical audit, parallel procurement evaluation, and strengthening institutional integrity.

• **Strategic Sector Reform**: Support to strengthen the operations of the Road Board and update its mandate, review road cost recovery, and to revisit options for restructuring the management and delivery of services in the sector.

• **Training and Workshops**: Activities for facilitating achievement of the project objectives and related skills development.

**Revised Components:**

**During the first restructuring on December 6, 2012**, the project components were revised as follows (ICR para 16):

- the number of road improvement sub-projects was reduced from 12 to 10, one was dropped due to procurement issues resulting from two failed rounds of bidding, and a second was to be implemented with separate GoP funding;

- the scope of preventative maintenance was reduced due to cost increases associated with higher pavement design standards;

- a number of road improvement and bridge replacement activities were dropped;

- advisory services were dropped;

- four out of the eight long-term performance-based maintenance contracts were dropped as the implementation time frame was too short;

- the supply of some information technology equipment and software was dropped as DPWH decided to
procure these separately to the project with local funds; and

- the district office commercialization pilot was dropped due to the DPWH rationalization plan which was being implemented.

**During the second restructuring on December 12, 2014,** a new component “Technical Assistance to Local Government Units (LGUs)” was added to enable DPWH to provide technical support to LGUs for reconstruction activities in the wake of Typhoon Yolanda/Haiyan which struck the Philippines in November 2013, causing large scale destruction to physical infrastructure (ICR para 17). This component included: (i) support for selection of activities, detailed engineering designs, management of social and environment issues, and preparation of contract documents for infrastructure such as city/municipal/barangay (a Philippine unit of local government) buildings, classrooms, public hospitals/health centers, local roads, water supply and irrigation facilities; (ii) construction supervision for local infrastructure; (iii) project management and capacity building support to DPWH and LGUs including training, workshops, and preparation of related technical documents; and (iv) preparation of maps and road inventory database for the local road network in Mindanao. The scope of some Component A activities on road improvement and asset preservation was reduced. Activities on corporate effectiveness, strategic reform, maintenance services and training under Component B were merged.

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Costs:** At appraisal, the total project cost was US$576.02 million. The actual project cost is US$488.06 million.

**Financing:** The original credit amount from IBRD was US$232.0 million. The actual credit is US$186.7 million (source: project portal). At project closing US$44.2 million (19 percent of the loan value) remained undisbursed. The ICR (para 35) reports that this represented a lost opportunity for both the Government of Philippines and the Bank to maximize the development impact of the project as these funds could have been used for other road improvement or asset preservation sub-projects which fitted the project objectives.

The project was cofinanced by the Australian Agency for International Development. The original and actual grant amount was US$10.5 million.

**Borrower Contribution:** The estimated Borrower contribution at appraisal was US$333.52 million. The actual Borrower contribution is US$289.72 million.

**Dates:** The cumulative extension to the project closing date was four years, two years for each of the restructurings. The first extension (12/06/2012) was to address implementation delays. The second extension (12/23/2014) was to allow DPWH to provide urgent technical assistance to Local Government Units (LGUs) for rehabilitation of local infrastructure in Typhoon Yolanda/Haiyan affected areas.
3. Relevance of Objectives & Design

a. Relevance of Objectives

**Original Objectives**
The relevance of the original PDO “to assist the Borrower in improving operation, organizational effectiveness and fiduciary control in the management and financing of the national road system, to enhance road user satisfaction in the project area and to improve efficiency in the use of financial resources in the road sector” is considered high as the most critical were the corruption issues which the project sought to address with improved governance. According to the Country Partnership Strategy (CPS) (2015 to 2018), good governance remained a key focus for the WBG program in Philippines under the first Engagement Area 1: Transparent and Accountable Government and Outcome 1.2 Strengthened Public Sector Institutions (CPS page 22).

During preparation of the project, the Government of the Philippines designated poverty alleviation as well as improved income and wealth distribution as key goals. Inadequate infrastructure, especially roads, was one of the constraints to investment and therefore growth (ICR para 4). The project objectives were also consistent with the Philippines Medium Term Development Plan (2011 to 2016) which prioritized the development of road infrastructure to facilitate economic decentralization, actions which were supported by the road improvement and asset preservation components of the project (ICR para 54).

**Revised Objectives**
The relevance of the revised PDO “to improve the condition of the national roads network and management effectiveness of DPWH at the national and local level” is rated substantial. The sub-objective “improve the condition of the national roads network” is aligned with the third Engagement Area: Rapid, inclusive and sustained economic growth which focuses on improving connectivity in the urban areas and supporting the building of basic infrastructure (transport) and facilitating access to markets in rural areas.

According to the Country Partnership Strategy (CPS) (2015 to 2018), good governance remained a key focus for the WBG program in the Philippines and the sub-objective “management effectiveness of DPWH at the national and local level” is aligned with the first Engagement Area 1: Transparent and Accountable Government and Outcome 1.2 Strengthened Public Sector Institutions (CPS page 22).

<table>
<thead>
<tr>
<th>Rating</th>
<th>Revised Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Substantial</td>
</tr>
</tbody>
</table>
b. Relevance of Design

Relevance of Original Design

The relevance of original design is rated modest. The statement of the development objective “improving operation, organizational effectiveness and fiduciary control in the management and financing of the national road system, to enhance road user satisfaction in the project area and to improve efficiency in the use of financial resources in the road sector” was quite complex as it included several elements. The project’s activities were appropriate to meet the PDO. However, the project results framework was weak and did not indicate a clear causal chain between the activities financed by the project outputs and outcomes related to the attainment of the development objectives. For example, the first component provided financing for national road improvement and asset preservation which is expected to improve the condition of road network. However, there is no clear linkage to the objective of achieving “improved operation” of the road system. The second component would provide technical assistance for institutional and capacity development that could improve organizational effectiveness and fiduciary control in the management and financing of the national road system. The design included efforts to embed governance, transparency and anti-corruption measures in project components. There were no activities to improve efficiency in the use of financial resources in the roads sector and no indicator to measure the achievement of this objective.

Relevance of Revised Design

The relevance of revised design is also rated modest. The second restructuring dropped the original objectives and added new set of complex objectives “to improve the condition of the national roads network and management effectiveness of the Department of Public Works and Highways (DPWH) at the national and local level. The project objectives reflected the need to provide technical assistance to LGUs for reinstating infrastructure damaged in Typhoon Yolanda/Haiyan. However, the ICR reports (para 56) that addressing these changing needs helped to maintain the projects relevance but diverted some attention away from the underlying institutional reforms. The results framework was still weak. The PDO indicator “roads in good and fair condition as a share of total classified roads” to measure the improved condition of the roads network was not attributable to project given that the roads rehabilitated and maintained under the project represented only two percent of DPWH’s maintenance budget, and therefore would not have any significant impact on the condition of the total classified road network. The indicator to measure administrative efficiency was revised. This was a good indicator to measure the improved management effectiveness of the Department of Public Works and Highways (DPWH) at the national level. There were intermediate indicators to measure this objective (see section 10). There is no clear link between project outputs such as rationalization plan at the local level and the objective “improved management effectiveness at the local level”. Also, there were no outcome indicators to measure this objective.

Rating

Revised Rating
4. Achievement of Objectives (Efficacy)

**Objective 1**

**Objective**
To assist the Borrower in improving operation of the management and financing of the national road system.

**Rationale**

**Outputs**
- 295 kilometers of national roads were improved compared to the revised target of 280 kilometers (original target was 450 kilometers).

**Outcomes**
- There were improvements in DPWH’s asset management, about 69 percent of the annual DPWH road program was subject to technical and economic analysis compared to the target of 80 percent (ICR para 58).
- The indicator on administrative efficiency was partially achieved, with the target for delivering a national competitively bid (NCB) package reduced from 12 to five months (target was six-months) (ICR para 57).

With the achievement of output targets for roads rehabilitation, the condition or roads improved substantially. As clarified by the project team, the revised PDO indicator (added at restructuring) - the percentage of roads in "good and fair condition" improved from baseline of 55 percent to 77 percent, exceeding the project target of 60 percent.

**Rating**
Substantial

**Objective 1 Revision 1**

**Revised Objective**
Improve the condition of the national roads network.

**Revised Rationale**

**Outputs**
- 295 kilometers of national roads were improved compared to the revised target of 280 kilometers (original target was 450 kilometers).
• 1,200 kilometers of non-rural roads were rehabilitated compared to the target of 1,500 kilometers.

• The target for Long-Term Performance Based Maintenance Contracts was met. 680 kilometers of roads were maintained through Long-Term Performance Based Maintenance Contracts.

Outcomes

With the achievement of output targets for roads rehabilitation, the condition or roads improved substantially. As clarified by the project team, the revised PDO indicator - the percentage of roads in "good and fair condition" improved from baseline of 55 percent to 77 percent, exceeding the project target of 60 percent. The ICR reports (para 75) that while the physical condition of some of the NRS improved over the duration of the project, other road sections may have deteriorated despite the increased budget which GoP allocated to maintenance. The project team further explained that despite the Bank’s small contribution to civil works, the improved planning procedures, strengthened Road Board functions, increased maintenance funding, and improved management effectiveness of the DPWH have enabled this increase. After finishing the work of paving of its entire national network, the DPWH shifted focus towards asset management, resulting in improved road condition. The satisfactory perception of the NRS by external stakeholders (indicator 3) exceeded the target by 23 percent, with 74 percent of the external stakeholders having a satisfactory perception of NRS (target was 60%). Based on the evidence, the outcome is rated modest.

Revised Rating
Substantial

Objective 2
Objective
To assist the Borrower in improving organizational effectiveness in the management and financing of the national road system.

Rationale
Outputs

• National Roads design guidelines and standards were updated by DPWH and were in use at project closure.

• To improve financial management, 204 DPWH offices against the target of 203 started using Electronic New Government Accounting System (e-NGAS) and e-Budget.

• By December 2014, 203 DPWH offices (meeting the target) implemented Rationalization Plan, which was approved by the Department of Budget Management (DBM).

• By project closure, 82 percent of the Annual Road and Bridge Asset Preservation Program of DPWH
was evaluated by technical and economic criteria through the use of DPWH planning applications (target was 80 percent).

- Approximately 3,354 staff (compared to the target of 600) were trained to enhance project implementation capacity and road safety. Specific areas of training included planning-related business procedures, organizational culture change, asset preservation, change management, e-procurement, IT applications, and road safety.

- To improve road fund performance, new road board secretariat policy and procedures were introduced to institute internal controls for approvals and release of funds. Although, policies and procedures were introduced, but road board performance has remained questionable (ICR page viii).

Outcomes

- At project closing, 98 percent of DPWH's infrastructure projects compared to the target of 70 percent (baseline was 26 percent) were subjected to life cycle monitoring using improved information technology (IT) tools.

- The ICR reports (para 66) that the improved business processes developed under the project are fully integrated into DPWH’s operations at the national office level. The extensive training and dissemination activities conducted as part of the project have ensured that tools such as the Multi Year Programming and Scheduling Application (MYPS) and the Project and Contract Management Application (PCMA) have become their new way of doing business. The entirety of DPWH’s budget is now being subject to more rigorous planning, control and transparency.

- The project improved administrative efficiency (measured as “percentage of projects delivered with less than 15 percent excess to original cost and time”) substantially, with achievement of 50 percent compared to the baseline of 6 percent, less than the target of 70 percent. The project slightly reduced the cost and time overruns through improved procurement and contract Management (see sections 5 and 11). All regional and central offices are implementing enhanced Project and Contract Management Application processes.

Rating
Substantial

Objective 2 Revision 1
Revised Objective
Improve the management effectiveness of the Department of Public Works and Highways (DPWH) at the national level (new objective added).
Revised Rationale

Outputs

- National Roads design guidelines and standards were updated by DPWH and were in use at project closure.

- To improve financial management, 204 DPWH offices against the target of 203 started using Electronic New Government Accounting System (e-NGAS) and e-Budget.

- By December 2014, 203 DPWH offices (meeting the target) implemented Rationalization Plan, which was approved by the Department of Budget Management (DBM).

- By project closure, 82 percent of the Annual Road and Bridge Asset Preservation Program of DPWH was evaluated by technical and economic criteria through the use of DPWH planning applications (target was 80 percent).

- Approximately 3,354 staff (compared to the target of 600) were trained to enhance project implementation capacity and road safety. Specific areas of training included planning-related business procedures, organizational culture change, asset preservation, change management, e-procurement, IT applications, and road safety.

- To improve road fund performance, new road board secretariat policy and procedures were introduced to institute internal controls for approvals and release of funds. Although, policies and procedures were introduced, but road board performance has remained questionable (ICR page viii).

- The department rationalization plan was rolled out to all 203 DPWH offices.

- The ICR reported that only 6 percent of Central and Regional Offices had operational Multi Year Programming and Scheduling (MYPS) against the target of 100 percent. The project team clarified that the software is ready and already operations in the central office, however it was not rolled to the regions due to closure of the consulting services in December 2016. Nevertheless, all the field offices of the DPWH can access and use this software through the PCMA which is already operational in DPWH regions and districts.

- About 50 percent of the local infrastructure subprojects that received technical assistance under the project complied with DPWH’s design and construction standards, less than the target of 80 percent (ICR para 68).

Outcomes
• At project closing, 98 percent of DPWH's infrastructure projects compared to the target of 70 percent (baseline was 26 percent) were subjected to life cycle monitoring using improved information technology (IT) tools.

• The project slightly reduced the cost and time overruns through improved procurement and contract Management (see sections 5 and 11). All regional and central offices are implementing enhanced Project and Contract Management Application processes.

• The project improved administrative efficiency (measured as “percentage of projects delivered with less than 15 percent excess to original cost and time”) substantially, with achievement of 50 percent compared to the baseline of 6 percent, less than the target of 70 percent.

• The ICR reports (para 66) that the improved business processes developed under the project are fully integrated into DPWH’s operations at the national office level. The extensive training and dissemination activities conducted as part of the project have ensured that tools such as the Multi Year Programming and Scheduling Application (MYPS) and the Project and Contract Management Application (PCMA) have become their new way of doing business. The entirety of DPWH’s budget is now being subject to more rigorous planning, control and transparency.

Although the target for improved administrative efficiency were not met, at project closure half of the DPWH projects were “delivered with less than 15 percent excess to original cost and time” compared to the baseline of 6 percent. As discussed above, other targets were met and improved business processes developed under the project are fully integrated into DPWH’s operations at the national office level. The objective of improving the management effectiveness of the Department of Public Works and Highways (DPWH) at the national level is rated substantial.

Revised Rating
Substantial

**Objective 3**
**Objective**
To assist the Borrower in improving fiduciary control in the management and financing of the national road system.

**Rationale**

**Outputs**
• To improve fiduciary control, the project introduced following measures: (i) an Independent Procurement Evaluator (IPE) who would evaluate bids in parallel with the United Project Management Office (UPMO); (ii) enhanced procurement controls and businesses process; (iii) adoption of the 2006 IBRD procurement guidelines; and (iv) independent oversight by a Civil Society Organization “Road Watch” (ICR par 47).

• The Operating Procedures Manual for the Road Board was prepared and adopted (ICR Annex 10 page 55).

• A number of New Road Board Secretariat policy and procedures were introduced in 2014 to institute internal controls for approvals and release of funds (ICR page viii).

• The project increased cost recovery from road users through Motor Vehicle User Charges (MVUC) which consisted of driver licensing and vehicle registration fees. The ICR reports (para 57) that the financing sustainability target of 60% was achieved.

Outcomes

• The project did increase cost recovery from road users but it did not include any indicator to measure the efficiency of use of financial resources.

• Although policy and procedures have been introduced to improve internal controls for approvals and release of funds, the ICR reports that the road board performance remained questionable (ICR page viii). (The ICR does not discuss the policies and procedures introduced under this project).

• The procurement reforms introduced under this project as well as the institutional improvements resulted in significant savings in the cost of civil works. The transparency in DPWH’s improved systems reduced the opportunity for interference and resource leakage on civil works contracts. By 2013, the Bank’s procurement review found that the average bid award prices were 20 to 25 percent lower than the engineer’s estimate (ICR para 29).

Although there was no indicator the measure improved fiduciary control, the above evidence shows that the project was instrumental in improving fiduciary control as evidence by the reduction in average bid price by 20 to 25 percent. Despite the introduction of improved internal controls for approvals and release of funds, the ICR reports that the road board performance remained questionable. The achievement of this objective is therefore rated modest.

Rating
Modest
Objective 3 Revision 1

Revised Objective

Improve the management effectiveness of the Department of Public Works and Highways (DPWH) at the local level.

Revised Rationale

Outputs

- The project provided Technical Assistance to Local Government Units (LGUs). This allowed LGUs which had significant knowledge gap and capacity constraints to effectively funds for construction and rehabilitation of local infrastructure damaged due to Typhoon Yolanda.

- The department rationalization plan was rolled out to all 203 DPWH offices.

- Only 6 percent of Central and Regional Offices had operational Multi Year Programming and Scheduling (MYPS) against the target of 100 percent.

- The project team provided new evidence that all the 1,868 sub-projects that received the Bank’s technical assistance conformed with the DPWH’s prescribed standards. Therefore, 100 percent of the local infrastructure subprojects that received technical assistance under the project complied with DPWH’s design and construction standards, surpassing the target of 80 percent.

Outcomes

Although the ICR reported (para 69) that there was no clear link between these outputs and improved management effectiveness at the local level, the project team explained that the project established an effective framework for the DPWH to provide key knowledge and implementation support for reconstruction of local infrastructure by working in partnership with DILG (Department of Interior and Local Government) and LGUs, and by mobilizing private sector engineering capacities. This achievement was recognized by recent policy work produced by the Bank (Philippines - Lessons learned from Yolanda: an assessment of the post-Yolanda short and medium-term recovery and rehabilitation interventions of the Government. World Bank Policy Note. 12 October 2017). Under this project, the DPWH played a key role beyond the national network and in implementing the Government of the Philippine’s (GOP’s) policy to “build back better” for reconstruction of local infrastructure by ensuring both the quality and pace of delivery of the reconstruction works. The project introduced effective management of social and environmental issues even at the lowest level of infrastructure works, even though GOP used its own funds for construction. A total of 1,868 projects received technical assistance under the project.

Revised Rating

Modest
5. Efficiency

Economic Efficiency: Ex-ante the economic rate of return (ERR) was 33 percent. In 2012 (first restructuring), the ERR was estimated at 27 percent. The ex-post ERR is 23.4 percent and a ranged from 11.5 percent to 35.3 percent. The analysis considered actual project costs and measured traffic volumes for selected road improvement sub-projects (ICR para 82).

The procurement reforms introduced under this project as well as the institutional improvements resulted in significant savings in the cost of civil works. The transparency in DPWH's improved systems reduced the opportunity for interference and resource leakage on civil works contracts. By 2013, the Bank's procurement review found that the average bid award prices were 20 to 25 percent lower than the engineer’s estimate (ICR para 29).

Administrative and operational efficiency: The project was significantly delayed by 4 years and underwent two restructurings including one level-1 restructuring when the project objectives were revised. There were implementation delays which meant revisions of some designs of physical works. The ICR reports (para 81) that implementation delays experienced under the project did detract from the project's efficiency, as a prolonged time before undertaking physical works meant increased scope and less validity of detailed designs, with some even needing to be revisited. This resulted in higher costs (despite the cost savings due to improved procurement practices) (ICR para 81) and a longer time to achieve benefits. However, these increases were offset by increased traffic volumes on the roads considered, thus leading to enhanced net benefits. The daily traffic was on average 8.8 percent higher in 2016 compared with the projections made in 2012.

There were delays in the procurement of the consultancy service from the Institutional Development Fund (IDF) to develop a measurement plan and define baselines (ICR para 40) to improve Unified Project Management Office (UPMO) monitoring of the indicators. This was excessively delayed and the grant expired before work could be undertaken.

The Bank also contributed to substantial delays due to the discontinuity of project staff (particularly team leaders) and repeated rounds of review for both works and consulting packages (ICR para 33).

The implementation of Component B (institutional capacity development) was also delayed due to procurement difficulties.

Despite cost savings and an ex-post ERR of 23 percent (compared to ex-ante ERR of 33 percent), project efficiency is rated modest because of substantial implementation delays.

Efficiency Rating
Modest
a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

<table>
<thead>
<tr>
<th></th>
<th>Rate Available?</th>
<th>Point value (%)</th>
<th>*Coverage/Scope (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
<td>✓</td>
<td>33.00</td>
<td>0</td>
</tr>
<tr>
<td>ICR Estimate</td>
<td>✓</td>
<td>23.00</td>
<td>0</td>
</tr>
</tbody>
</table>

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

**Original Objectives:** Relevance of the original objective is high and design is modest. The achievement of the project objective to assist the Borrower in improving operation and fiduciary control in the management and financing of the national road system is rated substantial. Likewise, the objective to improve organizational effectiveness is rated substantial. However, the objective of improving fiduciary control in the management and financing of the national road system is rated modest. The project’s efficiency is rated modest. Therefore, the outcome rating is moderately satisfactory.

**Revised Objectives:** Relevance of the revised objectives is substantial and design is modest. The achievement of the first PDO “improve the condition of the national roads network” and the second PDO “Improve the management effectiveness of the Department of Public Works and Highways (DPWH) at the national level” is rated substantial while the third PDO “Improve the management effectiveness of the Department of Public Works and Highways (DPWH) at the local level is rated modest. The project’s operation’s efficiency is rated modest. Therefore, the outcome rating is moderately satisfactory.

**Overall Outcome Rating:** The project rating under the original objectives is moderately satisfactory, and under the revised objectives is also moderately satisfactory. Thus, a split evaluation calculation is not required as the overall rating is moderately satisfactory both pre and post restructuring.

a. Outcome Rating
   Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating

**Financial Risk** is rated modest as the GoP has increased spending for road maintenance (ICR para 95). In 2016, the GoP provided DPWH with PHP 8.5 billion in funding for road maintenance compared to PHP 2.5 billion in 2009, which shows the government commitment towards providing sufficient maintenance financing (ICR para 27).
Technical Risk is rated modest as although the project introduced the long-term performance based maintenance contracts (LTPBMC), the DPWH is unlikely to adopt the model more broadly without seeing evidence that this approach is more efficient than the traditional contracts. Other donors such as the ADB and JICA have embraced this approach to road maintenance and JICA is implementing LTPBMCs on four sections of the NRS. This along with the project sections could provide the required evidence for government to fully adopt the model more broadly (ICR para 50).

Institutional Risk is rated modest as while DPWH has institutionalized business process improvements at its national office (ICR para 96), there is a modest risk that these practices might not be adopted at the regional and district level. The ICR reports (para 96) that improving governance is a priority for the government and the regional and district offices and can be easily modelled like the successfully completed national office. Despite the discontinuation of the NRIMP APL there is mutual interest from GoP and the Bank in working on a new transport sector operation. The Bank can scale up the positive results delivered by the NRIMP APL, including to lower hierarchy provincial, municipal and barangay roads which are at lower levels than the NRS (ICR para 52). Moreover, DPWH has already committed to IT upgrades with its own funding, and has sought out donor support to continue development of the Project and Contract Management Application (PPCMA). DPWH has also institutionalized road condition monitoring and asset management across the entire network (ICR para 95).

a. Risk to Development Outcome Rating
   Modest

8. Assessment of Bank Performance

a. Quality-at-Entry
   The NRIMP APL was designed around an institutional reform agenda through a three-phased approach. The use of APL as the lending instrument was appropriate as it provided the Bank the means for a longer-term engagement in the roads sector in Philippines and the required timeframe to implement the institutional reforms. An independent progress review of the APL triggers of NRIMP-1 concluded that the triggers and timeframe of NRIMP-1 were over-optimistic given the implementation capacity of DPWH (ICR para 100). Based on the recommendations of the independent review and the degree of difficulty in gaining legislative support for reforms, the Bank decided to proceed with NRIMP-2 but shifted the focus to administrative reforms, and to reschedule the ambitious legislative reforms to NRIMP-3 which did not materialize (ICR para 100).

   The design included efforts to embed governance, transparency and anti-corruption measures in project components. NRIMP-2 used some of the tools developed under the earlier phase for selection and prioritization of investments. Despite this, the project design was too complex. The ICR reports (para 102) that the evidence of this complex design was the fact that despite a four-year extension, the project did not achieve the reform objectives of rolling-out all business process improvements to DPWH’s regional and district offices. The scope of policy and institutional changes as well as civil works, and the time required to
implement each of these was simply too great. The project had to go through two restructurings to scale back the scope and revise the project objective to make it more realistic.

The ICR notes (para 20) that although the project design took the lessons from previous projects into account, some of the same issues occurred during implementation. These were slow procurement, slow disbursement and uneven progress with institutional reform. The main weakness of the project preparation was that the original results framework was weak. It consisted of an extensive and complex set of indicators which in some cases created measurement constraints (see section 10). Moreover, the Bank failed to engage DPWH in developing a measurable M&E framework (ICR para 102). This resulted in weak understanding and ownership by DPWH during implementation. The few indicator targets which were measurable were very ambitious and required adjustment to reflect what could realistically be achieved.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank supervision was flexible in responding to the changing needs during implementation such as responding to the damage caused by Typhoon Yolanda/Haiyan by supporting the LGUs recovery efforts. The Bank was also responsive to the GoP’s request for support on road safety which is a significant issue in the Philippines. However, these efforts detracted the Bank from focusing on the reforms underpinning the project (ICR para 109). There were several shortcomings in the Bank's supervision:

- The ICR reports (paras 33 and 103) that the Bank provided inconsistent direction which caused delays. While anticorruption measures were welcomed as they had a significant impact through improved transparency and governance, these measures contributed to extensive delays. There were repeated rounds of review for both works and consulting packages and most often new or sometimes conflicting comments were raised at each round of review. For instance, the Bank revisited some feasibility designs at final bid document stage causing substantial delays. In some cases, it took up to 18 months for issue of a no objection letter (NOL). Also, there were particularly long delays in awarding of the long-term performance contracts due to inconsistent direction from the Bank over the approach to adopt. The contracts were eventually awarded in March 2013, four years into the project (ICR para 33). It should be noted that the with the introduction of anti corruption measures, there had been no reemergence of corruption issues in this project.

- There were five task team leaders over the duration of the project and inadequate handover between successive task team leaders caused substantial delays (ICR para 104). The ICR reports that during the latter half of implementation, the task team leader staffing remained consistent and implementation improved. The Project team informed IEG that this staff turnover is not uncommon for a project with a 9-year implementation period. Moreover, there was a Manila based co-TTL who provided a key anchor role along with fiduciary and safeguard colleagues who remained continuously involved during the project implementation and ensured a smooth transition and full institutional memory.
• The project team informed IEG that during supervision the resettlement issue for linked road improvement works raised and corresponding action by the Government was sought. The Bank took extensive efforts to assist DPWH with correcting this noncompliance. Timely actions by the DPWH however was affected by changes in field office leadership, including a significant change which saw the creation of a new administrative region and placing the supervision of the sub-project with delayed compensation under this new region. However, this issue is resolved for most of the PAPs. There are a few cases in which the payment is to be made after a court decision, and the DPWH has kept aside the required funds in escrow to be released to PAPs once the decision of the court is available which is consistent with the Bank’s policies.

• The quality of the aide-memoires, management letters, ISRs was adequate, with implementation issues and consequences of delays repeatedly raised in correspondence to GoP. The ICR reported that the quality of the second restructuring paper was poor, with limited detail and inadequate justification for dropped or modified components (ICR para 107). For example, (a) while the scope of bridge and road improvements was reduced, this was not quantified in the restructuring paper; and (b) why the pilot commercialization of road management and public works service delivery at the district level was dropped from the project when GOP decided to implement the rationalization plan (ICR Annex 9, page 52). The project team clarified that there was no dropped or modified project component in the second restructuring. A new Component C “Technical Assistance to Local Government Units (LGUs)” was added to the project during that restructuring, details of which are well documented in the restructuring period and mentioned in the IEG evaluation.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

• The ICR reports (para 24) that while the government was fully involved in the preparation of the project, repeated staff and structure changes in the government resulted in the loss of some of the reform champions within DPWH at the time of project effectiveness. Nevertheless, during the mid-stages of the project implementation, a high level of commitment to project objectives emerged, resulting in a change to strong reform-minded leadership of DPWH (ICR para 27).

• The ICR reports (para 112) that the government was not supportive of the Long-Term Performance Management Contract - LTPBMCs, where some politicians perceived the approach as a threat to their power at the provincial level, power which came from the allocation of shorter maintenance contracts in
line with the business as usual approach.

- There were delays in the processing of the restructuring of the project.

- The government increased the maintenance budget for DPWH from PHP 2.5 billion in 2009 to PHP 8.5 billion in 2016, showing its commitment for preserving the road sector assets (ICR para 27).

Government Performance Rating
Moderately Unsatisfactory

b. Implementing Agency Performance

- The Department of Public Works and Highways (DPWH) was the implementing agency for the project. There were excessive delays between the start of the procurement process and the award of the contracts. While the increased procurement oversight and the delayed Bank reviews noted above contributed to this (both DPWH and the Bank sharing responsibility for these delay), the ICR reports (para 115) that DPWH could have done better at expediting procurements and reducing the time to award the contract. Delays were noted with institutional capacity development (ICD) consultancies, which did not commence until midway through implementation (until November 2012) – indicating that DPWH gave them lower priority compared to the civil works component (ICR para 34).

- The ICR reports (para 115) that financial management and safeguards were generally performed well, except that DPWH allowed linked road improvement works to proceed without compensation being paid, a clear non-compliance with Bank involuntary resettlement policy. DPWH misunderstood the Bank’s involuntary resettlement policy which requires that compensation claims be paid before construction is allowed to begin, even for linked works that are not funded by the project. Once this issue was identified, the Bank Team worked with ESSO to develop and implement an agreed upon action plan.

- There were some cases where DPWH failed to manage consultants effectively, for example the engineering process design improvements consultancy concluded without successful completion (ICR para 117). The project team clarified that in the consulting contract for preparing the design guidelines, after completing the main assignment the consultant left a small part unfinished, related to training. This was because the required consultant experts were not available, and is a reflection on the consultant rather than the management performance of the DPWH. The DPWH have shown contract management ability as evidenced by the successful conclusion of all other civil and technical services contracts.

- The project team informed IEG that the DPWH has established a high-level Reform Institutionalization and Management Support Systems (RIMSS) Steering Committee consisting of various Bureau Chiefs and senior management of the DPWH to decide on the institutional development priorities, and guide implementation and coordination of the institutional development agenda through use of both local and donor funds.
Implementing Agency Performance Rating
Moderately Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design
The original results framework consisted of an extensive and complex set of indicators which in some cases created measurement constraints. The ICR notes (para 102) that the Bank failed to engage DPWH in developing a measurable M&E framework. As a result, their understanding and ownership was less than desirable and monitoring difficulties were experienced. The project included indicators to measure administrative efficiency, sustainability of financing, value for money and road user satisfaction. While these indicators were fully aligned with the PDO, baselines were not clearly established in the PAD and estimates of target values were also incomplete (ICR para 37). DPWH did not have a clear plan for how these indicators were to be periodically measured, and as a result three of the four indicators were not fully measured prior to the second restructuring.

The PDO indicator “roads in good and fair condition as a share of total classified roads” was not attributable to project given that the roads rehabilitated and maintained under the project represented only two percent of DPWH’s maintenance budget, and therefore would not have any significant impact on the condition of the total classified road network.

The project included seventeen intermediate outcome indicators, three of these were for the physical improvements under Component A, with the remaining 14 measuring various outcomes and outputs relating to Component B. These intermediate indicators were complex and DPWH had difficulty understanding them (ICR para 38).

During the first and second restructurings of the project, there were significant modifications to the results framework. These changes improved measurability and included revising indicators to reflect the evolving capacity of the DPWH. The ICR reports (para 44) that some of the revised indicators were direct outputs of DPWH’s improved business processes. For example, a new indicator was added to reflect the Multi Year Programming and Scheduling Application (MYPS) developed under the project, and its roll out to regional and district DPWH offices through setting targets related to the number of offices using the tools (ICR para 42). An output indicator on the length of road under long-term performance based maintenance contracts was added. Indicators on procurement efficiency, timeliness of audits and cost and time over-run reductions were replaced with a single indicator on adoption of design standards by DPWH. Given that NRIMP-1 suffered from corruption issues and procurement irregularities, dropping indicators measuring procurement efficiency, timeliness of audits and cost and time over-run reductions was not appropriate as the project lost the possibility to document potentially significant procurement issues.
At the time of the second restructuring, “improving the management effectiveness of DPWH at local level” was added as a PDO. However, only an output indicator was linked to it. There was not outcome indicator to measure the achievement of this objective.

b. M&E Implementation

The Unified Project Management Office (UPMO) was responsible for the monitoring of project indicators. However, UPMO struggled to establish linkages between project activities and the results framework. To assist the UPMO, the Bank team secured a grant funding from the Institutional Development Fund (IDF) for a consultancy to develop a measurement plan and define baselines (ICR para 40). However, the procurement of the consultancy was excessively delayed and the grant expired before work could be undertaken.

To measure the project original indicators, DPWH collected data from road and other surveys. Additional information covering a wide spectrum of agency performance and user opinions was collected on a twice-yearly basis by the new civil society organization (CSO) ‘Road Watch’ (Bantay Lansangan) who were funded by AusAID grant funds.

c. M&E Utilization

The ICR reports (para 43) that “six-monthly progress reports” were produced by the UPMO and that data was used for Bank aide-memoirs and implementation status and results reports (ISRs). The ICR notes (para 44) that DPWH has internalized the M&E practice of the project. To improve transparency, DPWH published an annual performance governance scorecard (PGS) report on their website - which reports against criteria of social impact, stakeholder perception, processes, people and resource stewardship. The Department of Budget and Management (DBM), and the National Economic and Development Authority (NEDA) used the DPWH M&E results to make informed changes as required (ICR para 44).

M&E Quality Rating

Modest

11. Other Issues

a. Safeguards

Appraisal

The Project was assigned Environment Category B and the following safeguards policies were triggered: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples (OP/BP 1.10). The ICR failed to document which policies were triggered.
Under the first phase of National Road Improvement and Management Program (NRIMP-1), Environmental Impact Assessment Project Office was created. The name was changed to Environmental and Social Safeguards Office (ESSO) in the middle of NRIMP-1. According to the PAD (page 104), all road improvement subprojects to be financed under NRIMP-2 had been identified and would follow the Social and Environmental Management System (SEMS) terms and conditions with respect to environmental and social reviews. Moreover, the Department of Public Works and Highways (DPWH) had prepared a comprehensive land acquisition, resettlement, rehabilitation and indigenous peoples’ policy (LARRIPP) framework, which was consistent with the Banks OP 4.12 Involuntary Resettlement and OP 4.10 Indigenous Peoples, and was satisfactory to the Bank (PAD page 105).

Implementation

The ICR reports (para 45) that the safeguards performance fluctuated from satisfactory at the beginning of the project to moderately unsatisfactory due to issues relating to involuntary resettlement. These issues were (ICR paras 45-46):

- Delays in the implementation of the resettlement action plan (RAP);
- Delays in the establishment of the institutional arrangements between the Unified Project Management Office (UPMO), the Environmental and Social Safeguard Office (ESSO) and the regional and district Department of Public Works and Highways (DPWH) offices for monitoring compliance with the safeguards; and
- Late submission of reports with missing critical information.

The main safeguards issue was the non-payment of land acquisition claims for linked road works funded by the Government of Philippines (GoP). DPWH misunderstood the Bank’s involuntary resettlement policy which requires that compensation claims be paid before construction is allowed to begin, even for linked works that are not funded by the project. Once this issue was identified, the Bank Team worked with ESSO to develop and implement an agreed upon action plan. The ICR reports (para 46) that by project closure, the project affected persons (PAPs) at two locations were still not paid. However, at the time of the writing of the ICR, all PAPs had been compensated at one location, while the payments for the second were in escrow awaiting the outcome of the court case.

b. Fiduciary Compliance

Procurement: The previous project (NRIMP-1) had identified corruption issues and the INT investigation found collusion amongst bidders which resulted in the debarment of eight contractors. Therefore, the project design included a comprehensive range of anti-corruption measures such as: (i) an Independent Procurement Evaluator (IPE) who would evaluate bids in parallel with the United Project Management Office (UPMO); (ii) enhanced procurement controls and businesses process; (iii) adoption of the 2006 IBRD procurement guidelines; and (iv) independent oversight by a Civil Society Organization “Road Watch” (ICR par 47).
The ICR reports (para 47) that these measures increased transparency and contributed to a major reduction in civil works cost. With the discontinuation of the oversight from IPE and Road Watch (after the procurement phase), there is a significant risk that governance issues may re-emerge as the working knowledge they possessed has been lost.

**Financial Management:** The ICR reports (para 48) that the financial management was satisfactory, and that it was aided by the systems developed and adopted as part of the project. These included the revised versions of the Electronic New Government Accounting System (e-NGAS) and e-Budget. The United Project Management Office (UPMO) maintained qualified and experienced FM staff, and followed adequate FM processes and procedures. The interim financial reports (IFRs) were generally submitted on time or with moderate delays. One shortcoming was that the semi-annual internal audits requirement of DPWH’s project accounts was not consistently complied with. The ICR reports (para 47) that this was not just the issue with DPWH, but GoP wide issue. External project audits were carried out annually, with some qualified opinions but no accountability issues were raised.

c. Unintended impacts (Positive or Negative)
   The ICR (para 14) reports that other financing agencies including the Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA) have adopted an approach similar to NRIMP APL for road maintenance. Their projects have also benefited from using the business processes and integrity frameworks established under the NRIMP APL.

d. Other
   None.

### 12. Ratings

<table>
<thead>
<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreements/Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>---</td>
</tr>
<tr>
<td>Risk to Development</td>
<td>Modest</td>
<td>Modest</td>
<td>---</td>
</tr>
<tr>
<td>Outcome</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Performance</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>---</td>
</tr>
<tr>
<td>Borrower Performance</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>---</td>
</tr>
<tr>
<td>Quality of ICR</td>
<td>Substantial</td>
<td></td>
<td>---</td>
</tr>
</tbody>
</table>
Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006. The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

Adapted from ICR (paras 119- 123) with some modification of language :

• **Commitment to addressing governance challenges can yield positive results:** At the end of NRIMP-1, an INT investigation resulted in one of the largest number of contractor sanctions in the Bank’s history in Philippines. The bold and ambitious approach of introducing oversight measures created islands of good governance around the project and served as a model which can be adopted in the preparation of new projects.

• **For biggest reform impact, think big and tackle an entire agency:** The reform efforts proposed under this project did not focus solely on the activities it was investing in, which represented only 1.3 percent of DPWH’s budget; instead, it sought to tackle governance across DPWH, encompassing the entirety of its budget and activities.

• **Staffing continuity at the Bank could have led to improved client support during implementation:** The project implementation experienced five team leaders over the course of the eight years of the project, leading to changing perspectives and priorities on the Bank side, undermining the relationship between the Bank and the client. Inadequate handover between successive TTLs was also considered a factor in the resettlement issues which emerged, as better safeguards oversight would have prevented linked works from proceeding without compensation being paid.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is comprehensive and well written. The quality of evidence presented is adequate and the analysis is clear. It critically analyzed the Bank’s supervision efforts. The lessons are well crafted. The ICR does not report on the compliance with the environmental safeguard and Indigenous Peoples safeguards.
a. Quality of ICR Rating
   Substantial