

SECTOR ASSESSMENT (SUMMARY): ROAD TRANSPORT

A. Sector Road Map

1. Sector Performance, Problems and Opportunities

1. Roads provide the dominant means of conveying persons and goods, accounting for a 98% share of passenger traffic and a 58% share of cargo traffic. In 2006, about 1.7 billion passengers and 25.9 million tons of cargo were transported.

2. At the beginning of 2009, the country's road system totaled 205,778 kilometers (km), national roads comprised 14.4%. About 72% of national roads are paved with asphalt and/or concrete; only 22% of local roads are paved. The increase in the percentage of paved national roads from 2001 to 2008 was slight, from 70.7% to 73.1%. The most plan targeted having 95% of national roads paved by 2010, but this was not achieved as only about 51% of the necessary investment was attained.

3. The coverage and quality of the Philippine road system may be characterized as poor. The effects of this situation include the following:

- (i) **Restricted mobility and high vehicle operating cost.** The population road density of the Philippines is estimated at 22.4 km per 10,000 persons. This is worse than Malaysia, Thailand, and Viet Nam. According to the first Road Sector Status Report Card of September 2009, prepared by Bantay Lansangan (Road Watch), a stakeholders' partnership monitoring the performance of the national roads subsector, the average road user cost in 2007 was P21.17 per vehicle-km, which is 41% more than the road user cost of P15.17 based on ideal operating conditions. The road user cost in 2007 was slightly higher than the P21.13 in 2006.
- (ii) **Poor road safety record.** According to the Department of Health, road accidents are now the fourth leading cause of death in the Philippines. The national cost of traffic accidents is estimated at \$1.9 billion, roughly 2.8% of the country's gross domestic product (GDP). In terms of number of fatalities per million vehicles, the Philippines recorded 215, which is better than most of the neighboring member countries of the Association of Southeast Asian Nations (ASEAN).
- (iii) **Inadequate connectivity to other transport modes.** The Department of Public Works and Highways (DPWH) has established modern planning systems and tools for national roads. However, they focus on roads and are not adequately linked to the planning of other modes. As a result, the advantages of using combinations of modes to produce optimum transport schemes have not been taken into consideration. New ports and even airports are being developed instead of simply improving roads to existing ports and airports or roll-on, roll-off facilities.

4. Problems facing Philippine roads may be attributable to three major causes:

- (i) **Slow pace of road network expansion.** Road investments are about 0.6% of GDP, much lower than in other ASEAN countries. The problem though is not just a question of budget allocation but also of the limited absorptive capacity of DPWH to disburse funds. For example, in 2007, DPWH had a significant increase in its budget but managed to disburse only 66%.

- (ii) **Poor progress in improving and/or preserving existing road assets.** The percentage increase of paved national roads during 2001–2008 was marginal. In 2008, 54.8% of paved roads were in good and fair condition. In 2006, the national road network was rated 6.8 using the International Roughness Index, placing it in the poor category. Utilization of the road fund, which accumulated to around P56.5 billion, has not been efficient as only 38% went to prioritized projects. Other activities with dubious value such as roadside cleaning and beautification took up about 25%–35% of routine maintenance funds. Laxity in enforcement of truck-overloading regulations contributed to the poor road conditions.
- (iii) **Weak institutional capacity for development planning and implementation.** DPWH can now claim to have information-technology-enabled planning and programming systems with the support of development partners like the World Bank and the Asian Development Bank (ADB). Unfortunately, DPWH has not yet been able to take significant advantage of the systems, which are all embodied in a highway-planning manual. Major projects are implemented without being evaluated by feasibility studies. Construction quality, although improving, is still poor. In 2006, 353 of 2,838 projects had major defects. The road functional classification system, which would revert some 10,100 km of national roads to local roads, has not been fully implemented. Other governance issues include inadequate financial management and internal audit capability, and weak enforcement, particularly of vehicle overloading regulations.

5. Opportunities exist to address these problems. There is a strong policy recommendation for government to increase the fiscal space for the transport sector. During 1999–2008, investments in transport infrastructure averaged less than 1% of GDP, compared with about 4% for other Asian countries. Private investment in transport infrastructure is expected to increase once policy reforms on private sector participation are put in place.

2. Government's Sector Strategy

6. The Australian Agency for International Development (AusAID) funded the 2009 study *Formulating a National Transport Plan*, which formulated a government strategy for the transport sector based on a two-tier approach to national transport planning as recommended by an earlier AusAID-funded study. The first tier produced a shared transport vision and a set of transport policies, which are embodied in a draft transport policy act and a draft executive order for consideration by the incoming administration. The shared vision is “A safe, efficient, viable, dependable, integrated, environmentally sustainable, and people-oriented transportation system.” The transport policies cover seven key policy areas: resource generation and allocation; criteria for preparing agency plans, programs, and projects; cost recovery and subsidies; regulation of passenger transport services; urban transport; transport logistics; and governance. The following main policies are of relevance to roads:

- (i) The government will allocate resources to transport modes in accordance with their comparative advantages, and with due regard to the viability of each mode.
- (ii) The government will ensure that investment in assets is adequately supported by regular maintenance allocations over the economic life of the asset.
- (iii) National government resources will be devoted solely to facilities classified as national.
- (iv) For the allocation of resources to transport investment projects, the Department of Transport and Communications, National Economic and Development

Authority, Department of Budget and Management, and DPWH will jointly establish transparent and objective criteria that reflect the most effective and efficient use of resources to meet transport needs.

- (v) The transport plans, programs, and projects of each agency will show an appropriate fit with the overall national development goals, objectives, thrusts, and priorities.
- (vi) The transport plans, programs, and projects of each modal agency should include those proposed for private sector participation implementation.
- (vii) All transport projects proposed for funding by the government must be supported by adequate feasibility studies.
- (viii) For public–private partnerships (PPPs), no unsolicited proposal will be entertained, except when the project can pay for itself entirely from user revenues such as in build-own-operate, build-operate-transfer, and similar schemes. Accordingly, any development based on an appropriate feasibility study will be offered for PPP through public bidding.

7. The second tier of the planning approach produced the following strategies for roads, consistent with the policy framework:

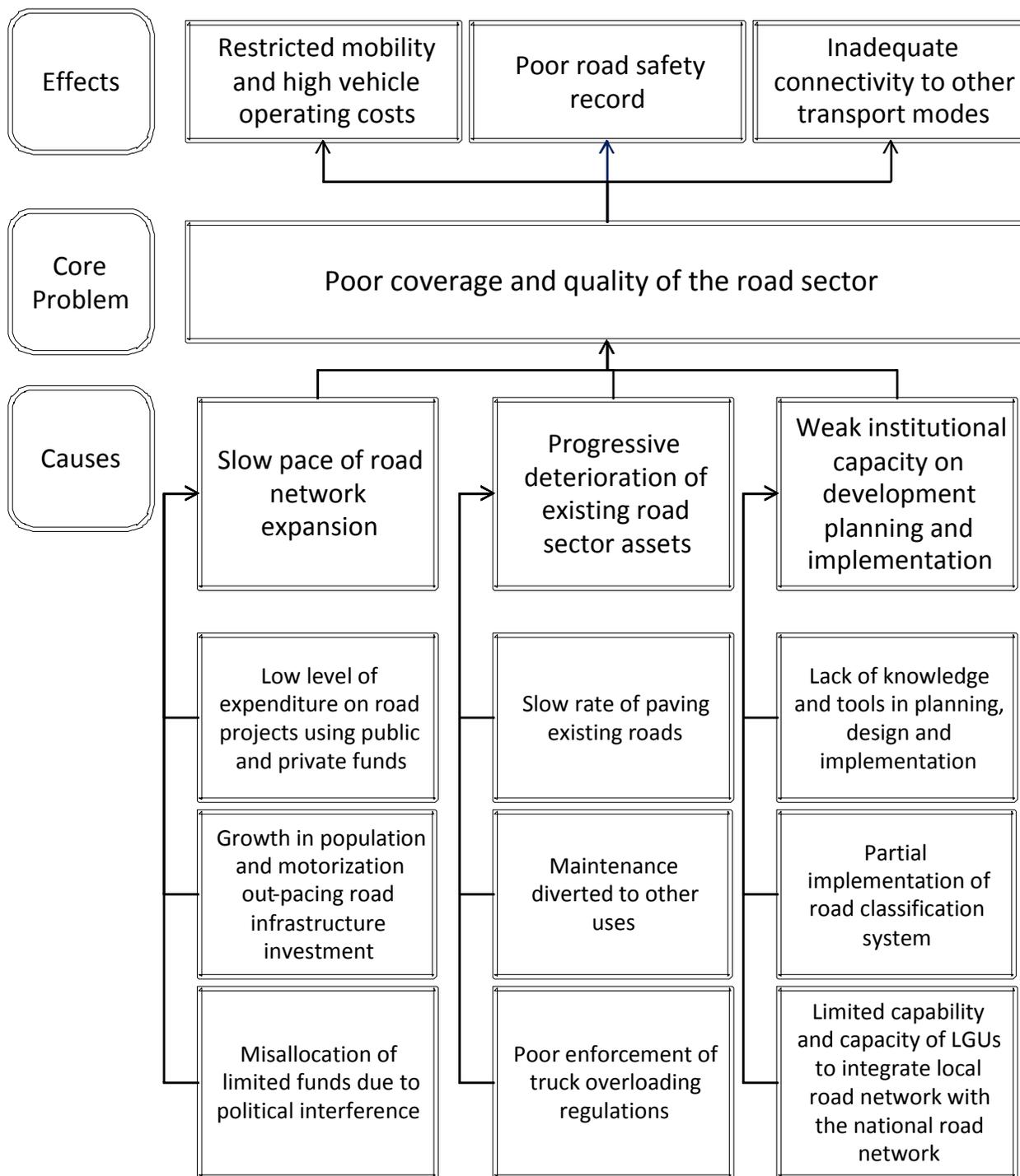
- (i) **Address network deficiencies.** This would entail rehabilitation or reconstruction of paved sections in bad and very bad condition; preventive maintenance on paved sections in good-to-fair and fair conditions; and upgrading of all unsealed and gravel roads to asphalt or concrete pavement if the current annual average daily traffic is at least 400.
- (ii) **Give priority to asset preservation.** DPWH is to continue to give the highest priority in resource allocation to asset preservation or maintenance and rehabilitation of the existing road system over new construction.
- (iii) **Focus on key strategic projects.** The plan is to concentrate on strategic road projects in the defined core national road network, instead of spreading funds over small disconnected projects with little national impact.
- (iv) **Enhance and embed systems and tools for planning and implementation.** DPWH is to enhance the use of information technology-aided systems and tools in planning and implementation based on objective technical and economic criteria. The identification and development of toll expressways through PPP schemes will be integrated into the DPWH overall network planning process for national roads.
- (v) **Fully implement the road functional classification system.** This implements the policy of utilizing national government resources for facilities that are classified as national.
- (vi) **Improve governance and accountability.** This would entail restructuring DPWH, strengthening design and preconstruction activities, streamlining the procurement process, tightening project management, improving truck-overloading enforcement, and establishing improved transparency and accountability systems.

8. A key governance policy of the government is the promotion of private sector participation in transport infrastructure development. ADB's Private Sector Operations (PSO) is in line with this policy. PSO will specifically be directed to support private sector projects for the (i) construction, expansion, or modernization and operation of ports or airports; (ii) construction and operation of light and metro rail systems or bus rapid transit systems; (iii) modernization or expansion of transport fleets or rolling stocks; and (iv) construction and operation of toll roads.

3. ADB Sector Experience and Assistance Program

9. ADB-financed projects in the Philippines have focused on maintaining and improving the existing road network. Part of ADB's strategy is to promote pro-poor economic growth, as well as support the government's priority investment program.

Problem Tree for the Road Subsector



LGU = local government unit.
Source: Asian Development Bank.

Sector Results Framework (Transport, 2011–2016)

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations	
Sector Outcomes with ADB Contribution	Indicators with Targets and Baselines	Sector Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
Improved accessibility of transport infrastructure and services	<p>Population road density improves to 23.5 km per 10,000 persons by 2016 (2010 baseline: 22.4)</p> <p>Increase in use of RORO network to 3.3 million passengers and 462,000 vehicles by 2016 in Western Nautical Highway (2008 baseline: 3 million passengers and 420,000 vehicles)</p> <p>Average road user cost reduced to P17/km in 2016 (2008 baseline: P21.17/km)</p> <p>Percentage of accidents in accident black spots reduced to 9% in 2016 (2008 baseline: 18%)</p>	<p>Road system maintained, roads improved or built</p> <p>Nonroad systems maintained, improved or built</p> <p>Increased institutional capacity to maintain and expand transportation systems</p>	<p>Paved national road ratio increased to 0.93 in 2016 (2010 baseline: 0.77)</p> <p>Percentage of roads in good and fair condition increased to 80% in 2016 (2008 baseline: 55%)</p> <p>Paved national road density increased to 0.30 km/1,000 people in 2016 (2008 baseline: 0.25 km/1,000 people)</p> <p>Number of ports accommodating RORO vessels increased to 70 (government) and 26 (private) by 2016 (2009 baseline: 65 [government] and 24 [private])</p> <p>DPWH budget disbursement increased to 90% in 2016 (2007 baseline: 66%)</p>	<p>Planned key activity areas</p> <p>National roads (75% of funds)</p> <p>Consultancy for project supervision and detailed design, asset preservation and road (12% of funds)</p> <p>Institutional capacity building (11% of funds)</p> <p>Pipeline projects with estimated amounts</p> <p>Road Sector Institutional Development and Investment Project (RSIDIP), (\$62 million) in 2011; Second RSIDIP (\$200 million) in 2014</p> <p>Davao Sustainable Urban Transport Project (DSUTP) (\$10 million) tentatively in 2015</p> <p>PPTA for Second RSIDIP (2012) and Third RSIDIP (2014) (\$0.8 million each)</p> <p>PPTA for DSUTP (\$1.0 million) in 2012</p> <p>Ongoing projects with approved amounts</p> <p>TA for Strengthening Transparency and Accountability in the Road Sector (\$1.0 million)</p>	<p>Planned key activity areas</p> <p>Civil works for asset preservation and road improvement</p> <p>Consulting services for project implementation and detailed design</p> <p>Pipeline projects</p> <p>Periodic maintenance and improvement of about 1,200 km of national roads throughout the Philippines</p> <p>Improved governance and strengthened institutional capacity in the transport sector</p> <p>Preparation of detailed engineering design for about 1,480 km of national roads to be maintained or improved under future projects</p> <p>10 km of bus rapid transit system constructed</p> <p>Ongoing projects</p> <p>Mitigation of procurement risks for planned ADB-financed road subsector activities</p> <p>Improved internal accountability mechanisms within DPWH</p> <p>Strengthened external accountability mechanisms, and organizational and network capacity of key stakeholders</p>

ADB = Asian Development Bank, DPWH = Department of Public Works and Highways, DSUTP = Davao Sustainable Urban Transport Project, km = kilometer, PPTA = project preparatory technical assistance, RORO = roll-on/roll-off, RSIDIP = Road Sector Institutional Development and Investment Program, TA = technical assistance.