SECTOR ASSESSMENT (SUMMARY): TRANSPORT

A. Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. **Key sector challenges.** The Philippines has been one of the fastest-growing economies in Southeast Asia, with average gross domestic product (GDP) growth of 6.3% per year during 2015–2019 before the coronavirus disease (COVID-19) pandemic.¹ Metro Manila, comprising 16 cities and one municipality, covers a total land area of 620 square kilometers (km²). It is the country’s economic powerhouse, as it accounts for more than 31.8% of the country’s GDP.² The growing economy has been associated with rapid urbanization, and the population of Metro Manila is expected to grow from 12.8 million in 2015 to 14 million by 2030.³ However, infrastructure development lags the pace of population growth and the urbanization of Metro Manila and surrounding areas. The current state of the infrastructure is not only insufficient in quantity but also inadequate in quality.⁴ The transport system needs to be improved immediately so the city can achieve sustainable economic growth.

2. **Infrastructure deficit.** The Government of the Philippines has been making efforts to increase public and private investment in infrastructure to achieve its goal of the Philippines reaching upper middle-income status by 2022.⁵ While the Philippines has improved in the Global Competitiveness Ranking, from 65 in 2012–2013 to 64 in 2019, its overall infrastructure significantly lags that of other emerging Southeast Asian countries.⁶ In 2019, the Philippines was ranked 96 out of 140 countries on infrastructure quality, well below Malaysia (35), Thailand (71), and Indonesia (72). Spending has picked up strongly since 2013, but remains insufficient for the Philippines to sustain economic growth and catch up with its regional peers in infrastructure competitiveness. Weaknesses in infrastructure policy; institutional capacity constraints in developing urban, regional, and sector infrastructure plans and preparing projects; and slow project implementation have prevented the Philippines from increasing its low public capital stock. Insufficient private sector participation in infrastructure and lack of long-term infrastructure financing also constrain growth in infrastructure investments.⁷

3. **Transport** is a key sector in the Philippine economy, linking the population with economic centers across the islands. Although resource allocations to the sector have increased in recent years, they are only slowly approaching 4% of GDP, which is below the average of 4% for other Asian countries (footnote 7). Improving transport infrastructure is critical for strengthening the investment climate and enhancing economic growth.

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4. **Urban land transport.** In the Philippines, urban public transport is dominated by road-based modes, including jeepneys, taxis, tricycles, and pedicabs. Roads carry about 98% of passenger transport and 60% of freight transport. The continuous economic development and urbanization of Metro Manila have created heavy traffic congestion that causes substantial loss of time and opportunities for commuters and businesses. Metro Manila’s road length totals 4,889 km (1,166 km of national roads and 3,723 km of local roads) and includes a well-formulated trunk road network comprising radial (R-1 to R-10) and circumferential (C-1 to C-5) roads, with interchanges providing grade separations at several intersections. However, the current traffic demand of 12.8 million trips per day is overwhelming the network’s capacity. Metro Manila had only 1 km of road per 385 motor vehicles in 2019, and most commuters in Metro Manila travel at 10 km per hour on average. The government estimates that the country lost ₱3.5 billion per day in 2017 because of Metro Manila traffic, and projects that this will rise to ₱5.4 billion per day in 2035 if no action is taken.

5. **Road traffic congestion.** One of the major factors contributing to the inefficiency of Metro Manila’s road network is the inadequate capacity of the 30 bridges crossing its major waterways: Pasig River, Marikina River, and Manggahan Floodway. These bridges accommodate 1.3 million vehicles per day. A traffic survey conducted by the Department of Public Works and Highways (DPWH) during December 2016–January 2017 found that (i) the overall level of service of the bridges crossing Pasig River was F, which means “forced or flow breakdown;” and (ii) the overall level of service of the bridges crossing Marikina River and Manggahan Floodway was E, which means “operation at or near capacity and an unstable level”.

6. **Climate change and disaster vulnerability.** The Philippines is one of the world’s most disaster-prone countries and one of the most likely to be affected economically by disasters. The country is expected to incur, on average, $3.5 billion in asset losses each year because of typhoons and earthquakes. Damage from these disasters exacerbates poverty and contributes to the poor’s persistent limited access to facilities. Climate change and natural disasters such as flooding adversely affect mobility in Metro Manila.

7. **Inadequate intermodal integration and institutional capacity.** Although roads account for the vast majority of passenger and freight transport in the Philippines, the poor quality of most roads results in high transport costs for road users. Meanwhile, intermodal coordination among the agencies responsible for the country’s roads, ports, and airports is generally limited. Coordination between the transport sector agencies and the agencies responsible for infrastructure development is ineffective. The capacity of these agencies to undertake procurement, financial management, internal audit, and quality control is weak.

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8 Jeepneys are public transport vehicles in the Philippines, seating up to 22 passengers.
2. Government’s Sector Strategy

8. The Philippine Development Plan (PDP), 2017–2022 translates the government’s longer-term vision for 2040 into strategies, policies, programs, and activities (footnote 5). To support a higher growth trajectory and to improve the quality of life in both urban and rural communities, infrastructure development is a top priority of the PDP. The government’s Build, Build, Build (BBB) program aims to redress the infrastructure deficit. The investment needs of the program for 2017–2022 are estimated at about $152 billion, and cover physical connectivity (expressways, railways, airports, seaports, and interisland bridges); urban development (transport systems, greenways, clean water, and sewerage management); and water resources management (river basin and flood control). The PDP also emphasizes the need to address the persistent issues and challenges that have hampered the implementation of infrastructure projects. Embedded in the PDP is a national spatial strategy that seeks to address spatial and socioeconomic inequalities by integrating leading areas with lagging areas while promoting urban–rural links through improved transportation. The strategy recognizes the role of cities as engines of economic growth and poverty reduction, and promotes transport infrastructure development to improve connectivity between communities. The spatial strategy aims to decongest Metro Manila and channel growth to other key regional centers. To support a shift from private to public transport, the PDP calls for public transport systems that are accessible, affordable, convenient, and reliable.

9. In June 2017, the government approved the National Transport Policy (NTP), which was designed to unify all transport-related projects in the country.14 The policy focuses on (i) resource generation and allocation; (ii) establishing criteria for the preparation of agency plans, programs, and projects; (iii) cost recovery; (iv) regulation of passenger transport; (v) urban transport; (vi) transport logistics; and (vii) governance. The NTP envisions the establishment of “a safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system that ensures improved quality of life of the people.” The problem tree analysis at the end of this document outlines the main causes and effects of key problems facing the transport sector.

10. Following the COVID-19 outbreak, the PDP was updated in 2021 to respond to the emergence of new threats to the country’s growth prospects and to guide the transition toward economic recovery.15 The government will enhance the transport sector’s contribution to sustainable economic growth and increase the country’s competitiveness by providing adequate, accessible, reliable, efficient, seamless, and safe movement of people and goods across the country, neighboring regions, and the world.

11. To improve the capacity and efficiency of the road transport network in Metro Manila and to alleviate traffic congestion, DPWH originally identified the construction of 12 new bridges crossing the Pasig–Marikina River and the Manggahan Floodway as an urgent priority to provide alternative routes over these rivers. Three of these 12 new bridges are being built under the project and it has been included in the Asian Development Bank (ADB) financing program for 2021.16 The Government of the People’s Republic of China will provide grants for 2 of the 12

16 J.P. Rizal–St. Mary Bridge (to be renamed Marcos Highway–St. Mary Avenue Bridge), JP Rizal-Lopez Jaena Bridge (to be renamed Homeowner’s Drive–A. Bonifacio Bridge), and Marikina–Vista Real Bridge (to be renamed Kabayani Street–Matandang Balara Bridge).
and another 3 will be financed by the Export–Import Bank of China. One bridge will be locally financed. The construction of these additional bridges will not only contribute to more sustainable socioeconomic development in Metro Manila, but will also enhance the resilience of the Metro Manila road network to natural disasters, including floods and earthquakes, by providing additional bridges designed with the latest requirements of the DPWH design guidelines and criteria, including new seismic design specifications. In addition, the project will extend the life of existing bridges by decongesting them, thereby reducing their maintenance requirements.

B. Major Development Partners: Strategic Foci and Key Activities

12. The major development partners in the Philippine transport sector are ADB, the People’s Republic of China, the Government of Australia, the Japan International Cooperation Agency, the Millennium Challenge Corporation, the Government of the United Kingdom, and the World Bank. The governments of the Republic of Korea has also supported the country’s transport infrastructure. Before its 2008 merger with the Japan International Cooperation Agency, the Japan Bank for International Cooperation provided substantial support for the transport sector. The Philippines’ development partners are united in supporting the national spatial strategy of the PDP, 2017–2022, which serves as the basis for policies on urban and infrastructure development following the government’s Vision 2040. ADB focuses on supporting road and rail transport; and plays a supporting role in addressing governance, institutional capacity, and the low productivity of transport agencies.

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17 Binondo–Intramuros Bridge and Estrella–Pantaleon Bridge.
18 North and South Harbor Bridge, Palanca–Villegas Bridge, and Eastbank–Westbank Bridge 2.
<table>
<thead>
<tr>
<th>Development Partner</th>
<th>Project Name</th>
<th>Duration</th>
<th>Amount (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROK</td>
<td>Samar Pacific Coastal Road Project</td>
<td>2017–2022</td>
<td>$20.8</td>
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<tr>
<td></td>
<td>Gapan–San Fernando–Olongapo Road Project (Phase II)</td>
<td>2009–2016</td>
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<td></td>
<td>Cebu International Container Port</td>
<td>2018–2022</td>
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<td>Pangui Bay Bridge</td>
<td>2018–2022</td>
<td>$100.0</td>
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<td></td>
<td>Modernization of Palawan’s Puerto Princesa Airport</td>
<td>2017–2022</td>
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<tr>
<td>MCC</td>
<td>Secondary National Roads Development Project</td>
<td>2011–</td>
<td>$214.4</td>
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<tr>
<td>MCC</td>
<td>United Kingdom–Tulay ng Pangulo sa Kaunlaran (Bridge for Progress)</td>
<td>2004–</td>
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<td></td>
<td>Regional Infrastructure for Growth</td>
<td>2011–2015</td>
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<tr>
<td></td>
<td>Traffic and Transport Management for Philippine CDS Cities</td>
<td>2011–2015</td>
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<td>World Bank/AFD</td>
<td>Cebu BRT Project</td>
<td>2014–2021</td>
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<td>MCC</td>
<td>Metro Manila BRT Line 1 Project (Quezon Avenue)</td>
<td>2018–2021</td>
<td>$40.70</td>
</tr>
</tbody>
</table>


C. Institutional Arrangements and Processes for Development Coordination

13. Development coordination will be ensured through regular meetings of the Philippines’ development partners in the transport sector to discuss progress in building the capacity of the road network and the larger investment program in railways in the Philippines.

14. The government has prepared a road map to develop hierarchical regional centers and clusters in the Greater Capital Region, which comprises the National Capital Region (Metro Manila) and its surrounding provinces. It aims to enhance economic development in these centers through improved rail and road connectivity. The PDP recognizes that poor quality and/or insufficient infrastructure are a consequence of low public and private sector investment. To meet the requirements of the Philippines’ expanding economy and its growing population, the PDP calls for optimizing resources and investments through improved project planning and budgeting. The PDP also recognizes the need for better coordination and integration of infrastructure initiatives at all levels of government. To attract investments in infrastructure, the PDP supports an improved institutional and regulatory environment for infrastructure, including the separation of operational and regulatory functions among sector agencies. It also encourages public–private partnerships by supporting streamlined project approval and implementation procedures. Following the PDP, ADB is promoting a harmonized approach toward high-quality and climate-resilient infrastructure that ensures support for gender equality and women’s safety.

15. DPWH will lead coordination between development partners and will be the executing agency for the project. The Bridges Management Cluster Unified Project Management Office (BMC-UPMO) of DPWH will be directly responsible for implementing the project. The BMC-UPMO will appoint a project manager for the project’s day-to-day activities.
D. **ADB Experience and Assistance Program**

16. The ADB country partnership strategy for the Philippines, 2018–2023 (footnote 7) emphasizes support for policy reforms, institutional capacity development, and financing investments that promote high and inclusive growth. ADB operations in the Philippines rest on three strategic pillars: (i) accelerating infrastructure and long-term investments, (ii) promoting local economic development, and (iii) investing in people. The country partnership strategy lays out a program of priority activities to support each of these pillars; and promotes rebalancing ADB financing toward infrastructure projects in support of the government’s Build, Build, Build infrastructure program.

17. The indicative resources available for the transport sector during the ADB country operations business plan, 2021–2023 total $4.92 billion from ADB’s ordinary capital resources and $1.67 billion from cofinancing resources. The country operations business plan contains 10 transport projects: (i) South Commuter Railway Project (periodic financing request (PFR) 1); (ii) Metro Manila Bridges Project; (iii) Davao Public Transport Modernization Project; (iv) Malolos–Clark Railway Project (PFR 2); (v) Bataan–Cavite Bridge Project (PFR 1); (vi) Metro Rail Transit, Line 4: Ortigas to Rizal Project (PFR 1); (vii) South Commuter Railway Project (PFR 2); (viii) Laguna Lakeshore Roads Project (PFR 1); (ix) Malolos–Clark Railway Project (PFR 3); and (x) Clark–New Clark City Railway Project.

18. ADB’s operations in the Philippines have experienced project implementation delays, problems with land acquisition and resettlement, and insufficient counterpart financing. The underlying causes of these delays include budget constraints, weak project management and procurement capacity, poor contractor performance, and noncompliance with project requirements. The government has tried to simplify procurement procedures for civil works by using information technology. ADB approved $100 million from the Infrastructure Preparation and Innovation Facility in 2017 and additional financing of $200 million from the same fund in 2019 to support DPWH and the Department of Transportation in project preparation, procurement, and project management for transport and water sector projects.

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Problem Tree for Transport

**Root causes**
- Lack of land for network expansion
- Capacity of existing bridges exceeded
- Weak capacity of responsible authorities
- Undisciplined road users
- Increased accessibility to financial sources
- Poor public transport quality

**Core Problem**
Worsening road traffic congestion in the surrounding area of Metro Manila's waterways

**Causes**
- Current road network unable to accommodate traffic volume
- Poor traffic management
- Continuously increased number of motor vehicles

**Effects**
- Lost economic opportunities
- Deteriorated environment
- Deteriorated health