



1. Project Data :		Date Posted : 06/29/2000	
PROJ ID: P004609 OEDID: L3745		Appraisal	Actual
Project Name : Subic Bay Freeport	Project Costs (US\$M)	52	52.24
Country: Philippines	Loan/Credit (US\$M)	40	40
Sector, Major Sect .: Ports & Waterways, Transportation	Cofinancing (US\$M)		
L/C Number: L3745			
	Board Approval (FY)		94
Partners involved :	Closing Date	06/30/1999	06/30/1999
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
The objective of the project was to attract private investors to the Subic Bay Freeport (SBF) by: (a) improving infrastructure and access to the area for industrial, commercial and passenger traffic; (b) maintaining the SBF asset base, including protection of the environment; and (c) strengthening the capacity of the Subic Bay Metropolitan Authority (SBMA) to manage and administer the facility.

b. Components
Original components:

(a) Site Improvement Component:

- land access improvements - construction of 4 kilometer of two-lane access road connecting Kalayaan Gate to Kalake Bridge; construction of an 82 meter, two lane bridge with pedestrian walkway linking Rizal Avenue to SBF; and construction of security plazas at the Main Gate Complex and Kalayaan Gate;
- airport improvements - runway repair, reconstruction of taxiway; apron strengthening at both passenger and freight operations; airport communications and navigation equipment; and conversion of one of the existing hangars into a passenger terminal;
- repairs to piers and wharfs;
- construction of standard factory building on a 10 hectare site within SBF;
- provision of security and miscellaneous equipment.

(b) Strengthen SBMA's Institutional Capacity Component:

- design and implement merchandise control system to monitor duty-free purchases;
- technical assistance in preparing zoning regulations and a building design code for SBF;
- design and implement automated financial and billing system;
- technical assistance for privatization of key assets and utilities;
- short-term training in freeport-related topics;
- strengthen SBMA's facilities management.

(c) Environmental Protection Component :

- preparation of an environmental baseline survey;
- institutional support for the newly-established Ecology Center, including provision of environmental monitoring equipment; and
- support of Environmental Management Plan covering the organization and work plan for the SBMA's Ecology Center.

Revised Components:
The project components were significantly revised soon after implementation without changing the project

objectives. This changed the project focus from basic infrastructure improvement (roads, bridges, piers, wharfs and airport) to improvement of airport infrastructure.

Site Improvement Component: Access road and security gate construction was undertaken by BOT operator. Pier and wharf repairs, construction of factory buildings, and procurement of security and miscellaneous equipment were all canceled. Airport apron strengthening, airport pavement improvements and the air traffic control systems were upgraded.

Institutional Capacity Component: The merchandise control system sub-component was removed from the project. Technical assistance to prepare zoning and building regulations was substantially upgraded to become preparation of a master plan for the central SBF area. The planned automated financial management and billing system was also significantly upgraded to become an Integrated Financial Management System (IFMS).

Environmental protection: None

c. Comments on Project Cost, Financing and Dates

Project costs, US \$ million.

Components	Appraisal	Actuals	% of Appraisal
Site Improvement	43.80	45.89	105
Institutional Support	5.80	5.39	93
Environment	1.10	0.96	87
TOTAL	52.00	52.24	100.5

Within the site improvement component there was a substantial shift in funding from other infrastructure works to airport improvements. The airport improvements cost increased from \$20.9 million (40% of total project costs) at appraisal to \$45.3 million (87% of total project costs) at completion.

3. Achievement of Relevant Objectives :

The project achieved the objective of attracting private investors to the Subic Bay Freeport. The total private sector investment in operational facilities for the period 1992-1999 was \$2.3 million of which 46% was for services facilities, 9% for transshipment facilities, and 15% each for manufacturing and tourism.

The export value of goods produced at SBF increased from \$24 million in 1994 to \$1,012 million in 1999.

The project boosted tourism. The total number of visitors increased from 1 million in 1993 to 2.6 million in 1997.

The number of visitors decreased to 1.25 million in 1998 mainly because of the Asian financial crisis. The number of domestic aircraft movements at SBIA increased from 1566 in 1993 to 16728 in 1997. International aircraft movement increased from 40 to 5897.

The objective of improving basic infrastructure was largely met. Airport improvement were made without delays. Rizal Avenue Bridge was completed 2.5 years behind schedule. The improvements to access road were undertaken by BOT operator, financed by Government and private sector.

The repairs on piers and the wharf's were not completed because the bidding process for seaport privatization was challenged in court and the lawsuit was not resolved by project completion.

The environmental protection objective was partially met. Environmental baseline survey was completed. However, the project did not result in strengthening of SBMA's Ecology Center's capacity to effectively monitor air and water quality and enforce environmental standards. The Ecology Center did introduce some sound operational practices regarding land acquisition, working with local communities, and relationship with indigenous people.

The institutional development objective was not fully achieved. The comprehensive master plan for the central area was developed and airport master plan was completed.

The significantly upgraded Integrated Financial Management System (IFMS) was not implemented.

Technical Assistance to enhance SBMA's institutional capabilities was implemented at increased cost but very few of the freeport advisor's

proposals were integrated into SBMA's current operations. SBMA was unable to design and implement merchandise control system. Privatization of key assets and utilities, short-term training and strengthening SBMA's facilities management were not implemented.

4. Significant Outcomes /Impacts :

The significant impacts of the project are: (i) increased trade; (ii) growth in tourism; and (iii) greater private sector participation in infrastructure development and services sector.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The growth of SBF imposed additional burden on SBMA which at the outset lacked experience in freeport management. The sub-components that were designed to build capacity e.g. short-term training, management of facilities, were not implemented.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Modest	These are equivalent ratings.
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

The ICR identifies the following lessons of broad applicability:

1. In converting existing infrastructure into freeport, a well planned program (supported with technical assistance) is critical.
2. Infrastructure improvement projects should include a program for developing comprehensive maintenance plan.
3. Proposals to revise project components should be evaluated rationally in order to ensure that the overall objectives of the project are met.
4. Institutional development goals should be set realistically. A better legal framework is required so that building institutional capacity is not difficult and restricted by rules.
5. Stronger emphasis should be placed on staffing and staff training.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR is satisfactory. It has thoroughly analyzed the project's implementation experience. The ICR does not discuss the disbursement profile, Aide-Memoire for the ICR mission is not available, and the section on "Transition arrangements to regular operations" could have been developed more.