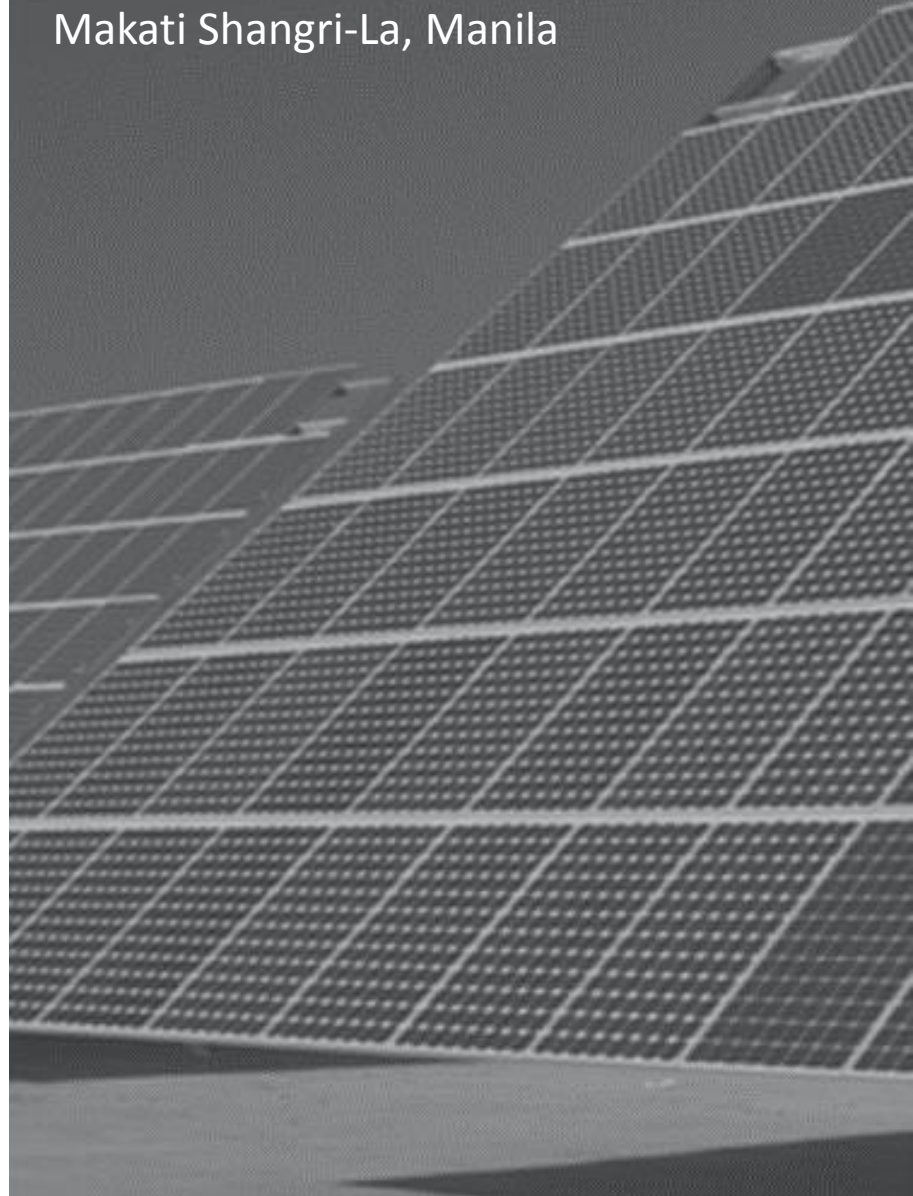


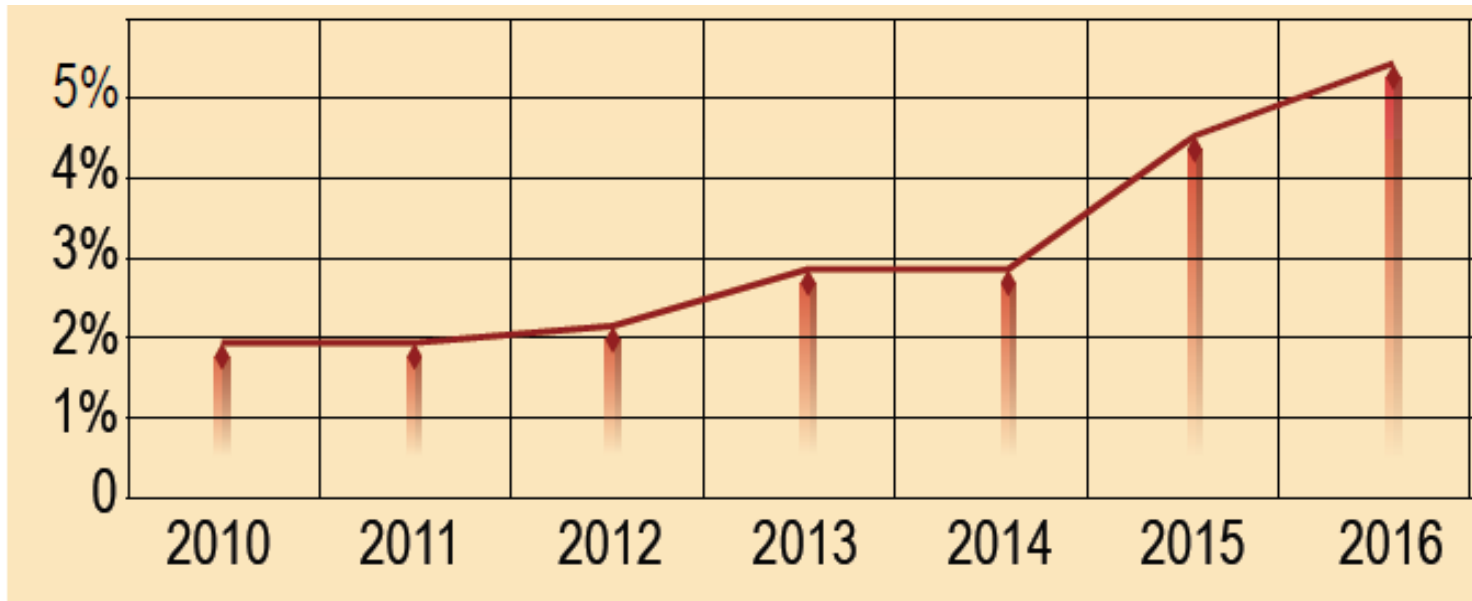
# Infrastructure Financing in the Philippines: Challenges

**National Workshop on Infrastructure  
Financing Strategies in the Philippines**

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## Infrastructure Spending: 2010-2016



Source: Department of Budget & Management (2017)

Average of 2.9% of GDP from the period 2010-2016.

# The 2016-2022 Philippine Infrastructure Program

- ***The Gap:*** an estimated PhP 9 trillion (\$180 billion) from 2017-2022 is required to plug the infrastructure gap
- ***The Target:*** Increase infrastructure spending to 5.4% of GDP in 2017; raise spending to as much as 7% of GDP in the next 6 years (until 2022)
- ***The Strategy:*** tax reform, increased tax and customs collection, foreign borrowing, spending efficiency
- ***The Pipeline:*** 75 Flagship Infrastructure Projects (18 NEDA Board approved)

## Challenges:

1. Underspending / Absorptive capacity;
2. Augmenting the Government Budget through the Comprehensive Tax Reform Program (CTRP);
3. Concerns over foreign loans (ODA);
4. Continuing relevance of PPPs.

## Challenges: Absorptive Capacity

- Main causes of underspending:
  - Weak Agency Planning;
  - Poor procurement capacities resulting to bid delays and failures;
  - Poor operational planning (i.e. lack of coordination among line agencies and ROW issues).

## Challenges: Absorptive Capacity

- Mechanisms to facilitate infrastructure implementation:
  - Three-year Rolling Infrastructure Plan (TRIP);
  - Establishment of the Project Facilitation, Monitoring and Innovation (PFMI) Task Force;
  - ADB Support:
    - Strengthening Infrastructure Capacity and Innovation for Inclusive Growth;
    - Infrastructure Preparation and Innovation Facility.

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## Challenges: The CTRP

- An estimated PhP 1.1 trillion (\$22 billion) will have to be raised over the next six years to augment the infrastructure budget
- Proposes to achieve this by:
  - Limiting exemptions to VAT to raw food and other necessities only;
  - Increase excise tax on all petroleum products and indexed to inflation;
  - Update excise taks on automobiles.



## Challenges: The CTRP

- A crucial element of the Government's BBB Program
- **Status:** Passed in the lower house; currently being discussed in the Senate (upper house)

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## Challenges: Foreign funding through ODA

- Advantages:
  - Longer-term maturity and favorable concessional financing terms;
  - Wider access to knowledge, experience and technology;
  - Improved overall project implementation due to the absence of contractual disputes.

## Challenges: Foreign funding through ODA

- As of December 2015, ODA amounts to \$15.71 billion, consisting of 73 loans (\$12.66 billion) and 460 grants (\$3.05 billion)
  - 47.63% accounts for infrastructure projects (total of \$6.03 billion)
  - Current focus is on transportation (an increase of 103.86% or \$2.2 billion)

## Challenges: Foreign funding through ODA

- Disbursement shortfalls:
  - 25.1% for DPWH (\$149.48 million);
  - 12.1% for DOTr (\$71.89 million)
- Availment backlogs:
  - 33.5% for DPWH (\$347.85 million);
  - 10% for DOTC (\$103.71 million)
- For ODA loans, concerns regarding their “tied” status

## Challenges:

1. Underspending / Absorptive capacity;
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4. Continuing relevance of PPPs.

## Challenges: Continuing relevance of PPPs

- Governed by the Philippine Build-Operate-and-Transfer (BOT) Law (amended in 1994)
- Development of PPP projects are done with the support of a revolving fund (the Project Development and Monitoring Facility / PDMF)
  - As of June 2016, a total of \$102 million has been allotted, but thus far only \$43 million has been disbursed

## Challenges: Continuing relevance of PPPs

- At the start of the Duterte administration, 6 projects were in various stages of tender

Project	Implementing Agency	Cost
New Bohol (Panglao) Airport Development, Operation and Maintenance	DOTC and CAAP	P 4.57 Billion
Davao Airport Development, Operation and Maintenance	DOTC	P 40.57 Billion
Operation and Maintenance of LRT Line 2	DOTC and LRTA	No Capital Expenditure
North-South Railway Project (South Line)	DOTC	P 170.7 Billion
Regional Prison Facilities	BuCor and DOJ	P 50.18 Billion
New Centennial Water Source Project	MWSS and DPWH	P 18.72 Billion

- Of these, 4 have been structured as ODA projects, while the other two have been suspended



## Challenges: Continuing relevance of PPPs

- The process of developing, tendering, and awarding PPP projects will have to be hastened from 29 months to 20 months
- Introduction of the Hybrid PPP Scheme
- Support for developing PPP projects at the municipal level
- Support to agencies in reviewing/evaluating unsolicited proposals



Patrick Rosales

Patrick.rosales@rebelgroup.com

+63 916 532 6768 (mobile)

Rebel  
Wijnhaven 23  
3011 WH Rotterdam  
Nederland

29/F Joy Nostalg Centre  
17 ADB Ave, Ortigas Center  
Manila, The Philippines

**REBELGROUP.COM**



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