



## Financing Infrastructure in the Philippines: Fiscal Landscape and Resources Mobilization

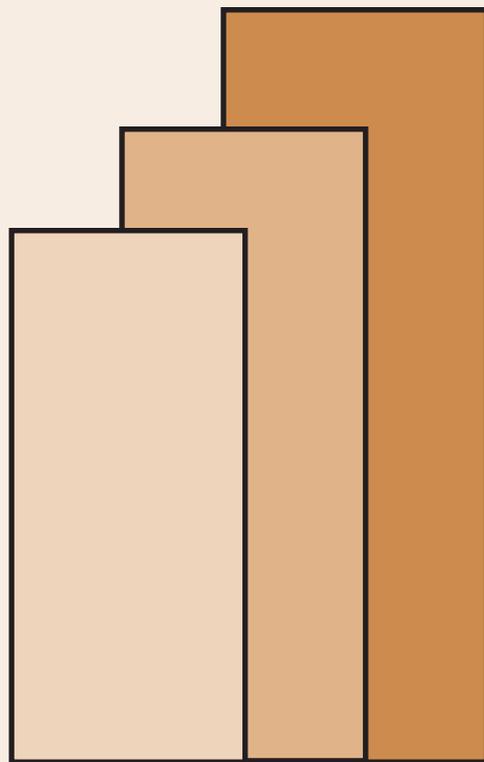
*Adoracion M. Navarro and Gilberto M. Llanto*

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For comments, suggestions or further inquiries please contact:

**The Research Information Staff**, Philippine Institute for Development Studies

5th Floor, NEDA sa Makati Building, 106 Amorsolo Street, Legaspi Village, Makati City, Philippines

Tel Nos: (63-2) 8942584 and 8935705; Fax No: (63-2) 8939589; E-mail: [publications@pids.gov.ph](mailto:publications@pids.gov.ph)

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# **Financing Infrastructure in the Philippines: Fiscal Landscape and Resources Mobilization**

**Adoracion M. Navarro and Gilberto M. Llanto<sup>1</sup>**

## **Abstract**

This study assessed the sources and levels of infrastructure financing in the Philippines for the last five years (2008-2012). The mapping of fiscal resources showed that there had been underinvestment in infrastructure. To illustrate, in 2008-2012, public infrastructure spending as a share of GDP ranged between a low of 1.40 percent to a high of 2.09 percent—a far cry from the target 5 percent of GDP over the medium term. The result of many years of infrastructure underinvestment is woefully manifested in the Philippines' place in quality-of-infrastructure ranking among ASEAN member states; it is currently second to the bottom. Recently, there had been significant improvements in the government's fiscal position that augur well for more substantial infrastructure spending in the future. New regional sources of financing, the liquid domestic capital market, and a low interest-rate environment also present opportunities for investing in infrastructure by both the government and the private sector. However, it is not only the constrained availability of financial resources that could restrain infrastructure investments but also institutional weaknesses and, therefore, the government must firmly commit to reform policies and strengthen institutions.

**Key words:** ASEAN connectivity, fiscal landscape, infrastructure, public-private partnerships

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<sup>1</sup> Senior Research Fellow and President, respectively, of the Philippine Institute for Development Studies. The authors are grateful for the excellent research assistance of Keith C. Detros and Ma. Kristina P. Ortiz. This paper is part of the research project "Financing Infrastructure in ASEAN Member States: Fiscal Landscape and Resources Mobilization" by the Economic Research Institute for ASEAN and East Asia.

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## Notes

Exchange rate used: US\$1.00 = PhP42.2288.

This is the average exchange rate in 2012, as computed by the Bangko Sentral ng Pilipinas. The Philippines has a flexible exchange rate system.

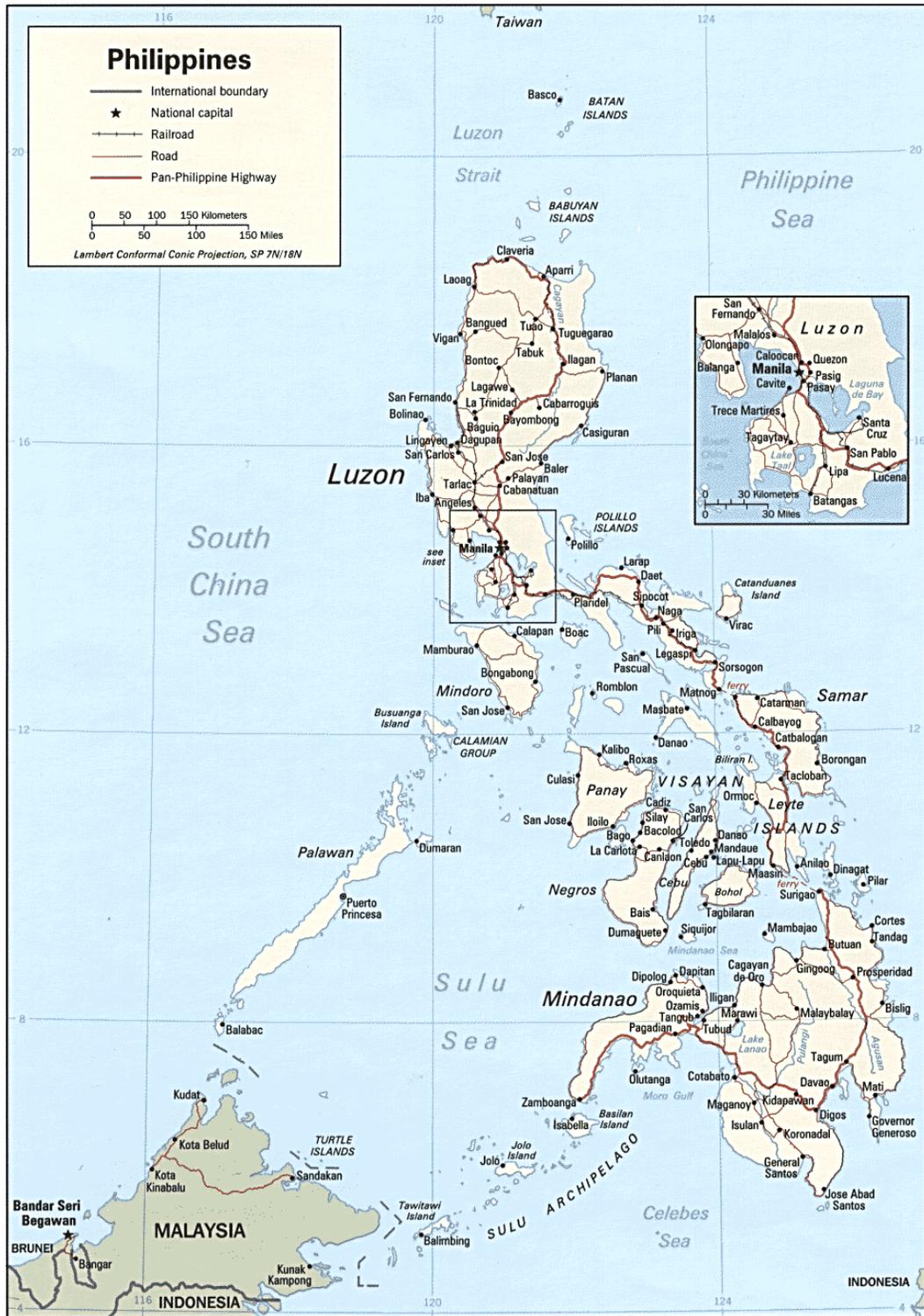
# 1 Introduction

This country study provides a mapping of the sources of infrastructure financing in the Philippines in the last five years and analyzes the country's current fiscal situation as it relates to infrastructure financing. It also describes the Philippine environment for public-private partnerships (PPPs) and the level of capital market development in the country. It is part of a larger study by the Economic Research Institute for ASEAN and East Asia (ERIA) on the fiscal landscape and resources mobilization for infrastructure of all ASEAN member states. The larger ERIA study also maps the regional sources of infrastructure financing and the possible mechanisms to enhance regional cooperation in ASEAN connectivity infrastructure. Thus, this country study also provides updates on the Philippines' contribution to building a regional financing source and developing ASEAN connectivity infrastructure.

After this introduction, the rest of this country study is structured as follows. Section 2 presents a brief overview of infrastructure development in the Philippines. Section 3 gives details on the national and external sources of infrastructure financing as well as the Philippines' contribution to a regional fund. It also provides an analysis of the country's fiscal situation, focusing on fiscal health, space, policy, challenges, and opportunities. Section 4 discusses PPPs and capital market development. Section 5 describes the Philippines' position on the Master Plan for ASEAN Connectivity and provides updates on recent developments. Finally, Section 6 presents the summary and conclusions.

To put the Philippine infrastructure development challenge into geographical context, a map of the Philippine archipelago is presented in **Figure 1** below. The archipelago is divided into three geographical regions: Luzon, which consists of the main Luzon island and nearby islands in the north; Visayas, which consists of the cluster of islands in the center; and Mindanao, which consists of the main Mindanao island and nearby islands in the south. A brief overview of the physical infrastructure connecting these islands is discussed in the next section.

**Figure 1. Map of the Philippine Archipelago**



Source: National Mapping and Resource Information Authority

## 2 Overview of the Infrastructure Situation in the Philippines

This section presents the infrastructure stock to date and the population's level of access to infrastructure. The infrastructure sectors covered in this brief overview include the transportation, water supply, energy, and information and communications technology sectors. The Philippine Development Plan (PDP) 2011-2016 describes the current infrastructure stock as inadequate and the level of access as inequitable. The PDP explains that the government and the private sector have under-invested in infrastructure in the past and the resulting inadequacy and inequitable access hamper the national government's goal to bring about inclusive growth in the country.

### Transportation

Road assets are a total of 215,088 km. of national roads, secondary roads, provincial roads, city roads, municipal roads, and barangay<sup>2</sup> roads. As of October 2012, around 27% of this total road-length are paved. Of these roads, national roads consist of a total of 25,443 km., around 80% of which are paved.<sup>3</sup>

In maritime transport, there are 211 ports handling domestic traffic and 38 ports handling international traffic<sup>4</sup> as of 2012. The domestic shipping fleet consists of 7,299 vessels with a total gross tonnage of 1.76 billion tons<sup>5</sup> as of 2011. The Philippine archipelago has what is called a nautical highway system which allows vehicular traffic from highways to continue the inter-island journeys via roll-on-roll-off (RORO) ferries along 12 specific routes. However, mainly due to port underdevelopment, RORO ferries have pulled out their operation in five of these 12 routes<sup>6</sup>.

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<sup>2</sup> Barangay is the smallest administrative unit in the Philippines.

<sup>3</sup> Figures from the Department of Public Works and Highways.

<sup>4</sup> Figures from the Philippine Ports Authority.

<sup>5</sup> Figures from the National Statistical Coordination Board.

<sup>6</sup> Figures from the Maritime Industry Authority.

The country currently has 10 international airports serving international flights, 34 principal airports catering to domestic flights, and 41 community airports used by general aviation aircraft. The dramatic increase in air traffic in recent years, coupled with inadequate infrastructure investments, has led to congestion in airports. For example, the Ninoy Aquino International Airport is designed to accommodate only 36 aircraft movements (takeoff and landing) per hour but actual aircraft movements have reached 50 per hour in summer 2012<sup>7</sup>.

## **Water Supply**

The water supply sector is quite fragmented and access to potable water is provided through numerous providers, including 511 water districts<sup>8</sup>, 475 private water utilities<sup>9</sup>, and a still undetermined number of small water service providers. As of 2011, around 86% of Filipinos have access to safe drinking water<sup>10</sup>.

## **Energy**

In the energy sector, power generation is a competitive business and the Luzon, Visayas and Mindanao grids have a total of 16,162 megawatts (MW) of installed capacity and 14,477 MW of dependable capacity. Generation capacity margin is tight and frequent power shortages have been occurring in Mindanao in the past two years. Transmission is a natural monopoly and the national grid is operated by a private firm. The distribution sector consists of 119 electric cooperatives and 25 private and local government-owned utilities. As of 2010, 74.3% of Filipino households have access to electricity.<sup>11</sup>

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<sup>7</sup> Figures from the Department of Transportation and Communications.

<sup>8</sup> 2012 figure from the Local Water Utilities Administration.

<sup>9</sup> From 2009 registration data of the National Water Resources Board.

<sup>10</sup> From the 2010-2012 Socio-economic Report of the National Economic and Development Authority. A recent study on water supply is Gilberto M. Llanto (2013) "Water Financing Programs in the Philippines: Are We Making Progress?" PIDS Discussion Paper No. 2013-14, May.

<sup>11</sup> Figures from the Department of Energy.

## Information and Communications Technology (ICT)

The ICT sector is a competitive and private-driven sector, with a total of 70 local exchange carriers and nine cellular mobile radio service providers nationwide as of 2011<sup>12</sup>. In 2011, teledensity was around seven installed lines per 100 Filipinos, mobile cellular subscription was at 106.7 mobile phones per 100 Filipinos, fixed broadband subscription was at 2.2 subscribers per 100 Filipinos, and around 36.2% of Filipinos were using the internet<sup>13</sup>.

## Quality of Infrastructure Relative to ASEAN Neighbors

The Philippines is lagging behind most of its ASEAN neighbors in upgrading the quality of its infrastructure (**Table 1**). According to the latest *Global Competitiveness Report* (2012-2013) of the World Economic Forum, in terms of quality of overall infrastructure, the Philippines ranks 98th out of 144 countries and is second to the bottom among the ASEAN countries included in the ranking.

**Table 1. Ranking of Selected ASEAN Countries in Terms of Quality of Infrastructure**

Country	Quality of Overall Infrastructure	Quality of Roads	Quality of Port Infrastructure	Quality of Air Transport Infrastructure
Singapore	2	3	2	1
Malaysia	29	27	21	24
Brunei	43	30	57	61
Darussalam				
Thailand	49	39	56	33
Cambodia	72	66	69	75
Indonesia	92	90	104	89
Philippines	98	87	120	112
Viet Nam	119	120	113	94

*Note: A total of 144 countries were ranked. Lao PDR and Myanmar were not included in the ranking.*

*Source: The Global Competitiveness Report 2012–2013, World Economic Forum*

<sup>12</sup> Figures from the National Telecommunications Commission.

<sup>13</sup> Figure from the Department of Science and Technology.

## **3 Public Sources of Infrastructure Financing**

### **3.1 National Sources**

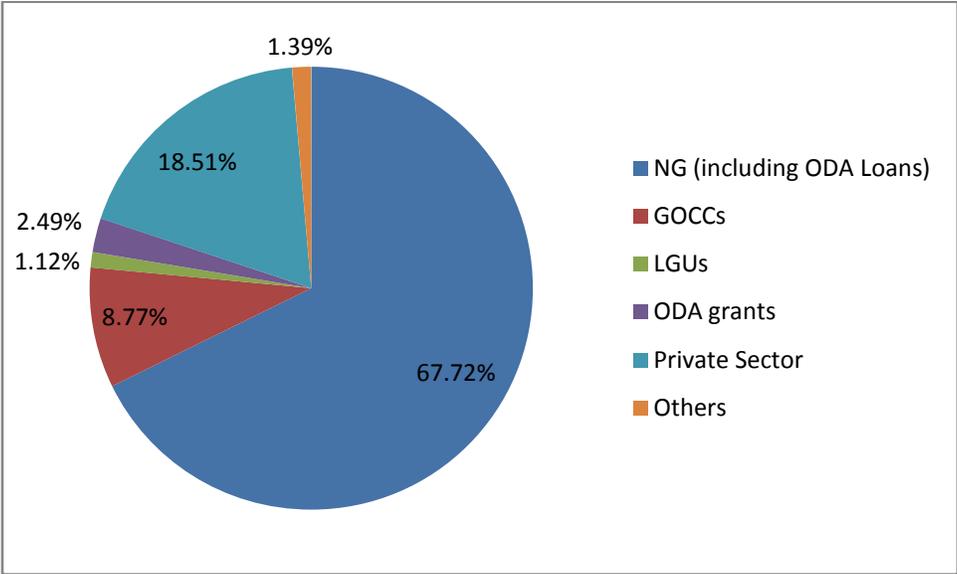
The immense importance of investing in infrastructure development to facilitate inclusive economic growth is recognized by the current administration. The Philippine Development Plan (PDP) 2011-2016 puts high priority to infrastructure development, which has both growth and equity effects. Thus, this section begins with a discussion of the national development priorities contained in the government's investment program. The discussion then continues with a presentation of how the government financed infrastructure investments for the past five years through the national budget.

#### **3.1.1 National Development Priorities**

The current administration is guided by a comprehensive investment plan titled "Public Investment Program (PIP) 2011-2016. In 2013, the National Economic Development Authority (NEDA) released a "Revalidated PIP," which updated the PIP data as of May 31, 2012 and shows that infrastructure development has the largest share among eight key areas of investment. (The eight key areas are infrastructure, industry and services, agriculture and fisheries, financial sector, governance and the rule of law, social development, peace and security, and environment and natural resources.) Planned infrastructure investments amount to US\$13.06 billion, or 77% of the total for the remaining years 2013 to 2016. This amount corresponds to 69 out of the identified 102 core investment projects and programs. This demonstrates the high priority that the current administration puts on infrastructure development. **Annex 1** provides details on the infrastructure investment program in the PIP.

Infrastructure development in the PIP will be financed mostly by the national government. **Figure 2** shows that the national government, aided with ODA loans, will shoulder 67.72% of the 2011-2016 investment program for infrastructure. Private sector investment ranks second at 18.51% share, followed by investments by government-owned and controlled corporations (GOCCs) at 8.77% share.

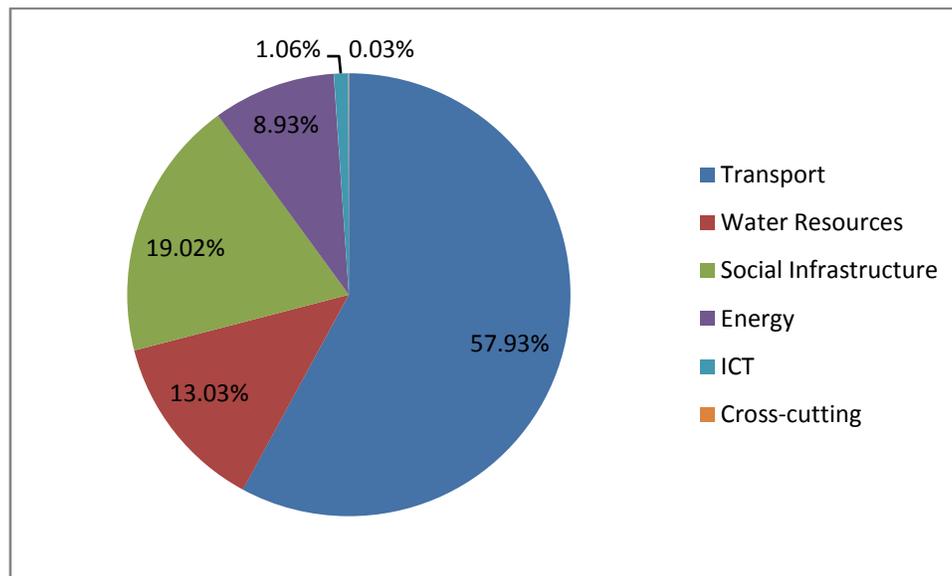
**Figure 2. Aggregate Investment Targets by Funding Source (2011-2016)**



*Source of raw data: PIP 2011-2016 (as of May 31, 2012)*

The transport sector is assigned the highest share among infrastructure subsectors. The percent shares of investment targets by infrastructure subsector are shown in **Figure 3** below. More than half (57.93%) of the total 2011-2016 infrastructure investment target is for the transport subsector. More specifically, the 2011-2016 PIP indicated that US\$34.79 billion is the total target amount for the transport subsector; US\$7.96 billion for water resources; US\$11.63 for social infrastructure; US\$5.47 for energy; and US\$0.02 billion for cross-cutting key programs and projects.

**Figure 3. Investment Targets by Infrastructure Subsector, 2011-2016**



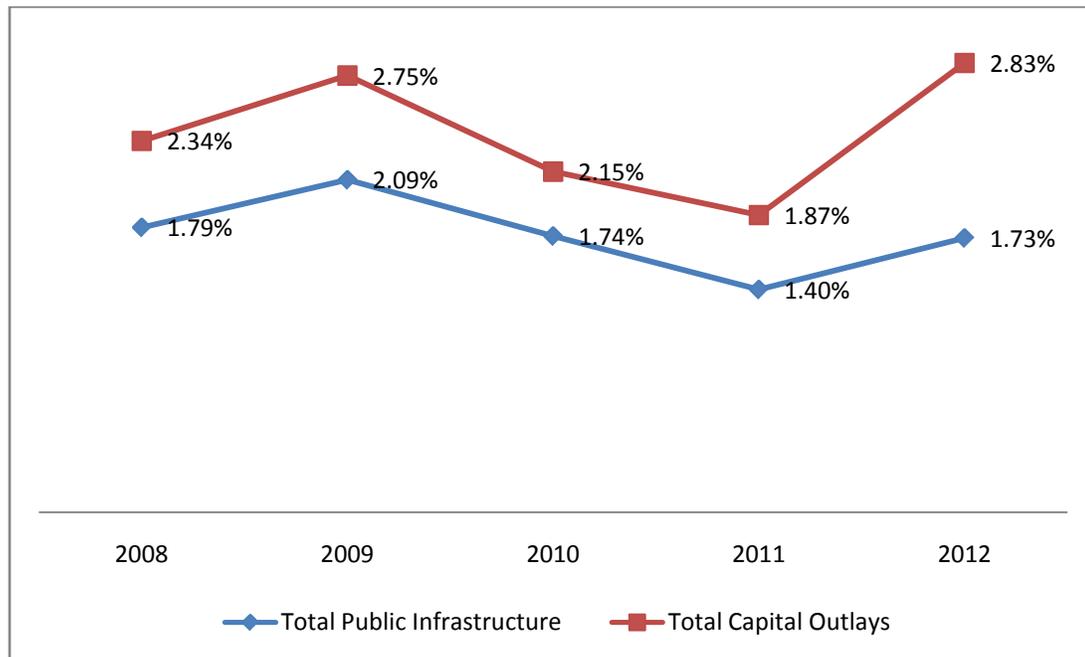
*Source of raw data: PIP 2011-2016 (as of May 31, 2012)*

### 3.1.2 Budget Composition

The Department of Budget and Management (DBM) claims that in the 2013 budget, infrastructure and other capital outlays allocation went up by 17.7%. From US\$5.98 billion in 2012, the allocation went up to US\$7.04 billion in 2013. The allocation is also 14.8% of the total US\$47.48 budget in 2013. It is noted that the budget item “Infrastructure and Other Capital Outlays Allocation” cover physical infrastructure and other items such as buildings, vehicle, equipment and others. Separating actual public infrastructure spending from “Infrastructure and Other Capital Outlays Allocation” shows that in the last five years (2008-2012), public infrastructure spending as part of GDP ranged between a low of 1.4% to a high of 2.09% only (see **Figure 4** below), which is still very far from the government’s target of 5% of GDP by 2016.<sup>14</sup> However, with governance reforms in place, the government expects to improve infrastructure spending in the coming years.

<sup>14</sup> The target “5% of GDP” is not in the Philippine Development Plan document per se but was announced in an August 12, 2013 press release by NEDA, available at: [http://www.neda.gov.ph/ads/press\\_releases/pr.asp?ID=1484](http://www.neda.gov.ph/ads/press_releases/pr.asp?ID=1484) (accessed: September 30, 2013).

**Figure 4. Actual Infrastructure and Other Capital Outlays as % of GDP, 2008-2012**

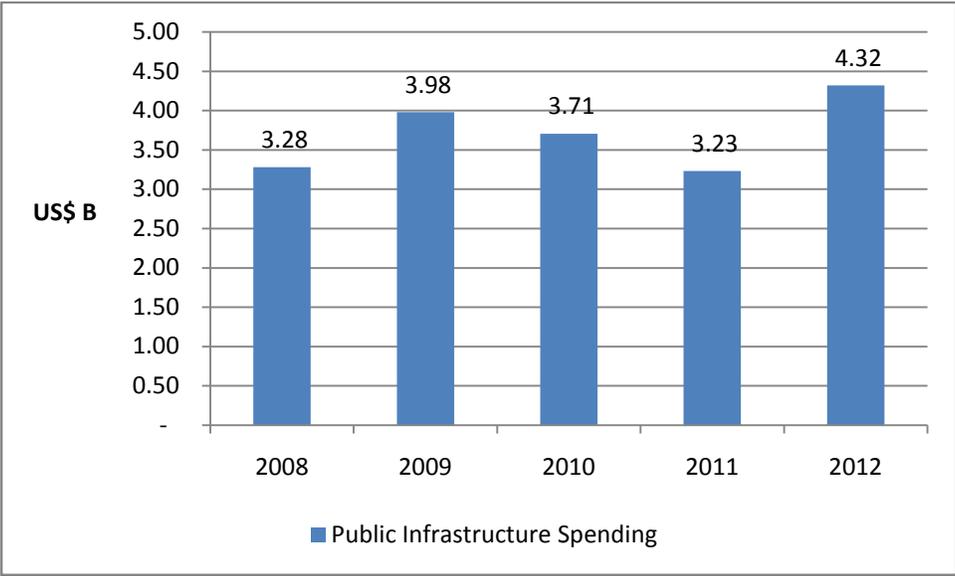


*Source: DBM National Expenditure Program CY 2008-2014; PIDS Economic and Social Database*

There was also underspending in infrastructure in 2010 and 2011 (see **Figure 5** below). Navarro and Yap (2011)<sup>15</sup> stated that the 2011 decrease in government final consumption expenditure, mostly in infrastructure projects and programs, cut GDP growth by 0.1%. The government explained underspending as a consequence of the resolve to institute good governance, an important platform of the Aquino administration. The due diligence reviews of projects and programs conducted in 2010-2011 led to postponement or delays in fund disbursements. Thereafter, an accelerated disbursement program was instituted and by 2012, public spending on infrastructure has surpassed its 2009 level.

<sup>15</sup> Navarro, Adoracion M. and Josef T. Yap (2012) “Macroeconomic Trends in 2011.” Chapter 1 in *Economic Policy Monitor 2012*. Makati: Philippine Institute for Development Studies.

**Figure 5. Actual Public Infrastructure Spending (in US\$ billion), 2008-2012**



*Source: DBM National Expenditure Program CY 2008-2014; PIDS Economic and Social Database*

**Table 2** below shows that infrastructure spending by national government agencies had been between 11% and 13% of the national budget in the last five years.

**Table 2. Infrastructure Spending by National Government Agencies, 2008-2012 (in US\$ million)**

Agency	Type of Infrastructure	2008	2009	2010	2011	2012 <sup>a</sup>
Department of Agrarian Reform (Agrarian Reform Fund, 2008-2010)	Transport; Water and Sanitation; Logistics and Supply Chain	26.79	40.23	48.74	39.88	83.19
Department of Agriculture	Transport; Water and Sanitation; Logistics and Supply Chain	310.07	347.95	422.85	362.12	792.93
Department of Education	Social	163.78	134.82	89.73	151.04	401.86
Department of Finance (Municipal Development Fund Office, 2011-2012)	Water and Sanitation	-	-	-	23.50	21.88
Department of Health	Water and Sanitation; Social	-	35.52	0.02	-	-
Department of Interior and Local Government	Transport; Water and Sanitation	-	-	-	-	18.23
Department Of Public Works And Highways	Transport; Water and Sanitation; Social	2,539.38	3,351.55	3,108.71	2,706.79	2,817.01
Department of Transportation and Communications	Transport; Communications; Logistics and Supply Chain	341.40	265.07	129.70	283.24	331.11
Autonomous Region in Muslim Mindanao	Transport; Water and Sanitation; Power	23.67	36.23	21.48	27.09	32.13
Budgetary support to Government Corporations	Water and Sanitation; Power; Transport; Social	-	-	26.39	551.90	281.22
Allocations to Local Government Units <sup>b</sup>	Water and Sanitation; Social; Transport	71.29	52.95	60.00	-	-
Department of Education-School Building Program	Social	<i>Funds for this program were appropriated under the Department of Education</i>			-	23.68

Agency	Type of Infrastructure	2008	2009	2010	2011	2012 <sup>a</sup>
<b>GRAND TOTAL</b>		3,476.39	4,264.34	3,907.63	4,145.55	4,803.25
<b>Total appropriated budget</b>		31,130.65	33,961.4	34,880.4	37,415.7	43,003.83
<b>Percent (%) of Actual Infrastructure Spending to Total Appropriated Budget</b>		<b>11%</b>	<b>13%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>

Notes:

<sup>a</sup> Infrastructure spending in 2012 is a preliminary expenditure, according to the DBM's Budget of Expenditure and Sources of Financing for fiscal year 2013 (BESF FY 2013).

<sup>b</sup> Includes spending of the Municipal Development Fund Office, Metro Manila Development Authority, and Pasig Rehabilitation Commission from 2008-2010

<sup>c</sup> In 2010, only the Cagayan Economic Zone Authority received national government subsidy for infrastructure projects; in 2011, subsidies were also given to the National Irrigation Administration, Philippine National Railways, and National Housing Authority.

Source of raw data: BESF FY 2013; DBM

The government also has specialized financing agencies for infrastructure development— the National Electrification Administration (NEA) for electric power infrastructure and the Local Water Utilities Administration (LWUA) for water-related infrastructure. These corporations, unlike government financial institutions, receive yearly subsidies from the government. **Table 3** and **Table 4** summarize the grants and loans provided by these two lending agencies for infrastructure-related projects in the past five years.

**Table 3. Amount of Grants and Loans Availed of by Electric Cooperatives, 2008-2012**

Year	Grants		Loans	
	(US\$ million)	(%)	(US\$ million)	(%)
2008	21.84	0.06%	37,865.15	99.94%
2009	11.84	0.03%	40,990.98	99.97%
2010*	1.49	0.0042%	35,781.27	99.9958%
2011	45.54	0.14%	32,631.76	99.86%
2012	23.68	0.06%	39,049.18	99.94%

*Source: National Electrification Administration*

*\* Used 2007 to 2009 subsidy savings*

**Table 4. Amount of Loans and Grants Availed of by Water Districts, 2008-2012**

Year	Grants		Loans	
	(US\$ million)	%	(US\$ million)	%
2008	0.0011	0.01%	13.45	99.99%
2009	4.41	15.44%	24.15	84.56%
2010	72.97	85.90%	11.98	14.10%
2011	15.62	49.34%	16.03	50.66%
2012	1.67	17.55%	7.85	82.45%

*Source: Local Water Utilities Administration*

## **3.2 External Sources**

### **3.2.1 Official Development Assistance**

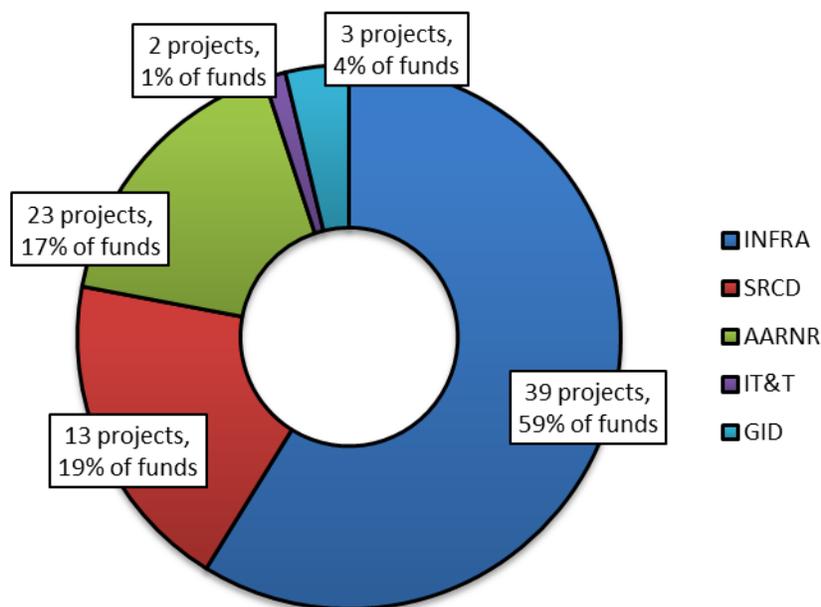
Multiple official development assistance (ODA) partners have lent significant amount of resources in helping the Philippines develop its infrastructure. Grants have also been provided together with loans. **Annex 2** details the developing partners' profiles based on their priority areas, as well as their strategy frameworks for development. The multilateral agencies have had varying areas of focus and priority: the Asian Development Bank (ADB) has historically supported transport, energy, agriculture infrastructure, and water supply projects; the International Fund for Agricultural Development has supported infrastructure for agricultural development; the United Nations has supported infrastructure with focus on the attainment of the Millennium Development Goals; the World Bank and other funds that it administers have supported transport, water supply and energy infrastructure. The bilateral aid agencies (i.e., aid agencies of Japan, Australia, China, South Korea, New Zealand, Canada, European Union, France, Spain, and the United States) have supported a number of cross-cutting areas such as public-private partnerships, investment-promoting infrastructure, infrastructure support to tourism, and infrastructure for peace and development in Mindanao.

#### **Loans for Infrastructure**

As of December 2012, the total loan commitment amounted to US\$8.82 billion. Seventy-eight percent (78%) or US\$ 6.89 billion are for project loans while the remaining 22% or US\$ 1.93 billion are for program loans. The total loan commitment in 2012 was higher by about 2.6% from the registered loan commitment in 2011. Furthermore, out of the total loans for 2012, the biggest share went to the development of the infrastructure sector. A total amount of US\$ 5,185.99 or 58% of the loans were allocated for infrastructure, followed by loans for social reform and community development, which accounted for 19% of the total allocation. Given the amount allocated to it, the infrastructure sector had the largest number of projects, with 39 projects supported by ODA loans in 2012.

**Figure 6** details the distribution of project count and percentage share by sector in the 2012 net loan commitments.

**Figure 6. Project Count and Percentage Share of 2012 Total Loan Commitments, by Sector**



Source: 2012 ODA Portfolio Review, NEDA

Notes: *INFRA* - Infrastructure

*SRCD* - Social Reform and Community Development

*AARNR* - Agriculture, Natural Resources and Agrarian Reform

*IT&T* - Industry, Trade and Tourism

*GID* - Governance and Institutions Development

The 2012 distribution of loans by sector show that infrastructure has the largest share, which should not come as a surprise given the historical data for the past five years. From 2008-2012, ODA partners have consistently focused on infrastructure development in the country. Since 2008, more than 56% of the total annual loans went to projects for infrastructure development (Table 5).

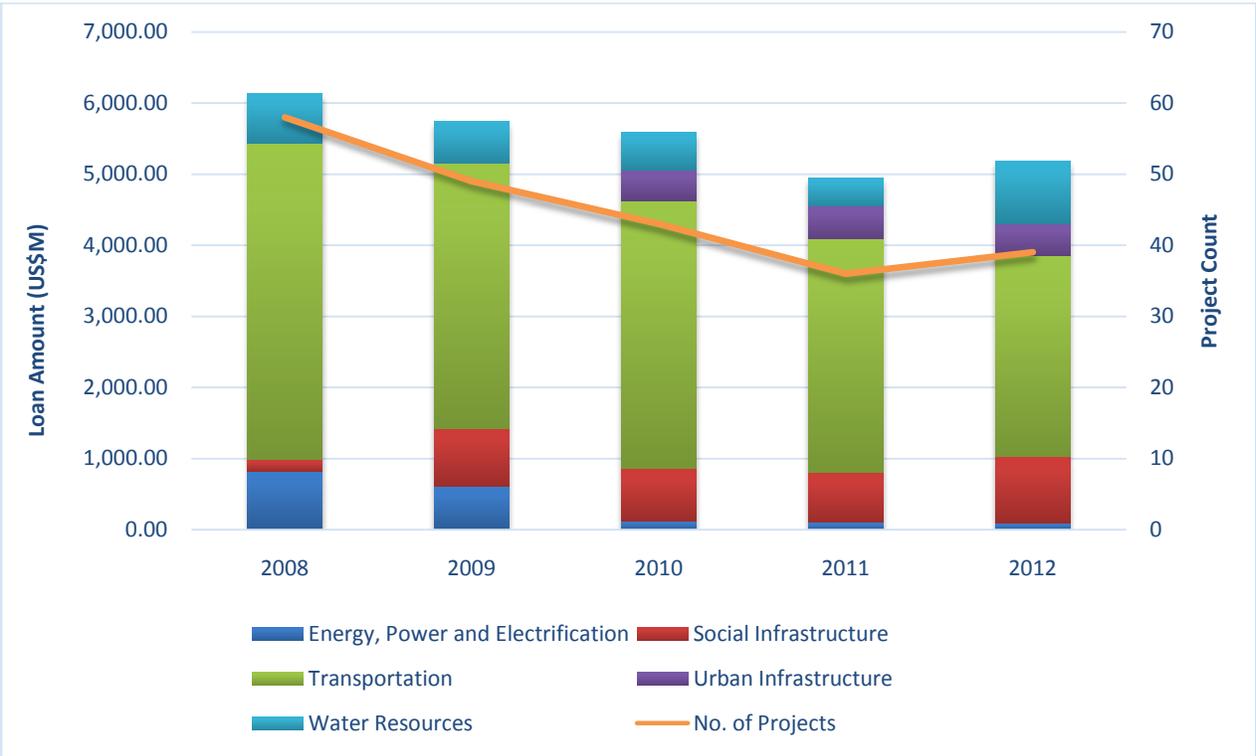
**Table 5. ODA Loans, by Sector, 2008-2012**

Sector	2008		2009		2010		2011		2012	
	Amount (US\$M)	% Share								
Agriculture, Natural Resources and Agrarian Reform	1,553.66	15%	1,612.28	17%	1,837.40	18%	1,192.03	14%	1,495.26	17%
<b>Infrastructure</b>	<b>6,130.25</b>	<b>61%</b>	<b>5,741.39</b>	<b>60%</b>	<b>5,591.70</b>	<b>56%</b>	<b>4,950.35</b>	<b>58%</b>	<b>5,185.99</b>	<b>59%</b>
Industry, Trade and Tourism	666.4	7%	470.02	5%	44.86	0%	218.64	3%	115.05	1%
Governance and Institutions Development	732.9	7%	909.19	9%	709.17	7%	32.9	0%	332.4	4%
Social Reform and Community Development	953.68	10%	904.33	9%	1,751.53	18%	2,205.63	26%	1,692.30	19%
Grand Total	10,036.89	100%	9,637.21	100%	9,934.66	100%	8,599.55	100%	8,821.00	100%

*Source: 2008-2012 ODA Annual Portfolio Review; 2010-2012 NEDA Project Monitoring Staff*

Though the infrastructure sector has received priority in ODA loans over the other sectors, a decreasing trend in infrastructure loans incurred can be observed in the past five years, with a slight rebound in 2012 (see **Figure 7**). The number of infrastructure projects has also decreased, from a high of 58 projects in 2008 to the current project count of 39. Within the infrastructure sector, the transportation subsector consistently has the highest share in ODA loans.

**Figure 7. Distribution of Infrastructure Loans by Subsector, 2008-2012**



*Source: 2008-2012 ODA Annual Portfolio Review*

Among the development partners, Japan has consistently been the top source of funding for infrastructure projects (**Table 6**). In 2012, Japanese ODA accounted for 48% or US\$ 2,476.88 million of the total ODA loan funds allocated for the infrastructure sector. This is followed by French ODA (23%) and the World Bank (15%). For the past three years, the infrastructure sector has received US\$ 15.72 billion with Japan as the source of 48% of the total loan funds.

**Table 6. Infrastructure Loan Amount by Development Partner, 2010-2012 (US\$ million)**

Developing Partner	2010	2011	2012	Total
Japan	2,810.11	2,297.43	2,476.88	7,584.42
France	744.46	721.52	1,181.39	2,647.37
China	1,016.60	1,016.60	297.39	2,330.59
WB	496	485.56	761.99	1,743.55
Korea	206.33	219.62	237.66	663.61
ADB	31.1	31.1	93.1	155.3
Others	287.09	178.52	137.59	603.2

*Source: NEDA-Project Monitoring Staff*

Furthermore, there are 25 infrastructure projects identified as of March 2013 in the preliminary ODA pipeline. Please refer to **Annex 2** for the list of projects in the preliminary ODA pipeline.

### **Grants for Infrastructure**

The total ODA grants that the Philippines has received since 2008 also show an increasing trend. Total grants for all sectors amounted to US\$ 2.86 billion for 2012. **Table 7** shows the breakdown of the grants received per sector over the past five years. **Table 7** and **Figure 8** also show a generally increasing trend for grants. Compared to the US\$128.10 million received in 2008, infrastructure grants as of 2012 have reached US\$400.04 million.

The Millennium Challenge Corporation (MCC), a U.S. government aid agency, has led the development partners in grants for infrastructure development (see Table 8). Since 2010, MCC grants have accounted for 54% of the infrastructure grants, followed by grants from Australia (24%), JICA (7%) and the World Bank (6%).

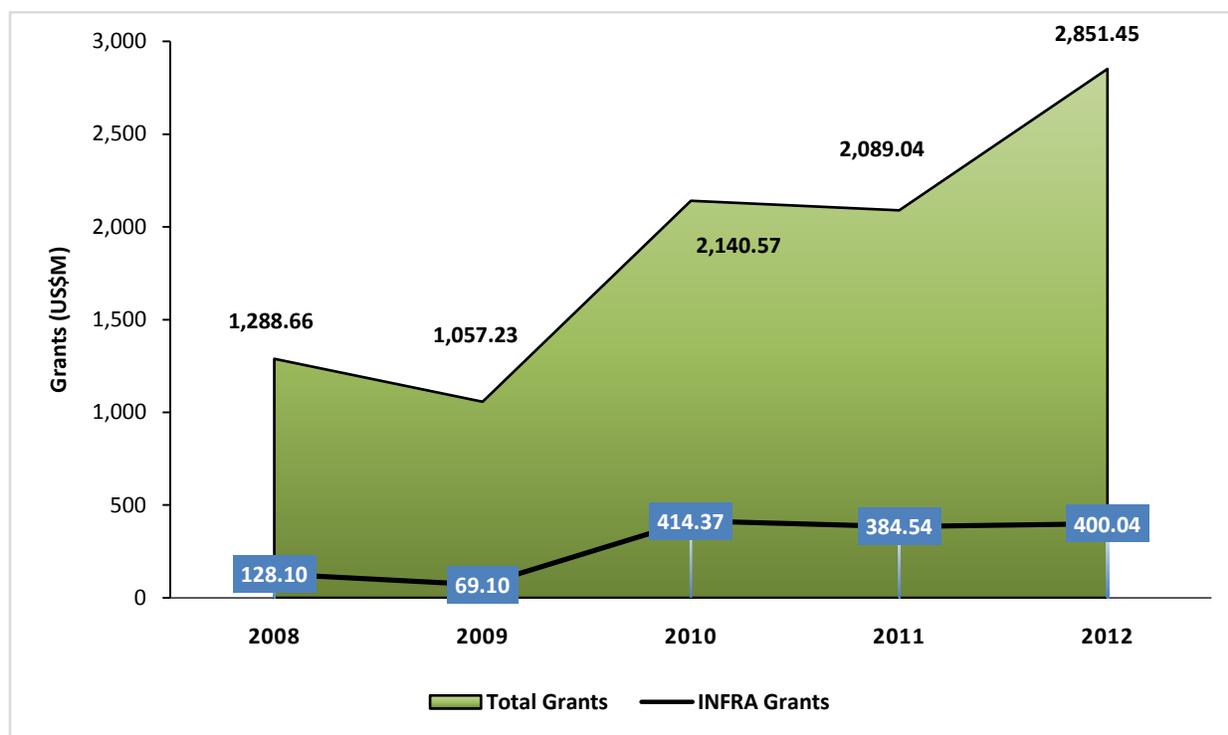
**Table 7. ODA Grants by Sector, 2008-2012**

Sector	2008		2009		2010		2011		2012	
	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share
<b>Social Reform and Community Development</b>	284.82	22%	415.78	39%	931.12	43%	876.41	42%	1,519.40	53%
<b>Governance and Institutions Development</b>	474.13	37%	334.65	32%	400.93	19%	478.95	23%	561.92	20%
<b>Infrastructure</b>	<b>128.10</b>	<b>10%</b>	<b>69.10</b>	<b>7%</b>	<b>414.37</b>	<b>19%</b>	<b>384.54</b>	<b>18%</b>	<b>400.04</b>	<b>14%</b>
<b>Agriculture, Agrarian Reform, and Natural Resources</b>	338.80	26%	192.62	18%	344.55	16%	292.91	14%	314.19	11%
<b>Industry, Trade and Tourism</b>	62.81	5%	45.08	4%	49.60	2%	56.23	3%	55.90	2%
<b>TOTAL</b>	1,288.66	100%	1,057.23	100%	2,140.57	100%	2,089.04	100%	2,851.45	100%

*Source: 2008-2009 ODA Annual Portfolio Review; 2010-2012 NEDA Project Monitoring Staff*

*Note: Total grants received in 2010 was US\$ 2247.53 in millions. An amount of US\$ 106.961 (M) were tagged as unspecified.*

**Figure 8. Total Grants vis-a-vis Infrastructure Grants Received, 2008-2012**



Source: ODA Annual Portfolio Review for the 2008-2009 data; NEDA Project Monitoring Staff for the 2010-2012 data

**Table 8. Grant Amount by Development Partner, 2010-2012 (in US\$ million)**

Development Partner	2010	2011	2012	Total
MCA/MCC	214.4	214.4	214.4	643.2
AUSTRALIA	101.87	79.14	104	285.01
JICA	-	47.01	37.04	84.05
WORLD BANK	35.26	20.24	14.07	69.57
ADB	10.21	7.7	14.57	32.48
GTZ/GIZ	31.97	-	-	31.97
USAID	5.5	5.5	5.51	16.51
Others	15.15	10.55	10.45	36.15
No. of projects	95	65	29	189

Source: NEDA-Project Monitoring Staff

### 3.2.2 Regional Source – The ASEAN Infrastructure Fund

The ASEAN Infrastructure Fund is also one possible external source of funding Philippine infrastructure requirements. This regional fund is initially expected to provide loans of up to US\$300 million a year and has a lending commitment through 2020 of up to US\$4 billion. The AIF was incorporated in April 2012 with shareholdings from nine ASEAN members (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, Viet Nam) and the ADB. The Philippines' initial shareholding is US\$15 million. **Table 9** describes the basic design of the AIF.

**Table 9. Basic Design and Structure of the ASEAN Infrastructure Fund**

Equity	Debt	Lending Operations	ADB's Role
<ul style="list-style-type: none"> <li>• US\$335.2 million from 9 ASEAN countries</li> <li>• US\$150 million from ADB</li> <li>• Around US\$162 million in hybrid capital (perpetual bonds)</li> </ul>	<ul style="list-style-type: none"> <li>• Debt issued to leverage 1.5 times the equity*</li> <li>• High-investment grade credit rating targeted</li> <li>• Central banks and other institutions, including private sector, to purchase the debt after the EIF has established a clear track-record and sufficient lending volume</li> </ul>	<ul style="list-style-type: none"> <li>• Lending to relevant ASEAN countries</li> <li>• Based on ADB's country partnership strategy, and regional pipelines</li> <li>• Initially only on sovereign and sovereign-guaranteed projects and public portion of PPP projects, later also loans to private sponsors after formal determination of the AIF</li> </ul>	<ul style="list-style-type: none"> <li>• Generate the project pipeline</li> <li>• Ensure that appropriate safeguards and due diligence are part of the project design and administration and report to ASEAN</li> <li>• Provide cofinancing and act as the lender of record</li> <li>• Administer the AIF (including financial management, loan servicing, accounting and financial reporting) during the project administration and evaluation</li> </ul>

*\*In capital adequacy terms, it means equity to loan ratio of about 60% by 2020 and about 44% by 2025.*

*Source: ADB (2011). Report and Recommendation of the President to the Board of Directors: Proposed Equity Contribution and Administration of ASEAN Infrastructure Fund*

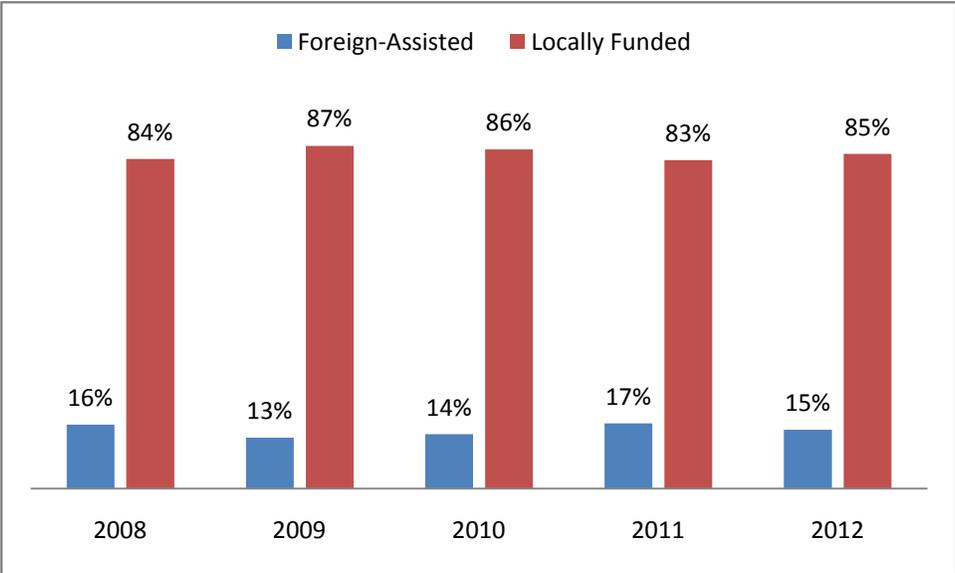
The ADB (2011) reported that the AIF will be ready to process projects in the pipeline by the second half of 2013. To date, the details of the pipeline being processed have not yet been released.

### **3.3 Analysis of the Fiscal Situation**

A healthy fiscal position is necessary to raise substantial resources for the national government's infrastructure spending that is supported by both local and external sources. In the case of the latter, putting up the counterpart funds requires national government capacity to mobilize local resources.

It is noted that the outlays for infrastructure are largely sourced from local funds, as shown in **Figure 9**. The share of local funds in infrastructure spending in the past five years ranged from 84%-87%, whereas the share of foreign assistance was at 13%-17%. Local funding sources are becoming more sustainable in recent years due to the positive performance of the economy and improvements in the revenue generation effort by the government. This is a welcome development because it is really local resources that should bear the brunt of funding the country's infrastructure, and not borrowed money. The decline in the share of ODA-funded infrastructure from 17% in 2011 to 15% in 2012 (**Figure 9**) seems to indicate a lessening reliance of the national government on ODA for its infrastructure budget. However, it is observed that foreign assistance is a critical factor in developing the country's infrastructure.

**Figure 9. Infrastructure Spending by Source of Fund (Foreign-Assisted vs. Locally-Funded Budget), 2008-2012**



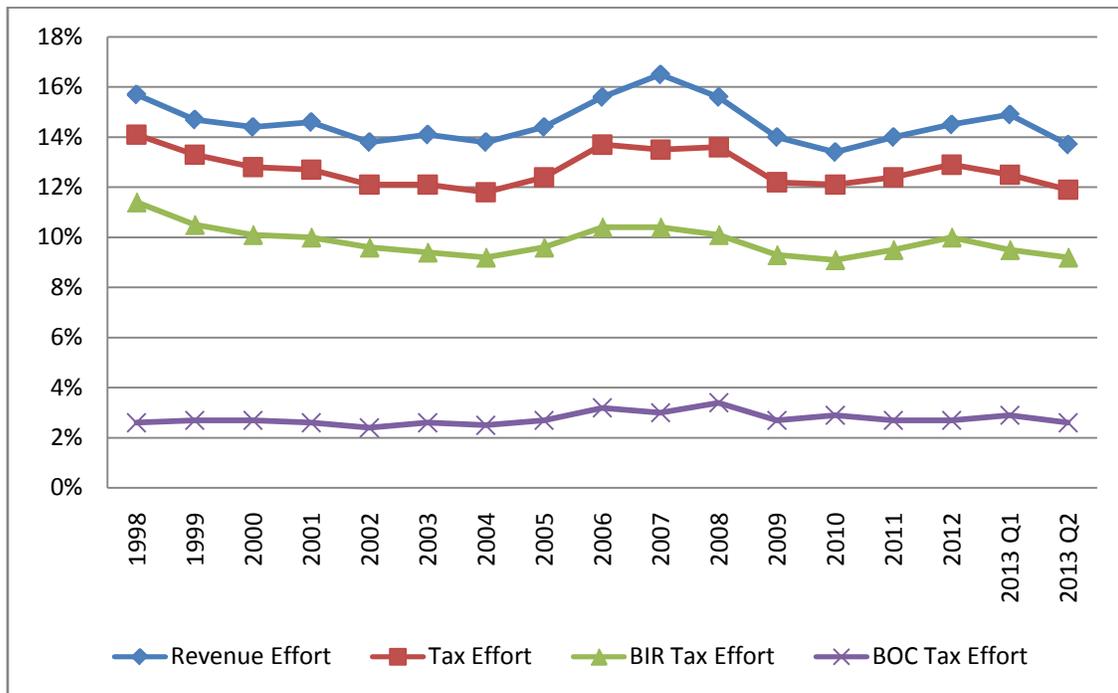
*Source of raw data: Actual Spending for Infrastructure Outlays in DBM-BESF 2008-2012*

The recent strong performance of the economy (6.6% annual GDP growth in 2012 and 7.8% GDP growth in the first quarter of 2013) augurs widening fiscal space for the national government. The 7.8% GDP growth in the first quarter of 2013 is the current administration’s third consecutive quarterly growth that is above 7 percent. According to the National Statistical Coordination Board (NSCB), this can be attributed to the strong performance of the manufacturing and construction sectors, increased government and consumer spending, and sustained inflow of remittances from overseas Filipino workers. Multilateral institutions also forecast a positive growth outlook for the Philippines. For instance, as of July 2013, the World Bank projects the Philippine economy to grow at 6.2% this year and 6.4% in 2014. The International Monetary Fund, on the other hand, has raised its growth outlook for the Philippines—from a previous forecast of 6% to 7% growth by end of 2013.

Moreover, the Philippine economy has been experiencing improvements in its fiscal position in recent years. The fiscal deficit at 2.3% of GDP by end-2012 is at a sustainable level that is below

the government’s target of 2.6% of GDP. Navarro and Yap (2013)<sup>16</sup> explained that compared to the previous year where fiscal deficit was controlled at the expense of lower government spending, the fiscal deficit situation in 2012 improved due to the low-interest environment, less pressure on borrowings, faster-than-expected GDP growth, and increase in government revenues.

**Figure 10. Revenue and Tax Efforts (% of GDP), 1998-2013 Q1 GDP (Base Year 2000)**



Source of raw data: Department of Finance (DOF); GDP base year = 2000

**Figure 10** above presents the path of the national government revenue and tax efforts from 1998 to early 2013. As a percentage of GDP, the tax collections of the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) have recently declined. BOC representatives usually cite the lower tax base for import duties due to tariff reduction agreements as one big challenge. BIR

<sup>16</sup> Navarro, Adoracion M. and Josef T. Yap. 2013. “Macroeconomic Developments in 2012.” In *Economic Policy Monitor* 2013. Manila: Philippine Institute for Development Studies. Navarro and Yap noted, however, that recent revenue collections were still short of targets. The National Economic and Development Authority (NEDA) also raised the revenue effort issue in its *Socio-Economic Report* 2010-2012 and stated that despite the country’s recent commendable fiscal performance, improvements are still possible given the “path of revenues and spending.”

representatives, on the other hand, cite tax leakages and evasion. However, corruption and poor governance cannot be ruled out as major factors behind the inability to meet revenue and tax collection targets. The current administration has launched an aggressive revenue performance drive in the two tax collecting agencies. At present, the BOC bureaucracy is facing a revamp and a customs modernization and tariff bill is in the legislative agenda. The BIR is also strengthening the tax administration machinery and governance reforms to boost its collection efforts.

The current low-interest environment presents opportunities for the Philippines to manage its fiscal position well. The investment grade rating that the country has received from major rating agencies—first from Fitch Ratings in March 2013, secondly from Standard & Poor's in May 2013, and thirdly from Moody's Investors Service in October 2013—will also reduce borrowing cost and help to attract more investments. Given these current developments, the government's policy is to lessen reliance on foreign borrowings in favor of the local debt market for its borrowing needs. The macroeconomic assumptions for the 2013 budget include the target national government's target borrowing mix of 75% local and 25% foreign. The Department of Finance has recently announced that it might consider an 80:20 borrowing mix in favor of the local currency.

Improvements in infrastructure spending are also expected to occur as the proposed national budget for 2014 amounts to US\$53.71 billion, which is 13% higher than this year's US\$47.50 billion budget. It was reported, in particular, that an additional PhP262.1 billion (i.e., US\$6.21 billion) will be spent to achieve “increased investments in infrastructure, in good governance and anti-corruption, in building human capabilities especially of the poor, through quality education, public health care and housing, and in climate change adaptation measures.”<sup>17</sup>

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<sup>17</sup> Diaz, J. 2013. “Palace eyeing P2.27-trillion budget for 2014”, The Philippine Star.  
<http://www.philstar.com/headlines/2013/03/25/923722/palace-eyeing-p2.27-trillion-budget-2014>

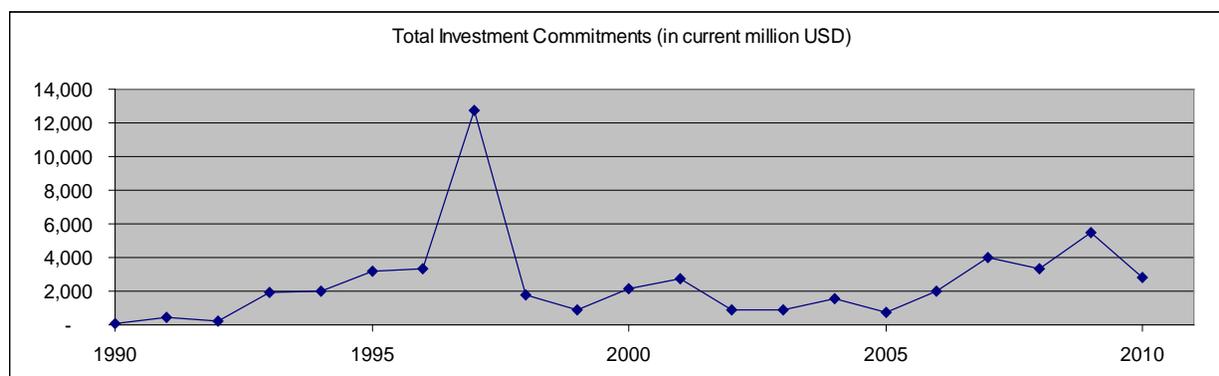
## 4 Public-Private Partnerships and the Capital Market

### 4.1 PPPs in Infrastructure

Public-private partnership (PPP) as an investment strategy started to be promoted in 1990 when the country was reeling from electric power shortage. At the time, however, it was not yet called PPP but build-operate-transfer (BOT) and its variants. PPPs steadily increased in the 1990s and drastically declined in the aftermath of the East Asian currency crisis. The general decline continued during the first half of the Arroyo administration as most infrastructure projects were financed using ODA, then started to increase again beginning mid-2000s (Navarro 2012)<sup>18</sup>.

**Figure 11** below shows the path that PPPs took during the last two decades.

**Figure 11. Total PPP Investments Committed in the Philippines, 1990-2010 (in US\$ million)**



Source: World Bank - Private Participation in Infrastructure Database

#### 4.1.1 Regulatory Framework for PPPs

The regulatory framework for PPPs evolved from the first PPP law, Republic Act (RA) 6957, “An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector,” which was passed in 1990. RA 6957 was amended by RA 7718 in 1994. At present, RA 7718 and its implementing rules and regulations provide the framework and procedures for the competitive tender and government support for the following contractual arrangements: build-operate-transfer, build-transfer, build-own-operate, build-lease-transfer,

<sup>18</sup> Navarro, Adoracion M. 2012. Achieving Inclusive Growth in the Philippines. *East Asian Policy* 4(04):75-83.

build-transfer-operate, contract-add-operate, develop-operate-transfer, rehabilitate-operate-transfer, and rehabilitate-own-operate. Other variations of these contractual arrangements should be approved by the president of the Philippines.

There are two modes of competition in the Philippine PPP framework—the solicited proposal process and the unsolicited proposal process. The solicited mode is the regular tendering process where a government unit prepares the project feasibility analysis and solicits competitive proposals from the private sector to undertake the project. In the unsolicited mode, a government unit may accept an unsolicited proposal from a private firm under three conditions: one, the proposed project involves a new concept or technology and/or is not part of the list of the government’s priority projects; two, no direct government guarantee, subsidy or equity is required; and three, the government unit has invited comparative or competitive proposals and no better proposal came in.

Joint ventures between government corporations and private entities must also follow a competitive process. The Joint Venture Guidelines issued by the NEDA in 2008 and revised in 2013 provide the rules and procedures for the competitive selection of private joint venture partners. Under the guidelines, the private partner can entirely take over the joint venture project after the government divests itself of any interest in it.

The existing regulators in infrastructure sectors also provide sector-specific regulatory rules, such as those relating to prices, routes, standards or operating parameters. These regulators include the Toll Regulatory Board, Maritime Industry Authority, Energy Regulatory Commission, Civil Aviation Authority of the Philippines, and National Water Resources Board.

#### **4.1.2 Operational and Proposed PPPs**

As of December 2012, there are 35 operational projects in the Philippines which were undertaken under the framework provided by RA 7718, the PPP law. These projects are worth US\$15.86 million. **Table 10** shows the sectoral distribution of these projects.

**Table 10. Operational PPP Projects by Sector (as of December 2012)**

Sector	Scheme	Number of Projects	Estimated Cost in (US\$ Million)
<i>Power Sector</i>	BOT-PPA	3	1,534.00
	BOO	1	22.00
	JV	1	5.00
	BROT	1	450.00
	BOO-ECA	2	170.00
	BOT-ECA	3	3,048.00
	<i>Subtotal</i>	11	5,229.00
<i>Transport Sector</i>	BLT	1	655.00
	JV	4	1,398.00
	BOT	1	84.00
	BTO	1	53.00
	<i>Subtotal</i>	7	2,190.00
<i>Information Technology Sector</i>	BTO	1	65.00
	BOO	1	82.00
	BOT	1	2.80
	<i>Subtotal</i>	3	149.80
<i>Water Sector</i>	CAOM	1	7,000.00
	JV	2	134.40
	BOT	1	650.00
	CA	1	55.00
	<i>Subtotal</i>	5	7,839.40
<i>Property Development Sector</i>	BOT	4	7.86
	BT/BOT	1	4.00
	DOT/BT	1	23.00
	JV	2	415.00
	<i>Subtotal</i>	8	449.86
<i>Health Sector</i>	PSP - Lease Contract	1	1.00
	<i>Subtotal</i>	1	1.00
	<b>GRAND TOTAL</b>	35	15,859.06

Source: DBM Budget of Expenditures and Sources of Financing (BESF) 2013

When the current administration revived the PPP program in 2010, ten projects were identified as priority projects and promoted to the private sector. However, only three projects<sup>19</sup> have been awarded to date. Based on the DBM Budget of Expenditures and Sources of Financing (BESF) for 2014, the pipeline of the PPP program consists of 21 projects. The projected investment requirement in 18 of these projects amount to US\$ 5 billion; three projects do not have cost estimates yet.<sup>20</sup> (See **Annex 3** for the details of the PPP pipeline.)

## **4.3 Capital Market in the Philippines**

### **4.3.1 Level of Development of the Capital Market**

The Philippine capital market offers a wide range of financial instruments. The government from time to time issues peso-denominated treasury notes, bills and bonds and foreign currency denominated bonds to institutional investors as well as peso-denominated treasury bonds and multi-currency treasury bonds to retail investors. Retail investors can also indirectly invest in treasury bills through trust agreements with banks. Some government corporations have also issued bonds and notes in the past. Private corporations have also issued long-term notes and bonds; banks have also issued long-term negotiable certificate of deposits and tier 2 notes.

The size of the local bond market, as measured by the total amount outstanding, is US\$99 billion as of first quarter of 2013.<sup>21</sup> Of this amount, US\$86 billion are government bonds and US\$13 billion are corporate bonds. The size of the banking sector, on the other hand, is Php10,449.94 billion (US\$247.46 billion) as of end-2012.<sup>22</sup> The total Philippine stock market capitalization as

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<sup>19</sup> These three projects are the Php1.96-billion (US\$0.05 billion) Daang Hari-South Luzon Expressway Link, the Php16.42-billion (US\$0.39 billion) School Infrastructure Project Phase I, and the Php15.86-billion (US\$0.38) Ninoy Aquino International Airport Expressway (NAIA) Phase II.

<sup>20</sup> The number and cost estimates of PPP projects in the pipeline may change depending on the results of the studies being conducted and other developments. As of September 2013, the PPP Center is looking at 35 projects which are at least in the "procurement of transaction advisor" stage.

<sup>21</sup> ADB. 2013. *Asia Bonds Monitor* June 2013. Manila: Asian Development Bank.

<sup>22</sup> Bangko Sentral ng Pilipinas (BSP) webpage, Total Resources of the Philippine Financial System. Available from: [http://www.bsp.gov.ph/statistics/efs\\_fsa1.asp](http://www.bsp.gov.ph/statistics/efs_fsa1.asp). Accessed: August 2, 2013.

of June 2013 is Php11.71 trillion (US\$0.28 trillion).<sup>23</sup> The platform for equity trading is the Philippine Stock Exchange and for debt trading, the Philippine Dealing Exchange.

The latest sovereign credit ratings that the Philippines has received are as follows: BBB- from Fitch Ratings on March 27, 2013; BBB- from Standard and Poor's on May 2, 2013, and Baa3 from Moody's Investors Service on October 3, 2013. The local credit rating agency for commercial papers is the Philippine Rating Services Corporation (PhilRatings).

Infrastructure financing activities in the local capital market currently include loan syndication by banks and corporate bond issuances of holding companies with infrastructure exposure. To date, no specific infrastructure bonds have been issued for direct and fresh financing.

#### **4.3.1 A New Private Equity Fund Co-financed by Pension Funds**

The newly created Philippine Investment Alliance for Infrastructure (PINAI) Fund is another source of financing for Philippine infrastructure projects. The PINAI Fund is a private equity fund co-financed by pension funds and the ADB. It is capitalized at US\$625 million from the Philippines' pension fund for government workers, the Government Service and Insurance System (GSIS), contributing the largest equity share at 64%. The other equity contributors are: Agemene Pensioen Groep, a pension fund based in Netherlands, at 24%; Macquarie Infrastructure and Real Assets, which is owned by the Macquarie Group, at 8%; and the ADB at 4%. Recently, a private firm pursuing an 81-megawatt wind power project for the northern part of the Philippines expressed interest in tapping the fund.<sup>24</sup>

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<sup>23</sup> BSP webpage, Philippine Stock Market Capitalization. Available from:

[http://www.bsp.gov.ph/statistics/spei\\_new/tab66.htm](http://www.bsp.gov.ph/statistics/spei_new/tab66.htm). Accessed: August 2, 2013.

<sup>24</sup> ADB. 2013. PINAI Fund to Finance Wind Power Project in Northern Philippines. July 2013. Available from: <http://www.adb.org/news/pinai-fund-finance-wind-power-project-northern-philippines>. [Accessed: August 1, 2013].

#### **4.4 Challenges in PPPs and Opportunities in the Local Capital Market**

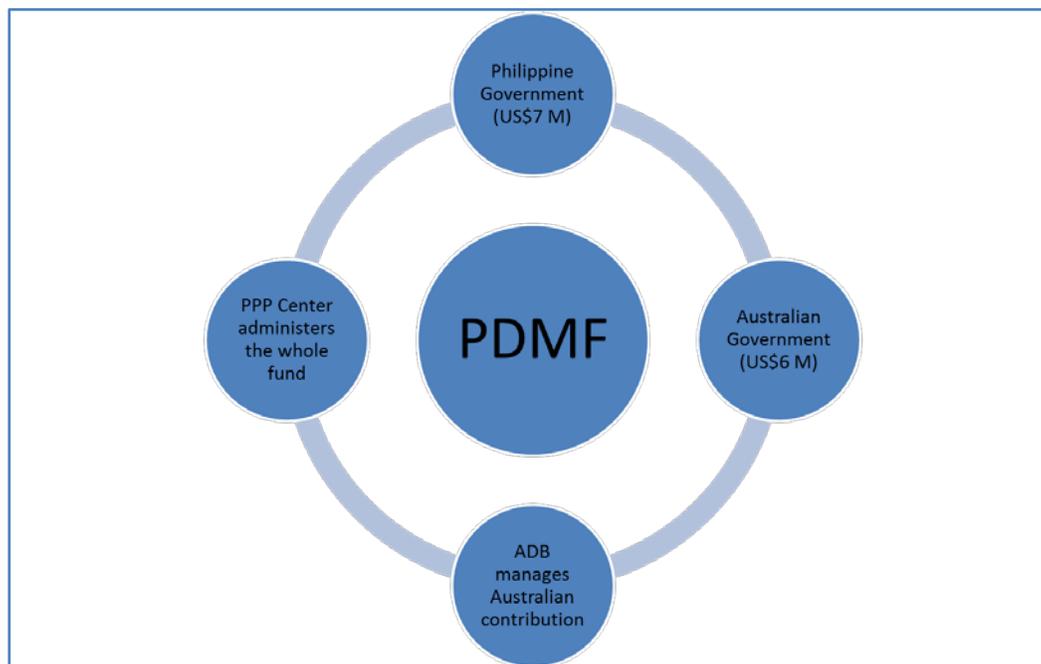
Despite the relatively long history of Philippine PPPs, challenges remain. These include delays in rolling out projects for tender and the inadequacy of the current PPP law (RA 7718) in dealing with competition and implementation problems.

Problems that have given rise to delays in the tendering process include the weak capacity of government units to process PPPs and the lack of a project development facility to support the PPP proposals. To address the capacity issue, capacity-building activities are being conducted for the main agency in charge of the PPP program (i.e., the Public-Private Partnerships Center) as well as government implementing units and oversight agencies. To address project quality-at-entry and implementation monitoring, a Project Development and Monitoring Facility (PDMF) has been established.

The PDMF is a revolving fund (**Figure 12**) for the preparation of pre-feasibility, feasibility studies and tender documents for PPP projects, and assistance in the bidding process. The fund revolves as the project development cost, including an administrative fee of 10%, is recovered from the successful bidder. In case the bidding fails due to reasons that are within the implementing government agency's responsibility, the agency refunds the full project development cost, and if due to reasons beyond the agency's control, it refunds only 50% of the cost.

The initial fund for the PDMF was pooled from the contributions of the Philippine government (US\$7 million) and the government of Australia (US\$6 million). The ADB manages the Australian contribution under its Capacity Building Technical Assistance project for the PPP Center. The PPP Center administers the whole fund and reviews proposals for PDMF funding.

**Figure 12. Project Development and Monitoring Facility for PPP Projects**



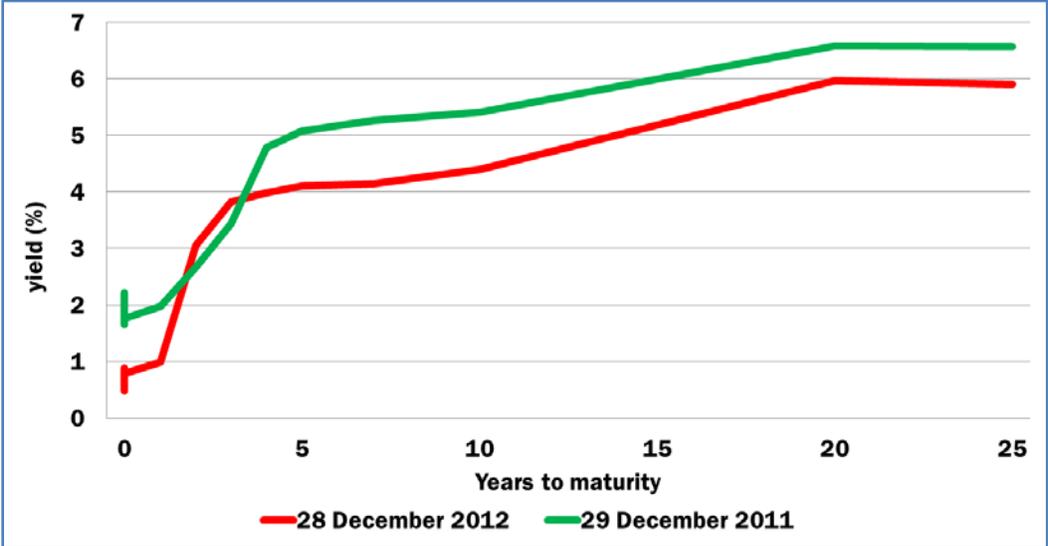
*Source: Authors' interpretation of PPP Center documents*

The inadequacy of the PPP law in dealing with competition and implementation problems and the need to amend RA 7718 have been raised several times in the past. Llanto (2010)<sup>25</sup> explained that the PPP law (or “BOT law” as referred to in the study) should provide the enabling policy framework and the implementing rules and regulations (IRR) should provide the technical and operational rules. However, as Llanto argued, the Philippine PPP law contains both the enabling policy framework and too many details that should be in the IRR, leaving the government with less flexibility to change these details in order to conform to the dynamic nature of such factors as technology and financial markets. At present, a bill amending the PPP law has been proposed in Congress and is currently under consideration by the concerned Congressional Committee.

<sup>25</sup> Llanto, Gilberto M. 2010. *A review of build-operate-transfer for infrastructure development*. Makati: Philippine Institute for Development Studies.

Recent developments in the capital market also present opportunities for accelerating private sector participation in infrastructure investments. Liquidity in the banking system has been growing and interest rates have been declining. **Figure 13** shows the decline in reference interest rates across all maturities as of December 2012, which is actually a continuation of a general decline since 2009. The challenge now for the private sector is how to take advantage of a liquid financial market, and for the government, how to facilitate the channeling of capital market resources to PPP projects. For example, given the huge project costs in infrastructure and the single borrower limits faced by banks in direct lending, commercial banks can pursue loan syndication more actively. Moreover, given the mismatch in the maturity of lending capital by Philippine banks (typically, 10-15 years) and the long gestation of infrastructure projects (some lasting up to 25-30 years), the government can facilitate the creation of credit enhancements for infrastructure bonds. A good start will be for the government to organize a group of experts from the private and public sectors not only to gather ideas but also to formulate clear mechanisms and institutional setup for mobilizing bank resources for infrastructure financing.

**Figure 13. Declining Benchmark Treasury Rates**



*Source of raw data: Philippine Dealing Exchange*

## 5 The Philippines and ASEAN Connectivity

The Philippines remains committed to ASEAN connectivity. In the Philippine Development Plan 2011-2016, the government’s blueprint for economic development, the strategy for the transport sector includes “exploring ASEAN connectivity through sea linkages.” The Philippines’ contribution to the trans-ASEAN power grid and trans-ASEAN natural gas pipeline network is planned to be implemented as the last leg of ASEAN connectivity and envisioned to happen in 2020.

One of the goals for maritime transport in the Master Plan on ASEAN Connectivity is to bridge archipelagic ASEAN with mainland ASEAN through a RORO and short sea shipping network. Major ports in ASEAN countries, including the Philippines, were designated to be part of the network. The coordinator and focal point in the Philippines for this effort is the Maritime Industry Authority (MARINA)<sup>26</sup>, the regulator for the domestic shipping industry. According to MARINA, the JICA-funded study on ASEAN RORO and short sea shipping network, completed in March 2013, initially considered four Philippine ports (Brooke’s Point (Palawan), Zamboanga City, General Santos City, and Davao City) to be part of the ASEAN port network but found out later that only the Davao City-General Santos City connection was viable. General Santos City was recommended as the main gateway via a connection to Bitung, Indonesia (see **Figure 15**). Across ASEAN, the study identified three priority routes to be developed: Dumai (Indonesia) - Malacca Route (Malaysia); Belawan (Indonesia) - Penang (Malaysia) - Phuket (Thailand) Route; and Davao/General Santos (Philippines) - Bitung (Indonesia) Route.



**Figure 14. Davao/General Santos (Philippines) - Bitung (Indonesia) Route**

Distance:

Davao – Gen. Santos: 154 nautical miles (285 km)

Gen. Santos – Bitung: 302 nautical miles (560 km)

*Source: JICA (2013). Masterplan and Feasibility Study on the Establishment of an*

<sup>26</sup> Interview with MARINA, 02 August 2013.

*ASEAN RoRo Shipping Network and Short Sea Shipping.*

In the trans-ASEAN power grid, the Philippines-Sabah (Malaysia) grid interconnection is targeted to be in the last leg of the connectivity efforts. The Philippine coordinator for the trans-ASEAN power grid is the National Power Corporation through its membership in the Heads of ASEAN Power Utilities/Authorities (HAPUA)<sup>27</sup>. At present, the immediate challenge for the Philippines is to achieve interconnection within the country since the Mindanao grid remains isolated from the interconnected Luzon-Visayas grid. Meanwhile, the Philippines through its chairmanship of the HAPUA working group on policy studies and commercial development, is contributing to efforts to harmonize rules and standards within ASEAN, such as in the two currently pending studies of HAPUA, namely, study on energy taxation and study on PPPs for transmission and generation.

The trans-ASEAN natural gas pipeline network is one connectivity infrastructure in ASEAN wherein the development activities have endured long delays and uncertainties in the timetable. One major reason is the commercial viability issue given the high cost involved in developing the East Natuna (Indonesia) gas field, with a total 46 trillion cubic feet of proven reserves, which is found to have high levels of carbon dioxide<sup>28</sup>. For the meantime, the Philippines is preparing to enhance its gas distribution network for gas through the Batangas-Manila pipeline (Batman 1), Bataan-Manila (Batman 2) pipeline, and Batangas-Cavite (Batcave) spur line of Batman 2. Batman 1, Batman 2, and Batcave are envisioned to put in place a total of 423 kilometers of gas distribution lines.

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<sup>27</sup> Interview with the HAPUA Chairperson of Working Group on Policy Studies and Commercial Development, 23 July 2013.

<sup>28</sup> Global Association of Risk Professionals (2013). Indonesian government seeks to give contract for gas field in South China Sea. Available from: <http://www.garp.org/risk-news-and-resources/risk-headlines/story.aspx?newsId=56958>. Accessed: July 22, 2013.

## **6 Summary of Key Findings and Conclusions**

This study assessed the sources and levels of infrastructure financing in the Philippines for the last five years (2008-2012). In order to provide context, the assessment is preceded by a brief overview of the infrastructure situation in the country. The mapping of fiscal resources showed that there had been underinvestment in infrastructure given that in 2008-2012, public infrastructure spending as a share of GDP ranged between a low of 1.40% to a high of 2.09%, which is a far cry from the current target of 5% of GDP over the medium term. As a result of underinvestment, the infrastructure stocks and levels of access in the Philippines are low. Moreover, the country has lagged behind most of its ASEAN neighbors in upgrading the quality of its infrastructure.

The national budget for the past five years shows that actual infrastructure spending as a share of the appropriated budget was 11% in 2008, 13% in 2009, and 11% again in 2010-2012. Government underspending in infrastructure is more visible when one looks at levels—public infrastructure spending dropped from US\$3.98 billion in 2009 to US\$3.71 billion in 2010, and dropped further to US\$3.23 billion in 2011 before it started to increase in 2012 as a result of the government’s disbursement acceleration program. With respect to the external sources of financing, infrastructure financing has historically been a priority by ODA partners. However, in the past five years, there has been a decreasing reliance on ODA loans for infrastructure financing—these loans declined from a high of US\$6.13 billion for 58 projects in 2008 to US\$5.19 billion for 39 projects in 2012. The greater bulk of infrastructure spending is sourced from domestic resources.

This study also took stock of PPPs in the Philippines and found that there are currently 35 operational PPP projects worth US\$15.86 billion and the PPP pipeline consists of 20 proposed projects that are estimated to cost US\$6.47 billion. The current PPP program has encountered delays in the tendering process due to the weak capacity of government units to ensure project quality-at-entry and to efficiently process PPPs. The inadequacy of the BOT law in dealing with competition and implementation problems is also a key challenge. In response, proposed amendments to the BOT law are currently under Congressional deliberation.

The present liquid capital market and a low interest rate environment present opportunities for investing in infrastructure by both the government and the private sector. But investor confidence has to be bolstered by government's firm commitment to reform policies and strengthen institutions. The study submits that it is not just the constrained availability of financial resources that could restrain infrastructure investments but institutional weaknesses could also hamper such effort.

This study also provides updates on the Philippines' participation in efforts to build the physical connectivity of ASEAN through infrastructure. The feasibility study for the strategy of bridging archipelagic ASEAN with mainland ASEAN through a RORO and short sea shipping network was finished recently. Although four Philippine ports were initially considered in the study, only two ports were found to be viable—Davao City and General Santos City, with General Santos City acting as the main gateway via a connection to Bitung, Indonesia.

Likewise, the study pointed out the significant improvement in the government's fiscal position that augurs well for more substantial infrastructure spending in the future. While there seems to be a reduced reliance on ODA for infrastructure financing in view of the improvement in the government's fiscal position, it remains a critical source of funding and assistance to improve the institutional framework for infrastructure financing. As well, there are new sources of infrastructure financing such as the regional fund for ASEAN and a private equity fund capitalized with pension funds.

The important lesson that emerged from this study is that an effective infrastructure financing strategy must not only focus on resource availability for the hard infrastructure but also on having an institutional framework that facilitates the project identification, design, development, tendering, review, approval and implementation. There is merit in institutionalizing project development facilities and expanding its scale and scope to cover project development and feasibility studies and governance and institutional reforms.

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## Annex 1 – Infrastructure in the 2011-2016 *Public Investment Program*

The following tables provide details on the investment targets for infrastructure as listed in the 2011-2016 *Public Investment Program*.

**Table A - 1. Investment Target for Infrastructure by Funding Source (in PhP million)**

Funding Source	2011	2012	2013	2014	2015	2016	Total
<b>NG (includes ODA loans)</b>	156,244.77	230,440.10	296,778.14	312,982.89	369,222.46	382,992.18	1,748,660.53
<b>ODA Grants</b>	8,015.85	13,359.66	12,314.26	10,336.30	11,515.35	8,643.39	64,184.79
<b>GOCC</b>	18,842.62	23,665.31	77,294.86	31,127.02	41,450.52	33,992.07	226,372.40
<b>Private Sector</b>	3,083.77	24,197.68	65,789.67	145,781.34	150,337.16	88,640.95	477,830.57
<b>LGU</b>	4,328.13	9,751.90	12,509.31	2,400.00	-	-	28,989.34
<b>Others</b>	1,100.00	4,802.00	9,166.98	8,874.35	11,268.12	805.00	36,016.45
	<b>191,615.13</b>	<b>306,216.65</b>	<b>473,853.21</b>	<b>511,501.89</b>	<b>583,793.61</b>	<b>515,073.59</b>	<b>2,582,054.08</b>

*Source: PIP 2011-2016 (as of May 31, 2012)*

**Table A - 2. Investment Targets by Agency/Department (in PhP million)**

Agency/ Department (attached agencies)	2011	2012	2013	2014	2015	2016	Total
<b>AFAB*</b>	30.00	45.50	30.00	30.00	30.00	30.00	195.50
<b>BCDA*</b>	-	717.50	526.94	210.63	26,200.00	2.24	26,917.50
<b>CDC*</b>	13,000.00	-	2,154.58	5.00	33.54	75.00	13,000.00
<b>PPMC*</b>	1,200.00	4,500.00	191.20	154.28	75.00	1,850.66	5,700.00
<b>BIR</b>	18.99	1,194.61	100.00	100.00	100.00	7,484.08	1,986.94
<b>CEZA</b>	1,334.90	1,306.71	368.25	1,494.01	1,762.51	25,433.47	4,951.19
<b>DAR</b>	-	115.04	3,544.21	3,346.24	7,290.97	3,315.45	460.52
<b>DFA</b>	-	-	8,377.00	9,000.00	10,064.00	80.42	300.00
<b>DILG</b>	68.36	784.43	60,867.42	25,433.47	25,433.47	175.99	6,328.21
<b>DOE</b>	500.78	2,272.20	6,538.66	6,134.43	3,250.94	800.00	24,438.48
<b>NEA</b>	1,333.00	5,000.00	93.87	109.64	96.78	97.80	33,774.00
<b>PNOC</b>	1,352.86	9,050.77	248.20	141.38	157.11	400.00	147,571.45
<b>NPC</b>	263.98	1,903.41	800.00	800.00	800.00	400.00	21,406.87
<b>DOST**</b>	86.47	127.79	85.53	67.92	81.50	7,425.66	594.97
<b>ASTI</b>	351.35	524.44	56.60	400.00	400.00	10,496.00	1,598.48
<b>ICTO</b>	-	1,393.50	200.00	400.00	400.00	25,671.86	4,593.50
<b>PAGASA</b>	2,515.06	136.48	400.00	22,024.95	14,321.60	800.00	2,737.07
<b>PCIEERD</b>	-	55.50	16,981.15	444.00	16,684.95	550.00	359.33
<b>PHIVOLCS*</b>	15.00	69.50	11,045.90	15,426.54	470.00	30.00	15.00

Agency/ Department (attached agencies)	2011	2012	2013	2014	2015	2016	Total
<b>MIRDC</b>	54.25	200.00	418.00	800.00	25,244.71	2.24	1,523.75
<b>DOTC</b>	100.00	9,590.55	10,140.91	2,702.00	800.00	75.00	1,900.00
<b>CAAP</b>	6,957.88	609.70	800.00	681.16	279.50	1,850.66	77,301.79
<b>CIAC*</b>	-	972.00	3,296.00	3,150.00	187.06	7,484.08	28,340.55
<b>CPA*</b>	341.00	13,203.23	1,071.07	30.00	2,917.00	25,433.47	13,141.00
<b>LRTA</b>	3,868.15	800.00	4,089.25	210.63	30.00	3,315.45	93,555.40
<b>LTO</b>	-	841.50	30.00	5.00	26,200.00	80.42	4,000.00
<b>MCIAA*</b>	547.00	3,812.00	526.94	154.28	33.54	175.99	7,666.00
<b>MIAA</b>	341.40	4,618.30	2,154.58	100.00	75.00	800.00	6,092.69
<b>PCG*</b>	2,067.20	1,903.41	191.20	1,494.01	100.00	97.80	17,391.75
<b>PNR</b>	2,377.00	3,152.65	4,617.38	40,016.00	79,483.87	78,620.00	208,266.90
<b>PPA*</b>	2,607.19	2,939.74	10,426.67	8,739.52	16,103.09	8,609.05	49,425.27
<b>MRT3*</b>	6,923.00	4,290.00	5,401.00	5,838.00	5,859.00	6,068.00	34,379.00
<b>DepEd</b>	22,335.60	30,339.09	65,676.87	22,983.54	17,885.65	63,251.30	222,472.06
<b>DOH</b>	7,143.91	26,800.00	43,000.00	40,300.00	4,600.00	-	121,843.91
<b>DPWH</b>	94,318.40	110,386.78	140,107.15	218,320.91	232,415.25	185,438.34	980,986.83
<b>MWSS</b>	250.00	3,500.00	6,129.25	7,376.77	10,326.77	2,267.12	29,849.91
<b>DTI</b>	-	-	100.00	35.00	-	-	135.00
<b>LLDA*</b>	-	-	-	-	-	11,500.00	11,500.00
<b>LWUA</b>	-	1,031.00	2,657.00	4,239.00	4,056.00	4,156.00	16,139.00
<b>MMDA</b>	-	2,919.02	6,078.53	5,748.22	4,448.52	4,423.52	23,617.81
<b>NIA</b>	12,790.65	30,000.00	28,361.26	30,610.26	29,722.41	23,958.74	155,443.31
<b>NWRB</b>	4.34	38.73	14.80	30.00	14.80	30.00	132.67
<b>NEDA</b>	98.93	113.77	178.52	178.63	108.95	69.75	748.55
<b>PhilPost*</b>	0.53	0.53	1.05	1.05	1.05	1.05	5.25
<b>PCOO*-PTNI</b>	26.94	231.68	-	1,796.34	3,592.69	3,592.69	9,240.34
<b>PRRC*</b>	-	15.00	105.00	70.00	-	-	190.00
<b>DOTC &amp; LGU</b>	303.00	541.50	2,875.00	2,875.00	3,250.00	3,375.00	13,219.50
<b>DILG, DOH &amp; LWUA</b>	20.00	800.00	1,500.00	1,500.00	1,500.00	1,500.00	6,820.00
<b>HUDCC* &amp; NHA</b>	4,588.00	20,617.00	22,649.00	26,238.00	29,846.00	30,554.00	134,492.00
<b>DepEd &amp; DPWH</b>	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	6,000.00
<b>DepEd &amp; NDRRMC*</b>	480.00	550.00	550.00	550.00	550.00	550.00	3,230.00
<b>LTO &amp; LTFRB</b>	-	3,105.53	-	-	1,948.93	1,020.41	6,074.87
<b>Total</b>	<b>191,615.13</b>	<b>306,216.65</b>	<b>473,853.21</b>	<b>511,501.89</b>	<b>583,793.61</b>	<b>515,073.59</b>	<b>2,582,054.08</b>

Notes: \* AFAB - Authority of the Freeport Area of Bataan; BCDA - Bases Conversion Development Authority; CDC - Clark Development Corporation; PPMC - Poro Point Management Corporation; PHIVOLCS - Philippine Institute of Volcanology and Seismology; CIAC - Clark International Airport Corporation; CPA - Cebu Port Authority; MCIAA - Mactan

*Cebu International Airport Authority; PCG - Philippine Coast Guard; PPA - Philippine Ports Authority; MRT3 - Metro Rail Transit 3; LLDA - Laguna Lake Development Authority; PhilPost - Philippine Postal Corporation; PCOO - Presidential Communications Operations Office; PRRC - Pasig River Rehabilitation Commission; HUDCC - Housing and Urban Development Coordinating Council; NDRRMC - National Disaster Risk Reduction and Management Council.*

*Source: PIP 2011-2016 (as of May 31, 2012)*

**Table A - 3. List of Infrastructure Projects in the Revalidated PIP<sup>29</sup>**

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
DOT - DPWH Convergence Program for Tourism Areas Access Provision	DPWH, DOT	Roads leading to tourist destinations constructed/improved	Interregional	-
Upgrading of the San Fernando Airport	BCDA-PPMC	Existing Airport improved	I	-
Bicol International Airport Development	DOTC	New Airport constructed	V	1,478.02
Puerto Princesa Airport	DOTC	Existing Airport improved	IV-B	3,194.00
New Bohol (Panglao) Airport Development Project	DOTC	New Airport constructed	VII	6,905.07
Clark International Airport - New Low Cost Carrier Terminal	DOTC-CIAC	New Passenger Terminal Constructed	III	6,242.71
Construction of the New Passenger International Terminal at Mactan-Cebu International Airport	DOTC-MCIAA	New Passenger Terminal Constructed	VII	8,873.10
Tacloban Airport	DOTC-	Existing Airport improved	VIII	1,920.00

<sup>29</sup> This is from the May 31, 2012 revalidation of the original Public Investment Program (PIP) 2011-2016. The National Economic and Development Authority says that one of the salient features of the revalidated PIP is that it “veers away from the identification of all priority programs and projects of the government and focuses on strategic core investment programs/projects that will substantially contribute to the priorities embodied in the development objectives in the Philippine Development Plan and the critical indicators in results monitoring.”

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
Redevelopment Project	CAAP			
Manila-Clark Airport Express Rail Link, including JICA TA for FS	DOTC-NLRC	Express rail link connecting Clark to Metro Manila	NCR, III	91,060.00
Central Spine RORO Development	DOTC	Facilities for RoRo ferry port network and services installed	IV-A, VI, VII, X	33,780.00
Development of New Cebu International Port (Phase 1) - Construction of a New International Port outside Cebu Baseport (Phase 1)	DOTC-CPA	3-Berth International Container Terminal constructed	VII	10,000.00
Integrated Railway System	DOTC-PNR	A railway system that will serve as a North-South Transportation Backbone constructed	Interregional	-
Construction/Rehabilitation of Farm-to-Mill Roads	DA-SRA	Existing road network upgraded/rehabilitated and new roads constructed	II, III, IV-A, V, VI, VII, VIII, X, XI, XII	3,300.00
Central Luzon Link Expressway (CLLEX), Phase I	DPWH	30.70 km Expressway constructed	III	14,936.00
Cavite-Laguna (CALA) Expressway	DPWH	47.00 km expressway constructed	IV-A	31,158.68
Calamba-Los Baños Toll Expressway	DPWH	15.50 km expressway constructed	IV-A	8,210.00
Southern Tagalog Arterial Road (STAR) Stage 2 (Phase II)	DPWH	19.74 km expressway improved	IV-A	-
C-6 Expressway and Global Link (South Section)	DPWH	59.50 km expressway constructed	NCR	48,580.00
C-6 Extension (Flood Control Dike Expressway)	DPWH	43.60 km expressway constructed	NCR, IV-A	18,590.00
Modernization of Kennon Road	BCDA	41.2 km road upgraded to tollway standard	CAR, I	-
Arterial Road Bypass Project Phase II, Plaridel Bypass Road Project	DPWH	9.96 km road constructed	III	3,341.00
Samar Pacific Coastal Road Project	DPWH	14.87 km road improved	VIII	1,031.92
Baler-Casiguran Road Project	DPWH	33.00 km of road, 2851m of bridges, drainage structure and road safety facilities (Links Baler to Casiguran) constructed/improved	III	1,470.44
Albay West Coast Road	DPWH	42.90 km road constructed	V	811.18
Dalton Pass East Alignment	DPWH	60.45 km road constructed	III	928.95
Bridges under Design and Build	DPWH	18,843 km bridges constructed	Nationwide	19,855.00
EDSA-Taft Flyover	DPWH	4-lane flyover constructed	NCR	3,033.31
Metro Manila Interchange	DPWH	7 interchanges constructed	NCR	6,105.00

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
<b>Construction Project</b>				
Rehabilitation of EDSA (C-4)	DPWH	23 km road improved	NCR	3,744.00
Metro Manila Skybridge	MMDA	8.50 km elevated road	NCR	10,000.00
LRT Line 1 Cavite Extension including JICA TA for FS	DOTC-LRTA	System extended by 11.70 km	NCR, IV-A	56,203.25
LRT Line 2 East Extension, including JICA TA for FS	DOTC-LRTA	System extended by 4.12 km	NCR	9,445.96
MRT 3 Capacity Expansion	DOTC-MRT 3	48 Light Rail Vehicles (LRV) procured	NCR	4,500.00
Manila Bus Rapid Transit (BRT)	DOTC	Organized BRT system operationalized	NCR	-
Line 1 and Line 2 System Rehabilitation	DOTC-LRTA	LRT Line 1 and 2 rehabilitated	NCR	6,066.88
Common Station for LRT 1, MRT 3, and MRT 7	DOTC	New Light Rail Station Constructed	NCR	-
Metro Manila Central Business Districts Transit System Project (formerly known as "Taguig-Makati-Pasay Elevated Monorail")	BCDA	Mass transit system through Central Business Districts	NCR	-
Contactless Automatic Fare Collection System	DOTC	3 Integrated Bus Terminals constructed	NCR	7,500.00
Contactless Automatic Fare Collection System	DOTC	Automatic Fare Collection System for urban rail systems installed	NCR	1,722.00
Bus Rapid System in Metro Cebu, including CTF-WB TA for project preparation	DOTC, LGU	Organized BRT system operationalized	VII	10,571.55
Davao Sasa Port Development Project	DOTC	Port facilities improved (quay cranes, buildings, yard lighting, reefers)	XI	-
Makati-Manila-Paranaque Mass Transit Loop	DOTC	Organized mass transit system operationalized	NCR	-
Installation of Intelligent Transport System (Module A & B)	MMDA	Traffic Signal Controls System installed; Safety, Road Information, Traffic Law Enforcement Systems installed	NCR	3,399.98
MaPaLla (Manila Bay-Pasig River-Laguna Lake) Mass Transit Loop	DOTC	Organized Water Ferry system operationalized	NCR	-
Tumauni Reservoir Project	DA-NIA	2,385 ha of new area generated and 3,615 ha of existing irrigated area rehabilitated	II	450.00
Chico River Pump Irrigation Project	DA-NIA	8,700 ha of new irrigated area generated	II	600.00
Ilaguen Multipurpose Project	DA-NIA	30,000 ha of new irrigated area generated	II	1,300.00
Balintingon Reservoir Multipurpose Project	DA-NIA	14,900 ha of new irrigated area generated	III	500.00
Angat Dam and Dyke	MWSS	Angat main dam and dyke rehabilitated	NCR, III	5,719.90

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
<b>Strengthening Project (ADDSP)</b>				
Angat Water and Utilization and Aqueduct Improvement Project (AWUAIP), Phase 3	MWSS	Aqueducts of the Angat Dam rehabilitated	NCR, III	4,350.00
New Centennial Water Source Project	MWSS	Laiban Dam at the upper Kaliwa River and Kaliwa Low Dam at the downstream of Kaliwa River constructed	NCR	15,000.00
Bulacan Bulk Water Supply Project (BBWSP)	MWSS	Approximately 230 MLD of water provided and a water treatment plant, treated water reservoir, booster pump station, treated water transmission mains, and interconnection to water districts' trunk lines constructed	III	13,260.00
Rehabilitation, Operation and Maintenance of the Angat Hydro Electric Power Plant (AHEPP) Auxiliary Turbines 4 & 5 through PPP	MWSS	Auxiliary turbines 4 & 5 economic life extended up to 30 years and energy and load output increased by 60%	III	1,155.18
Upgrading of Agus 6 Units 1 & 2	PSALM	Total plant capacity of Agus VI increased from 50 MW to 69 MW and the units economic life extended for a minimum of 30 years upon completion	X	2,598.00
New Communication, Navigation and Surveillance/ Air Traffic Management Systems Development Project	DOTC-CAAP	CNS/ATM equipped airport network (selected airports)	Nationwide	1,507.17
Integrated Disaster Risk Reduction and Climate Change Adaption Measure in the Low-Lying Areas of Pampanga Bay, Pampanga	DPWH	Flood damage to Pampanga mitigated by increasing waterways capacity of Third River, Eastern Branch River, Caduang Tete and Sapang Maragul River	III	3,112.94
Valenzuela-Obando-Meycauayan (VOM) Area Drainage System Improvement and Related Works Project (Metro Manila, Bulacan)	DPWH	Flood damages mitigated by flood control and drainage improvement works in the VOM area and its surroundings, thereby improve the living conditions and promote/enhance economic activities in the said area	NCR, III	7,700.00
Implementation of immediate high-impact projects identified under the Master Plan for Flood	DPWH	-- Flooding in Metro Manila and its surrounding areas with a total area of 4,354 sq. km or 435,400 hectares reduced -- Administration areas in and around the Study Area include sixteen (16)	NCR, III, IV-A	5,000.00

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
Management in Metro Manila and Surrounding Areas		cities and one (1) municipality in NCR, 63 cities/ municipalities in the CALABARZON area and eight (8) cities/municipalities in Bulacan with a population of 20,433,722 in and around the Study Area, and estimated population of 17,147,658 in the Study Area.		
DOTC Road Transport Information Technology Infrastructure Project, Phase I	DOTC-LTO, DOTC-LTFRB	Processing time of motor vehicle registration and franchise issuance reduced through IT system	Nationwide	8,750.00
Motor Vehicle Inspection and Type Approval System	DOTC-LTO		Nationwide	1,300.00
National Support Fund for Local Road Management	DILG	A performance-based incentive grant system that supports LGU road maintenance and road rehabilitation works	Nationwide	3,832.14
Roads in Conflict Afflicted Areas	DPWH	Roads serving conflict afflicted areas constructed/improved	ARMM	-
Public-Private Partnership (PPP) for School Infrastructure Project (PSIP) II	DepEd	10,680 classrooms (with toilets and furniture) designed, constructed and maintained in selected regions for a period of ten (10) years	I, CAR, II, III, IV-B, V, VI, VII, VIII, IX, X, XI, XII, XIII,	8,865.55
Development and Operation of Waste-to-Energy Facilities	DENR-EMB, NSWMC		NCR, III, IV-A	1,500.00
National Sewerage and Septage Management Program (NSSMP)	LWUA	On-the-ground sewerage and septage projects and programs developed, capacity building support and financial incentives provided by the NG, 76 sewerage or septage management systems installed by 2020 covering a population of about 9,877,000 through local implementors, sewerage systems developed in 17 HUCs (Baguio, Angeles, Olongapo, Lucena, Puerto Princesa, Bacolod, Iloilo, Cebu, Lapu-Lapu, Mandaue, Tacloban, Zamboanga, Cagayan de Oro, Iligan, Davao, Gen. Santos, Butuan). The project is a bottom-up, demanddriven project that targets local implementers—LGUs, water districts, and private service providers.	CAR, III, IV-A, IV-B, VI, VII, VIII, IX, X, XI, XII, XIII	597.00
PTV Revitalization Program	PCOO-PTNI	-- Phase 1 - Further improvement of key production & broadcast equipment, establishment of Five Regional Centers & roll-out of analog transmitters in 11 priority areas nationwide -- Phase 2 - Digitalization of Production, Studio, Master Control, New Media Systems of the PTV Main	Nationwide	2,851.39

Title of Project	Agency	Expected Outputs/Description	Spatial Coverage	2013-2016 Investment Targets (in PhP Million)
		Station and in five Regional Centers -- Phase 3 - Digitalization of Terrestrial TV Broadcasting Systems of the People's Television Network Inc.		
Public-Private Partnership (PPP) for School Infrastructure Project (PSIP) Phase I	DepEd	9,301 classrooms (with toilets and furniture) designed, constructed and maintained	I, III, IV-A	15,326.86
Modernization of the Philippine Orthopedic Center (POC)	DOH	The project envisions the development of a new facility intended to be a superspecialty tertiary orthopedic hospital on an 8,000-square meter area within the National Kidney and Transplant Institute (NKTII) Complex along East Avenue, Quezon City.	NCR	5,691.50
Water District Development Sector Project	LWUA	Water supply systems in project WDs rehabilitated and expanded and septage treatment facilities in a few of the project WDs developed, and assistance in project management, institutional development and capacity building provided	I, XII (Additional projects still to be identified)	2,620.11
<b>TOTAL</b>				<b>551,545.75</b>

## Annex 2 – ODA Profile and ODA Infrastructure Pipeline

**Table A - 4. Profiles of Developing Partners, by Strategy Framework, by Priority Areas**

Development Partners	Country Assistance Strategy/Framework	Priority Areas
<b>MULTILATERALS</b>		
Asian Development Bank (ADB)	Country Partnership Strategy (CPS) 2011-2016 - Country Operations Business Plan (COBP)	<p>Transport, energy, education, agriculture and natural resources (with operations limited to the Strategy 2020 core area of environment), and water supply, and other municipal infrastructure and services.</p> <p>Support to public sector management (cross-cutting themes)</p>
International Fund for Agricultural Development (IFAD)	Philippines Country Strategic Opportunities Programme (COSOP) for the period of 2010-2014	IFAD's thrust is enshrined in its objective to "enable the rural poor to overcome their poverty."
United Nations System	United Nations Development Assistance Framework (UNDAF) 2012-2018 Signed on 21 July 2011	<ul style="list-style-type: none"> <li>• Universal access to quality social services with focus on the Millennium Development Goals (MDGs)</li> <li>• Decent and productive employment for sustained, greener growth</li> <li>• Democratic governance</li> <li>• Resilience toward disasters and climate change</li> <li>• Environment and natural resources protection and conservation</li> </ul>
WB	WB Country Assistance Strategy (CAS) FY 2010-2012 extended up to FY 2013 (July 2009 June 30, 2013) [Both for IBRD and IFC]	<ul style="list-style-type: none"> <li>• Stable Macroeconomy</li> <li>• Improved Investment Climate</li> <li>• Better Public Service Delivery</li> <li>• Reduced Vulnerabilities</li> <li>• Good Governance (cross-cutting)</li> </ul>

Development Partners	Country Assistance Strategy/Framework	Priority Areas
<b>BILATERALS</b>		
Asia-Pacific		
Government of Australia Australian Agency for International Development (AusAID)	Philippines-Australia Statement of Commitment 2012-2017 (signed: 14 March 2012)	<ul style="list-style-type: none"> <li>• Education</li> <li>• Improving Local Government Capacity</li> <li>• Disaster Risk Management/Climate Change</li> <li>• Peace and Security</li>   <li>• <i>Cross-Cutting Themes</i> <ul style="list-style-type: none"> <li>○ Governance/Public Financial Management</li> <li>○ Human Resource and Organizational Development</li> <li>○ Gender</li> <li>○ Public Private Partnership</li> </ul> </li> </ul>
People's Republic of China	Philippines-China Five-Year Program for Trade and Economic Development, 2011-2016 (signed: 31 August 2011)	<ul style="list-style-type: none"> <li>• Agriculture and fishery</li> <li>• Infrastructure and public works</li> <li>• Mining</li> <li>• Energy</li> <li>• ICT</li> <li>• Processing and manufacturing</li> <li>• Tourism</li> <li>• Engineering services</li> <li>• Forestry</li> </ul>
Government of Japan	Country Assistance Policy, 2012-2016 (under formulation stage)	<ul style="list-style-type: none"> <li>• Achieving sustainable economic growth through further promotion of investment</li> <li>• Overcoming vulnerability and stabilizing bases for human life and production activity</li> <li>• Peace and development in Mindanao</li> </ul>
Republic of South Korea Korea International Cooperation Agency (KOICA)	Country Partnership Strategy, 2012-2016 (under formulation stage)	<ul style="list-style-type: none"> <li>• Socioeconomic Infrastructure Development</li> <li>• Agricultural and Water Resources Development</li> <li>• Health and Medical Service</li> </ul>
Korea Eximbank- Economic Development Cooperation Fund (EDCF)	Framework Arrangement Concerning Loans Country (signed: 21 November 2011)	
New Zealand	ASEAN-New Zealand Joint Comprehensive Partnership agreement (signed: 22 July 2010)	<ul style="list-style-type: none"> <li>• Economic development in the fields of agriculture, eco-tourism and enterprise development</li> <li>• Safe and equitable communities</li> <li>• Energy</li> </ul>

Development Partners	Country Assistance Strategy/Framework	Priority Areas
West		
Canada	Strategy on Sustainable Economic Development (discussed during the September 2010 Consultations)	Sustainable economic development
European Union	EU Country Strategy Paper for the Philippines 2007-2013  EU Multi-Annual Indicative Programme 2011-2013 (11 November 2010)	Health, Governance, Trade-related Assistance, Vulnerable Populations, Support to the Mindanao Peace Process
France	French Financial Protocol expired in 2008; projects considered on a case-by-case basis  GPH-AFD MOU on AFD's Development Activities to be signed on 23 May 2012	ICT, Energy, Transportation, Environment, Health  Climate change, green infrastructure, renewable energy and energy efficiency
Spain	Proposed Philippines-Spain MOU on Financial Cooperation in Support of Trade and Investment to be signed in 2nd half of 2012  Proposed Strategic Partnership Framework for Development Cooperation to be signed in 2nd half of 2012	Water treatment, new and renewable energies, energy and electricity, civil infrastructure, capital goods, turn-key projects, ICT, solid waste treatment, engineering and architectural services and works.  Health, Basic Social Services (Health and Water and Sanitation), Governance, Peace Process
USAID	Country Assistance Strategy Philippines: 2009-2013 (no signing)  Draft Country Development Cooperation Strategy 2012-2016	Economic Governance, Health, Environment and Energy, education, Mindanao Peace and Development  Basically the same areas

*Source: 2011 ODA Portfolio Review of the National Economic and Development Authority*

**Table A - 5. ODA Infrastructure Pipeline**

(as of 1st Quarter 2013)

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counterpart	Project Cost
				(In US\$ million)			
<b>Asian Development Bank-Loan</b>							
Market Transformation through Introduction of Energy-Efficient Electric Vehicles Project	The project will replace traditional tricycles particularly those aging tricycles and those running on two-stroke gasoline engines and promote the establishment of new associated electric vehicle support industries (e.g., battery leasing/recycling/ disposal, motor supply chain and charging stations) in the Philippines.	III, IV, XI, NCR, other regions to be identified	DOE	400.00	21.00	79.00	500.00
Water District Development Sector Project	The loan will help (i) improve living conditions in urban areas outside Metro Manila, (ii) enhance competitiveness by developing water supply infrastructure, (iii) develop the institutional capacity of water utilities, (iv) support the reorganization and institutional development of water districts and the LWUA, and (v) contribute to much needed sector reform. The project is expected to (i) increase the access of the population in the provincial cities to improved water supply and sanitation, (ii) reduce the quantity of nonrevenue water and enhance asset management, and (iii) improve the operating and financial performance of water utilities.	Nationwide	LWUA	50.00			50.00
Urban Water Supply and Sanitation Project	The project aims to improve the water supply and sanitation (WSS) services in Metro Cebu, Davao City and other to be identified urban areas, by providing investment capital and technical assistance to the respective Water Districts (WDs).	VII and XI	DCWD and MCWD	70 (plus US\$50M from AFD; US\$50M from AIF)			TBD

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counterpart	Project Cost
				(In US\$ million)			
Alternative Water Source for Metro Manila	For discussion	NCR, III and IV	MWSS	50 (plus US\$100M from AIF)			TBD
Second Road Sector Institutional Development and Investment Program	For discussion	TBD	DPWH	200 (plus US\$75M from AIF; US\$30M from ADFD)			TBD
Integrated Transport Terminal	For discussion	TBD	DOTC	100.00			100.00
Solid Waste Management Sector Project	The proposed subject project aims to improve Solid Waste Management (SWM) in the Philippines through provision of investments to the local government units (LGUs) in establishing SWM infrastructure.	TBD	DENR	70.00			TBD
Angat Water Transmission Improvement Project	The project will secure raw water supply for the 15-million inhabitants of MWSS service area, through the rehabilitation of the Angat transmission line.	TBD	MWSS	50.00			50.00

ODA Pipeline (as of 1st Quarter 2013)

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counterpart	Project Cost
(In US\$ million)							
<b>Japan International Cooperation Agency (JICA)-Loan</b>							
LRT Line 1 South Extension (hybrid PPP: Private sector undertakes CW and E&M whole GOP provides for the rolling stock and depot through JICA ODA STEP loan)	The project will extend LRT Line 1 by an approximately 11.7 km from Baclaran Station through the cities of Parañaque and Las Piñas, up to the municipality of Bacoor Cavite. It will involve civil works, electro-mechanical works, rolling stock, and operation and maintenance.	NCR, IV-A	DOTC	611.84		128.75 (GOP) 748.83 (Private sector)	1,489.42
LRT Line 2 East Extension	The project involves the design and construction of the 4.19-km eastern extension of the existing LRT Line 2 from the Santolan Station at Marcos Highway fronting SM Marikina, and terminating at Masinag Junction or the intersection of Marcos Highway and Sumulong Highway. The total length of LRT Line 2 will be approximately 16.75 km, upon completion of the project.	IV-A	DOTC	48.04		188.20	236.25
New Bohol Airport Construction and Sustainable Environment Protection Project	The project involves the development of a new airport facility of international standards in Panglao Island, Bohol to replace the existing Tagbilaran Airport due to its limitations and safety concerns.	Region VII	DOTC	141.90		38.20	180.11
Cavite Laguna Expressway (CALAX) Project	The project involves the financing, design, and construction of a new 47.02 km, four-lane expressway from the end of the Cavite Expressway (CAVITEX) in Kawit, Cavite, to the Mamplasan Interchange of the South Luzon Expressway (SLEX) in Biñan, Laguna. It aims to provide better access to Cavite and Laguna, where 49 ecozones/industrial estates, 1,590 companies/locators, and 27 residential subdivisions are located and around 500,000 workers are employed.	IV-A	DPWH	180.63		245 (Government) 436 (Private)	861.22

ODA Pipeline (as of 1st Quarter 2013)

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS Counterpart	Total
				Amount			Project Cost
(In US\$ million)							
<b>World Bank (WB)-Loan</b>							
Cebu Bus Rapid Transit	The project will establish a Bus Rapid Transit (BRT) System in Cebu City. The project aims to provide improved mobility for people in Cebu City and will offer a more efficient travel in and around the city, and will provide safer and environment friendly mode of travel.	VII	DOTC, Cebu City	IBRD - 110 CTF 25 AFD - 52			187.00
Renewable Energy Development Project (Ph RED)	The project will continue scaling up rural electrification and renewable energy expansion of the ongoing Rural Power Project	TBD	TBD	TBD			100.00
Secondary/Local Roads	As conceptualized by DPWH and DILG, the program aims to improve the quality of roads convergence areas and promote economic activities in the influence areas of such roads leading to tourism service centers.	TBD	DPWH/ DILG	250.00			250.00
<b>France - Agence Francaise de Development (AFD)-Loan</b>							
Bus Rapid Transport (BRT) Cebu (co-financing with World Bank)	The project, which is proposed to be co-financed with the World Bank, involves the construction of a bus rapid transit corridor (15 km) and system in the city of Cebu. The project's development objectives are to (i) improve passenger mobility in the project's corridors by providing an alternative that is safer, more secure, more efficient, and generates fewer emissions; and (ii) to demonstrate effective public-private partnership arrangements in the Philippines' first BRT. AFD funding will be dedicated to the financing of the traffic management component of the project.	Region VII	DOTC	70.00-75.00		not specified	200.00
Urban Water Supply and Sanitation Project (Davao City & Metro Cebu Water Districts) (co-financing with ADB)	The project aims to improve the WSS services in Metro Cebu and Davao City by providing investment capital and technical assistance to the respective Water Districts. It specifically targets the expansion of water supply capacity, as well as the rehabilitation and expansion	VII and XI	DCWD and MCWD	65.00		not specified	140.00

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counterpart	Project Cost
(In US\$ million)							
	of water treatment facilities and the construction of waste water treatment and sanitation facilities. The project is expected to sustainably improve the water supply services in the context of water resource scarcity and foreseeable impact of climate change on water resource availability.						

ODA Pipeline (as of 1st Quarter 2013)

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counter part	Project Cost
				(In US\$ million)			
<b>Korean Economic Development Cooperation Fund (EDCF)</b>							
Samar Pacific Coastal Road Project	The project involves the construction/Improvement of 27.8km of road as follows:  Jct. Simora – Simora Bridge (0.2km) Jct. Simora - Jct. Palapag (12.8km out of 18.0km) Jct. Palapag - Lapinig (12.0km out of 48.6km) Arteche - San Policarpio (2.8km out of 25.2km) Construction of Simora Bridge(141m)*, Jangtud Bridge (30m) and Pinaculan Bridge (50m)	VIII	DPWH	38.78		5.01	43.79
Northrail-Southern Linkage Project, Phase I (NSLP 1) - Supplemental Loan	The Project aims to ensure the successful completion and development of the commuter rail service from the southern part of Manila to Metro Manila through improvement of tracks and provision of newly identified working scope.	NCR	PNR	17.81		3.57	21.38
Northrail-Southern Linkage Project, Phase II (NSLP 2)	The Project aims to upgrade the present commuter rail service from Alabang to Calamba through track improvement, including double tracking, and the purchase of rolling stocks to alleviate traffic congestion in Metro Manila and adjacent urbanized areas.	NCR, IV-A	PNR	111.54		39.50	151.04
Baler-Casiguran Road Project	The project will complete the remaining 32.97 km unpaved sections of the 116-kilometer Baler-Casiguran road (as appraised by Korea Eximbank). The road passes through flat, rolling and mountainous terrains and crosses more than 30 rivers and creeks on a 20-meter right-of-way (ROW).	III	DPWH	31.14		4.46	35.60
Casiguran International New Port Project	The project involves the development of an international new port in Casiguran Bay with the following major components/facilities: (a) Multi-purpose wharf (2 berths for 20,000 DWT) - For operation buildings, storage, wellbeing facilities, storage yards, substations, maintenance buildings, services areas, gates, etc (b) Passenger wharf (1 berth for 400 GT) - For passenger	III	APECO	41.83		5.54	47.37

Project Title	Project Description	Region	Implementing Agency	Loan	Grant	GOP/PS	Total
				Amount		Counter part	Project Cost
				(In US\$ million)			
	terminal. (c) Fishery wharf - For marine products marketing stalls, storage, ship repair facilities.						
Albay West Coast Road Project	The project involves the construction/improvement of the 42.9-km road from Pantao, Libon to Caratagan, Pioduran. The improvement will cover 31.83 kms road of PCCP. It will also cover the repair/replacement of 5 bridges with an aggregate length of 250 m. Other works include slope protection and drainage.	V	DPWH	20.38		7.28	27.66
Modification of the Malinao Dam Project	The project includes: (1) dam (and road) improvement; (2) irrigation improvement (land leveling, construction of new farm ditches, concrete lining of farm ditches, lateral canal extension, road repair and improvement, installation of turnouts and postharvest facilities); (3) institutional development; (4) land acquisition and compensation; and (5) consulting services.	VII	DA-NIA	16.58		2.50	19.08
<b>Chinese ODA Loan Financing</b>							
Upgrading and Rehabilitation of the Navotas Fish Port Complex	Project involves the upgrading and rehabilitation of the existing Navotas Fish Port Complex. Project outputs include the following:  (1) upgrading/Improvement of the NFPC facilities; (2) establishment of cold storage facilities; (3) upgrading of Piers 4 and 5 and provision of an area; for other fishery and agriculture-based industries; (4) conversion of Piers 4 and 5 to wharf landing; (5) provision of waste water treatment facility; (6) upgrading of landing quay from Market Hall 1 to Pier 2; and (7) rehabilitation of the west breakwater	NCR	DA-PFDA	61.67		3.61	65.28

Source: National Economic and Development Authority

## Annex 3 – PPP Pipeline

Project Title	Brief Description	Implementing Agencies (IA)	Estimated total Project Cost	
<b>SOLICITED MODE</b>				
1. LRT Line 1 South (Cavite Extension and O&M)	The proposed alignment for the LRT 1 South Extension has an approximate length of 11.7 km from its tie-in point at the terminus of LRT Line 1 at Baclaran Terminal to the Niyog Station at Bacoor Cavite of which approximately 10.5 km will be elevated and 1.2 km will be at grade. Total length of the integrated LRT Line 1 will be approximately 32.4 km.	DOTC	US\$ 1.41B	PHP 59.20B
2. LRT Line 2 Operation and Maintenance	Operation and Maintenance of the existing LRT Line 2 and the proposed 4km extension from Santolan, Pasig to Masinag, Antipolo. The existing 13.8 km Line 2 runs along the Recto Station in Manila to the Santolan Station in Pasig, along recto Avenue, Magsaysay Boulevard and Marcos Highway.	DOTC	TBD	
3. Operation and Maintenance of the Laguindingan Airport	Operation and Maintenance of the newly constructed International-standards airport in Laguindingan, Misamis Oriental.	DOTC	US\$ 42.85M	PHP 1.8B
4. New Bohol (Panglao) Airport	Construction of an international-standards airport to replace the existing Tagbilaran Airport within a 230-hectare spread.	DOTC	US\$ 190.47M	PHP 8.0B
5. Mactan Cebu International Airport Passenger Terminal Building	Construction of new world-class passenger terminal building in Mactan, Cebu with a capacity of about 8 million passengers a year.	DOTC	US\$ 241.66M	PHP 10.15B
6. Operation and Maintenance of the Puerto Prinsesa Airport	The project involves the privatization of the operation and maintenance of the airport. The existing Puerto Prinsesa Airport will be upgraded/improved into the international gateway meeting standards of the International Civil Aviation Organization (ICAO).	DOTC	TBD	
7. Automatic Fare Collection System	Decommissioning of the old magnetic-based ticketing system and replacing the same with contactless-based smart card technology on LRT Line 1 and 2 and MRT 3 with the introduction of a centralized back office that will perform apportionment of revenues.	DOTC	US\$ 42.85M	PHP 1.8B
8. Integrated Transport System (ITS) Project	The project will establish three (3) mass international terminals at the outskirts of Metro Manila – one in the north (of EDSA) serving passengers to and from Northern Luzon, and two (2) in the south serving passengers to and from Laguna/Batangas side and those to and from Cavite side. The terminals will connect the passengers from the province to the other urban transport systems -- railways, city buses, taxi, PUV – servicing inner Metro Manila.	DOTC	US\$ 42.85M	PHP 1.8B
9. Cebu Bus Rapid Transit Demonstration Project	The project will restructure the main urban transport corridor from Bulacao to Ayala in Cebu City. This includes a 16km BRT route designed and built following international best practices and quality standards, two mixed traffic lanes per direction, integration of the drainage system installed along the restructured corridor and BRT terminals.	DOTC	TBD	
10. NAIA Expressway Phase II Project	The proposed elevated expressway starts at the existing Skyway then generally follows the existing	DPWH	US\$ 377.62M	PHP 15.86M

Project Title	Brief Description	Implementing Agencies (IA)	Estimated total Project Cost	
	road alignment over Sales Avenue, Andrews Avenue, Domestic Road and NAIA road. It has entry and exit ramps at Roxas Boulevard Macapagal Boulevard, and PAGCOR City. The project provides access to NAIA terminals I, II, III and links the two existing expressways, namely the Skyway and Manila-Cavite Toll Expressway.			
11. CALA Expressway (Cavite and Laguna Side)	Involves the construction of 2 expressways. One is on the Cavite side which is a 27 km, 4-lane highway from the terminus of R-1 Expressway in Kawit, Cavite to Aguinaldo (14.3 km, 4-lane et-grade expressway). The CALA Expressway will be connected to SLEX near Sta. Rosa, Laguna.	DPWH	US\$ 468.80M	PHP 19.69B
12. New Centennial Water Supply Source Project	The project will involve the construction of a dam, a water treatment plant, and an associated main pipeline to deliver water from the project locator to Metro Manila. This project will provide water supply security in the metropolis.	MWSS	US\$ 595.23M	PHP 19.69B
13. Operation and Maintenance of Angat Hydro-Electric Powerplant (AHEPP) Auxiliary turbines 4/5	Rehabilitation, operation and maintenance of the MWSS-owned auxiliary turbines 4 and 5 installed in the Angat Hydro-Electric powerplant.	MWSS	US\$ 38.09M	PHP 1.60B
14. Balara Water Hub	Construction and operationalization of an international center for water excellence located within the MESS Balara Compound situated along Katipunan Avenue opposite UP Diliman in Quezon City.	MWSS	US\$ 476.19M	PHP 20.0B
15. Vaccine Self-sufficiency Project (Phase II)	The project is envisioned to accelerate progress in vaccine production in the Philippines and ensure vaccine sufficiency in the country. VSSP II is expected to reduce overall vaccine procurement costs of finished vaccines through local formulation, filling, labeling, and packaging of the following vaccines: Pentavalent (DPT-HepB-Hib, Diphtheria, Pertussis, Tetanus-HepatitisB, and Hemphylus Influenza B), Tetanus Toxois (TT), Single HepB.	DOH	US\$ 11.29M	PHP 474.27M
16. Modernization of the Philippine Orthopedic Center	Construction and upgrade of the hospital buildings and facilities; purchase and supply of modern hospital equipment, furniture and fixtures, and; installation of a comprehensive hospital IT sytem.	DOH	US\$ 128.31M	PHP 5.389B
17. PPP for School Infrastructure Projects	The project will involve the design, financing, and construction of about 9,300 one-story and two-story classrooms, including furnitures and fixtures, in various sites in Regions I, III, and IV-A. The project aims to supplement the current program of the Department of Education in reducing classroom backlog.	DepEd	US\$ 239.05M	PHP 10.04B
18. Grains Central Project	The project will establish grains bulk handling systems with corn grains processing centers and transshipment stations in major corn-producing areas and selected sea ports by upgrading, expanding and enhancing the existing operations in at least fifteen (15) corn postharvest processing and trading centers.	DA	US\$ 29.76M	PHP 1.25B
19. Establishment of Cold Chain Systems Covering Strategic Areas in the Philippines	Construction and operationalization of Cold Chain Centers to be located in major production and consolidation areas of agri-fishery products. The Centers will be equipped with the required facilities and machineries for minimal processing of livestock, fisheries, and high value crops.	DA	US\$ 126.19M	PHP 5.30B
20. Logistics Support on	The project will involve the (i) development of	DA	US\$ 34.9M	PHP 1.47B

Project Title	Brief Description	Implementing Agencies (IA)	Estimated total Project Cost	
the Agri-Fishery Products Supply Chain: Transportation of Agri-Fishery Products Utilizing the South Rail Main Line	railway infrastructure (procurement of train locomotives, wagons, flatbeds, container vans) and (ii) establishment of consolidation centers, transport and storage facilities (construction of consolidation centers and loading/unloading terminals in selected project sites near train stations, and rehabilitation of train cargo stations and warehouses equipped with cold rooms/storages/refrigerated transport and other equipment).			
21. NLEX-SLEX Connector	Construction of a 13.4 km., 4-lane elevated expressway over the Philippine National Railway (PNR) right of way which starts at Caloocan City and ends in Buendia, Makati City. The project will connect North Luzon Expressway (NLEX) and South Luzon Expressway (SLEX) to decongest traffic in Metro Manila.	DPWH	US\$ 480.48	PHP 20.18B

Source: BESF 2014, Department of Budget and Management

Note: Exchange Rate: US\$ 1 = PHP 42.00

The number and details of PPP projects in the pipeline may change depending on the result of the studies conducted and other developments.