

**Prospects for the Philippines
in the Context of Southeast
Asian Region:
Evolving Need for Infrastructure**



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Progress on Connectivity in ASEAN

Notable progress since the MPAC 2010, though much remains to be done

Example of Key Barriers for Some Priority Projects

	Financing Barriers			Implementation Barriers		
	Return on Investment	Fiscal Capacity	Capital Availability	Capacity	Coordination	Regulatory Structures
ASEAN Highway Network		■	■			
Singapore Kunming Rail Link	■	■	■		■	■
ASEAN Broadband Corridor		■		■		■

Source: ASEAN Secretariat (2016)



Infrastructure investment needs, 2016–2030 (\$ billion in 2015 prices)

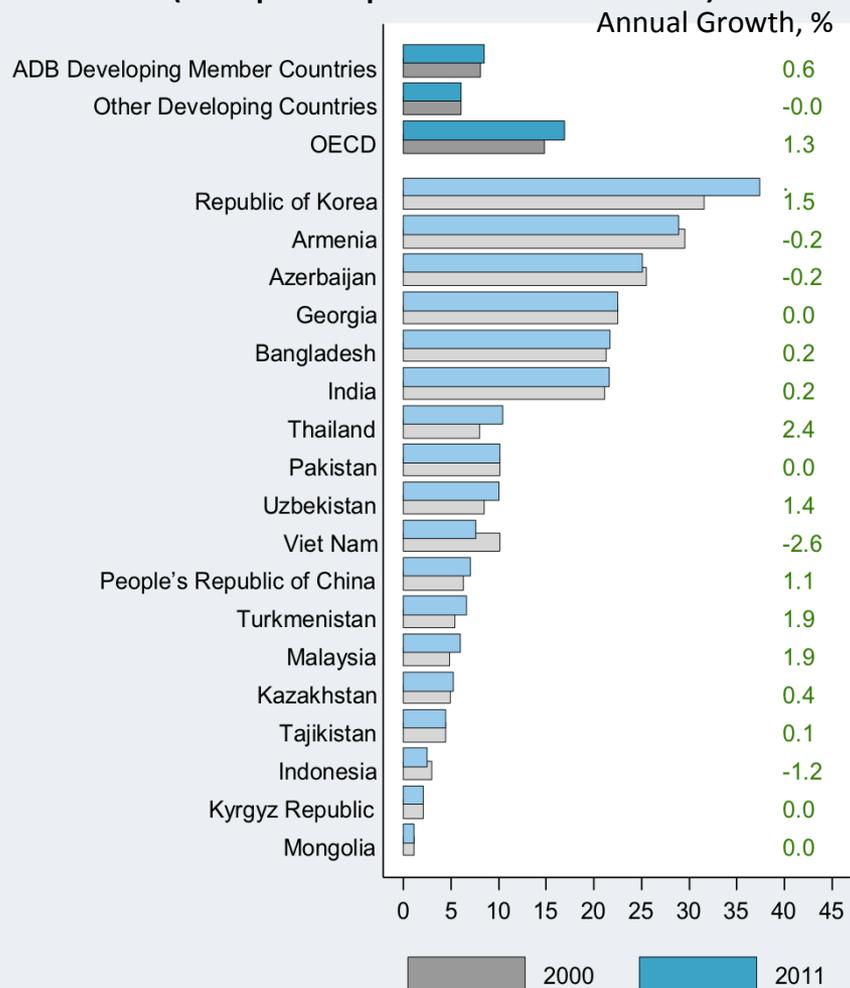
	Baseline		Climate adjusted	
	Total	% of GDP	Total	% of GDP
Central Asia	492	6.8	565	7.8
East Asia	13,781	4.5	16,062	5.2
South Asia	5,477	7.6	6,347	8.8
Southeast Asia	2,759	5.0	3,147	5.7
<i>Thailand</i>	237	2.9	268	3.2
The Pacific	42	8.2	46	9.1
Asia and the Pacific	22,551	5.1	26,166	5.9
Annual Average	1,503		1,744	

Sources: 2030 population projections from UN Population Division; others are ADB estimates.

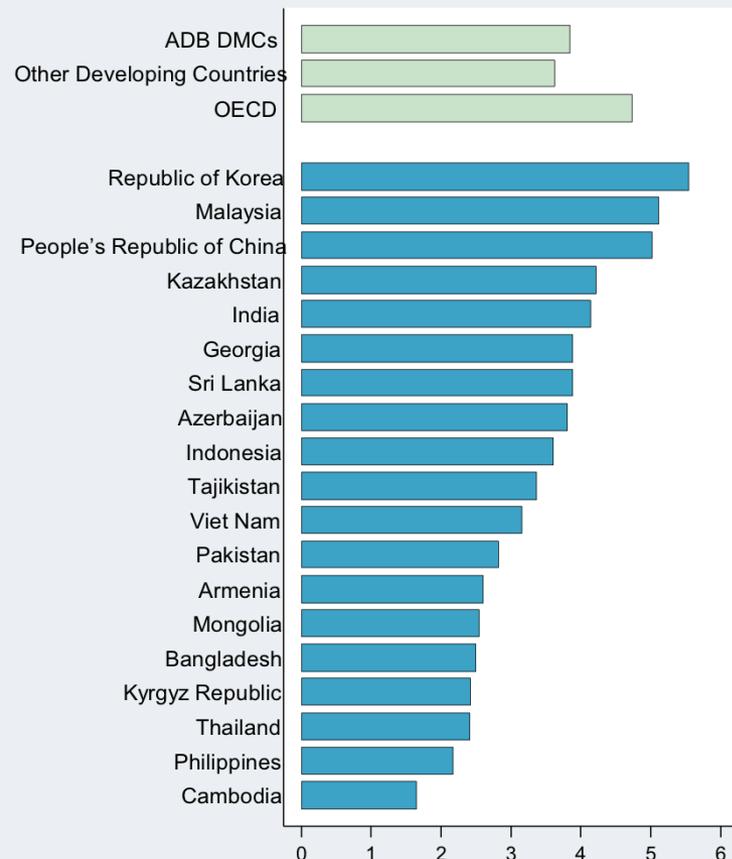
More and Better Infrastructure Needed

Railroad Density

(km per sq. km of land area)



Railroad Quality, 2015

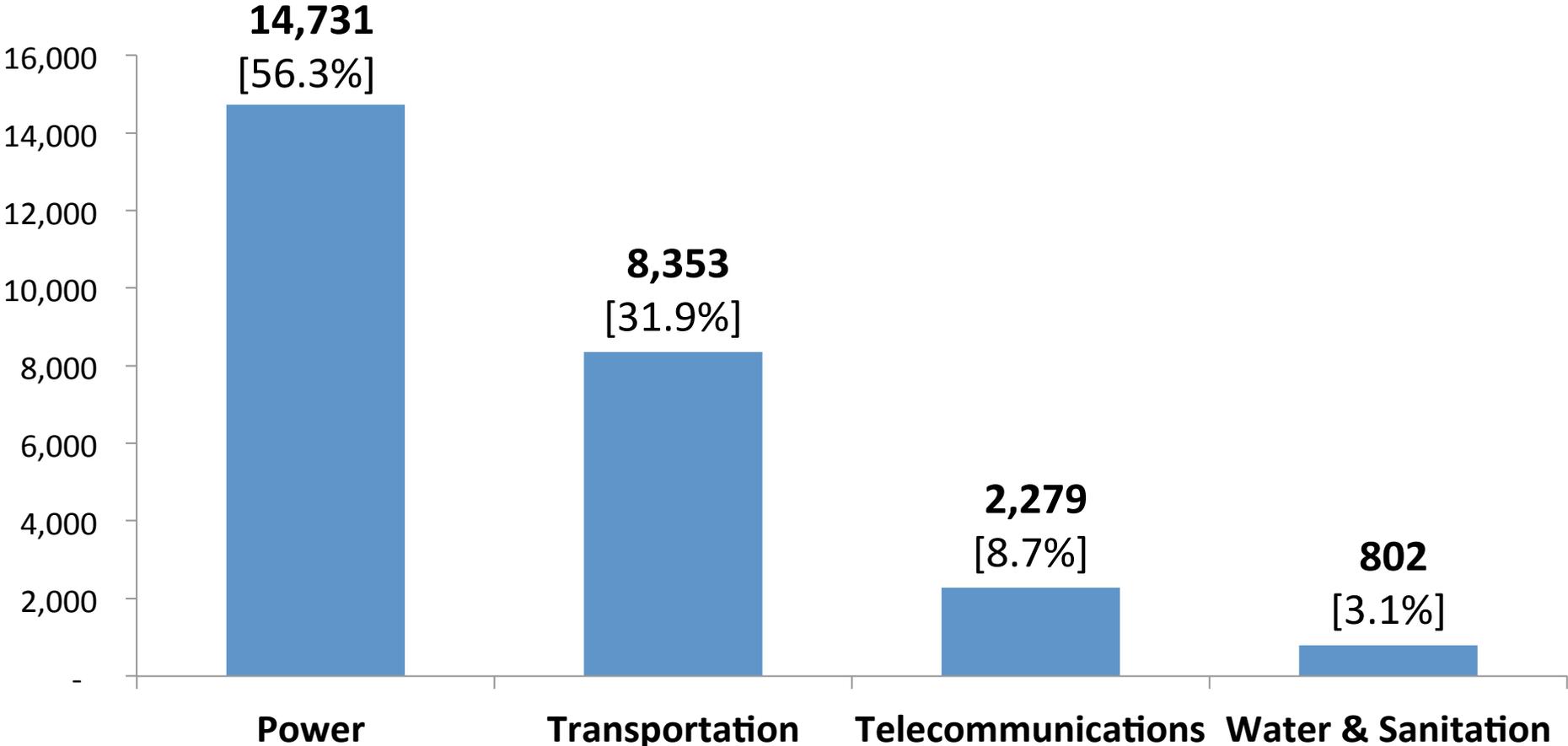


Note: Regional averages are calculated with population as weights.

Source: World Development Indicators Database, World Bank; World Economic Forum.

Infrastructure investment needs by sector, 2016–2030

(\$ billion in 2015 prices)

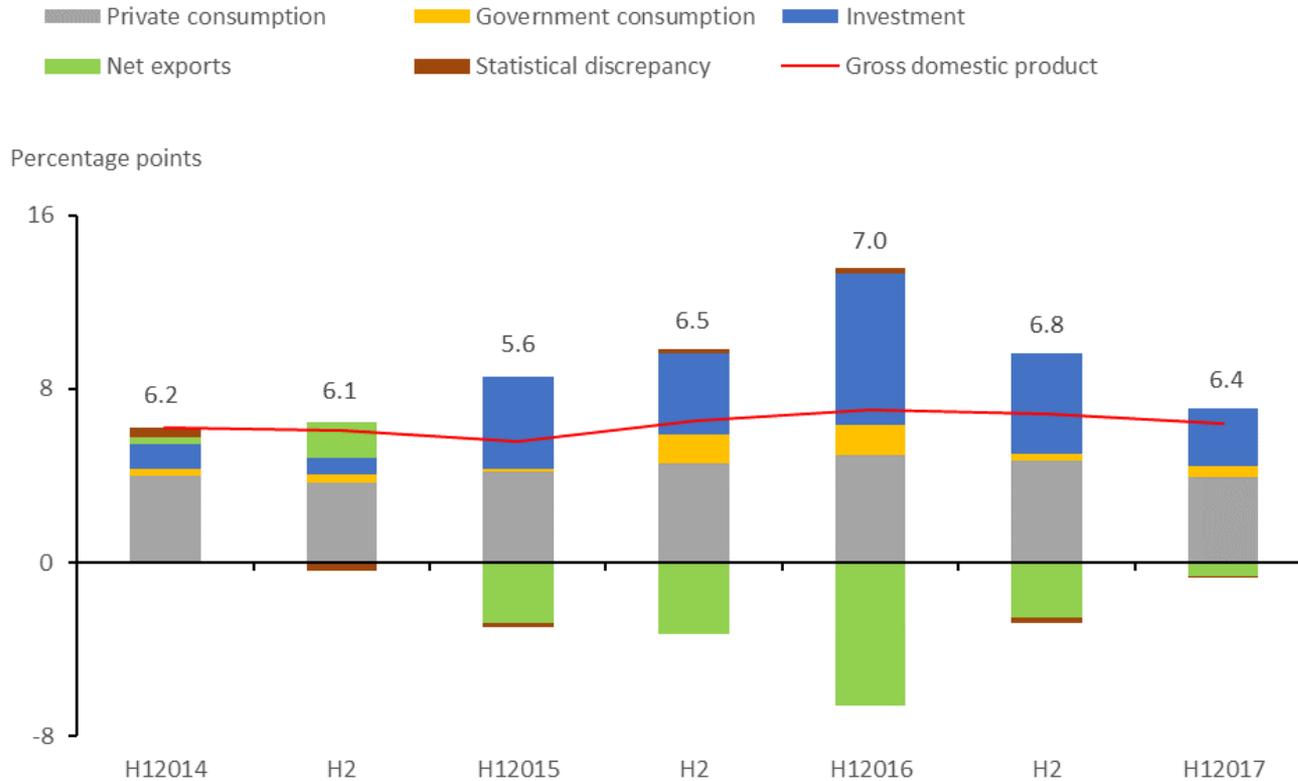


Note: Figures inside the brackets are percentage shares of total.
Source: ADB estimates.

Prospect for the Philippines

Toward Investment-led Growth

Demand-side contribution to growth

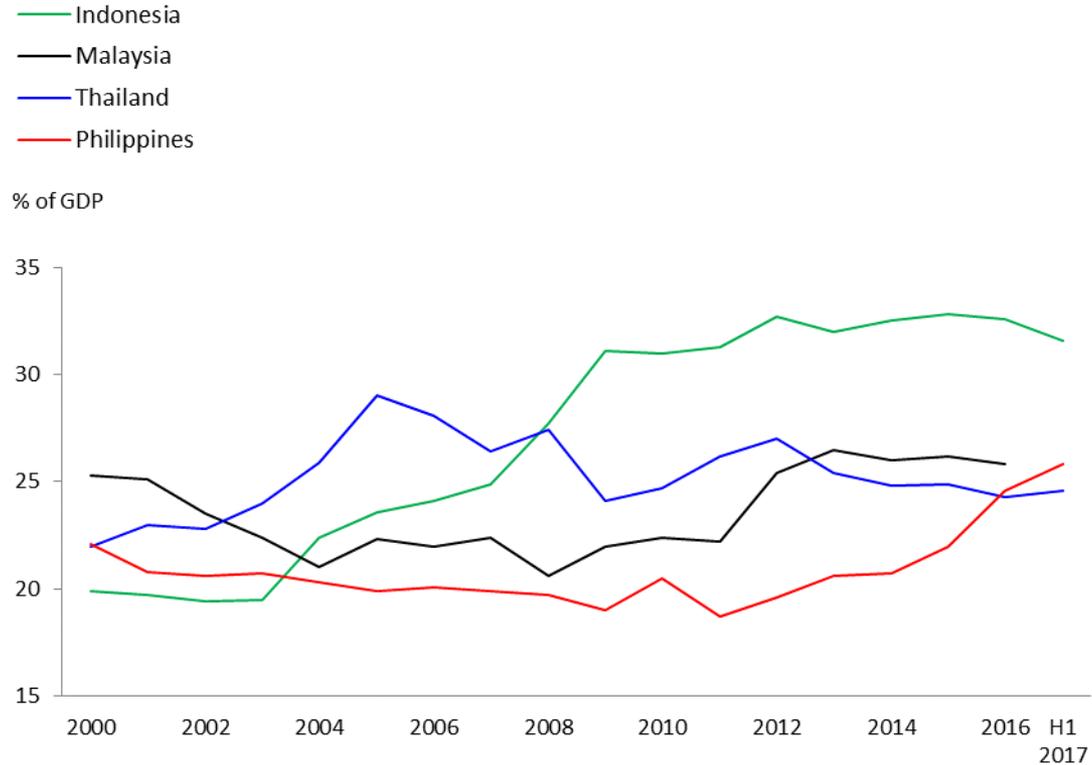


Sources: Asian Development Outlook database; CEIC Data Company (downloaded 25 August 2017).

1st half 2017 Economic Growth

Steady rise in investment

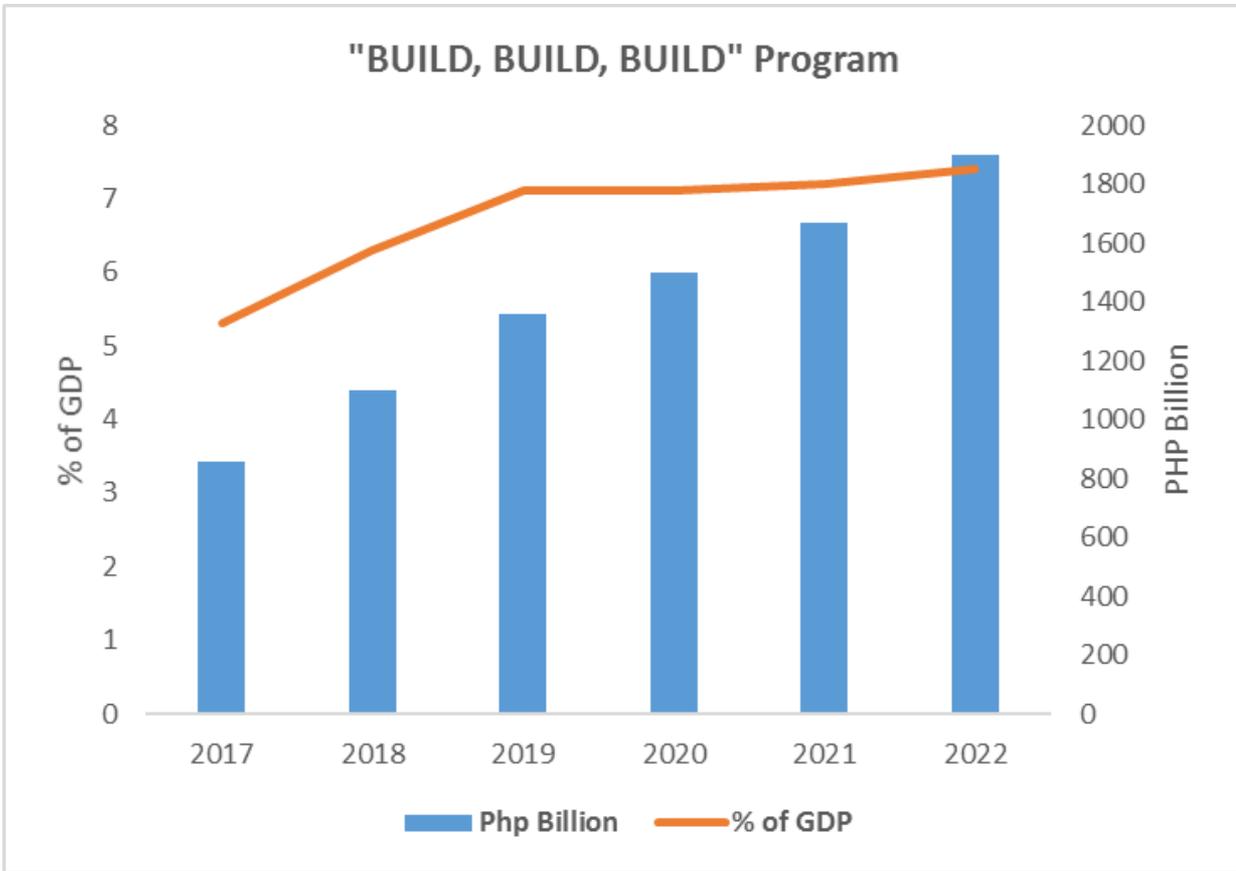
Fixed Investment (% of GDP)



Sources: Asian Development Outlook database; CEIC Data Company (downloaded 25 August 2017).

Evolving Need for Infrastructure

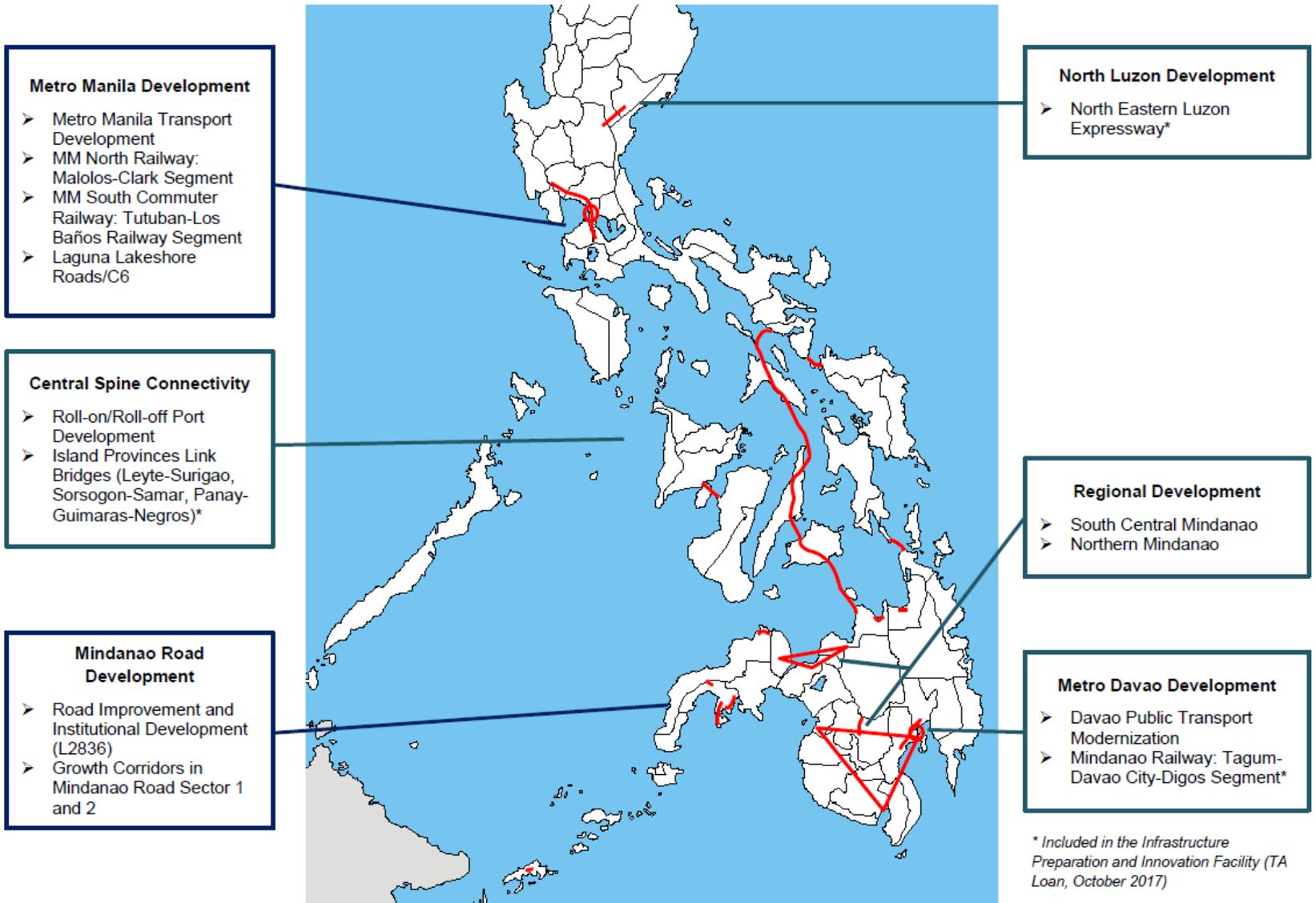
The Case of the Philippines



Source: Department of Budget and Management; Bureau of Treasury



ADB's Program of Support to Improve Connectivity



Source: Asian Development Bank.

Evolving Need for Infrastructure

The Case of the Philippines

- Building project preparation/management capabilities
- Creating an enabling environment for PPP
- Developing Financial Markets
- Improving public finance management (tax reform)

Building Project Preparation Capabilities

The Case of the Philippines

- Need for well prepared masterplan, feasibility study, and detailed engineering design
- To boost absorptive capacity of line agencies
- To bring in international best practices and innovation to projects
- To strengthen institution for public project management

Creating An Enabling Environment for PPP

The Case of the Philippines

- “Hybrid” approach to infrastructure development
- ADB support for the PPP Center through 4 pillars
- Advocacy and capacity building, creating an enabling environment, project development, and project financing
- Mactan Cebu Airport terminal, now under construction

Developing Financial Market

The Case of the Philippines

- Financial market assumes a greater role in infrastructure
- Address maturity mismatch associated with long-term finances of infrastructure
- Deeper and more liquid bond and capital markets
- ADB support through Capital Market Reform PBL

Improving Public Finance Management

The Case of the Philippines

- Efficient tax system vital to ensuring fiscal space
- ADB provided policy and advisory assistance for the tax reform for acceleration and inclusion (TRAIN)
- TRAIN to add tax revenues in 2018 onwards
- Revenue gains to ensure public debt sustainability

Conclusion

MDB's Evolving Roles in ASEAN Connectivity

- Good infrastructure needs combination of finance with knowledge and expertise
- Develop a conducive environment for infrastructure investment
- Catalyst for resource mobilization (public funds, ODA, and PPP)