

**Strengthening PSP in Infrastructure Provision
ADB Institute, Tokyo, 19-22 November 2007**

FDI and PPP: Experience in the Philippines

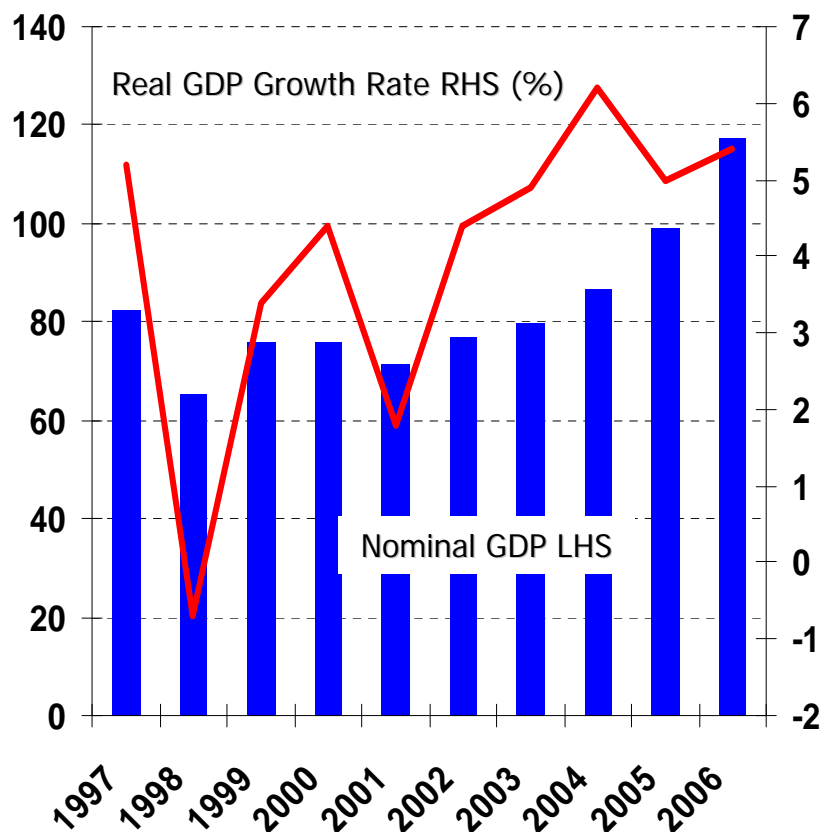
**Alfredo E. Pascual
Advisor (Public-Private Partnership)
Asian Development Bank**

The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank Institute (ADBI), the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

Philippines - GDP Growth

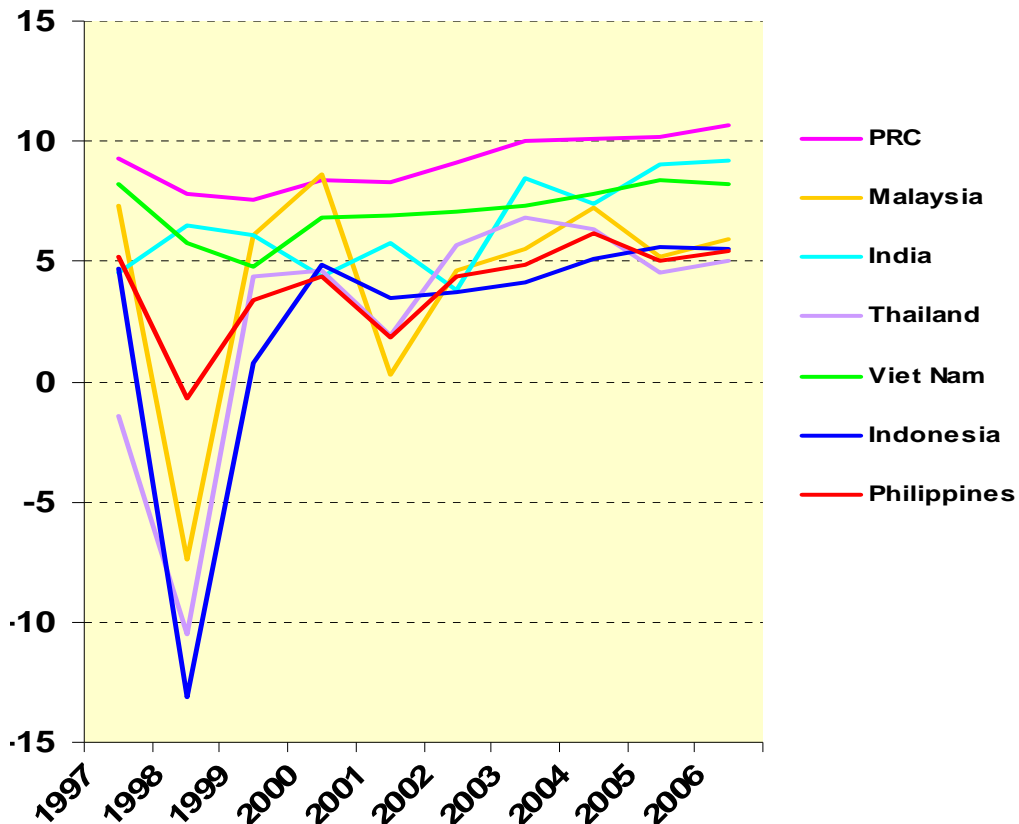
1997 - 2006

(US\$ billion) %

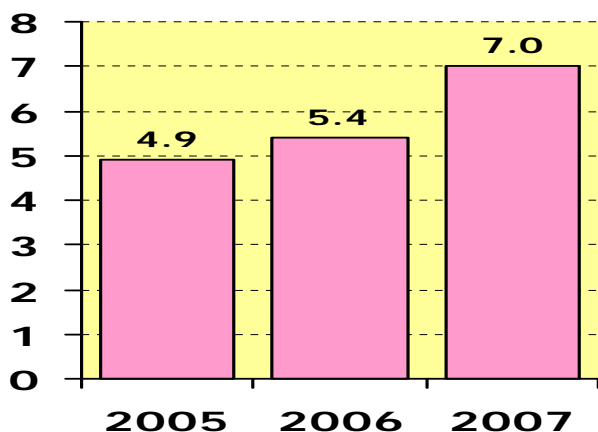


Real GDP Growth Rate (%)

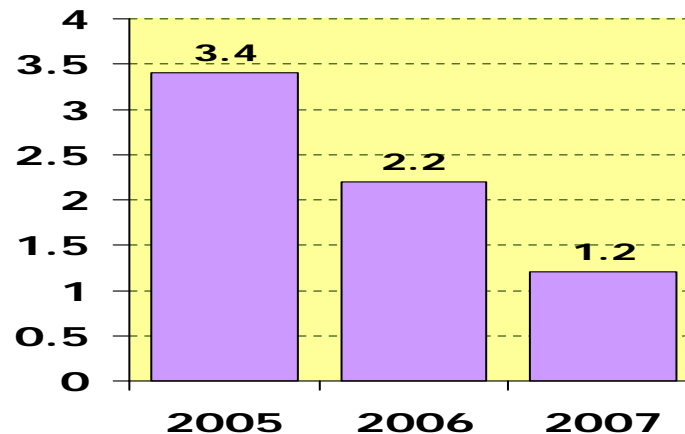
1997-2006



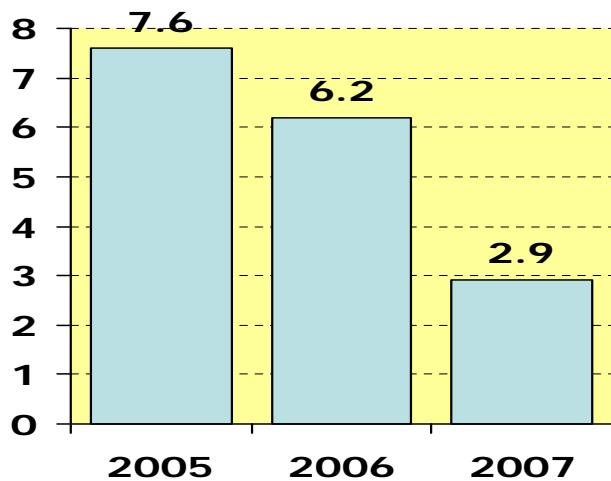
Real GDP Growth (%)



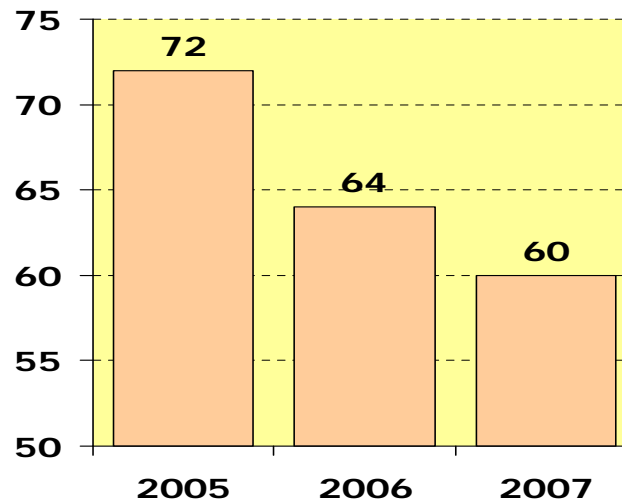
Budget Deficit (% of GDP)



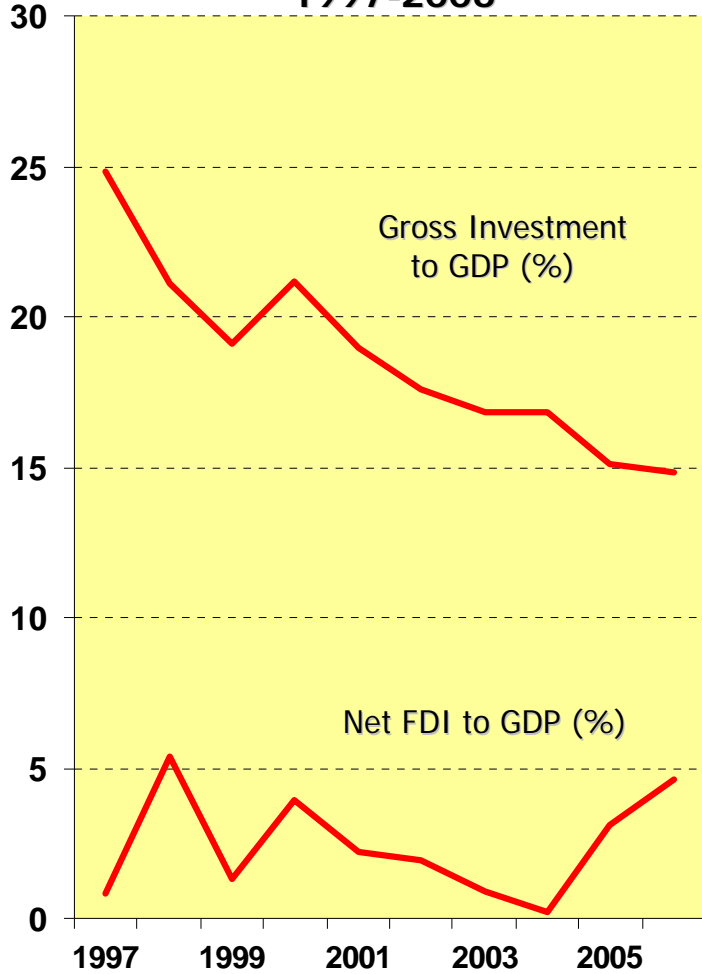
Inflation Rate (%)



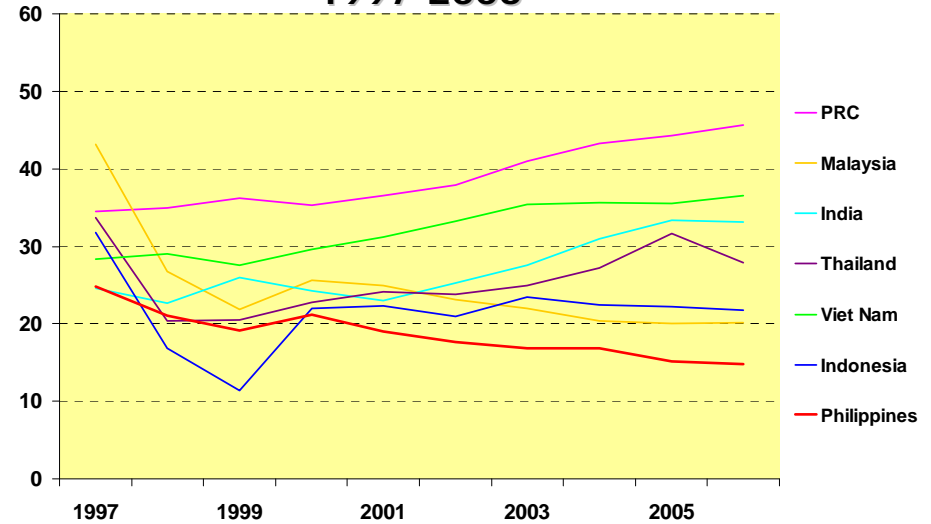
Government Debt (% of GDP)



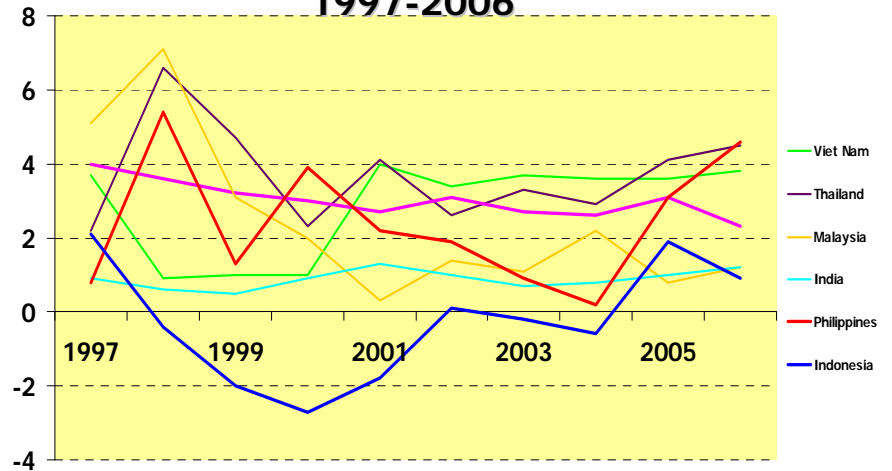
**Investment in Philippines
1997-2006**



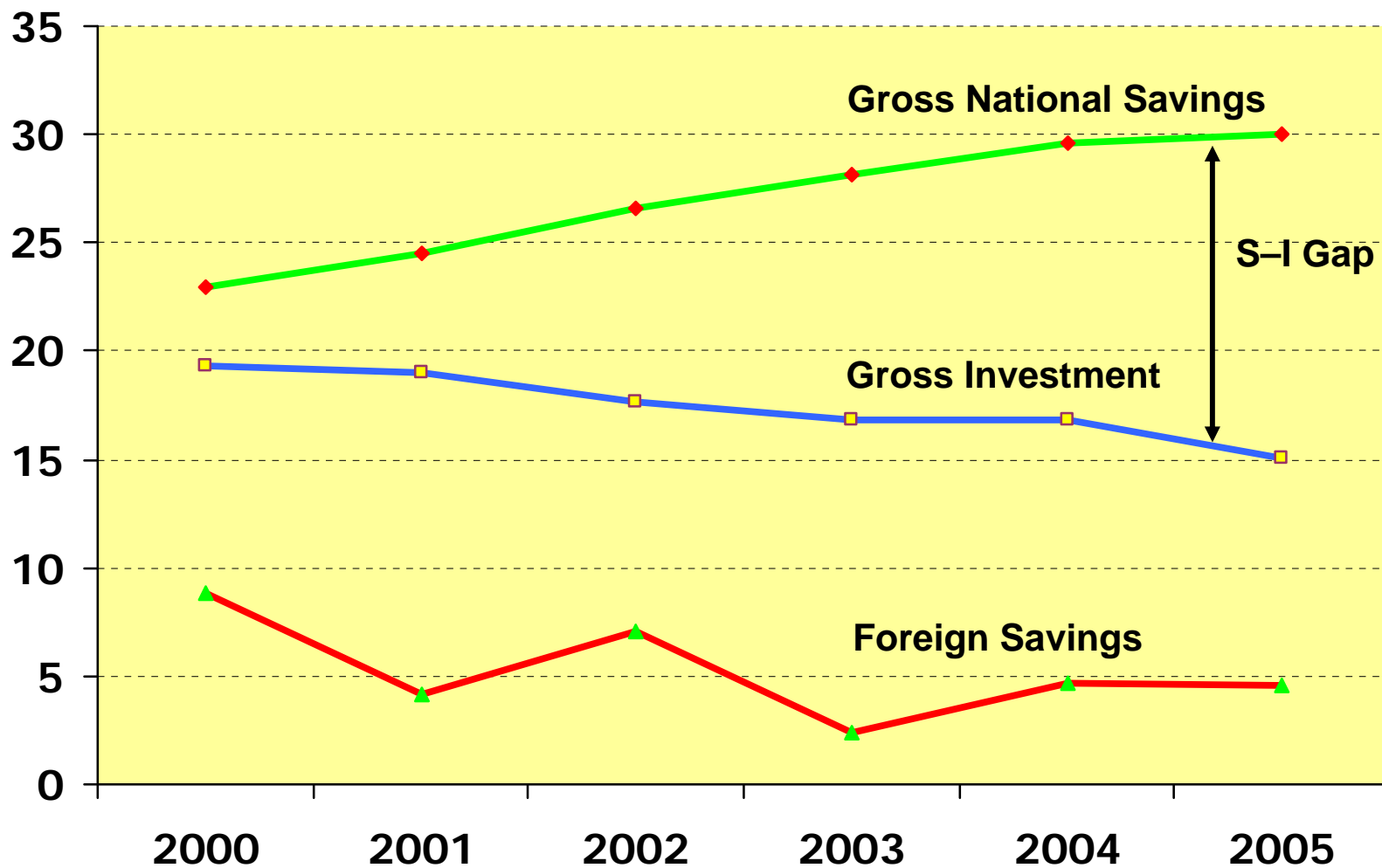
**Gross Investment / GDP (%)
1997-2006**



**Net FDI / GDP (%)
1997-2006**



% of GDP



Infrastructure investment dropped from 8.5% of GDP in 1998 to 2.8% of GDP in 2002

Needs to increase to at least 5% of GDP to ease infrastructure constraint

World Competitiveness Rankings (IMD)

Country	2001	2004	2007
PRC	33	24	15
India	41	34	27
Thailand	38	29	33
Philippines	40	52	45
Indonesia	49	58	54
No. of countries	49	59	55

Infrastructure Investment (% GDP)

0-4%	4-7%	Over 7%
Cambodia	Lao PDR	PRC
Indonesia	Mongolia	Thailand
Philippines	India	Viet Nam

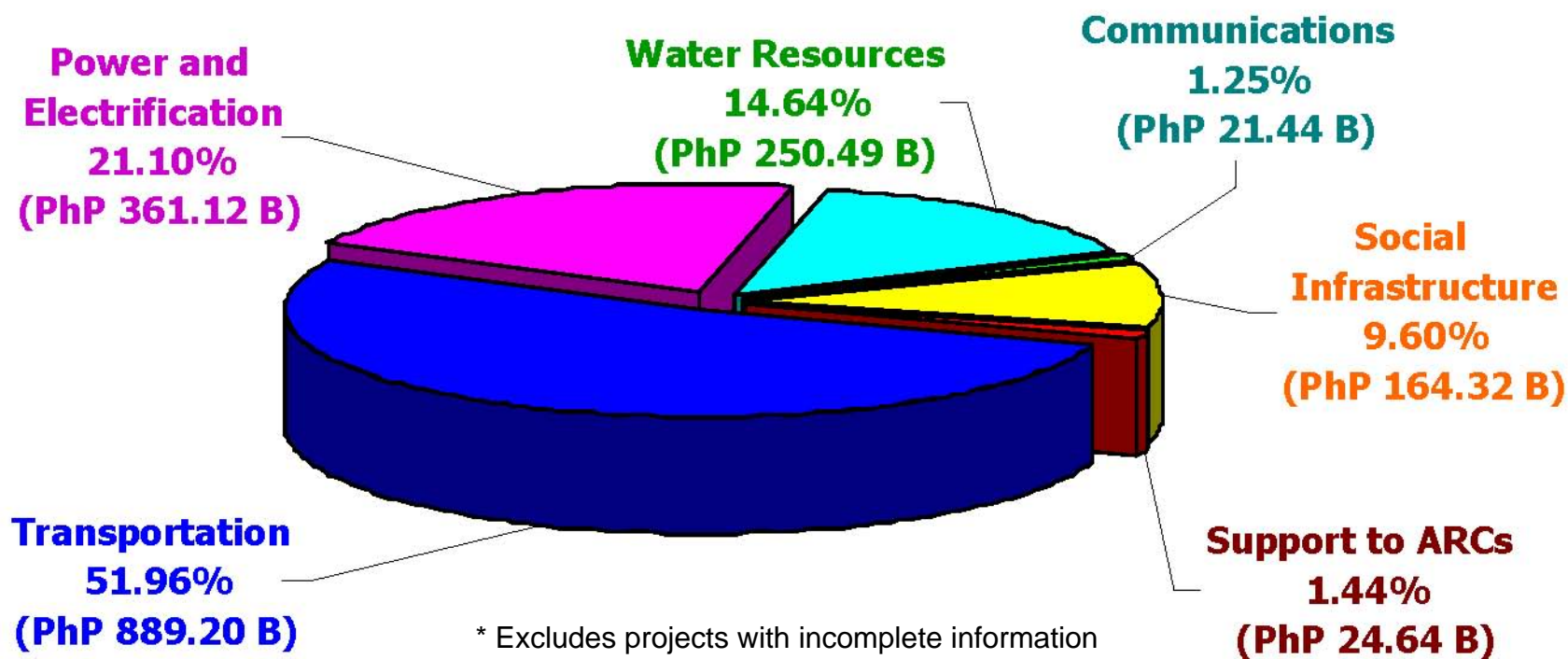
Source: ADB, JBIC, World Bank. 2005. Connecting East Asia: A New Framework for Infrastructure

Philippines' competitiveness rankings continue to be low due to factors such as:

- government efficiency
- policy stability
- adequacy of infrastructure.

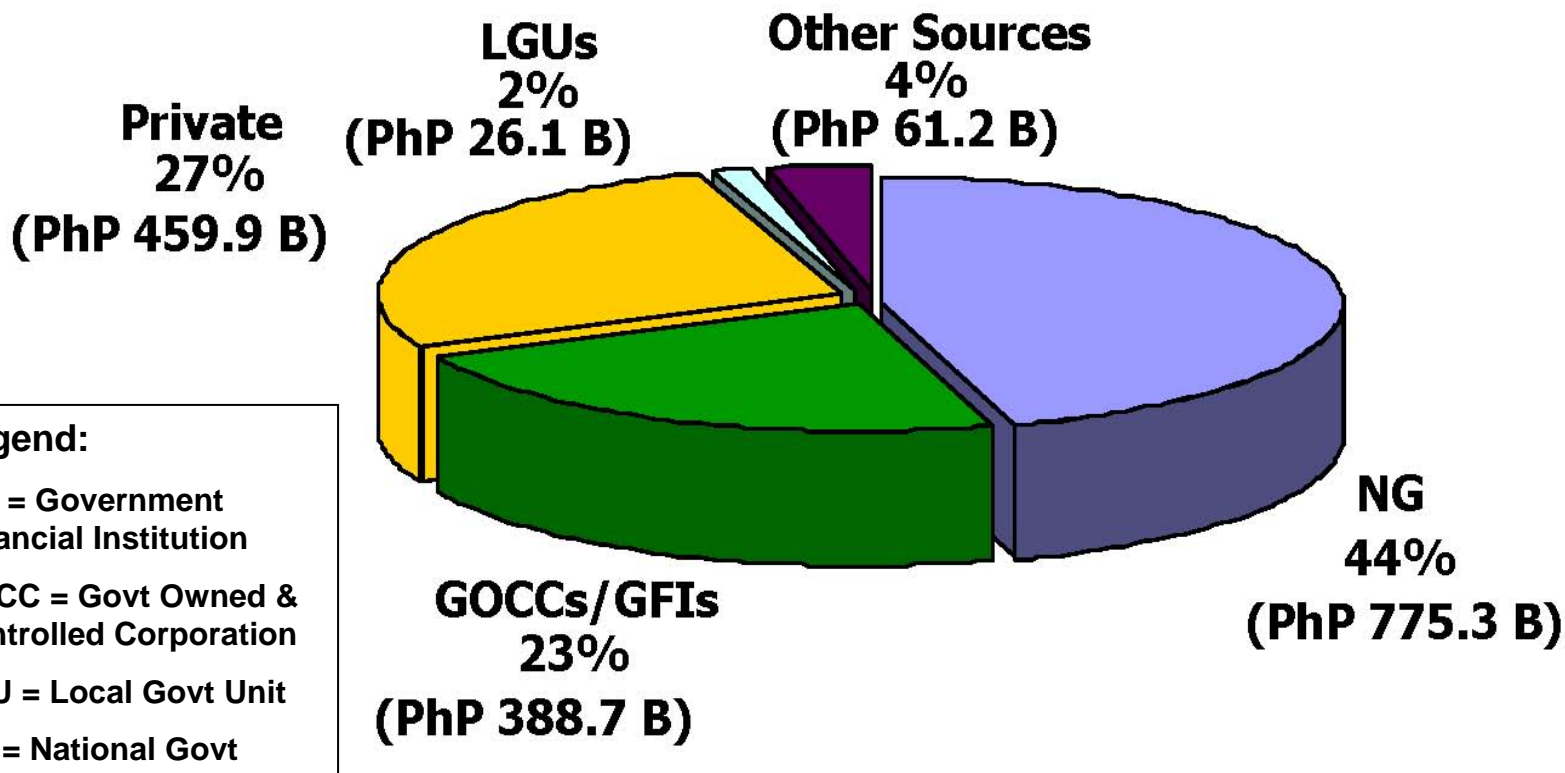
Total Infrastructure Investment Requirement for the 5 Year Period 2006-2010

- PHP 1,711 billion* (USD 37 billion) → 4.45% of GDP



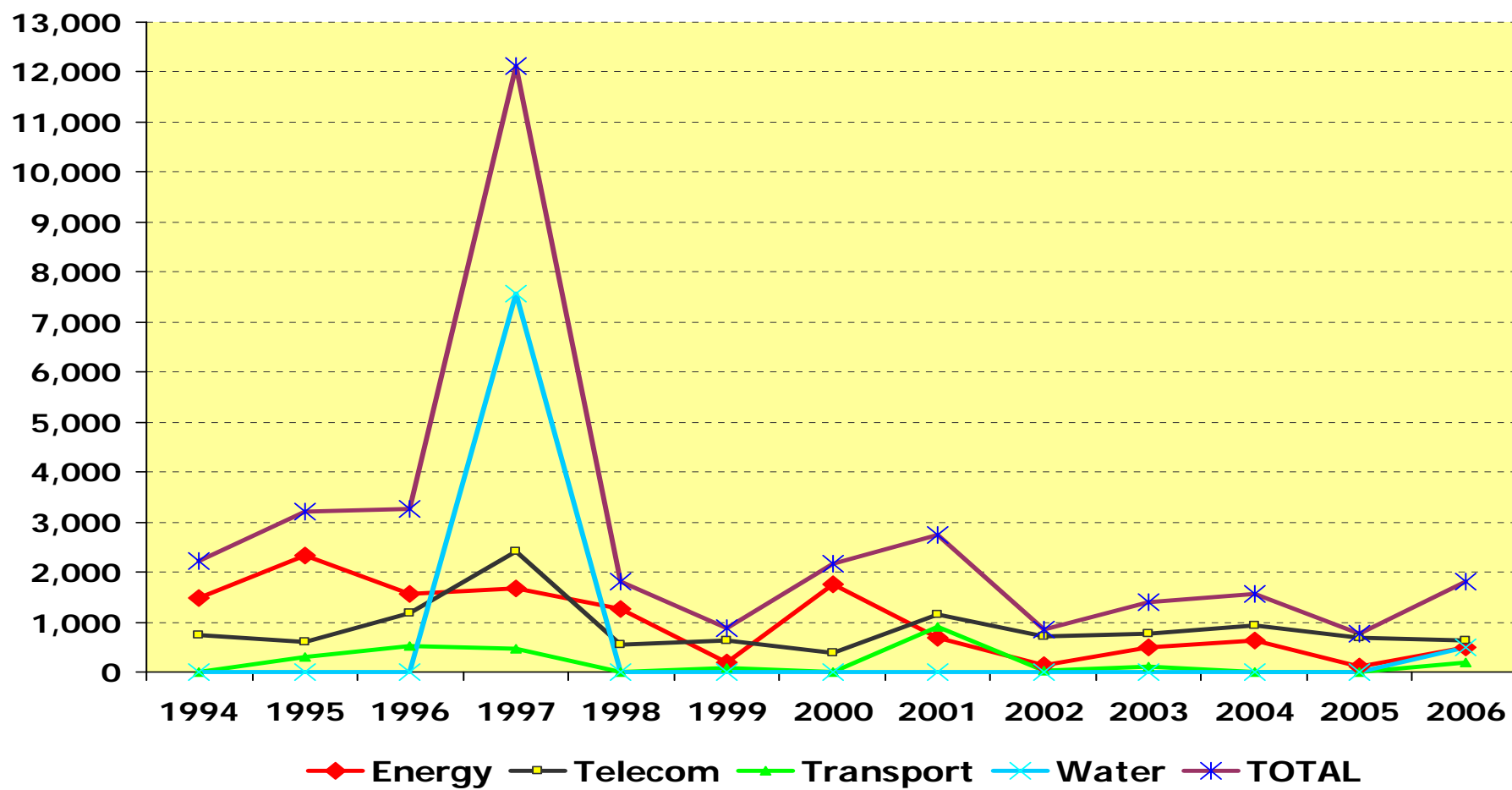
Investment Requirement by Financing Source

■ Financing of the Infrastructure Investment Requirement for the 5 Year Period 2006-2010



- Build-Operate-Transfer (BOT) Law, the first of its kind in the region, passed in 1990 and amended in 1994
 - Investment in BOT power plants help addressed the power crisis in late 1980s and early 1990s.
- National Water Crisis Law of 1995 to enable PSP in the water sector
 - Enabled the contracting of private concessionaires to operate the two zones of the Metro Manila water supply network.
- Public Telecommunications Policy Act of 1995 and an earlier series of executive order to introduce competition in the sector
- Right-of-Way Law of 2000 setting rules for expediting right-of-way acquisition needed for roads
- Electric Power Industry Reform Act of 2001 to restructure the power sector and create a competitive market for electricity

Private sector investment commitment in the year made (USD million)



Source: PPIAF database..

Progress of the PSP Program (December 2006)

	No. of Projects	Est. Project Cost (in US\$ Million)
Completed/Terminated	19	1,135
Under Concession/Operational	44	17,983
Awarded/Under Construction	14	1,230
Solicited – Bidding Stage	2	103
Solicited – For Approval	1	682
Solicited – Under Preparation	5	895
Unsolicited Proposals – For Approval	3	2,175
Unsolicited Proposals – For Negotiation	4	319
TOTAL	92	24,525

Source: Philippine BOT Center

PPP Projects by Sector (1990 - 2006)

	No. of Projects	Est. Project Cost (in US\$ million)
Power	43	9,511
Transport	16	6,088
Information Technology	10	341
Water	7	7,939
Property Development	13	228
Health	1	1
Others	2	415
TOTAL	92	24,525

Source: Philippine BOT Center

- Weaknesses in planning and preparation of private infrastructure projects
- Unclear rationale and ineffective guidelines for providing of government support
- Ambiguities in the BOT policy
- Sector specific gaps in the enabling policy, legal and institutional frameworks

Thank You!



For more information:

Alfredo E. Pascual
apascual@adb.org