



REPUBLIC OF THE PHILIPPINES

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Philippines-China Infrastructure Cooperation: Lessons and Prospects



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17 August 2016



0+10 Point Socioeconomic Agenda

Accelerate annual infrastructure spending to account for at least 5% of GDP, with Public-Private Partnerships playing a key role

Recent History of Cooperation with China

1975

Establishment of diplomatic relations

Recent History of Cooperation with China

- 1999

Agreement on Cooperation in Agriculture and Related Fields

- 2000

Joint Statement Between China and the Philippines on the Framework of Bilateral Cooperation in the Twenty-First Century

Agreement between Department of Finance (DOF) and the China National Construction and Agricultural Machinery Import and Export Corporation (CAMC) for China's provision of a **USD100 million credit facility** to finance agricultural development projects in the Philippines

Recent History of Cooperation with China

- 2003

Memorandum of Understanding (MOU) for a **USD400 million Preferential Buyers Credit (PBC) loan facility** intended to help finance the Phase I, Section 1 of the Northrail Project

- 2007

DOF and the China ExIm Bank MOU establishing:
USD500 Million PBC Loan Facility (January)
USD400 Million PBC Loan Facility (August)

Recent History of Cooperation with China

- 2013

The **Philippine Investment Promotions Plan Steering Committee (PIPP-SC)** and the **China-ASEAN Business Council (CABC)**, signed an MOU to promote mutual investments and establish effective platforms for cooperation by developing industrial linkages through special economic zones (SEZs) during the 10th China-Association of Southeast Asian Nations (ASEAN) Expo in 2013

Current Framework of Cooperation

Framework Agreement on Expanding and Deepening Bilateral Economic and Trade signed by the **NEDA**, the **Department of Trade and Industry (DTI)** and the **Chinese Ministry of Commerce (MOFCOM)** on 15 January 2007

Priority Areas of Cooperation

- Agriculture
- Fishery
- Public works and infrastructure
- Housing
- Mineral resource development
- Energy
- Manufacturing
- Rehabilitation and investments in textile mills/garments factories
- Industrial parks and economic development zones
- Tourism
- Container inspection equipment
- ICT education
- Other areas agreed upon by both sides.

Framework Agreement on Expanding and Deepening Bilateral Economic and Trade

5-Year Development Plan

**Philippines-China Economic
Cooperation Working Group (ECWG)**

Priority Projects and
Cooperation Modalities

Cooperation Modalities

- **Loans**
 - Export and Import Bank of China (Eximbank)

Concessional Loan	Preferential Buyer's Credit (PBC) Loan
RMB Yuan denominated	US Dollar denominated
2% annual interest rate	3% annual interest rate
20 years maturity period and inclusive of 5 years grace period	20 years maturity and inclusive of 5 years grace period

Cooperation Modalities

- **Grants**

- Chinese Government provides grants to the Philippines through various Agreements signed and letters exchanged between the two parties.

Examples:

- ***Agreement on Economic and Technical Cooperation between RP and China*** signed between NEDA and the MOFCOM in January 2007 on the provision of grant amounting to RMB15 million,
- and the signing and exchange of letters between NEDA and MOFCOM establishing a grant facility amounting to **RMB10 Million** to be utilized for economic and technical cooperation program or goods supply.

China Projects Overview (Loans)

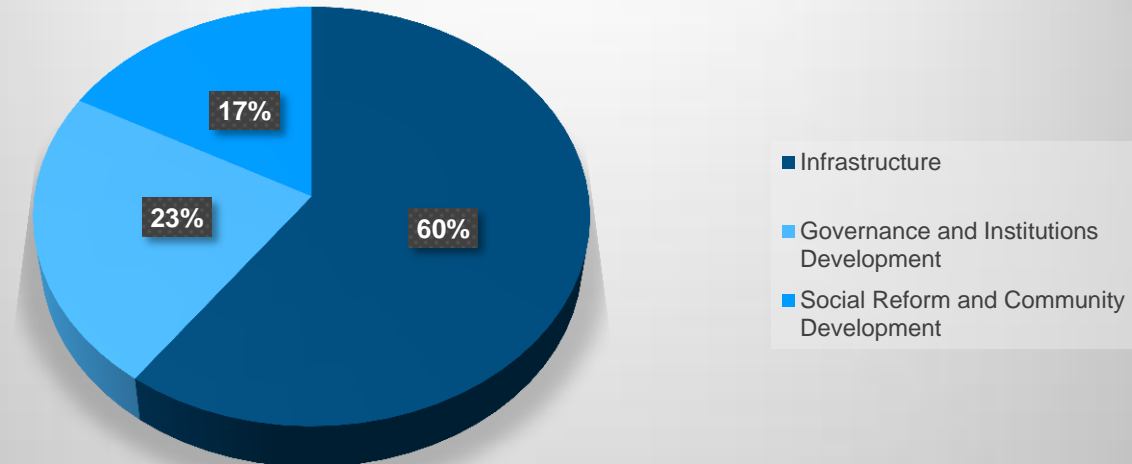
Loan Title	Sector	Net Commitment (USDM)
Banaoang Pump Irrigation Project	Agriculture, Natural Resources and Agrarian Reform	35.00
NorthRail Project Phase 1 Section 1	Infrastructure	180.79
General Santos Fishing Port Complex Expansion/Improvement Project	Infrastructure	24.99
Non-Intrusive Container Inspection System Project	Governance and Institutions Development	50.00
Non-Intrusive Container Inspection System Project II	Governance and Institutions Development	100.00
Agno River Integrated Irrigation Project	Agriculture, Natural Resources and Agrarian Reform	89.15
Angat Water Utilization and Aqueduct Improvement Project (AWUAIP)-Phase II	Infrastructure	115.33

China Projects Overview (Grants)

Loan Title	Sector	Net Commitment (USDM)
Philippine-Sino Center for Agricultural Technology Technical Cooperation Project, Phase II.	Agriculture, Natural Resources and Agrarian Reform	1.56
Philippine-Sino Center for Agricultural Technology (PhilSCAT)	Agriculture, Natural Resources and Agrarian Reform	7.00
Bilateral Seminar on Disaster Mitigation and Management	Governance and Institutions Development	0.09
Rice donation for Haiyan victims (China Govt)	Social Reform and Community Development	0.82
540 Units of Prefabricated Houses for Haiyan victims (China Govt)	Social Reform and Community Development	3.23

China Projects Overview

Distribution of China-assisted projects by sector



Why China?

- Chinese loans are concessional
- Could rapidly commit large amounts
- Responsive to timelines and is more resourceful in dealing with external factors affecting project formulation and implementation
- Advantage in terms of technology, equipment and materials, and human resources

Examples of Successful China-assisted Projects

- **Agno River Integrated Irrigation Project (ARIIP)**
- **Angat Water Utilization and Aqueduct Improvement Project**

Issues and Challenges

- **Chinese is tied to Chinese contractors and suppliers**

The controversy caused by allegations of “overpricing” resulted in the eventual cancellation of some important priority projects

- **National Broadband Network Project (DOTC)**
- **Cyber-Education Project (DepEd)**
- **Northrail Project, Phase I, Sections 1 and 2**



China Projects Oversight Panel (CPOP)

- **Created in 2007 to screen and review all projects proposed to be funded through Chinese ODA**

Prospects of Future Infrastructure Cooperation

- ✓ Building infrastructure that will enhance mobility or increase passenger and cargo throughput by addressing the worsening congestion problems in existing transport facilities such as major thoroughfares (particularly EDSA), mass transit systems and gateways (ports and airports).
- ✓ By addressing gaps in physical infrastructure that should link growth areas/markets, within and outside the Philippines, with resource/production areas/settlements in order to develop new sustainable urban centers, thus decongesting existing ones.

Prospects of Future Infrastructure Cooperation

- ✓ Possible partnership on technology transfer and knowledge exchange on regulation and governance on Renewable Energy (RE);
- ✓ Cooperation on the implementation of the Integrated Water Resources Management (IWRM) approach and in delivering sufficient water supply despite chronic drought, financial assistance in wastewater treatment and reuse and transition towards an integrated flood management regime.

Prospects of Future Infrastructure Cooperation

- ✓ Further strengthen cooperation in the agriculture sector in support of the President's agenda to promote rural and value chain development towards increasing agricultural and rural enterprise productivity and rural tourism.

Prospects of Future Infrastructure Cooperation

Asian Infrastructure Investment Bank (AIIB)

Conclusion

- The bilateral economic cooperation relations between the Philippines and China is marked with both challenges and successes.
- The ascent of a new Philippine administration presents an opportunity not only to renew ties and pick up where we left off, but to even bring the friendship between the two countries to greater heights.
- Our Chinese counterparts have expressed their willingness to work with the Philippine Government and properly deal with relevant issues for the sake of peace and progress through fair, equal and productive partnership.