The Philippines: Domestic and Regional Connectivity Evaluation and Vision

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Outline

I. Regional Connectivity Evaluations
II. Philippine Connectivity Priorities and Vision
III. Conclusion and Policy Recommendations

Connectivity and Infrastructure

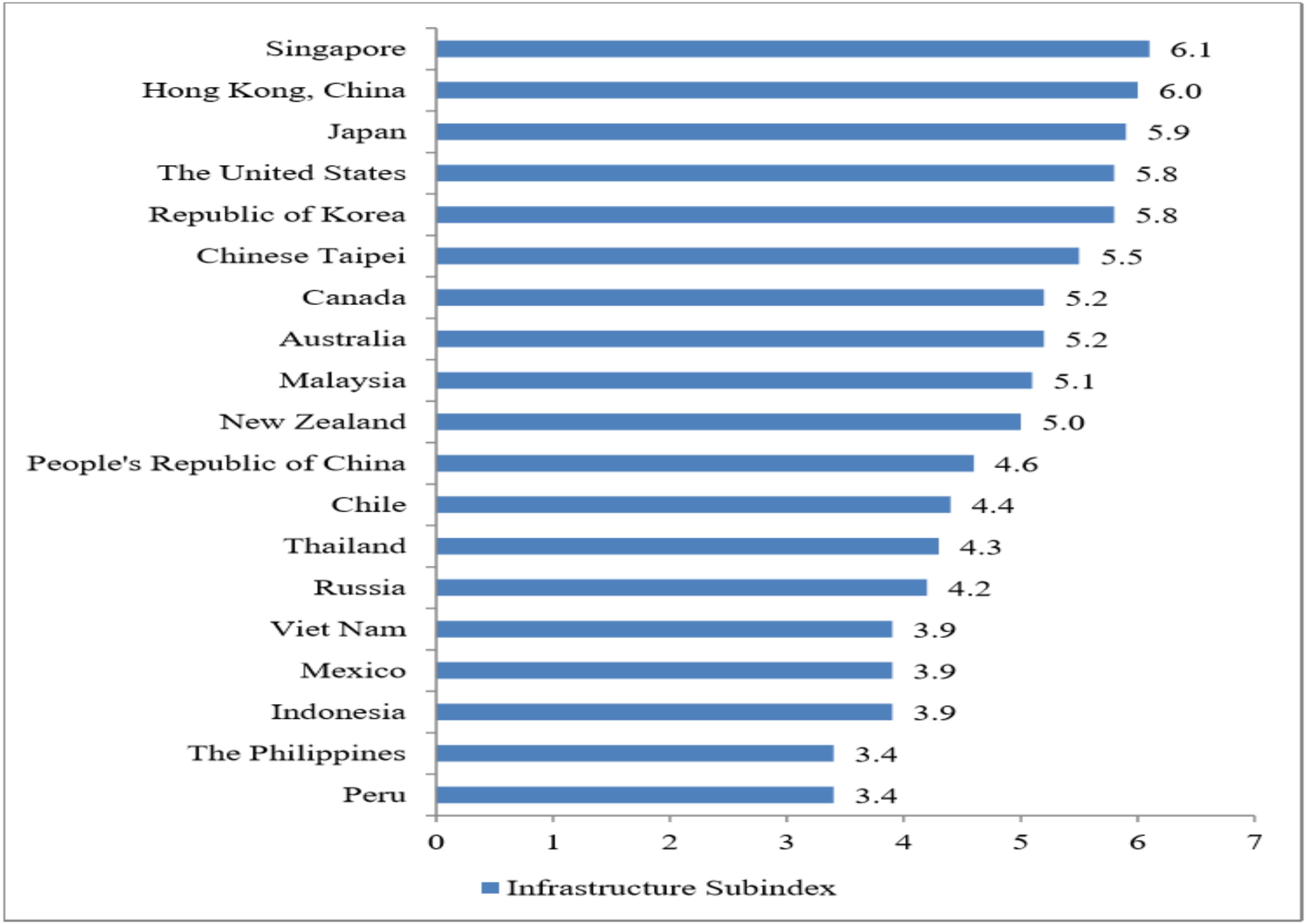
- Connectivity refers to infrastructure, both hard and soft, that links geographical locations to facilitate the flow of goods, services, technology, finance and people, in order to enhance mobility and networking. (Hill et al. 2016)
- Traditional, hard infrastructure emphasizes major highways, rail networks, ports and airports. Broader definition includes utilities like telecommunications, power, and water supply. Soft infra refers to institutions.
- The ICT revolution impacts connectivity through tele-commuting, electronic communications, and e-commerce

Regional Connectivity Evaluations

Regional Connectivity Evaluations

APEC Economies:

Trade Enabling Infrastructure Index



Global Enabling Trade Report 2014; Navarro 2014

APEC Economies:

Infrastructure Quality Index

Hong Kong, China	6.5
Singapore	6.4
Japan	6.0
Canada	5.8
The United States	5.7
Republic of Korea	5.6
Chinese Taipei	5.5
Malaysia	5.5
Australia	5.2
Brunei Darrusalam	5.1
New Zealand	5.1
Chile	5.0
Thailand	4.5
Mexico	4.4
People's Republic of China	4.3
Indonesia	4.0
Russia	3.8
The Philippines	3.7
Peru	3.6
Viet Nam	3.4

The Global Competitivenes
Report 2013–2014 ;
Navarro 2014

APEC Economies:

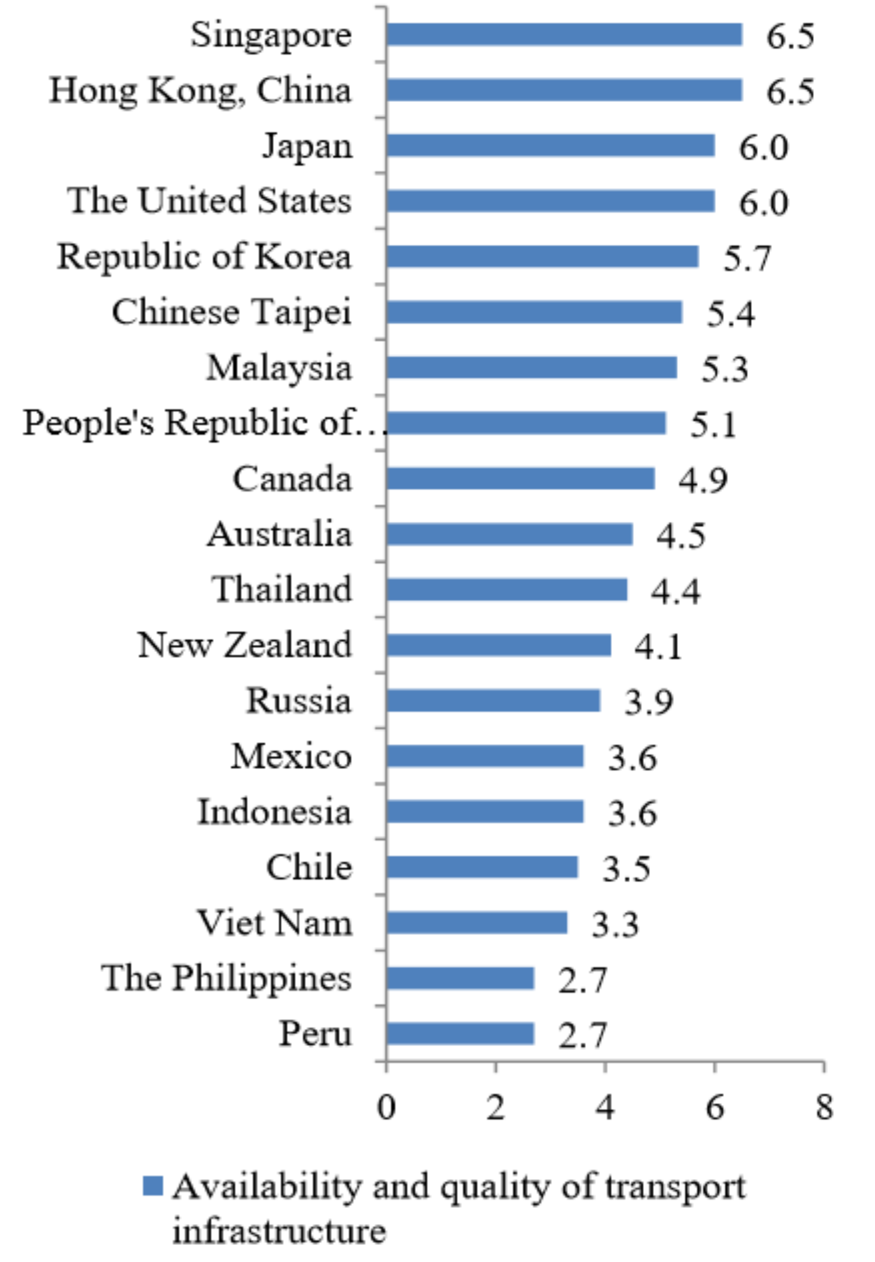
Transport Infrastructure Quality Index

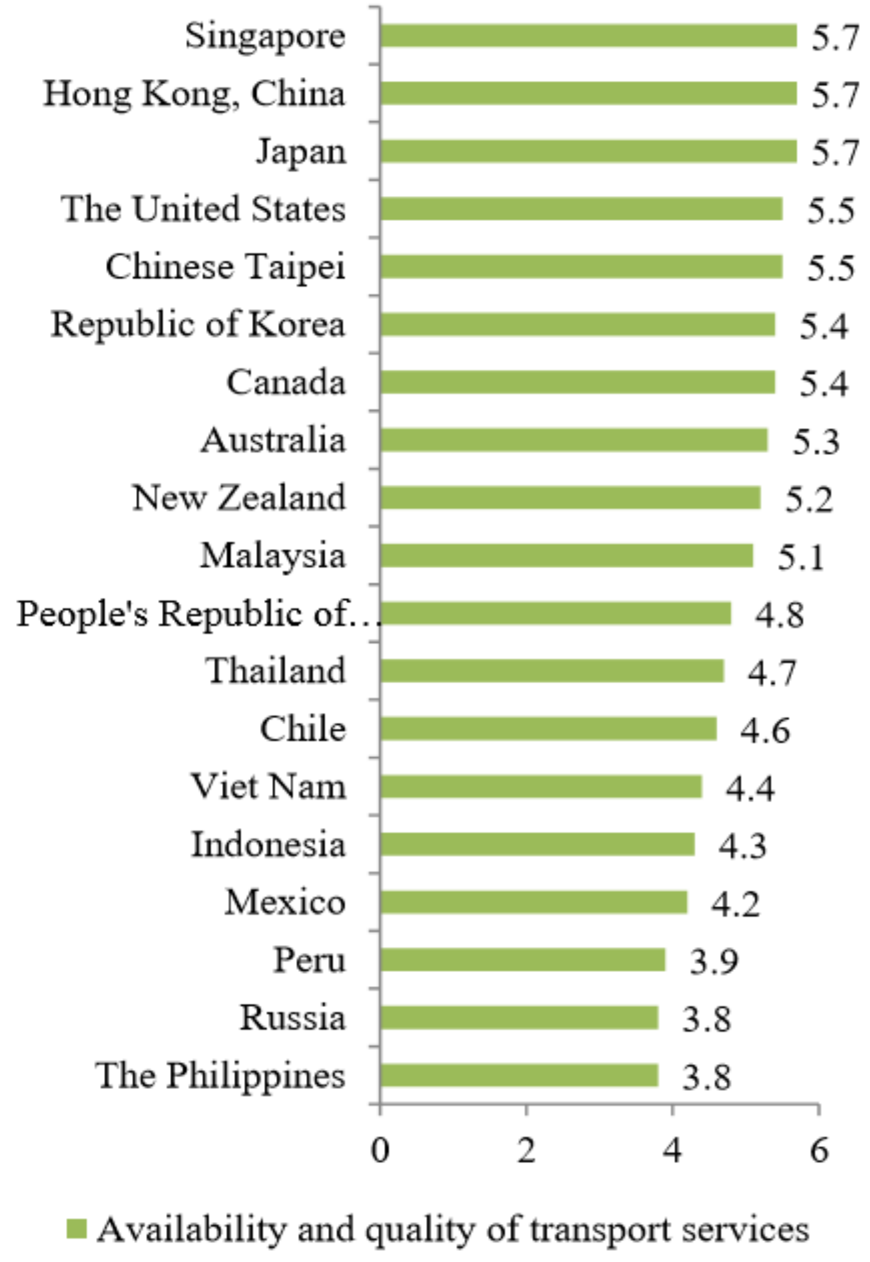
ASEAN Member State	Quality of Air Transport Infrastructure	Quality of Roads	Quality of Railroad Infrastructure	Quality of Port Infrastructure
Singapore	6.8	6.2	5.6	6.8
Hong Kong, China	6.7	6.2	6.5	6.6
New Zealand	6.0	5.0	3.7	5.5
Canada	5.9	5.6	5.0	5.5
The United States	5.9	5.7	4.9	5.7
Republic of Korea	5.8	5.8	5.7	5.5
Malaysia	5.8	5.4	4.8	5.4
Australia	5.6	4.9	4.1	5.0
Thailand	5.5	4.9	2.6	4.5
Chinese Taipei	5.4	5.9	5.7	5.3
Japan	5.2	6.0	6.7	5.2
Chile	5.2	5.4	2.7	5.2
Brunei Darrusalam	4.8	5.0	n/a	4.7
Mexico	4.7	4.6	2.8	4.4
People's Republic of China	4.5	4.5	4.7	4.5
Indonesia	4.5	3.7	3.5	3.9
Peru	4.2	3.3	1.8	3.7
Viet Nam	4.0	3.1	3.0	3.7
Russia	3.9	2.5	4.2	3.9
The Philippines	3.5	3.6	2.1	3.4

The Global Competitiveness Report 2013–2014 ; Navarro 2014

APEC Economies:

Transport Infrastructure and Services Availability





Global Enabling Trade Report 2014; ; Navarro 2014

APEC Economies:

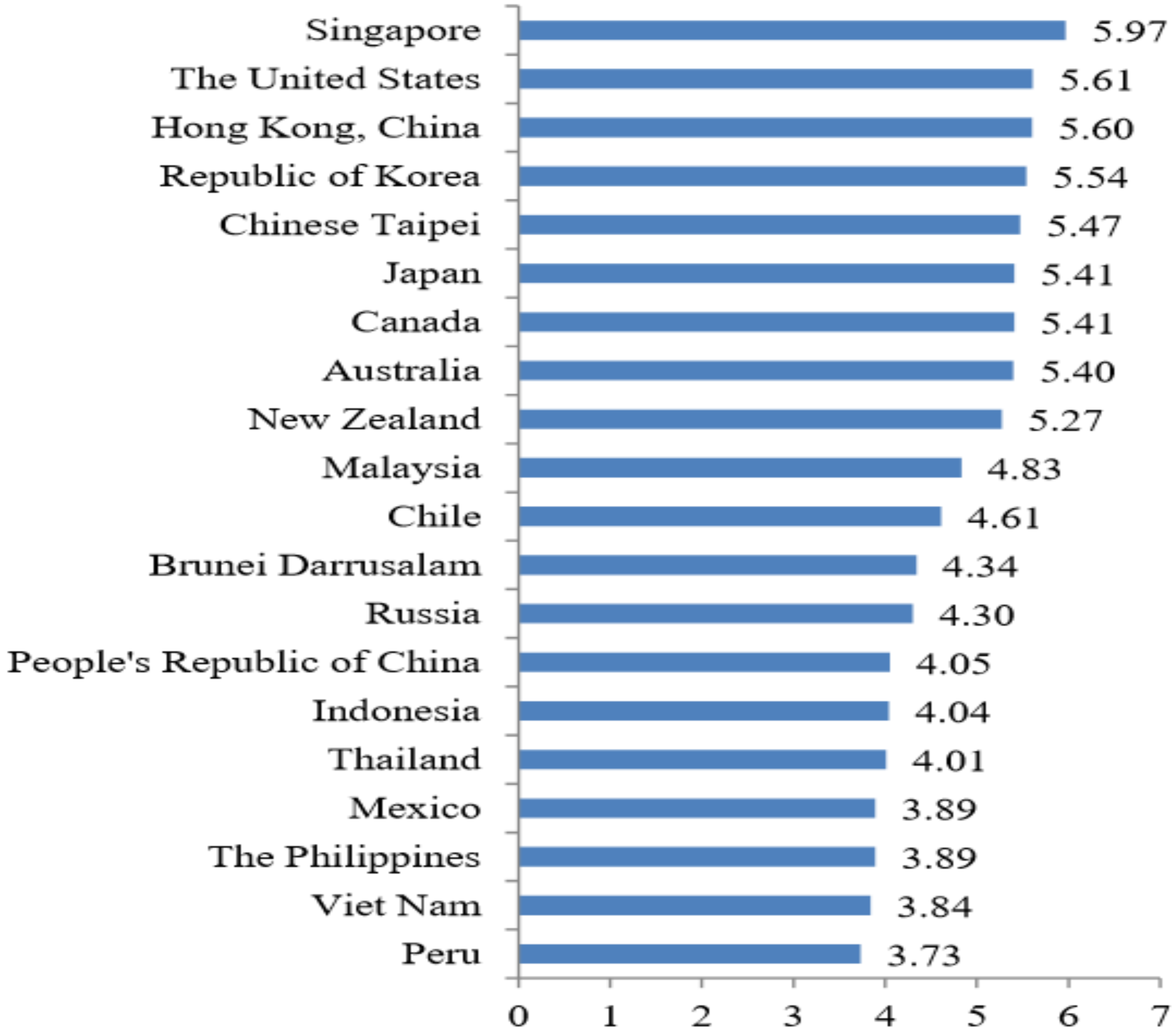
Linear Shipping Connectivity

Singapore	106.91	1
Malaysia	98.18	2
United States	92.80	3
Japan	65.68	4
Chinese Taipei	64.23	5
Viet Nam	43.26	6
Mexico	41.80	7
Canada	38.44	8
Thailand	38.32	9
Chile	32.98	10
Peru	32.84	11
Australia	29.87	12
Indonesia	27.41	13
Russia	25.73	14
New Zealand	18.95	15
Philippines	18.11	16
Hong Kong, China	10.73	17
Papua New Guinea	6.61	18
Brunei Darussalam	4.61	19

United Nations Conference on Trade and Development (UNCTAD), Liner Shipping Connectivity Index, 2004-2013 ; Navarro 2014

APEC Economies:

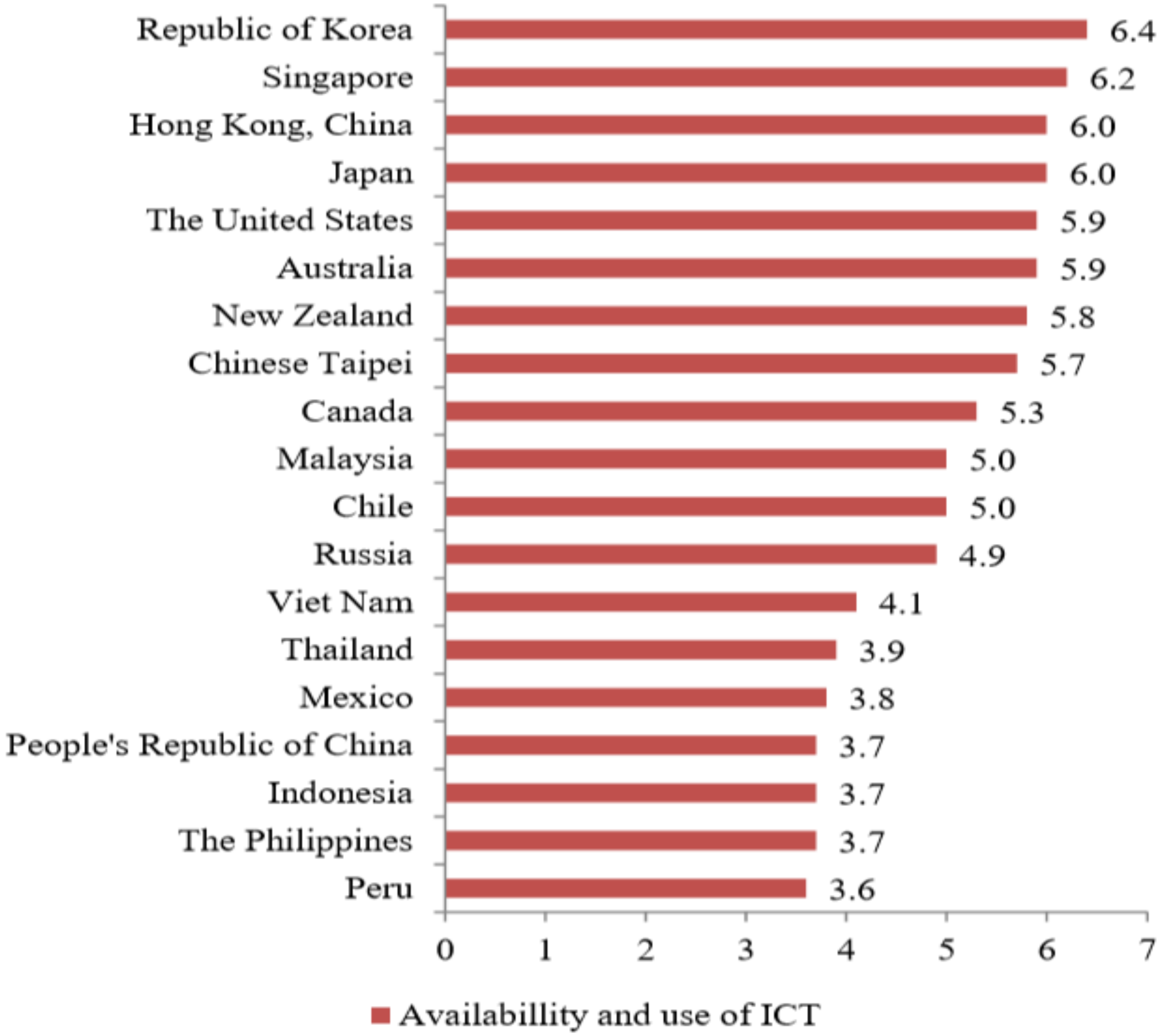
ICT: Networked Readiness



Global Information Technology Report 2014 ; Navarro 2014

APEC Economies:

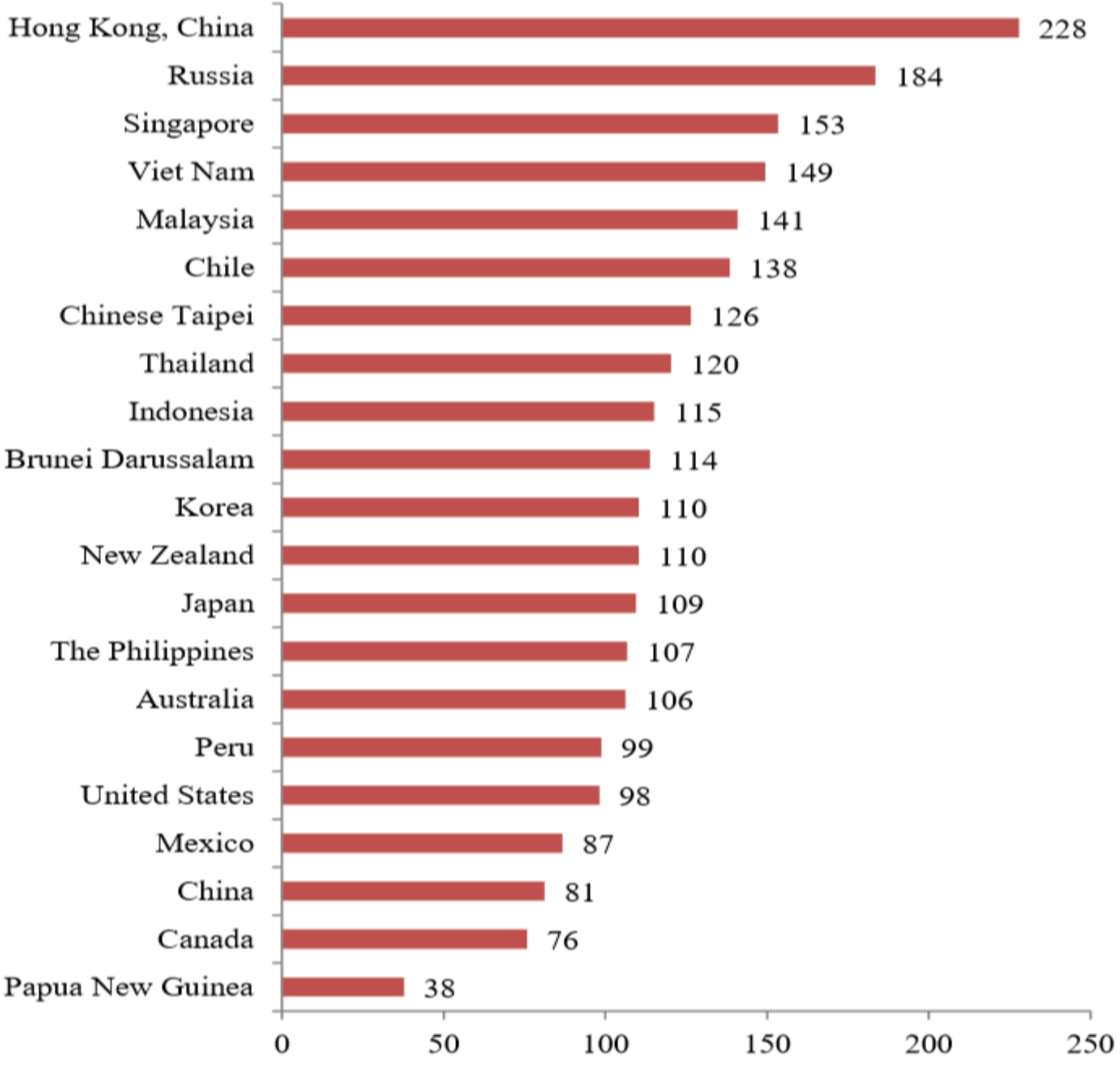
ICT: Availability and Use



Global Information Technology Report 2014 ; Navarro 2014

APEC Economies:

Mobile Cellular Subscriptions per 100 inhabitants, 2012



International Telecommunication Union ; Navarro 2014

APEC Economies:

Electricity Rate for General Use per kWh (US$)

Auckland	Australia	0.13
Sydney	Australia	0.28
Hong Kong	China	0.14
Wuhan	China	0.09
Shenzhen	China	0.11
Qingdao	China	0.09
Shenyang	China	0.08
Dalian	China	0.08
Guangzhou	China	0.10
Shanghai	China	0.10
Beijing	China	0.08
Batam	Indonesia	0.06
Jakarta	Indonesia	0.08
Nagoya	Japan	0.26
Yokohama	Japan	0.27
Chiba	Japan	0.27
Kuala Lumpur	Malaysia	0.11
Cebu	Philippines	0.24
Manila	Philippines	0.25
Singapore	Singapore	0.23
Seoul	South Korea	0.07
Taipei	Taiwan	0.12
Bangkok	Thailand	0.11
Danang	Vietnam	0.08

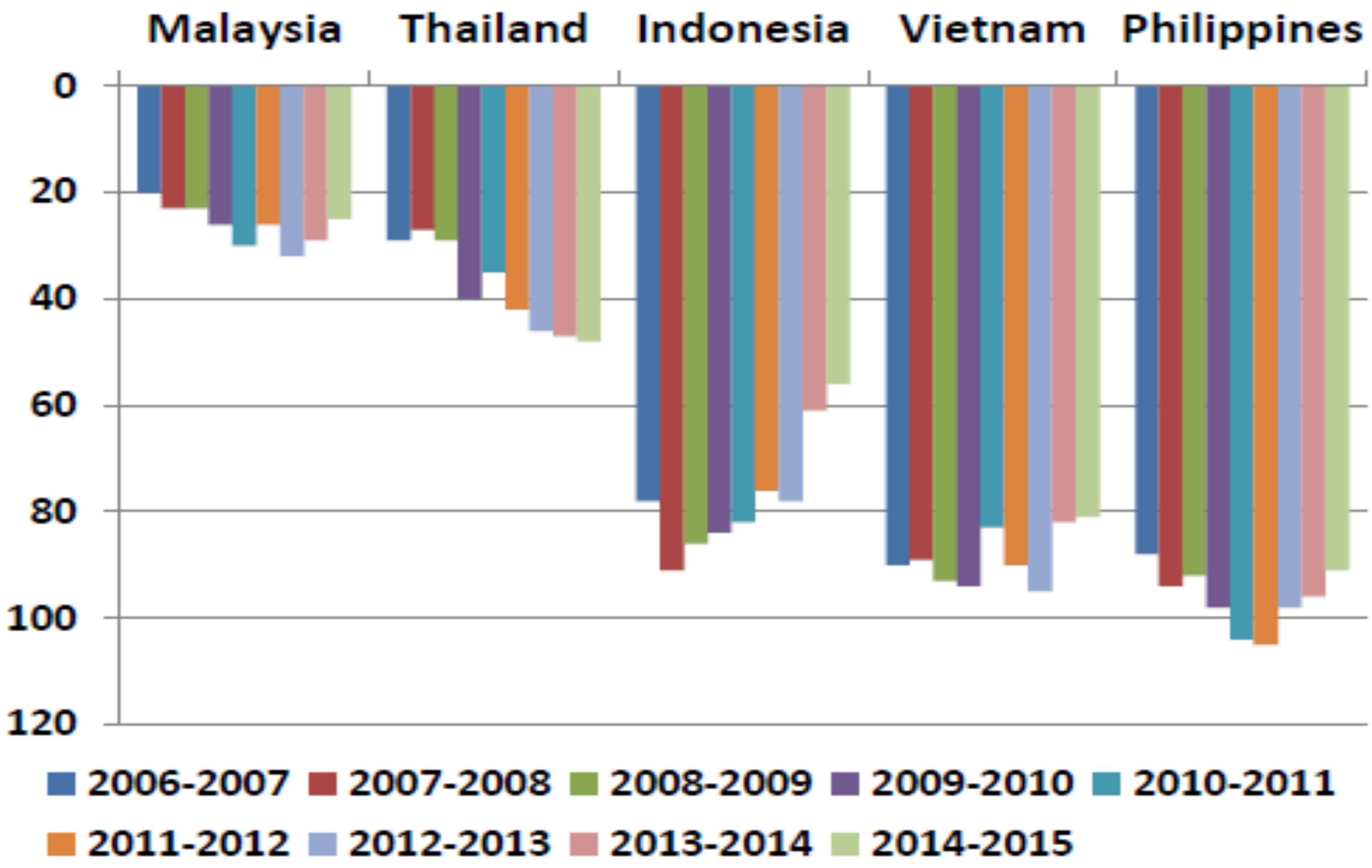
Japan External Trade Organization (JETRO) 2012 ; Navarro 2014

Infrastructure Rankings

Country	Overall		Road		Port		Air Transport		Railroad		Electricity Supply	
	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value
CHN	64	4.4	49	4.6	53	4.3	58	4.7	17	4.8	56	5.2
JPN	9	6.2	10	5.9	26	5.3	27	5.5	1	6.7	25	6.3
KOR	23	5.5	18	5.6	27	5.3	31	5.4	10	5.6	44	5.5
IND	72	4.2	72	3.9	77	4	64	4.5	41	3.7	84	4.3
MYS	20	5.6	19	5.6	19	5.6	19	5.7	12	5	39	5.7
THA	76	4.1	50	4.5	54	4.5	37	5.3	74	2.4	58	5.1
VNM	112	3.3	104	3.2	88	3.7	87	4	52	3	88	4.2
PHL	**95**	**3.7**	**87**	**3.6**	**101**	**3.5**	**108**	**3.6**	**80**	**2.3**	**87**	**4.2**
PHL's rank	**7th of 8**		**7th of 8**		**8th of 8**		**8th of 8**		**8th of 8**		**7th of 8**	

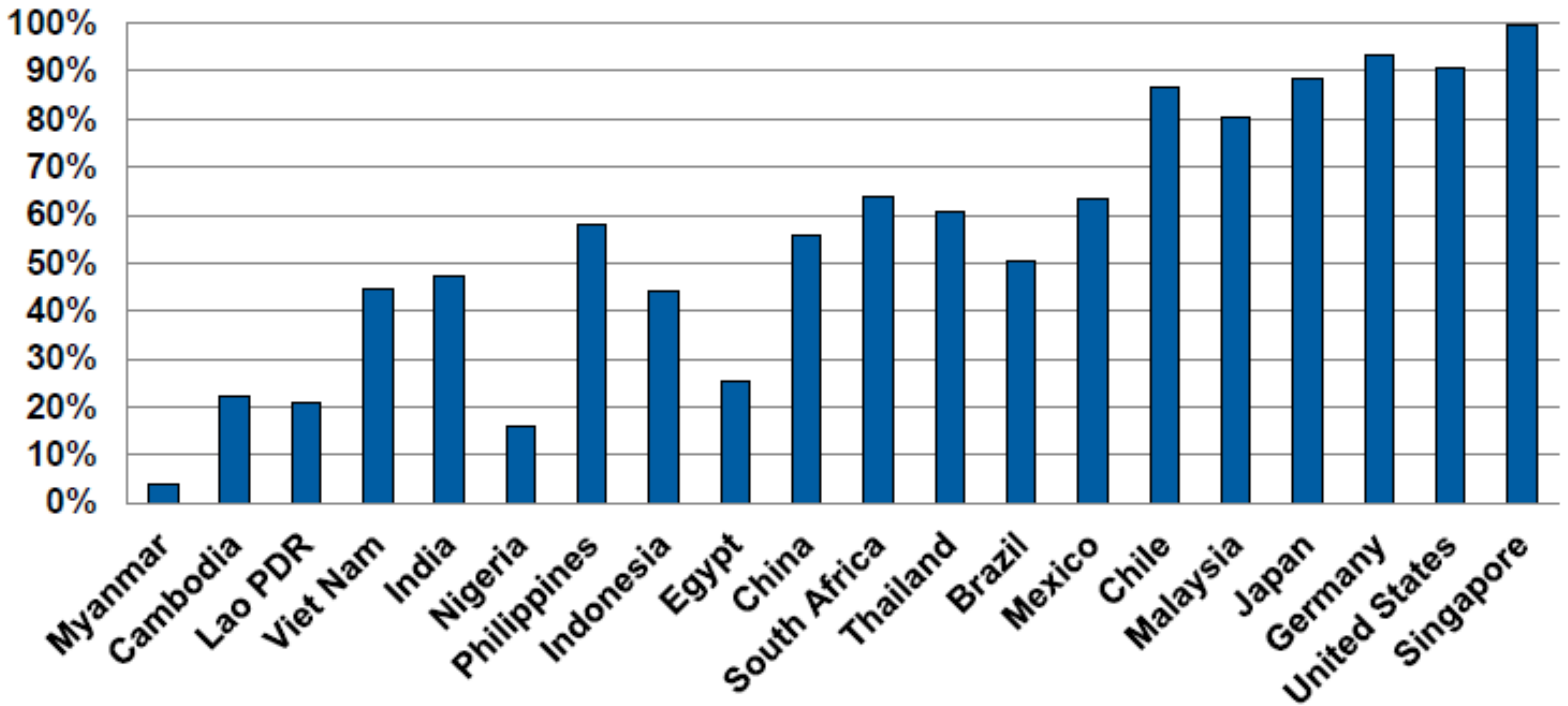
Infrastructure Rankings out of 144 economies in the Global Competitiveness Report, 2014

Infrastructure competitiveness ranking



Source: OECD 2015

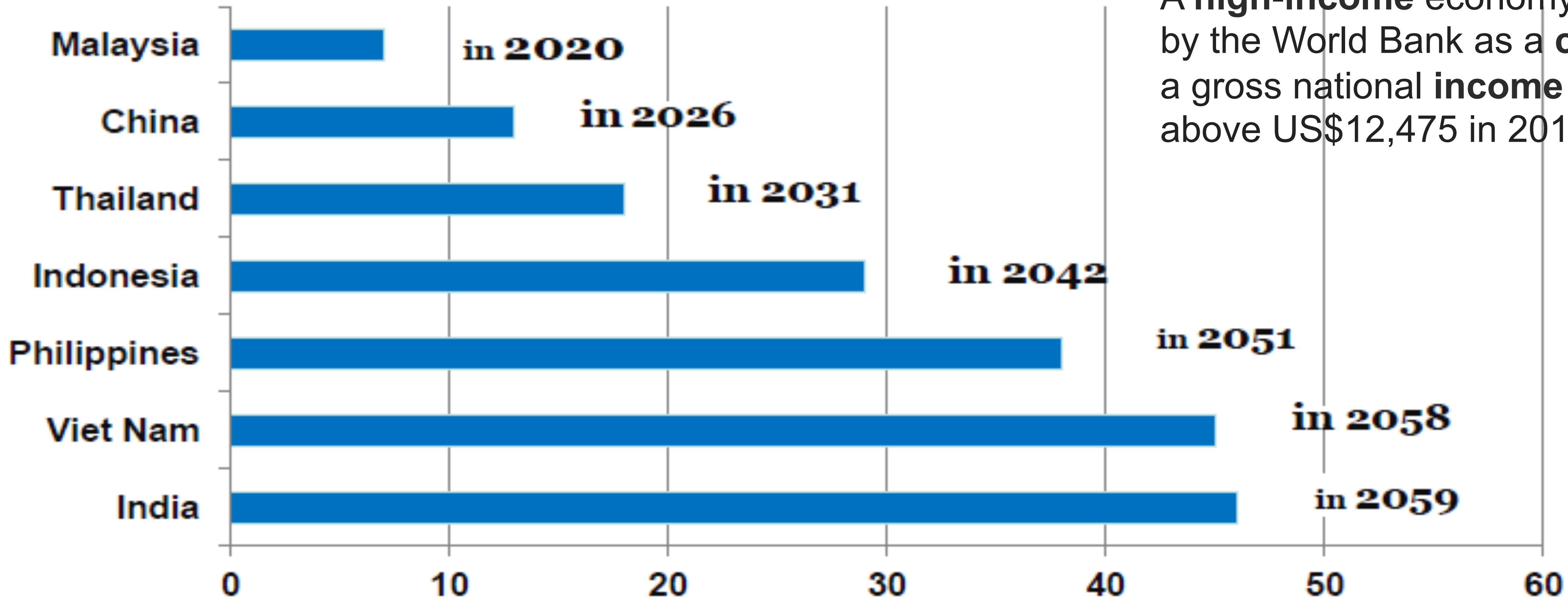
Government Effectiveness Index percentile rankings, 2012



Source: OECD 2015

Level of Development

Best scenario simulation of estimated time required to become high income countries selected Asian middle income countries (years) – based on 2013 data

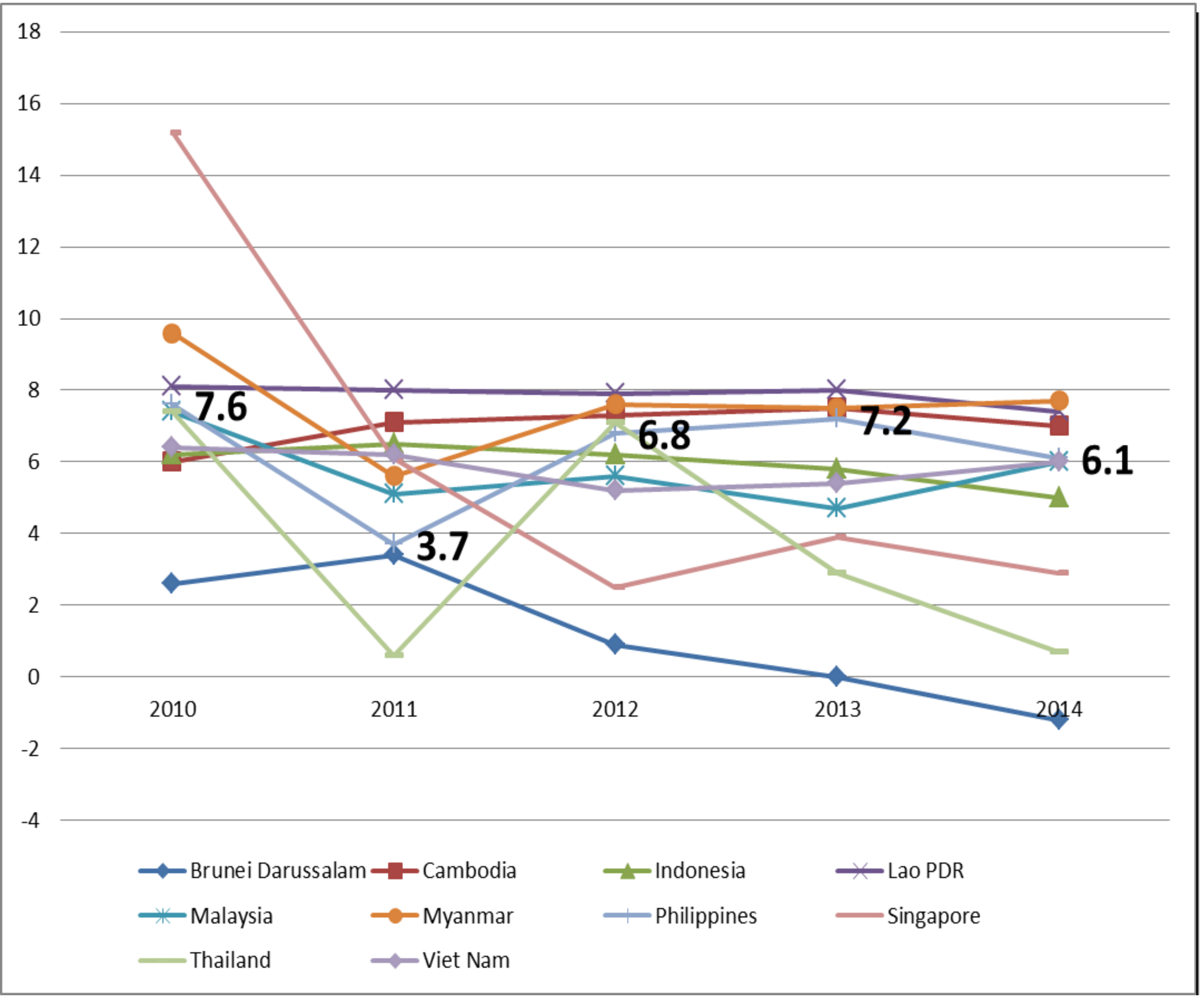


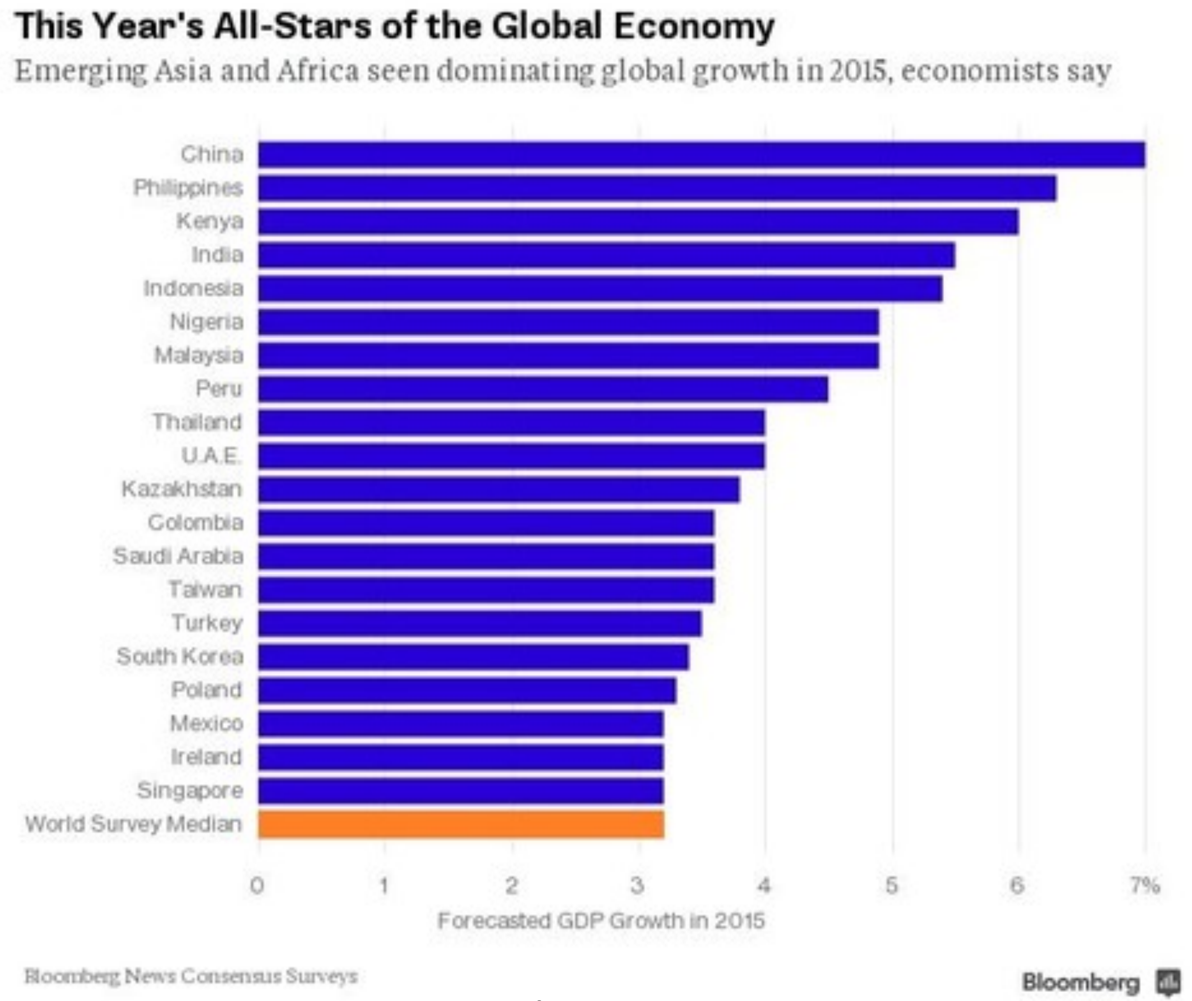
A **high-income** economy is defined by the World Bank as a **country** with a gross national **income** per capita above US$12,475 in 2015

Source: OECD 2015

Philippine Domestic Connectivity Priorities and Vision

Philippines Sustaining Growth

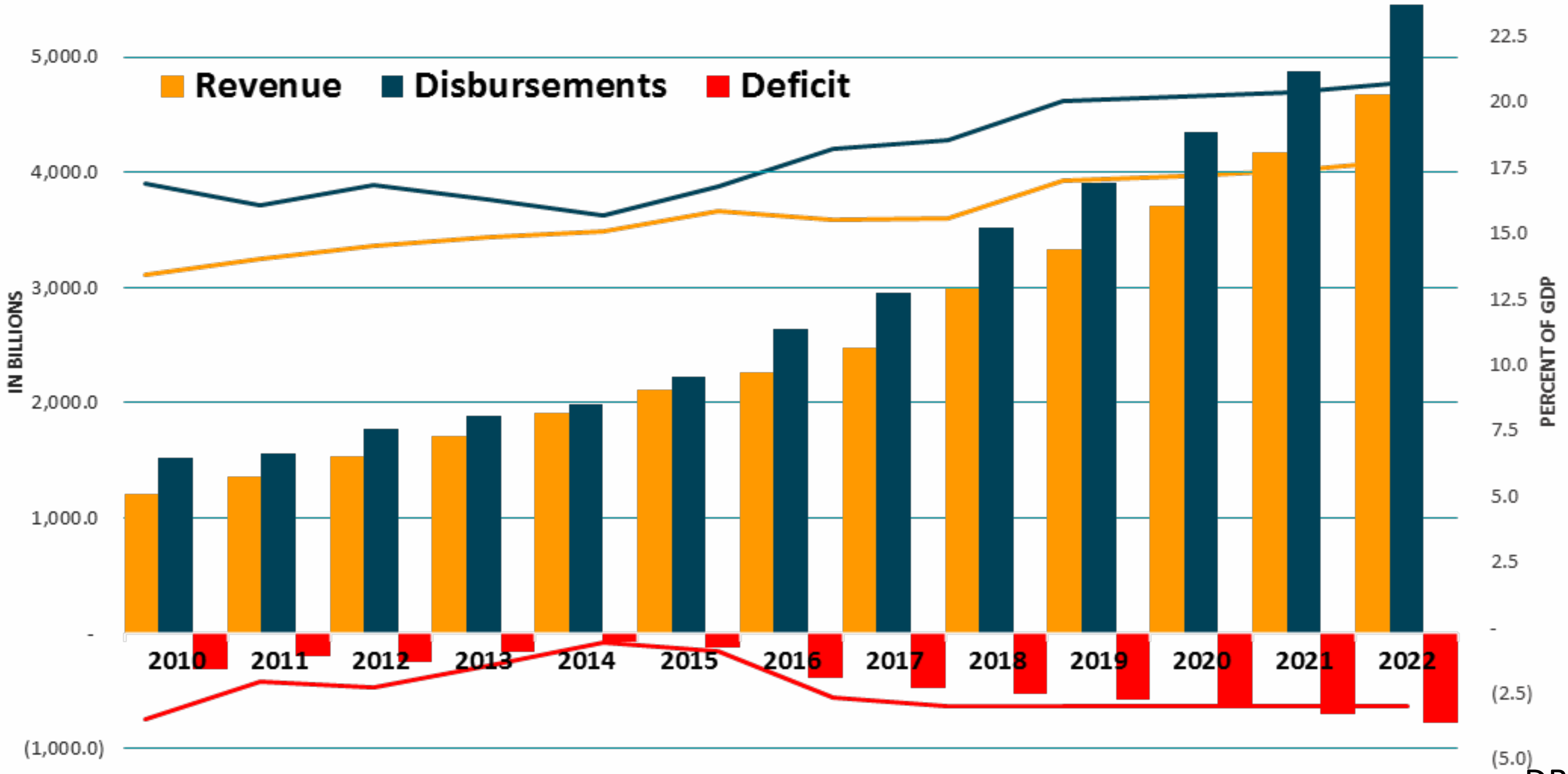




Llanto 2016

Philippine Fiscal Policy for the Medium Term

Deficit will expand to 3.0 percent of GDP over the Medium-Term to support expenditure priorities. Proposed FY 2017 disbursements will reach P2.9 Trillion, **nearly twice** the disbursements in 2010.

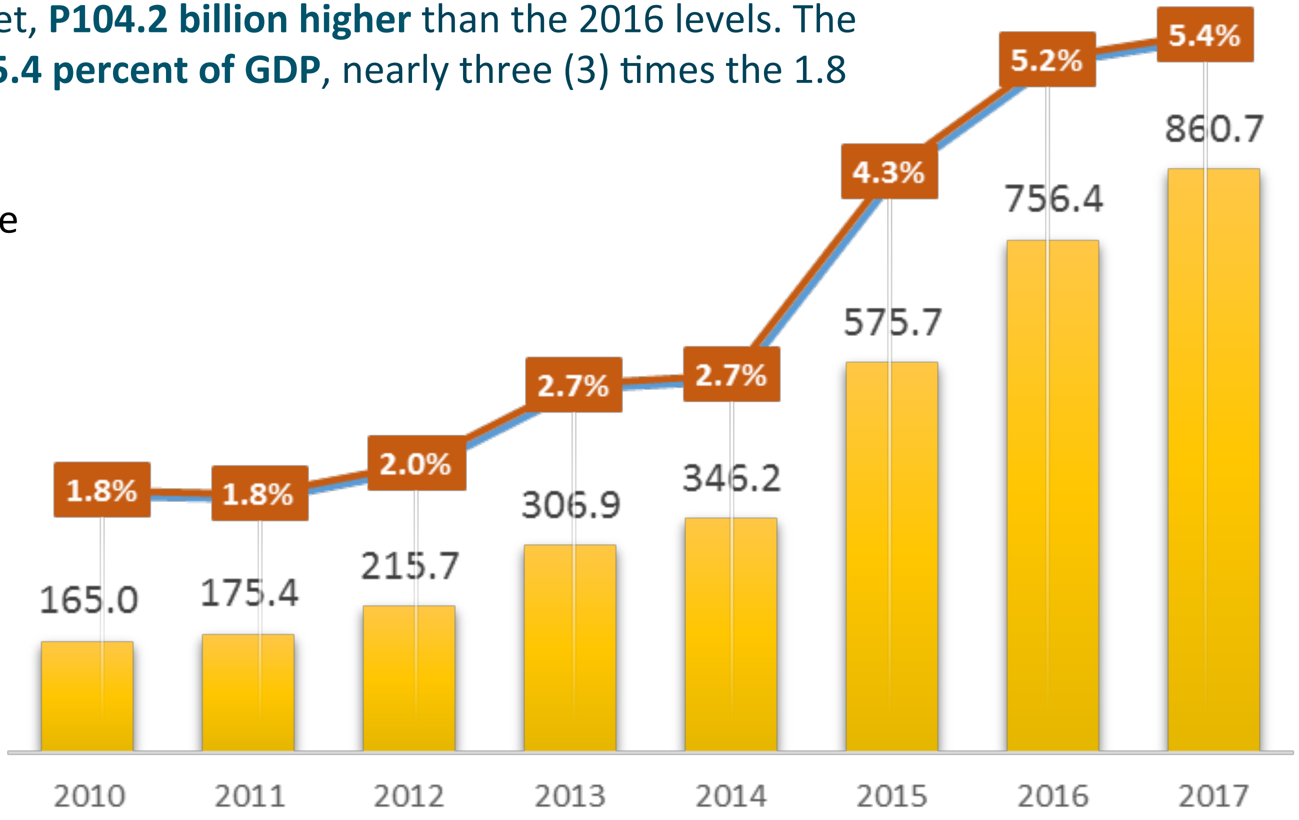


DBM 2016

Infrastructure Expenditures

A total of **P860.7 billion** worth of public infrastructure investments is tucked in the proposed 2017 budget, **P104.2 billion higher** than the 2016 levels. The amount is equivalent to **5.4 percent of GDP**, nearly three (3) times the 1.8 percent in 2010.

Government will continue to facilitate PPP projects with some **P1.4 trillion worth of projects in the pipeline**[2]. Of this, **P297.9 billion worth of projects has already been awarded** and some **P459.2 billion under various stages of procurement.**



Nominal data from 2010 to 2015 are actual obligations while for 2016 is the enacted budget. Infrastructure Outlays refer to the infrastructure expenditure of the National Government, inclusive of infrastructure subsidies to Government Corporations and infrastructure transfers to Local Government Units. This level however excludes internally generated funds of the Government Corporations and Local Government Units.

[2]Based on PPP Center Status of PPP Projects as of July 26, 2016. Available at the PPP Center website.

DBM 2016

Infrastructure

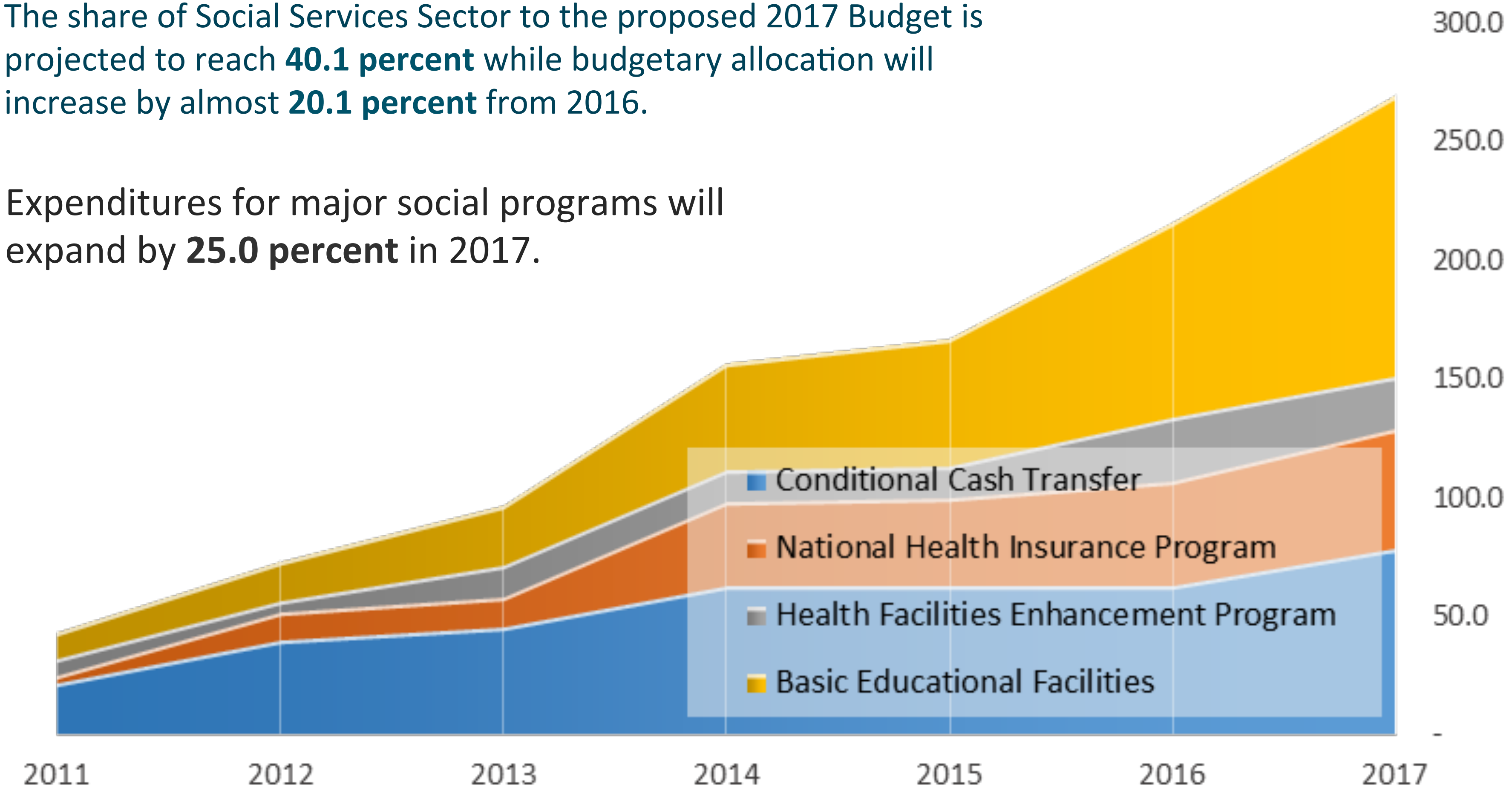
Particulars	2015	2016	2017
Infrastructure Outlays	**575.67**	**756.44**	**860.65**
Percent of GDP	***4.3%***	***5.1%***	***5.4%***
Growth Rate	***66.3%***	***31.4%***	***13.8%***
of which:			
Road Networks	223.48	298.08	328.18
Flood Control Systems	48.33	69.01	75.82
Seaport Systems	2.65	1.81	2.67
Airport Systems	12.25	9.58	5.71
School Buildings	72.47	91.29	124.62
Hospitals and Health Centers	9.45	19.21	10.03
Irrigation Systems	26.53	23.59	26.03
Other Infrastructure Assets	131.37	170.42	224.53

DBM 2016

Social Services Expenditures

The share of Social Services Sector to the proposed 2017 Budget is projected to reach **40.1 percent** while budgetary allocation will increase by almost **20.1 percent** from 2016.

Expenditures for major social programs will expand by **25.0 percent** in 2017.



Data from 2011 to 2016 refer to budgeted level as enacted.

DBM 2016

Conclusions and Policy Recommendations

Key Points

- The Philippines has high growth trajectory, the challenge is sustaining and bettering it
- Philippine Infrastructure and connectivity indices lagging compared to regional neighbors
- Recognition of gaps in connectivity provisions as Medium term plans point toward a "Golden Age of Infrastructure Development"
- Large spending priorities in physical and social infrastructure, possibly sacrificing fiscal discipline
- Need to expand fiscal space through revenue enhancing meaures as infra spending is mostly shouldered by the government with Official Development Assistance (ODA) loans
- Need to capitalize on efficient instruments for procurement and provision of inrastructure services
- Need for well crafted governance framework for more effective institutions; and apt policies and regulations

Key Points

- Philippine infrastructure public spending is ascending to an enlightened level with medium term allocations targeting more than 5% of GDP
- Promoting connectivity within the region is dependent on the level of infrastructure development of each country
- Advancing infrastructure development is a priority concern for the Philippines given the state of its infrastructure assets and services relative to ASEAN and APEC economies
- Regional cooperation is necessary in sharing best practices and tackling developmental challenges, including connectivity issues and Infrastructure resiliency is critical as the Philippines is prone to natural calamities
- Financing infrastructure development is a key challenge which could be partly addressed through regional cooperation modalities (vis public spending and traditional modalities)
- Connectivity is key in an equitable and economically competitive regional community

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