

Department of Transportation

Regional Cooperation Mechanism on Low Carbon Transport: Identification and Development of Climate Financing Mechanism

Session 2: Discussion on Key Low Carbon Transport Financing Barriers and Challenges



BAGONG PILIPINAS



16 May 2024 | 11:00 AM - 12:30 PM

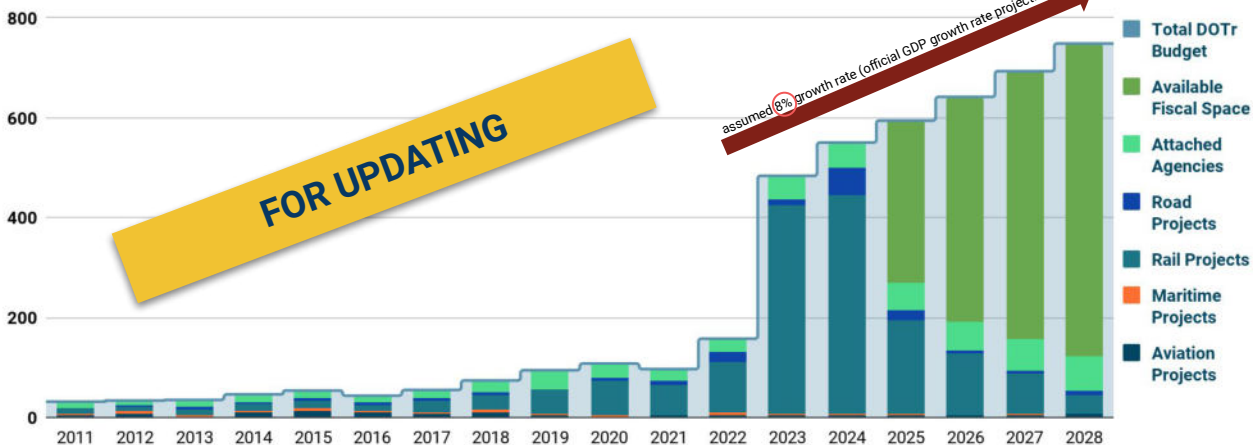
Multifunction Hall 3, ADB Headquarters, Manila, Philippines

WALLEASTEIN L. SIGUI

Supervising Transportation Development Officer
Planning and Project Development Office

While near-term fiscal space is occupied by ongoing Rail Projects, projected uncommitted fiscal space after peak rail disbursement is 1.9 Trillion PHP

DOTr Appropriations (in Billions PHP)



Projected Estimated Uncommitted Fiscal Space (in Billions)

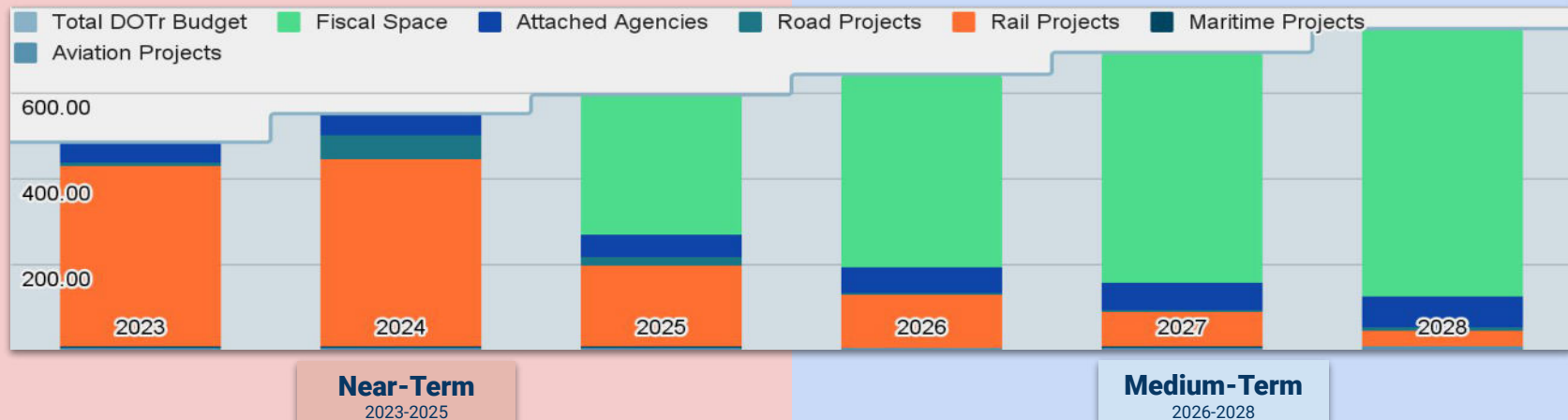
2025	2026	2027	2028	TOTAL
P325	P449	P536	P626	P1,936
\$5.91	\$8.16	\$9.75	\$11.38	\$35.2

TOTAL ESTIMATED UNCOMMITTED FISCAL SPACE

¹ 2024-2028 Projections for Aviation, Maritime, and Rail are based on an 8% annual growth.
² 2024-2028 Projections for Road are based on 2023 Annual Fund Requirements.

in Billions PHP	AQUINO ADMINISTRATION						DUTERTE ADMINISTRATION						MARCOS ADMINISTRATION					
Items	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total DOTr Budget	0.57	0.61	0.64	0.84	0.98	0.79	1.00	1.34	1.72	1.96	1.76	2.87	8.80	10.01	10.81	11.67	12.61	13.61
Aviation Projects	0.09	0.12	0.05	0.17	0.25	0.17	0.12	0.18	0.07	0.04	0.09	0.07	0.06	0.06	0.07	0.08	0.09	0.11
Maritime Projects	0.04	0.10	0.04	0.06	0.10	0.04	0.08	0.10	0.03	0.02	0.01	0.09	0.06	0.08	0.07	0.02	0.02	0.02
Rail Projects	0.21	0.18	0.22	0.27	0.28	0.23	0.40	0.52	0.91	1.25	1.05	1.86	7.63	7.96	3.40	2.21	1.47	0.69
Road Projects	0.01	0.04	0.06	0.07	0.07	0.09	0.09	0.13	0.03	0.10	0.17	0.35	0.20	0.99	0.37	0.12	0.12	0.15
Attached Agencies inc. Non Project Items	0.23	0.19	0.27	0.28	0.28	0.26	0.30	0.42	0.67	0.54	0.44	0.49	0.85	0.92	0.99	1.07	1.16	1.25
	Present												Projected					

Characteristics and strategies for near-term and medium-term fiscal environment



Characteristics

1. **Constrained fiscal space** due to **funding requirements of ongoing rail projects**
2. **Peak rail disbursement** programmed in **2024**

1. Assuming DOTr fiscal space v-a-v Nat'l. Gov't. budget continues, **substantial uncommitted fiscal space will become available** due to **winding down of funding requirements for ongoing rail projects**

Strategies

1. Ensure **timely completion** of **ongoing projects** within budget
2. **Invest in project preparation** activities such as **master planning** and **feasibility studies** to **prepare projects for funding in the medium term**
3. Develop and implement **projects that do not require fiscal space** in the near term, such as **financially-viable PPPs**

1. **Implement projects** that were **prepared in the near term**, including PPPs that require fiscal space
2. **Continue project preparation** for projects to be implemented in future administrations (long term)

Ongoing projects Financially viable airport PPPs Prototype road transport projects Rail PPPs that do not require fiscal space until completion Maritime safety, security, and disaster response projects IT projects

- 1.1. Implementation of GAA 2023 funded projects
- 2.1. NAI A, 2.2. New Bicol, 2.3. New Bohol, 2.4. Laguindingan, 2.5. Iloilo, 2.6. Puerto Princesa, 2.7. Bacolod-Silay, 2.8. Davao, 2.9. Kalibo, 2.10. Siargao
- 3.1. Cebu Bus Rapid Transit Project, 3.2. Davao Public Transport Modernization Project, 3.3. EDSA Greenways Project, 3.4. Makati-BGC Greenways Project
- 4.1. Rail unsolicited proposal projects, since Availability Payments do not begin until project completion
- 5.1. Acquisition of PCG vessels, helicopters, aircraft, and maritime domain awareness projects
- 6.1. PHL Automated Fare Collection System, 6.2. PHL Transportation Database

Railways projects

- 1.1. LRT-2 West Extension, 1.2. MRT-4, 1.3. Subic-Clark Railway, 1.4. PNR South Long Haul (PNR Bicol), 1.5. Mindanao Railway Phase 1 (Tagum-Davao-Digos), 1.6. Other PPP and non-PPP Rail Projects in ProjDev Pipeline

PCG modernization

- 2.1. Acquisition of maritime, aerial, and land assets including capital ships, air assets, and support facilities; 2.2. construction and rehabilitation of Subic support facility, stations, lighthouses, and other facilities; 2.3. weapons and rescue equipment

Replication of prototype projects

- 3.1. Replication in other urban areas of successful prototype road projects such as Cebu BRT, Davao PTMP, and EDSA Greenways

Social and tourism ports

- 4.1. Farm-to-market ports and logistics facilities

DOTr will BUILD MORE by BUILDING BETTER

How are we *Building Better*?

Better Project Identification, Prioritization, and Preparation

- ✓ Gap Analysis vis-a-vis Existing Master Plans
- ✓ Updating and Development of New Master Plans
- ✓ Prioritization of Master Plan-Identified Projects
- ✓ More Robust Project Preparation

Broader and More Diversified Funding Strategy

- ✓ Diversifying Funding & Financing Partners
- ✓ Diversifying into PPP Funding
- ✓ Broadening Funding Resources

Better Project Implementation Strategies

- ✓ Continuity
- ✓ Strengthening of Institutional Capacity
- ✓ Strategic Contracting and Credible Procurement
- ✓ Environmental, Social, and Governance (ESG)
- ✓ Absorptive Capacity

THINK
BIG

BIG SOLUTIONS FOR BIG PROBLEMS

DOTr will BUILD BETTER by

Better Project Identification, Prioritization, and Preparation

Broader and More Diversified Funding Strategy

Better Project Implementation Strategies

1 Pre-Investment Approval, Planning, and Project Development (PPD)

1.1. Master Planning & Project Identification 1.2. Project Development 1.3. Investment Evaluation

25+ AVIATION	25+ MARITIME
60+ RAILWAYS	27+ ROAD
27+ MULTISECTOR	

2 Investment Approved, Pre-Construction (IA-PC)

2.1. Design 2.2. Procurement 2.3. Right-of-Way

Investment Coordinating Committee and NEDA Board Approval + Financing

3 Investment Approved, Ongoing Construction (IA-OC)*

4 Operational Transport Infrastructure & Facilities



Pushing PPD projects into implementation requires Project Development resources

~PHP 1,936 BILLION
projected est. **Uncommitted Fiscal Space** in the **Medium Term**

~PHP 19.36 BILLION
needed by DOTr in the near-term for **Project Preparation and Development (PPD)** activities
*Estimated based on average ~1% of Project Cost for DOTr and DPWH projects

PHP 0.00
DOTr FS Budget under GAA 2023

How are we addressing this?

- ✓ Diversifying ODA Partners to Access More PPD Resources
- ✓ Utilizing PPP Project Preparation Facilities

1/10/100 RULE **MEASURE TWICE, CUT ONCE**

Planning and Project Development Resources (as of December 2023)

In Million PHP	Upcoming	Secured	Total
PPP	163.05	878.49	1,041.54
Loans	2,896.92	6,005.54	8,902.46
Grants	136.46	577.48	713.93
LFPs		950.00	950.00
	3,196.42	8,411.51	11,607.93



UPSTREAM AND MIDSTREAM LOAN FACILITIES

UPSTREAM PROJECT PREPARATION

- ✓ **MASTER PLANS**
- BANK (AIIB)** - Facility for Accelerating Studies for Infrastructure - **USD 44.0 MILLION**

MIDSTREAM PROJECT PREPARATION

- ✓ **FEASIBILITY STUDIES** ✓ **DETAILED DESIGN** ✓ **PROCUREMENT SUPPORT**
- ASIAN DEVELOPMENT BANK** - Infrastructure Preparation and Innovation Facility - **~USD 100 MILLION** (OUT OF USD 200M SHARED WITH DPWH)

PPP RESOURCES

- WORLD BANK GROUP** - International Finance Corporation (IFC)
- ASIAN DEVELOPMENT BANK** - Office of Public-Private Partnership (OPPP)
- PPP CENTER** - Project Development and Monitoring Facility
- ~USD 19 MILLION**

LOCALLY-FUNDED

- LOCALLY-FUNDED** - **~USD 17 MILLION**

Broader and More Diversified Funding Strategy

Better Project Identification, Prioritization, and Preparation

Better Project Implementation Strategies

GOVERNMENT-FINANCED

~USD 0.35 BILLION
(~PHP 19 BILLION)

DOTr FS Fund / Project Preparation Grants / Technical Assistance / Technical Cooperation / Non-Reimbursable Facilities / Project Preparation Loans

PROJECTED EST. UNCOMMITTED FISCAL SPACE IN THE MEDIUM-TERM

to fund operations and project implementation of the four transportation sectors.

USD 35.2 BILLION
Uncommitted Fiscal Space in the Medium-Term

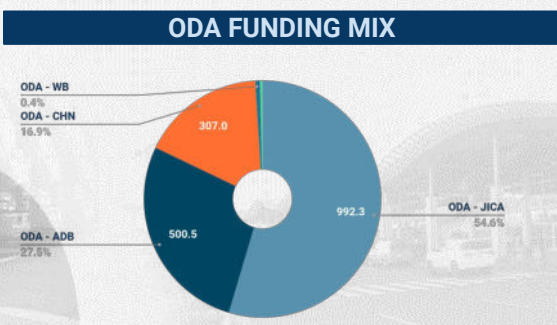
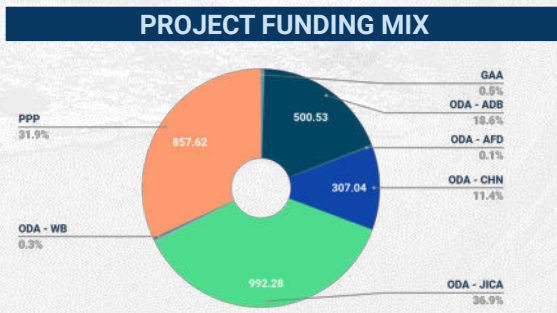
PRIVATE-FINANCED

PPP CENTER
Project Development & Monitoring Facility (PDMF)

ASIAN DEVELOPMENT BANK
Office of Public-Private Partnership (OPPP)

WORLD BANK GROUP
International Finance Corporation (IFC)

41+
Transportation PPP Projects



Projects Funding Mix (in Billions)

	2022	% of Total
ODA	USD 33.02	67.61%
PPP	USD 15.59	31.90%
GAA	USD 0.24	0.49%
TOTAL	USD 48.88	100.00%




MOSTLY ODAs

ODA Funding Mix (in Billions)

	2022	% of Total
JICA	USD 18.04	54.59%
ADB	USD 9.10	27.53%
CHN	USD 5.59	16.89%
WB	USD 0.14	0.43%
AFD	USD 0.05	0.17%
KEXIM	USD 0.11	0.34%
ADB (ASEAN-IF)	USD 0.11	0.05%
TOTAL	USD 33.05	100.00%

99% with 3 ODA Partners

PH Graduation to UMIC will limit access to below-market financing

TYPES OF PH BORROWING			
			
	OPEN BORROWING	OFFICIAL DEVELOPMENT ASSISTANCE	EXPORT CREDIT AGENCY
LOAN TERM	MARKET RATE	BELOW-MARKET RATE	BELOW-MARKET RATE
ACCESS	-	Low and middle-income countries based on gross national income (GNI) per capita as published by the World Bank	ECA-QSF Utilization Framework yet to be developed for PH to access ECA financing
COVERAGE	-	May cover an entire project or a component of a project.	-

Diversifying Funding & Financing Partners

WHY DIVERSIFY?



Access Sufficient Project Preparation Assistance

Access Specialized Expertise

Ensure Debt Affordability

Avoid Cluster Risk

Upcoming Upper Middle Income Country

PARTNERSHIPS

CURRENT PARTNERS



PARTNERS WITH ONGOING DISCUSSIONS



Project Structuring Options

STRUCTURING OPTIONS



OPTION 1: PARALLEL JOINT CO-FINANCING

ODA partners finance **separate** contract packages



OPTION 2: DIRECT JOINT CO-FINANCING

All contract packages are jointly co-financed by the ODA Partners in **proportions** agreed upon



OPTION 3: HYBRID PPP

Private Partner undertakes and finances the design and construction, as well as the operation and maintenance upon project completion. Other project components are financed by the government through an ODA Partner.



OPTION 4: HYBRID INTEGRATED PPP

Government through an ODA Partner undertakes and finances the design, procurement, and construction. Private Partner undertakes the operations and maintenance. This resolves the legal compliance issues associated with Option 3.



OPTION 5: ECA-QSF UTILIZATION

Graduation into upper-middle income class will limit the country's access to ODA financing. ECA-QSF provides below-market rate alternative. ECA-QSF Utilization Framework is currently being developed with the Department of Finance.



OPTION 6: VERTICALLY-INTEGRATED PPP

Private Partner undertakes and finances the construction and operational elements of the project, capitalizing on the anticipated benefits from the synergies of these elements.

EXAMPLES

NORTH-SOUTH COMMUTER RAILWAY SYSTEM



LOAN AMOUNT

PHP 167.8 B	PHP 325.29 B
MALOLOS-CLARK	MALOLOS-TUTUBAN
CPN01	GC
CPN02	CP01
CPN03	CP02
CPN04	CP03
CPN05	CP04
CPS01	MALOLOS-CLARK & MANILA-CALAMBA
MANILA-CALAMBA	GC
CPS02	NS01
CPS03A	NS02
CPS03B	NS03
CPS03C	
CPS04	
CPS05	
CPS06	
CPS07	

CEBU BUS RAPID TRANSIT



LOAN AMOUNT

PHP 10.87 B	PHP 1.38 B	PHP 3.11 B
COST ITEM		COST (PHP M)
Component 1: BRT Infrastructure and System (Packages 1, 2, and 3)		14,073.34
Component 2: Traffic Management		1,184.25
Component 3: Development and Dissemination of Urban Mobility Initiatives		253.38
Component 4: Urban Realm Enhancements		181.77
Component 5: Project Outcome Monitoring		275.41
Component 6: Project Management		1,068.58

LIGHT RAIL TRANSIT LINE 1 - CAVITE EXTENSION



LOAN AMOUNT

PHP 19.90 B ¹
Independent Consultant
Rolling Stock
Depot
Depot Equipment
Depot Equipment
General Consultant



PRIVATE SECTOR
Engineering, Procurement and Construction
Operations and Maintenance

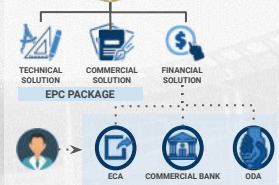
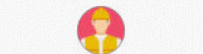
DAVAO PUBLIC TRANSPORT MODERNIZATION PROGRAM



LOAN AMOUNT

PHP 59.1 B
Buhangin Depot, Calinan Depot, Calinan Driving School
Tortil Depot & Terminal, Buisawan Terminal, Calinan Terminal
Bus Stops, Bus Lanes, and Other Pedestrian Improvement Works
Sasa Depot and Sto. Nino Depot
Bus Fleets - Diesel
Bus Fleets - EV
General Consultant
System Administrator
External Evaluation and Monitoring
Communications
Transaction Advisory
PRIVATE SECTOR (TBD)
Operations and Maintenance
Bus Reflecting

PHILIPPINE COAST GUARD ACQUISITION PROJECTS (POTENTIALLY)



- ✓ Prequalified suppliers put together their respective Technical, Commercial, and Financial solution offers responsive to DOT's Request for Proposals.
- ✓ Prequalified suppliers may put together a syndicate of ECA, Commercial Bank, and/or ODA as their financial solution offers.
- ✓ In complex situations, the supplier may opt to have its own ECA Coordinator/Manager who will help put together a more competitive financial solution offer.

MRT LINE 7



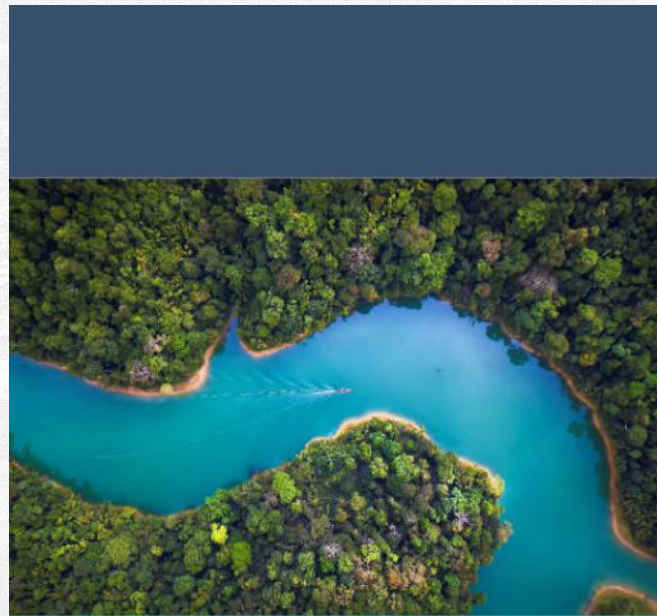
PRIVATE SECTOR

PHP 125.04 B

Financing, design, construction, operation & maintenance of the 23-kilometer elevated railway line with 14 stations from San Jose Del Monte, Bulacan to MRT 3 North Avenue in Quezon City and the 22-kilometer asphalt road from Bocause interchange of the North Luzon Expressway (NLEX) to the intermodal terminal in Tala.

CONTRACTUAL SCHEME

Build-Gradual Transfer-Operate and Maintain (BGTOM)



The Philippine Sustainable Finance Roadmap

SUSTAINABLE FINANCING FRAMEWORK

Established to support sustainability commitments of the Philippines, and to set out how it intends to raise Green, Social or Sustainability Bonds, Loans and other debt instruments that may follow, in order to contribute to the development of the Sustainable Financing market domestically.

SUSTAINABLE FINANCING ROADMAP

lays out the strategic action plan of the whole of government to promote sustainable finance in the Philippines and to address climate change and other environmental and social risks

- The need for a strong coordinating efforts in the financial ecosystem
- The Lack of awareness of the available resources to finance sustainable activities
- The need for transparency and a sustainable pipeline database

Pillar A: Creating a conducive environment (the Policy Pillar)	Pillar B: Mainstreaming sustainable finance (the Financing Pillar)	Pillar C: Developing a sustainable pipeline (the Investment Pillar)
<ul style="list-style-type: none"> • Integrating sustainability considerations into macroeconomic policies and regulations • Strengthening coordinating efforts within the financial ecosystem • Embedding sustainability into the risk management of the banking, insurance, and asset management sectors • Encouraging sustainability and climate-related disclosures • Conducting capacity building • Joining international initiatives on sustainable finance 	<ul style="list-style-type: none"> • Promoting Sustainable Financial Products • Improving the Sustainable Finance definition and creation of a principles-based taxonomy • Tracking Sustainable Finance flows 	<ul style="list-style-type: none"> • Driving sustainable investments • Financing Low Carbon Energy* • Establishing a sustainable pipeline database, both for public and private sector projects • Progress monitoring and regular updating, including linking sustainable pipeline to SDGs, PDP, and NDC targets

DOTr will BUILD BETTER by

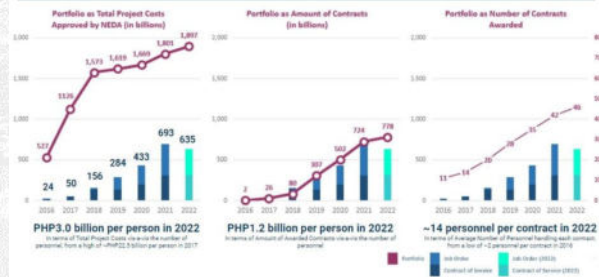
Better Project Identification, Prioritization, and Preparation

Broader and More Diversified Funding Strategy

Better Project Implementation Strategies

Building Better with strengthened project implementation capacity

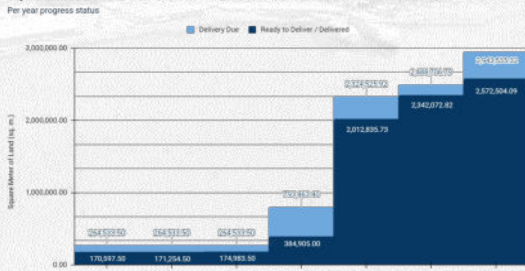
RAILWAYS HEADCOUNT PER CONTRACT PER YEAR



Building Better through responsive delivery of ROW

SQM OF LAND HANDED OVER TO CONTRACTORS (RAIL) PER YEAR

SQUARE METER OF LAND HANDED OVER CONTRACTORS FOR RAIL PROJECTS



Projects	Total for Acquisition	through NVS ¹	through Expropriation	Total Acquired	% Voluntary Acquisition
LICE	293	223	40	263	84.79%
MMSP	1,977	473	50	523	90.44%
N1	352	176	16	192	91.67%
N2	1,953	53	0	53	100.00%
SC	2,478	7	0	7	100.00%
MRP	3,603	5	0	5	100.00%
MRT7	121	18	4	22	81.82%
TOTAL	10,777	955	110	1,065	89.67%

PMO	Total for Relocation	without forced demolition	through Forced Demolition
LICE	1,774	804	0
MMSP	251	188	0
N1	875	247	0
N2	2,448	38	0
SC	10,776	0	0
MRT-7	173	173	0
TOTAL	16,297	1,450	0

Advocating ESG as an implementation tool, not just a compliance checklist

PARITY TRACK RECORD IN RIGHT-OF-WAY ACQUISITION*



1 Relocation of 1,264 families

No forced relocation to date



2 80% Voluntary Acquisition

80% of Land Acquisition is done through NEGOTIATED and VOLUNTARY SALE



3 Disbursed PHP 165 Million

The DOTr has disbursed a total of PHP 165,585,215 to ensure that those affected are given just entitlement

*ROW data for the Railways Sector

There is a misconception that ESG Safeguards Slows Down Project Implementation

- ✓ Safeguards enhances overall Value for Money because of ancillary benefits
- ✓ Building capability in ESG compliance unlocks financing resources that have ESG conditions



ONGOING ORG DEV INITIATIVE FOR ROAD SECTOR

ADB TA 9336-PHI

Strengthening Infrastructure Capacity and Innovation for Inclusive Growth - Organizational Planning Consultant to Support the Establishment of the EDSA Greenways Project and Davao Public Transport Modernization Project Management Offices

DOTr INSTITUTIONAL STRENGTHENING COMMITTEE

Office Order No. 2022-007

Implementing Guidelines on the Reorganization of the Department

Department Order No. 2022-013

Requirements and Timeline for the Submission and Review of the Documents Required under Office Order No. 2022-007



THANK YOU.

PLANNING AND PROJECT DEVELOPMENT OFFICE

