



Update on the Flagship Projects of the Build, Build, Build Program

At A Glance



January 2022

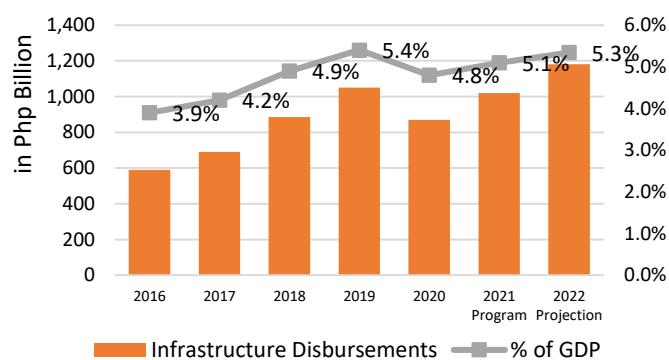
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Build, Build, Build (BBB) is the Duterte administration's centerpiece program to usher the Philippines into its "Golden Age of Infrastructure." It intends to bridge the country's huge infrastructure gap, which has long been identified as a major factor for the high cost of doing business in the country. The program aims to encourage investments, facilitate job creation, boost economic growth, and improve the quality of life in both urban and rural communities. BBB was initially projected to cost around PhP9 trillion (2016 to 2022) and is expected to account for 7.0 percent of the gross domestic product (GDP) by 2022.

Public Spending on Infrastructure. With the government's infrastructure drive, the share of infrastructure disbursements¹ to total GDP increased from 3.9 percent in 2016 to 5.4 percent in 2019. However, it dropped to 4.8 percent in 2020 as the imposition of quarantine restrictions and the realignment of the national budget to address the Coronavirus Disease 2019 (COVID-19) pandemic resulted in the discontinuance and delays in the implementation of infrastructure projects. For 2021, the government plans to disburse a total of PhP1.02 trillion for infrastructure, 79.2 percent (PhP807.5 billion) of which have already been disbursed from January to September.² Infrastructure disbursement for 2022 is projected to be PhP1.18 trillion or 5.3 percent of GDP, lower than the original target of 7.0 percent.

Status of Implementation. The Infrastructure Flagship Projects (IFPs) is a sub-list of priority projects under the BBB as identified by the National Economic and Development Authority (NEDA) Board Committee on Infrastructure (INFRACOM) and the Investment Coordination Committee (ICC). There were 75 projects identified in the IFPs' list in 2017 but these have now increased to 112 as of May 2021. The list includes some projects that were conceptualized and started in the past administrations.³ From the PhP1.6 trillion total project cost in 2017, the IFPs now cost a total of PhP4.7 trillion. The list has been revised several times to remove and add new projects based on feasibility, cost-benefit considerations, and the inclusion of new projects of national (and regional) importance. From the initial list of 75 IFPs, 37 projects remain in the updated list.

Figure 1. Public Spending on Infrastructure



Source: Department of Budget and Management (DBM)

¹ Includes national government infrastructure disbursements and infrastructure components of subsidy and equity to government-owned and -controlled corporations (GOCCs), and transfers to local government units.

² Infrastructure spending from January to September 2021 was 35.7 percent higher than 2020's comparable period.

³ Projects that started and were conceptualized in the past administrations include LRT 2 East Extension (approved in 2012 and the groundbreaking was held in 2015), Skyway Stage 3 (groundbreaking was held in 2014), and the BGC-Ortigas Center Link Road Project (approved in 2015), to name a few.

IFPs by Status. Fifteen projects have been completed as of January 3, 2022, seven of which were part of the previous lists⁵ approved in 2017, 2019 and 2020,⁶ while the other eight (recently completed) were part of the updated list, these are: 1) Light Rail Transit (LRT) 2 East Extension; 2) Metro Manila Skyway Stage 3; 3) Bonifacio Global City (BGC)-Ortigas Center Link Road Project; 4) China

Grant Bridges (Binondo-Intramuros Bridge and Estrella-Pantaleon Bridge); 5) Japan International Cooperation Agency (JICA)-funded Marawi Transcentral Road Phase 1; 6) Land Transportation Office (LTO) Central Command Center; 7) General Santos Airport Development Project; and 8) Bicol International Airport. Meanwhile, 77 projects are still in the construction stage and 27 projects are currently in the pipeline.

IFPs by Location. Economic literature supports the idea that to provide impetus for outward economic development in the regions, more infrastructure investments should be allotted to areas outside of the National Capital Region (NCR).^{7,8} In recent years, there has been a push to increase public infrastructure spending in Mindanao (which now has 26 projects worth

PhP543.7 billion) and the Visayas (with 16 projects worth PhP339.3 billion). It is notable though that majority of infrastructure projects are still concentrated in Luzon, with 57 projects (amounting to PhP3 trillion), 26 of which are in the NCR (with a total cost of PhP645.6 billion). Meanwhile, there are 13 projects classified as nationwide projects (worth PhP159.6 billion) relating to the information and communications technology (ICT), water resources, health, and transport mobility sectors.

IFPs by Sector. Majority of the government's infrastructure projects are in the Transport and Mobility sector, accounting for about 91.2 percent of the total project cost. Two health-related projects are also included in the list amounting to PhP41.4 billion—the Health System Enhancement to Address and Limit (HEAL) COVID-19 Project and the Philippines COVID-19 Emergency Response Project (PCERP).

Table 1. Infrastructure Flagship Projects by Status as of January 3, 2022

Status	Project Count	Cost (in PhP Billion)
Completed	8	94.6
Ongoing Construction	77	3,506.3
In the pipeline	27	1,086.3
Total	112	4,687.2

Source: DPWH⁴

Table 2. Infrastructure Flagship Projects by Location as of May 12, 2021

	Number of Projects	Project Cost (in PhP billion)
Nationwide	13	159.6
Luzon	57	3,644.6
Visayas	16	339.3
Mindanao	26	543.7

Source: NEDA

Table 3. Infrastructure Flagship Projects by Sector as of May 12, 2021

Sector	Project Count	Cost (in PhP Billion)
Transport and Mobility	76	4,273.4
Urban Development	12	156.4
Water Resources	10	84.9
ICT	8	106.0
Health	4	46.4
Power and Energy	2	20.0
Total	112	4,687.2

Source: NEDA

⁴ Reported by Undersecretary Emil Sadain in the DPWH's 4th Quarter Report to the Office of the President. Reference: <https://www.dpwh.gov.ph/dpwh/news/24866>.

⁵ Note that the NEDA omits all projects completed before the next revision in the succeeding list.

⁶ Completed projects that are part of the previous lists: 1) improvement of remaining sections along Pasig River from Del Pan Bridge to Napindan Channel; 2) Pulangi 4 Selective Dredging Phase 3; 3) Sangley Airport; 4) Angat Water Transmission Improvement Project; 5) Luzon Bypass Infrastructure Project; 6) New Clark City Phase 1; and 7) Clark International Airport Expansion Project Phase 1.

⁷ Mira, R. (2020). The New Build! Build! Build! (BBB) Program: Risks, Challenges and Policy Options. Congressional Policy and Budget Research Department (CPBRD) Notes.

⁸ Neri, R. (2020). Economic Triple Shock: Assessment and Remedial Measures. CPBRD Notes.

IFPs by Funding Source. Almost half (54 projects) of the 112 flagship projects are to be funded via the official development assistance (ODA) which would cost PhP2.6 trillion. The Duterte administration's initial aversion to public-private partnerships (PPPs) stem from problems that slow down implementation of PPP projects. The administration wanted to fast-track "shovel-ready" projects. Only two projects from the original list of 75 have PPP as funding source. Nonetheless, in the latest list, 23 projects are to be funded via PPP and 25 projects to be funded by the General Appropriations Act (GAA). Nine projects with a total cost of PhP268.2 billion are indicated to have mixed funding source (i.e., ODA and GAA, PPP and GAA, etc.) while two projects are to be privately financed.

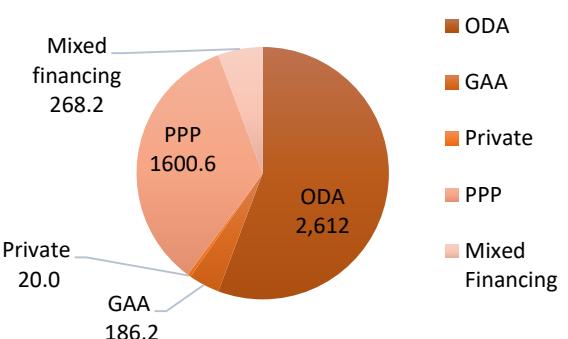
The top five most expensive projects in the IFPs' list are the following: 1) New Manila International Airport (PhP735.7 billion); 2) North-South Commuter Railway Project⁹ (PhP628.4 billion); 3) Metro Manila Subway (PhP357 billion); 4) Laguna Lakeshore Road Network Project (PhP177.9 billion); and 5) Bataan-Cavite Interlink Bridge (PhP175.7 billion). The first one is to be funded via PPP modality and the latter four via the ODA.

Japan and China are the two biggest sources of ODA loans, financing 15 and 13 projects, respectively. The Asian Development Bank (ADB) would be funding 10 projects, followed by the World Bank (WB) with 5 projects, and Korea with 6 projects.

Challenges and Proposed Reforms. The Duterte administration has branded its infrastructure program as one of its tools to fuel post-pandemic economic recovery. With only six months before the end of President Duterte's term, the government has been ramping up its infrastructure spending. A total of 8 projects were completed in 2021 worth PhP94.6 billion. A total of 77 IFPs worth PhP3.51 trillion are on-going while 27 projects are currently in the pipeline worth PhP1.09 trillion. In terms of completion, 18 IFPs will be completed within the administration's term while 8 projects will be delivered to completion in the second semester of 2022 and 86 projects in 2023 onwards.¹⁰ Note however, that the public works ban prior to the 2022 national election and the looming shift in leadership will place uncertainties on the continuity of infrastructure projects.

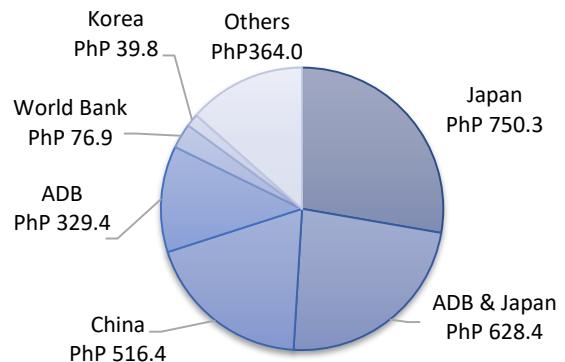
While well-intentioned, the institutionalization of the infrastructure drive through a 30-year national infrastructure master plan (as proposed under Senate Bill No. 2122) must be further studied. The guidance and strategic direction for infrastructure development should not be confined to

**Figure 2. Funding Source
(in PhP Billion)**



Source: NEDA

**Figure 3. ODA Source
(in PhP Billion)**



Source: NEDA

⁹ Includes two components: Philippine National Railways (PNR) North 2 and PNR South Commuter Line to be jointly financed by ADB and Japan.

¹⁰ Reported by Undersecretary Emil Sadain in the DPWH's 4th Quarter Report to the Office of the President. Reference: <https://www.dpwh.gov.ph/dpwh/news/24866>.

infrastructure policies and strategies nor limited to a list of infrastructure projects, considering the continuously evolving development concerns.

Weak absorptive capacity remains a persistent issue. In particular, the country's biggest infrastructure implementing agencies—the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr)—exhibited low disbursement rates¹¹ in the past four years. From 2017 to 2020, DPWH's and DOTr's average disbursement rates stood at 38.2 percent and 43.4 percent, respectively. It is imperative to address these bottlenecks as low infrastructure disbursements curtail the multiplier effect of infrastructure investments.¹²

Table 4. Disbursements of DPWH and DOTr (in PhP Million)

	2016	2017	2018	2019	2020	Jan-Sep 2021
DPWH	311,808	225,857	298,481	38,895	145,251	273,681
Disbursement Rate	73.2%	36.3%	42.9%	42.5%	31.2%	49.9%
DOTr	48,956	27,130	30,510	271,087	42,365	30,369
Disbursement Rate	79.2%	39.2%	40.7%	56.4%	37.2%	49.3%

Source: Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB), DBM

To further accelerate the country's infrastructure development, SBN 2074 under Committee Report No. 187 seeks to enhance private sector participation, encourage greater competition, and increase transparency in the procurement process via amendments to the Government Procurement Reform Act. On the other hand, the Local Build, Build, Build Program under SBN 1065 proposes to earmark the additional share of local government units (LGUs) from national taxes (i.e., in accordance with the Supreme Court decision in *Mandanas vs. Executive Secretary*, G.R. No. 199802) for local infrastructure projects and direct LGUs to take a greater role in infrastructure development (and maintenance) in their respective localities. While the aim of SBN 1065 is laudable, there are some reservations regarding LGU capacities and the possible constitutional issues that may arise as the proposal may not be consistent with the basic policy of local autonomy.

The pandemic has also highlighted the sad state (or lack thereof) of the country's health and digital infrastructure. The inclusion of two health-related projects (HEAL and PCERP) would help scale up the public health system's capacity to respond to future health crises. Proposed legislative measures (SBNs 1543, 2155, 2241 and 2329) seeking to establish a premier facility for the conduct of research in viral diseases (i.e., Virology and Vaccine Institute of the Philippines) need to be further studied vis-à-vis the proposed expansion of the Research Institute for Tropical Medicine (SBN 1407).

In terms of digital infrastructure, the National Broadband Plan which started in 2020 is intended to help bridge the digital divide through the deployment of fiber optic cables and wireless technologies across the country. The proposed Open Access in Data Transmission Act (SBNs 45 and 911) must be given due consideration as it seeks to make the data transmission industry more contestable and to strengthen the regulatory functions of the National Telecommunications Commission (NTC).

Likewise, due consideration must be given to SBNS 1490 and 2313 which seek to improve services and operations in the aviation industry. Lastly, a bill has yet to be filed in the Senate to amend the charter of the Philippine Ports Authority (PPA) to separate its regulatory functions from its operational functions in order to address the issue of conflict of interests.

¹¹ Disbursement Rate = % of Disbursement over Obligations.

¹² Bivens, J. (2017). The Potential Macroeconomic Benefits from Increasing Infrastructure Investment. *Economic Policy Institute*. Retrieved from: <https://www.epi.org/publication/the-potential-macroeconomic-benefits-from-increasing-infrastructure-investment/>.