

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The government has prioritized the construction of infrastructure as well as the development of the domestic capital market to provide long-term finance to fund infrastructure. These efforts are being supported by a number of development partners through both bilateral and multilateral arrangements. To improve budget efficiency and strengthen public financial management the United States Treasury Office of Technical Assistance (OTA) and the Asian Development Bank (ADB) are helping to enhance tax collection and administration to facilitate an increase in budget resources available for infrastructure. In addition, the United States Agency for International Development is working to improve the enabling environment for infrastructure, including access to a transaction advisory service. ADB, the OTA, and the International Monetary Fund are working in close coordination to develop the domestic capital market to enable it to fund infrastructure on a sustainable basis. The Government of Japan, through the Japan International Cooperation Agency, is providing direct support to infrastructure projects. The World Bank has recently re-entered the financial sector with a development policy loan and technical assistance focusing on establishing financial sector stability, expanding financial inclusion, and promoting disaster risk finance. Finally, ADB is continuing its support for direct lending for infrastructure and is actively promoting financial sector development and regional integration.

Major Development Partners

Development Partner	Project Name	Duration	Amount (million)
Asian Development Bank	Philippines: Infrastructure Preparation and Innovation Facility	2017–2022	\$100.00
	Philippines: Railway Project Implementation Support and Institutional Strengthening	2018–2020	\$2.00
	Regional: Green and Innovative Finance Initiative for Scaling Up Southeast Asian Infrastructure	2018–2022	\$2.50
	Philippines: Malolos–Clark Railway Project	2019–2024	\$2,750.00
	Regional: Southeast Asia Public Management, Financial Sector, and Trade Policy Facility	2019–2022	\$3.00
	Regional: Promoting Cross-Border Financial Transactions in the ASEAN+3 Region: Support to the Cross-Border Settlement Infrastructure Forum under the Asian Bond Markets Initiative Medium-Term Road Map, 2019–2022	2019–2022	\$0.50
	Regional: Support for ASEAN+3 Bond Market Forum under the Asian Bond Markets Initiative Medium-Term Road Map, 2019–2022	2020–2023	\$1.80
	Philippines: Metro Manila Bridges Project	2021–2026	\$175.00
	Regional: Using Frontier Technology and Big Data Analytics for Smart Infrastructure Facility Planning and Monitoring	2021–2024	\$2.00
Government of Australia	Australia has provided the Philippines with \$83.9 million in ODA in 2019–2020, and \$79.0 million in ODA in 2021–2022, with a 2021–2022 bilateral allocation of \$63.4 million. With the onset of the pandemic, the program has been refocused on three primary pillars: (i) health security (testing, protective equipment and vaccines); (ii) stability (Support to the Bangsamoro Autonomous Region in Muslim Mindanao, education and governance); and (iii) economic recovery, including strengthening the government’s economic management capacity. Support to infrastructure and public financial management continues through the Public Financial Management Program for Institutions and Infrastructure (\$36.0 million) during 2018–2024.	2019–2024	\$226.30

Development Partner	Project Name	Duration	Amount (million)
International Finance Corporation	The World Bank's Country Partnership Strategy for the Philippines emphasizes job creation and inclusive growth, with infrastructure development as a key focus area. In sync with this strategy, the International Finance Corporation in the Philippines focuses on reducing impacts of climate change, increasing rural income, promoting sustainable urbanization, and helping address governance constraints.	NA	\$661.00
International Monetary Fund	Through the Resident Representative Program, the International Monetary Fund provides advice and technical support to monetary policy, local currency bond market development, banking supervision, and tax policy.	Various	NA
Japan International Cooperation Agency	The Japanese government's primary development objectives are promoting inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy, under three pillars: (i) strengthening a foundation for sustainable economic growth, (ii) ensuring human security for inclusive growth, and (iii) peace and development in Mindanao. Complementary assistance includes improving the traffic and transport network of the greater capital region and major cities outside that region.	Various	NA
	North-South Commuter Railway Project (Malolos/Tutuban)	2017–2021	¥2,418.91
	<u>Road Upgrading and Preservation Project</u> (2017–2022 for ¥408.47 million) <u>Metro Manila Interchange Construction Project (Phase IV)</u> (2017–2022 for ¥79.29 million) <u>Metro Manila Priority Bridges Seismic Improvement Project</u> (2017–2021 for ¥97.83 million) <u>Davao City Bypass Construction Project (South and Center Section)</u> (2017–2022 for ¥239.06 million) <u>Metro Manila Subway Project Phase 1</u> (2018–2025 for ¥1,045.30 million Yen) <u>Metro Rail Transport Line 3 Rehabilitation Project</u> (2019–2026 for ₱22 billion) <u>Technical Assistance Project to Establish the Philippines Railway Institute</u> (2017–2022 for ¥7.28 million)	2017–2026	¥23,877.2
United States Treasury Office of Technical Assistance	Resident advisors provided technical assistance to help increase the liquidity of the government debt market and help the government in its broader efforts to improve the local corporate bond market and increase long-term finance for infrastructure. Following the COVID-19 pandemic, the United States Treasury's Office of Technical Assistance has proposed placing a resident advisor in the Insurance Commission to strengthen the conduct of examinations, and to help support growth in the sector.	2014–202X	NA
United States Agency for International Development	The Philippines Country Development Cooperation Strategy 2019–2024 is a new 5-year development plan that will support signature United States initiatives including the Indo-Pacific Transparency Initiative, Digital Connectivity and Cybersecurity Partnership, and Asia Enhancing Development and Growth through Energy. It has three development objectives: (i) democratic governance strengthened; (ii) inclusive, market-driven growth expanded; and (iii) environmental and community resilience enhanced. Under the second objective, the operating environment for businesses will be improved to promote fair, transparent, and competitive trade so that investment policies provide equal opportunities for the domestic and foreign private sector. This includes ensuring an enabling environment for infrastructure with access to an infrastructure transaction advisory network. Domestic public resource mobilization will be increased, and public financial management will be	2019–present	NA

Development Partner	Project Name	Duration	Amount (million)
	strengthened. Related individual projects under the Economic Development and Governance workstream include the Development Credit Authority Loan Portfolio Guarantee I and II, which encourage lending to businesses—predominantly small- and medium-sized enterprises—for qualified projects throughout the Philippines.		
The World Bank	The Philippines First Financial Sector Reform Development Policy Financing loan is the first of two programs supporting three reform areas including strengthening financial sector stability, integrity, and resilience; expanding financial inclusion for individuals and firms; and promoting disaster risk finance that protects national budgets and businesses as well as the lives and livelihoods of families from the impacts of disasters.	2019–2021	\$400

ASEAN +3 = Association of Southeast Asian Nations plus Japan, the People’s Republic of China, and the Republic of Korea, COVID-19 = coronavirus disease, NA = not available, ODA = official development assistance.

Source: Asian Development Bank

B. Institutional Arrangements and Processes for Development Coordination

2. The Government of the Philippines takes the lead in donor coordination through the International Finance Group, an agency within the Department of Finance. Country programming sessions establish priorities for each development partner and ensure the engagements produce synergies while minimizing duplication. In addition, the government provides oversight and a coordination mechanism over reforms at the sector level. After expanding the development effort away from the government securities market, the Capital Market Development Council, which is chaired by the secretary of finance, is providing coordination and leadership for the recently adopted Capital Market Development Blueprint 2019–2025. Quarterly meetings are held and include the participation of the industry regulators and representatives of the private sector. Development partners and periodically invited to attend.

C. Achievements and Issues

3. The collaboration between ADB, the OTA, the International Monetary Fund, Bangko Sentral ng Pilipinas (Central Bank of the Philippines), Bureau of the Treasury, and the Securities and Exchange Commission has produced tangible results. Upon implementing a majority of the objectives in the Philippines first medium-term capital market development plan, the government recorded an increase in secondary trading of government securities, reversing a 4-year decline. The increase in and improved analysis of data has produced a higher confidence yield curve, resulting in lower relative yields and greater predictability in pricing corporate debt, and increased issuance of corporate bonds by a greater variety of issuers and for longer tenors. The government has now taken the lead in bringing together a larger group of varied stakeholders to build a domestic institutional investor base.

D. Summary and Recommendations

4. As the reform program continues and broadens, it will be imperative to develop a wider and more formal coordination mechanism to include stakeholders from the contractual savings sector as well as private sector actors who underwrite fixed-income securities. While coordination can initially be facilitated by the Capital Market Development Council, a legal mandate through legislation would provide the council with sufficient credibility and clout to address and resolve competing visions and make binding decisions regarding the direction and pace of development.