

# **Innovative Financing for Infrastructure and PPPs**

**8 August 2019**

**2<sup>nd</sup> Meeting of the Infrastructure Financing and Public-Private Partnership Network of Asia and the Pacific**  
**The Manila Peninsula, Makati City, Philippines**



**DEVELOPMENT BANK  
OF THE PHILIPPINES**

# Development Bank of the Philippines

- ▶ 100% owned by the Philippine Government
- ▶ Country's Premier Development Financial Institution
- ▶ Key Player in Nation-Building
- ▶ Country's "Infrastructure Bank"
- ▶ 72 Years in Existence
- ▶ Nationwide Presence



# DBP Priority Development Thrusts



Finances the country's infrastructure projects



Provides financial assistance to the SME Sector



Advances environmental protection



Contributes to the well-being of Filipinos  
across the nation

# DBP Developmental Financing Programs



Water for Every Resident (WATER) Program



Green Financing Program



Financing Utilities for Sustainable Energy Development (FUSED)



Tree Plantation Financing Program



Connecting Rural Urban Intermodal Systems Efficiently (CRUISE)



DBP Educational Fund Program (DEFP)



Residential Real Estate Financing Program



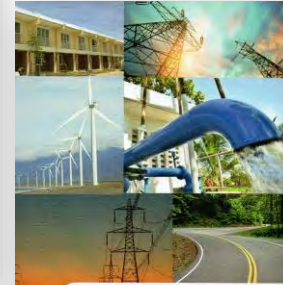
Sustainable Agribusiness Financing Program



Sustainable Health Care Investment Program





Retail Lending for Micro and Small Enterprises



INFRASTRUCTURE CONTRACTORS SUPPORT (ICONS) PROGRAM

DBP Banking for the Country




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**DBP PASADA FINANCING PROGRAM**

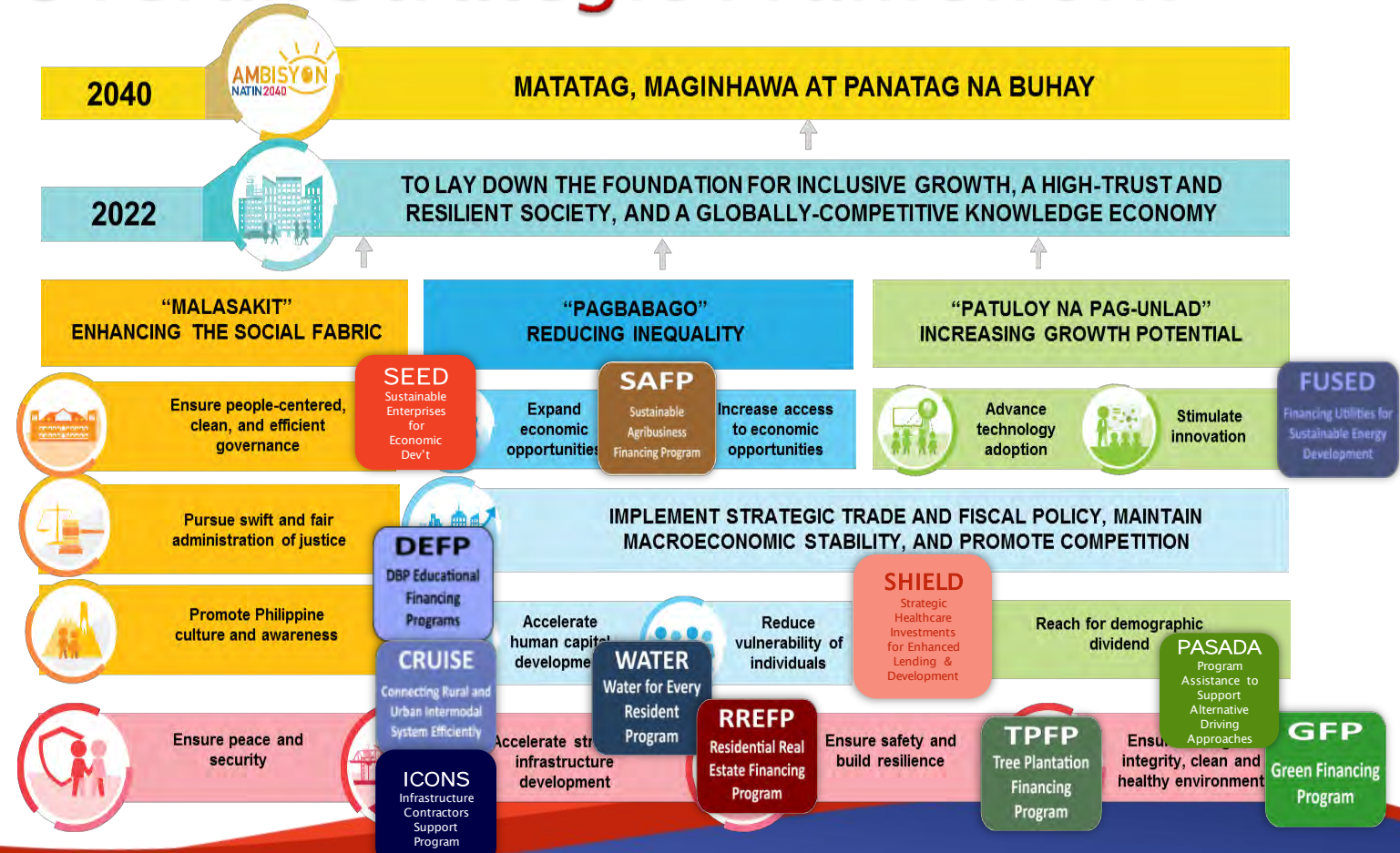
(Program Assistance to Support Alternative Driving Approaches)

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# PDP Overall Strategic Framework




# Sources of Funds

- ▶ Deposits
- ▶ Official Development Assistance / Funding from International Financial Institutions
- ▶ Loans
- ▶ Issuance of Debt Instruments



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# What is Blended Finance

- ▶ *“strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets”* – OECD and WEF
  - ▶ *“the combination of public concessional official development assistance (ODA) with private or public resources, generally with the aim of “mobilizing” or “leveraging” development finance from other actors”* – OXFAM Int’l.
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# Attributes of Blended Finance

- ▶ Increases capital leverage
- ▶ Enhances Impact
- ▶ Delivers risk-adjusted returns



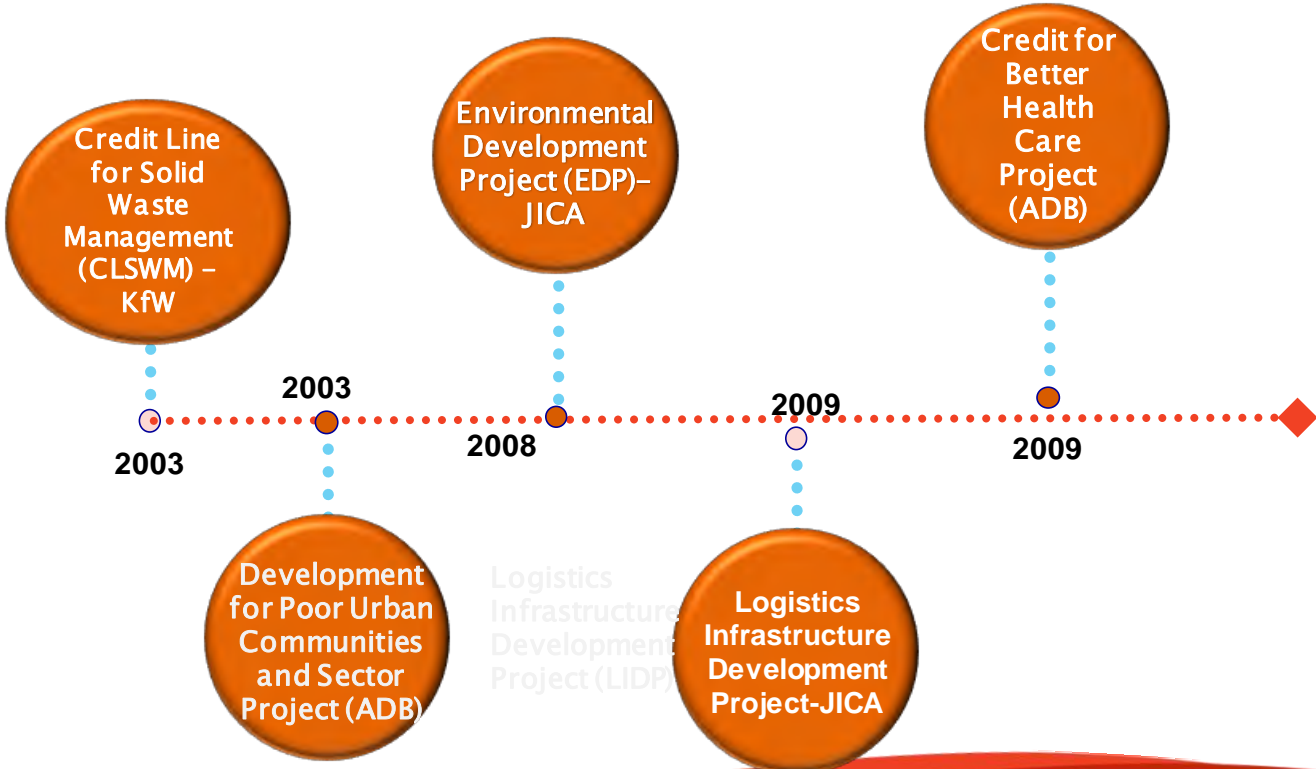
Source: <https://blogs.iadb.org/bidinvest/en/pushing-boundaries-blended-financing-latin-america-caribbean/>



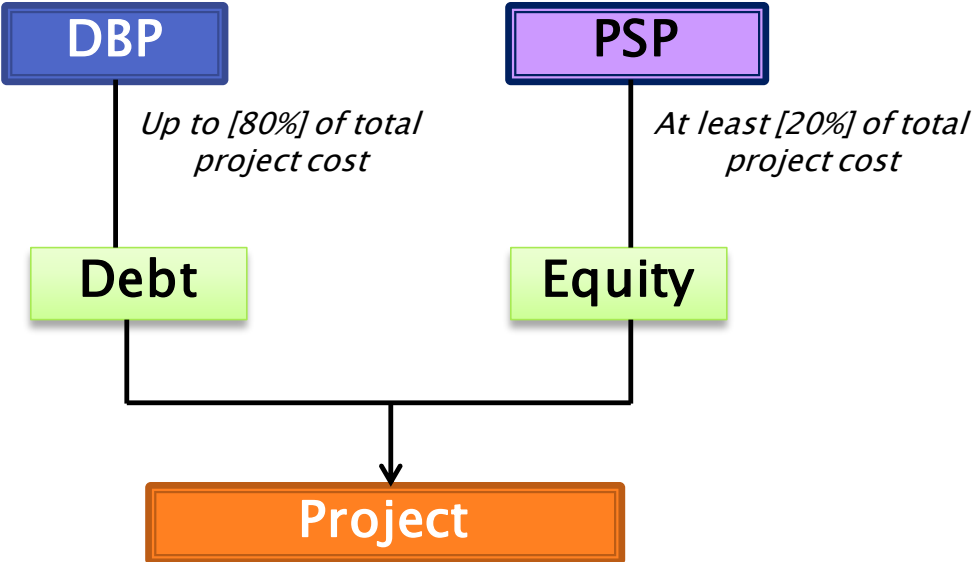
# DBP's Experience with ODAs

- ▶ **RA 8182 – ODA Act of 1996 defined the meaning of Official Development Assistance**
  - objective of promoting sustainable social and economic development and welfare of the Philippines
  - with governments of foreign countries with whom PH has diplomatic, trade relations or bilateral agreements or are members of the UN
- ▶ **Sectors served:**
  - Infrastructure
  - Environment
  - SMEs
  - Social Services

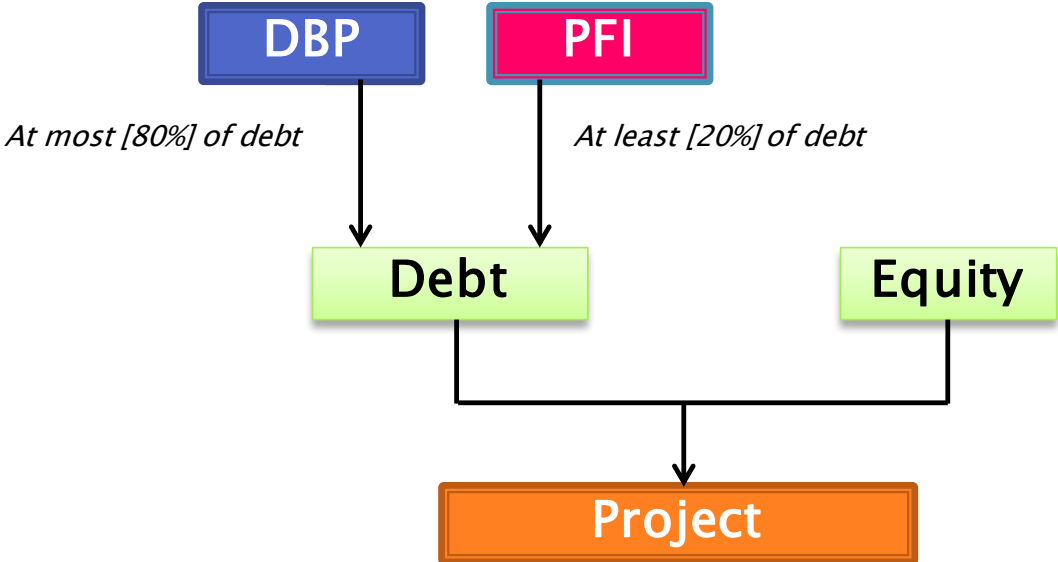
# Sample of ODA Funds Managed



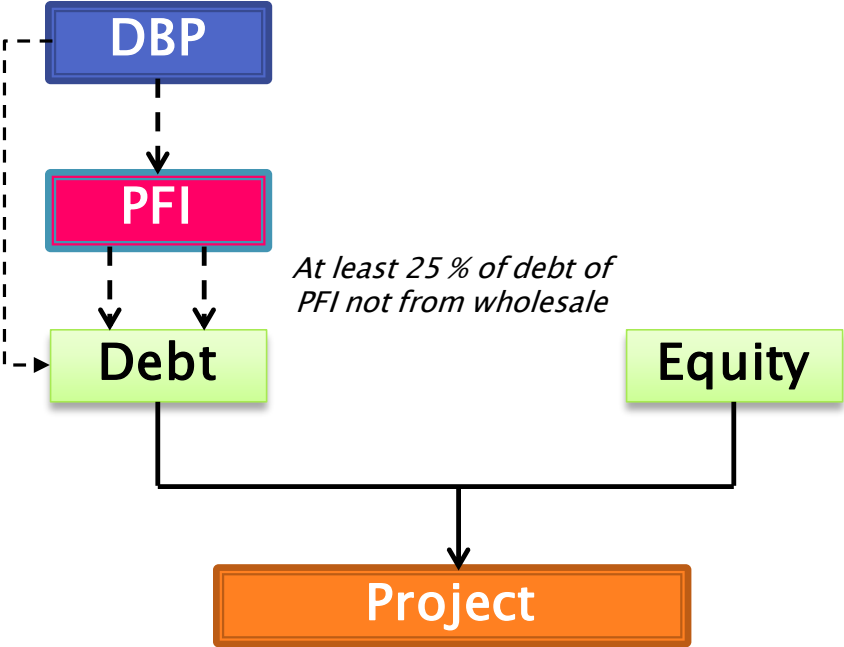
# 1<sup>st</sup> Modality: Private Sector Participation via Direct Equity



# 2<sup>nd</sup> Modality: DBP – PFI Co-Financing



# 3<sup>rd</sup> Modality: Private Participation via PFI Debt and Wholesale Loan under Co-Financing Modality

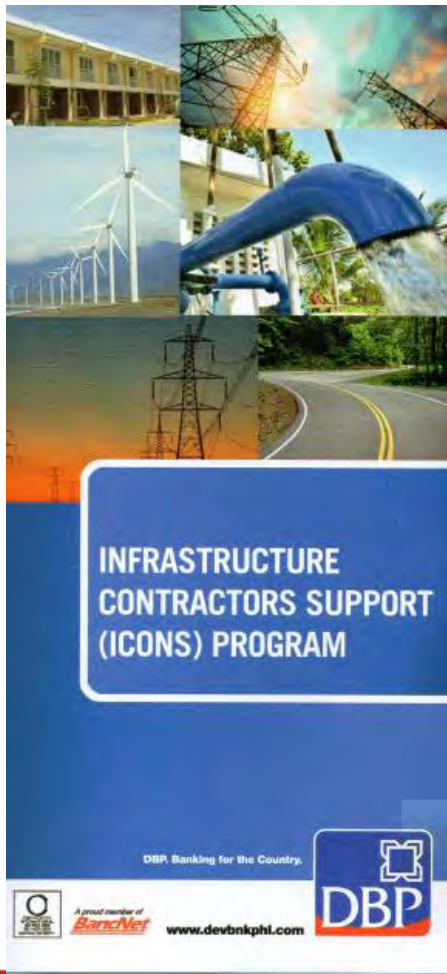


# Benefits of Blended Finance

- ▶ Allows for longer tenors (10–20 years)
- ▶ Allows for longer fixing terms
- ▶ Potential inclusion of technical capacity assistance from funders

Source: <https://blogs.iadb.org/biinvest/en/pushing-boundaries-blended-financing-latin-america-caribbean/>





# INFRASTRUCTURE CONTRACTORS SUPPORT (ICONS) PROGRAM

# ICONS Program

## ☐ Eligible Projects

- Transport Infrastructure
- Water Supply, Wastewater, Sanitation and other Utility Infrastructure
- Power and Energy Infrastructure
- Social Infrastructure
  - Residential buildings from single-family dwellings to high-rise buildings;
  - Non-residential Buildings
- Communications Infrastructure
- Waste Infrastructure





# ICONS Program

## ☐ Eligible Loan Purpose

### Short-term Loan Facility

- ▶ To finance government-awarded contracts and receivables
- ▶ To finance outstanding accounts receivables from private contracts

### Long-term Loan Facility

- ▶ To finance capital expenditures e.g. acquisition of construction equipment/machines, etc.
- ▶ To finance multi-year contracts through permanent working capital



# Other Innovative Financing / Funding

- ▶ Project Bonds / REITs
    - Green, Social, Sustainability Bonds
  - ▶ Equity/Participating Retail Investors
  - ▶ Value-capture (i.e. Real Estate/Commercial Development)
  - ▶ Partial Guarantees
    - Minimum Revenue Guarantee
    - Regulatory Risk Cover
  - ▶ Partial Completion Payments
- 

# Summary

1. DBP has always been at the forefront of mobilizing ODA funds by blending foreign funding with domestic funds since the 1990s.
2. Blended finance supported projects in the infrastructure sector, environment, mSME and social services thereby sparking development in these sectors.
3. Sharing of best practices from foreign funders enhanced DBP's policies.
4. DBP continues to craft lending programs to serve the unbanked and underbanked sectors of society, building possibilities for them and for the next generation.

# Thank you.

*The views and opinions that are expressed in relation to this presentation are only that of the presenter and do not necessarily reflect those of DBP.*

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