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DOF Economic Bulletin on National Government (NG) Investment

National Government investment rose by an average of 39.7% from 2016 to 2018, reaching 5.4% of GDP in 2018, the highest in the country's history. (Table 1)

Table 1. NATIONAL GOVERNMENT INVESTMENT, 2011-2018

	2011	2012	2013	2014	2015	2016	2017	2018
Billion Pesos	250.1	339.3	296.7	346.3	345.3	655.7	685.3	940.4
% of GDP	2.58%	3.21%	2.57%	2.74%	2.59%	4.53%	4.34%	5.40%

Source: DBM

A regression analysis using data from 2010 to 2018, shows that NG investment has been very efficient, with rates of return exceeding borrowing costs, currently at 5.9% p.a. based on the 25-year Treasury bond rate. NG investment is strongly correlated with GDP growth; the economic rate of return is computed at 29.9% for the current quarter's investment and 17.4% for the previous quarter's investment. This compares favorably with 9.7% return for current quarter's private investment and 7.9% for the previous quarter's private investment.

There are several reasons for this high return on NG investment.

First, NG infrastructure projects undergo stringent project evaluation by the Investment Coordination Committee (ICC) where major national projects costing P2.5 billion or more are vetted by seven agency-members*/ before implementation. The project must be a part of the Public Investment Program in the Philippine Development Plan and must satisfy the economic viability criterion**/.

Second, project procurement undergoes an open, transparent bidding process with terms of reference published in the Philippine Government E-Procurement System (Philgeps).

Third, the project must be implementation-ready before the DBM provides an allocation for it in the draft National Government budget.

Table 2. Regression Results: GDP Growth as Dependent Variable and Investment as % of GDP as Explanatory Variables		
	Coefficient	t-statistic
NG investment, % of GDP	0.299	2.7
NG investment, % of GDP, lagged by 1 quarter	0.174	1.6
Private investment, % of GDP	0.097	3.0
Private investment, % of GDP, lagged by 1 quarter	0.079	2.3
Adj R2 = 0.45		
n= 74		

Fourth, many of these projects should have been implemented years ago. The current congestion in the country's roads and ports are evidences that the projects, once implemented, will have ready clientele.

DOF View

Investment expansion has been the driving force of the economy in recent years--- pushing up the country's competitiveness and making up for previous decades of underinvestment. Stringent public investment evaluation, open and transparent procurement and implementation-ready prioritization have increased the efficiency of projects.

*/The 7 agency-members of ICC are DOF, NEDA, Executive Secretary, DA, DTI, DBM and BSP.

**/15% economic rate of return is the benchmark used in the project evaluation process.

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