

Benjamin E Diokno: Realizing the golden age of infrastructure

Speech by Mr Benjamin E Diokno, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 32nd Environmental Scanning Exercise, Manila, 26 June 2019.

* * *

Members of the Monetary Board, colleagues from the BSP, guests, ladies and gentlemen, good morning!

I am very pleased to welcome all of you to the 32nd BSP Environmental Scanning Exercise (ESE). While this is my first time to address this affair as the BSP Governor, it is certainly not my first time to attend in this event. I was here eight years ago, in 2011, when I was invited to be a resource speaker on the topic Public-Private Partnership (PPP) Program.

Over the years, I have come to know that this forum serves as an important platform for the BSP to discuss relevant economic and financial issues with its stakeholders and experts.

Today, we have once again gathered experts to listen to their thoughts on a similar and very urgent topic – “Realizing the Golden Age of Infrastructure.”

I say very urgent because this so-called “hardware” for economic growth, has been a major challenge to our country’s path to sustained inclusive growth.

For instance, the 2018 Global Competitiveness Index of the World Economic Forum (WEF) ranks our public infrastructure at 92nd out of 140 countries. This indicates how far behind the Philippines is compared to other countries.

In fact, we could see and experience for ourselves that we need better roads, bridges, airports, seaports, and railway systems that will provide convenient movement of goods and services throughout the country.

This is why the government has put in place the “Build Build Build” (BBB) program at the forefront of its economic agenda to address the gaps in the country’s infrastructure sector. This program is expected to boost and expand the economy’s productive capacity and support a sustainable and inclusive economic growth.

On our part, the BSP will continue to safeguard an enabling macroeconomic environment that will help facilitate the country’s “golden age of infrastructure,” through the implementation of sound monetary and financial policies.

Moreover, we continue to spearhead reforms that promote further deepening of our domestic capital markets. We have also worked on enhancing the quality of competition in the banking system by allowing the entry of new foreign banks and liberalized foreign exchange regulations. All these developments could help increase the availability of funding, as well as provide alternative financing opportunities for infrastructure projects.

Of course, the program is not a silver bullet. And if policymakers are not careful, it could also pose challenges in the economy.

In the long-run, while infrastructure investments promise to support economic growth and employment, unforeseen large external demand and price pressures that affect the import requirements of infrastructure projects can, in turn, limit the benefits of improving macroeconomic conditions. Other challenges facing policymakers include issues on skilled labor shortage that may cause delay in the infrastructure projects; budget drawdown issues; and possible inequity in resource allocation at the local level.

In this regard, greater policy dialogue and close coordination of relevant government agencies in terms of fiscal planning and budget execution, as well as program planning is a policy imperative.

Needless to say that the road ahead requires a lot of work. Let us start today by making this event a fruitful one through the productive and meaningful exchange of ideas on the topic. In particular, our discussions shall revolve around the following:

1. The developments/issues encountered in the BBB program.
2. Funding requirements for the continued and sustainable implementation of the BBB program.
3. Impact of the BBB program in the short and medium-term on macroeconomic conditions, namely, inflation, current account, exchange rate, and growth output; and
4. The possible disadvantageous effects, if any, of infrastructure program on jobs, equity, and the “crowding out” of credit and investments.

I look forward to have a meaningful exchange of views and ideas on these issues. Let me also take this opportunity to thank our speakers in advance for your time and contribution in this exercise, which is part of our effort to look at a broad range of economic and non-economic issues that provide useful insights for policymaking.

Rest assured, your insights will serve as useful inputs to the BSP’s conduct of monetary policy, as we all strive to build the “hardware” that would propel our country to sustainable and inclusive growth.

Thank you and mabuhay tayong lahat!