



Philippine Trade and Investment Office in London

Public-Private Partnerships in the Philippines

General Information Sheet

COUNTRY PROFILE

The Philippines is an archipelago composed of 7,107 islands surrounded by the Pacific Ocean in the East, the South China Sea in the West and the Sulu Sea and Celebes Sea in the South. The Philippines has a varied landscape with plains, valleys, hills, mountains and one of the longest coastlines in the world. Hong Kong, China, Japan, Singapore, Malaysia and Thailand are all less than 4 hours away by plane. Its central location makes the country a strategic place for trade and commerce.

The population is estimated at 96 million people, making it the 12th most populous nation and the 3rd largest English-speaking country in the world. Filipino and English are the official languages in the country with over 100 native dialects spoken all over the land. It has about a hundred ethnic groups and over 400 years of Spanish and American colonial rule have greatly shaped the country's culture. Chinese, Malay and Arab migrants have also influenced the country's heritage. The Filipino culture is truly an interesting amalgamation of the East and West. Around 80% of the population is Catholic due to Spain's colonization, and Muslims account for 15% of the people, generally found in the southern island of Mindanao. Filipino people are known for their hospitality, friendliness, and strong sense of family and kinship.



The Philippine economy is one of the most liberal in Asia, allowing 100% foreign ownership in almost any sector of investment. The economy grew 7.3% in 2010, making it the largest growth in 24 years for the country. This growth was stimulated by consumer demand, significant rebounds in exports and investments, and election-related spending. The Philippines came through the 2008 global financial crisis relatively unscathed due to strong economic foundations. Food processing, textiles and garments, and electronics are one of the most important industries in the country. There is also a fast-growing business process outsourcing (BPO) industry, making the Philippines one of the top offshore call center destinations in the world.

HISTORY OF PPP

The Philippines has over 20 years experience in Private-Public Partnerships. It started when the Philippines became the first country in Asia to give PPP a legal framework through the Republic Act (RA) 6957, or the Build-Operate-Transfer (BOT) Law of 1990. It was amended in 1994 by adding variants such as Build and Transfer (BT), Build-Own-Operate (BOO), Build-Lease-Transfer (BLT), etc. The late 1990s saw a good number of notable achievements in PPP. One of the most distinguished projects was the privatisation of the Manila Water and Sewerage System (MWSS), which is one of the largest PPP of public water utilities in the developing world. The North Luzon Expressway (NLEX), the Civil Registry System Information Technology (CRS-IT) and the Mandaluyong City “Marketplace” are also successful PPP projects among others.



North Luzon Expressway (NLEX)



Manila Water and Sewerage System (MWSS)

The new Aquino administration pledges to promote and support the PPP program of the Philippines. President Benigno S. Aquino III's Social Contract with the Filipino People envisions a country that has achieved inclusive growth and is characterized by rapid, sustained, and broad-based economic growth; focused on creating more jobs and new opportunities to achieve full employment; and significantly reduced poverty. In 2010, President Aquino signed an executive order to rename the BOT Center as the PPP Center of the Philippines. The government has given the agency a budget of P300M. The Aquino administration is fully committed to developing profitable partnerships with both local and domestic private firms.

OVERVIEW OF THE PPP PROGRAM

The Philippine Government recognizes the essential role of the private sector as the main engine for national growth and development. In accordance with this, pertinent incentives will be provided to stimulate private resources for the purpose of financing the construction, operation and maintenance of infrastructure and development projects normally undertaken by the Government.

The government is willing, on a case-to-case basis, to protect investors from certain regulatory risk events such as court orders or decisions by regulatory agencies which prevent investors from adjusting tariffs to contractually agreed levels. Such regulatory risk insurance could take the form of make-up payments from the government to PPP investors, other guaranteed payments, and adjustments to contract terms. The specifics of the type of protection to be offered by the government, and the mechanisms through which such protection offered will be part of the contract terms for each project. Such protection will only be offered for solicited projects, which undergo a competitive bidding process.

The private sector investor will be generally selected through competition under fair and transparent terms given a level playing field and with reasonable returns and sharing of risks. Notwithstanding, protection of public interest will be ensured, and end-users will have adequate, safe, efficient, reliable, and reasonably-priced infrastructure services.

The projects under the PPP Program were selected based on the following criteria:

1. Project Readiness/Preparation:

a. For 2011 Rollout

- i. Feasibility Study to be completed within 2010 to 2011,
- ii. Completed Feasibility Study being reconfigured for PPP, and
- iii. Ready to tender in 2011.

b. For Medium-Term Rollout and other PPP Projects

- i. Included in the PPP pipeline projects of the Implementing Agencies, and
- ii. Initial preparation on-going, i.e., concept stage, hiring of consultants for Feasibility Study preparation.

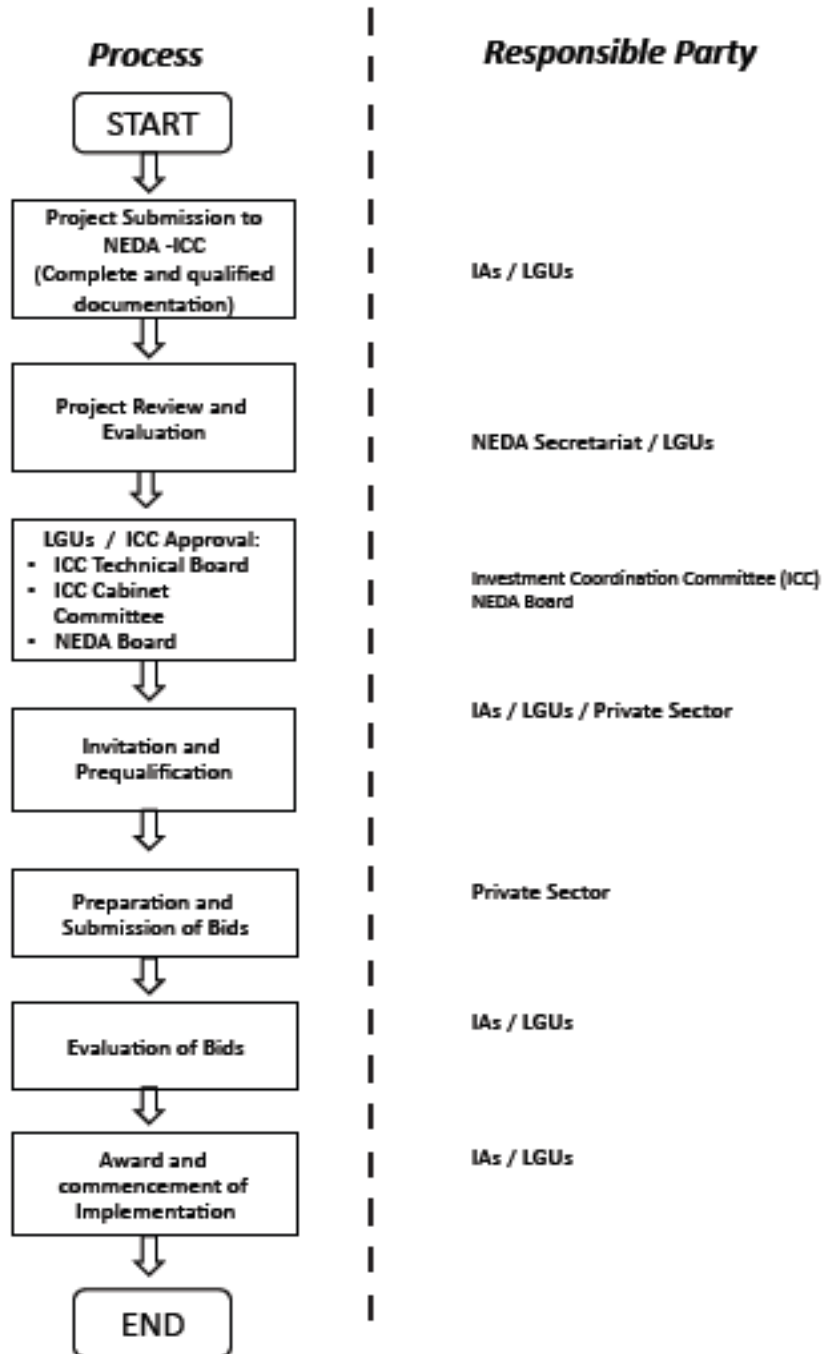
2. Responsive to the sector's needs (e.g., part of the transport network system, water supply/sewerage, electric power capacity, etc); and

3. High Implementability (bankable, no major issues).

Further, the Government is committed to facilitate the approval and implementation process of PPP projects. As declared by the Government, the solicited proposals will be processed within six (6) months. Qualified PPP projects shall have complete documents that are necessary to facilitate the approval process.

PPP PROCESS FLOW

PPP Project Approval and Bidding Flowchart



LEGAL FRAMEWORK

Republic Act (RA) 6957, or the Build-Operate-Transfer (BOT) Law of 1990, as amended by RA 7718 of 1994 and the revised implementing rules of the BOT Law issued in March 2006

It is the declared policy of the State to recognize the indispensable role of the private sector as the main engine for national growth and development and provide the most appropriate incentives to mobilize private resources for the purpose of financing the construction, operation and maintenance of infrastructure and development projects normally financed and undertaken by the Government. Such incentives, aside from financial incentives as provided by law, shall include providing a climate of minimum government regulations and procedures and specific government undertakings in support of the private sector.

In the BOT contractual arrangement, the project proponent has the following rights:

- To operate the facility over a fixed period, not to exceed 50 years;
- To charge facility users tolls, fee and rentals; and
- To recover construction, operation, and maintenance expenses and earn reasonable return on investment.

Highlights of RA 7718


- *Use of different BOT variants.* The Amended BOT Law authorizes the use of nine specific variants. In addition, other variants can be used provided approval is secured from the Office of the President. The availability of more variants provides implementing agencies and proponents with greater flexibility and wider options in structuring projects to meet different project conditions.



1. Build-Operate-and-Transfer (BOT)
2. Build-and-Transfer (BT)
3. Build-Own-and-Operate (BOO)
4. Build-Lease-and-Transfer (BLT)
5. Build-Transfer-and-Operate (BTO)
6. Contract-Add-and-Operate (CAO)
7. Develop-Operate-and-Transfer (DOT)
8. Rehabilitate-Own-and-Transfer (ROT)
9. Rehabilitate-Own-and-Operate (ROO)
10. Other variations as may be approved by the President of the Philippines

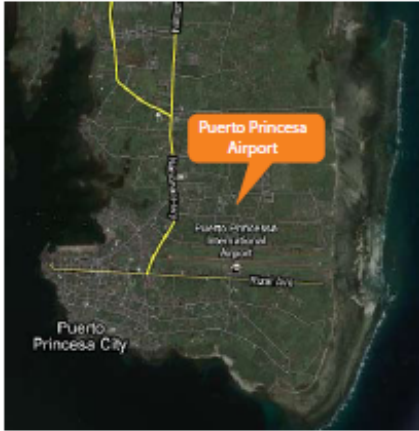

- *Specified levels of approvals.* The roles of approving bodies for national as well as LGU projects are clearly specified including the limits of such approvals.


- *Applicability for wider range infrastructure sectors.* Practically all infrastructure sectors are allowed for BOT-type implementation including such non-traditional areas such as Information Technology (IT), housing, tourism, education and health. Applicable sectors include power plants, highways, ports, water supply, irrigation, reclamation, government buildings, slaughterhouses, warehouses, public markets, solid waste, drainage and other projects as may deemed appropriate.
- *Right of proponent to collect tolls, fees, rentals.* A project proponent is allowed to recover investments through any of the following:
 - Tolls, fees, rentals and other charges from the users of the BOT facility for a fixed term not to exceed 50 years;
 - A share in the revenue of the project; and
 - Other non-monetary payments.
- *Entitlement to reasonable return.* In general, the BOT Law entitles a project proponent to reasonable return to his invested capital. The return should reflect the prevailing cost of capital in domestic and international markets. For negotiated contracts which are public utilities and monopolies, the return is determined by existing laws, which in no case to exceed 12 percent of return on rate base.
- *Government support for BOT projects.* Recognizing that there may be a need for the government to share in the risks and costs of a project to make it financially viable, a variety of government undertakings are allowed under prescribed conditions. These include:
 - *Cost sharing.* Projects with difficulty in sourcing funds may be partially financed from direct government appropriations (GAA) and/or official development assistance (ODA) funds. Financing from either GAA or ODA should not exceed 50 percent of project cost.
 - *Investment Incentives.* Projects costing PHP 1 Billion and above are entitled to get incentives as provided for under the Omnibus Investment Code upon registration with the Philippine Board of Investments (BOI).
 - *Other Government Undertakings.* Government agencies may also execute specific undertakings or credit enhancements such as direct government subsidy, direct government equity, performance undertaking, and legal and/or security assistance.


CURRENT PPP PROJECTS FOR 2011 ROLL-OUT

PROJECT TITLE	LRT LINE 2 EAST EXTENSION PROJECT		
DESCRIPTION	 <p>The project involves the expansion, operation and maintenance of existing LRT Line 2. Expansion covers the construction of a 4 kilometer eastern extension of LRT Line 2 from Santolan in Pasig City to Masinag Junction in Antipolo, Rizal with additional 2 passenger stations to be located at Sta. Lucia Mall and at Masinag.</p>		
MODE	PPP	IMPLEMENTATION SCHEDULE	2011-2013
PROJECT COST	PhP11,299.47 Million US\$251.10 Million	SPONSORING AGENCY	DOTC/LRTA
PROJECT STATUS			
<ol style="list-style-type: none"> 1) FS on Manila LRT Line 2 East-West Extension Project completed March 2010. 2) FS thru external assistance to reconfigure the project into PPP under consideration. 3) FS will validate end point, scope, and costs. 4) Tendering may commence during the 4th quarter of 2011. 			
CONTACT INFORMATION			
<p>Name : JOSE P. DE JESUS/ RUBEN S. REINOSO, JR./ ILDEFONSO T. PATDU, JR. Designation : Secretary/ Undersecretary/ Acting Assistant Secretary Agency : DOTC Telephone No. : (63 2) 723-4698/ 726-7125 / 723-1580 / 727-7958 Fax No. : (63 2) 727-7948 Email Address : pingdejesus@gmail.com / tregino@skyinet.net / dirpatdu@yahoo.com</p>			

PROJECT TITLE		NEW BOHOL AIRPORT	
DESCRIPTION		 	
Construction of a 230-hectare new airport facility complex of international standards with 2,500 m. x 45 m. runway to replace the existing Tagbilaran Aiport.			
MODE	PPP	IMPLEMENTATION SCHEDULE	2012-2015
PROJECT COST	PhP7,543 Million US\$167.62 Million	SPONSORING AGENCY	DOTC/MIAA/CAAP
PROJECT STATUS			
<ol style="list-style-type: none"> 1) Validation/site selection study by 4th quarter of 2011. 2) FS preparation to reconfigure the project into PPP. 3) FS will validate project scope, costs, and structure. 			
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PROJECT TITLE	PUERTO PRINCESA AIRPORT		
DESCRIPTION	 		
<p>Rehabilitation/improvement of the existing Puerto Princesa Airport to meet the standards of the International Civil Aviation Organization (ICAO), through the construction of new landside facilities in the north western side of the existing runways such as passenger terminal building, control tower, administration & operation building, cargo terminal building, rescue & fire fighting building and other support facilities, construction of new apron and connecting taxiways, upgrading of the existing 2.6 km runway and its strip, and the provision of new navigational and traffic control equipment.</p>	<p>PROJECT LOCATION</p>		
MODE	PPP	IMPLEMENTATION SCHEDULE	2012-2015
PROJECT COST	PhP4,362 Million US\$ 96.93 Million	SPONSORING AGENCY	DOTC/CAAP
PROJECT STATUS			
<ol style="list-style-type: none"> 1) FS preparation to reconfigure the project into PPP. 2) FS will validate project scope, costs, and structure. 			
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PROJECT TITLE	DEVELOPMENT OF CITY TERMINAL FOR DMIA		
DESCRIPTION	<p>The project involves the development of a City Terminal servicing the Diosdado Macapagal International Airport (DMIA) in order to reduce cargo loading times at DMIA by transferring such activities to the proposed city terminal.</p>		
			
MODE	PPP	IMPLEMENTATION SCHEDULE	2011-2012
PROJECT COST	TBD	SPONSORING AGENCY	DMIA
PROJECT STATUS			
FS to develop the city terminal for DMIA by 2nd quarter of 2011.			
CONTACT INFORMATION			
<p>Name : JOSE P. DE JESUS / RUBEN S. REINOSO, JR./ ILDEFONSO T. PATDU, JR. Designation : Secretary / Undersecretary/ Acting Assistant Secretary Agency : DOTC Telephone No. : (63 2) 723-4698 / 726-7125 / 723-1580 / 727-7958 Fax No. : (63 2) 727-7948 Email Address : pingdejesus@gmail.com / tregino@skyinet.net / dirpatdu@yahoo.com</p>			

PROJECT TITLE		PRIVATIZATION OF LAGUINDINGAN AIRPORT OPERATION AND MAINTENANCE	
DESCRIPTION		 <p>The project involves the Operation and Maintenance of a newly constructed airport on a 393-hectare property complete with facilities of international standards. The airport can accommodate 1.2 million passengers per year based on its Master Plan.</p>	
MODE	PPP	IMPLEMENTATION SCHEDULE	2013
PROJECT COST	TBD	SPONSORING AGENCY	DOTC/CAAP
PROJECT STATUS			
For preparation of business case and TOR for the privatization of the airport operation and maintenance by concession..			
CONTACT INFORMATION			
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PROJECT TITLE	SUPPLY OF TREATED BULK WATER FOR METRO MANILA		
DESCRIPTION	<p>The project aims to supplement the long-term water supply requirements in Metro Manila.</p> <p>The present supply is at 4,000 MLD (source: Angat and Umiray Dams). By 2011, the demand is expected to reach 4,395 MLD assuming no new supply source is developed by 2010.</p>		
MODE	PPP	IMPLEMENTATION SCHEDULE	2011 onwards
PROJECT COST	TBD	SPONSORING AGENCY	Metropolitan Waterworks and Sewerage Administration (MWSS)
PROJECT STATUS			
<ul style="list-style-type: none"> Bulk water supply of 150 MLD and 350 MLD is targeted for competitive bidding by 2011 and 2012, respectively. MWSS has not yet submitted the committed projects to fill the projected supply gap in Metro Manila. 			
CONTACT INFORMATION			
<p>Name : ENGR. MACRA A. CRUZ Designation : Officer-in-Charge Agency : Metropolitan Waterworks and Sewerage Administration (MWSS) Telephone No. : (+63 2) 928-5691 Fax No. : (+63 2) 922-25689 Email Address : macra_cruz@yahoo.com</p>			

PROJECT TITLE	DARAGA INTERNATIONAL AIRPORT		
DESCRIPTION	<p>The project involves the conduct of feasibility/ advance engineering study, preparation of the detailed engineering design, and construction of airport facilities. It also includes land acquisition of about 180 hectares. Project components are the following: Landside - Passenger Terminal, Cargo Building, Control Tower, Administration Building, Vehicle Parking Area, and other site development; Airside - Runway Strip/Runway, Taxiway, Apron, Air Traffic/Navigation Equipment.</p>		
	<p>PROJECT LOCATION</p> <p>The figure contains three maps: 1) A 'BASE MAP' showing the 'MUNICIPALITY OF DARAGA, PROVINCE OF ALBAY' with a red arrow pointing to the project site. 2) A map of the Philippines with Albay province highlighted in orange. 3) A 'CONCEPTUAL SITE PLAN' showing the layout of the airport with various zones and a north arrow.</p>		
MODE	PPP	IMPLEMENTATION SCHEDULE	2012-2015
PROJECT COST	PhP3,075 Million (US\$68.33 Million)	SPONSORING AGENCY	DOTC/CAAP
PROJECT STATUS			
<ul style="list-style-type: none"> • Right-of-Way acquisition to be completed by end of 2010. • Preparation of FS to reconfigure project into PPP to commence by the 1st quarter of 2011. • Expected date of bidding/tendering: 4th quarter of 2011. 			
CONTACT INFORMATION			
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