The Philippine PPP Program
Based on an ADB study\(^1\), the Philippines needs to invest at least $127.1 Billion for the years 2010-2020 in domestic infrastructure to meet the needs of its growing population and rising incomes.

---

\(^1\) Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010-2020
Actual infra spending from 2010-2014 totaled to **Php 1.2 Trillion** (USD 26.8 billion);

**Planned infra spending for 2015 and 2016 will amount to around PhP 1.4 Trillion** (USD 30.3 billion); and

**Infrastructure spending by 2016 would have reached PhP 2.6 Trillion** (USD 57.1 billion) *(Using conversion rate of US$1=PhP 45)*
PHILIPPINE INFRASTRUCTURE REQUIREMENT

- USD 57.1 Billion infrastructure spending (actual and projected until 2016) is only 45% of the **USD 127.1 Billion** projects required infrastructure investment according to an ADB study.
PPP Projects will contribute **USD 25.33 Billion** or 36.2% of the total remaining required infrastructure spending.

### PPP Projects Contribution to Infrastructure Spending Gap

- **Total USD 70 Billion**
  - 63.8% USD 44.68 Billion
  - 16.6% USD 11.55 Billion
  - 10.6% USD 7.45 Billion

#### Status (as of 23 October 2015)

<table>
<thead>
<tr>
<th>Status</th>
<th>No. of Projects</th>
<th>Estimated Cost (in Billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awarded Projects</strong></td>
<td>10</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Other Projects Under Implementation</strong></td>
<td>2</td>
<td>2.13</td>
</tr>
<tr>
<td><strong>Rolled-out PPP Projects</strong></td>
<td>15</td>
<td>11.55</td>
</tr>
<tr>
<td>Project for Awarding</td>
<td>1</td>
<td>0.09</td>
</tr>
<tr>
<td>Projects under procurement</td>
<td>14</td>
<td>11.46</td>
</tr>
<tr>
<td><strong>Pipeline PPP Projects</strong></td>
<td>13</td>
<td>7.45</td>
</tr>
<tr>
<td>Project approved for roll-out</td>
<td>2</td>
<td>2.40</td>
</tr>
<tr>
<td>For approval of relevant government bodies</td>
<td>7</td>
<td>3.77</td>
</tr>
<tr>
<td>Projects with ongoing studies</td>
<td>4</td>
<td>1.28</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>40</td>
<td><strong>25.33</strong></td>
</tr>
</tbody>
</table>

- PPP Projects will contribute USD 25.33 Billion or 36.2% of the total remaining required infrastructure spending.

- **Remaining Required Infrastructure Spending USD 44.68 Billion**
  - 6% USD 2.74 Billion
  - 3% USD 1.34 Billion

- **Pipeline PPP Projects**
  - 16.6% USD 7.45 Billion
  - 10.6% USD 7.45 Billion

- **Total** USD 70 Billion
  - 63.8% USD 44.68 Billion
  - 16.6% USD 11.55 Billion
  - 10.6% USD 7.45 Billion
Aside from public spending, **PPPs** will bring in private sector capital and expertise to address the infrastructure gap.
PPP Program is geared towards **INCLUSIVE GROWTH**

PPP as one of the strategies to accelerate **INFRASTRUCTURE DEVELOPMENT**

Private sector as **PARTNER IN DEVELOPMENT**

PPP Center as the **CHAMPION FOR PUBLIC-PRIVATE PARTNERSHIPS**
WHAT IS PPP?

- A contractual arrangement between the Public (Implementing Agency or Local Government Unit) and private partners to accelerate provision and/or implementation of infrastructure and/or development projects or services.

- The contractual agreement provides clearly-defined roles and responsibilities of the parties/partners.

- There is allocation of rewards/revenues/costs/risks between public and private partners.
THE ROLE OF THE PRIVATE SECTOR

• State’s partner in development

• Offers efficiency gains in technology and innovation that may be too costly for the state

• Can finance, design, construct, and operate the facility, in exchange is authorized to collect fees
RANGE OF PPPs

- Utility
- Restructuring
- Corporatization
- Decentralization
- Civil Works Service Contracts
- Management & Operating Contracts
- Leases/Affermage
- Concessions BOT Projects DBOs
- JV/ Partial Divestiture of Public Assets
- Full Divestiture

Public Owns and Operates Assets
Public-Private Partnership
Private Sector Owns and Operates Assets

Extent of Private Sector Participation

Low

High

Source: (Delmon, 2010)
PRIVATE SECTOR RETURNS

• Right of Private Partner to Collect
  - Private partner is allowed to recover investments through tolls, fees, rentals and other charges from the users of the PPP project facility

• Rate of Return
  - In general, the BOT Law entitles the private partner 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% on rate base.

LEGAL AND REGULATORY FRAMEWORK

- 1987 Philippine Constitution
  "The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."

- RA 6957, as amended by RA 7718: The Amended Build-Operate-and-Transfer (BOT) Law and its Implementing Rules and Regulations (IRR)

- Other Major Laws
  - RA 8974 (Right of Way Acquisition Act)
  - RA 8975 (Expeditious Implementation and Completion of Government Infrastructure Projects by Prohibiting Lower Courts from Issuing Temporary Restraining Orders)
  - RA 7160 (Local Government Code)
**ELIGIBLE TYPES OF PPP PROJECTS**

<table>
<thead>
<tr>
<th>Economic Infrastructure</th>
<th>Social Infrastructure</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways/Roads</td>
<td>Agriculture</td>
<td>ICT Systems/Facilities</td>
</tr>
<tr>
<td>Railroads &amp; Railways</td>
<td>Canals, Dams, Irrigation</td>
<td>Tourism Facilities</td>
</tr>
<tr>
<td>Ports</td>
<td>Education</td>
<td>Industrial &amp; Tourism Estates</td>
</tr>
<tr>
<td>Airports</td>
<td>Health Facilities</td>
<td>Markets, Warehouses, Slaughterhouses</td>
</tr>
<tr>
<td>Transport Systems</td>
<td></td>
<td>Housing, Government Buildings</td>
</tr>
<tr>
<td>Water Supply</td>
<td></td>
<td>Climate change mitigation/adaptation</td>
</tr>
<tr>
<td>Land Reclamation</td>
<td></td>
<td>infrastructure projects</td>
</tr>
<tr>
<td>Solid Waste Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
OVERVIEW OF THE PPP PROCESS

Development Stage

- Project Identification
- Project Preparation (Feasibility Study, Market Sounding Activity)
- Finalization of Project Structure

Approval Stage

- Project submission to relevant approving bodies
- Project Assessment and Appraisal
- ICC-Cabinet Committee Project Approval/Recommendation
- NEDA Board Approval

Competition Stage

- Prequalification (e.g. Advertisement of Invitation to Prequalify to Bid, Prequalification Conference, Submission of Prequalification Documents)
- Bid Proper (e.g. Pre-bid Conference, Bid Submission, Bid Opening and Evaluation)
- Project Award to Private Partner

Cooperation Stage

- Contract Signing
- Financial Close
- Implementation (e.g. Preparation of Detailed Engineering Design, Construction, Commissioning)
- Turnover of Facility/ Infrastructure Back to Government
OVERVIEW OF THE BIDDING PROCESS

Two-Stage Bidding Process

STAGE 1: Prequalification of Bidders (2-3 months)

- From publication of project advertisement/ invitation to prequalify and bid (ITPB)
- Conduct of Investors Forum and Pre-bid Conference
- Preparation and submission of qualification documents—legal, technical, financial requirements

STAGE 2: Bid Proper (5-8 months)

- From issuance of Instructions to Bidders (ITB) to release of Notice of Award (NOA)
- Conduct of Pre-bid Conference, one-on-one sessions with bidders, and responses to bidder queries
- Bidders’ due diligence review and submission of bids
INSTITUTIONAL FRAMEWORK

- Contracting Parties/Implementing Agencies
  - Line Agencies (national agencies)
  - Government Corporations
  - Local Government Units

- Review and Approving Bodies
  - Local Government Councils
  - Investment Coordination Committee (ICC)
  - National Economic and Development Authority (NEDA) Board

- Regulatory Agencies
  - Toll Regulatory Board (TRB)
  - Metropolitan Waterworks and Sewerage System (MWSS)
  - Energy Regulatory Commission (ERC)

- Coordinating and Monitoring Agency
  - PPP Center
Per Executive Order No. 8, s. 2010, as amended by Executive Order No. 136 signed last 28 May 2013:

- BOT Center renamed as PPP Center

- PPP Center Services:
  - Provide advisory services
  - Facilitate development of PPP projects
  - Manage the Project Development and Monitoring Facility
  - Capacitate national implementing agencies and LGUs
  - Advocate policy reforms
  - Monitor implementation of PPP projects

- Expanded mandate:
  - BOT Law
  - Joint Venture arrangements
  - Other PPP arrangements

- PPP Center directly reports to the PPP Governing Board
INSTITUTIONAL EVOLUTION OF THE PPP CENTER

Evolving Institutional Role in Critical Phases of Private Sector Engagement

Aquino Administration 1986-1992
- BOT Law (RA 6957)

Ramos Administration 1992-1998
- Amended BOT Law (RA 7718)
- BOT Center under Office of the President - Coordinating Council of the Philippine Assistance Center (CCCPAP)

Estrada Administration 1998-2001
- Renamed BOT program to Private Sector Participation (PSP) program
- Coordinating Council for Private Sector Participation Program (CCPSP) under the Office of the President

Arroyo Administration 2001-2010
- Revert to BOT Program
- BOT Center under DTI

Aquino Administration 2010-Present
- Renamed PPP Center and attached to NEDA
### PPP MILESTONES

<table>
<thead>
<tr>
<th>Policy Enhancements</th>
<th>Process Improvements</th>
<th>Capacity Building</th>
<th>Building a Robust Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Updated the Implementing Rules and Regulations of the current BOT law</td>
<td>Streamlined PPP appraisal process</td>
<td>Continuous strengthening of capacities of implementing agencies and local government units (LGUs)</td>
<td>Established the Project Development and Monitoring Facility (PDMF)</td>
</tr>
<tr>
<td>Created Dispute Mechanisms in PPP contracts</td>
<td>Institutionalized market feedback during project preparation; systematic and transparent bidder interaction during tender process</td>
<td></td>
<td>22 internationally-renowned PDMF panel of consulting firms</td>
</tr>
<tr>
<td>Established the PPP Governing Board</td>
<td></td>
<td></td>
<td>40 Projects with Project Development and Monitoring Facility (PDMF) support</td>
</tr>
<tr>
<td>Enhanced framework for PPPs through the issuance of policy circulars and guidelines</td>
<td></td>
<td></td>
<td>10 awarded projects with a total value of USD 4.20 Billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>42 projects in the pipeline amounting to USD 19.00 Billion</td>
</tr>
</tbody>
</table>
### PPP ON-GOING INITIATIVES

<table>
<thead>
<tr>
<th>Policy Enhancements</th>
<th>Policy Framework</th>
<th>Process Improvements</th>
<th>Capacity Building</th>
<th>Building a Robust Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further enhancement of the legal and regulatory framework for PPPs through the enactment of the PPP Act and the issuance of several policy circulars and guidelines</td>
<td>Standardize policies and systems in engaging private sector in the water sector</td>
<td>Fast-track and improve hiring of independent consultants through the PDMF</td>
<td>Further develop communication strategies and knowledge management (KM) through the PPP KM Portal</td>
<td>Building pipeline of LGU projects through PDMF</td>
</tr>
<tr>
<td>Institutionalization of the Contingent Liability Fund; and other process &amp; policy reforms</td>
<td>Develop the Philippines’ capital markets for infrastructure financing</td>
<td>Standardize PPP contracts</td>
<td>Continuous institutional partnerships with development partners to build capacities of PPPC, oversight agencies, implementing agencies, and LGUs</td>
<td>Assistance to LGUs thru partnering with educational institutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establish more streamlined project monitoring and evaluation protocols</td>
<td>Hiring of probity advisors for big-ticket project</td>
<td></td>
</tr>
</tbody>
</table>

- 19
RECOGNITIONS

PH: Most-improved in Asia-Pacific for PPP Readiness

INFRASCOPE 2014

Analysis of a benchmark index and learning tool that assesses the readiness and capacity of countries in the Asia-Pacific Region to carry out sustainable, long term PPP

Ranking Criteria:
- Legal and regulatory framework (25%)
- Institutional framework (20%)
- Operational maturity (15%)
- Investment climate (15%)
- Financial facilities (15%)
- Sub-national adjustment factor (10%)

Overall Index

<table>
<thead>
<tr>
<th>Overall Index</th>
<th>Regulatory Framework</th>
<th>Institutional Framework</th>
<th>Operational Maturity</th>
<th>Investment Climate</th>
<th>Financial Facilities</th>
<th>Sub-national Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>64.6</td>
<td>68.8</td>
<td>66.7</td>
<td>54.5</td>
<td>75.3</td>
<td>63.9</td>
</tr>
<tr>
<td>Rank</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>
RECOGNITIONS

PPP CENTER: Best Central Government PPP Promoter
PARTNERSHIPS AWARDS 2014

PPP CENTER: Asia-Pacific Grantor of the Year
IJ GLOBAL AWARDS 2014

PPP CENTER: PPP Agency of the Year
The ASSET Triple A Asia Infrastructure Awards
### LIST OF PPP PROJECTS

<table>
<thead>
<tr>
<th>STATUS</th>
<th>NO. OF PROJECTS</th>
<th>ESTIMATED COST (in billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECTS UNDER IMPLEMENTATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awarded</td>
<td>10</td>
<td>4.20</td>
</tr>
<tr>
<td>Other projects for implementation</td>
<td>2</td>
<td>2.13</td>
</tr>
<tr>
<td>PROJECTS IN THE PIPELINE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project for Awarding</td>
<td>1</td>
<td>.09</td>
</tr>
<tr>
<td>Projects under procurement</td>
<td>14</td>
<td>11.46</td>
</tr>
<tr>
<td>Project approved for roll-out</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td>For approval of relevant government bodies</td>
<td>7</td>
<td>3.77</td>
</tr>
<tr>
<td>Projects with ongoing studies</td>
<td>4</td>
<td>1.28</td>
</tr>
<tr>
<td>For procurement of consultants</td>
<td>7</td>
<td>TBD</td>
</tr>
<tr>
<td>Under conceptualization or development</td>
<td>7</td>
<td>TBD</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>42</td>
<td>18.99*</td>
</tr>
<tr>
<td>TOTAL</td>
<td>54</td>
<td>25.33*</td>
</tr>
</tbody>
</table>

*This does not include 16 projects with no estimated costs yet*
Economic infra projects (transportation and road) to achieve inclusive growth account for almost 90% of the PPP list of projects.

Transport sector consists of USD 16.5 Billion or 65% of the total USD 25.3 Billion list of PPP projects.

### PPP Projects by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Projects</th>
<th>Estimated Cost (in Billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>24</td>
<td>16.49664</td>
</tr>
<tr>
<td>Airport</td>
<td>9</td>
<td>5.67964</td>
</tr>
<tr>
<td>Rail</td>
<td>7</td>
<td>9.17511</td>
</tr>
<tr>
<td>Transport</td>
<td>7</td>
<td>1.21989</td>
</tr>
<tr>
<td>Port</td>
<td>1</td>
<td>0.42200</td>
</tr>
<tr>
<td>Road</td>
<td>12</td>
<td>5.67654</td>
</tr>
<tr>
<td>Social</td>
<td>8</td>
<td>1.75916</td>
</tr>
<tr>
<td>Education</td>
<td>3</td>
<td>0.45093</td>
</tr>
<tr>
<td>Health</td>
<td>4</td>
<td>0.19311</td>
</tr>
<tr>
<td>Prisons</td>
<td>1</td>
<td>1.11511</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>1.40140</td>
</tr>
<tr>
<td>Tourism</td>
<td>3</td>
<td>0.07406</td>
</tr>
<tr>
<td>Water</td>
<td>2</td>
<td>0.95831</td>
</tr>
<tr>
<td>Energy</td>
<td>2</td>
<td>0.32714</td>
</tr>
<tr>
<td>IT</td>
<td>2</td>
<td>0.04190</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>54</td>
<td><strong>25.33374</strong></td>
</tr>
</tbody>
</table>
AWARDED & SIGNED PPP PROJECTS PER ADMINISTRATION

Solicited National Infrastructure and Development Projects using the BOT Law (RA 7718)*

*Under each administration, Implementing Agencies (IAs) including GOCC undertook PPP projects using the solicited mode of the Build-Operate-Transfer (BOT) Law or RA 7718. The data excludes PPP projects undertaken by LGUs, unsolicited projects; and those using Joint Venture Agreements and/or special laws or issuances. The project costs are estimated in nominal value.

*Other PPP projects undertaken through Special Laws/Issuances: (1) PFVR - MWSS Privatization - RA 8041. (Water Crisis Act) as implemented by EO 286 s. December 6, 1995 and EO 311 s. March 20, 1996, Power Projects - EO 215 s. July 10, 1987 (Amending Presidential Decree no. 40 and Allowing the Private Sector to Generate Electricity; (2) PGMA - MRT 7 - Unsolicited project under RA 7718 (San Miguel Corp.) (3) PNoy - Skyway Stage 3 Project - extension of the existing JV Agreement PNCC and CITRA, NLEX-SLEX Rpad Connector - extension of the existing JV Agreement between PNCC and MNTC.

As of June 2015
### AWARDING PROJECTS

#### Comparison between Independent Power Producer (RA 7648) vs. Public-Private Partnership (BOT Law)

<table>
<thead>
<tr>
<th>RA 7648</th>
<th>RA 7718</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic Act 7648 Electric Power Crisis Act of 1993</td>
<td>Republic Act 6957, as amended by Republic Act 7718 Build-Operate-Transfer Law</td>
</tr>
<tr>
<td>Negotiated Contract (Sec. 3, RA 7648)</td>
<td>Competitive Public Bidding (Sec. 6, ra 7718)</td>
</tr>
<tr>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Solely made by the President</td>
<td>PPP project undergoes review &amp; evaluation through this process:</td>
</tr>
<tr>
<td>- Sovereign Guarantee</td>
<td></td>
</tr>
<tr>
<td>- Foreign Exchange Risk</td>
<td></td>
</tr>
<tr>
<td>- Market risk</td>
<td></td>
</tr>
<tr>
<td>- Take or pay undertaking</td>
<td>- Technical Working Group</td>
</tr>
<tr>
<td></td>
<td>- endorsement by Investment Coordinating Committee (ICC) to NEDA Board</td>
</tr>
<tr>
<td></td>
<td>- Neda Board Approval</td>
</tr>
<tr>
<td>Includes:</td>
<td>Risk Sharing between Government and Private Partner</td>
</tr>
</tbody>
</table>

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**

As of October 2015
Awarded PPP Projects

- Muntinlupa-Cavite Expressway (MCX)
- PPP for School Infrastructure Project (PSIP) Phase I
- Automatic Fare Collection System (AFCS) Project
- PPP for School Infrastructure Project (PSIP) Phase II
- Mactan-Cebu International Airport (MCIA) Passenger Terminal Building Project

Start of Operation: 24 JULY 2015
- 9,223 classrooms completed & delivered
- Beep Cards are being used in all three lines (LRT 1/LRT 2/MRT 3)
- 1,500 classrooms completed & delivered
- Construction of second terminal ongoing. Installation of self-check in kiosk & other physical improvements in place
Awarded PPP Projects

- LRT Line 1 Cavite Extension and O&M Project
- NAIA Expressway (Phase II) Project
- Southwest Integrated Transport System (ITS) Project
- Cavite Laguna Expressway (CALAx) Project
- Modernization of the Philippine Orthopedic Center (MPOC) Project

**Handover of existing system to Light Rail Manila Corp. last Sept 12 2015**
- On-going pre-construction activities

**Construction**
- On-going 52.97% complete

**Contract Signed:**
- 24 April 2015
  - On-going pre-construction activities
  - Procurement of Independent Consultant

**Contract Signed:**
- 10 July 2015
  - On-going pre-construction activities
  - Procurement of Independent Consultant

**On-going pre-construction activities**
- Procurement of Independent Consultant
PROJECTS UNDER PROCUREMENT

14 PROJECTS

PHP 515.87 BILLION
USD 11.46 BILLION

(AS OF OCTOBER 2015)
PROJECTS FOR ROLL-OUT

LRT LINE 6 PROJECT
PHP 65.09 BILLION USD 1.45 BILLION

LRT LINE 4 PROJECT
PHP 42.89 BILLION USD 953 MILLION

NAIA DEVELOPMENT PROJECT
PHP 74.56 BILLION USD 1.656 BILLION

NLEX-SLEX Connector Road Project
PHP 23.20 BILLION USD 515 MILLION

BATANGAS-MANILA (BATMAN) 1 Natural Gas Pipeline Project

MOTOR-VEHICLE INSPECTION SYSTEM (MVIS) Project
PHP 44.55 BILLION USD 989.89 MILLION

PLARIDEL BYPAS TOLL ROAD PROJECT
PHP 9.39 BILLION USD 208.60 MILLION

NEW NAYONG PILIPINO ENTERTAINMENT CITY PROJECT
PHP 1.70 BILLION USD 37.81 MILLION

PHILIPPINE TRAVEL CENTER PROJECT
PHP 1.58 BILLION USD 35.2 MILLION

FOR APPROVAL OF RELEVANT GOVERNMENT BODIES

7 PROJECTS
PHP 169.70 BILLION USD 3.771 BILLION

(AS OF OCTOBER 2015)
THANK YOU!