

PUBLIC-PRIVATE PARTNERSHIP
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Philippine Ecozone Developments via PPP

Knowledge Sharing Session with Government of Mongolia
28 April 2021

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Deputy Executive Director
PPP Center of the Philippines



Philippine ecozone developments via PPP

Philippine PPP Program

Philippine Ecozones

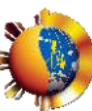
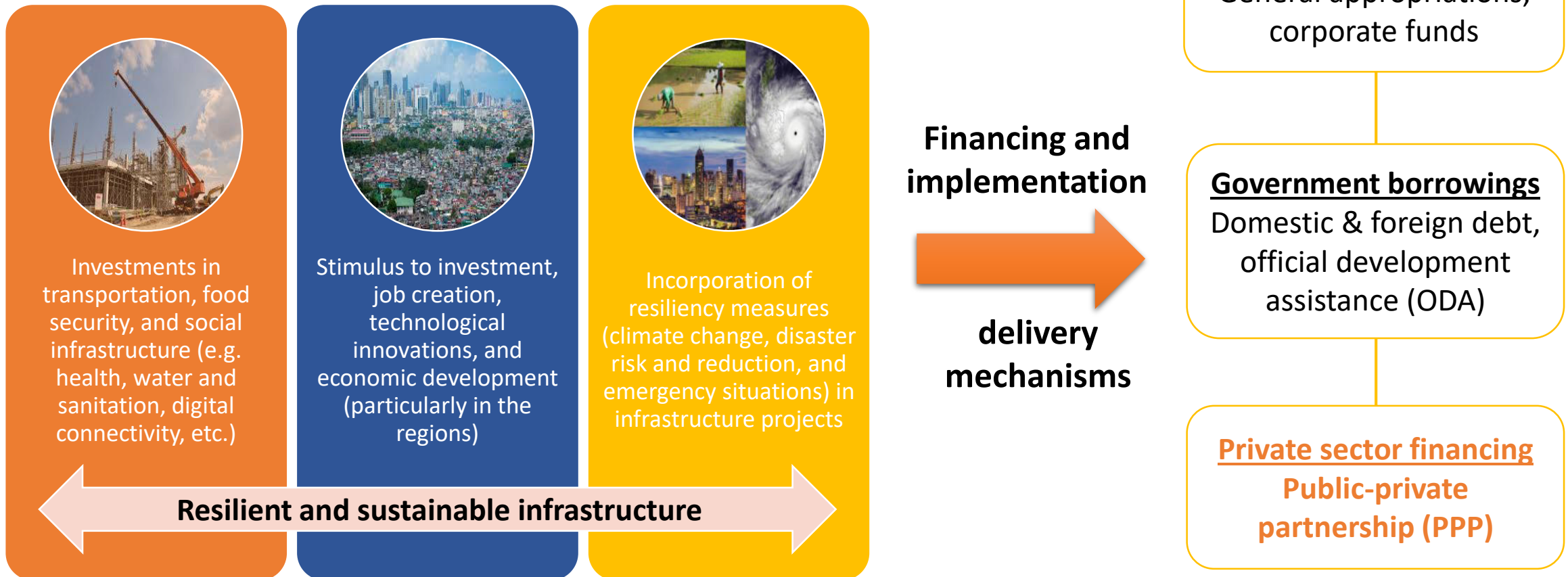
PPP Concept for Ecozone Development

Select Philippine Ecozone PPP Projects



Infrastructure development for economic recovery and resiliency

Infrastructure development, implemented via sound fiscal policies and governance frameworks, shall propel economic recovery and resiliency



PPP Center of the Philippines



PUBLIC-PRIVATE PARTNERSHIP
CENTER

The PPP Center facilitates the implementation of the country's PPP Program. It serves as a central coordinating and monitoring agency for all PPP projects in the country.



Advocate for **POLICY** reforms to enhance enabling environment



Conduct **CAPACITY BUILDING** activities to improve skills of agencies



PPP projects



as of 31 March 2021

179

AWARDED PROJECTS

PHP 1,289 Billion
(USD 26.6 Billion)

	No.	USD (bn)
National	86	24.3
Local	93	2.3

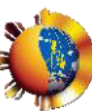
63

PROJECTS IN THE PIPELINE

PHP 7,180 Billion
(USD 148.1 Billion)*

	No.	USD (bn)
National	44	147.0
Local	19	1.1

**Total cost does not include projects undergoing studies and with costs that are yet to be finalized*



Awarded PPP projects

Transport-related projects



Muntinlupa-Cavite Expressway



NAIA Expressway Phase (II)



Metro Manila Skyway Stage 3



Cavite-Laguna Expressway



NLEX-SLEX Connector Road



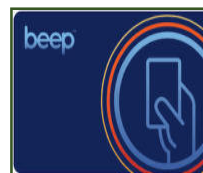
Mactan-Cebu International Airport



Clark International Airport - EPC and O&M (2 separate projects)



Bulacan International Airport



Automatic Fare Collection System



LRT Line 1 Cavite Extension & O&M



MRT Line 7



Parañaque Integrated Terminal Exchange



Taguig Integrated Terminal Exchange

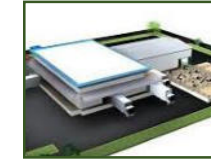
21 awarded projects since 2010



PPP for School Infrastructure (Phase I)



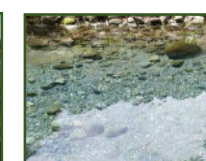
PPP for School Infrastructure (Phase II)



Rehabilitation and O&M of Kalibo Slaughterhouse



Bulacan Bulk Water Supply



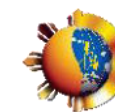
Lumbo Bulk Water Supply



Civil Registry System IT (Phase II)



Quezon City No Contact Apprehension Program



Pipeline of PPP projects

National PPPs (44)



31

Transportation
(airport, road, rail,
port, and terminal)



6

Health
(hospital facilities
and services)



5

Vertical infrastructure /
government property
development



2

IT system

Local PPPs (19)



4

Water supply and
sanitation



3

Solid waste
management



5

Vertical infrastructure /
government property
development
(e.g. university properties, public
market, and slaughterhouse)

Emerging sectors in local PPPs



2

Transportation
(e.g. port, road, bus rapid
transport [BRT], and terminal)



3

Tourism



2

IT system

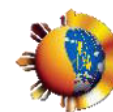


Health

(hospital facilities
and services)



Renewable energy



Philippine ecozone developments via PPP

Philippine PPP Program

Philippine Ecozones

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Philippine ecozones

Republic Act (RA) No. 7916 – “Special Economic Zone Act of 1995”

Ecozones are selected areas with **highly developed or which have the potential to be developed** into agri-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.

Philippine Economic Zone Authority (PEZA), an agency attached to the Department of Trade and Industry, is tasked to set general policies on the establishment and operations of the ecozones.

- ✓ **Industrial Estate** – large tracts of land, subdivided and developed based upon a comprehensive plan with provisions for infrastructure facilities **for the use of the industrial community**
- ✓ **Export Processing Zone (EPZ)** – specialized industrial estate primarily **oriented to export production** and is physically and administratively outside the customs territory; Enterprises located in EPZs can import capital equipment and raw materials free from duties, taxes, and other import restrictions
- ✓ **Free Trade Zone** – an area **adjacent to a seaport or airport** where imported goods could be free from duties for transshipment, storage, or repacking; goods are subject to duties if moved to a non-free trade area
- ✓ **Tourist/Recreational Zone** – an area within the ecozone where **tourist accommodation facilities** such as hotels, resorts, and/or recreational facilities are provided



Tourism enterprise zones (TEZ)

What is a TEZ?

Created by virtue of Republic Act No. 9593 (Tourism Act of 2009) to spur socio-economic development through tourism

- ✓ A tract of land with **defined boundaries master planned** to be developed into an **integrated tourism complex** prescribed carrying capacities to **host tourism enterprise facilities and services** within the property; and designated as such by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) Board;
- ✓ has **historical and cultural significance, environmental beauty**, or with existing or potential integrated leisure facilities;
- ✓ has, or it may have, **strategic access** through transportation infrastructure, and reasonable connection with utilities infrastructure systems; and
- ✓ in a strategic location such as to stimulate the **sustainable socio-economic development** of neighboring communities.

Tourism zone classifications

- Health and wellness tourism zones
- Eco-tourism zone
- General Leisure tourism zone
- Cultural heritage tourism zone
- Mixed-use tourism zone

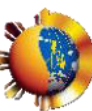
Private TEZ

❖ *owned and operated by a private entity*



Flagship (public) TEZ

❖ *initiated projects by the Department of Tourism and TIEZA*



Philippine ecozone developments via PPP

Philippine PPP Program

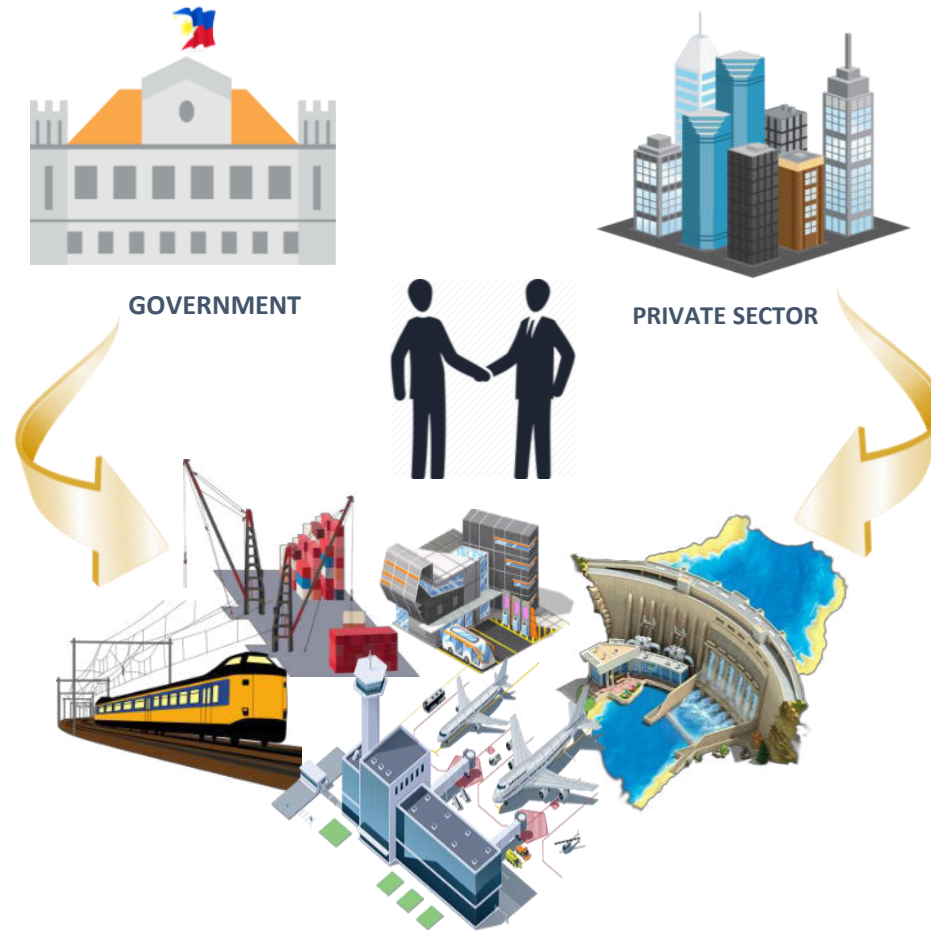
Philippine Ecozones

PPP Concept for Ecozone Development

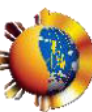
Select Philippine Ecozone PPP Projects



PPP concept



- A contractual agreement between the government and a private firm targeted towards financing, designing, implementing and operating infrastructure facilities and services that were traditionally provided by the public sector
- It embodies optimal risk allocation between the parties – minimizing cost while realizing project developmental objectives



PPP benefits

Integrated approach

- Proper alignment of incentives (among contractor, operator and maintenance provider) in a whole-of-life approach

Private sector capacity

- Can address implementing agencies' limited absorptive capacity and government's limited fiscal space

Optimized risk allocation

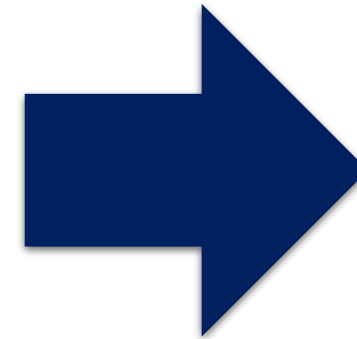
- Allocation of risks to party who can best manage them (e.g. risk of cost and time overruns allocated to private partner)

Output specifications

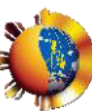
- Government can tap private partner's expertise in a design that adheres to output specifications

Revenue potential

- Revenue sharing with private partner
- Revenues from commercial activities



Incentive to improve service delivery and maximize value of government asset



PPP options for ecozone development

A. Integrated PPP approach

Integrated development

Private sector partner (PSP) to develop and maintain the entire ecozone



B. Unbundled approach - *Selected components via PPP*

Specific stand-alone projects

PSP to develop selected project component or deliver specific service in an ecozone

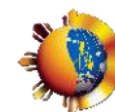
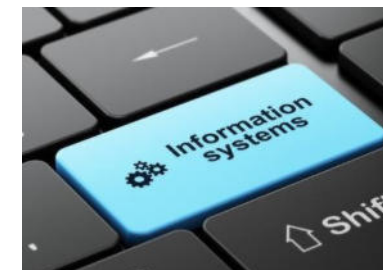
Select ecozone areas



Transport and logistics



Support facilities



PPP options for ecozone development

A. Integrated PPP approach

Integrated development	Private sector partner (PSP) to develop and maintain the entire ecozone
Possible component	Design, financing, construction, and O&M including marketing and development of support facilities
Advantages	<ul style="list-style-type: none"> • Single procurement process and point of accountability • Minimal interface risk between project components • Varying potential investment recovery mechanisms

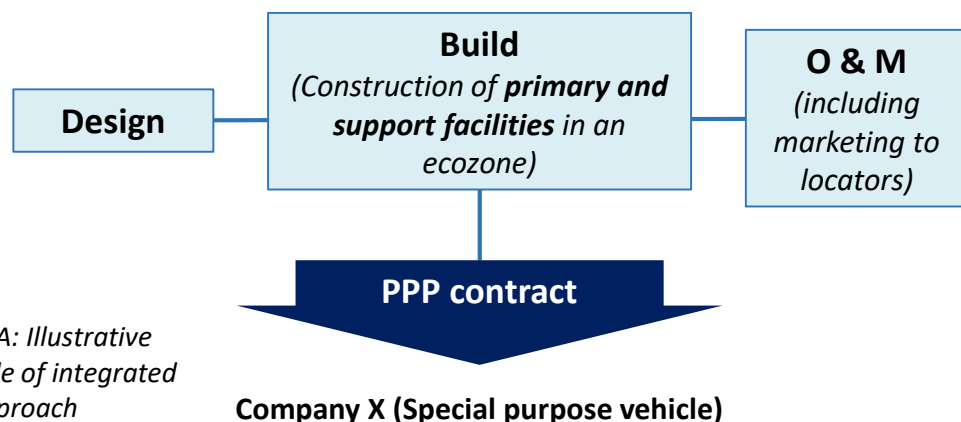


Figure A: Illustrative example of integrated PPP approach

B. Unbundled approach - *Selected components via PPP*

Specific stand-alone projects	PSP to develop selected project component or deliver specific service in an ecozone
Possible component	Development of select ecozone components (e.g. certain areas as IT parks) and/or support facilities such as transport/logistics, power, water, sanitation, solid waste management, IT systems, administration building, etc.
Advantages	<ul style="list-style-type: none"> • Only key components will involve a PPP proponent • Flexibility in choosing private partners for every component

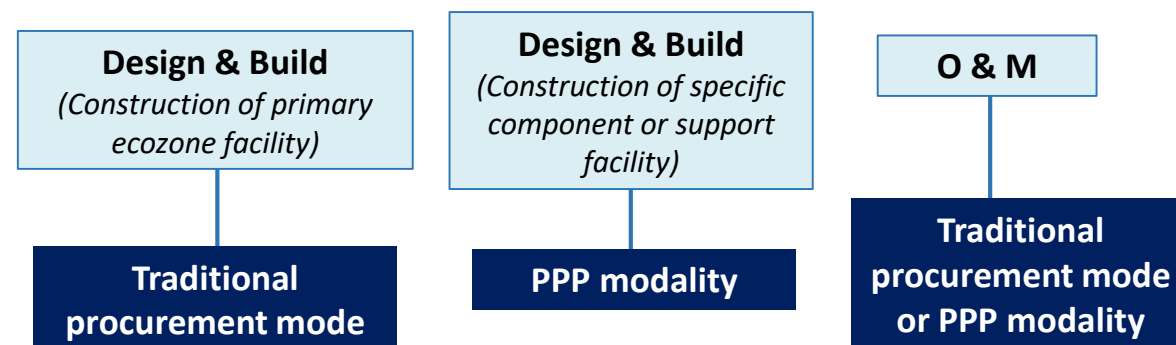
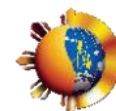


Figure B: Illustrative example of unbundled approach



Philippine ecozone developments via PPP

Philippine PPP Program

Philippine Ecozones

PPP Concept for Ecozone Development

Select Philippine Ecozone PPP Projects



Select PPP projects - awarded

Transport/logistics

Clark International Airport Expansion – EPC and O&M



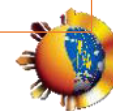
Implementing agency: Bases Conversion and Development Authority

Project location: Clark Special Economic Zone (CSEZ), Angeles City, Pampanga (Luzon)

Status: Operational

- ✓ The government intends to develop and market Clark International Airport as a **major gateway to Northern and Central Luzon** and attract both airlines and passengers from its catchment area.
- ✓ The new 82,600 m² passenger terminal building has a design capacity of eight million passengers per annum.
- ✓ The Project involves two components:

PPP structure	Build-Transfer (Engineering, Procurement and Construction)	Operations & Maintenance
Project cost	PHP12.55 bn (USD25.9 bn)	PHP5.61 bn (USD11.6 bn)
Procurement mode	Solicited (single stage bidding process)	Solicited (single stage bidding process)
Concession period	2 years (2018-2020)	25 years (2019-2044)
Private sector partner	Megawide-GMR Construction Joint Venture, Inc.	Luzon International Premiere Airport Development Corporation (LIPAD)



Select PPP projects - under approval

Transport/logistics

San Ramon Newport



Implementing agency: Zamboanga City Special Economic Zone Authority

Project location: Zamboanga Peninsula (Mindanao)

Status: For approval of relevant government bodies

Expected bid date: Q4 2021 - Q1 2022

- ✓ The Project involves the **design, construction, operation and maintenance (O&M)** of a **world-class seaport** to act as a trade gateway hub for the ZamboEcozone and as a transshipment hub for the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).
- ✓ The Project will be **constructed in three phases** with the following facilities:

Phase 1

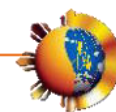
- 320m quay wall to accommodate a maximum of 7,000-TEU vessels
- 260m wide floating breakwater facility
- 7.6-ha container yard
- Support infrastructures (e.g. admin. buildings, workshop, gatehouse, and warehouse)

Phase 2

- Container yard expansion by 1.6 ha
- Additional warehouse

Phase 3

- Quay wall expansion by 320m
- Container yard expansion by 1.6 ha (thus increasing total yard size to 10.8 ha)
- Construction of additional warehouse



Select PPP projects - under development

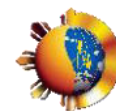
Integrated development

UP Los Baños Agro-Industrial and Information Technology Parks



Implementing agency: University of the Philippines (UP)
Project location: Los Baños, Laguna (Luzon)
Status: Ongoing preparation of feasibility study
Expected bid date: Q4 2021

- ✓ The Project involves the development of an **Agro-Industrial Park (AIP)** and **Information Technology Park (ITP)** through the establishment of a world-class academic, research, and community support facilities which would enable the conduct of collaboration, scholarly exchanges, and scientific innovation.
- ✓ UP aims to ensure that there is focused utilization of the Special Economic Zone (SEZ), which will **add value to UP's mandate, research, and extension activities, increase its income** through the revenues generated from the SEZ's operation, and **provide for the self-sufficiency** of the economic zone.
- ✓ The Project is envisioned to include the following developments:
 - Visitor's center
 - Walk-up apartments
 - Hostel/dormitory
 - Commercial complex
 - Conference center
 - Futura park
 - Business complex park
 - Institute of Plant Breeding Greenhouses
 - Philippine Genome Center
 - New National Plant Genetic Resources Laboratory Gene Bank



Select PPP projects - under development

Integrated development

TIEZA Clark Tourism Enterprise Zone



Implementing agency: Tourism Infrastructure and Economic Zone Authority (TIEZA)
Project location: Clark, Pampanga (Luzon)
Status: On-going market sounding
Expected bid date: Q3 2021 – Q2 2022

- ✓ The Project involves the **development, operation, and management** of the Clark TIEZA Tourism Economic Zone (TEZ), as well as the **development of an assortment of tourism enterprises** that will complete the sustainable tourism experience in the area in order to achieve optimum worth of the TEZ pursuant to its Comprehensive Tourism Master Plan.
- ✓ The complex is envisioned to be an **all-day tourist destination** be located on a 20 ha. greenfield property inside the Clark SEZ, anchored on the Premier Shopping Outlet Facility.
- ✓ The Project is envisioned to include the following developments:

Phase 1 (years 1-3)	Phase 2 (years 4-5)	Phase 3 (years 5-6)
<ul style="list-style-type: none">• Site development and utilities• Premier shopping complex• 5-star hotel• M.I.C.E facility• Transport terminal• Tourist assistance center	<ul style="list-style-type: none">• Food and entertainment hall• Fitness club• Business hotel	<ul style="list-style-type: none">• Villas• Team building facilities• Indoor theme park





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PPPPinas

Ecozones in the Philippines

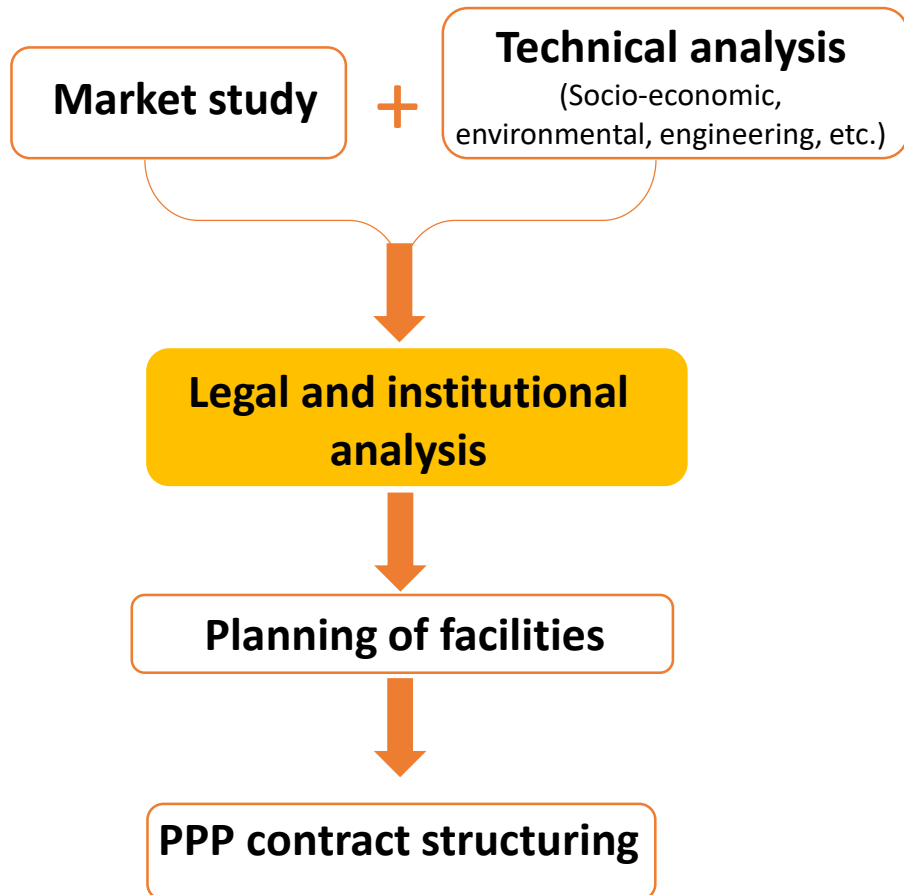
Tourism Infrastructure and Enterprise Zone Authority

- ✓ A Government Owned and Controlled Corporation (GOCC) attached to the Department of Tourism (DOT)
- ✓ It was created by virtue of RA no. 9593, otherwise known as the Tourism Act of 2009.
- ✓ It is responsible for implementing policies and programs of the DOT pertaining to the development, promotion, and supervision of tourism projects in the Philippines.
- ✓ TIEZA's main tasks include building tourism infrastructure, designation, regulation and supervision of Tourism Enterprise Zones (TEZs), operation and management of TIEZA Assets, and the collection of the Philippine Travel Tax.



PPP options for ecozone development - other considerations

Simplified project development approach and methodology



Factors to consider in legal and institutional analysis

Legal framework

Legal framework **identifies the approach** in which a Project may be carried out as a PPP. Where there are various options for a PPP framework, analysis will usually involve a comparison between these options, as well as an **assessment of the government authority's capacity to undertake the project in one approach or the other.**

Participation of foreign nationals

Productive foreign investments are typically encouraged in ecozones, however, this participation is **usually regulated** and a **review on applicable regulatory laws** must be considered in developing PPPs.

Property arrangements

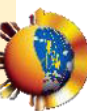
This involves analysis on the possible property arrangements that the government may enter into in respect of **the parcels of land forming an ecozone** (i.e., transfer of ownership or grant of discrete rights such as rights of possession or access).

Tax consequences

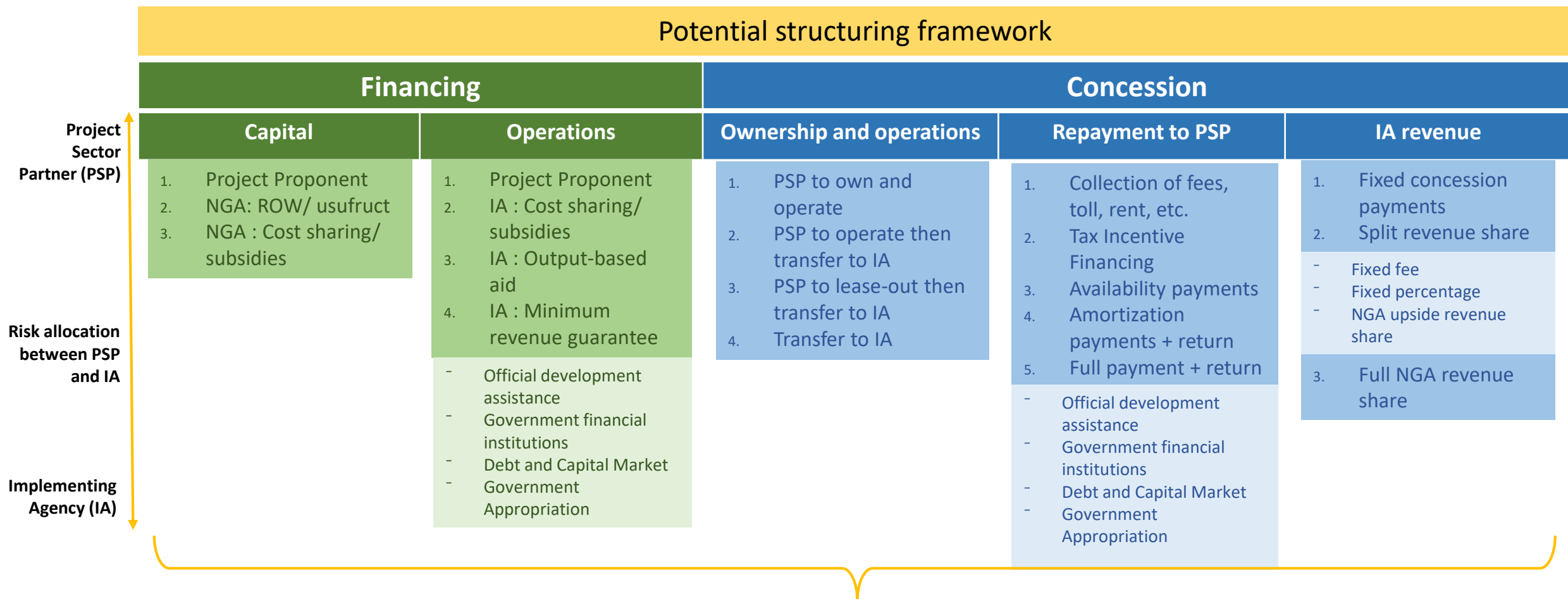
A review of the **government's position from a tax perspective** in possible partnerships with the private sector and applicable laws is a factor to consider in developing ecozone PPPs as well.

Contractual arrangements with locators

Where there are existing arrangements/ partnerships with stakeholders in a prospective ecozone site, the government must take into account how to position these existing stakeholders in the **project objectives and delivery options.**



Potential structuring framework of ecozone PPPs



Delivery considerations	Risk allocation considerations		
<ul style="list-style-type: none"> - BOT Law - Joint Venture <ul style="list-style-type: none"> - JV agreement - JV company 	<ul style="list-style-type: none"> - Demand risk - Regulatory risk - Project financing - Inflation and foreign exchange 	<ul style="list-style-type: none"> - Basic ROW - Design/ construction/ operation/ maintenance - Political risks 	<ul style="list-style-type: none"> - Force majeure - Turn-over of concession

Source: Proposed Initial Structuring Framework for the UPLB Agro-Industrial and Information Technology Parks Project - Inception Report by PDMF TA (SGV)

