LOCKING PRIVATE SECTOR PARTICIPATION INTO INFRASTRUCTURE DEVELOPMENT IN THE PHILIPPINES

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ABSTRACT

The Government of the Philippines continues to pursue its policy of encouraging the private sector to participate in the financing, construction, management and operation of infrastructure services and facilities in the country. Through the BOT Law, (Republic Act No. 7718), the Government has put together a portfolio of approximately US$ 25 billion in infrastructure projects involving private sector investments. A number of these are big-ticket transport projects which could not be funded solely from government coffers in view of the magnitude of the capital investments required. To ensure the steady promotion of infrastructure projects that are ready for private sector investments, the Government established the Build-Operate-Transfer Center (BOT Center), whose mandate is to find technical, legal, financial, economic and institutional solutions to help government implementing agencies to make BOT projects work. This paper focuses on the role of the BOT Center in promoting private sector projects and also discusses BOT as a contractual arrangement under the BOT Law and considerations that the private sector makes in undertaking a BOT project.

INTRODUCTION

It is a fact that infrastructure projects are capital-intensive propositions. In many countries, the difficulty of financing both the construction and the operation and maintenance of infrastructure services

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and facilities directly from government coffers is more of a rule than an exception. While official development assistance (ODA) funds provide great relief and augment the budget pie, ODA donors nevertheless require counterpart funds from the Government. Moreover, the absorptive capacity of government agencies and the national Government itself becomes the crux of the matter. In the Philippine context, regardless of whether the funding for a project emanates from an ODA source or locally generated funds, the capital requirements for that project should be covered within the budget ceiling of the implementing department. This has often been the limiting factor in ODA projects.

In the early 1990s, the Government of the Philippines found itself facing a predicament of declining financial resources and absorptive capacity vis-à-vis the rising demand for more and more infrastructure services and facilities. Twelve-hour power outages were crippling the economy as government was unable to finance the necessary power plants to meet basic growth in demand. And true to the dictum that “necessity is the father of invention”, it was because of rising needs that the Government ventured into an innovative approach of tapping private sector resources in bridging the infrastructure gap in the country.

On 10 July 1987, President Corazon Aquino issued an Executive Order (EO 215) allowing independent power producers (IPPs) to put up power generation plants in the Philippines on a “take-or-pay” basis in order to avert the power crisis that threatened the country’s economic and political stability. Under EO 215, the IPPs quickly infused a total investment of about US$ 6 billion to build an aggregate installed capacity of 4,800 megawatts. Availability of money and speed of implementation were the two elements that allowed the private sector to do what the Government wanted delivered. Subsequently in 1991, Republic Act No. 6957, otherwise known as the Build-Operate-Transfer (BOT) Law, was enacted.

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1 “Take or pay” refers to an arrangement in which the Government assumes market risk by assuring the BOT proponent that whatever is produced will be bought by government even in conditions where there is a shortfall in the demand for the services/goods being provided by the proponent.
I. THE BOT LAW AND CONTRACTUAL ARRANGEMENTS

A. The BOT Law

The BOT Law was designed to encourage further investments in other infrastructure sectors mainly by offering a clearer framework and fiscal incentives to private investors in public infrastructure.

Three years after it was passed, Congress introduced amendments to the BOT Law through Republic Act No. 7718 (the Amended BOT Law). Among the amendments was the introduction of the “unsolicited proposal” route, which allowed government agencies to accept project proposals initiated by prospective BOT investors.

The Amended BOT Law set the general policy environment for the pursuance of BOT projects and its variants:

“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...for the purpose of financing the construction, operation and maintenance of infrastructure and development projects normally financed and undertaken by the Government.”

The BOT framework allowed government departments to implement crucial projects and circumvent the concern about departmental budget ceilings. The cost of financing the capital investment was passed on to the private sector. The framework also allowed the introduction of the basic principle of “user pay”. The Government’s role would be more as a regulator rather than as a financier/operator.

The law, however, allowed the Government to subsidize, contribute equity or guarantee performance to ensure that the project was viable. However, this was only applicable if the project was competitively and publicly bid. In this case, the implementing department would only be concerned about budget cover if the BOT project was structured in such a way that the Government had to directly participate in the project, e.g., by providing a direct subsidy, equity or guarantee. For instance, in the planned Ninoy Aquino International
Airport (NAIA) Expressway Project (a four-lane elevated expressway to provide uninterrupted access to the NAIA complex), the Department of Public Works and Highways (DPWH) as implementing agency first conceived the project as a purely ODA undertaking. However, upon realizing that its budget ceiling in the coming years would not allow it to absorb the capital requirements of the project, it changed the implementation scheme to mixed public-private BOT financing. The shift in scheme required DPWH to cover under its budget only the amount required for DPWH to directly participate in the project, approximately 50 per cent. The financial analysis in the feasibility study showed that DPWH would have to build a portion of the expressway (as a subsidy to the project) for the remaining portion to be attractive for private sector participation.

**B. The BOT as a contractual arrangement**

1. **Role of the private sector**

Under the BOT Law, the relationship of the Government and the private proponent is defined by way of a BOT contract. Ideally, the BOT contract allows the private sector to pursue its goal of realizing a profit while at the same time guarding the interest of the general public as users of the infrastructure facility. The partnership between government and the private sector is therefore governed by the principle of mutualism.

The BOT Law itself provides for the various contractual arrangements or schemes that the Government and the private sector can enter into in implementing an infrastructure project. Under a BOT scheme, for example, the private sector finances, constructs and, in certain cases, operates the infrastructure facility for a given period of time (usually referred to as the concession or cooperation period). To recover its investments with a reasonable return, the private sector is allowed by government to collect fees from the users of the facility. After the concession period, the private sector/proponent transfers or turns over the ownership of the facility to the Government.
2. Role of government

The Government also has obligations under a BOT contract. On a case-by-case basis, the Government provides various forms of credit enhancements. Moreover, usually it undertakes to assist the private sector in securing government permits/documents as may necessary. In cases where the private sector has been allowed to operate the facility, the Government takes the role of a regulator in order to ensure that the public is not unduly burdened by the fees imposed. Government regulation comes in two forms. The first is technical regulation, wherein the Government regulates the BOT project by way of technical and performance standards set for the whole industry, mostly to ensure safety and conformity with international standards. Second, the Government performs economic regulation, wherein initial tariff levels and subsequent adjustments are the prime concerns.

In certain sectors, the Government has existing regulatory agencies/bodies performing the role of a regulator. However, in areas where there is no regulatory agency in place, technical and economic regulation is provided in the BOT contract itself (a case of “regulation by contract”). Technical regulation is done by way of a pre-agreed set of technical and operational standards (consistent with existing laws) and forms part of the BOT contract. With regard to the tariffs, the BOT contract would usually contain a predetermined parametric formula, which defines the parameters that will govern the adjustments to the existing tariff levels in the future.

3. Variant schemes

In view of the fact that BOT projects are envisaged as tailor-fit solutions and could vary in form depending on the existing conditions, the BOT Law authorizes several BOT variants: (a) Build-Operate-Transfer (BOT); (b) Build-Own-Operate (BOO), which requires the approval of the President of the Philippines; (c) Contract-Add-Operate (CAO); (d) Develop-Operate-Transfer (DOT); (e) Rehabilitate-Own-Transfer (ROT); (f) Rehabilitate-Own-Operate (ROO); (g) Build and Transfer (BT); (h) Build-Lease-Transfer (BLT); (i) Build-Transfer-Operate (BTO); and (j) other variations as may be approved by the President of the Philippines.
The variants embodied in the BOT Law give flexibility to both the Government and the private sector in approaching a BOT project. For instance, if there is already an existing facility which only needs to be rehabilitated, instead of building a totally new facility under a BOT scheme, the parties can opt for a Rehabilitate, Operate and Transfer or ROT scheme. Also in cases where there are certain difficulties in having the private sector directly operate the facility (especially in projects involving public utilities), the parties can choose to approach the project through a Build-Transfer (BT) or Build, Lease and Transfer (BLT) scheme.

To further improve the flexibility in approaching BOT projects, the Government continues to study other schemes/modalities. There are several other schemes that have been identified in the course of working with the private sector over the years. These modalities, like concession agreements, management contracts and lease agreements, are being studied for possible inclusion as additional variants under the Law. It may be noted that the BOT Law actually provides for a tenth or “other” variants, but these require the approval of the President of the Philippines. An interim measure being envisioned by the BOT Center is to have an Executive Order from the President of the Philippines that will pre-identify and approve these additional variants/modalities. However, a more stable, albeit long-term solution would be to amend the BOT Law.

II. IMPACT OF THE BOT LAW ON THE ECONOMY

From the macroeconomic standpoint, the BOT Law has made a significant impact on the economy. To date, the aggregate project cost of all private sector-participated projects (at various stages) in the Philippines since EO 215 was issued in 1987 amounts to about US$ 25 billion. Of this, about US$ 16 billion represents completed and operational BOT projects (inclusive of the US$ 6 billion investments of IPPs in power generation under EO 215). This represents the “additionality” to the Philippine economy, which would have been difficult to achieve without the BOT Law.

The figure gives a breakdown of all the BOT projects by sector. There are at present 45 power-related projects at various stages of
development with an aggregate amount of about US$ 10 billion. In the transport sector, there are 20 projects at various stages of development with an aggregate amount of US$ 6 billion. Also, there are 17 environment-related BOT projects at various stages of development with an aggregate amount of about US$ 8 billion. The remaining 49 projects are property development, information technology and other projects.

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Projects</th>
<th>Total Cost (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>20</td>
<td>6.07 billion</td>
</tr>
<tr>
<td>Power</td>
<td>45</td>
<td>10.18 billion</td>
</tr>
<tr>
<td>Environment</td>
<td>17</td>
<td>8.19 billion</td>
</tr>
<tr>
<td>IT</td>
<td>20</td>
<td>0.28 billion</td>
</tr>
<tr>
<td>Property development</td>
<td>25</td>
<td>0.58 billion</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>0.42 billion</td>
</tr>
</tbody>
</table>

Source: Database of the Project Monitoring and Facilitation Group of the BOT Center.

Breakdown of BOT projects

It is also apt to mention the multiplier effects of the US$ 16 billion worth of projects already in place and currently operating in the country. In the transport sector, for instance, the MRT 3 project, a light rail transit system that plies the EDSA (Metro Manila’s busiest thoroughfare) has greatly improved the lives of its daily commuters. The economic impact of the savings in time and vehicle operating costs brought about by the project must be staggering, not to mention the multiplier effect on the economic productivity of each and every one who benefits from the use of the commuter rail system. With a project cost of about US$ 655 million, it would have not been possible for the Government to build the facility by itself. In the same vein, the economic impact of savings in time and vehicle operating costs from
using the Manila-Cavite Toll Expressway (MCTE) is also significant considering the actual traffic generated by the toll facility everyday. The MCTE benefits thousands of denizens of Cavite who need to travel to their places of work in Metro Manila everyday. Annex I shows the completed and ongoing BOT projects in the transport sector. A list of transport projects that are in the process of approval is provided in annex II.

III. ROLE OF THE BOT CENTER

Behind the BOT projects that are now completed and operational, and those that are at earlier stages of development, is the BOT Center, a government agency tasked to coordinate and monitor the implementation of the provisions of the BOT Law. The BOT Center’s mandate is to find financial, technical, institutional and contractual solutions to help implementing agencies and local government units (LGUs) to make BOT projects work.

The BOT Center is spearheaded by an Executive Director, who reports directly to the Secretary of the Department of Trade and Industry (DTI). Below the Executive Director are two Deputy Executive Directors; one heads the Project Development Group and the other heads the Program Operations Group. The Project Development Group is composed of sectoral divisions (Transport, Power and Environment, Information Technology, Social Infrastructure and Special Concerns), who deal directly with client agencies in the development of BOT projects. Meanwhile, the Program Operations Group is composed of the Program Monitoring and Management Information Division, which monitors the overall BOT Program and prepares accomplishment reports for submission to Congress and the President of the Philippines; the Marketing and Resource Mobilization Group, which is in-charge of media-related activities and activities pertaining to securing funds for activities (e.g., feasibility studies) relating to BOT projects; and the Administration and Finance Group.

The BOT Center has the Coordinating Council of the Philippine Assistance Program (CCPAP) as its predecessor. CCPAP was created under Administrative Order (AO) No. 105 s. of 1989 to take the lead role in coordinating efforts to effectively mobilize international aid and
to ensure its successful implementation. CCPAP was converted into the Coordinating Council for Private Sector Participation (CCPSP) under AO No. 67 s. in 1999 mainly to enhance private sector participation in infrastructure projects.

Recently, the President of the Philippines issued EO No. 144 s. 2002, which mandated the reorganization and conversion of CCPSP and its technical secretariat to the BOT Center, transferring its attachment from the Office of the President to DTI.

A. Helping government agencies and LGUs to implement BOT projects

The BOT Center performs a unique role in the Philippine bureaucracy. First and foremost, as the agency tasked to market BOT as an investment scheme, the BOT Center stands behind the implementing agencies and LGUs in developing solicited BOT projects and likewise in assessing unsolicited BOT proposals. With regard to solicited projects, the BOT Center liaises with sectoral agencies even at the early stages of project identification. In the planning activities of agencies, the BOT Center is usually invited to present BOT as an implementation option. The BOT Center identifies projects and activities that can be bundled (or unbundled, as the case may be) in order to package a BOT that is attractive to private investors. These activities are those that exhibit sufficient revenue streams.

A portfolio of projects that are ready for BOT is maintained at the BOT Center (annex II). These projects are usually included in the BOT kits and marketing documents that are distributed to prospective investors. The list is consolidated by the Program Operations Group from the inputs gathered from the agencies through the sectoral teams under the Project Development Group. The portfolio of projects serves as the shopping list for BOT investors, who later are also invited to the bid conferences held for each project. The projects in the shopping list, however, are at various stages of the government approval process. A project, after its identification by the concerned line agency, is endorsed to the National Economic and Development Authority (NEDA) for Investment Coordination Committee (ICC) approval. ICC has two levels, the Technical Board and the Cabinet Committee, and a project
has to go through twice (the first pass is project approval and the second pass is BOT contract approval) on both levels, after which the project is approved by the NEDA Board itself, which is chaired by the President of the Philippines. Optimistically, a project goes through the whole NEDA-ICC process within five months, assuming that all information has been made available to NEDA by the agency. After the NEDA-ICC process, the project is ready for bidding by the proponent agency.

The BOT Center has the skills set that enables the Government to look at a prospective BOT project closely to see if it will hold water as a BOT undertaking. Those that exhibit potential for private sector participation, i.e., those technically viable for operation under private hands and capable of generating a steady revenue stream to justify a reasonable level of profit, get a big push from the BOT Center. By contrast, those that exhibit little potential owing to technical and/or financial considerations are nipped in the bud.

The BOT Center conducts financial analysis not only from the project point of view (which is the approach used by the NEDA-ICC secretariat for assessing ODA projects) but more importantly from the investor’s point of view. It is important to assess a BOT project’s viability in the eyes of those who will invest in it. For instance, in the financial modelling for the planned NAIA Expressway Project, it was realized that the impact of real property taxes and value-added taxes significantly affects the financial viability of the project from the equity investor’s standpoint.

Institutional memory is also important in making BOT projects work. The ability to replicate good lessons and discard bad lessons adds to the BOT Center’s foresight in packaging BOT projects and managing uncertainties. For example, unclear provisions on taxes and step-in rights of lenders in past BOT contracts paved the way to murky interpretations. Learning from the past, the BOT Center now ensures that these provisions in new BOT contracts are made explicit and clear.

Having worked with the private sector in many BOT projects in the past, the BOT Center has also enhanced its contract negotiations skills. As a result, the government is now able to negotiate better deals with the private sector than in the past. While the private proponents
bring highly skilled negotiators to the table when they structure a deal for a BOT project with the implementing agency, the BOT Center’s technical expertise props up the ability of the implementing agency to cut a fair deal.

Unique also to the BOT Center is its ability to “hold the hand” of the private sector and guide it through the processes required in doing BOT projects in the Philippines. For example, as part of its “marketing” role, the BOT Center helps the private sector to understand the requirements imposed by the BOT Law. For instance, the Center prepares an indicative timeline to show the conservative and/or optimistic time frames required to move a project from development stage to implementation stage. This helps the private sector to manage uncertainties from its side.

B. The project development facility

The BOT Center also maintains a monitoring database for all BOT projects. From this database, the Government is able to track the overall impact of the BOT Law. Apart from the project database, the BOT Center maintains a database of eligible consultants for the conduct of feasibility studies and preparation of tender documents under the Project Development Facility (PDF). PDF is a revolving fund managed by the BOT Center and at present has a kitty of about US$ 3.75 million. PDF can be tapped by implementing agencies and LGUs for the preparation of project studies and tender documents. The cost of the preparation of these documents becomes part of the project cost and will be reimbursed by the winning bidder once the project is successfully tendered. In the case of the NAIA Expressway Project, DPWH secured a PDF loan amounting to US$ 150,000 for the preparation of the feasibility study and bid documents. If successfully tendered at the end of the day, the winning bidder will reimburse the full cost to PDF. DPWH therefore ends up not paying a single centavo for the preparation of the project. The advantage of tapping PDF for a solicited project is that the Government is able to tap the services of a credible consultant to help in verifying project assumptions. For the operational aspects of the NAIA Expressway Project, the BOT Center and the consultant went through the rigours of simulating traffic movements per direction only
to ascertain that the project will be operationally tenable especially from the user’s point of view.

Finally, the BOT Center is also a full member of ICC, at both the Technical Board and Cabinet levels. ICC is an inter-agency body that provides policy guidance on both ODA and BOT investments in the country. As a member of ICC, the BOT Center is able to do policy advocacy to help to improve the implementation of BOT projects.

IV. CONSIDERATIONS OF THE PRIVATE SECTOR

The willingness of the private sector to venture into doing BOT projects in the Philippines is governed by many considerations. Each project is a business venture and therefore there has to be a balance between risks and potential for profit.

From the point of view of prospective lenders to a BOT proponent, or the proponent itself, a project should have a good indication that the investors will generate a reasonable rate of return. The bottomline concern of the private sector is always the bankability of the BOT project. If a project can be reasonably financed by leveraging debt and allow the private proponent to come out with a reasonable return on equity, then the project is potentially a good one to participate in. However, while a project exhibits financial viability, the private sector would want some level of comfort with regard to some factors that usually bring about uncertainties. Considering that there currently exists very limited domestic long-term financing and therefore there is heavy reliance on foreign financing (which entails the payment of interest to cover certain risks associated with the economic stability of the country) for big-ticket infrastructure projects in the Philippines, the private sector would be very wary about their investments unless the Government is able to mitigate some, if not all, of the uncertainties.

Strong government institutional support

A BOT project should enjoy the full support of the government agencies concerned. The private sector will not be interested in participating in a project that meets with clear opposition from certain
sectors in government. The Government should be able to show its strong institutional support by securing the right-of-way and other permits/documentation required so that a project can be implemented seamlessly as soon as the private sector is ready to start construction.

In the case of the Manila North Tollways Project, the Government allocated about P 500 million and secured all the rights of way required by the project in June 2002, the right-of-way acquisition being a condition of the proponent’s lenders prior to first drawdown.

**Credit enhancements**

The private sector may also require government support in the form of credit enhancements that would allow the private sector to tap financing sources at reasonably low interest rates. This support may be in the form of project subsidies that the project may require in order to make it a worthwhile undertaking for the private sector. It may also come by way of government guarantees (sovereign guarantee in the form of a performance undertaking or PU) that would allow lenders to take comfort in the fact that the obligations of the implementing agency in the BOT contract enjoy the full faith and credit of the Government of the Philippines.

**Cut-and-dried regulatory processes**

The regulatory aspects should be clear-cut in order that the uncertainties faced by the private sector are minimized. Regulatory concerns would usually be the setting of tariffs and the parametric formula by which a proponent may adjust its tariff rates. In the transport sector, for instance, each subsector has a regulatory agency in place. In toll roads, the Toll Regulatory Board (TRB) performs both technical and economic regulation. In the water transport sector, the Philippine Ports Authority is the regulatory agency except for ports under the Cebu Ports Authority. In the civil aviation sector, the Civil Aeronautics Board performs economic regulation while the Air Transportation Office performs technical regulation. However for airports under the control of the Manila International Airport Authority (MIAA) and other airport authorities, the respective authorities perform the regulatory functions. For rail projects, the DOTC and/or LRTA perform regulation.
In the case of the NAIA Expressway Project, the BOT Center, together with DPWH, has coordinated the preparation of a Memorandum of Understanding (MOU) between DPWH and TRB stipulating that TRB will actively participate in the ICC review process wherein it will voice all its concerns so that there will be no need to conduct a separate TRB review. This innovative approach allows the private sector to gain comfort in the fact that the TRB review as a factor of possible uncertainty is effectively managed early on.

Management of other uncertainties

For the planned NAIA Expressway Project, the BOT Center facilitated the resolution of the issue relating to the “exclusivity of franchise” of the operator of the Metro Manila Skyway (a joint venture project between CITRA and the Philippine National Construction Corporation, a government-controlled corporation). The issue pertains to the claim of CITRA/PNCC that their franchise actually covers all toll roads connecting to the present Skyway and, therefore, awarding the franchise for the NAIA Expressway Project to another operator will violate CITRA/PNCC’s rights. Through a series of consultations, CITRA eventually agreed to support the Project’s implementation.

The operational integration/interface issue of the planned NAIA Expressway with the Metro Manila Skyway issue is also being addressed by the BOT Center. Through a series of consultations, the concerned parties agreed that the operational integration arrangement will be covered by a Memorandum of Agreement between DPWH and CITRA/PNCC to lock in commitments from both sides.

Consultations were also conducted with UEM-MARA, the owner/operator of the Manila-Cavite Tollways Project. The issue is the impact of the NAIA Expressway Project on the demand for a parallel toll road project (the C-5 Link) that UEM-MARA will build in the future as part of its existing toll road.

V. A BIAS FOR SOLICITED PROJECTS

The BOT Law actually allows two tracks for the development and implementation of BOT projects. One is the unsolicited track,
wherein the private sector is allowed to submit BOT project proposals to the implementing agencies, and the other is the solicited track, wherein the implementing agency prepares the feasibility study and other appurtenant documents and solicits bids from prospective proponents. In the case of the former, the resulting project is usually not eligible for direct government guarantees, subsidies or equities. For solicited projects, the Government is able to provide support that may be required simply because of the fact that such support has actually been established by government itself.

In the case of the NAIA Expressway Project, the required participation of government in building Phase 1 and the required cash subsidy for BTO/Phase 2 have been established through the feasibility study prepared by DPWH through the assistance of a project consultant procured through PDF. Since it is a solicited project, the Government is allowed under the BOT Law to provide the following support:

**Phase 1 contribution**

Even at the early stages, the Government recognized that the project will only be viable for private sector participation if the Government participates directly in constructing Phase 1 of the project. The simultaneous mobilization of ODA and private finance was therefore explored. The initial assumption was that the ODA financing could be fast-tracked so that the completion of the whole project would coincide with the opening of NAIA International Passenger Terminal 3 (IPT3) by the end of 2002 or early 2003. However, in November 2001, a JBIC fact-finding mission indicated that the Project would have to follow the normal JBIC procurement process, which would see the Project completed in June 2006 at the earliest. Finding the completion date of the ODA component unacceptable, the Task Force decided that the DPWH component should be financed through local funds.

**Advances for initial activities**

Moreover, given the constraints in government resources, possible internal funding sources for the initial/preparatory work were explored particularly from those agencies that would benefit from the Project. The Cabinet Task Force for the NAIA Expressway secured
commitments from various government corporations that have a stake in the project (MIAA and the Bases Conversion Development Authority) to provide cash advances to implement preparatory activities.

**Cash subsidy**

Finally, the results of the financial model developed by the DPWH consultant for the NAIA Expressway Project showed that the project would not be viable if implemented solely through private resources. A subsidy must be extended to the Project to make it attractive to potential investors. Recognizing the importance of the project to the Arroyo administration, the Government decided to beef up its share in the capital cost for the NAIA Expressway by way of a direct/cash subsidy that will be made available to the BOT proponent after Phase 2 is awarded. The magnitude of the cash subsidy will be the bid parameter for bidding of Phase 2. The bidder asking for the lowest level of subsidy will be awarded the BOT contract.

**CONCLUSION**

It has long been the national policy of the Government to regard the private sector as the main engine of growth and development. Private sector participation (PSP) is firmly embodied in the country’s development policies and strategies. In her 2001 State of the Nation Address, Her Excellency President Gloria Macapagal-Arroyo declared that private sector resources shall be harnessed for the implementation of infrastructure projects.

The BOT Law, as the framework for pursuing BOT projects in the Philippines, provides not only the legal basis for that but also provides a transparent and competitive procurement process for BOT. With the BOT Law and the BOT Center in place, the prospect of keeping a steady flow of BOT projects to continually meet the growing demand for infrastructure services and facilities in the country is bright.
## Annex I

### List of completed/operational and awarded transport BOT projects
(as at 31 December 2002)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Sector</th>
<th>Agency</th>
<th>Proponent</th>
<th>Scheme</th>
<th>Estimated project cost (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Completed/operational</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Light Rail Transit Line No. 3 (MRT 3)</td>
<td>Transport</td>
<td>DOTC</td>
<td>MRTC (Phil.)</td>
<td>BLT</td>
<td>655.00</td>
</tr>
<tr>
<td>2. Metro Manila Skyway (Stage 1)</td>
<td>Transport</td>
<td>PNCC/TRB</td>
<td>P. T. Citra/PNCC (Indonesia/Phil.)</td>
<td>JV</td>
<td>419.00</td>
</tr>
<tr>
<td>3. Manila-Cavite Toll Expressway</td>
<td>Transport</td>
<td>PEA-TRB</td>
<td>Renong Bhd./PEA (Malaysia/Phil.)</td>
<td>JV</td>
<td>131.00</td>
</tr>
<tr>
<td><strong>II. Publicly bid projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Southern Tagalog Arterial Rd. (STAR)</td>
<td>Transport</td>
<td>DPWH</td>
<td>Stradeq (Phil.)</td>
<td>BTO</td>
<td>73.00</td>
</tr>
<tr>
<td>5. Manila North Luzon Tollway</td>
<td>Transport</td>
<td>DPWH/TRB</td>
<td>Manila North Luzon Tollways Corp.</td>
<td>JV</td>
<td>370.00</td>
</tr>
<tr>
<td><strong>III. Unsolicited projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Redevelopment of the Port of Irene</td>
<td>Transport</td>
<td>CEZA</td>
<td>Asia Pacific International Inc. (Phil.)</td>
<td>BOT</td>
<td>84.00</td>
</tr>
<tr>
<td>7. South Luzon Tollway Extension</td>
<td>Transport</td>
<td>DPWH/PNCC</td>
<td>Hopewell Crown Infrastructure (HCI)</td>
<td>JV</td>
<td>478.00</td>
</tr>
<tr>
<td>8. NAIA International Passenger Terminal 3</td>
<td>Transport</td>
<td>DOTC/MIAA</td>
<td>PIATCO (Phil/Germany/Japan)</td>
<td>BOT</td>
<td>440.00</td>
</tr>
</tbody>
</table>

**Total unsolicited projects** 1, 002.00

**Grand total** 3, 652.00

*Source:* DTI – BOT Center.
## Annex II

### Transport projects in the approval process for investment (as at December 2002)

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>DESCRIPTION</th>
<th>PRIVATE SECTOR SCHEME</th>
<th>ESTIMATED COST (US$ million)</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NAIA Expressway Project (BOT component)</td>
<td>Elevated road access to Manila airport facilities from Fort Bonifacio to NAIA Terminal 3 and from NAIA Terminal 3 to MIA Road ending at Roxas Blvd. OGP implementing Phase 1 with P 3.2 billion investment to form part of toll road project</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>131.30</td>
<td>NEDA-ICC 1st pass approval secured in Aug. 2001. Draft contract for submission to NEDA-ICC for the 2nd pass approval.</td>
</tr>
<tr>
<td>2. Manila North Harbour Modernization</td>
<td>Modernization of the Manila North Harbour to bring about efficiency and competitiveness in the port's numerous services and activities</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>60.00</td>
<td>Consultant competitively selected under CCFSP's PDF (ProConsult) to start preparing the F/S and Bid Documents in January 2003.</td>
</tr>
<tr>
<td>3. Expanded Motor Vehicle Inspection System</td>
<td>Development of a systematic and comprehensive vehicle testing system to address pollution, accidents and fuel consumption efficiency</td>
<td>Build-Own-Operate (BOO)</td>
<td>60.00</td>
<td>Review of the draft concession agreement by ICC-TWG to be completed in January 2003. BID submission expected in January 2003.</td>
</tr>
<tr>
<td>4. LRT Line I Extension (Baclaran to Bacoor)</td>
<td>An extension of LRT Line I connecting the existing Baclaran station to Bacoor, Cavite initially and up to Dasmariñas, Cavite in the future.</td>
<td></td>
<td>842.49</td>
<td>The project will be submitted as an unsolicited proposal under the BOT Law and will be subjected to a comparative proposal process (&quot;Swiss challenge&quot;).</td>
</tr>
<tr>
<td>5. MRT 3 Extension (Phase 2)</td>
<td>An extension of the MRT system that will run along EDSA corridor from North Ave. in Q.C. to Monumento</td>
<td>Build-Transfer (BT)</td>
<td>207.10</td>
<td>Negotiations between DOTC and MRTC ongoing regarding ICC conditions for approval.</td>
</tr>
<tr>
<td>6. Light Rail Transit Line No. 4 (MRT 4)</td>
<td>A 22.6 km mostly elevated double-track carriageway running from Old Bilibid to Batasan (15.1 km), to Quiño Highway in Lagro (7.5 km)</td>
<td>Build-and-Operate (BT) and Build-Own-Operate (BOO)</td>
<td>1,000.00</td>
<td>DOTC has reconstituted the PBAC for MRT 4. DOTC to endorse revised proposal to NEDA-ICC.</td>
</tr>
<tr>
<td>7. Metro Manila Expressway R 4 &amp; R 5 (PASEX)</td>
<td>Construction of an Expressway link from EDSA to Ortigas Avenue Extension/Marcos Highway</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>730.00</td>
<td>Revised proposal to be submitted to DPWH.</td>
</tr>
</tbody>
</table>
## Annex II (continued)

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>DESCRIPTION</th>
<th>PRIVATE SECTOR SCHEME</th>
<th>ESTIMATED COST (US$ million)</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. North Luzon Expressway Extension Tarlac to Rosario La Union</td>
<td>Continuation of the Clark-Tarlac Expressway. The 84.5 km alignment is a high speed, controlled-access expressway seamlessly interconnected to strengthen the various local, regional and national road development plans and is envisioned to strengthen the north south backbone of the strategic road network serving the western flank of the Luzon mainland.</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>243.00</td>
<td>DPWH is currently repackaging the project for a public-private partnership scheme.</td>
</tr>
<tr>
<td>9. North Luzon Expressway East Quezon City to San Jose City, Nueva Ecija</td>
<td>A 126-km section proposed to start from the Circumferential Roads 5/6 in Quezon City/Bulacan. This will serve the heavily travelled PPH corridor and lead to the non-agricultural areas of San Jose City.</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>351.00</td>
<td>F$TD under preparation. Awaiting compliance by DPWH of necessary documentation to process for PDE assistance.</td>
</tr>
<tr>
<td>10. JPDC-San Fernando Airport Runway Lighting</td>
<td>Installation of airport runway lighting system for night time operations at the San Fernando Airport, La Union.</td>
<td>Build-Transfer (BT)</td>
<td>0.40</td>
<td>JPDC will be reviewing the draft F/S for subsequent submission to the NEDA-ICC.</td>
</tr>
<tr>
<td>11. Mindanao Grains Bulk Handling Facility</td>
<td>The project is designed to reduce the transport cost from Mindanao to Luzon.</td>
<td>Build-Operate-Transfer (BOT)</td>
<td>To be determined</td>
<td>Draft paper for an integrated bulk handling facility project and financial analysis for the port terminal project are under review.</td>
</tr>
</tbody>
</table>

*Source: DTI – BOT Center.*