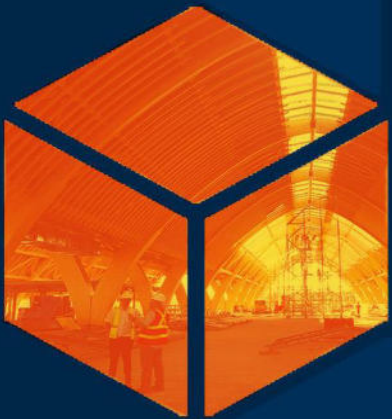


# *Philippine Ecozone Developments via PPP*

Knowledge Sharing Session with Government of Mongolia

28 April 2021

Mia Mary Sebastian  
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

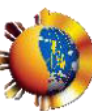
Infrastructure development, implemented via sound fiscal policies and governance frameworks, shall propel economic recovery and resiliency



**Government financing**  
General appropriations,  
corporate funds

**Government borrowings**  
Domestic & foreign debt,  
official development  
assistance (ODA)

**Private sector financing**  
**Public-private  
partnership (PPP)**



# 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

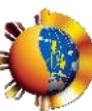
# 63

## 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

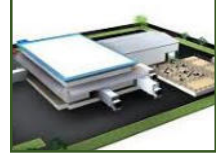
## 21 awarded projects since 2010



PPP for School Infrastructure (Phase I)



PPP for School Infrastructure (Phase II)



Rehabilitation and O&M of Kalibo Slaughterhouse



Bulacan Bulk Water Supply



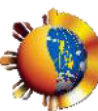
Lumbo Bulk Water Supply



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

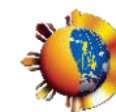
IT system



Health  
(hospital facilities  
and services)



Renewable energy



# Philippine ecozone developments via PPP

Philippine PPP Program

Philippine Ecozones

PPP Concept for Ecozone Development

Select Philippine Ecozone PPP Projects





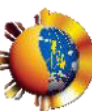
# Philippine ecozones

## 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 of 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

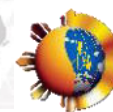
## Private TEZ

❖ *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

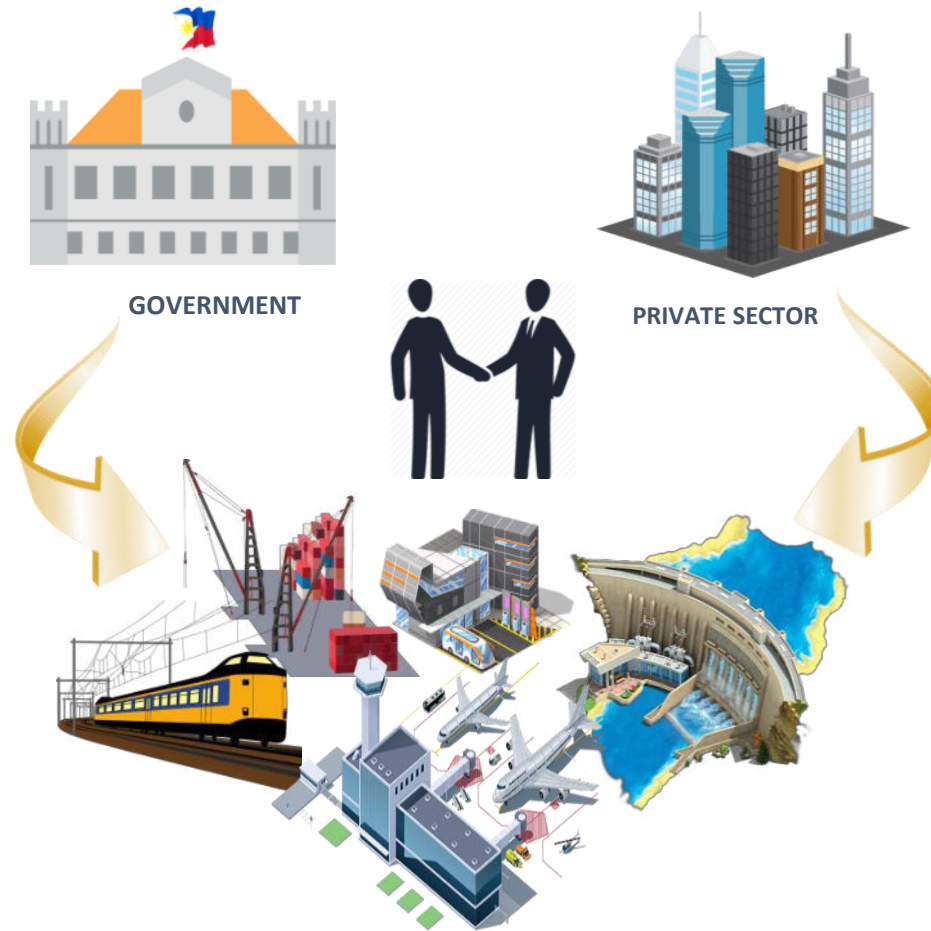
Philippine Ecozones

PPP Concept for Ecozone Development

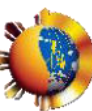
Select Philippine Ecozone PPP Projects



# 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

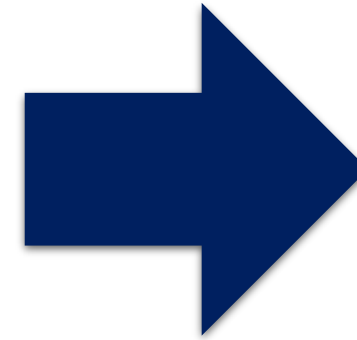
- Allocation of risks to party who can best manage them (e.g. risk of cost and time overruns allocated to private partner)

## Output specifications

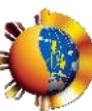
- Government can tap private partner's expertise in a design that adheres to output specifications

## 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

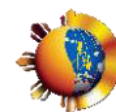
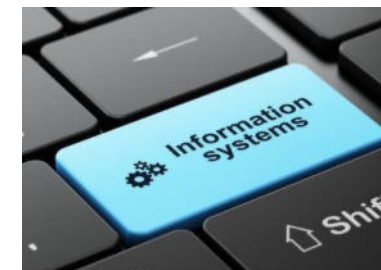
**Select ecozone areas**



**Transport and logistics**



**Support facilities**



# PPP options for ecozone development

## A. Integrated PPP approach

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

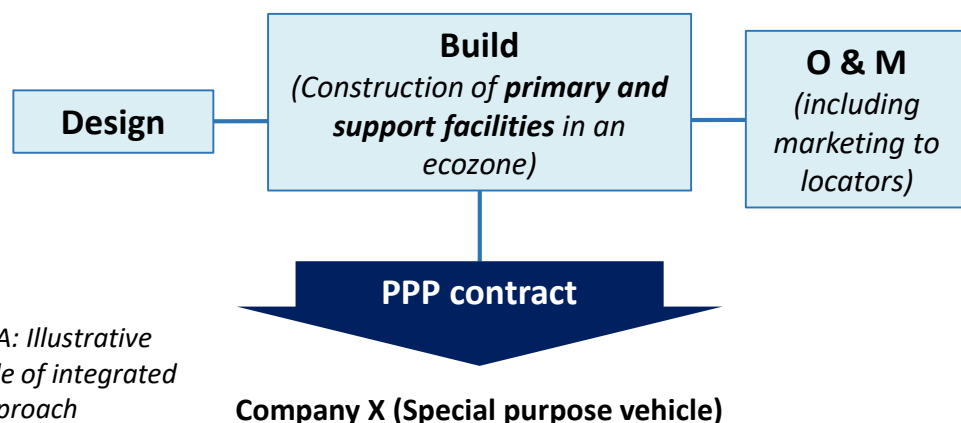


Figure A: Illustrative example of integrated PPP approach

## B. Unbundled approach - Selected components via PPP

<b>Specific stand-alone projects</b>	PSP to develop selected project component or deliver specific service in an ecozone
<b>Possible component</b>	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.
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Only key components will involve a PPP proponent</li> <li>• Flexibility in choosing private partners for every component</li> </ul>

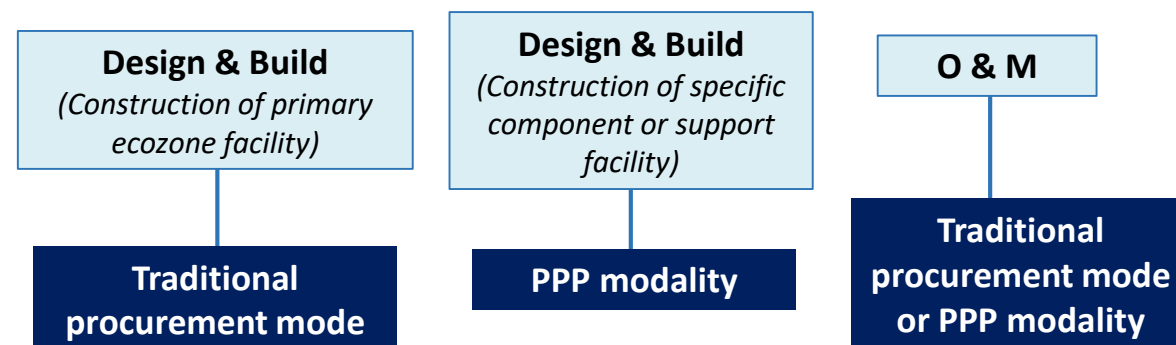
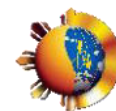


Figure B: Illustrative example of unbundled approach



# 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

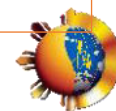
### Clark International Airport Expansion – EPC and O&M



**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 m<sup>2</sup> passenger terminal building has a design capacity of eight million passengers per annum.
- ✓ The Project involves two components:

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



# Select PPP projects - under approval

## Transport/logistics

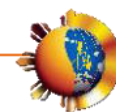
### San Ramon Newport



**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	Phase 2	Phase 3
<ul style="list-style-type: none"> <li>• 320m quay wall to accommodate a maximum of 7,000-TEU vessels</li> <li>• 260m wide floating breakwater facility</li> <li>• 7.6-ha container yard</li> <li>• Support infrastructures (e.g. admin. buildings, workshop, gatehouse, and warehouse)</li> </ul>	<ul style="list-style-type: none"> <li>• Container yard expansion by 1.6 ha</li> <li>• Additional warehouse</li> </ul>	<ul style="list-style-type: none"> <li>• Quay wall expansion by 320m</li> <li>• Container yard expansion by 1.6 ha (thus increasing total yard size to 10.8 ha)</li> <li>• Construction of additional warehouse</li> </ul>



# Select PPP projects - under development

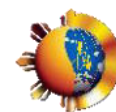
## Integrated development

### 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)

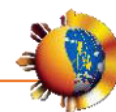
**Project location:** Clark, Pampanga (Luzon)

**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"><li>• Site development and utilities</li><li>• Premier shopping complex</li><li>• 5-star hotel</li><li>• M.I.C.E facility</li><li>• Transport terminal</li><li>• Tourist assistance center</li></ul>	<ul style="list-style-type: none"><li>• Food and entertainment hall</li><li>• Fitness club</li><li>• Business hotel</li></ul>	<ul style="list-style-type: none"><li>• Villas</li><li>• Team building facilities</li><li>• Indoor theme park</li></ul>





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For further information, please visit:

[www.ppp.gov.ph](http://www.ppp.gov.ph)

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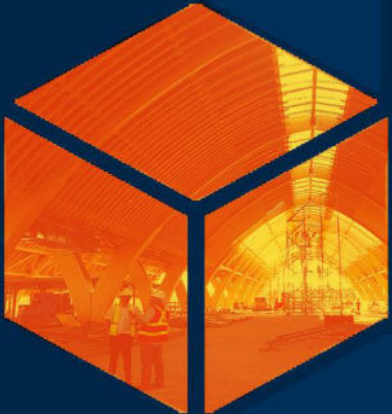
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Public-private-partnership-  
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PPPPinas



# Ecozones in the Philippines

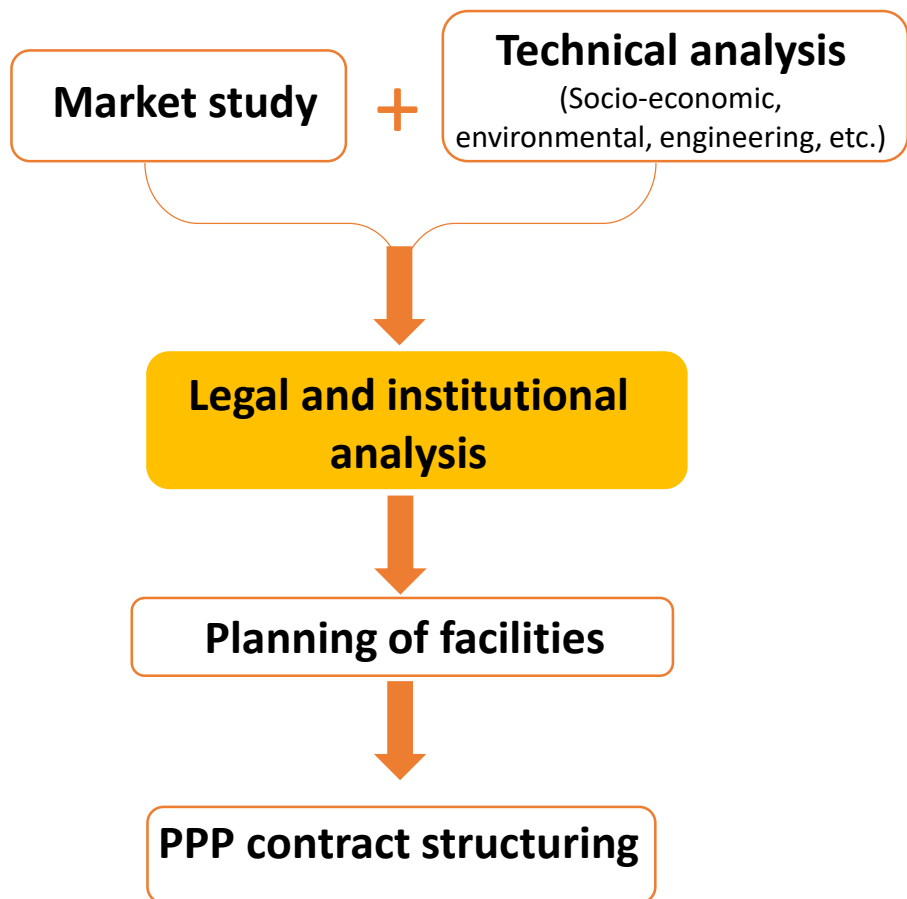
## Tourism Infrastructure and Enterprise Zone Authority

- ✓ 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

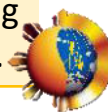
This involves analysis on the possible property arrangements that the government may enter into in respect of **the parcels of land forming an ecozone** (i.e., transfer of ownership or grant of discrete rights such as rights of possession or access).

### 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

Potential structuring framework					
Financing			Concession		
Project Sector Partner (PSP)	Capital	Operations	Ownership and operations	Repayment to PSP	IA revenue
	<ol style="list-style-type: none"> <li>1. Project Proponent</li> <li>2. NGA: ROW/ usufruct</li> <li>3. NGA : Cost sharing/ subsidies</li> </ol>	<ol style="list-style-type: none"> <li>1. Project Proponent</li> <li>2. IA : Cost sharing/ subsidies</li> <li>3. IA : Output-based aid</li> <li>4. IA : Minimum revenue guarantee</li> </ol> <ul style="list-style-type: none"> <li>- Official development assistance</li> <li>- Government financial institutions</li> <li>- Debt and Capital Market</li> <li>- Government Appropriation</li> </ul>	<ol style="list-style-type: none"> <li>1. PSP to own and operate</li> <li>2. PSP to operate then transfer to IA</li> <li>3. PSP to lease-out then transfer to IA</li> <li>4. Transfer to IA</li> </ol>	<ol style="list-style-type: none"> <li>1. Collection of fees, toll, rent, etc.</li> <li>2. Tax Incentive Financing</li> <li>3. Availability payments</li> <li>4. Amortization payments + return</li> <li>5. Full payment + return</li> </ol> <ul style="list-style-type: none"> <li>- Official development assistance</li> <li>- Government financial institutions</li> <li>- Debt and Capital Market</li> <li>- Government Appropriation</li> </ul>	<ol style="list-style-type: none"> <li>1. Fixed concession payments</li> <li>2. Split revenue share</li> </ol> <ul style="list-style-type: none"> <li>- Fixed fee</li> <li>- Fixed percentage</li> <li>- NGA upside revenue share</li> </ul> <ol style="list-style-type: none"> <li>3. Full NGA revenue share</li> </ol>
Risk allocation between PSP and IA					
Implementing Agency (IA)					

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

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

