

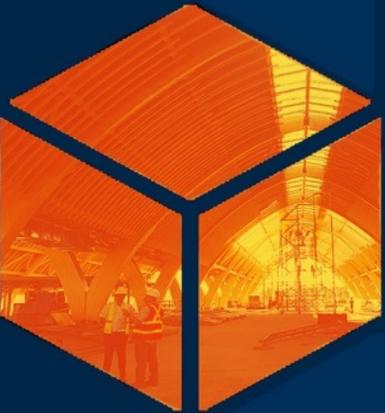
Philippine Ecozone Developments via PPP

Forum on Developing Sustainable Economic Zones in CAREC

13 September 2022

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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



Financing and implementation



delivery mechanisms

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.



Provide technical assistance in **PROJECT DEVELOPMENT AND IMPLEMENTATION**



Provide technical assistance in **PROJECT MONITORING AND EVALUATION**



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



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



Summary of PPP projects



as of 31 July 2022

198

**AWARDED
PROJECTS**
PHP 2,280 Billion

	No.	PhP (bn)	USD (bn)
National	88	2,156	38.35
Local	110	124	2.21

74

**PROJECTS
IN THE PIPELINE**
PHP 2,261 Billion*

	No.	PhP (bn)	USD (bn)
National	53	2,186	38.88
Local	21	75	1.33

1 USD = 56.22 PHP

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



Awarded PPP projects

198

**TOTAL AWARDED PPP
PROJECTS IN THE
DATABASE
(AS OF JULY 31, 2022)**

	No.	PHP (bn)	USD (bn)
C. Aquino			
National	8	132.95	2.36
Local	1	0.38	0.01
Ramos			
National	40	770.86	13.71
Local	3	0.28	0.01
Estrada			
National	5	35.57	0.63
Local	6	1.53	0.03
Macapagal- Arroyo			
National	10	134.33	2.39
Local	11	0.62	0.01
Aquino III			
National	19	280.18	4.98
Local	27	43.05	0.76
Duterte			
National	6	801.71	14.26
Local	62	78.23	1.39
TOTAL	198	2,279.69	40.55

Note: The list of awarded PPP projects does not yet cover all the awarded PPP projects, as the PPP Center's efforts to validate the same are ongoing (through contract review, coordination with implementing agencies, and project site visits). The indicated Project Cost does not include projects with costs in USD denomination and other project to be validated by the PPP Center.

PPP projects in the pipeline

	No.	PhP (bn)	USD (bn)
National	53	2,186	38.88
Local	21	75	1.33

1 USD = 56.22 PHP



TOURISM

	No.	PhP (bn)	USD (bn)
N	1	TBD	TBD
L	2	11.69	0.21
Total		11.69	0.21



TRANSPORTATION

	No.	PhP (bn)	USD (bn)
N	38	1,414.48	25
L	2	11.57	0.21
Total		1,426.05	25.21



VERTICAL INFRASTRUCTURE

	No.	PhP (bn)	USD (bn)
N	5	730.18	12.99
L	6	22.36	0.40
Total		752.54	13.39



ICT

	No.	PhP (bn)	USD (bn)
N	2	0.019	0.00034
L	1	0.41	0.0073
Total		0.429	0.0076



PPP projects in the pipeline

	No.	PhP (bn)	USD (bn)
National	53	2,186	38.88
Local	21	75	1.33

1 USD = 56.22 PHP



WATER SUPPLY AND SANITATION

	No.	PhP (bn)	USD (bn)
N	1	14.49	0.26
L	6	7.75	0.14
Total		22.24	0.4



HEALTH

	No.	PhP (bn)	USD (bn)
N	6	26.49	0.47



SOLID WASTE MANAGEMENT

	No.	PhP (bn)	USD (bn)
L	2	22	0.39



POWER

	No.	PhP (bn)	USD (bn)
L	2	TBD	TBD



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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 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



The Philippine Economic Zone Authority (PEZA)

- An **investment promotion and incentive granting agency** attached to the Department of Trade and Industry, created under virtue of the Special Economic Zone Act of 1995.
- PEZA is mandated **to attract investments, generate exports, and create employment** through the efficient management and administration of incentives and services in Special Economic Zones nationwide.

Investments

P 4.058
Trillion

Exports

\$ 965.943
Billion USD

Employment

1.7 Million
workers directly employed

420 Ecozones Nationwide

77

Manufacturing

300

IT Parks and Centers

3

Medical Tourism

23

Agro-Industrial Parks

17

Tourism

* Only 4 out of the total 420 ecozones are public or developed and owned by PEZA. Hence, private zones **comprised 99%** of the whole PEZA ecozone population.

4,354 Locator Companies Nationwide

Top 5 regions hosting economic zones

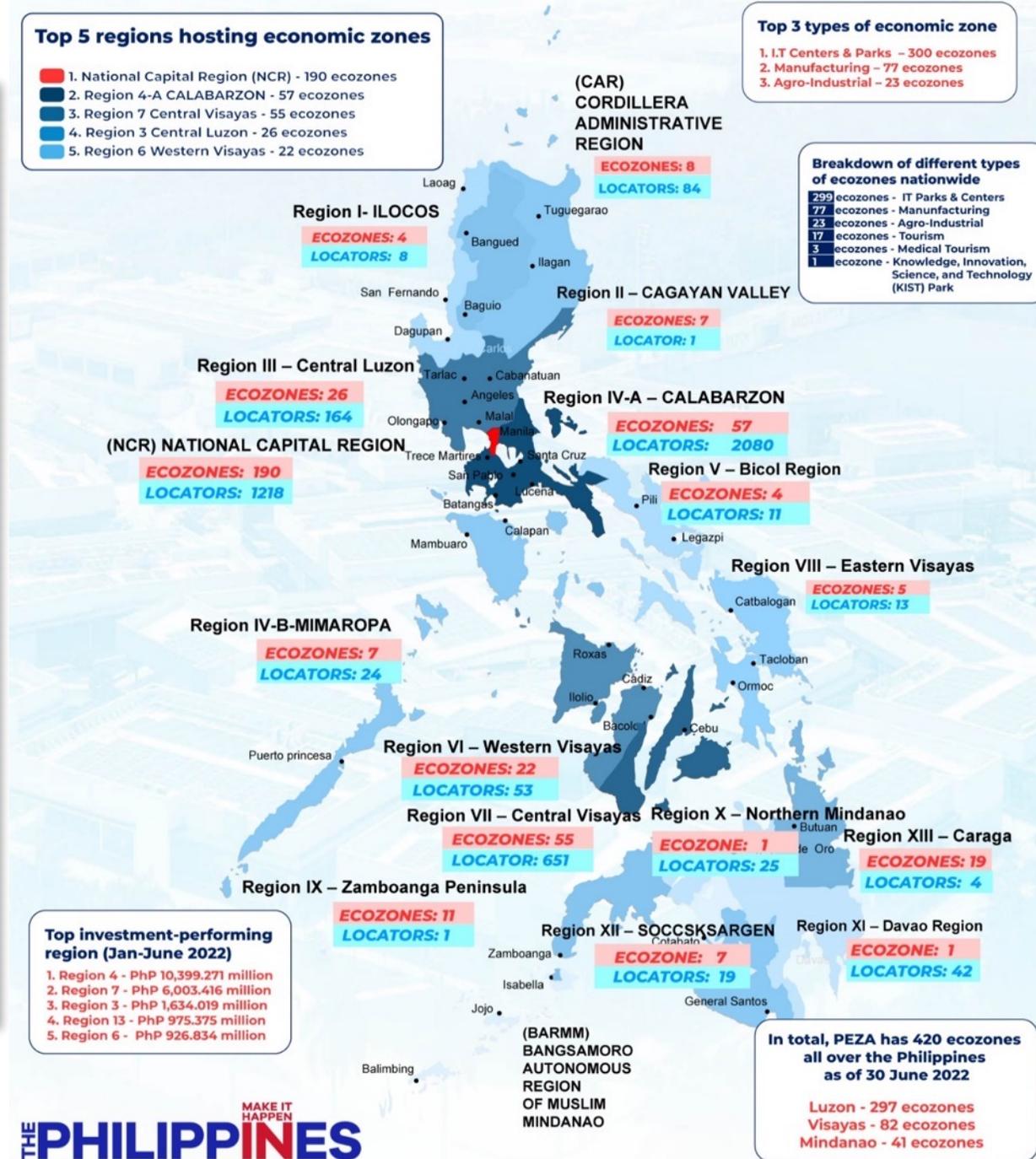
- 1. National Capital Region (NCR) - 190 ecozones
- 2. Region 4-A CALABARZON - 57 ecozones
- 3. Region 7 Central Visayas - 55 ecozones
- 4. Region 3 Central Luzon - 26 ecozones
- 5. Region 6 Western Visayas - 22 ecozones

Top 3 types of economic zone

- 1. I.T Centers & Parks - 300 ecozones
- 2. Manufacturing - 77 ecozones
- 3. Agro-Industrial - 23 ecozones

Breakdown of different types of ecozones nationwide

- 299 ecozones - IT Parks & Centers
- 77 ecozones - Manufacturing
- 23 ecozones - Agro-Industrial
- 17 ecozones - Tourism
- 3 ecozones - Medical Tourism
- 1 ecozone - Knowledge, Innovation, Science, and Technology (KIST) Park



PEZA Special Economic Zones

Under the Republic Act No. 7916 Sec. 4, Special Economic Zone also referred to as ECOZONES, are selected areas with highly developed or with potential to be developed in agro-industrial, industrial tourist/recreational, commercial, banking, investment and financial centers.

An ECOZONE may contain any or all of the following:

- a. Industrial Estate
- b. Export Processing Zone
- c. Free Trade Zones
- d. Tourist/Recreational Centers

The following are the characteristics of an ecozone:

- a. Special Economic Zones (SEZ) conforms with the approved Land Use Plan or Zoning Ordinance of the locality having jurisdiction over the project site;
- b. An ecozone is a contiguous area with a minimum of 25 hectares, except for self-use or single-locator ecozones where areas less than 25 hectares may be considered;
- c. The metes and bounds of an ecozone is delimited by Presidential Proclamation;
- d. Restricted/secured areas with stringent control measures; and
- e. Developers/Operators and Locators qualify for incentives.

Enabling laws for investments

1. **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law (RA 11534)** which seeks to provides for a generous and flexible tax incentive system that is performance-based, time-bound, targeted, and transparent.
2. **Foreign Investment Act (FIA)** - allows qualified non-Philippine nationals to do business in the country or invest in a domestic enterprise up to 100 percent of its capital and liberalizes the practice of professions not governed by existing special laws.
3. **Retail Trade Liberalization Act (RTLA)** - seeks to bring down the ceiling for the capital required of foreign-led retailers to set up shop in the Philippine.
4. **Public Service Act (PSA)** - Telecommunications, airlines, expressways and tollways, railways, and shipping (among others) in the country will now be open to full foreign ownership.
5. **We also look forward to taking advantage of this administration's proposed amendments to the Build-Operate-Transfer Law which will improve the implementation of the Public Private Partnership (PPP) Program and Joint Ventures in the country.**

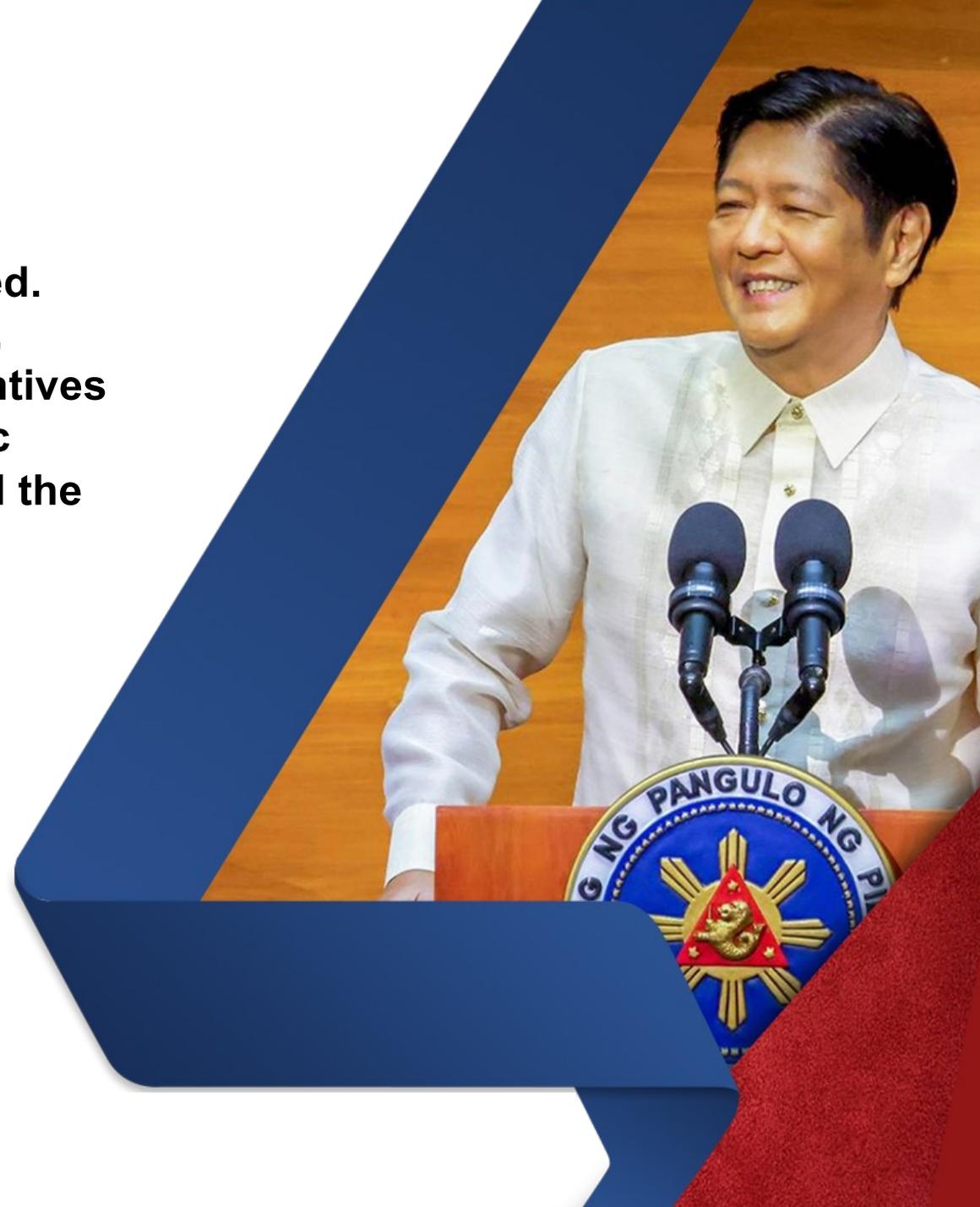
President BBM's SONA: Strategic Importance of Ecozones

“Productivity-enhancing investments will be promoted. Our country must become an investment destination, capitalizing on the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Law and the economic liberalization laws such as the Public Service Act and the Foreign Investments Act.

Ecozones will be fully supported to bring in strategic industries such as those engaged in high-tech manufacturing, health and medical care, and all emerging technologies. This is also seen to facilitate economic growth outside of Metro Manila.”

PRESIDENT FERDINAND MARCOS JR.

JULY 25, 2022 | SONA 2022



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Philippine PPP Program

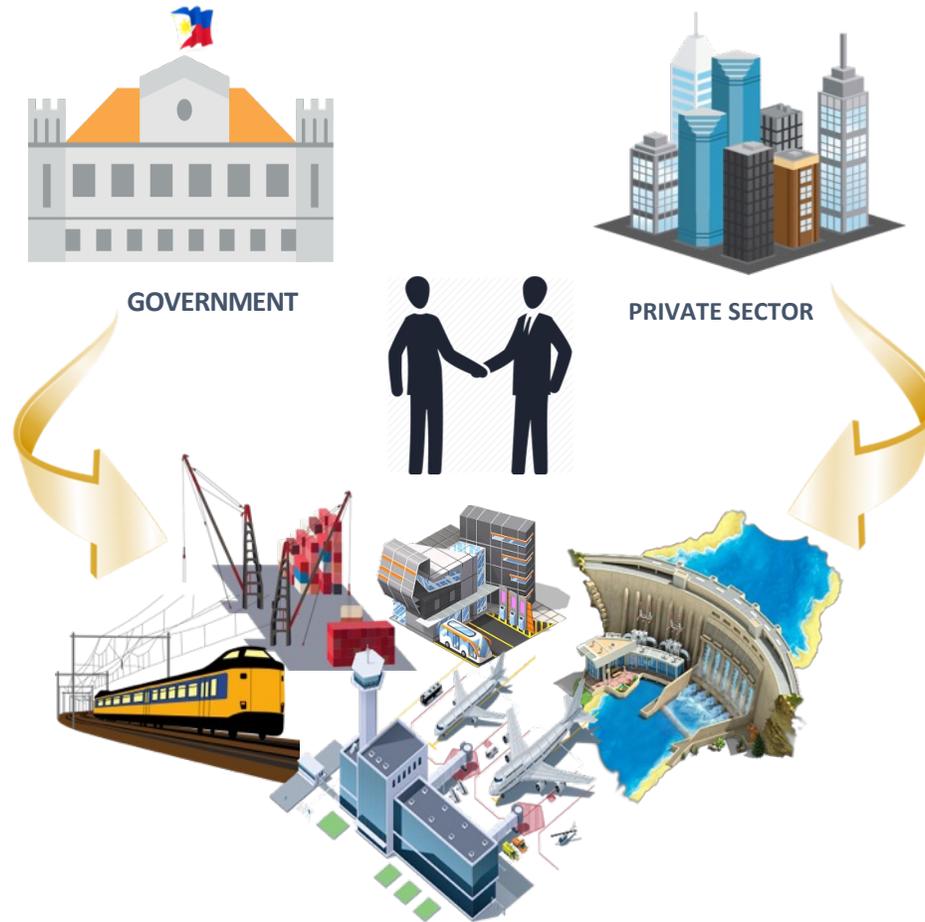
Philippine Ecozones

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

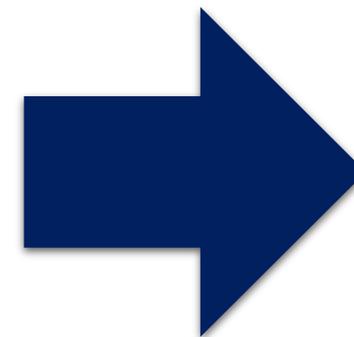
- Allocation of risks to party who can best manage them (e.g. risk of cost and time overruns allocated to private partner)

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

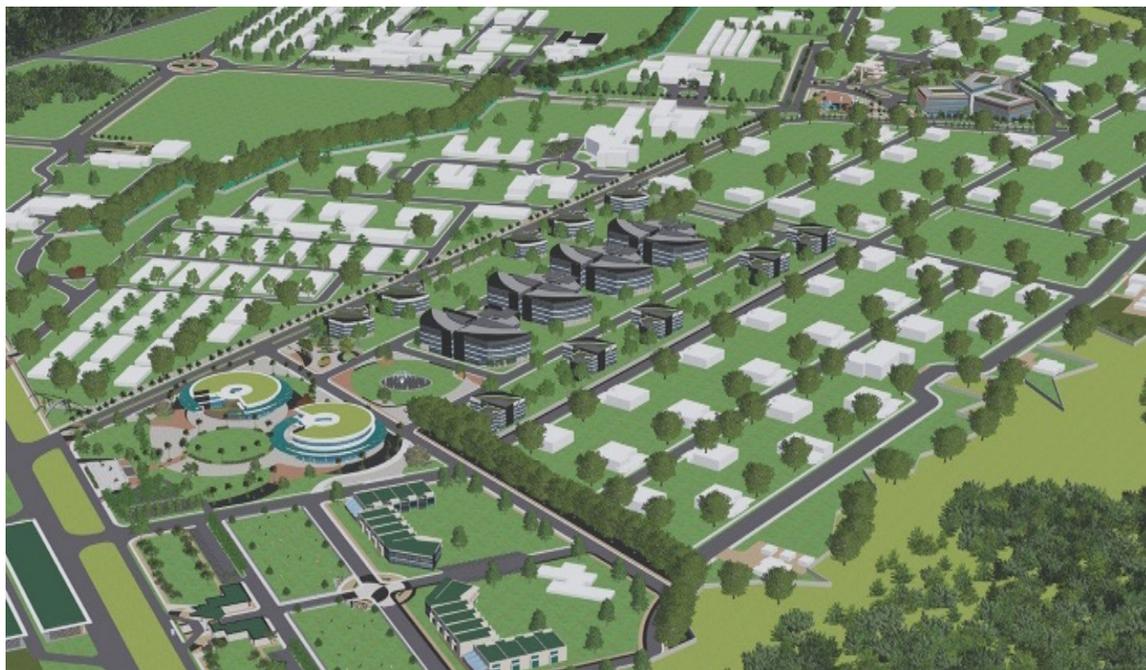


PPP options for ecozone development

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

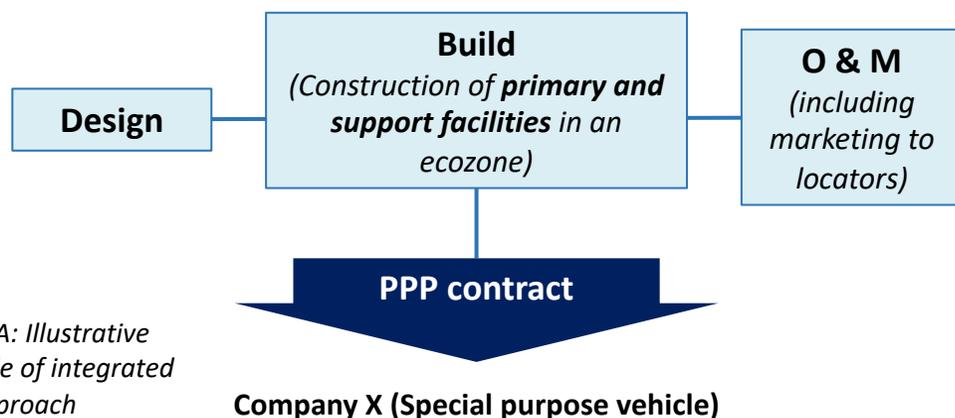


Figure A: Illustrative example of integrated PPP approach

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

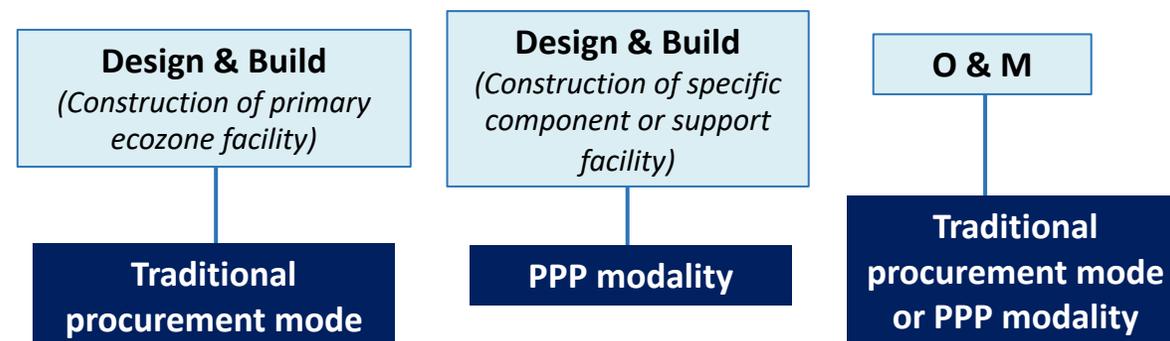


Figure B: Illustrative example of unbundled approach



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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

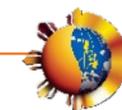


Implementing agency: Zamboanga City Special Economic Zone Authority
Project location: Zamboanga Peninsula (Mindanao)
Status: For approval of relevant government bodies
Expected bid date: Q4 2021 - Q1 2022

✓ 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	Phase 2	Phase 3
<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Container yard expansion by 1.6 ha • Additional warehouse 	<ul style="list-style-type: none"> • 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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