



Social Infrastructure PPPs in the Philippines

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Social Infrastructure PPP Projects in the Philippines: Experience and Key Learnings



- Modernization of the Philippine Orthopedic Center
- Philippine General Hospital Cancer Center Project
- Philippine General Hospital Diliman Project
- PPP for School Infrastructure Projects (Phase 1 and 2)





One of the first PPPs in the Philippines

- Social infrastructure PPPs, specifically in **education** and **health** sectors, were one of the first PPPs in the Philippines (2011–2015).



Modernization of the Philippine Orthopedic Center Project



Php 5.69 Billion (USD 100 Million) 700-bed orthopedic hospital

Build-Operate-Transfer project of the Department of Health (DOH)

Private sector to design, construct, finance, operate and maintain.





Project Details

Approved project cost	PHP 5.69 B USD 100 M
Private proponent	Megawide-World Citi Consortium, Inc.
Implementing agency	Department of Health
Procurement mode	Solicited (one-stage bidding)
PPP scheme	Build-Operate-Transfer
Concession period	25 years (inclusive of 2.5 years construction period)
Bid parameter	Lowest O&M Cash Support from Government
Government undertakings	Delivery of project site
	Hiring of independent consultant (50-50 cost sharing)
	O&M Cash Support first 5 years (USD10.5M)

Modernization of the Philippine Orthopedic Center Project

ADB

The **project site** was owned by the National Kidney and Transplant Institute (NKTi), another government hospital. The Secretary of DOH sits as Chair of the NKTi Board.



Modernization of the Philippine Orthopedic Center Project



March 2014 – PPP Contract for MPOC signed

October 2014 – Winning Bidder reached Financial Close; Government failed to deliver the project site

November 2015 – Winning bidder issued a Notice of Termination

March 2016 – Government official acceptance of Notice of Termination



Key Learnings

Project Site Delivery

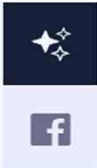
Megawide terminates PH Orthopedic modernization project

NOV 17, 2015 1:46 PM PHT

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Key Learnings



Project Site Delivery

- Secure the Project Site as early as project development stage. Even between government agencies, there must be a covering agreement on the Project Site.



Key Learnings

Management of Affected Employees

- There should be a **Transition Plan** on the management of employees affected by the PPP project. This should be considered as early as project development stage, and **communicated properly to stakeholders**.
- For PPPs where the government will retain operations, sufficient time to request for organic (plantilla) positions.

Key Learnings

Management of Affected Employees

Section 19.1.c of the BOT Agreement provides that the existing medical and paramedic professionals (“Employees”) of the POC shall have the option to either continue working in the government or apply to transfer to the new hospital facility.

- Should the employees opt to remain in the government, the DOH commits to retain them in the existing POC or re-assign/transfer them to other hospitals or offices of the DOH, retaining the same rank and plantilla in the government.
- Should they want to work in the new facility or seek employment with the Project Proponent, the employees may submit their application to the DOH and be subjected to the hiring and screening process of the Project Proponent.

Section 19.3.a further provides that during the first five (5) years of the O&M period, the DOH, in coordination with the Project Proponent, shall ensure that the existing medical officers (i.e., resident doctors and fellows) of the Existing POC may continue their residency and fellowship training programs in the New Hospital Facility and shall continue to hold their rank and plantilla positions in Government.



Key Learnings

Public Communication and Stakeholder Engagements

- **“Privatization” vs “PPP”**, manage negative connotation on “privatization” as causing price increases, especially for public hospitals and public schools.
- Consultation and close coordination between important stakeholders should begin as early as project development and continue throughout the life of the contract.

Key Learnings

Public Communication and Stakeholder Engagements

Government sued for Philippine Orthopedic hospital PPP

Date
February 07, 2014

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Employees of the Philippine Orthopedic hospital and other social and health groups asked the Philippine Supreme Court (SC) to stop the construction of the new project under the PPP model.

They said the government has abandoned its duty to provide and ensure a basic social service such as health to private entity at the expense of the poor and underprivileged.

The petition, which called for the issuance of a preliminary injunction, also assailed the use of the Build Operate Transfer (BOT) law to privatize health services, instead of limiting it to the construction or rehabilitation of hospitals and facilities.

The hospital project as part of President Benigno Aquino III's Private Public Partnership (PPP) programme.

In December, 2013 the Philippine consortium formed by Megawide Construction Corp. and World Citi Inc. has been declared the winner for the Philippine Orthopedic Center (POC) PPP project. The consortium bid P5.672 billion (US\$131 million) for the project, which the government had said would cost P5.7 billion (US\$131.5 million). The consortium was the only bidder for the project.



Philippine General Hospital PPP Projects



Health Infrastructure PPPs

In 2017, the University of the Philippines (state-owned university with College of Medicine, mother agency of the Philippine General Hospital) started the development of two health infrastructure PPPs: Philippine General Hospital Diliman Project and the Philippine General Hospital Cancer Center Project.



Philippine General Hospital Cancer Center Project



- PGH Cancer Center is a mixed-model PPP involving the design, financing, construction of a new hospital building within the premises of PGH Manila.
- Build-Transfer-Operate, (ownership of the hospital infrastructure to be transferred to and vested to the government).



Philippine General Hospital Cancer Center Project



- Repayment to the Private Sector Partner is through an annual Availability Payment all throughout the 30-year concession period.
- The bidding process for project is currently underway.



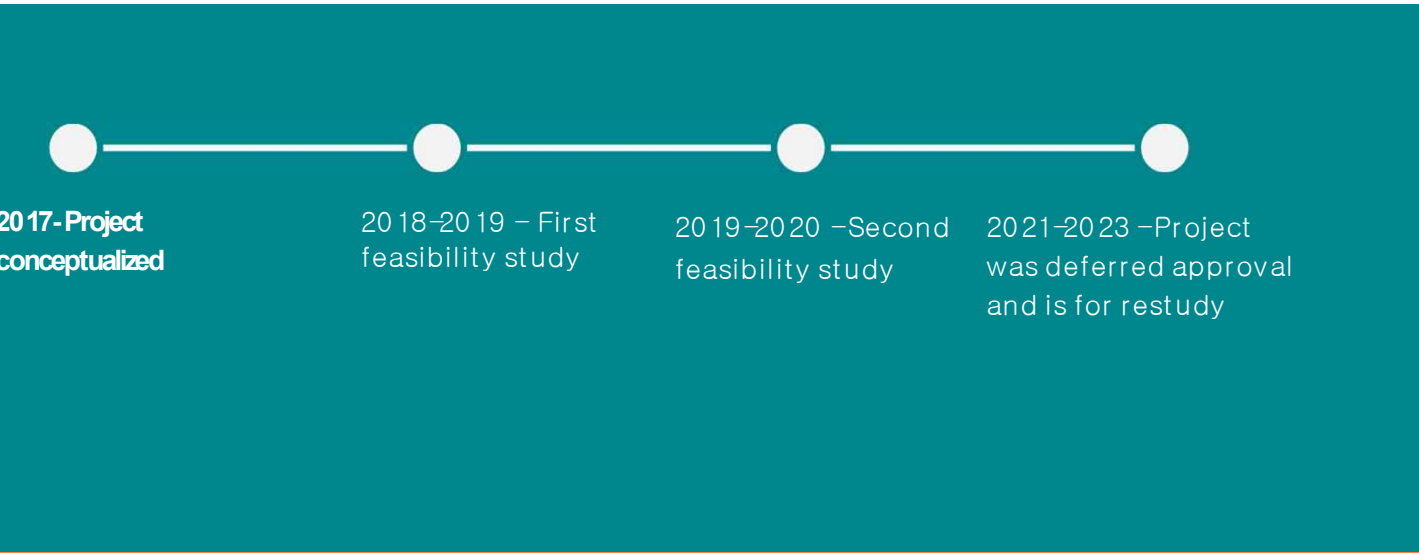
Philippine General Hospital Diliman Project

ADB

- The PGH Diliman Project involves the design, financing and construction of a new 700-bed tertiary hospital facility, equipment provision, commissioning, and maintenance for the facilities and equipment over the life of the contract (25 years).
- Build-Transfer-Maintain modality, with the University retaining clinical services. The Private Sector Proponent will be repaid through an annual Availability Payment



Philippine General Hospital Diliman Project Timeline





Key Learnings

Government Capacity and Institutional Readiness

Gateway Decision-making process

Advisable for decision on whether or not the Project is for PPP implementation or whether integrated or O&M only

Project Champion

- to help steer the project through the challenges
- a dedicated PPP unit should be created to manage the Project.



Key Learnings

Project Site Delivery

- Ensure that the proposed development is compatible with the existing land use classification of the proposed project site.
- As early as possible, conduct consultations with the affected community; a Resettlement Action Plan should be prepared for informal settlers.



Key Learnings

Public Communication and Stakeholder Engagements

- "Privatization" vs "PPP", manage negative connotation on "privatization" as causing price increases, especially for public hospitals and public schools
- Consultation and close coordination between important stakeholders should begin as early as project development and continue throughout the life of the contract.

Key Learnings



Public Communication and Stakeholder Engagements

News > Nation

UP-PGH won't be privatized – NEDA chief



By Catherine S. Valente

February 4, 2023

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PPP for School Infrastructure Projects (Phase 1 and Phase 2)



In 2010, there was a need to address the backlog of classrooms, which was estimated to grow to about 150,000 by 2016 due to the increases in enrollment and the implementation of the Department of Education's K to 12 Program and the Education for All Initiative.



PPP for School Infrastructure Projects



Project Objectives thru PPP Implementation

The Department of Education adopted the PPP approach, given the **limited capacity** of the government to procure the needed facilities (classrooms) within the **required timeframe** and the **limited fiscal space** at the time.

PPP for School Infrastructure Projects



The Department of Education implemented the PPP for School Infrastructure Project (PSIP) in two (2) phases to supplement the provision of educational facilities in the Philippine public school system.

PSIP Phase 1 9,296 classrooms	PSIP Phase 2 4,370 classrooms
<ul style="list-style-type: none">• BOT Law as the legal basis• Build-Lease-Transfer scheme• 10-year lease period• 3 contract packages• Approved cost: Php 16.42B (USD288 million)• Repayment: quarterly lease payments	<ul style="list-style-type: none">• BOT Law as the legal basis• Build-Transfer scheme• No cooperation period• 2 contract packages• Approved cost: Php 3.86B (USD 68 million)• Repayment: milestone payments

PPP for School Infrastructure



Private Sector Participation

PSIP Phase 1

- Finance, design, and construct classrooms
- Lease completed classrooms for its use over the lease period
- Undertake periodic maintenance works
- Transfer ownership of classrooms to Department of Education after the lease period

PSIP Phase 2

- Finance, design, and construct classrooms
- transfer ownership of classrooms to Department of Education after construction completion



PPP for School Infrastructure



Making the Project Attractive

The following are the approaches taken by the government to increase the project's attractiveness to the private sector:

- Increasing project scale by **bundling** sub-projects/schools
- Issuance of a **Multi-Year Obligational Authority**
(for PSIP Phase 1)



PPP for School Infrastructure

Project outcome and benefits



Improved classroom-student ratio in public schools (Phase 1)

	School Year 2011-2012	School Year 2016-2017
Elementary	1:40	1:35
High School	1:53	1:43

Over 11,000 jobs generated including 139 subcontractors and 91 local suppliers (Phase 1)

Classrooms with sanitation facilities, new furniture, and fixtures

Classrooms with earthquake and typhoon design considerations, fire protection, noise level limits, termite resistance, among others



Key Learnings

Government Capacity and Institutional Readiness

Project champion

– to help steer the project through the challenges

– a dedicated PPP unit should be created to manage the development, implementation, and documentation of the project.



Key Learnings

Project Site Delivery

- There should be **sufficient time** for site inspection and preparatory work.
- Information on the following should always be included: **hazards, climate type**, presence of obstruction on the site, setback requirements, possible security issues.



Key Learnings

Sustainability Considerations

- To ensure classrooms are conducive to learning, the context and conditions of the recipient community should be considered in the classroom designs.



Key Learnings

Public Communication and Stakeholder Engagements

- Consultation and close coordination with stakeholders should begin as early as project development and continue throughout the life of the contract.

Key Learnings



Watch the video





Thank You