

# Joint Foreign Chambers of the Philippines

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Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.  
Philippine Association of Multinational Companies Regional Headquarters, Inc.

June 10, 2011

Mr. Cayetano W. Paderanga, Jr.  
Director General  
National Economic Development Authority  
12 Saint Josemaria Escriva Drive  
Ortigas Center, Pasig City

Dear Director General Paderanga:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Infrastructure (Policy)**.

**Highest Priority Recommendations.** The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Promote transparent and competitive processes for Public Private Partnerships (PPP):
  - declare a concrete policy on solicited process as the default mode;
  - prepare, bid out, award, and implement with full transparency several large PPP projects. This will create a pipeline of PPP projects;
  - create a coalition of bankers, investment houses, and the constructors and agree to promote good projects, transparent and competitive processes; and
  - minimize removing projects from the PPP priority list. All priority projects should be solicited and awarded through public bidding.
- 2) Policy reform:
  - avoid de-listing of priority projects;
  - rescind or amend the Executive Order on Joint Venture Agreements (JVA);
  - require mandatory disclosure of projects under JVA prior to the signing of an agreement;
  - adopt automatic granting of franchise; and
  - streamline ROWA negotiation procedures and expropriation.
- 3) Amend the Build-Operate-Transfer Law and its IRRs.



AMERICAN



AUSTRALIAN-NEW ZEALAND



CANADIAN



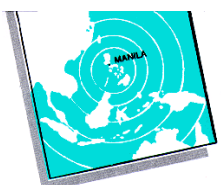
EUROPEAN



JAPANESE



KOREAN



PAMURI

- 4) Concentrate on a few bankable PPP Projects.

**Ongoing Recommendations.** The Breakout Session identified the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Build technical and legal capabilities of government agencies to prepare BOT projects.
- 2) DBM should release funds on time to meet contractual obligations and diminish the backlog of payment obligations.
- 3) Reduce cost overruns due to unsolicited inputs particularly from LGUs. Protect investors from political risks (TROs, LGU interference, right of way problems).
- 4) Set up viability gap funding for PPP projects.
- 5) Double infrastructure spending to 5% of GDP with PPP. Harness available resources and capacities of the private sector for infrastructure development.
- 6) Potential pilot PPP projects include two rails and three toll road projects: LRT-1 South Extension and LRT-2 East Extension and the Cavite-Laguna Expressway, C-6, Expressway and SLEX 4 Calamba-Lucena.
- 7) Use foreign technical and financial assistance.
- 8) Institute long range planning for infrastructure development. NEDA should consider a 10-year plan.
- 9) Review foreign equity restrictions on infrastructure with a view to maximizing foreign participation.
- 10) Implement the National Transport Policy Framework and the National Transport Plan (2011-2016).
- 11) Government should create reasonable timetables to address the long registration period of BOT projects.
- 12) Develop an on-line registry for information on infrastructure projects.
- 13) Lump sum budgets should be kept to a minimum, if not totally avoided, in order to promote transparency and accountability.

**Recommendations Not Under Way.** The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) Use available domestic capital for infrastructure investment. Special Deposit Accounts and Reverse Repurchase Agreements total nearly PhP 1 trillion.

- 2) Study setting up a Philippine Infrastructure Facility with a World Bank loan, as Indonesia has done.
- 3) Countrywide Development Funds should be utilized for necessary infrastructure projects and not follow political considerations.
- 4) Pass the Freedom of Access to Information Act.
- 5) The private sector can also create a website tracking the top 200-300 large infrastructure projects, or find an independent government agency to create such a website (e.g. NEDA) without a need for legislation or an EO.

The Workshop affirmed that a good start has been made on the reforms needed to accelerate investment and job creation. A considerable number of recommended reforms are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

But major challenges remain - including unanticipated ones - and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



**AUSTEN CHAMBERLAIN**  
President  
American Chamber of Commerce  
of the Philippines, Inc.



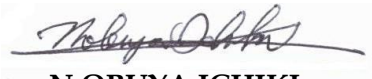
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**SHAMEEM QURASHI**

President

Philippine Association of Multinational Companies  
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