

NINETEENTH CONGRESS OF THE	
REPUBLIC OF THE PHILIPPINES	
First Regular Session	

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SENATE

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s.B. No. 2068

Introduced by SEN. WIN GATCHALIAN

AN ACT AUTHORIZING PUBLIC-PRIVATE PARTNERSHIPS AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

To sustain the momentum of delivering needed public infrastructure to enhance the delivery of public services and to lessen reliance on foreign borrowings in financing public infrastructure, the government must continue to innovate to foster effectiveness in procuring and delivering infrastructure projects. The advent of the Public-Private Partnership (PPP) Program has conferred an enabling environment for the private sector to get involved in and become part of the government in its "public good provision". To further this goal, the government must ensure that private investment is respected and appropriate incentives are afforded in support of this proprietary arrangement.

Thus, to lead this partnership with the private sector to a more fulfilling result, the PPP Center created under EO No. 8, its Governing Board under EO No. 136, and the Project Development and Monitoring Facility (PDMF) under Section 6 of EO No. 8 as amended by EO No. 136, shall be institutionalized and strengthened through this measure, to assist in the policy preparation, technical structuring, and feasibility studies of the projects while taking the lead in the bidding until the management and implementation of the projects as pro-active conduits in the PPP framework.

In sum, this measure seeks to empower the PPP Center with adequate authority to standardize all processes, create clear methodologies for assessment mechanisms, ensure the satisfaction of all relevant rules and procedures and become active participants in the bidding process. The streamlined system would greatly help the accelerated processing of PPP proposals – addressing delays and failures in biddings and poor practices in the formulation of feasibility studies, and ensuring the roll-out and implementation of vetted and approved PPP projects. This process will not only save costs and resources for the government but will also have a greater emphasis on transparency.

The common pitfalls that the PPP program have encountered involve the constant hurdle for coordination, PPP Center's lack of adequate authority, and the inability to gain support from other agencies of the government tasked to strategically fulfill the mandate of overseeing the processes to comply with the contractual obligations under the program. Through this measure, the PPP Center shall be afforded the latitude to ensure that the mechanisms for a well-coordinated infrastructure development are in place. Hence, placing the agency under the Office of the President is likewise prudent in order to maximize the effectivity of its own management in the conduct of project facilitation and assistance.

The roadmap to progress in an all-inclusive growth must include infrastructure development which the private sector is able and willing to support. In order that we complement private investment vis-a-vis adequate government support within the proper accountability framework, the best practices implemented under the PPP program must be institutionalized with additional mechanisms to ensure its sustainability and transparency.

In view of the foregoing, support for the immediate enactment of this initiative is earnestly sought.

WIN GATCHALIAN



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AN ACT AUTHORIZING PUBLIC-PRIVATE PARTNERSHIPS AND APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION. 1. Short Title. – This Act shall be known as the "Public-Private Partnership Act."

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SEC 2. Declaration of Policy. – 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, create an enabling environment for Public-Private Partnership (PPP), and provide the most appropriate incentives to mobilize private resources for the purpose of financing, designing, constructing, operating and maintaining infrastructure projects and services normally financed and undertaken by the government. Such incentives, aside from financial incentives as provided by law, shall include specific government undertakings in support of the private sector. The State also recognizes the long-term nature of private investment in infrastructure projects and services.

Towards this end, the State shall protect the public interest by providing affordable, accessible, and efficient public services. The State shall likewise ensure fair and reasonable pricing and timely delivery of quality infrastructure and services through equitable risk allocation inherent in projects implemented under this Act and

its implementing rules and regulations (IRR) subject to reasonable rules and under the guiding principle of full public disclosure of all transactions.

Furthermore, the State affirms open, transparent and competitive selection as the central tenet of government procurement in securing private investment in public infrastructure projects and services.

SEC. 3. Definition of Terms. - As used in this Act:

- a) *Approving body* refers to an entity authorized to approve PPP projects proposed under this Act and its IRR, in accordance with Section 8 of this Act;
- b) Availability-based PPP refers to a PPP where the implementing agency commits to make predetermined payments for contractually-defined performance delivery. Such payments shall be included in the agency's annual budget;
- c) Concession-based PPP refers to a PPP where the implementing agency grants the project proponent the right to recover its investment, operating and financing costs by charging the public a user fee or tariff;
- d) *Construction* refers to new construction, rehabilitation, improvement, expansion, alteration, installation, and related works and activities in connection with an infrastructure facility, including the necessary supply of equipment, materials, labor and services and related items;
- e) *Contractor* refers to any person, who may or may not be the project proponent, and who shall undertake the actual construction of an infrastructure facility;
- f) Cooperation period refers to the period of operation of an infrastructure facility, which period, in the case of public utilities requiring a franchise, shall be in accordance with law;
- g) Facility operator refers to a person registered with the Securities and Exchange Commission, who may or may not be the project proponent, and who is responsible for all aspects of operation and maintenance of an infrastructure facility, including but not limited to, the collection of tolls, fees, rentals or charges from facility users;

h) Government undertakings refer to any form of support, contribution, assistance, viability gap funding (VGF), among others, which the government may extend to a Project Proponent for the implementation of PPP Projects. The procedures on proposing and granting of Government Undertakings shall be prescribed in the IRR of this Act;

- i) *Grantor* refers to an implementing agency and other government agencies that own the project assets or franchise;
- j) GOCC refers to a government-owned or controlled corporation as defined in Republic Act No. 10149, otherwise known as the "GOCC Governance Act of 2011;"
- k) *Guarantee on Demand* refers to an agreement whereby the Implementing Agency guarantees to assume market risks in a PPP Project;
- I) Guarantee on Loan Repayment refers to an agreement whereby the Implementing Agency guarantees to assume responsibility for the repayment of debt directly incurred by the Private Proponent in implementing the project in case of a loan default;
- m) Guarantee on Private Sector Return refers to an agreement whereby the Implementing Agency guarantees to provide a pre-identified rate of return on the investment of the Private Proponent;
- n) *ICC* refers to the Investment Coordination Committee of the National Economic and Development Authority (NEDA) Board;
- o) *Implementing agency* refers to national government agencies such as, but not limited to, the Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), Department of Information and Communications Technology (DICT), National Irrigation Authority (NIA), National Housing Authority (NHA), Philippine Reclamation Authority (PRA), government-owned and controlled corporations (GOCCs) attached to these respective departments and government agencies, local government units (LGUs), and such other government agencies as may be authorized by the President;
- p) *Infrastructure facility* refers to such facility as are established by the government in relation to or as may be necessary for the discharge of its functions, whether governmental or proprietary, including power plants, highways, ports, airports, canals, dams, hydropower projects, water supply, irrigation,

- 1 telecommunications, railroads and railways, artillery, transport systems, land
- 2 reclamation projects, industrial estates or townships, housing, government buildings,
- 3 tourism projects, markets, slaughterhouses, warehouses, solid waste management,
- 4 information technology systems and infrastructure, education and health facilities,
- 5 sewerage, drainage, dredging, climate change mitigation and adaptation measures,
- other environmental related projects, and other similar facility or provision of related services;

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- q) Local PPP project refers to a PPP project that will be undertaken by an LGU;
- r) National PPP project refers to a PPP Project that will be undertaken by the national government;
- s) *Public-private partnership (PPP)* refers to a contractual arrangement between the implementing agency and the project proponent for the financing, design, construction, operation, and maintenance, or any combination thereof, of an infrastructure facility under this Act;
- t) *PPP Center* refers to the Public-Private Partnership Center of the Philippines created under Executive Order No. 8, series of 2010, as amended.
- u) *PPP contract* refers to the contract between the implementing agency and the project proponent for the design, financing, construction, operation, and maintenance or any combination thereof of an infrastructure facility under a PPP Project;
 - v) PPP project refers to a project undertaken under this Act;
- w) *Priority project* refers to a project identified by an implementing agency that may be undertaken under this Act as a PPP project and is consistent with the Philippine Development Plan (PDP) or its equivalent at the local level;
- x) *Private Person* refers to an individual, sole proprietorship, partnership, corporation or any other form of organization, whether domestic or foreign;
- y) *Project cost* refers to total capital cost, financing and other expenses for the design, construction, operation, and maintenance of an infrastructure facility, depending on the PPP contract as provided for in Section 4 of this Act;
- z) *Project proponent* refers to any private person who shall undertake a PPPproject;

aa) *Rate of return* refers to the project proponent's expected return from the project; Provided that in the case of an unsolicited proposal, the appropriate rate of return shall be determined by the appropriate Approving Body prior to the call for proposals based on the prevailing cost of capital in the domestic market, risk profile and gearing ratio.

- bb) *Services* refers to technical services and other services related to infrastructure facilities such as construction, supervision, management, operation and maintenance and related services, which may be included as part of a PPP project;
- cc) Solicited PPP project refers to priority projects identified by the implementing agency;
- dd) *Unsolicited PPP project* refers to project proposals submitted by a private person which are not in response to a formal solicitation or request issued by the implementing agency; and
- ee) *Viability Gap Funding (VGF)* refers to upfront cash support the government may provide to a concession-based PPP project with the objective of making user fees affordable while improving the commercial attractiveness of the project;
- SEC. 4. *Variations of Contractual Arrangements.* PPP projects may be undertaken through any of the following contractual arrangements and such other variations as may be approved by the ICC:
- a) *Build-and-Transfer* refers to a contractual arrangement whereby the project proponent undertakes the financing and construction of a given infrastructure facility and after the completion thereof, turns it over to the implementing agency concerned, which shall pay the project proponent on an agreed schedule its total investments expended on the project, plus a rate of return thereon. This arrangement may be employed in the construction of any infrastructure facility, including critical facilities which, for security or strategic reasons, must be operated directly by the government;
- b) *Build-Lease-and-Transfer* refers to a contractual arrangement whereby a project proponent undertakes to finance and construct an infrastructure facility and upon its completion turns it over to the implementing agency concerned on a lease arrangement for a cooperation period, after which ownership thereof is automatically transferred to the implementing agency concerned;

c) *Build-Own-and-Operate* refers to a contractual arrangement whereby a project proponent is authorized to undertake a PPP project, specifically to finance, construct, own, operate and maintain an infrastructure facility from which the project proponent is allowed to recover its total investment, operating and maintenance costs plus a return thereon by collecting tolls, fees, rentals or other charges from facility users;

- d) *Build-Operate-and-Transfer* refers to a contractual arrangement whereby the project proponent undertakes a PPP project and transfers ownership of the infrastructure facility to the implementing agency at the end of the cooperation period;
- e) *Build-Transfer-and-Operate* refers to a contractual arrangement whereby the implementing agency contracts out the construction of an infrastructure facility to the project proponent. Once the facility is commissioned satisfactorily, ownership is transferred to the implementing agency. The project proponent, however, operates the infrastructure facility on behalf of the implementing agency;
- f) Contract-Add-and-Operate refers to a contractual arrangement whereby, the project proponent adds to an existing infrastructure facility which it is renting from the government. It operates the expanded infrastructure facility over an agreed cooperation period. There may, or may not be, a transfer arrangement in regard to said facility;
- g) *Develop-Operate-and-Transfer* refers to a contractual arrangement whereby favorable conditions external to a new PPP project which is to be built by a project proponent are integrated into the arrangement by giving that entity the right to develop adjoining property, and thus, enjoy some of the benefits the investment creates such as higher property or rent values;
- h) *Joint venture* refers to a contractual arrangement whereby a private person or a group of private persons, and an implementing agency, contribute money, services, assets, or a combination of any or all of the foregoing, to undertake a PPP project, with the intention to share profits, risks and losses. Assets may include equipment, land, intellectual property or anything of value.

For joint venture arrangements, the ownership of the infrastructure facility may be transferred to either the implementing agency or to the project proponent: Provided, That in the latter case, the transfer shall be made under competitive market conditions: Provided, further, That the equity contribution of the implementing agency in a joint venture corporation shall in no case exceed fifty percent (50%) of the outstanding capital stock of the said corporation; and Provided, finally, That the return on investment of either party shall be in proportion to their respective contribution;

- i) Operations and Maintenance Contract refers to a contractual arrangement whereby the project proponent undertakes the day-to-day operation and maintenance of an infrastructure facility owned by the implementing agency. The project proponent shall undertake the acquisition or provision and upgrading of equipment, systems and other items related to operation and maintenance.
- j) Rehabilitate-Operate-and-Transfer refers to a contractual arrangement whereby an existing infrastructure facility is turned over to the project proponent to refurbish, improve, operate and maintain for a cooperation period, at the expiry of which the ownership of the facility is transferred to the implementing agency; and
- k) *Supply-and-Operate* refers to a contractual arrangement whereby the supplier of equipment and machinery for a given infrastructure facility, if the interest of the government so requires, operates such facility. Foreign firms who are allowed to operate the facility shall provide technology transfer and training to Filipino nationals.

SEC. 5. *Authority of Implementing Agencies.* – Implementing agencies, in accordance with their respective charters, are hereby authorized to undertake PPP projects with any project proponent in accordance with the provisions of this Act.

In undertaking a PPP project under this Act, a GOCC or any of its subsidiaries shall secure the approval of the head of department or agency to which the GOCC is attached. If the procurement thereof is undertaken by the department or agency, the governing board of the GOCC shall adhere to the approval of the approving body and shall give its full cooperation in bidding the project.

SEC. 6. *Identification of Priority Projects.* – Implementing agencies shall include in their development plans, strategies and investment programs those priority projects that may be undertaken under this Act as PPP Projects. In identifying those projects, the implementing agencies shall be guided by the following principles: effectiveness

in meeting government objectives, accountability and transparency, consumer rights, affordability, public access, safety, and security. Priority projects shall be consistent with the Philippine Development Plan or its equivalent at the local level.

The implementing agencies shall submit their list of PPP projects or any update thereto to the Public-Private Partnership Center of the Philippines, for information. Each proposed PPP project to be implemented under this Act shall be subject to the approval of the appropriate Approving Body.

The PPP Center must ensure that the Congress and the public shall be provided with adequate and timely information on PPP projects.

SEC 7. *Unsolicited Proposals.* – Unsolicited proposals shall only be considered when they involve a new concept or technology as shown in a feasibility study. Projects that are in the national and local priority list may be considered for unsolicited proposals; *Provided*, that it has been established that the same or similar projects are not already under active or advanced consideration by the government such that no feasibility study on that project exists. Procedures for the issuance of original proponent status will be provided in the IRR of this Act.

When a project proponent submits an unsolicited proposal, the PPP Center may:

- a) Accept the unsolicited proposal: *Provided*, That the following conditions are met:
 - 1) It does not contain any Government Undertakings, including any of the following:
 - (i) Viabilty Gap Funding and other forms of Subsidy or Equity
 - (ii) Payment of Right of Way related costs;
 - (i) Performance undertaking;
 - (ii) Exemption from any taxes as required by laws, except local taxes imposed by local government units;
 - (iii) Guarantee on Demand;
 - (iv) Guarantee on Loan Repayment;
 - (v) Guarantee on Private Sector Return;
- 32 (vi) Government equity except in JV arrangements; and

(vii)Contribution of assets, properties and rights except in case of JV 1 2 arrangements. Provided, That the implementing agency shall facilitate the acquisition of the 3 right-of-way; Provided further, That as an exception, items (ii) and (ix) above 4 may be allowed if the government receives appropriate compensation, which 5 shall in no way lower than the value of the right of way, assets, properties and 6 7 rights contributed: 8 2) Guided by the principles of transparency and competitiveness, the PPP 9 Center has: 10 Published the invitation to pre-qualify and bid for three (3) i) 11 consecutive weeks in a newspaper of general circulation and the 12 websites of PPP Center and of the implementing agency; 13 ii) Conducted a competitive bidding for a period of at least three (3) 14 months to no more than six (6) months in accordance with the 15 procedures in the IRR of this Act where the original proponent is a 16 pre-qualified bidder; and iii) Determined the winning bid based on the best financial proposal 17 18 submitted by the original proponent and other bidders during the 19 competitive bidding process; 20 b) Use the unsolicited proposal as the basis for public bidding as provided in 21 Section 10 of this Act. Upon approval by the appropriate approving body, the original proponent thereof shall be reimbursed of the cost incurred in the preparation of the 22 23 proposal, such as the cost of feasibility study undertaken: Provided, That such 24 reimbursement shall be: 25 1) In an amount specified in the IRR of this Act, but not exceeding three percent (3%) of the capital expenditure portion of the project cost excluding 26 those which will be borne by the implementing agency; and 27 28 2) Paid in full by the winning project proponent as a requirement for the 29 award of the contract; or 30 c) Reject the proposal;

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IRR of this Act, the project proposal shall be deemed rejected, without prejudice to

If the PPP Center fails to act on the proposal within the period stated in the

any liability that the erring or negligent officials or employees may incur under existing laws.

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- SEC. 8. *Approval of PPP Projects.* (a) The approval of PPP projects under this Act shall be in accordance with the following:
 - (1) National PPP Projects. National PPP Projects shall be approved as follows:
 - (i) Projects costing five billion pesos (P5,000,000,000.00) and below, shall be submitted to the Investment Coordination Committee of the National Economic and Development Authority (ICC-NEDA) for approval;
 - (ii)Projects costing above five billion pesos (P5,000,000,000.00) shall be submitted to the NEDA Board for approval, upon favorable recommendation by the ICC-NEDA.

The ICC-NEDA may, from time to time, update the aforementioned amounts when the need arises.

For national projects that have impact on a particular region, the implementing agency shall secure the endorsement of the Regional Development Council (RDC) prior to implementation of the project. The RDC shall have ten (10) working days from receipt of the request of the implementing agency within which to issue its endorsement; otherwise, the same shall be deemed automatically endorsed by the RDC;

- (2) Local PPP projects shall be approved by the local Sanggunians authorized under existing laws and, depending on the project cost as may be prescribed in the IRR of this Act, confirmed by the local development councils, ICC and the NEDA Board; *Provided,* That Local PPP projects involving Government Undertakings using national government funds shall require approval of the ICC-NEDA.
- (b) The appropriate Approving Body shall assess all PPP projects based on its overall feasibility analysis and accord paramount importance on the affordability of user fees and efficiency in public service. To ensure that all risks associated with PPP Projects are managed and mitigated accordingly, all PPP contracts to be entered into by the Implementing Agency shall adhere to the principles stipulated under the Generic Preferred Risk Allocation Matrix (GPRAM) issued by the ICC-NEDA.

The confirmation of the project by the local development council concerned shall be based on a review of the project documents submitted to it by the LGU concerned, which includes the feasibility study and the draft contract on the project, and shall ensure that said project documents are in full compliance with the requirements set forth under this Act: *Provided*, That any concerned reviewing officer found in violation of this provision shall be administratively liable with grave neglect of duty and shall be dealt with in accordance with existing laws.

Any act on the part of the LGU concerned and its responsible officials, or concerned officers of the private project proponent, which results to or is aimed at downgrading the category of the project cost based on its total cost under the IRR of this Act for the purpose of evading the required approval under the appropriate category shall be dealt with administratively and criminally under this Act and its IRR, and other existing applicable laws. Such act committed by the private project proponent and its concerned officers shall cause the rescission of its contract for the said project without compensation and shall be perpetually disqualified from participating in any bidding, or other contractual arrangement, for any government project.

(c) In order to facilitate a comprehensive and timely review of the PPP Project, the PPP Center, in coordination with the ICC-NEDA, shall formulate forms and templates that shall be used by the Implementing Agency and the Approving Body in reviewing and approving the PPP Project, as well as the national government undertaking involved in local PPP Projects.

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SEC. 9. Project Development and Monitoring Facility. — The Project Development and Monitoring Facility (PDMF) is hereby created, which shall be used for the procurement of advisory and support services related to the preparation, structuring, probity management, procurement, financial close, and monitoring of implementation of PPP projects. The PDMF Fund referred to under Executive Order No. 8, series of 2010, as amended by Executive Order No. 136, series of 2013, shall be transferred to the PDMF under this Act. The PDMF may be funded through and such amount as may be needed and included in the annual General Appropriations Act, Official Development Assistance or other sources.

The PDMF shall be managed and administered by the PPP Center as a revolving fund; thus, in addition to the amounts appropriated herein, and in order to sustain the PDMF, the PPP Center may collect and receive fees and recover costs expended through PDMF in accordance with the guidelines that shall be approved by the PPP Governing Board. Such amount shall be retained and authorized to be used by the PPP Center for the purposes indicated herein.

A PDMF Committee is hereby created which shall approve applications for PDMF support submitted by implementing agencies. It shall be composed of representatives from the NEDA, Department of Finance (DOF), Department of Budget and Management (DBM) and the PPP Center.

To facilitate access to global best practices in PPP and enhance value for money, the selection of consultants for project preparation and transaction support, and probity advisors, all with PPP expertise, as well as independent consultants, and such other consultancy services that may be financed through PDMF shall be open to qualified consultancy firms, subject to existing laws on the practice of profession reserved to Filipino nationals.

Subject to approval of the PPP Governing Board, the PDMF Committee shall also formulate, prescribe and recommend policies, procedures and guidelines for the use of PDMF and recovery of costs charged to the fund.

The PPP Center shall serve as secretariat for the PDMF Committee.

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SEC. 10. *Public Bidding of Projects.* – The public bidding of projects shall be in accordance with the following:

a) *Publication* – Upon approval of PPP projects as mentioned in Section 8 of this Act, the PPP Center shall immediately cause the publication of a notice inviting all prospective project proponents to participate in a transparent and competitive public bidding, once every week for three (3) consecutive weeks, in at least two (2) newspapers of general circulation and in at least one (1) local newspaper which is circulated in the region, province, city or municipality where the project will be implemented. Said notice shall also be posted continuously in the websites of the implementing agency and the PPP Center.

b) *Public bidding* – The public bidding shall be conducted under a single or two-stage system. The pre-qualification documents, technical, and financial proposals shall be submitted in at least three (3) separate envelopes. The procedures for public bidding, which shall be transparent and competitive, including the conduct of one-on-one meetings with prospective bidders in the case of a one-stage system or prequalified bidders in the case of a two-stage system, shall be outlined in the IRR of this Act.

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- c) Award The contract shall be awarded to the bidder who has passed the prequalification stage for having satisfied the minimum financial, organizational and legal standards required by this Act, which has passed the technical proposal evaluation, and has submitted the most favorable financial bid based on the parameters defined in the bid documents. Affordable user fees and efficient public services shall be of paramount importance in awarding PPP projects.
- d) Single complying and responsive bid In case of a single complying and responsive bidder, the PPP Center may award the PPP contract to that bidder upon its compliance with the post-award requirements under the bidding rules of the PPP project.

A bid shall be considered a single complying and responsive bid submission if it falls under any of the following circumstances:

- 1) If, after advertisement, in the case of a two-stage system, only one bidder applied for prequalification and it meets the prequalification requirements, after which it is required to submit a bid or proposal which is subsequently found by the PPP Center to be complying;
- 2) If, after advertisement, in the case of a two-stage system, more than one bidder applied for prequalification but only one meets the prequalification requirements, after which it submits a bid or proposal which is found by the PPP Center to be complying;
- 3) If, after prequalification of more than one bidder, in the case of a twostage system, only one submits a bid which is found by the PPP Center to be complying; or

- 4) If, after prequalification, in the case of a one-stage or two-stage system, more than one bidder submits bids but only one is found by the PPP Center to be complying.
- e) *Protest* In all stages of the procurement process, the following protest protocol shall be strictly followed:

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- 1) Decisions of the PPP Prequalification Bids and Awards Committee (PPP PBAC) may be questioned by filing a motion for reconsideration within fifteen (15) working days from receipt thereof.
- 2) The decision of the PBAC on the motion for reconsideration in the immediately preceding paragraph may be further questioned by filing an appeal to the PPP Governing Board and paying a non-refundable appeal fee in an amount equivalent to no less than $\frac{1}{2}$ of $\frac{1}{6}$ of the capital expenditure portion of the project cost within fifteen (15) working days from receipt thereof.

The decision of the PPP Governing Board may be further questioned by filing an appeal to the Office of the President within a period to be prescribed by the IRR of this Act.

In no case shall any appeal taken from any decision treated in this Act stay or delay the bidding process: *Provided*, That all appeals must first be resolved before any award is made.

- f) Failure to comply or execute the contract If the winning bidder fails to comply with any post-award requirement by the PPP Center or fails to enter into a contract with the implementing agency, the PPP Center may proceed to negotiation with the next technically and financially qualified bidder. This is without prejudice to other legal remedies available to the PPP Center and/or the implementing agency such as, but not limited to, the forfeiture of bid security, the withdrawal of Notice of Award, or both.
- SEC. 11. PPP Bids and Awards Committee. —The PPP Center shall create the Bids and Awards Committee (BAC) which shall be headed by its Executive Director as Chairperson and at least a third-ranking regular official of the implementing agency as Vice-Chair. The composition for the other members shall be specified in the IRR of this Act: *Provided*, That the PPP BAC constituted for National PPP projects, which shall

also include other relevant government agencies as may be determined in the IRR of this Act, will have representatives from the PPP Governing Board. Provided further that the creation of the PPP BAC for LGU projects below a specific project cost threshold as prescribed in the IRR of this Act, may be delegated by the Executive Director of the PPP Center to the Head of the LGU.

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SEC. 12. *Private Legal and Medical Assistance.* – All the PPP PBAC members and other public officials providing services to the PPP PBAC shall be authorized to engage the services of private lawyers or shall be provided with free legal assistance, where a civil, criminal, or administrative action is filed against them by reason of the performance of their official functions or duties, unless they are finally adjudged in such action or proceeding to be liable for gross negligence or misconduct or grave abuse of discretion. The PPP BAC members shall also be entitled to medical assistance for injuries incurred in the performance of their functions.

SEC. 13. *Contract Termination.* – In the event that a contract is revoked, cancelled or terminated, either contracting party shall compensate the other pursuant to terms as defined in the contract.

SEC. 14. *Issuance of Administrative Franchise, License or Permit.* – Upon receipt of notice that an implementing agency and a project proponent have entered in a PPP contract, the regulator or licensing authority shall automatically grant in favor of the said project proponent an administrative franchise, license, permit, or any other form of authorization required for the implementation of a PPP project subject to submission by the project proponent of the requirements by the regulator or licensing authority.

Any provision of law to the contrary notwithstanding, it shall be mandatory on the part of the regulator or licensing authority to accept and approve the application for administrative franchise, license or permit. Failure to act on a proper and complete application thereof within thirty (30) working days from receipt of the same shall be deemed as approval thereof.

SEC. 15. Expansion or Extension of an Existing Infrastructure Facility. – Subject to prior approval by the appropriate approving body, the project proponent of an existing PPP infrastructure facility may be allowed to expand or extend the same even without further bidding: *Provided*, That the cost thereof shall not exceed twenty-five percent (25%) of the price-adjusted original project cost: *Provided*, *further*, That any subsequent expansion or extension shall no longer be allowed.

SEC. 16. Contracts and Public Disclosure. – Copies of all PPP contracts concluded under this Act shall be considered public documents. However, any information relating to security or national security matters contained in the PPP contract and its annexes may be kept confidential for a limited period, as may be determined by the implementing agency and approved by the PPP Governing Board but not to exceed five (5) years.

The implementing agency shall provide the PPP Center, for records and monitoring purposes, a copy of the duly executed contract, upon its complete execution.

- SEC. 17. Prohibition on the Issuance of Temporary Restraining Orders or Injunctions. a) No temporary restraining order, preliminary injunction or preliminary mandatory injunction shall be issued by any court, except the Supreme Court, against the PPP Center or any implementing agency, its officials or employees, or any person or entity, whether public or private acting under the government direction, to restrain, prohibit or compel the following acts:
 - 1) Bidding, rebidding or declaration of failure of bidding of PPP projects, either national or local;
 - 2) Qualification or disqualification of bidders;
 - 3) Awarding of PPP contract;
 - 4) Acceptance of any unsolicited PPP project proposal, even if not acted upon by the PPP Center under Section 7 of this Act;
 - 5) Acquisition, clearance, development of the right-of-way, site or location of any PPP project;
 - 6) Construction, operation and maintenance of any PPP project;

7) Commencement, execution, implementation, termination or rescission of any PPP contract; and

- 8) Undertaking or authorization of any other lawful activity necessary for such PPP project or contract.
- b) The applicant for such temporary restraining order, preliminary injunction or preliminary mandatory injunction shall file a bond, in an amount to be fixed by the court. The bond shall accrue in favor of the government if the court should finally decide that the applicant was not entitled to the relief sought.
- c) Any temporary restraining order, preliminary injuction or preliminary mandatory injunction issued in violation of this section is void and of no force and effect.
- d) The foregoing prohibition shall apply in all disputes, cases, or controversies instituted by any and all parties, including but not limited to cases filed by bidders, implementing agencies or those claiming to have rights through such bidders or implementing agencies involving PPP project or contract.
- e) In addition to civil and criminal liabilities as may be incurred under existing laws, any judge who shall issue a temporary restraining order, preliminary injunction or preliminary mandatory injunction in violation of this section, shall be disciplined by the Supreme Court and suffer the penalty of removal from office.

SEC 18. Regulatory agencies. – No regulatory agency shall be allowed to enter into any PPP contract that they regulate. A regulatory agency that owns public infrastructure or right-of-way that is intended for a PPP project shall assign the same to the department exercising administrative supervision over it, or to the department to which it is attached, in order that such department may enter into a PPP contract involving such public infrastructure or right-of-way.

SEC. 19. *Project Supervision and Monitoring.* – Every PPP project undertaken under the provisions of this Act shall be in accordance with the designs, plans, specifications, and standards as approved by the implementing agency, and the cost as approved by the appropriate approving body. The implementation of such project shall be under the supervision of the PPP Center and the implementing agency.

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- SEC. 20. *Projects of National Significance.* a) Upon certification and recommendation by the ICC, and prior consultation with the Department of Interior and Local Government (DILG) and the LGU concerned, the President may classify certain projects, such as energy, toll road, mass transit, water, sewerage and such other projects undertaken under this Act as projects of national significance, which shall be entitled to the following incentives:
 - 1) All real properties which are actually and directly used for the project shall be exempt from any and all real property taxes levied under Republic Act No. 7160, otherwise known as the Local Government Code of 1991;
 - 2) All projects of national significance shall likewise be exempt from any and all local taxes, fees and charges; and
 - 3) Automatic grant or issuance of the necessary business permits, including renewals thereof, in favor of the winning project proponent.
- b) For a project to qualify as a project of national significance, it shall meet the following criteria:
 - 1) The project cost falls within the threshold set by the ICC;
 - 2) The project has direct and indirect economic impact which shall not be less than the threshold set by the ICC;
 - 3) The project will have direct and indirect economic impact of the project will be felt beyond the LGU where it is located; and
 - 4) The project can create new jobs.

SEC. 21. Exemption from Payment of Transfer Taxes. – For all PPP projects, the transfer of ownership of infrastructure facility to the implementing agency shall be exempt from capital gains tax, documentary stamp tax, donor's tax, and all national taxes and fees related to the transfer thereof.

SEC. 22. *Institutionalization of the PPP Center.* – a) To achieve the goals of this Act, the PPP Center created under Executive Order No. 8, series of 2010, as amended by Executive Order No. 136, series of 2013, is hereby institutionalized. It is

- hereby authorized to adopt its current organizational structure, absorb its existing employees, and upgrade its human resource component, as may be necessary, towards a more efficient and effective performance of the following functions:
 - 1) Assist implementing agencies in identifying, developing, prioritizing and maintaining a pipeline of PPP projects;
 - 2) Act as the procurement agent of PPP projects; ;

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- 3) Provide advisory services, technical assistance, trainings, and capacity development to implementing agencies in all PPP-related matters;
 - 4) Manage and administer the PDMF as provided in Section 9 of this Act;
- 5) Work with implementing agencies in setting implementation timelines for approved PPP projects;
- 6) Recommend plans, policies and implementation guidelines related to PPP, in consultation with appropriate oversight committees or agencies, implementing agencies, private sector and other relevant stakeholders;
 - 7) Facilitate, monitor, and evaluate the implementation of PPP programs;
- 8) Report to the Office of the President and Congress on the implementation of the PPP programs and projects of the government at the end of each year;
 - 9) Serve as a link between the government and the private sector;
- 10) Promote and market PPP programs and projects, in collaboration with other government promotion agencies;
 - 11) Issue advisory opinions relating solely to PPP related matters;
- 12) Serve as the central repository of all executed PPP contracts and any subsequent amendment or supplement thereto;
 - 13) Provide and transmit copies of duly executed PPP contracts to Congress;
- 14) Act as Secretariat to the PDMF Committee, PPP Governing Board, and ICC insofar as PPP projects are concerned;
- 15) Maintain an integrated projects' bank to serve as an interactive database of all current and past projects;
- 16) Review of all, including but not limited to, PPP contracts for national PPP projects prior to execution; and
- 17) Such other functions as may be necessary to achieve the objectives and purposes of this Act.

b) Administrative Relationship. The PPP Center shall report directly to the PPP Governing Board and shall be attached to the Office of the President;

c) The PPP Center shall be headed by an Executive Director with the rank equivalent to an Undersecretary, who shall be appointed by the President of the Philippines for a fixed term of six (6) years, upon recommendation of the PPP Governing Board: *Provided*, That the term of the first executive director appointed under this Act shall expire at noon of June 30, 2019, and the term of the next executive director shall commence on the said hour and date: *Provided, further*, That in case a vacancy occurs before the expiration of the term, the person appointed to such vacancy shall serve only the unexpired term of the predecessor.

The Executive Director shall perform the following functions:

- 1) Sit as Chairperson for all the PPP BAC and as an *ex-officio* voting member of the PPP Governing Board, NEDA-Infrastructure Committee, ICC and other inter-agency bodies where a PPP project is a major concern; and
- 2) Perform such other functions as may be assigned by the PPP Governing Board.
- d) All positions of the PPP Center shall be governed by a compensation and position classification system and qualification standards duly approved by the governance commission for government-owned or -controlled corporations (GCG) based on comprehensive job analysis and audit of actual institutional duties and personal responsibilities. The compensation plan shall be comparable with the prevailing compensation plan of the Bangko Sentral ng Pilipinas, government finance institutions and other GOCCs, and shall be subject to periodic review by the GCG no more than once every two (2) years, without prejudice to yearly merit review or increases based on productivity and efficiency.

SEC. 23. *PPP Governing Board.* – The PPP Governing Board is hereby created, which shall be the overall policy-making body for all PPP-related matters, including the PDMF. It shall be responsible for setting the strategic direction of PPP programs and projects and in creating an enabling policy and institutional environment for PPP.

The PPP Governing Board shall be composed of the following:

a) Secretary of Socio-economic Planning as Chairperson;

- b) Secretary of Finance as Co-Chairperson;
- c) Secretary of Budget and Management;
- d) Secretary of Trade and Industry;
- e) Secretary of Justice;

- f) Executive Secretary;
- g) Secretary of Interior and Local Government;
- 7 h) Executive Director of the PPP Center, as members
 - i) One (1) private sector representative from the field of architecture or urban planning, elected by the Philippine Institute of Architects/United Architects of the Philippines/Philippine Institute of Environmental Planners/Intelligent Community Forum Philippines; as a non-voting member
 - j) One (1) private sector representative from the construction industry, elected by the Philippine Constructors Association (PCA); as a non-voting member
 - k) One (1) private sector representative from the business sector, elected by the Management Association of the Philippines (MAP); as a non-voting member, and
 - I) One (1) private sector representative from the finance industry, elected by the Bankers Association of the Philippines (BAP), as a non-voting member.

The principal members of the PPP Governing Board may designate their respective alternates, with a rank not lower than assistant secretary or its equivalent, and whose acts shall be considered the acts of their principals.

The presence of the Chairperson with four (4) other voting members of the PPP Governing Board shall constitute a quorum and a majority vote of the members present shall be necessary for the adoption of any issuance, order, resolution, decision or other act of the PPP Governing Board in the exercise of its functions. The PPP Governing Board shall act as a collegial body. In the conduct of meetings, the chairperson shall not vote except to break a tie.

The PPP Governing Board shall act on any matter for its consideration not later than thirty (30) days from the date of submission thereof.

SEC. 24. *Mandatory Inclusion of Alternative Dispute Resolution Mechanisms in PPP Contracts.* – All PPP contracts shall include provisions on the use of alternative

dispute resolution mechanisms. The contracting parties shall be given complete freedom to choose which venue and forum shall govern their dispute, as well as the rules or procedures to be followed in resolving the same.

SEC. 25. Creation of a Public-Private Partnership Contingent Liability Fund. – To ensure fiscal sustainability and negotiate better financing terms of PPP projects, there is hereby created a PPP Contingent Liability Fund to be used for the payment of contingent liabilities arising from PPPs in accordance to its contract terms.

The target amount in the PPP Contingent Liability Fund is to be determined by the Development Budget Coordination Committee (DBCC) using risk-adjusted methods or such other means that estimate the exposure of the Government of the Philippines to PPP contingent liabilities.

The PPP Contingent Liability Fund shall be funded from the following sources:

- a) Concession fees;
- b) Implementing agency reimbursements;
- c) Interest earnings from the contingent liability fund; and
- d) National government contributions.

National government contributions shall cover only the difference between the target amount of the PPP Contingent Liability Fund, as mentioned above, and the current value of the fund. The DOF shall regularly monitor and review the viability of the PPP Contingent Liability Fund in relation to the magnitude of PPP projects undertaken by the government, and if necessary, recommend the increase in the target amount of the PPP Contingent Liability Fund and the reason therefor. All national government contributions to the PPP Contingent Liability Fund shall be included in the proposed DOF budget.

When the value of the PPP Contingent Liability Fund is in excess of the target amount, the excess funds may, upon recommendation of the DBCC, be transferred to the general fund of the national government.

The agency implementing PPP projects must seek confirmation from the DOF that the national government can bear the additional contingent liabilities associated with the project taking into consideration fiscal sustainability.

Further, to foster accountability and efficiency in implementing PPP projects, it is mandatory for implementing agencies to enter into a recourse agreement with the DOF before any payment can be drawn from the PPP Contingent Liability Fund for contingent liabilities that have materialized within contract terms.

The Bureau of the Treasury shall maintain the PPP contingent liability fund in the treasury single account. Interest earnings therefrom shall accrue to the PPP Contingent Liability Fund.

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- SEC. 26. *Penal Provision.* Any person, whether private individual or public officer or employee, who commits any of the acts hereunder proscribed, shall be punished by imprisonment from a minimum of three (3) years to a maximum of six (6) years and one (1) day:
- a) Representation that the project proponent has the necessary capitalization to commence, complete and implement the project when the same is false in material respects; and
- b) Falsification or insertion of certain provisions in the execution copy of the contract which are materially and substantially different from the approved final draft contract.

SEC. 27. *Miscellaneous Provisions.* – a) *Safeguard Mechanisms to Protect Public Interest* – In order to improve transparency and to promote bankability and social acceptability of PPP projects, the following mechanisms shall be observed:

1) Whenever applicable, the implementing agency shall assess the affordability of fee or tariff, and conduct an appropriate methodology survey such as willingness-to-pay survey among the users of the infrastructure facility;

2) The implementing agency shall conduct public consultation or dialogue with all potential stakeholders, including the users, in all stages of the PPP project; and

3) The implementing agency and the PPP Center shall post in their respective websites the approved starting fare or user fee in a PPP project as well as the approved parametric formula on fare increases or adjustments, if applicable.

b) *Build-and-Transfer* – For PPP projects under the build-and-transfer scheme, the Congress shall include the necessary appropriations to meet the financial obligations arising from such projects on the fiscal year when the obligation becomes due and demandable. Such appropriations shall be over and above the annual budget of the implementing agency;

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- c) Recovery of Investment As may be agreed in the PPP contract, the project proponent may be allowed to collect tolls, fees, rentals, or charges, engage in commercial development, receive viability gap funding, and receive direct government payments, among others, to recover investment;
- d) *Wind-up and Transfer Measures* The PPP contract shall provide, as may be appropriate, for:
 - 1) Mechanisms and procedures for the transfer of assets to the implementing agency;
 - 2) The compensation to which the project proponent may be entitled in respect of assets transferred to the implementing agency, or to a successor, or purchased by the implementing agency;
 - 3) The transfer of technology required for the operation of the infrastructure facility;
 - 4) The training of the implementing agency's personnel or of a successor in the operation and maintenance of the infrastructure facility; and
 - 5) The provision, by the project proponent, of a warranty that the infrastructure facility meets the project technical specifications, agreed system features, and performance standards and services for a certain period as may be defined in the IRR of this Act after the transfer of the infrastructure facility to the implementing agency or to a successor.
- e) *Prescription* No one shall in any proceedings before any court or tribunal allege the invalidity of any PPP contract on the ground of non-compliance with the provisions of this Act or its IRR after a period of one (1) year has elapsed from the signing of the PPP contract.
- f) *Construction* If the person, whether or not the project proponent, that shall actually perform the construction of the infrastructure facility is a foreigner, such person shall hire Filipino employees throughout the period of construction.

g) *Operation and maintenance*— The person, whether or not the project proponent, that shall actually operate and maintain the infrastructure facility, including but not limited to the collection of tolls, fees, rentals or charges from users of the infrastructure facility, must be registered with the Securities and Exchange Commission.

- h) *Contracts, procedures, and authority not affected by this Act.* This Act shall not affect:
 - 1) PPP contracts entered into, and procurement procedures for which the invitation to prequalify and to bid has been published, by implementing agencies prior to the effectivity of this Act in accordance with the relevant laws, regulations, guidelines and ordinances; and
 - 2) The authority of LGUs to enact their own PPP ordinances that are not inconsistent with this Act and its IRR.

SEC. 28. *Joint Congressional Oversight Committee.* – There is hereby created a Joint Congressional Oversight Committee to oversee the implementation of this Act. The Committee shall be composed of the Chairperson of the Senate Committees on Public Works, on Finance, and on Economic Affairs, and the Chairperson of the House Committees on Public Works and Highways, on Appropriations, and on Economic Affairs. To effectively monitor the implementation of this Act, the Philippine Development Plan (PDP) and the priority list of national and local projects shall be submitted to the Joint Congressional Oversight Committee.

SEC. 29. *Implementing Rules and Regulations.* - The members of the PPP Governing Board shall designate its representatives who shall constitute the IRR Committee. Within sixty (60) days from the effectivity of this Act, the PPP Center shall formulate and prescribe, in consultation with the IRR Committee, after public hearing and publication as required by law, the rules and regulations to implement the provisions of this Act. The IRR shall be approved by the PPP Governing Board.

From time to time, the PPP Governing Board may instruct the PPP Center, in consultation with the IRR Committee, to conduct, formulate and prescribe, after due

public hearing and publication, amendments to the IRR, consistent with the provisions
 of this Act.
 SEC. 30. Transitory Provisions. – All unexpended funds for the calendar year

SEC. 30. *Transitory Provisions.* – All unexpended funds for the calendar year, properties, equipment, contracts and records of the PPP Center are hereby retained. The amount necessary to carry out the organizational changes of the PPP Center provided in this Act shall be determined by the PPP Governing Board. Appropriations for succeeding years shall be incorporated in its budget proposals for Congressional action.

All officials and employees of the PPP Center shall be retained and shall not suffer any loss of seniority or rank or decrease in emoluments.

SEC. 31. *Separability Clause.* – If any provision of this Act is held invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 32. *Repealing Clause.* – Republic Act No. 7718, Republic Act No. 6957, Sec. 3(a) of Presidential Decree (PD) No. 1112, Section 2 of PD No. 1894, and Executive Order (EO) No. 08 (s. 2010) as amended by EO 136 (s. 2013), EO 78 (s. 2012), Section 8 of EO No. 423 (s. 2005), 2013 Revised Guidelines and Procedures for Entering Into Joint Venture Agreements Between Government and Private Entities, are hereby repealed. All other laws, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 33. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,