

Course Memorandum

May 12, 2014

Course Case Study (Public-Private Partnerships)
Course No. 5140488 Summer 2014
Instructor Toshiro Nishizawa
Subject Follow up on the proposed research topics and grouping

Dear Students,

After sending the course memorandum dated May 7, I have received a very interesting proposal with an alternative grouping suggestion from the group that had been formed voluntarily by Bala, Cruz, De la Cruz, and Tan. The topic proposed is "comparison between solicited and unsolicited infrastructure proposals," an issue related to competition and transparency. For your reference, please find attached the group's tentative research proposal.

Taking into account this proposal, we would need to reconsider the topics and grouping that I proposed in the May 7 course memorandum. Having said that, however, it remains worth taking account of your motivation statements in deciding how we should select topics for your group work and how you should form groups.

Against this background, I would like to suggest a new set of topics and a revised grouping suggestion as follows. In order to accelerate this planning exercise, ***please give me your feedback by e-mail before Friday, May 16 about the new set of topics and revised grouping suggestion.***

1. Comparison between solicited and unsolicited infrastructure proposals: the case of the Philippines
(Bala, Cruz, De la Cruz, and Tan)
2. Comparison between solicited and unsolicited infrastructure proposals: the case of Australia
(any volunteers?)
cf. <http://www.ppiaf.org/sites/ppiaf.org/files/publication/WP1-Unsolicited%20Infra%20Proposals%20-%20Hodges%20GDellacha.pdf>
<http://www.nsw.gov.au/your-government/unsolicited-proposals>
3. Comparison of toll-based finance schemes: the cases of Hong Kong, Korea, and US municipalities
(Choy, Vibulsrisajja, Tsuyusaki, any volunteers?)
cf. <http://www.hklink2004.com.hk/eng/index.html>
<http://pimac.kdi.re.kr/eng/main/main.jsp>
http://www.transportation-finance.org/funding_financing/financing/bonding_debt_instruments/municipal_public_bond_issues/revenue_bonds.aspx

4. Institutional framework to attract private investors and lenders to PPPs—the case of Indonesia
(Bakanov, Timalsina, Abhijit)
(Yang, L'Homme, Takase)
(Hoa Nguyen, Zhylkybay, Chu, Nakamura)
cf. <http://www.bkpm.go.id/img/file/PPP%20BOOK%202013-compact.pdf>
<http://www.oecd.org/gov/regulatory-policy/Chap%206%20PPPs.pdf>
<http://www.indonesia-investments.com/projects/public-private-partnerships/item70>
<http://www.iigf.co.id/Website/Home.aspx>
<http://www.ptsmi.co.id/>
5. Comparison between public procurement and PPPs: implications for government fiscal management
(Niikura, John Kaithakkel, Ito, Li)
(Watanabe, Anh Nguyen, Uluitavuki, Nakao)
6. Japanese government PPP strategy for infrastructure services exports: achievement so far and challenges ahead
(Guo, Nishizawa, Dundon, Hayano)

The course schedule in May remains the same as follows.

Day 5	May 12	"Public-Private Partnership in ASEAN Member Countries—Institutional Assessment to Develop Public-Private Partnership System"	Nishizawa Fauziah Zen (ERIA)
Day 6	May 19	Brainstorming exercise for the proposed research topics	Nishizawa
Day 7	May 26	Mid-term student presentation (mid-term report [†] due by Saturday, May 31)	Nishizawa

[†] Feedback on students' mid-term reports will be given in writing before Saturday, June 7.

Best regards,

Toshiro Nishizawa

Gemma Bala Valdimir Dela Cruz
Sarah Mae Cruz Tatum Blaise Tan

RESEARCH PROPOSAL: Analysis of Unsolicited PPP Projects in the Philippines with Policy Recommendations on How to Improve Rules and Incentives

During the administration of President Fidel Ramos (1992-1998), there were severe power and water shortages in the country. Recognizing the urgent need for private sector intervention, both in investments and capacity, congress enacted the first PPP law, Republic Act No. 6957, or the Build-Operate-Transfer (BOT) Law. This law did not allow for unsolicited proposals.

A few years later, after what was considered a failure of R.A. 6957 to attract investments, Republic Act 7718 was passed to amend R.A. 6957. The amendment introduced the concept of unsolicited proposals.

Over the years, the unsolicited mode of submitting BOT projects to the government became very popular, and solicited bidding became increasingly rare. However, despite the proliferation of unsolicited proposals, very few became successful - or more precisely, very few ever reached financial close.

Our research aims to explore and answer the following:

- (1) Why is there a seeming preference for the unsolicited mode?
- (2) What are the advantages and disadvantages of the unsolicited mode (vis a vis the solicited or direct mode)?
- (3) Among the unsolicited proposals received by the government and which qualified for monitoring by the National Economic Development Authority (NEDA),¹ why are there only a handful which were awarded contracts, and fewer still ever reached financial close?
- (4) Given these, how can we improve the rules and incentives for unsolicited proposals in order to increase its success rate?

In order to answer these questions, we will analyze existing PPP laws, particularly the BOT Law, and make a comparative analysis of two unsolicited projects - one successful (possibly Manila Water) and one failed (possibly the NAIA Terminal 3) - and/or make a comparative analysis of one unsolicited and one solicited project.

¹ Projects of a certain size must be approved and monitored by NEDA.