



**POLICY REFORM PROGRAM
(PRP)**

QUARTERLY REPORT

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A. Maritime

- For the 1st quarter of 2007, the Center for Research and Communication (CRC) submitted their first financial report and narrative progress reports. CRC discussed details of proposed budget amendments with PRP based on new developments in the maritime and infrastructure activities and the addition of team members. They include:
 - A Maritime Industry Analyst will be added to the team. His task is to conduct a comparative analysis of port and terminal charges in the Philippines vis-à-vis other countries such as competitors Thailand and Indonesia. The proposed consultant is a transportation expert who has worked on transportation-related projects since 1973 for the government and private sector in the Philippines, Indonesia and Vietnam.
 - A RoRo researcher was added to the CRC team under the grant.

1. Promoting RoRo

1.1 Impact Analysis of RoRo

- CRC met with various stakeholders who are using RoRo to analyze and document its impact on business and development. These stakeholders include private firms and industry organizations.
- CRC drafted a report on the “Status of the Central Nautical Highway,” a priority of President Arroyo.

1.2 Pre-feasibility studies on select RoRo Routes

- No activity this quarter.

1.3 Expanding the RoRo network

- *RoRo Conference.* CRC made a presentation on RoRo and the proposed RoRo conference at the National Competitiveness Council (NCC) Infra Team Organizational Meeting on February 13.

CRC conducted a series of meetings with Department of Transportation and Communication (DoTC) Undersecretaries to brief them on the key issues in the maritime industry and to discuss other matters such as:

1. RoRo Conference
2. Revised Executive Order on RoRo to include DPWH
3. Proposed Implementing Rules and Regulations for EO 170 B

- *RoRo Financing Options.* CRC attended a series of meetings with the National Maritime Leasing Corporation (NMLC) Leasing Manager regarding their proposal for funding from the Development Bank of the Philippines (DBP).

There were major developments with the NMLC this quarter. President Arroyo decided that NMLC would stay with the National Development Council (NDC) and that the P16 billion loan from the Japan Bank for International Cooperation (JBIC) RoRo vessel leasing program would be split between NMLC and DBP.

CRC assisted the NMLC in drafting a formal proposal to JBIC. However, after discussions with NEDA and JBIC, the team shifted its focus to the NMLC's application for the DBP loan program (funded by JBIC).

- CRC produced studies of maps showing the major RoRo routes in the Western and Central Nautical Highway to be used for presentation purposes.
- CRC made a presentation on RoRo and its impact on regional development at the pre- Philippine Development Forum (PDF) meeting organized by the World Bank on February 16. A presentation of key ports and shipping issues was also made at the PDF on March 6-8 in Cebu.

2. Competition in the Manila Ports

2.1 Competition and Financial Model for Manila Ports

- No activity this quarter

2.2 Policy Reports on Competition and Ports

The Center for Research and Communications provided various technical analysis and memos:

- “Competition in Foreign Containerized Cargo.”
- Legal issues surrounding North Harbor and the Philippine Ports Authority's attempt to proceed with the privatization without the approval of the NEDA-ICC.
- Prohibition of the Harbour Centre to fully operate as a private commercial port
- Lack of competition to the Manila International Container Terminal Services, Inc. (ICTSI), which was given another 25 years until 2013 to operate the Manila International Container Terminal (MICT)
- Pending permit application of Harbour Centre to handle foreign containerized cargoes with the PPA for the past nine (9) years
- Benefits of competition to attain efficiency in port operations
- Government's conflicting port policy
- Comparative costs of port and terminal handling costs in Asia

B. Power

- TAF received USAID approval for two Power Sector consultants:
- A grant was awarded to the Asian Institute of Management (AIM) Policy Center to support their programs that aim to promote competition and efficiency in the power sector. The grant period is from March 1, 2007 to September 30, 2008.

1. Options to Promote Competition

1.1 Analysis of Various Pro-Competition Programs

This quarter, PRP's strategy for promoting competition in the power sector was put in place. It gained support from various stakeholders such as industry groups, key government officials, and the President.

- **PEZA Authority.** There was great progress in the PEZA strategy as it gained support from big consumers like Intel, industry groups like SEIPI, and President Arroyo.
 - On January 18, the PEZA Board held a meeting where the DOE Undersecretary presented the proposed PEZA strategy. Based on that presentation, the Export Development Council (EDC) approved a Resolution supporting the PEZA strategy.
 - During the cabinet meeting on January 30, the issue of power was discussed. The cabinet resolved to assert PEZA's authority to regulate electricity in all ecozones.
 - The AIM Policy Center drafted presentations on "lowering power costs for ecozone locators" for various stakeholders:
 - February 5. Board member and the Executive Director of the Semiconductors and Electronics Industries of the Philippines, Inc. (SEIPI), which consists of large industrial companies. They support the effort and asked the Team to present to the SEIPI board in late February.
 - February 12. Intel and other Gateway Business Park locators such as Cypress, Maxim, and Analog
 - February 27. SEIPI Board
 - The Department of Justice issued an opinion dated February 5, 2007 upholding PEZA's authority to contract for the supply of power for all ecozone locators and exercise its power "to supervise, control and regulate entities engaged in the supply and distribution of electricity inside all

ecozones, following the provisions of Republic Act (RA) 7916, as amended by RA 8748.”

- AIM drafted a presentation on the power sector to be discussed with the World Bank and used as a briefing material for the Philippine Development Forum on March 8 in Cebu.
- AIM met with DOE Undersecretary, the NPC President, and PEZA policy and planning staff to discuss power issues. A Technical Roadmap providing the series of detailed guidelines for competition in PEZA ecozones was drafted on March 1.

- ***Forward Sales Contracts***

On January 29, AIM met with the NPC to discuss the approach. AIM drafted a memo on the NPC supply contracts and prepared a slide presentation to be used for discussion with various stakeholders.

- ***Local Governments, Competition and Competitiveness***

AIM met with officials of Makati City to discuss developments in the City of Makati Corporation. The approach is to have a corporation that will oversee the operation of utilities within an LGU’s jurisdiction and contract directly with NPC and other generation companies for the supply of power.

1.2 Feasibility study on distributed power generation

- This activity will not be pursued.

1.3 Policy options for implementing open access and competition

- On February 7, AIM drafted a memo for NEDA on the PEZA strategy.
- AIM drafted a memo on the legal opinion on the Transco IPO.

2. Joint Stakeholder Negotiation

2.1 Stakeholder Assessment

- This activity will not be pursued.

2.2 Joint fact-finding on the reform process

- This activity will not be pursued.

2.3 Facilitated Negotiation

- This activity will not be pursued.

C. Air Transport Sector

- A grant will be given to the University of the Philippines-Clark for their proposed activity on “Tourism and the Development of Central Luzon.” The proposal is undergoing revisions and is expected to be awarded during the second quarter of the year.
- An Air Transport Regional Development Researcher will be added to the UP Clark grant. Her main task is to supervise the grantee in drafting a series of policy papers and industry reports that outline the impact of tourism in Clark, Pampanga and Central Luzon

1. Policy on Clark as a Developmental Route

1.1 Policy Options for the Development of Clark

- A strategic plan was drafted to model Clark as a destination for low cost carriers and other carriers willing to operate in Clark outside of bilateral agreements. This is one of several options reviewed by the team to replace E.O. 500A.
- On March 13, the team gave a briefing on “Tourism and Air Transport” to members of the Philippine Chamber of Commerce and Industry’s (PCCI) Tourism Committee. The following points were discussed: (1) Policy framework of the bilateral air services agreements, and the (2) State of air access to the Philippines. In conclusion, the Committee agreed to develop tourism via the five gateways of Manila, Cebu, Clark/Subic, Laoag, and Davao to meet the target of 5 million tourist arrivals by 2010.
- During this quarter, the team briefed various constituents including in Clark and Manila.

2. Strategic Marketing of Clark

2.1 Facilitate Strategic Marketing of Clark

- On January 23-25, the Air Transport team composed of representatives from the Clark International Airport and the team attended the “Low Cost Carrier Congress” in Singapore to participate, present and meet with representatives of potential carriers and investors in the region to promote Clark as a regional air services hub. Discussions were held with the following airline representatives:
 1. Mr. Andrew Pyne – CEO, Viva Macau (Macau)
 2. Mr. Patee Sarasin – CEO, Nok Air (Thailand)
 3. Mr. Udom Tantiprasongchai – CEO, Orient Thai Airlines (Thailand)
 4. Mr. Diono Nurjadin – President Director, Mandala Airlines (Indonesia)
 5. Capt P.P. Singh – CEO, Air India Express (India)
 6. Mr. Luong Haoai Nam – Managing Director, Pacific Airlines (Vietnam)
 7. Mr. Warwick Brady – CEO, Air Deccan (India)

8. Mr. Tassapon Bijleveld – CEO, Thai Air Asia (Thailand)
9. Capt Chira Fernando – CEO, AirSouthAsia (Sri Lanka)
10. Mr. Alan Joyce – CEO, Jet Star Asia (Singapore)

- The team is working on a follow-up basis on the invitations with various low cost carriers to consider Clark as a destination and facilitating discussions between a major airline company and Clark International Airport (CIAC) on the possibility of putting up a simulator training facility for Boeing commercial jets. A site visit is tentatively scheduled during the second quarter of 2007 to discuss the project with CIAC and to scout for an appropriate building facility.
- The Foundation sponsored the participation of several individuals to the “Air and Space Law Conference and Workshop” in Macau on April 16 to 21, 2007. Their participation is aimed to contribute to an increase of secure air entitlements for DMIA by enhancing their negotiation skills and increasing their knowledge on topics that are vital in view of several upcoming air negotiations with Asian and European countries this year.

3. Reports on Regional Development

3.1 Research reports on Regional Development

- A briefing paper and a presentation on the China tourism market were drafted by the team. The paper aims to identify how the Philippines can become a more competitive destination for the China outbound travel market that is projected to reach 100 million by the year 2020. It also outlined the prospects of the outbound market, the current tourism situation in the Philippines relative to these potentials, the issues related to the influx of the Chinese tourists, and the next steps to address the issues.
- The team also prepared a “Intra-ASEAN fare comparison” report
- The team is working on a “Low Cost Carrier” paper. Research is being done on airfare comparison and air service agreements to develop other potential routes.

D. Property Rights

- This quarter, the team resolved that the project will have two components: (1) legal framework and (2) market-based solutions. The activity will focus on analyzing short-term solutions that may put in place an effective land management system with the ability to store, retrieve, analyze, report and display public land information efficiently and accurately for property owners, realtors, government agencies and other users.
- Two new consultants will be joining the team:

- **Property Rights Analyst.** The main task is to prepare a strategy and feasibility study that proposes a non-legislative model for secure property rights in the Philippines. The proposed consultant is familiar with the development of real estate databases in several countries. He is current chairman of the working group on legal issues/policies of the E-Commerce Promotion Council (ECPC) and has co-authored a World Bank report on security issues behind e-retailing of securities.
- **Property Rights Research Associate.** The main task is to provide research assistance on exploring policy options for secure property rights in the Philippines. The team is looking for a person with research background on property rights.

1. Exploring Short-term solutions

1.2 Potential Solutions

- On February 12 and 22, the property rights team held a Strategy Review and Planning meeting. In attendance during the first session were former Director of the Land Management Bureau, and LAMP staff. The meeting resulted in the clarification of the LAMP agenda and identification of various options to reform the land management sector. Particularly significant is the need to prioritize between public lands disposition to the basic sectors and fixing the problems in the private (titled) land sector.
- In conclusion, the team agreed that: a) the first best solution would be a clear legal framework, and b) a second best solution using the BSP or the Development Bank of the Philippines (DBP)/Land Bank to oversee computerization and modernization of records.
- On March 5, the team, together with LAMP staff to discuss strategies on property rights. Based on the discussion and the team's recommendations, the following were proposed:
 - Structure the LARA like the Monetary Board, wherein the Director General reports to Board. The Board will have the Department of Finance (DOF), the Department of Justice (DOJ), Department of Environment and Natural Resources (DENR), and the Bank Sentral ng Pilipinas (BSP) Governor as members.
 - Other board members can include somebody from the basic sector and the private business sector. The BSP Governor will represent the interests of the banking community. It will have a resident Auditor coming from COA reporting directly to the Board.

- To address the issue on lawyers, it will be required that the Director General and one Assistant Director General be lawyers since the Authority has quasi-judicial functions. The second Assistant Director can be a geodetic engineer.
- Mandate a reliable database that should be accessible to the public at very reasonable cost. It's the lack of transparency and absence of records that syndicates exploit to promote their schemes.
- The team met with Mr. Jose Leviste and Mr. Victor Taylor, representatives of Hernando de Soto ILD. This was followed by another meeting with Mr. Manuel Mayorga La Torre, Executive Director of the ILD based in Peru, and Gabriel Daly, the International Affairs Officer. Discussions focused on the status of the de Soto program in the Philippine government, and a possible strategic alliances with The Asia Foundation with respect to land property reforms in the Philippines
- Further research on the present process of land registration titling is being done to identify the bottlenecks in the system. The team reviewed a process flow chart for obtaining a land title. In line with this, research on the LRA computerization project is being done.

2. Improving the Land Management Bureau

2.1 Technical Report on improving the Land Management Bureau

- Based on agreement with USAID, activities for this component are on hold.

3. Increased understanding of the importance of property rights

3.1 Build an informed constituency

- The Foundation will give a grant to the Ateneo Department of Economics to implement the property rights activity.
- Presentation materials on property rights are currently being developed by the team, which contains a section on economic rights and the need to elaborate on the economic impact of land registration reforms.
- A series of meetings were conducted among various stakeholders during the past month:
 - private real estate developers
 - an LGU Register of Deeds
 - members of the Financial Executives of the Philippines and the Capital Markets Development Council, the Bankers Association of the Philippines.

E. Infrastructure

1. Implementing Priority Infrastructure Projects

1.1 Development, review and analysis of key infrastructure projects

- To analyze technical issues surrounding the implementation of priority projects, site inspections and meetings were conducted on the following:
 - EDSA Rehabilitation Project
 - C5 Expressway
 - Alabang Viaduct
 - STAR 2 Project
- The team assisted the EDC in preparing the presentation of Sec. Favila on the status of infra projects to the Economic Managers Meeting on February 1.
- CRC attended the NCC Infra Meeting on February 2 with NCC C-Chair to discuss the need to form a team to champion Infra-related policy issues and priority projects.
- In February, the team began drafting an “Impact to Date” document, which highlights the team’s major accomplishments vis-à-vis its assistance in implementing infrastructure projects or in addressing legal, technical and financial bottlenecks. The report includes:
 - Priority infrastructure projects and policy recommendations accepted by National Competitiveness Council and endorsed to PGMA
 - Progress on four Priority Infrastructure Projects
 1. Opening of NAIA Terminal 3
 2. Completion of the link between the MRT 3 and (3) LRT 1 light rail systems
 3. Construction of the Alabang Viaduct (SLEX 1)
- Progress was also achieved on two other priority infrastructure projects:
 - Reduction of Slippage for Subic-Clark-Tarlac Expressway Project
 - Expediting the Construction for the C5 Expressway (NLEX-SLEX Link)
- On Feb 13, the team attended the first National Competitiveness Council (NCC) Infra Group Organizational Meeting, together with Meneleo Carlos (Private Sector Development Champion for NCC Infra), Tony Dizon (for Cold Chain), Cora Curay (for Logistics), Jaime Faustino (TAF), and Tyler Holt (USAID). E. Basilio gave a presentation on “soft and hard infrastructure” as the agenda of the NCC Infra Team.
- Major Issues in infrastructure projects based on the monitoring of the team:

- Subic-Clark-Tarlac Expressway Project (SCTEP)
- *MRT 7 and LRT 1 South Extension*. Delay lies with the DOTC's Bids and Award Committee (BAC), which has yet to issue a resolution recommending the publication of invitation for 'Swiss challenge.' The team is drafting a detailed and step-by-step chronology of the whole application process of the proponent for MRT 4. Through an Administrative Order dated February 5, 2007, Pres. Arroyo, through Sec. Ermita, instructed Sec. Andaya to evaluate and determine the propriety of issuing a forward obligation authority for the LRT 1 South Extension project.
- *SLEX and PNCC Franchise Extension*. The International Finance Corp. (IFC) has approved a loan worth \$50 million to fund the project, but it has not been released due to the unresolved issue of whether to extend the PNCC franchise.
- *Puerto Princesa Airport*. On Feb 28, the team, together with Dir. Meng Flores and other PMS-IMTF staff, conducted an ocular inspection of the Puerto Princesa Airport in Palawan.
- *El Nido-Bataraza Road*. On Feb 29, the team conducted an ocular inspection of the El Nido-Taytay Section of the El Nido-Bataraza Road (which will link north and south of the Palawan main island). The El Nido-Bataraza Road project is subdivided into five (5) sections: a) El Nido-Taytay; b) Taytay-Roxas; c) Roxas-Puerto Princesa; d) Puerto Princesa-Narra-Abo-abo; and e) Abo-abo-Bataraza-Rio Tuba. Of all the sections, only Roxas-Puerto Princesa is 100% complete.
- *Southern Tagalog Arterial Road (STAR) 2 Project*. The team held several meetings with the SCADC engineer to discuss the right-of-way issue for the project—the Balagtas Elementary School.

1.2 Recommendations to Implement Priority Infrastructure Projects

- *MRT 4*. The team conducted an analysis of the MRT 4 project and found that approval of implementation was possible since funding is already available.

1.3 Assisting the Implementation of Priority Projects

- *Special ROWA Court*. The team prepared an inventory of ROWA cases affecting government infra projects, which may be required by the Supreme Court when it decides on the issue.

The team also drafted a memo dated February 28 on the establishment of ROWA Courts to facilitate the speedy resolution of ROWA issues affecting many infrastructure projects. The memo contains the rationale for the creation of ROWA courts, the process of creating the courts, and options for its implementation. The team analyzed whether it was possible to create the courts without new legislation.

2. Policy Analysis

2.1 Provide policy analysis and option on BOT Law and its IRRs

- The World Bank issued a letter expressing concern about the proposed revisions to the IRRs of the BOT Law, which emasculates NEDA's oversight functions on infra project processing. In response, the team drafted a legal opinion dated February 6, 2007 on how to reduce the negative impact of the IRR revisions pending the amendment of the BOT Law.

Others

- **Pre-PDF Meeting.** The team attended Export Development Council (EDC) meetings on January 31 and February 7 to discuss the list of new infra projects to be presented at the upcoming PDF on March 6-8.

On February 16, the team attended the pre-Philippine Development Forum (PDF) meeting at the World Bank. CRC presented the updates on the 20 priority infrastructure projects, key policy recommendations and the RoRo program. The team also attended the NCC-PDF coordination meeting on February 28.

- **Second Infrastructure Forum.** The team began preparations for the second National Infrastructure Forum to be held on May 4. The team is assisting in organizing the event and in drafting the program.

F. Regulatory Performance

- PRP met with the USAID CTO to discuss possible approaches to conducting the regulatory performance study.

Based on discussions, the objective is to analyze regulatory performance to provide hard evidence to stakeholders who want to address problem of regulatory capture

- Conducted research on institutions and academics that have done work on regulatory performance
- Reviewed literature on studies related to regulatory performance

G. Public Information Training and Analysis

- On February 28, a messaging workshop was conducted by EON for the power, infrastructure, and maritime components. Team leaders and grantees from the Infrastructure, Maritime, and Energy activities were present, including Foundation staff. Another workshop will be scheduled for the property rights and air transport activities.

- On March 16, the PRP team and EON agreed to focus issue analysis based on the need to avoid unnecessary controversies that might slow the implementation of the program. In line with this, project documentation will be themed based on EON's suggestion.

H. Attachments