Technical Report

Structuring a Privatization Program for the Privatization Office of the Department of Finance

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Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

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The views expressed and opinions contained in this publication are those of the authors and are not necessarily those of USAID, the GRP, EMERGE or the authors' parent organizations.

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1. EXECUTIVE SUMMARY

1.1 CURRENT IMPORTANCE OF PRIVATIZATION IN THE PHILIPPINES

Privatization has increased globally since the late 80's as governments have realized they are not as efficient in the delivery of business services as the private sector. Governments have also struggled to cope with the ever increasing financial demands from government owned or controlled corporations (GOCCs), particularly in infrastructure sectors such as telecommunications, transportation, power and the postal sector. The privatization process has marshalled private sector management and capital, usually leading to increased investment activity and more efficient and modern businesses. Thus, privatization has been viewed as a solution for GOCCs which are often showing little or no growth, are inefficient and lack profitability, creating a drain as opposed to a contribution to the state budget.

Privatization has also been acknowledged as a tool governments use to create more open, competitive, growth oriented economies, leading to increased employment and increased growth in per capita income. These efforts have led governments to reposition their role away from participation in business to that of the roles of an effective policy maker, and as a creator of a more conducive regulatory, economic and legal environment to attract private sector investment.

A comprehensive privatization program usually has other objectives:

- To improve public finances, where privatization proceeds, lower subsidies and debt service payments, create fiscal space for the government to allocate more resources to support social needs in education and healthcare;

- To broaden economic ownership in the population and the develop indigenous capital markets; and

- To improve governance and reduce corruption by transferring ownership to the private sector, and developing appropriate regulatory institutions.

Privatization benefits for the Philippines can be expected to be similar. However it is important to state that a large successful privatization program is not oriented towards simply selling assets. A successful sustainable privatization program needs political leadership to launch the program and we did not observe a strong political push for a comprehensive privatization program during the review. It also requires recognition that:

- Some GOCC's conduct public service obligations and are not simply commercial operators. Resolution on how to handle these public obligations is a pre-requisite for a sale to proceed; this recognition often requires broad government policy direction on how to treat public service obligations generally, then the application of that broad policy to a specific industry GOCC;

- To avoid the transfer of public monopolies into private monopolies (particularly in infrastructure), experience overseas shows that policy, regulatory and governance measures must be an integral part of a GOCC privatization program; and
- A privatization program has a medium term horizon and a pipeline of sales over that medium term is necessary. So while some GOCCs can be sold immediately, others need financial and operational restructuring to ready them for sale (and to improve their performance prior to sale). It is stressed however that restructuring should not be used as an excuse to keep a GOCC in government ownership.

In summary, a balanced portfolio approach of managing both a sale and restructuring reform process is necessary to create a pipeline of future asset sales, and to ensure the GOCCs perform better whilst in government control.

The need for reform is there; in 2003, 42% of the GOCCs in the state portfolio operated at a loss and 77% generated a low return of 5% or less on the GOP's equity investment. Further from a financial and risk perspective, the Government of the Philippines (GOP) cannot continue to support indefinitely the under-performing GOCC sector, through the provision of ongoing subsidies, debt support, and continuing deterioration of the GOP's remaining equity. The extent of GOCCs contribution to the continuing GOP deficit and the government's growing debt has been significant. Between 1997 and 2003 GOP debt increased from P1.6 trillion to approximately P4.0 trillion, and in excess of 35% of that increase is attributable to GOCC activities.[1]

Resolving the GOCC problem will go a long way to solving the GOP state deficit. Implementing a comprehensive privatization program to generate substantial proceeds for the GOP over the next few years should be a high priority. Given the magnitude of the investment and exposure noted above, substantial annual proceeds and budget benefits should be achievable.

As noted above, privatization will likely create conditions for increased investment, growth, competition and employment when the "crowding out" effect of government owned companies is removed from the marketplace. As an illustration, if PAGCOR were privatized there would likely be increased foreign and domestic investment in gaming activities, likely coupled with resort development. These will lead to construction employment and longer term employment from increased tourism. Not only would the GOP benefit from significant proceeds from such a privatization, but the multiplier affect of creating a free market for investment in the gaming and resort sector would be substantial. PAGCOR is only an example where it is relatively easy to quickly see the actual and potential benefits from privatization. The privatization of other GOP owned

[1] Two different sources, an internal document of the DOF and data from the EMERGE project research both indicated debt growth and the GOCC contribution of similar magnitude during this period. At the time of finalizing the report however we were not able to verify the DOF numbers so the Emerge project research numbers were used; if the DOF figures were used it would show a slightly higher debt growth and higher GOCC contribution to that growth

assets would likely yield similar benefits upon examination. In infrastructure, the need for private sector capital is clear, as the needs are so great.

1.2 RECOMMENDATIONS

Section 2 of this report outlines a set of initial Recommendations for the GOP in proceeding with privatization activities in the Philippines. These Recommendations should be read as part of this Executive Summary. They are by no means comprehensive, but indicative of the scope of the challenge ahead. A comprehensive privatization program represents one of the best single initiatives the GOP can undertake to revitalize the Philippine economy, unleash domestic and foreign private sector investment, improve infrastructure, create employment and alleviate poverty.

1.3 RECENT GOP PRIVATIZATION HISTORY

The last period of successful privatization activity in the Philippines is acknowledged to have been now a decade ago in the mid-1990s during the Ramos administration. In recent years, despite the value and breadth of GOP owned assets, privatization in the Philippines has been insignificant. The Current National Government (NG) budget calls for only P0.5 billion of privatization proceeds in 2005 from the non-power GOCCs. Given the large GOP investment and financial exposure to GOCCs the potential annual privatization proceeds across a planned five year program should exceed a P0.5 billion budget. Near term privatization activity at the DOF has the potential to generate large proceeds for the GOP. Given the GOP's fiscal needs and debt service requirements, a comprehensive privatization program can generate proceeds and GOP budget benefits that should be an important component of GOP planning. The 2005 target of P0.5 billion per year clearly does not begin to take advantage of the privatization opportunity available for the GOP, and of course, for the Philippine people.

1.4 NEED FOR A COMPREHENSIVE PRIVATIZATION PROGRAM

While the privatization need and opportunity for the GOP is clear, it will not be possible to realize without a comprehensive privatization program being adopted by the Privatization Council (PC). The comprehensive privatization plan will be best implemented by a unified privatization effort, with the policy mandate, resources, skills and incentives to realize the same success for the GOP as has been achieved in other countries adopting internationally accepted "best practices" for large privatization programs. In addition, it is clear that the creation and implementation of a successful comprehensive privatization program will need a sophisticated public relations and public education program to gain the support of the needed constituencies in the GOP, the private sector, the press and the Philippine population as a whole.

1.5 CURRENT TRANSACTION ACTIVITIES

While it is desirable, indeed this report believes it imperative, that the GOP adopt a comprehensive privatization program, it is important that this effort not slow or sideline current PC and Department of Finance (DOF) efforts to complete current selected privatization transactions. The success of this effort should create recognition of the potential benefits privatization can bring to the Philippines, and facilitate the adoption of a significant comprehensive program.

It would appear that P50 to P100 billion of privatization proceeds could be reasonably realized in the next 12 to 18 months by the GOP. This estimate, based on DOF advice, assumes significant contributions from the sale of San Miguel shares and the PNOC interest. The 10% PNOC interest valuation will largely depend on world oil asset values. In the case of San Miguel, it is a world class company which will be valued largely independently from the Philippine stock market. However it should be noted that the San Miguel share proceeds may not be available for transfer to the general national account. Given the fiscal and external debt needs of the GOP, this is an excellent example of the contribution that lies ahead if a successful program can be created.

1.6 TECHNICAL ASSISTANCE

It is perhaps not co-incidental that the prior successful privatization activity of the GOP occurred during a period in the mid-1990s when the GOP privatization program was supported by privatization Technical Assistance (TA) provided to the GOP by USAID and other donors. This report takes the position that such TA support today provides the same opportunity to advance a successful program as was previously accomplished. Ideally a TA program would adopt a similar structure to the previous successful model where there were experienced international advisors working alongside the PO, supported by international transaction and sector specialists. Such TA programs also provide for support from domestic consultants, achieving continuity, training and practice benefits.

We understand, however, at least under the EMERGE project, that there is not sufficient funding available for this TA model. Accordingly, another model would have TA delivered to fulfil targeted needs agreed among the PO and USAID / EMERGE. This targeting can be used to advance both current activities, largely focused on transaction preparation and execution, as well as preparation of a comprehensive privatization program. Based on the sophistication and high skill level of Philippine professionals, much of the TA can be provided locally, however it is advised that international participation and oversight should be provided to take advantage of the depth of experience that has been gained in privatization “best practices” in recent years and in privatization transaction activity. This report in Section 8 outlines a number of TA recommendations which should be considered. Detailed TORs can be developed for agreed TA, based upon the priorities of the GOP and the resources available for TA.

2. RECOMMENDATIONS

FOR THE PC, SUPPORTED BY THE PO:

- **SPEARHEAD THE FORMULATION OF A COMPREHENSIVE PRIVATIZATION POLICY**
- **INVENTORY ALL GOP ASSETS POTENTIALLY AVAILABLE FOR PRIVATIZATION**
- **IDENTIFY AND PRIORITIZE GOP ASSETS FOR PRIVATIZATION**
- **CREATE A TIME TABLE FOR PRIVATIZATION OF IDENTIFIED ASSETS**
- **UNIFY THE IMPLEMENTATION AND SUPERVISION OF ALL PRIVATIZATION TRANSACTION ACTIVITY (INCLUDING POWER SECTOR PRIVATIZATION) WITHIN THE PO/PMO, SHORT TERM, WITHIN GAMA, MEDIUM TERM**
- **SEEK GOP RESOURCES FROM PRIVATIZATION PROCEEDS TO CONSOLIDATE AND RAMP UP THE GOP PRIVATIZATION PROGRAM**
- **PRIORITIZE 2005 ACTIVITY, WITH PARTICULAR EMPHASIS ON SAN MIGUEL, PHILIPPINE NATIONAL OIL CORPORATION (PNOC)-ENERGY DEVELOPMENT CORPORATION AND PNOC-EXPLORATION CORPORATION TRANSACTIONS AND POSTAL BANK PREPARATION**
- **CONTINUE PREPARATION IN 2005 FOR 2006 PIPELINE OF PAGCOR, PHILIPPINE POSTAL CORPORATION AND PHILIPPINE AND CEBU PORT AUTHORITIES**
- **SUPPORT INITIATIVES WITH PUBLIC RELATIONS AND PUBLIC EDUCATION EFFORTS**

FOR THE PMO:

- **EXPEDITE THE SALE OF ALL REAL PROPERTY, CREATING PROCESS FOR FAILED SALES OF PROPERTIES NOT SOLD NEAR APPRAISED VALUES**

FOR THE PCGG:

- **MAKE COMMERCIAL AND LEGAL ASSESSMENTS FOR POTENTIAL SETTLEMENTS OF LITIGATION THROUGH NEGOTIATION AND ARBITRATION**

FOR REGULATORY INITIATIVES:

- **EXPEDITE THE PASSAGE OF THE GAMA BILL**
- **MAKE PC DECISIONS FINAL AND INCONTESTABLE**
- **SEEK IMMUNITY FOR PRIVATIZATION PROCESSES AND OFFICIALS**
- **USE ARBITRATION WHERE POSSIBLE TO EXPEDITE LEGAL PROCESSES**

3. INTRODUCTION

EMERGE Work Plan Task 3.4.2.1 outlines a range of needs for assisting in creating a successful privatization program for the Government of the Philippines (GOP).

The privatization program in the Philippines has progressed slowly in recent years after a more successful experience in the mid-1990s. Under the current GOP, a new effort is being advanced in response to:

- the need for privatization revenues to contribute to closing the deficit of the budget of the GOP;
- the renewed interest arising from the appointment of new officials overseeing the GOP Privatization Office, Privatization and Management Office (PMO), and the Presidential Commission on Good Government (PCGG);
- the recognition that GOP owned assets would best contribute to the growth of the Philippine economy through capital investment and management from the private sector;
- the receptive market environment for privatization of assets in emerging markets, and Asia in particular, as investors focus on attractive growth opportunities which would benefit from capital investment and management from the private sector.

The GOP has non-performing and performing assets in considerable number and of considerable value. The Work Plan Task identifies a priority list of 13 assets whose value cannot yet be determined, but clearly runs to many billions of US dollars and tens of billions of Philippine pesos. However they only a small number of the assets held across the many departments of the GOP.

Clearly it is advisable for a comprehensive privatization program to be implemented by the GOP. It is accepted that well structured privatization programs lead to the most successful privatization results, and success is dependant on clarity of objectives, political support and a transparent transaction process. It appears that it is also necessary to continue to focus on the immediate opportunities before the GOP in order not to delay the privatization of assets which can quickly contribute to the fiscal needs of the GOP. This will also allow the GOP to take advantage of the current favorable international market environment, which cannot be relied upon to last indefinitely. As marshalling resources to assist the GOP in this effort will inevitably take time and will depend on resource availability and other priorities, the Work Plan has focused on the desirability of providing short term technical assistance teams to assist in advancing the objectives of the GOP and the Privatization Office. This report therefore focuses on identifying objectives and priorities for implementation of assistance through short term TA teams under the EMERGE project.

4. THE IMPORTANCE OF PRIVATIZATION IN THE PHILIPPINE ECONOMY

To get a sense of the potential of privatization activity in the Philippines, it is useful to understand how important the Government Owned and Controlled Corporation (GOCC) sector is in the Philippine economy, what is being sold, what is not, and how the GOP institutions are processing privatization activities. .

This section of the report has been compiled from various sources; mainly government information and lists, and in addition discussions with a number of officials from within the government and its agencies. Interpretation has been necessary in using the available information, and while broad conclusions must be drawn carefully, it does show there is a need for better overall co-ordination in the initiation and tracking of privatization policy, processes and transactions.

The importance of the GOCC sector can be assessed using a number of measures:

4.1 GOVERNMENT INVESTMENT IN GOCCs

The government has invested significantly in the GOCC sector, based on a review of the National Government of the Republic of the Philippines Condensed Balance Sheet as of December 31, 2003 prepared by the Commission of Audit (COA) and from various Department of Finance sources. Based on the COA report[2], of the existing GOP investments of P611 billion, the GOP has contributed equity to GOCCs of P141 billion. And of the existing GOP investment in Property, Plant and Equipment there is P101 billion of transferred assets being handled by the Privatization Management Office (PMO). It also includes, amongst other investments, land valued at P15.4 billion sequestered by/surrendered to the PCGG as ill-gotten wealth or acquired through judicial settlement. In total, P261 billion (11.2%) of a total government asset base of P2,340 billion was tied up in GOCC and sequestered/surrendered assets.

However large this is, the true position is likely to be substantially different, and likely much larger, for a number of reasons:

- The current market valuation of the assets held by the GOP will be substantially different than in the financial statements. One important contributing reason many fixed assets are likely to have market values substantially different to their book values e.g. sizeable real estate holdings exists in the GOCC accounts and the market value will be substantially higher than the book value;
- Sequestered assets managed by the PCGG, based on discussions with the officials from the PCGG, are valued at P223 billion, a figure substantially above the amounts noted above; and

[2] The financial figures shown in the Section, unless attributed to another source, are from the COA report.

- There is additional real GOP “sunk” investment in the GOCCs in the form of loans which are unlikely to be repaid (which ultimately may be converted into equity) and low interest loans (which is an indirect subsidy to the GOCC).

Contingent liabilities also need to be considered. The GOP Direct Guarantees on GOCC loans were P671 billion to foreign creditors and P22 billion to domestic creditors, with a further GFI Guarantee Assumed by the GOP of P15.1 billion, again foreign. Advice from the Department of Finance (DOF) suggests by 2005 that this P671 billion is substantially understated (a figure derived from the Commission of Audit report on the 2003 finances of the GOP).[3] Contingent Liabilities not included in the above numbers are national government guarantees under the Build-Operate-Transfer program of the government and GOCC loans for which there is no government guarantee but which may represent a “moral hazard” for the GOP.

Another dimension is the incremental state debt taken on to support these GOCCs in recent years. Between 1997 and 2003 GOP debt increased from P1.6 trillion[4] by approximately P2 trillion, and in excess of 35% of that increase of P2 trillion is attributable to GOCC activities[5].

Medium Term program

Under the medium term public debt program the expectation is that through the period 2010 the Consolidated Public Sector Debt[6] is expected to be trimmed to 0.3% of the GDP. The government plan for reducing the annual CPSD is reliant mainly on tax and non-tax revenue measures.

The current size of the CPSD illustrates there is a real need for broad ranging GOCC reform inclusive of a privatization program. Proceeds to assist in balancing the budget and providing fiscal space for investment in economic growth are possible through:

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3 GOP guarantees will certainly complicate privatization efforts, as creditors are unlikely to want to give up guarantees on any indebtedness. Each situation will need to be assessed separately, but it is likely that government guarantees will have to be maintained in many privatizations, or the sale price discounted.

4 This review does not recognise the initial GOP GOCC exposure in the P1.6 trillion existing debt in 1997, nor the GOP’s GOCC equity investment. This data plus annual subsidies was requested but not available at the time of writing the report.

5 Two difference sources, an internal document of the DOF and data from the Emerge project research both indicated debt growth and the GOCC contribution of similar magnitude. At the time of finalizing the report we were not able to verify the DOF numbers so the Emerge project research numbers were used; if the DOF figures were used it would show a slightly higher debt growth and higher GOCC contribution to that growth.

6 Based on information provided by the Department of Finance, in 2004 the Total Public Sector Borrowing requirement was P286 trillion (5.9% of GDP)

- Privatization: The sale of GOCCs that run inefficiently will reduce the annual GOP exposure, and reduce the future interest rate payment burden in the annual Government budget. However it should be noted there will still be a need to provide government support for the provision of efficient delivery of public service obligations, whether delivered by the private sector or the GOCCs; and
- Improved GOCC financial performance: More dividends and taxes are possible through improved financial performance. The adoption of several measures to realise improved performance include better transparency and accountability of GOCCs activity; annual reviews of GOCC performance within government, and the submission of regular, timely reports to Congress; "right sizing" GOCCs; and strict adherence to borrowing limits over guaranteed loans and non-guaranteed loans.

However at this stage there is only a very small contribution of P0.5 billion per year from privatizations planned under the medium term program.

4.2 NATURE OF THE ASSETS

Investment by the government in assets is across a wide range of industries including infrastructure, significant gambling operations, sequestered assets in large private and public companies (e.g. the San Miguel, the food and beverage giant) and significant land holdings.

There are a number of GOCCs, including in the infrastructure sector, which operate both as operator and regulator which is inconsistent with an even handed approach, and this needs to be addressed to maximize encouragement to the private sector. Examples include:

- Philippines Port Authority
- National Food Authority
- PAGCOR

Private sector participation needs to be encouraged through the promotion of better governance including a soundly based "rules based" regime promoting this even playing field for private sector participation. Separation of the regulatory and operating activities has begun in the Power sector and it is essential that this separation be quickly and soundly implemented, as well as in the GOCCs mentioned above.

There is a global paradigm shift here, particularly in infrastructure assets. Infrastructure GOCCs around the world were created at a time generally when there was heavy government intervention in the economy. The vesting of proprietary and regulatory roles in GOCCs in the past is the product of that framework. Since the 80's governments have moved away from the direct provision of infrastructure as the capital needs extend beyond the government's capacity. There has been a movement to reposition Government away from monopolistic business delivery towards a role of working in partnership with the private sector, and government focusing on effective policy making, and the creation of a more conducive regulatory, economic and legal environment to attract private sector investment.

In the Philippines there is a critical need to build better infrastructure to facilitate economic growth leading to poverty alleviation for the Philippine people. The government knows it is not in a position to fund this development and is encouraging private sector participation through various BOT arrangements.

4.3 GOCC FINANCIAL PERFORMANCE

In the short time available for this hi-level review it has not been possible to assess accurately the GOCC sector financial performance. Despite this limitation, and the care to be taken in interpreting the information provided, our research does provide a broadly accurate indication of the under-performance of the GOP investment in its GOCCs.

There are approximately 136 GOCCs recognised in the DOF which is a combination of parent company and subsidiaries. Complete information for the years 2002 and 2003 for comparative purposes was available for 94 of those GOCCs. Of those 94 GOCCs, 39 reported a loss in 2003, and only 22 reported net income resulting in a return on the GOP investment in excess of 5%. More summary financial detail by sector is shown in Appendix A.

There are large GOCCs making losses which dwarf other GOCCs, in particular the National Power Corporation, however, it is clear that nearly all GOCCs are underperforming when assessed from a commercial viewpoint.

4.4 SUMMARY

The nature, size and number of GOCCs under government ownership offer a significant opportunity for the GOP to take steps to influence the extent and direction of future economic development in the Philippines. However it seems clear the GOP capacity to influence the GOCC performance is restricted because there is a current inability to adequately measure[7] and therefore effectively manage this government investment.

Privatization can be a key component of this management process. However, again the inability to measure the GOP assets is creating an environment where a sound privatization program cannot be readily implemented, and instead an environment is created where poor business practices and corruption are readily fostered. Illustrative of the potential importance that contributions from a privatization program can make to the

[7] A number of disparate lists exist of what GOCCs exist. A list has been prepared with the assistance of the PO Office and it is included as an Attachment to this report.

Philippines is seen in Appendix B, which considers the President’s Ten Point Agenda “Beat the Odds” outlined in the State of the Nation Address in July 2004.

It does also need to be recognized that privatization of large GOCCs sometimes occurs over the medium term, as there is a need to pass legislation to amend the Charter, establish new policy and regulation, and also re-position public service obligation delivery. To realize these medium term benefits action is required now to begin the process of preparing the GOCCs for sale. There are however also GOCCs which can deliver quicker results.

5. SUMMARY REVIEW OF POSITION TO DATE

5.1 CURRENT PRIVATIZATION PROGRAM

The current privatization activities consist of a mix of assets being sold by various government offices and controlled disposition entities. A review of the current GOP privatization activities gives a sense of selected assets being sold (with varying degrees of efficiency) as distinct from a well thought through privatization program with clearly communicated objectives designed to facilitate economic growth in the Philippines and thereby assist in poverty alleviation.

The state budget for privatization of the DOF for 2005 is P500 million in privatization proceeds. This appears readily realizable as it is not a large amount in relation to the book value of assets held by the PMO, or the value of additional assets that may be realized under a short term plan by the PO.

5.1.1 GROUP OF ASSETS AVAILABLE FOR SALE

As mentioned above, the universe of assets available for sale is difficult to establish. The assets are from the following sources:

- GOCCs (136 GOCCs) It is important to note that this number arises from the approach which mixes both parent GOCCs and their subsidiaries;
- PMO Assets (75 “transferred” assets plus another 12 assets grouped as “other assets” by the PMO);
- Surrendered Assets passed across from the sequestered assets of the PCGG to the PMO (and those surrendered assets sold internally by the PCGG[8]);
- Idle government properties:
    - Government agencies
    - GOCCs, and
    - Local government agencies
- Other Assets (e.g. Manila International School)

The TA requested a current list of GOCCs from the DOF, and from this list of GOCCs, the total group of GOCCs identified for privatization is shown in Appendix C. The TA then conducted a broad review of the financial performance of the GOCCs remaining in government ownership and compared the result with those to be privatized. This comparison shows those currently planned to remain in government ownership are returning a better financial performance, and hence arguably it will be easier to find a buyer for those assets compared with those already identified for privatization.

[8] Sequestered assets are to enter this group when they have moved to a surrendered status where government title to the assets has been secured

From this group of already identified privatization assets comes the following schedule of transactions currently under active management by the PO. Comments on each transaction, where possible, follow in Appendix D.

<u>Disposition Schedule</u>

Assets identified in the 2005/6 PO program

Company/Asset	**Planned Year of Sale/ Target date**
Philippine National Bank (joint Government and LTG shares - 67%	2005 (3rd Qtr. 2005)
Philippine Nat'l Oil Co./Energy Development Corp. (PNOC/EDC) (natural gas)	2005 (4th Qtr. 2005)
Manila Gas Corporation (real properties)	2005 (3rd Qtr., 2005)
International School Manila property	2005 (4th Qtr. 2005)
San Miguel shares	2006 (1st Qtr. 2006)
Small municipal airport IIoilo Illo	2006 (1st Qtr. 2006)
Philippine Nat'l Energy Corp. (PNEC)	2006
Philippine Postal Service	2006
IBC 13 - Television station	2006
RPN 9 – Television station	2006
Welfareville Property	2006

Assets not mentioned in the 2005/6 Schedule but listed in the TOR

Ports and port services
National Power Corp. & Transco (electric transmission lines)
Small municipal airports in Mactan, Cebu; and Lipa Air Base
Philippine Amusement & Gaming Corp. (gambling casinos)
Mining assets
NORTH DAVAO MINING CORPORATION
NONOC MINING CORPORATION
Electric coops
MANILA ELECTRIC COMPANY

The current activities of the PO will likely only yield results providing proceeds to the GOP in 2005 from the sale of the television stations identified and the Manila International School. The San Miguel shares could well be sold by the end of the targeted first quarter 2006 period, but the shares may not yield proceeds for the GOP budget.[9] Lastly, it is unlikely any municipal airports sales could be completed by year end at this point, although selected sales could likely be advanced significantly.

It is worth noting that this program underway, if successful will, make a substantial contribution to reducing the state deficit over the medium term, but it is not reflected in the 2005 state budget, nor the medium term plan where both anticipate 500 million pesos per annum .[10]

5.2 IMPLEMENTING AGENCIES

The implementation agency is the Privatization Council. This Privatization Council (PC) approves all sales with the exception of power sector assets[11] and Build Operate and Transfer (BOT) transactions. The PC is supported by the small but strategic Privatization Office (six people). Other key agencies are:

- the Privatization and Management Office (PMO) charged with disposing of the transferred assets from its predecessor the APT, and other assets referred for sale by President's Committee on Good Government, and
- the President's Committee on Good Government charged with organizing the transfer of sequestered assets into surrendered assets for subsequent sale by itself or referral to the PMO for disposition,

Other departments and agencies are also appointed as disposition agencies by the PC for the disposition of specific assets. In addition power assets are disposed of through a different authority. Over a long period the privatization proceeds have come from the following segments:

Source by Disposition Entity						
	PMO	PCGG	GOCCs	BCDA	Others	Total
1987-2001	50.76	24.8	82.43	39.18	3.35	200.52
	25%	12%	41%	20%	2%	100%

Recently with the introduction of new senior officials in the Department of Finance, the Privatization Council, the Privatization Office, the Privatization and Management Office, and the President's Committee on Good Government, there appears to be a renewed interest in re-vitalising the GOP privatization program. This leads onto an assessment of the implementation issues requiring attention.

[9] The shares proceeds may need to be held in trust for the benefit of coconut farmers.
[10] Whether the government owns these shares in whole of part, is still requiring determination by the Court. If not successful the Government will still hold these assets in trust for the cocoa farmers. Not included in these numbers is another substantive bloc of shares in San Miguel which is also pending a negotiated settlement or a Court decision (currently also under review for sale).
[11] Separate Authority exists under the Electricity Power Reform Act for the National Power Corporation to sell power assets

6. PAST AND CURRENT EXPERIENCE AND CONSTRAINTS

There are obstacles at all levels facing the organizations undertaking privatization in the Philippines in addition to the inability to provide a clear identification of the asset universe on which a privatization program can be structured. Privatization has failed to find political champions, and thus there is insufficient connection made between GOCC reform, to privatization, clean governance, economic growth and poverty alleviation. As a result there are undesirable consequences:

6.1 NO CLEAR POLICY OBJECTIVES

- The GOP privatization program is not clear in its objectives. Is the policy to privatize all state owned assets? Is the policy to complete the program with a specified time frame? Is the policy to emphasize maximizing privatization proceeds or to emphasize rapid transfers of assets to private sector control? Should the policy be tied to meeting GOP fiscal needs or be pursued independently of GOP budgetary requirements? These are some of the questions that appear not to have been discussed among the GOP privatization constituencies. The lack of such dialogue has not led to a reasonably unified view being formed on the need for a comprehensive GOP privatization program, the need to accelerate any privatization program, and the need to make the GOP privatization activities more efficient.

- While there is no legal requirement to go to Senate on individual privatization transactions, the PO sees a need to keep the Senate abreast of all major transactions, thus indicating that the process remains highly political.

- Policy introductions to legislation on past and future privatization activities and institutions are less than clear in the statement of the need for privatization. Reference is made to non-performing and idle assets (e.g. the GAMA bill, see below) as opposed to all appropriate government assets. Successful international "best practice" creates privatization programs that are based on clearly stated policy objectives.[12] Once the set of objectives is determined and weighted, then

12 Such as:

i. Removal of the government from competitive sectors to promote national economic growth and community prosperity,
ii. Wider share ownership promoting the development of capital markets
iii. Company recapitalisation,
iv. Improved Governance & reduction of corruption within government GOCCs,
v. Transfer of technology, marketing outlet expansions etc, and
vi. Small and medium enterprise development, and
vii. Contribution to the state budget.

the stock of assets can be systematically evaluated using agreed criteria, and a sustainable privatization program can be implemented.

- Proceeds are overly directed to special purposes (100% to CARP from PCGG dispositions and 60% of PMO dispositions). It is better to minimise special allocation categories as the practice tends to (1) distort the budget process (2) create resistance to privatization, (e.g. because PAGCOR allocates proceeds to a large number of special interest groups, it may create a situation where these groups resist privatization if they perceive their annual proceeds are at risk (3) create unusual situations, e.g. PCCG has an unlimited life (and must direct its proceeds to CARP) but CARP itself has a limited life.

- Subsidiaries are captured under the sale program potentially creating a distortion in the governance of GOCC business enterprises. It is more appropriate that the GOP receives benefits from GOCC activity through taxes and dividends, and not distort management decisions by withdrawing funds from GOCCs when they choose to sell subsidiaries. Parent companies will rarely choose to sell subsidiaries when 50% of the proceeds are "given away".

- PCGG has an unlimited life but 100% of its proceeds are directed to CARP, a limited life program. The PCGG has been in existence for approximately 20 years and the majority of sequestered assets are still not resolved and subject to protracted litigation. The "going concern" structure, lacking a sunset provision, provides no incentive for the timely disposition of these assets.

6.2 INSUFFICIENT STRENGTH AND FLEXIBILITY IN THE VARIOUS LAWS AND EXECUTIVE ORDERS TO ENSURE PRIVATIZATIONS CAN PROCEED SMOOTHLY

- GOP laws governing privatization are limited in their mandate for privatization, with Executive Order No. 323 the latest GOP order providing for privatization. Executive Order 323 is illustrative, as it provides for the disposition of remaining assets already approved for privatization under a policy designed to privatize assets identified as unnecessary and inappropriate for the GOP to maintain. The Order does not provide for identification of all assets and an orderly triage and disposition of such assets. The Order provided for a budget of P10 million for the Privatization Office and a PMO budget of P30 million for 2001 and these budgets have not been increased materially since. These are small resources for what appears to be a large privatization need.

- No immunity for decision-makers in a very litigious environment

- Many dispositions are clogged up in the courts. For example, sequestered assets have been around for over 20 years and the vast majority of the assets are still in the sequestered condition. – currently running 490 civil cases and approximately 100 criminal cases. Yet arbitration outside the court system has not been considered to date.
- There appears to be too much rigidity in the sale process when transparent sale processes fail to find a suitable buyer at the assessed valuation, particularly in real property sales.

6.3 INSUFFICIENT INSTITUTIONAL CAPACITY TO IMPLEMENT AN ACROSS THE BOARD PRIVATIZATION PROGRAM

- There is no broad based privatization policy, strategy and general management being offered for government consideration. As a result an ad hoc sales program is in place.

- Efficient policy implementation of the GOP privatization efforts is now very hard to achieve, as the implementing offices are spread across many Departments including the DOF which supervises the PO, PMO and the PCGG, and other Departments supervising assets and GOCCs, where often GOCCs have been named their own Disposition Entities. Thus the objectives, skill base, time tables, conflicts and incentives in the privatization of GOP assets varies widely from the inception of policy and through the implementation of specific privatizations. The challenge is great, as a large amount of GOP assets are yet to be privatized, measured by both number of entities and value. The economic benefits arising from privatization should exhibit a multiplier effect, not only in more efficient operations and growth of privatized entities, but likely also from positive benefits arising in the sectors, and related sectors, where many entities operate. In most countries where privatization programs have been effectively implemented, the privatization process has been concentrated in a single Department or Ministry, or, more often, a Privatization Agency.

- Partly as a result of the limited scope of the GOP laws and executive orders, the institutional organization and capacity of the GOP is similarly limited. The Privatization Office of the DOF has a staff of only six officials. While this office is importantly supplemented by the PMO, with a staff of 90, and the PCGG, with a staff of 190, it is clear that the number, quality and training of dedicated privatization staff needs to be improved across the GOP in order to successfully ramp up a strong privatization program.

- The PO office has the authority and leadership but not the support resources to effectively discharge its duties. There is a lack of sufficient personnel and skill base targeted to the right areas. The PO is struggling to react to a diverse and large group of transactions currently under consideration. It certainly does not have the resources currently to move towards either or both of a proactive initiation of policy and strategy, and implementation, or supervision, of a broad based privatization program.

- There are a number of disposition agencies which spread thinly the required skills, and there is duplicated activity. The number of people involved in the "privatization" area totals around 286 when the PO (6), PMO (90) and the PCGG (190) are grouped together. This number with introduced skills and proper training is sufficient to manage a pro-active privatization program, but the resources clearly need to be unified.

- This spread also does not allow the tight governance supervision required in such a sensitive area as sale of assets. We were informed that certain corrupt practices had occurred in the PCGG in the past.

- A number of comments were received by officials about the lack of transaction knowledge in the PO, PMO, and the PCGG. This may in part be true, but it is also true that these entities do have sales transaction experience and are used by other government departments and agencies who want to dispose of their idle assets. Certainly skills in specialist areas such as the separation of regulatory activities from operating companies and specialist industry knowledge may be lacking.

- There seems an urgent strategic process need to (1) determine the privatization program (2) identify the strengths and weaknesses of the current implementing agencies, and (3) create and then implement a management plan to ensure the right structures, training and people are in place. To wait for the GAMA bill to be passed would be a strategic mistake. The lead for this should come from the PC and the PO and support is needed to assist in this critical task.

- The lack of adequate technology was commented on by all the new officials and our observations would certainly confirm that. For example:

    - the PMO office does not have a asset tracking system in place and as a result asset management and disposition is extremely difficult,
    - the PO has inadequate access to internet technology which is essential in such a pivotal office where considerable research of in-country legislation, regulation, sector and company specific reviews, country and international best practice experience is necessary, and
    - there is no website operated by the Privatization Office or PMO.

- The mindset of some interviewed seems inclined too easily towards retention than disposition of assets (in discussions with PCGG and PMO staff interest was expressed in starting joint ventures, property development, etc. – not appropriate roles in privatization programs). This can be corrected through the new management appointments and support training.

- Comments have been made about the need to streamline the evaluation processes for the appointment of advisors as too much rigidity and poorly thought through weighting of criteria has not always produced a well qualified advisor.

- A related point is the lack of resources at the PO does not allow it to take the initiative over the full transaction process. When combined at times with the company/asset being sold paying for the financial advisor, it means a risk exists where the company exercises too much influence in the sale process, and in some circumstances management interests do not align with the government interests.

- Lastly, GOCCs, (usually) created by the Congress, are governed by Charters which may not allow for privatization without direct enabling legislation. This issue demonstrates the need for substantial political support if a comprehensive privatization program is to be implemented.

7. RECOMMENDED MEASURES TO ASSIST IN THE IMPLEMENTATION OF THE PRIVATIZATION PROGRAM

In reviewing current needs, it is clear that the GOP would benefit from developing a comprehensive approach to the privatization program challenge, as well as benefit from assistance in specific transaction efforts and the enhancement of the skills of its professionals. The recommendations have been constructed to provide both a framework of policies and implementation support for a sustainable privatisation program and specific recommendations to assist in transaction success in the near-medium term:

7.1 POLICY

An agreed comprehensive privatization policy should be articulated by the Privatization Council to focus and gain support within the GOP, the private sector and the population in general. It appears the PO is the correct body to assist in this regard and that the PO would benefit from assistance in developing the privatization policy. It would also be useful for the PO to engage in public education and public relations activity to reach out to important constituencies within the GOP and the Philippines generally to create the proper consensus necessary to result in a successful program.
The privatization policy should:

- state the Aims and Objectives of privatization;
- clearly define what assets are subject to potential privatization;
- state the good governance principles under which privatization will be conducted;
- state the criteria for a GOCC or other government asset to be a privatization candidate (this should be as broad as possible) and commit that public service obligations will be maintained;

It would appear that there is a need for legislation to provide that the composition and powers of the Privatization Council and the Privatization Office, including any sale decisions, be "final and incontestable" and official acting on privatization matters be provided immunity for decisions made in accordance with enabling legislation and regulations. Lastly, proceeds of privatization should all best go to the national revenue for allocation through the state budget process, and funds from privatization proceeds should be made available to support modern resourced privatization capabilities.

7.2 POLICY IMPLEMENTATION

It would be desirable for the privatization policy to be implemented with as little additional legislation as possible in order to facilitate near term progress. However, if and when new legislation is possible the PC and the PO should seek to have that legislation reflect the policy initiatives they have adopted or are seeking to adopt. It is clear that significant improvements can be made in policy implementation. There is need for:

- A comprehensive inventory of all GOP assets to be considered for privatization;
- Application of a methodology for creating a pipeline approach to continuous privatization over a medium term period (5 years),
- Identification of privatization candidates and their prioritization,
- Creation and implementation of a timetable for completing near term and long term privatization objectives; and
- Creation of an effective organization to implement privatization activities.

The GOP is already moving in this direction with the introduction of the GAMA bill. Focusing privatization in a single entity should afford an opportunity to build a qualified and competitively paid staff similar to "Agency" approaches in other countries which have engaged in extensive privatization programs, with the proceeds from privatization becoming a helpful and regular line item for the GOP budget and the costs of the Authority borne wholly from a participation in the proceeds of a successful privatization program.

However, it is important that the unification of the privatization drive under a better resourced PO should start now and not wait for the GAMA Bill to be passed.

Specifically, the PO can immediately:

- Spearhead the development of a privatization policy and a strategy plan for the PC, GOP and broader community consideration;
- Develop and implement a management strategy to bring under one roof or more effective governance the PO, the PMO and the PCGG, along the lines contemplated by GAMA. As these entities are all part of or attached to the DOF this should be administratively possible prior to formal additional legislation.
- Identify the right structure, number and mix of skills for a new PO and implement the strategy. The PO may need an initial injection of skilled personnel to help develop and then implement this plan combined with technical assistance,

- Implement a needs based training scheme for those involved in transactions and the management function. This should also include “change management” training as a culture shift is required to make the PO and the PCCG more disposition focussed,

- Identify and implement a sound information technology platform. Three identified areas are i) tracking systems to better control asset management and disposition, ii) fast internet access at the PO and other privatization offices, and iii) the development of a PO/GOP privatization website,

- Implement better transaction processes including, among others, improved criteria for the selection of advisors, improved flexibility to proceed with sales where offers don’t reach a appraised target price, and new tools to allow the PO to better monitor and drive the disposition/privatization process.

- Support speedy passage of the GAMA bill, while not allowing its legislative process to delay what the PO, PC and DOF can implement administratively.

7.2.1. A NOTE ON THE GAMA BILL / RECOMMENDATIONS

The GOP is considering a bill seeking to establish a Government Asset Management Authority (GAMA) which is intended to further unify the administration of the GOP privatization activities. The GAMA will bring under one roof the Privatization Council (PC) and PO, the PMO and the PCGG. It will be attached to the DOF, as are the current separate entities. GAMA (the “Authority”) is explicitly charged “to develop and implement a comprehensive plan” to identify GOP assets, “establish guidelines for the conversion, rehabilitation and disposition of government assets and corporations”, and “approve or disapprove…the sale or disposition of government assets”, among a number of other organizing and implementing powers. The Authority clearly centralizes and is empowered to effect a privatization program for the GOP. Its Governing Board will have two private sector representatives, likely leading towards increased expertise in privatization matters as well as increased transparency. The Authority will be headed by an Administrator appointed for a five year term.

It would appear that the GAMA Bill provides a vehicle to legislatively create a unified and strong privatization entity. We have reviewed the DOF comments to the GAMA Bill and wholly support nearly all their recommendations for adjustments to the Bill. Most prominently, we support that GAMA include the Board of Liquidators (BOL) and other GOCCs and other identified government assets, that the sequestration activities of the PCGG be excluded, that GAMA should be organized as a special government agency (albeit with special status as to employee compensation and perhaps a sunset provision), that immunity from suits be provided, and that GAMA become central in recommendations on GOCCs to be privatized. Lastly, alternative private sector related transactions other than traditional privatization should be allowed for GAMA consideration, as appropriate. It would be in GAMA’s interest to have its budget related to its performance, and some level of revenues from privatization proceeds available to increase the budget of GAMA for operating purposes including capital investment, software and personnel compensation which may exceed other Civil Service guidelines.

7.3 SHORT TERM TRANSACTIONS

The PO has identified 13 assets representing current potential priorities for privatization. It is important that any effort to create a larger and more orderly privatization program should not delay current privatization efforts. A review of the 13 assets identified can set a rather natural set of priorities for short term focus by the PO. Given the relative differences in size and complexity of the assets, and the work commenced to date, it is recommended that short term efforts focus on:

- San Miguel Shares
- Philippine National Oil Company – Energy Development Corporation;
- The Philippine National Oil Company – Exploration Corporation
- Postal Bank
- Television Stations RBN 9 and IBC 13
- Manila International School Property

These assets have been selected largely based on their relative ease of execution. The Philippine National Oil Company – Exploration Corporation transaction was largely completed recently but withdrawn due to its pricing having become obsolete in light of changes in international oil prices. This should be able to be readily revisited and re-priced prior to year end 2005. The San Miguel shares appear to offer the potential for a significant result in a currently favorable market environment without requiring further complex decisions within the GOP or Philippine court system. A comment on each identified asset is provided in Appendix E.

The PMO should advance the auctions of real estate and other assets held by the PMO and introduce flexibility into the valuation approach to fast track the sale of these assets. Of the 98 assets on the PMO disposition list, most are real estate properties.

The PCGG also needs to follow the same approach as PMO in respect to real estate. In addition, the PCGG should initiate a commercial review over the considerable bank of litigation regarding sequestered assets and seek ways of reducing that stock of litigation. Serious consideration should be given to the use of arbitration as an alternative dispute settling mechanism which could be mutually agreed by disputing parties under parameters designed to achieve a result certain within a defined timeframe, something the court system has seemingly failed to do as many assets have been in litigation for many years.

7.3.1 TRANSACTION PREPARATION

A number of the current privatization priorities identified by the PO are complex, large, and/or require significant pre-privatization preparation. Consideration and implementation of the separation of regulatory and operating activities also needs attention with a number of the assets. It is recommended that Feasibility Studies similar to that completed for Philpost be commissioned for assets which the PO determines it wishes to consider privatizing in 2006. Specifically, Feasibility Studies are recommended for PAGCOR and the Philippine and Cebu Port Authorities.

8. TECHNICAL ASSISTANCE

It is easy to determine that Technical Assistance can be usefully furnished across the spectrum of short term and long term needs of the GOP privatization program. In reaching agreement on such assistance, it likely would be helpful for USAID / EMERGE and the PO to form a Working Group to agree on priorities, many of which are outlined in this report, and draft specific Terms of Reference (TORs) for local and international assistance.

Defining areas for assistance for the balance of 2005 requires an understanding of the current privatization activities of the GOP which this report has attempted to summarize. By far the most difficult areas involve the formulation and articulation of a comprehensive privatization policy, a reorganization of privatization activities, and implementing institutional structures to effectively focus and successfully implement what would be expected to be significantly greater GOP privatization objectives. Targeted assistance should occur in these activities and in specific privatization transactions already prioritized by the GOP. Assistance in creating and achieving long term objectives as well as assistance in accelerating short term success should be pursued.

Recommended areas for Technical Assistance include:

- Assisting the PO in the formulation of:
    - privatization policy,
    - draft legislation, and
    - associated public relations strategy

- Assisting the DOF in creating a full inventory of all GOP assets to be considered for privatization;

- Assisting the PO to develop a methodology for creating a pipeline approach to continuous privatization over a medium term period (5 years), identifying privatization candidates and their prioritization based on PC criteria pending passage of legislation;

- Assisting the PO with overall guidance in the development and implementation of a strategy to unite the PO/PMO/PCGG, identifying a structure, staffing requirement and mix of skills for a revitalized PO;

- Assisting the PO, PMO and the PCGG to identify and implement a sound information technology platform including the three areas of i) tracking systems to better control asset management and disposition, ii) fast internet access at the PO and other privatization offices, and iii) the development of a PO/GOP privatization website;

- Providing transaction advice in specific transactions to the PO, for transactions scheduled or recommended for completion in the short term:

    - The San Miguel Shares;
    - The Philippine National Oil Company – Energy Development Corporation;
    - The Philippine National Oil Company – Exploration Corporation;
    - The Postal Bank;
    - Television Stations RBN 9 and IBC 13;

- Providing infrastructure and specialist advice to the PO in selected air and sea ports, PAGCOR, and Philippine Postal Corporation which require separation of regulatory functions from operations, and consideration of how best to handle the public service obligations conducted by those entities;

- Providing commercial and legal assistance to review the inventory of the approximately 490 PCGG litigation cases, fast-tracking those which merit immediate attention, and utilizing where possible new approaches in seeking solutions, namely arbitration.

Some of these tasks require specific transaction advice, some require significant data collection, some require significant data review. It is likely that a large amount of the work can be completed locally under guidance from international consultants who can bring additional perspective and "best practice" knowledge and experience. Some of the work, particularly specific transaction assistance, likely needs continuity of international expertise, as it is likely in many cases that international participation in the more significant GOP privatization activities will be desirable (i.e. the sale of San Miguel shares, for example).

A structure worth consideration, though not possible through the current EMERGE budget, is a mix of international skills where there might be one or more senior international consultants on site (or consultants who would tag-team) attached to the PO with experience in general management and privatization to work with the Privatization Council and Under-Secretary for Privatization over a longer term timeframe (18-24 months), supplemented by additional short term sector and transaction specialists to assist with the current recommended transactions and transaction preparation including the San Miguel shares, the PNOC- Energy Development Corporation, PNOC – Exploration Corporation, the Postal Bank, Television Stations RBN 9 and IBC 13, selected air and sea ports, PAGCOR, and the Philippine Postal Corporation.

This team would need to work with domestic consultants. This type of structure was in place during the only successful period of sustained privatisation in the mid 90s in the Philippines.

APPENDIX A

SUMMARY GOCC FINANCIAL DETAIL BY SECTOR

(in thousands of pesos)

GOCC Area of Activity	No. of GOCCs	*No. with RoE exceeding 5%*	No. with Reported Loss	*TOTAL ASSETS 2003*	*Total Equity 2003*	Equity Movement	Percent Equity Movement
Agricultural	1		1	369,949	214,833	(17,297)	-7%
Agricultural, Trading & Promotional	18	1	11	95,247,549	32,134,513	(6,841,299)	-18%
Educational	1			361,248	346,007	3,797	1%
Financial	30	11	11	1,274,752,799	699,588,324	80,582,054	13%
Industrial & Area Dev. & Regulatory	21	6	6	256,773,036	205,800,120	3,501,480	2%
Public Utilities	11	2	6	1,374,595,514	(224,904,399)	(390,030,473)	-236%
Social. Cultural & Scientific	12	2	4	29,818,400	18,680,557	(644,494)	-3%
Sub- Total	**94**	**22**	**39**	**3,031,918,495**	**731,859,954**	**(313,446,232)**	**-30%**
Unclassified by Area	22			-	-	-	-
Adjustments	20			32,325,318	(380,933,238)	(472,918,539)	
Total	**136**			**3,064,243,812**	**350,926,717**	**(786,364,770)**	

APPENDIX B

POTENTIAL GOCC PRIVATIZATION REFORM CONTRIBUTION TO THE PRESIDENT'S TEN POINT AGENDA "BEAT THE ODDS" IN THE STATE OF THE NATION ADDRESS IN JULY 2004

Ten Points	GOCC – Reform impact
Balanced budget	Reduce subsidies, reduce state debt and interest payments, increase tax and non-tax revenue from privatization sales and improved financial performance
Education for all	Privatization & improved financial performance increases proceeds providing fiscal space to increase state education budget
Automated elections	N/A
Transport to connect the whole country	Privatization & improved financial performance increases proceeds providing fiscal space to increase state investment in infrastructure. Separation of regulation and operations encourages private sector participation in transport sector, seaports and airports, roads, toll roads and rail transport. Philippines Port Authority & Cebu Port Authority are already identified for privatization review
Terminate the hostilities with the NPA and the MILF	Privatization & improved financial performance increases proceeds providing fiscal space to increase state investment in infrastructure and promote economic growth with private sector participation in these under-developed regions
Heal the wounds of EDSA	Restoration of good governance and democracy, elimination of corruption. A sound reform program in the GOCC area is fundamental to the restoration of good governance as these GOCCs permeate the economic fabric of the Philippines; and as has been shown in this report, there is no sound information or management base in place to systematically control these GOCCs
Electricity and water for the whole country	Privatization is well advanced in the electricity and water sectors and this is promoting the most efficient use of existing electric and water assets, promoting new development, creating neutral and effective regulatory regime.
Opportunities for 10 million jobs	Privatization & improved financial performance increases proceeds providing fiscal space for investment in economic growth leading to job creation. This involves redefine role of government away from direct participation in business sectors, and promoting increased private sector investment
Decongest Manila	Increased infrastructure investment providing increased quality of life outside Manila, better transport services into and out of Manila.
Develop Subic-Clark	There is an existing concentration of government controlled entities in the development of this facility; and they are an integral part of the development as a customer, but also in the facilitation of private sector participation in the development

APPENDIX C

SUMMARY GOCC FINANCIAL DETAIL OF GOCCS IDENTIFIED FOR PRIVATIZATION

(in thousands of pesos)

GOCC's	No. of GOCCs	No. with RoE exceeding 5%	No. with Reported Loss	TOTAL ASSETS 2003	Total Equity 2003	Equity Movement
Agricultural	0	n/a	n/a	-	-	-
Agricultural, Trading & Promotional	1	1	-	43,318	40,196	3,804
Educational	0	n/a	n/a	-	-	-
Financial	7	2	3	2,069,303	1,219,240	(24,793)
Industrial & Area Dev. & Regulatory	2	2	-	2,494,514	2,297,107	115,431
Public Utilities	3	-	3	1,009,177,155	(324,044,360)	(384,792,195)
Social. Cultural & Scientific	0	n/a	n/a	-	-	-
Sub- Total	13	-	6	1,013,784,289	(320,487,817)	(384,697,753)
Unclassified by Area	5	n/a	n/a	-	-	-
Adjustments	4	n/a	n/a	-	-	(139,917,832)
Total	**22**	**5**	**6**	**1,013,784,289**	**(320,487,817)**	**(524,615,585)**

APPENDIX D

DISPOSITION STATUS AND BRIEF COMMENTS ON SELECTED PRIVATIZATIONS

This Appendix outlines the Disposition Status of the current identified privatizations being focused on by the PO. It does not include all privatization activity being undertaken by the PMO, the PCGG or other Disposition Entities.

In reviewing the Dispositions, the diversity of size, complexity and asset classes is immediately apparent. The most advanced current disposition, Philippine National Bank, has progressed on a fast schedule, with its investment banker selection made in April and the sale expected to be completed next month. This may be evidence of a well managed process or evidence of a process which has had to proceed quickly, but without sufficient resources. The importance of handling dispositions well is illustrated by the potential proceeds of this disposition, where a difference in only 10% in the value of the disposition can make a difference of nearly P1 billion to the GOP. Because of the advanced status of this disposition this report does not offer any comments on the PNB transaction. However, looking at the remainder of the list we can comment as follows:

Philippine Postal Service

It appears that there is interest in fast tracking the privatization of PhilPost. Recently, Japan announced an effort to privatize its postal system, an effort estimated to take four years and yield $3 trillion (!) While PhilPost is smaller than the system in Japan its relative importance to the Philippine economy is similarly high. Appropriate preparation for privatization of PhilPost is important both to assure continuation of the breadth and quality of PhilPost services as well as create an appropriate disposition at appropriate value of PhilPost's assets. It may be that the GOP would gain more value from JV concessions near term than through privatization at uncertain value. JV concessions might also demonstrate value that is now only speculative. Careful consideration of the considerable work of the selected financial advisor needs to be given in determining a best way forward. It appears, however, that there is some consensus that the Postal Bank can be readily separated from PhilPost and privatized separately. This would be a significant first step that can be taken while the harder case of appropriately handling privatization of PhilPost and safeguarding the provision of its key services is further considered. TA in both the sale of the Postal Bank and consideration of the privatization plan for PhilPost would be appropriate.

Wefareville Property

This appears to be a straight forward sale of real estate parcels complicated only by valuation issues and the use of one of the parcels for social housing. It would likely not benefit from TA. In the event that the bids do not reach appraised value, however, an alternative disposition approach should be created as has been recommended to the PMO for disposition of real property after failed bid(s). It would appear that the sales should be completed expeditiously.

International School Manila Property

This appears to be also a fast track sale of real property, where the comment would be as above.

Philippine National Oil Company / Energy Development Corporation

This transaction is scheduled on a fast track as a June 2005 privatization plan approval contemplates a sale as early as September 2005. The privatization plan has been approved but it is not clear if the 40% strategic sale transfers control and whether a control premium will be achieved. It also appears this needs close coordination with the sale of NPC geothermal assets for which privatization plans have not been reviewed. If this schedule is maintained no TA can be provided in the remaining time frame.

Ports and Port Services

Philippines Port and Cebu Port Authority are both operators and regulators of a large number of strategic ports in the Philippines. A plan for the continuance and development of ports is seen to be important to the economic development of the Philippines (e.g. refer the President's Ten Point Agenda).

The PC approach of a feasibility study is sound and should begin immediately. The study should consider amongst other things (1) the overall objectives for the privatizations, the benefit of privatization, the risks the government faces in going forward with this infrastructure privatization, and proposed mitigation of those risks, key stakeholders, enabling factors and obstacles to the privatization (2) competitive environment – both regional and domestic (3) relevant laws and regulations (4) a financial and operational performance review (5) a review of existing joint ventures and consideration of lessons learned (6) consideration of the separation of policy and regulation from operations, and any transitional issues (7) review of the existing port public service obligations – and how these will continue to be serviced post privatization, a particularly acute issue in a country of 7000 plus islands (8) identification of selected ports for possible privatization and (9) identification of privatization options. The feasibility study should also take into account the government’s current drive to create a nautical highway, i.e., through the RORO system, where private investors are encouraged to invest.

Previous feasibility work was done by the consulting group, Proconsult, over the period 2002-2005 in reference to the Manila North Harbor modernization which can be valuable input into this feasibility review.

Philippine National Oil Company – Exploration Corporation

This transaction has been withdrawn due to market developments in the price of oil rendering the prior privatization bidding obsolete. However, the current oil market is highly favorable for a disposition. It is recommended that this transaction be renewed on a fast track for 2005 and bids be sought for the entire 10% stake. Given the value and sophistication of the deal, TA would be advised on a basis similar to that recommended for the San Miguel stake. ING Barings should likely be retained as the adviser absent any concerns over their performance**.** This transaction is likely the best transaction reviewed in this report for achieving the highest level of privatization proceeds for the GOP in 2005. Proceeds are estimated on the order of P15 to P30 billion, pre-debt repayment.

National Power Corporation and Transco (Electric Transmission Lines)

Unable to be reviewed for this report.

Small Municipal Airports

It appears that of a number of small municipal airports, Iloilo Airport is on a fast track for 2005 privatization and assuming its financial profile is favorable this would appear to be a transaction that should proceed. If the PO desires TA for this and other municipal airport privatizations it is likely an appropriate consultant could be made available. However, it is also possible that these transactions are sufficiently straight forward so as to not need TA. Consideration in these sales must of course always be given to the value of the real estate as well as the airport operations, and the undertakings of the purchaser to continue to provide appropriate services.

PAGCOR

This state-owned firm is a significant source of government funds. In year 2003 the government 50% share of PAGCOR revenues was P7.8 billion.

Even though the benefits received from PAGCOR are significant, privatization is warranted because if PAGCOR were privatized there would be increased foreign and domestic investment in gaming activities, likely coupled with resort development, creating construction employment and longer term employment from increased tourism. It should be clear that not only would the GOP benefit from significant proceeds from such a privatization, but the multiplier affect of creating a free market for investment in the gaming and resort sector would be substantial.

A review of the privatization opportunities for PAGCOR should begin which addresses at least the following issues: (1) Asian regional gaming developments (2) valuation (3) separation of operations from regulation (4) privatization modes and timetable and (5) integrity of sale and post sale management.

This last point is more important than normal given the nature of this asset. The highest level of control over the sale process and strict governance control over post sale regulation is necessary to protect the Philippine people from adverse societal affects from the change of ownership (including avoiding sale to disreputable societal elements).

This is a politically sensitive GOCC which provides significant revenue to the government and to a number of special interest groups. For that reason it should be proceeded with carefully, but its inherent value will attract significant private sector tourist, entertainment and gambling investment, and this warrants it be considered as a privatization candidate.

Mining Assets

Unable to be reviewed for this report.

Electric Coops

Unable to be reviewed for this report.

San Miguel Shares

This transaction is unique in that it is potentially very large (25% to 39% of the shares, depending on dilution calculations and whether State pension holdings are included), though it is not clear whether the proceeds will go to the GOP budget. If possible, this matter should be resolved as soon as possible. It is also not clear whether a control premium can be obtained on the shares, both due to foreign ownership restrictions and whether independent interest can be obtained from Kirin given its shareholder agreement and relationship with the Cojuanco group. If Kirin appears to have interest (or appears to be a seller) a waiver of any foreign ownership restrictions should be sought so as to maximize the chances of obtaining a control premium. Given the likely value of the stake, a control premium of from P10 billion to P20 billion, or more, is potentially available and should not be readily cast aside.

Monetization of the stake through a strategic sale or capital market offering appears to face no real impediments, and is in all events necessary to have proceeds available for the GOP or the potential farmer beneficiaries. Given the current favorable capital market environment and the rather straight forward discussion that can be had on any strategic sale, it seems clear that this transaction can be fast tracked according to its planned schedule for completion before or during Q1 2006.

The size and significance of this sale would argue for TA to be provided to assure the best selection of financial advisors and the effectiveness of a Working Group to complete the privatization. Due to the inevitable international nature of the sale or offering, TA needs to be provided on at least a non-Philippine resident basis by a senior advisor whose review and comments could be gained as necessary at appropriate benchmarks during the course of the transaction.

Television Station RPN 9

This privatization appears to be fast tracked for completion this year, despite the apparent failure to resolve a number of fundamental issues including whether a control interest in the station is available or not. While it is clear that the sale of such an asset should be more readily accomplished than much larger privatizations (such as PhilPost), until fundamental issues are resolved this would seem to be on a faster track than is appropriate.

Television Station IBC 13

This privatization is also fast tracked despite some real ambiguity of intent expressed in a reported letter to the DoF from management regarding an intent to privatize only after the completion of a planned “rehabilitation”. Assuming a unity of view among participants can be achieved, it would seem that this transaction could be concluded expeditiously.

Manila Gas Corporation Real Property

This appears to be a now fast track sale of real property which would likely not benefit from TA. In the event that the bids do not reach appraised value, however, and alternative disposition approach should be created as has been recommended to the PMO for disposition of real property after failed bid(s).

APPENDIX E

PRIVATIZATION OFFICE DISPOSITION SCHEDULE

Assets identified in the PO program for 2005/2006

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
Philippine National Bank (joint Government and LTG shares - 67%	3rd Qtr. 2005	8	Plan to execute by mid August LTG or 3rd Party Buyer buys shares: 1.Inform Escrow Agent of winning buyer 2. Serve written notice to the buyer 3. Upon receipt of full payment, execute/deliver Deed of Absolute Sale 4.Release to buyer Escrowed shares, warrants and documents	1. Legal - foreign ownership restrictions will inhibit share price 2. Policy -After privatization, what kind of government support will be required to keep PNB afloat	This transaction has not been considered as we were advised that conclusion of this deal is close.
Philippine Nat'l Oil Co./Energy Development Corp. (PNOC/EDC) (natural gas)	4th Qtr. 2005	27	June 9, 2005 - PrC approved PNOC-EDC privatization plan presented on June 3, 2005. The PrC approved PNOC-EDC privatization plan calls for the sale of 60% of PNOC-EDC to be disposed via strategic sale (40%) and IPO (20%), strategic sale will precede IPO. The sale is conditioned on the transfer of NPC geothermal assets to EDC where NPC's assets will be sold together (as complex) with EDC's steamfield assets	1. Legal - Find best legal remedy to assure that NG guarantees on PNOC-EDC debts after privatization will be addressed. and PSALM to obtain creditors' consent on the transfer of NPC geothermal plants to PNOC-EDC as a pre-condition for the bidding and sale of power plants and steamfield assets (as a complex). 2. Policy - PSALM and EDC will have to resolve concerns/issues e.g. valuation of NPC geothermal pants, structure, etc and determine what are DOF requirements to make sure that NG guarantees will not be called after EDC privatization. 3. Valuation - Establish relative valuation of NPC geothermal plants and EDC steamfield assets and understand the differences in the debt valuation of EDC and PSALM.	Already behind schedule. suggested earliest is December 2005 .. still political hurdle to overcome with the Senate. Unlikely to reach timetable. One of many complex sales besetting the PO on this transaction.
Manila Gas Corporation (real properties)	3rd Qtr., 2005	0.7	June 27, 2005 - the PrC approved NDC's proposed privatization plan for the real properties of MGC. Tentative bidding date for the properties is on 08 August 2005. Aim for September closure		No major hurdles and the essence of what is being sold is not complicated

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
International School Manila property	4th Qtr. 2005	2	1. March 2005 DOF-Privatization Office resumed discussions on the proposed sale of the IS property with PMO. DOF-PO and PMO held meetings with Makati City Mayor's office to discuss the city's disposition plan. The City of Makati plans to convert the property into an IT Hub. 2. June 15, 2005 PMO and City Mayor of Makati met and agreed to resume disposition of IS property following Makati's plan to convert or re-zone it to an IT hub	Legal - need to determine legality of the Property Lease Contract executed by and between NG/APT and IS before the expiry of the previous lease contract (on 05 February 1998 prior to its expiry on May 2000). The new contract is for 25 years. and decide on whether NG accede to the demands of IS to be entitled to a share from the sale proceeds pursuant to a MOA signed by and between IS and APT? what is the appropriate share of IS?	Plan sale by December looks reasonable. No major hurdles and the essence of what is being sold is not complicated
	Sub-total	**37.7**			
San Miguel shares	1st Qtr. 2006	50			Proceeds from this transaction may not flow for the government benefit, but maybe held in trust for the coco farmers. The sale is significant and requires focused attention to extract maximum value, including any control premium if possible
Small municipal airport Iloilo Illo	1st Qtr. 2006		June 27, 2005 - the PrC approved NDC's proposed privatization plan for the real properties of MGC. Tentative bidding date for the properties is on 08 August 2005. The sale is scheduled for October 2005.		Insufficient information is known about whether public service obligations can complicate this sale. Aside from that, then this sale should be straight forward.
Philippine Nat'l Energy Corp. (PNEC)	2006	3.3			This transaction is likely the best transaction reviewed in this report for achieving the highest level of privatization proceeds for the NG in 2005. Proceeds are estimated on the order of P15 to 30 billion, pre-debt repayment.
Philippines Postal Authority	2006		By June 15-July 15, 2005 PMO to submit study on the different privatization modes for Phil post including legal opinion/research on the sale/transfer of Phil post franchise and most feasible privatization mode (study of previous FA). Then PMO to elevate and submit results of study and recommendation on best privatization mode for Philpost, for policy decision of the PrC by late July	1. Legal - Lack of legal clarity that concession can proceed 2. Valuation - Appears dissatisfaction exists with 2003 PwC valuation 3. Other - there is a lack of clarity on what is being sold and when - savings bank versus post office, and the post office under what conditions. Suggest this requires policy strategy on how to separate out business and public service obligations. There is an opportunity to fast-track the divestment of Phil Bank in the meantime.	Normally very difficult asset to sell, needs policy decisions, PSOs to be settled etc before sale can proceed. There may be an opportunity to fast-track the divestment of Phil Bank in the meantime.

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
Television station	2006				
RPN 9	2006		Financial Advisor soon to be appointed. Plan is to sell assets by December 2005	1 Legal - the Sandiganbayan case on the Compromise Agreement between Ramon S Benedicto (RSB) and PCGG relative to the contested shares (40 %) which may discourage prospective investors. - PCGG should ascertain whether the uncontested shares of 32.4% (part of the 72.4%) is without legal impediments - Need to check legality of transferring the franchise to new owners; RA 9250 provides that RPN franchise cannot be sold, transferred, usufruct without prior congressional approval. - Study whether the corporation operates as separate and distinct from the new shareholders; is there a need to submit new Articles of Incorporation to SEC. - Resolve claims of employees under the CBA 2. Policy May require prior congressional approval 3. Valuation - PMO and PCGG to coordinate with previous financial advisor regarding previous valuation of RPN-9 - also check viability of the station as to its current debts/liabilities	Comment has been made about the unsuitable nature of the FA appointed. This may delay the outcome and the likely achievement of the sale timetable. The timeframe here maybe ambitious given the lack of apparent clarity in the path to pursue for the sale.
Welfareville Property	2006	13	Planned sale by November 2005		Should not be any major impediment to sale proceeding
	Sub-total	**66.3**			
	Total	**104**			
Assets not specifically listed mentioned in the PO 2005/6 schedule but listed in the TOR					
Ports and port services (maybe, this is politically sensitive)			PrC determine in June to conduct a feasibility study on the privatization of the ports		Philippines Port and Cebu Port Authority are both operators and regulators of a large number of strategic ports in the Philippines. A study should begin immediately to (1) separate these two roles (2) privatize selected ports (3) plan for the continuance and development of ports seen to be important to the economic development of the Philippines (e.g. refer the President's Ten Point Agenda) which are not attractive for private investment without considerable subsidy.

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
National Power Corp. & Transco (electric transmission lines)					
Small municipal airports in Mactan, Cebu;and Lipa Air Base					
Philippine Amusement & Gaming Corp. (gambling casinos)			June 2005 held meetings with PAGCOR officials to discuss government's plan to separate PAGCOR's regulatory functions from its operational functions. The government plans to retain regulatory functions and privatize its operations through the grant of franchise to the operators	1. Policy - Current revised Charter before Senate which does not separate regulatory and operational functions - disallows privatization - provides long term fixed appts. by the President for key Officers - expanded services within/outside Phil. and directs specific percentages of gross winnings away from National Revenues to specific interest groups e.g. Sports Commission 2. Valuation - valuation of this valuable asset is necessary 3. Other - No clear agreement on what is going to be sold and potential strong vested interests won't support the sale	1. The state-owned firm is the third biggest source of government funds with annual revenue of 22 Billion Pesos. PAGCOR is proof that casinos and legalized gaming can be a valuable source of government funding and an effective engine for national development. In its endeavor to generate more funds for the government's pressing concerns, PAGCOR has ventured beyond casino management. 2. The gaming market in the Philippines is estimated to be over 100 Billion Pesos per year. Illegal gaming accounts for half of the country's gaming industry revenues. A review of the Privatisation opportunities for PAGGOR should begin which addresses at least the following issues: 1) Regional gaming developments 2) Valuation 3) Separation of operations from regulation 4) Privatisation modes and timetable 5) Integrity of sale and post process - the nature of this asset requires the highest level of control over the sale process and strict governance control over post sale in regulation to protect the Philippine people from adverse societal affects from the change of ow sale to disreputable societal elements).

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
Mining assets					
NORTH DAVAO MINING CORPORATION			June 3, 2005 -the PrC members directed PMO to sit down with DOJ lawyers and explore legal means to implement the transfer of NDMC and BBGMI to NRMDC without an amendment of EO 323. Then NRMDC to submit plan to PrC to sell assets by August 2005	Legal: Need to find a way to see if it within the powers of the PrC to transfer trusteeship of NDMC from PMO to NORDIC without amending EO 323?	
NONOC MINING CORPORATION			Nonoc Mining and Industrial Corporation (NMIC) is a corporation duly organized and existing under the laws of the Philippines in 1984. It owns and is engaged in the business of nickel mining and refinery operations in Nonoc Island, Province of Surigao del Norte in Mindanao. Nonoc was shut down in July 1986 due to irreversible losses resulting from huge debts, soaring interest rates, prolonged low metal prices, and quadrupling of oil prices. On June 30, 1986, pursuant to the NG privatization program, DBP and PNB transferred to NG through APT all of its assets and equity in NMIC.	The case has been under litigation for quite sometime (since February 2003); will the government (PMO) stand to gain or lose from the case vs. Philnico? Are there legal options/remedies for an early settlement of the case which would be less costly to the government?	
Electric coops					
MANILA ELECTRIC COMPANY			Target disposition 2006 .The proposed block sale of the NG's equity in Meralco represents approximately 10% of Meralco' outstanding capital stock which corresponds to 7.7% PMO shares and 2.3% for PCGG. The 10% block is equivalent to one board seat. The joint National Government and PCGG shares does not include the shares of stocks held by Land Bank of the Philippines, Philippine Insurance Corporation and Home Development Mutual Fund (HDMF) amounting to 13.5% of total shareholdings. Total government exposure in Meralco is 23.5%. June 30-July 8, 2005 Usec Singson was scheduled to make a presentation on the proposed sale of Meralco shares to PCGG when the 2 new Commissioners assume office. The objective is to explain the merits of doing a block sale of 27%.	1. Pending PCGG approval (Three-Man Board) of the sale of NG-owned 2.3% interest, the sale cannot proceed. 2 There is a question over whether Will SSS, GSIS, LBP, PHIC and HDMF will agree to a block sale.	No agreement to proceed

Company/Asset	Planned Year of Sale/ Target date	Est. Proceeds of Disposition (Billion Pesos)	Status	Issues	Comments
Television station					
IBC 13			1. On June 29, 2005, Mr. Juico (an IBC-13 Official?) sent a letter to Usec Singson informing of IBC-13 Board approval on 1) hiring of two advisors to: a] determine the market value of IBC-13 real properties and b] to determine an enterprise valuation of IBC-13 as a media and broadcasting network. A bids & Awards Committee has been constituted for the purpose; and 2) pursuing an application for a long term loan of P300 million from DBP to partly finance IBC-13 rehabilitation program. In his letter, Mr. Juico also said that the final privatization of the broadcasting operations of IBC will take place after implementation of its rehabilitation intended to enhance its enterprise value 2. Proposed timetable suggests October sale	1. Legal: - Court case regarding the claims of Jaladoon representing 20% of total shares of stocks - After privatization of IBC shares, will there be changes in the company's structure e.g. Articles of Incorporation and Board of Directors? - Does PrC have the power to decide the use of disposition proceeds as proposed by Sec Juico i.e. to use proceeds of land sale to satisfy employee separation benefits and other debts/obligations. 2. Other - Given previous PrC decision dated 23 Feb 2005, will it feasible to approve IBC 13 recent proposal to segregate land and other physical assets from the shares of stocks; to sell the land first in order to pay outstanding liabilities/obligations and rehabilitate the company or to make it attractive to potential investors (can PrC amend its earlier decision?). This issue came up during a meeting with Sec. Philip Juico on May 5, 2004. There also seems some real ambiguity of intent expressed in a reported letter to the DoF from management regarding an intent to privatize only after the completion of a planned "rehabilitation".	1. Query whether the government is sufficiently in control of this process to protect it's interests 2. Unlikely that sale will occur by October 2005

APPENDIX F

LIST OF MEETINGS:

DEPARTMENT OF FINANCE

Nieves L. Osorio, Undersecretary

PRIVATIZATION OFFICE

Gabriel Singson, Undersecretary for Privatization
Venus Cajucom, OIC Director
Harvey Dychiao, Privatization Officer
Jude Ocampo, Assistant Secretary

PRIVATIZATION MANAGEMENT OFFICE

Jose Vicente Bengzon, Chief Privatization Officer
Mariano Cubacub, Deputy Privatization Officer
Crisanta Legaspi, Deputy Privatization Officer
Victor Bacungan, Department Manager - Marketing

PAGCOR

Rene Figueroa, Vice President – Administration

USAID

Tyler Holt
Maria Robielos

EMERGE

Stuart Callison, Chief of Party
Ramon Clarete, Deputy Chief of Party
Gilbert Llanto, Team Leader for Infrastructure

ANS

Ather N. Sajid

CLSA EXCHANGE CAPITAL, INC.

Danilo Feliciano, Managing Director

MORGAN STANLEY & CO.
Jonathan Fouts, Managing Director
Deborah Mei, Executive Director

LAZARO BERNARDO TIU ASSOCIATES, INC.
Romeo Bernardo, Managing Director
Marie Christine Tang, Senior Assocciate

SYCIP, SALAZAR, HERNANDEZ & GATMAITAN
Rafael Encarnacion, Partner

ASIAN DEVELOPMENT BANK
Ayumi Konishi, Director, Southeast Asia Department
Asa Malmstrom, Senior Financial Economist
Robert Bestani, Director, Private Sector Development

PHILIPPINE INSTITUTE OF DEVELOPMENT STUDIES
Gilbert Llanto

APPENDIX G

LIST OF MATERIALS:

PRIVATIZATION LAWS, RULES AND REGULATIONS

1. Proclamation No. 50
2. Executive Order No. 57
3. Republic Act No. 7181
4. Republic Act No. 7661
5. Republic Act No. 7886
6. Executive Order No. 12
7. Republic Act No. 8758
8. Executive Order No. 323
9. COA Circular 89-296
10. Republic Act No. 7042

OTHER LAWS

1. Electric Power Industry Reform Act of 2001
2. Rules and Regulations to Implement Republic Act No. 9136, entitled Electric Power Industry Reform Act of 2001

PROPOSED LAWS

1. Thirteenth Congress House Bill 289 – Government Asset Management Act of 2003
2. PAGCOR Draft Charter Revisions

STUDIES / REPORTS

1. PhilPost Proposed Privatization Plan – PriceWaterhouseCoopers 2003
2. Project Post – Final Report - PriceWaterhouseCoopers 2003
3. Monetization Considerations for San Miguel Stake – Morgan Stanley & Co. 2005
4. Commission of Audit – Condensed Balance Sheet of the Republic of the Philippines as of December 31, 2003
5. Philippine Port Authority review
6. Cebu Port Authority review

PRIVATIZATION OFFICE FILES

1. San Miguel Corporation
2. PNOC-EDC
3. PAGCOR Audited Financial Statements as at December 2003
4. PAGCOR Legal basis of proceeds distribution
5. Radio Philippines Network, Inc. (RPN-9)
6. Privatization Course Case Studies – Asian Institute of Management
7. National Government Revenue Program 2006-2010 (summary)
8. Financial Highlights 2002/2003 14 large GOCCs, 3 GFIs, and 3 SSIs
9. Financial Highlights 2002/2003 for all GOCCs
10. List of GOCCs (and OGCEs) as at February 7 2005, and at July 28 2004
11. Table – Details of Budgetary Support to Government Corporations, FY 2005, net of subsidies; Gross of Special Accounts
12. GOCC (16 only) Public Sector Borrowing Requirement 2005/2006
13. Consolidated Public Sector Financial Position , January to December 2004

PRIVATIZATION AND MANAGEMENT OFFICE FILES

1. List of Remaining Assets – June 20, 2005
2. Organization Development and Strategic Planning Project
3. Privatization Process Flow