The Quest for Better Public Health Care
EDITORIAL

PROPER TIMING IS A FUNCTION OF READINESS

In an economy where critical infrastructure and development projects have long been wanting, there is no question about the utmost urgency in getting these PPP projects up and running as quickly as possible. Realistically however, the process of transforming these planned priorities into actual PPP projects that deliver expected services is far more complicated than its obviously simplistic measure of performance.

The whole cycle of project preparation, review, procurement, and implementation is a labyrinth of policy, process, and legal requirements. Navigating through them requires institutional readiness to find technical, financial, operational, and contractual solutions that will facilitate PPPs. Fortunately, some of these have already been refined and streamlined, and continue to receive technical assistance. Some of these projects that have been stuck at the planning stage have now moved along to advanced stages of the project cycle.

Project structuring is another key hurdle that requires utmost due diligence. It is certainly not enough that a viable financial model has been defined to support the project’s structure. Its technical and operational feasibilities need to be spelled out in detail. Its environmental impact has to be calculated and covered, its social acceptance established and accepted by all stakeholders. All these would have to be spelled out in detail in a PPP contract that would span 20 or more years.

Securing the required approvals is another major hurdle. Implementing agencies must justify why the proposed PPP structure is the best track to take, compared to other non-PPP options. Government’s mandated regulatory and oversight requirements—consistency with national, sectoral, and local plans; fiscal/budgetary/monetary considerations; environmental and social appropriateness—must be considered at this most important stage.

PPP procurement is the final and most difficult hurdle. Selecting the most competent private partner is both a legal process and a procedural task that entails the most careful and detailed documentation of actions, decisions, and their legal bases. Most importantly, it requires careful handling of the private sectors’ participation, while maintaining utmost objectivity and fairness.

Should we do away with these hurdles for the sake of fastracking PPP projects needed decades ago? Certainly, we should not. It is these same tedious and lengthy hurdles that ensure government that it gets the best private partners for its PPP projects. It will make these projects stand legal and procedural scrutiny. Finally, it assures that competitive processes are in place while facilitating transparency and guaranteeing institutional accountabilities.

The expected sense of urgency from government is certainly present in these PPPs with the right timing as its overriding principle. But experience from the rest of the world and this country’s previous failed attempts at BOTs have been that right timing is a function of readiness, both of the project and the institutions mandated to deliver it.

ABOUT THE COVER

In 1945, Winston Churchill, Britain’s greatest wartime leader of the 20th century said that, “healthy citizens are the greatest asset any country can have.” Around the same time, the Philippine Orthopedic Center, originally organized by the American Army for civilian casualties during the war, was established. Later on it focused mainly on accident victims and orthopedic cases. Almost 50 years later, the POC in dire need of change is up for modernization. The cover depicts the Filipino’s need for better health services. Makeshift orthopedic braces, crowded wards, rundown medical equipment will be a thing of the past when the POC undergoes its transformation into a modern orthopedic facility through government’s partnership with the private sector. No, this is definitely NOT privatization. The POC will still be owned by government and will continue to serve the poorest of the poor at no cost.

CREDITS

PPP Talk would like to thank Dr. Jose “Brix” Pujalte and the nurses and staff of the Philippine Orthopedic Center for assisting the team during their visit to the hospital.
PPP Program gains momentum, braces up for more projects

At the heels of the country’s successful tender of eight projects in 2012, the Public-Private Partnership (PPP) Program gains momentum with two (2) projects currently undergoing construction, and eight (8) more to be awarded to winning bidders within 2013.

The Daang Hari-SLEX Link Road project of the Department of Public Works and Highways (DPWH) which was awarded to the Ayala Corporation in 2011 is now 29.6% complete as of March 25, 2013. This is slightly ahead of its indicative schedule, with June 2014 as the targeted project completion date.

On the other hand, the first batch of PPP for School Infrastructure Project (PSIP-I) has successfully reached financial closure last February 15, 2013. The Department of Education (DepEd), together with the winning bidders, conducted separate ground breaking ceremonies for three contract packages that will build one-storey and two-storey classrooms in Regions I, III, and IV-A, translating to 10,000 classrooms.

DepEd also issued notices to proceed for 3,019 classrooms out of the 2,496 it has targeted. The two winning bidders are BF Corporation-Riverbanks Development Corporation Consortium, and the Citicore-Megawide Consortium, Inc. Under the project’s Build-Lease-Transfer (BLT) contract, the classrooms will be completed by February 2014.

Another upcoming milestone to watch out for 2013 is the awarding of eight (8) other projects currently at the bidding stage.

As of this writing, the NAIA Expressway Phase-2 project has been awarded to Optimal Infrastructure Development, Inc. The government is also set to award the LRT Line-1 Extension and Operation and Maintenance (O&M) project of the DPWH to its winning bidder within the first half of the year.

The other six (6) projects, namely the Modernization of the Philippine Orthopedic Center of the Department of Health (DOH), the Rehabilitation and O&M of the Angat Hydroelectric Power Plant of the Metropolitan Waterworks and Sewerage System (MWSS), the PSIP-
The government remains accountable to its citizenry for the provision of a particular service in a PPP project. In privatization, accountability to provide service is oftentimes transferred to the private sector while the public sector gets paid for selling its assets. In the case of PPP, the private sector gets paid for delivering an asset or facility.

Another difference between PPP and privatization is on how risks are being allocated to both the government and private sector. In PPP, risks are assumed by the party that is best able to manage and assume the consequences of the risk involved. The same does not apply in a privatized asset because the private sector assumes all risks associated with the project.

The PPP Program of the Philippine government covers infrastructure projects implemented under the Build-Operate-and-Transfer (BOT) and Joint Venture (JV) contractual arrangements. BOT schemes are governed by the provisions of Republic Act 6957, as amended by Republic Act 7718, otherwise known as the BOT Law while JVs are governed by the NEDA JV Guidelines for Government-owned and/or Controlled Corporations and separate guidelines that may be adopted by different local government units. The PPP Center acts as the main implementing arm of the PPP Program.

On the other hand, the Philippine Privatization Program is governed by Proclamation No. 50 (Proclaiming and Launching a Program for the Expeditious Disposition and Privatization of Certain Government Corporations and/or the Assets Thereof, and Creating the Committee on Privatization and the Asset Privatization Thrust), as amended, and Executive Order No. 323, series of 2000, (Constituting an Inter-Agency Privatization Council and Creating a Privatization and Management Office Under the Department of Finance for the Continuing Privatization of Government Assets and Corporations). The Privatization Council serves as the central agency of the government responsible for oversight of its privatization program, with Project Monitoring Office as the one in charge for the implementation of actual marketing or disposition program of government corporations, assets and idle properties of the government.

The distinction between PPP and privatization is quite explicit: ownership. In the case of the Modernization of the Philippine Orthopedic Center (POC), this is clearly and distinctly a PPP project. What this means is that the POC is and will always remain as a government-owned hospital. It will however be built and operated by a private company who will bring in its vast expertise and resources to make POC a more reliable and efficient government hospital.

By undertaking its modernization plans through PPP, the iconic POC will now have a new lease on life --- reenergized by the private sector’s capital and competencies. Government undertakes PPP projects to make sure that our people will get the best possible service it deserves from its government at the least cost to the Filipinos.

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* Atty. Sherry Ann N. Austria is the Director of Policy Formulation, Evaluation, and Monitoring Service (PFEMS) of the PPP Center.
The roll out of eight (8) PPP projects in 2012 and the continuous efforts to build up of the country’s robust pipeline of projects encouraged an emerging demand for specific trainings on the advanced stages of the PPP project cycle from Implementing Agencies (IAs). Taking off from the conduct of Phase I PPP Orientation-Workshops for IAs and Local Government Units (LGUs) in 2012, the Center’s Capacity Building Program moves forward with the next phase of PPP trainings.

For the first quarter of 2013, the Center piloted the Procurement and Award Module under Phase III of the Program which specifically targets IAs. The module was first introduced during the Seminar/Workshop on PPP Procurement and Other Post ICC-Processes for the Department of Agriculture (DA). From February 18 to 22, more than 40 officials and technical staff from the PPP Unit, proponent agencies, and field implementers of the DA PPP Projects participated in the said seminar/workshop. The five-day training on the PPP Competition Phase was a guided-walk-through on the procurement processes for both solicited and unsolicited proposals as governed by RA 7718 Amended BOT Law and its Revised IRR. The primary objective of the course was to guide the DA on the different activities in the PPP procurement process such as pre-qualification, tendering to opening of bids, bid evaluation, and award of contract. This was achieved through training sessions combined with written tests and application of lessons learned through mock bidding, case study exercises, and workshops on developing pertinent bid/tender documents.

Another innovative approach adapted by the Center this year to beef up its Capacity Building Program is the Knowledge Sharing Sessions (KSS) which focus mainly on non-traditional sectors not yet covered by the existing project pipeline. For its opening salvo, the Center focused on Public Housing PPPs as its first KSS. The session tackled the case of the 30-year, $367.9 million Bonnyrigg Living Communities Project of New South Wales (NSW), the first and only public housing PPP in Australia. Main speaker Architect Emmanuel Torres, EnP of the NSW Government provided insights on the project’s enabling environment, policy and legal frameworks, and peculiarities and issues in the collaboration with the private sector.

2013 Training Roadmap

Given the rich learning environment of PPP projects rolled out in 2012, the Center’s core training modules for 2013 are anchored on the lessons gleaned from these PPP Projects.

In the next quarters, the Center targets to roll out Phase II Business Case Development trainings targeting participants who have undergone PPP orientation workshops with potential PPP projects. Also in line are the Phase III Procurement trainings for the IAs who are recipients of the Center’s Project Development and Monitoring Facility (PDMF) fund.

Another important training and learning tool that is being developed is the National Government PPP Manual. It takes-off from the previously published PPP Manual for LGUs, this time focusing specifically on national governments as IAs. Like its predecessor, the NG Manual will feature lessons and examples on identification of priority projects for PPP, project preparation, evaluation and approval, tendering and negotiation, and contract management.
In recent years however, budgetary constraints in the health sector have compromised many of our public hospitals leaving them in dire condition. The quality of healthcare service delivery in public hospitals has deteriorated due to lack of resources, particularly in infrastructure, modern medical facilities and equipment, and medicines. Add to this the continuing decline in the number of healthcare professionals. The state of our public hospitals somehow mirrors the country’s public health care system. And critical to uplifting and reforming the sector is the modernization and upgrade of public health facilities that service majority of our population, especially the poor.

Engaging Partners for Reform

The Aquino administration has committed to institute reforms in the public health sector. For starters, the Department of Health’s (DOH) budget

Public Medical Care

In 2009, 60 percent of the licensed hospitals in the Philippines are privately-owned while only 40 percent is government-owned. Despite this proportion, the 2008 National Demographic and Health Survey (NDHS) tells us that 50 percent of the patients who sought medical attention consulted public health facilities, while the remaining half either went to private health facilities or relied on alternative or traditional health care. In addition, recent health statistics show that more than 50 percent of those who sought inpatient care were admitted at public hospitals.

Indeed, the demand for public hospitals in the country is high, especially since majority of Filipinos are from low to middle income households. Practically, we choose public hospitals over private ones, even if the latter will give you better medical attention, because public health services are accessible and more affordable.
was increased to Php56.8 billion, which is 24 percent or Php11 billion higher than its 2012 budget of Php45.8 billion. This will fund the maintenance cost of government hospitals including initiatives to attain our Millennium Development Goals on Universal Health Care or *Kalusugang Pangkalahatan*.

However, government alone cannot solve the problem of our public hospitals. To push its planned modernization projects, DOH has decided to tap private financing for upfront capital investment for the immediate repair, rehabilitation, and construction of selected priority health facilities.

Thus, public-private partnership (PPP) emerged as one of the government’s strategy to accelerate reform for high quality health care and bring forth efficiency and innovation.

First in DOH’s PPP pipeline is the Modernization of the Philippine Orthopedic Center (POC).

**World-class Orthopedic Care**

Undoubtedly, POC is one of the best hospitals for orthopedic care in the country. This iconic medical institution even houses some of the top medical experts in the field of orthopedic medicine.

But the POC, like many other public hospitals, suffer from a disease that plagues our public health system — poor facility and lack of modern equipment. Since its construction in 1963, no major renovation and improvement have taken place because of insufficient funds. Some of the hospital’s facilities and equipment are decades old.

A visit to the POC’s Out-Patient Department (OPD) can be an extreme exercise in patience and ingenuity. A hospital nurse shared that they are already used to this kind of situation. On a regular basis they serve around 400-500 patients daily.

These dire conditions have caused inconvenience and discomfort to POC’s patients, prolonging their recovery.

With the increase in orthopedic and trauma cases in the country, government is prioritizing modernization and upgrading the POC.

In September 2012, the National Economic and Development Authority (NEDA) Board, headed by the President, approved DOH’s project to modernize the POC through a build-operate-and-transfer (BOT) arrangement under the PPP Program.

With the expertise and vast resources of the private sector, DOH will establish a state-of-the-art hospital facility that will be the country’s ‘Leading Tertiary Care Center for Bone and Joint Diseases, Trauma, and Rehabilitation Medicine’. It will be located within the National Kidney and Transplant Institute (NKTI) Compound along East Avenue in Quezon City.

The winning bidder will be responsible for constructing a new hospital facility, as well as that of installing all required medical equipment and technology, giving POC’s clients access to state-of-the-art facilities and world class medical care. The private partner will also provide orthopedic clinical services and allied services in operating and maintaining the super-specialty tertiary facility for a cooperation period of 25 years. Government will monitor the performance of its private sector partner to make sure that it operates the POC with the agreed Minimum Performance and Specifications Standards (MPSS) specified in the contract.

More than 400 beds out of the 700-bed capacity of the POC have been allocated for Philhealth members and most importantly for those patients who live below the poverty line. When modernized, the POC will be better equipped to serve the poorest of the poor.

*No one loses job*

With the private sector providing world-class amenities and services for the modernized POC, it is expected that changes in management and staff services will be instituted. This,

*Cont. on p. 10*
Since its establishment in 2010, the Project Development and Monitoring Fund (PDMF), managed by the PPP Center, has supported a wide variety of projects from various implementing agencies. At present, there are 24 PDMF-funded projects expected to address infrastructure gaps in the transportation, education, and health sectors to name a few. These projects differ in their complexities and requests for PDMF fund support.

PDMF enjoys an increased popularity among implementing agencies primarily because of the fast consultant selection process; the client’s access to various consortia of international and national consulting firms; and the comprehensive scope of services including preparation of pre-feasibility studies until financial close is obtained.

Awarded PPP Projects with PDMF Support

The PPP for School Infrastructure Project Phase I (PSIP I) of the Department of Education (DepEd) is the first PDMF-supported project to be successfully tendered. The project aims to supplement the current program of DepEd in reducing classroom backlog. It involves the design, financing and construction of about 9,300 one-storey and two-storey classrooms, including furniture and fixtures, in various sites in Regions I, III, and IV-A.

For Phase II of its PSIP, the DepEd once again availed of the PDMF support. This is an indication that DepEd recognizes that PDMF can help ensure the successful tender of PSIP II.

Ongoing Consulting Assignments

There are 13 PDMF-supported projects with ongoing consulting assignments, including projects in the transport, energy and health sectors. Of the 13 projects, five are currently in the bidding process. (See Table 1 on p. 8.)

The PPP Center, together with the implementing agencies, is in the thick of finalizing the project structures of the Laguindingan Airport (Operation & Maintenance) in Misamis Oriental and the New Bohol (Panglao) Airport Development. The New Bohol (Panglao) Airport, a greenfield airport facility which sits on a 230-hectare spread will replace the existing Tagbilaran Airport. Both projects will be presented to the ICC/NEDA Board for approval and will engage the private sector to operate and maintain the facilities.

A Thriving Pipeline

There are 26 projects in the PDMF pipeline which include the construction, modernization, and improvement of existing roads, bridges, and expressways, development of airports and ports, as well as rehabilitation and extension of railways for the transport sector. The health sector will also benefit with the modernization of medical centers and the improvement of health services. Irrigation and supply-chain projects are also on the list to help address the problems on food security. The tourism industry will also benefit with the preservation of heritage sites and development of urban areas in the country. Specifically, the Manila Heritage and Urban Renewal Project will be the first of this kind that is proposed for PPP.

The PPP Center will continuously find ways to further improve provisions of PDMF-related services through possible enhancement of the panel arrangement, improvement of current PDMF processes, and expansion of PDMF support to cover procurement of independent consultants. The Center will also explore the possibility of tapping other funding sources to augment existing PDMF resources.
### Table 1. PDMF-supported projects under bidding stage

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Implementing Agency</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernization of the Philippine Orthopedic Center (POC)</td>
<td>Department of Health (DOH)</td>
<td>Construction of a 700-bed capacity super-speciality tertiary orthopedic hospital to be located within the National Kidney and Transplant Institute (NKTI) Compound along East Avenue, Quezon City.</td>
</tr>
<tr>
<td>Mactan-Cebu International Airport (MCIA) Passenger Terminal Building</td>
<td>Department of Transportation and Communication (DOTC)</td>
<td>Construction of a new world-class passenger terminal building and the operation of the old and new facilities. The new terminal, including all related facilities, is proposed to separately cater to domestic and international operations.</td>
</tr>
<tr>
<td>Automatic Fare Collection System (AFCS)</td>
<td>Department of Transportation and Communication (DOTC)</td>
<td>Decommissioning of the old-magnetic-based ticketing system and replacing the same with contactless-based smart card technology on LRT Line 1 and 2 and MRT Line 3, with the introduction of a centralized back office that will perform apportionment of revenues.</td>
</tr>
<tr>
<td>Rehabilitation, Operation &amp; Maintenance of Angat Hydro Electric Power Plant (AHEPP) Auxiliary Turbines 4 &amp; 5</td>
<td>Metropolitan Waterworks and Sewerage System (MWSS)</td>
<td>Rehabilitation, operation, and maintenance of the MWSS-owned auxiliary turbines 4 and 5 installed in AHEPP Compound in San Lorenzo, Norzagaray, Bulacan.</td>
</tr>
<tr>
<td>PPP for School Infrastructure Project Phase II (PSIP II)</td>
<td>Department of Education (DepEd)</td>
<td>Designing, financing, and constructing of around 10,679 one-storey and two-storey classrooms, including furniture, fixtures and toilets, in 14 regions nationwide.</td>
</tr>
</tbody>
</table>

**PPP Program gains momentum from p. 2**

Phase II of DepEd, the Automated Fare Collection System and Mactan Cebu International Airport Passenger Terminal Building projects of DOTC, and the Cavite-Laguna Expressway project of DPWH are set to be awarded before the year ends.

Construction of three projects, namely, the NAIA Expressway, the PSIP-Phase II, and the MCIA Passenger Terminal Building are also targeted to begin within the year.

**Bracing up for more**

As the government’s lead agency tasked to facilitate the entire PPP Program, the PPP Center has initiated a series of strategic planning sessions with concerned implementing agencies.

“With the end view of having harmonized PPP initiatives on pipeline development, capacity development, project and contract monitoring and evaluation, communications, and knowledge management, among others, the Center took an institutional approach to ensure the complementation of the roles and functions of the various agencies involved in carrying out PPPs,” PPP Center Executive Director Cosette Canilao said.

“Through these planning sessions, the PPP Center is able to discuss with implementing agencies their PPP needs, issues, and concerns, and how the Center can help them address these. From there, we are able to draw out the general PPP roadmap of their agencies, and the critical targets and next steps needed to achieve our shared goals.” she added.

The PPP Center has already conducted planning sessions with DepEd, DOH, DPWH, DOTC, MWSS, the Department of Agriculture (DA), the Laguna Lake Development Authority (LLDA), and the Bases Conversion and Development Authority (BCDA). Similar sessions will also be conducted for the Department of Tourism (DOT), Department of Environment and Natural Resources (DENR), and the Mindanao Development Authority (MinDA).
PPP in Action

milestones in photos

Mactan-Cebu International Airport Pre-qualification Conference
13 February 2013

Integrated Terminal System Stakeholders Consultation
19 February 2013

Technical Assistance Signing for the Bulacan Bulk Water Supply Project
10 January 2013

PSIP II Opening of Qualification Documents
27 February 2013

PSIP I Ground Breaking Ceremony
4 March 2013
However, does not mean that people, who have been with the POC for decades, providing committed and quality service, will be left without a job.

Health Secretary Enrique Ona was most emphatic when he assured POC’s health workers that not a single person working at the POC will lose his job. With the new POC management eventually taking over, POC health workers have two options: continue working under the new management as a private health practitioner or remain with government and transfer into another government hospital who will readily welcome their services.

Nobody loses a job as a result of the modernization of the POC.

**It’s not privatization**

The POC will remain government-owned and will be responsible in making sure that its partner gets the job done as stipulated in the contract to be signed. This arrangement under the PPP is definitely not privatization.

Government remains the owner of the POC, not the private sector. This is the fact.

Instead, government uses PPP as a mechanism to complement all its efforts in expanding access to high quality health service that is at par with other privately-run, world-class medical facilities while ensuring its affordability to the public.

Modernizing the POC is a step towards mending the broken bones of our public healthcare system --- one that has been crippled for the longest time.

Change, especially one as extensive and as massive as that of the modernization of the POC, brings with it a debilitating divisiveness that can paralyze government’s campaign for advancement. But beyond the differences and the opposition that break up the POC, the bottom line is that it is still a government hospital and its job is to serve the people. As public servants, it is time that the POC stand up as one to protect and preserve the health of its patients, especially for those who need their help the most.
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