# UP-PGH Cancer Center
# Public Private Partnership Project

## Information Memorandum

June 2023

# Disclaimer

The purpose of this Information Memorandum ("IM") is to provide general information to prospective bidders on the assessment of project potential and related informational aspects of the University of the Philippines-Philippine General Hospital Cancer Center Public Private Partnership Project (the "Project"). Information contained in this IM shall provide an overview of the Project and its related aspects for reference purposes and information contained herein may be used, subject however to the prospective bidders' own discretion and conduct of due diligence.

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## Glossary

| | |
|---|---|
| BOI | Board of Investments |
| BOT | Build Operate Transfer |
| BOT Law | Philippine Build Operate Transfer Law (R.A. No. 7718) |
| BSP | Bangko Sentral ng Pilipinas |
| BTO | Build Transfer Operate |
| CAGR | Compound Annual Growth Rate |

| | |
|---|---|
| CAPEX | Capital Expenditure |
| CHED | Commission on Higher Education |
| COAc | Certificate of Accreditation |
| CIAP | Construction Industry Association of the Philippines |
| CIA Commission | Construction Industry Arbitration Commission |
| COVID-19 | Coronavirus pandemic |
| CPDMO | Campus Planning Development and Maintenance Office |
| CREATE Law | Corporate Recovery and Tax Incentives for Enterprises Act (R.A. No. 11534) |
| CT | Computed Tomography |
| DBM | Department of Budget Management |
| DOH | Department of Health |
| DOLE | Department of Labor and Employment |
| EIU | Economist Intelligence Unit |
| FAR | Floor Area Ratio |
| FDI | Foreign Direct Investment |
| FIES | Family Income and Expenditure Survey |
| FINL | Foreign Investments Negative List |
| FIRB | Fiscal Incentives Review Board |
| FSI | Floor Space Index |
| FX | Foreign Exchange |
| GAA | General Appropriations Act |
| GDP | Gross Domestic Product |
| HFSRB | Health Facilities and Services Regulatory Bureau |
| IRR | Implementing Rules and Regulations |
| ITB | Instructions to Bidders |
| JCI | Joint Commission International |
| LBT | Local Business Taxes |
| LGC | Local Government Code |
| LGU | Local Government Unit |
| LINAC | Linear Accelerator |
| LTO | License to Operate |
| MCIT | Minimum Corporate Income Tax |
| MORFXT | Manual of Regulations on Foreign Exchange Transactions |
| MPSS | Minimum Performance Standards and Specifications |
| MRI | Magnetic Resonance Imaging |
| NCR | National Capital Region |
| NEDA | National Economic Development Authority |
| NICCA | National Integrated Cancer Control Act (R.A. No. 11215) |
| OPEX | Operating Expenditure |
| PCAB | Philippine Contractors Accreditation Board |
| PET | Positron Emission Tomography |
| PGH | Philippine General Hospital |
| PhilHealth | Philippine Health Insurance Corporation |

| | |
|---|---|
| PHP | Philippine Peso |
| PPP | Public-Private Partnership |
| PDS-R | Philippine Dealing System Reference Rates |
| PTC | Permit to Construct |
| R.A. | Republic Act |
| RCIT | Regular Corporate Income Tax |
| RFP | Request for Proposal |
| RFQ | Request for Qualifications |
| RPT | Real Property Tax |
| SBAC | Special Bids and Awards Committee |
| SEF | Special Education Fund |
| UHC Law | Universal Health Care Law (R.A. No. 11223) |
| UP | University of the Philippines |
| UP Charter | Republic Act No. 9500 or the University of the Philippines Charter of 2008 |
| VAT | Value-Added Tax |
| VDR | Virtual Data Room |

# A PROJECT OVERVIEW

- **Project Overview:**

  - The University of the Philippines ("UP"), through the Philippine General Hospital ("PGH"), is seeking to develop as a Public Private Partnership ("PPP") a 300-bed hospital providing international quality comprehensive inpatient and outpatient cancer treatment within their Metro Manila campus (the "Project").

  - The Private Partner will (i) design, finance, construct, and commission the new standalone hospital building; (ii) provide major medical equipment (initial and replacement); (iii) undertake maintenance, facilities management, as well as non-clinical services (including cleaning, catering, laundry, and security) to the entire hospital; (iv) provide all relevant commercial activities (including parking, retail, food and beverage); and (iv) provide clinical services to private self-paying patients in a dedicated, clinically separate 150-bed area (the "Private Area");

  - UP-PGH will (i) provide clinical services free of charge to public patients (i.e., "sponsored patients") in a dedicated, clinically separate 150-bed area and assume all related costs of clinical manpower, drugs, and consumables in that area (the "Public Area"); and (ii) retain all teaching and research functions.

- **PPP Structure:**

  - The Project will be structured as a 30-year Build Transfer Operate ("BTO") arrangement under the Build-Operate-Transfer Law (Republic Act No. 6957 as amended by Republic Act No. 7718 or the "BOT Law") and its Revised 2022 Implementing Rules and Regulations, which took effect on October 12, 2022 ("IRR")[1], the Constitution, and other applicable laws and jurisprudence.

- **Indicative Initial Capital Cost:**

  - As approved by the National Economic and Development Authority ("NEDA") Board on February 2nd, 2023, the upfront project capital cost is indicatively estimated to be Philippine Peso ("PHP") 6,051 million.

- **Site:**

  - The Project site is located within the UP-PGH's Metro Manila campus.

  - The plot size is 3,152 $m^2$ and is estimated to allow for approximately a 20-story building.

- **Project Objectives:** The Project aims to achieve the following objectives:

  - *Narrow the significant infrastructure gap for cancer care in the country*. Cancer is one of the leading causes of death in the Philippines[2], yet despite recent efforts both in the public and private

[1] https://neda.gov.ph/revised-2022-irr-of-the-bot-law-ra-7718/
[2] https://psa.gov.ph

sector the current available infrastructure is insufficient to meet the existing and increasingly growing demand.

- *Enable more patients to access international quality comprehensive cancer treatment within UP-PGH*. As the Philippines' pre-eminent national hospital complex, with 70,000 outpatient consults for cancer alone in 2019, UP-PGH currently operates under considerable capacity constraints. The existing UP-PGH Cancer Institute has 51 beds, yet UP-PGH has on average 200 beds treating cancer patients throughout its complex, resulting in a fragmented service with long waiting times.

- *Expand and enhance health service capacity and quality of cancer care in UP-PGH by facilitating co-location of UP-PGH's faculty medical practice with academic duties on campus*. This will support UP-PGH's teaching and research activities through concentrated subject matter and dedicated facilities;

- *Support in bringing to fruition the ambitious objectives set forth in the 2019 National Integrated Cancer Care Control Act* (Republic Act 11215, or "NICCA"), aimed at strengthening essential programs and increase investments for the entire cancer care continuum to make cancer services and care more accessible and affordable; and

- *Develop a framework for private sector cooperation and coordination* in the provision of cancer care and more broadly for private sector participation in the healthcare sector.

• **Strategic Opportunity:** The PPP structure presents a strategic opportunity for investors in the sector:

  - Partnering with UP-PGH gives the Private Partner access to UP-PGH doctors for operation in the Private Area on a consultant basis, which are highly reputed and have a well-established patient base, as well as UP-PGH medical school graduates, which are top-ranked nationally. Further, it gives an opportunity to be exposed to the forefront of Philippines cancer research activities;

  - Ability to leverage UP-PGH's ecosystem and strategic location in a densely populated area of Metro Manila, with the plot within the UP-PGH campus being provided to the Project at no cost for the duration of the PPP term;

  - Flexibility is granted in the equipment scope for the Private Area and delivery of commercial operations throughout the facility to facilitate optimization of operational and lifecycle efficiencies and enable the Private Partner to maximize the diversified revenue generation potential. Further, an Annual Payment structure linked to the availability of the Public Area and achievement of minimum performance standards and specifications ("MPSS") provides additional revenue predictability. The Private Partner will retain full demand risk for volumes in the Private Area and commercial activities and will retain all associated revenues.

• **Single Stage Tender Process:**

  - The Private Partner will be selected through an open competitive single-stage tender process.

  - The winning bidder will be determined based on the lowest required Annual Payment. The Annual Payment will be paid by PGH to the Private Partner in accordance with the Concession Agreement. The Annual Payment along with revenues earned from clinical services provided in the Private Area, as well as other relevant commercial activities implemented in the facility in accordance with the Concession Agreement, will comprise the cash flow from the Project for the Private Partner.

- **Indicative Timeline:** The indicative timelines for the tender are shown in the table below.

**Table 1 Indicative Timeline**

| Milestone | Timeline |
|---|---|
| **Issue Invitation to Bid** | June 2023 |
| **Purchase of Bidding Documents** | From June 2023 |
| **Data Room Opening** | From June 2023 |
| **Pre-Bid Conference** | Q3 2023 |
| **Bid Submission Date** | Q4 2023 |
| **Contract Award and Signing** | Q1 2024 |

# B PPP STRUCTURE

## 1. Project Scope

Under the proposed PPP model, the Project will be a new standalone building situated in UP-PGH campus in Ermita, Metro Manila and provide the full range of cancer treatment and support for UP-PGH's teaching and research activities, including:

- dedicated surgical oncology operating rooms;
- dedicated diagnostic imaging and laboratories including radiography and mammography; ultrasound, computed tomography ("CT") scan including positron emission tomography ("PET") CT, and magnetic resonance imaging ("MRI");
- a radiotherapy suite with multiple linear accelerators ("LINAC") and brachytherapy;
- medical oncology (chemotherapy) areas; and
- multi-specialty outpatient care.

The Project will serve sponsored patients[3] as well as private self-paying or privately insured patients. The hospital will be divided into two separate and segregated clinical areas for each of these patient types; a Public Area for sponsored patients, and a Private Area for private self-paying patients.

The proposed roles and responsibilities of the public and private sector under the 30-year Concession Agreement will include the responsibilities enumerated in the table below.

**Table 2 PGH and Private Partner delineation of responsibilities**

| PGH and Private Partner delineation of responsibilities | |
|---|---|
| **Private Partner** | - Design, engineer, construct, and commission the entire 300-bed hospital building (both the Public Area and the Private Area) in accordance with the minimum performance standards and specifications (MPSS) set out in the Concession Agreement;<br><br>- Procure, maintain, and provide periodic replacement of medical and non-medical equipment for the entire hospital building (both the Public Area and the Private Area). Major equipment requirements for the Public Area will be defined in the Concession Agreement. The Private Partner will be given full flexibility to determine the design, technology, type, quantities, and modularity of the equipment in the Private Area;<br><br>- Provide operation and maintenance of all non-clinical services for the entire hospital building (both the Public Area and the Private Area), including, amongst others, facility maintenance, cleaning, laundry, catering, and security;<br><br>- Set up and operate commercial activities relevant to a hospital as defined in the Concession Agreement, including, amongst others, parking, food and beverage |

[3] For this Project, "sponsored patients" shall refer to those non-paying patients of the hospital.

| | |
|---|---|
| | outlets, and retail, assuming all associated costs and retaining all revenues earned from such activities;<br><br>- Provide clinical services to private self-paying or privately insured patients in the 150-bed Private Area, assuming all associated costs of clinical manpower, drugs, and consumables, and take full demand risk, and retain all revenues earned, including any PhilHealth contributions;<br><br>- Meet defined MPSS as defined in the Concession Agreement;<br><br>- Raise the required financing (debt and equity) to undertake all the above. |
| **PGH** | - Provide clinical services to sponsored patients in the 150-bed Public Area, and assume all associated costs of clinical manpower, drugs, and consumables, and retain related PhilHealth contributions;<br><br>- Provide the site within the UP-PGH Metro Manila campus at no cost;<br><br>- Undertake all teaching and research activities. |

The PPP model was developed in line with the following structuring principles:

- Consideration of UP-PGH's mandate and status as the premier public teaching and research hospital in the Philippines;

- Alignment with UP-PGH's 20-Year Masterplan, which aims to rationalize the constrained space within UP-PGH's Metro Manila whilst supporting its modernization and development, all while respecting its heritage;

- Optimizing the balance between the number of sponsored and private beds with the fiscal impact to UP-PGH;

- Maximizing the introduction of private sector efficiencies in design, construction, and operational lifecycle management, whilst leveraging the operating advantages of UP-PGH; and

- Streamlining staffing by facilitating teaching and faculty practice on campus.

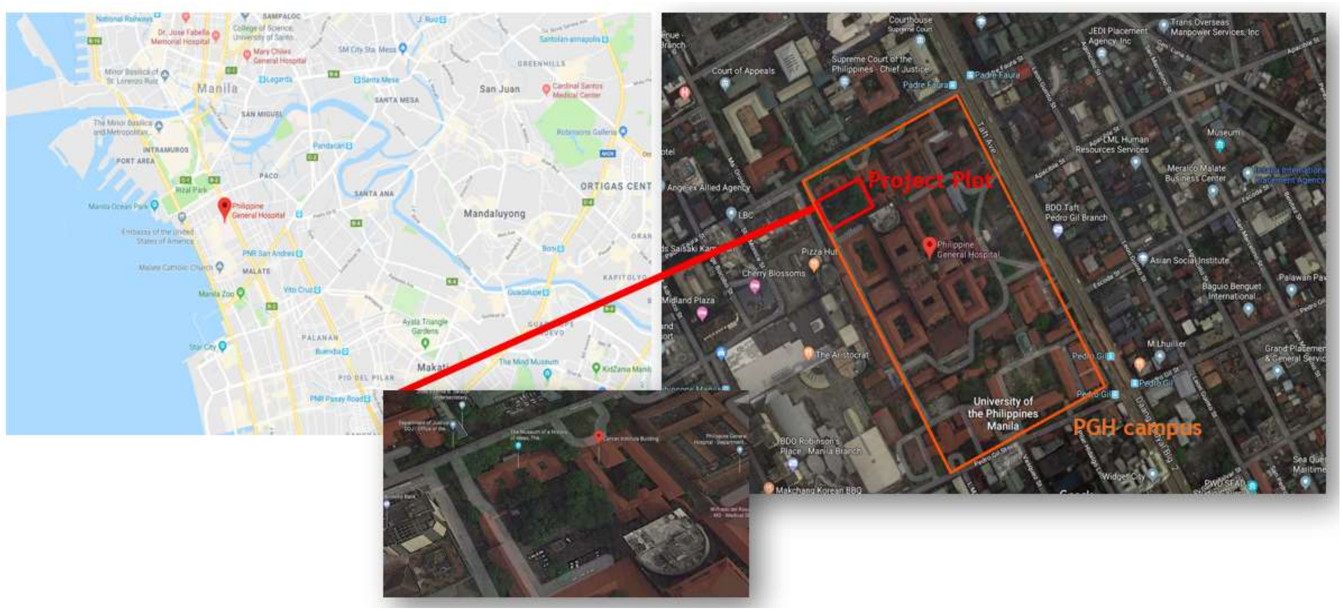
## 2. Site

The Project is located in the current premises of the UP-PGH in Ermita, Metro Manila, corner Padre Faura Street (14°34'42.4"N 120°59'04.0"E) in the Manila district. The hospital was opened on September 1, 1910, has 19 clinical departments, servicing more than 600,000 patients annually, and is the heart of the University's Health Sciences Campus[4].

The land ownership title of the entire UP-PGH campus rests with the University of the Philippines, Manila and is free of any encumbrances. The UP-PGH campus is neighboring the Department of Justice, Supreme Court of Philippines, Robinson commercial mall, Museum of a History of Ideas, and the University of the Philippines, Manila.

[4] www.pgh.gov.ph

**Figure 1 Site Location**



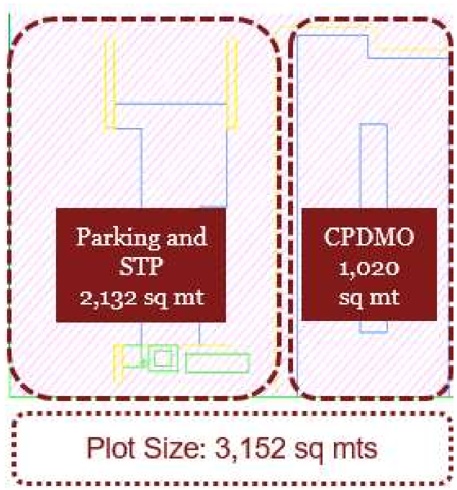

The Project site is adjacent to the Museum of Ideas, the existing Cancer Institute, and the PGH Rear Ward. Please refer to building number ten (10) in Figure 2 below, which identifies the buildings in the 20-year Masterplan under development.

**Figure 2 Philippine General Hospital – Master Site Development Plan**


The proposed Project site is a 3,152 square meter plot that includes a sewerage treatment plant that was never commissioned or operational, a parking lot, and the Campus Planning Development and Maintenance ("CPDMO") Building. All requisite approvals for the demolition of these structures have been secured.

Given the plot size and ground conditions, it is estimated that the site can accommodate a new building of approximately 20 floors.

**Figure 3 Site**

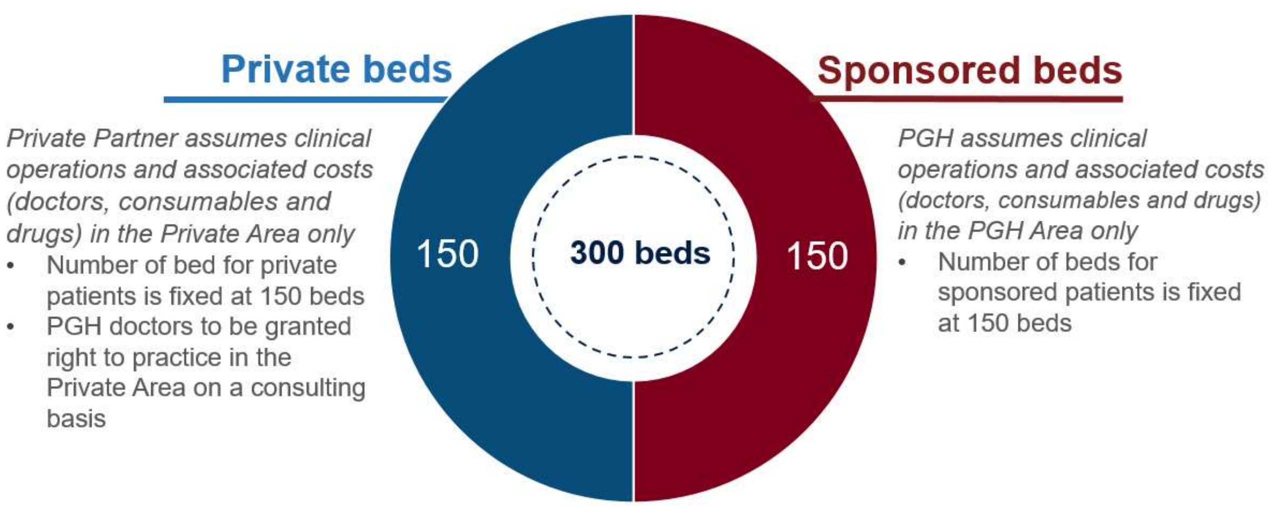



## 3. Beds

The Private Partner is to design and construct a new standalone hospital building with a capacity of 300 beds, noting this excludes day care and chemotherapy chairs/beds, emergency and casualty beds, and pre- and post-operative beds. Differing designs and focus on outpatient versus inpatients would determine the final patient volumes served.

The number of sponsored beds in the Public Area is fixed at 150 beds. The number of private beds in the Private Area is fixed at 150 beds.

**Figure 4 Bed Distribution**



## 4. Clinical Interface and Equipment Usage

All clinical services in the Public Area will be self-contained and physically separated such that there will be no clinical interface with the Private Area. The Public Area will have its own medical equipment that, unless otherwise defined in the Concession Agreement, will not be shared with the Private Area. Each party will retain full control of decision making and procurement related to drugs and consumables in their respective Areas. Patients are expected to be served by either Area, not both.

The Private Partner will be responsible for the purchase, installation, commissioning, maintenance, and replacement over the 30-year period of all major (non-movable) medical and non-medical equipment in both the Public Area and Private Area. The Public Area will need to be fully equipped to be considered complete and ready for operation, and for the Annual Payment to begin. An initial equipment list of the major equipment requirement will be enumerated in the Concession Agreement.

Some existing medical equipment currently serving PGH patients in the Cancer Institute will be transferred to the Project for use by UP-PGH in the Public Area. An equipment list will be determined prior to bid such that bidders can determine the medical equipment purchase schedule for their replacement in accordance with their remaining useful life.

Part of the major equipment requirement for the Public Area includes the provision of three (3) LINACs. A total of three (3) LINACs are currently being procured by UP-PGH to serve existing UP-PGH cancer patients. These are expected to become operational, respectively, in 2024, 2025, and 2026. Located in the Cancer Institute and the PGH Central Block, these will remain in these locations and continue to be used by UP-PGH to serve Public Area cancer patients during the concession period until the expiry of their useful life (estimated at 10-years). This will delay the purchase requirement by the Private Partner for the Public Area, such that the LINACs to be initially procured by the Private Partner for the Public Area are operational, respectively, in 2034, 2035 and 2036. The Private Partner will nonetheless be expected to construct the LINAC bunkers for the Public Area as part of initial construction of the Cancer Center.

The equipment replacement requirement amounts to about two to three rounds of equipment replacements over the concession period, depending on the equipment type. As part of the equipment maintenance requirement, provision of spare parts will be the responsibility of the Private Partner. Equipment consumables related to provision of clinical services will be the responsibility of UP-PGH in the Public Area and the Private Partner in the Private Area. For example, in the case of a LINAC in the Public Area, the cost of the mold used for the patient would be borne by UP-PGH, but the tube replacement would be borne by the Private Partner.

The Private Partner will be given flexibility to determine the design, technology, type, quantities, and modularity of the medical and non-medical equipment in the Private Area to will allow the Private Partner to be fully responsive to evolving demand and clinical care needs over time.

Management of the systems and operations in the Public Area and Private Area will be distinct. UP-PGH will seek to avail from knowledge and innovation transfers from the Private Area; these will be contractually defined, and protocols will be put in place to facilitate this.

Bidders will be encouraged to identify whether economies of scale could be gained from sharing certain services (for example, laboratory and radiology services). Should certain services be decided to be shared, these would be provided by the Private Partner.

To support capacity optimization the Concession Agreement will include a mechanism to allow UP-PGH to refer patients to the Private Area through a mutually agreed contractual arrangement under a fee-for-usage system.

## 5. Existing Cancer Institute

All existing UP-PGH patients from the existing Cancer Institute will be transferred to the Public Area of the Cancer Center.

The existing Cancer Institute will shift its focus to research and development activities. The expanded capacity within the Cancer Center aims to help facilitate the Cancer Institute's research function. Between 2016 and 2019, 144 studies have been completed or are ongoing in cancer alone. By converging fragmented expertise from across the hospital and University around the needs of cancer patients, this aims to allow for synergies with a repurposed Cancer Institute as regards to academics, policy, research, and administration, which are cornerstones of UP-PGH's strength as a national university hospital. Furthermore, cancer medicine is notable among medical fields as a hotbed for novel therapies based on a growing understanding of the disease through research, and consequently, for needing to bridge the gap between research and clinical practice. In effect, hospitals such as PGH that host research in therapeutics offer patients a greater chance of accessing the latest treatment options, within the research framework.

## 6. Staffing and Clinical Operations

Under the proposed structure, all UP-PGH doctors and members of the UP-PGH faculty will be allowed to practice in the Private Area. In the Philippines 95% of doctors operate on a consulting model. In the UP-PGH context, due to public sector wages and the high quality and reputation of PGH clinicians, the majority of PGH doctors have dual practice on a fee-for-service basis at top ranking private hospitals and clinics in the NCR. This proposed arrangement serves to enable UP-PGH to retain faculty on campus that would otherwise serve other private sector institutions.

The proposed arrangement has several benefits:

- As there is a limited pool of oncologists nationally, the partnership with UP-PGH would provide more certainty on the availability of clinicians for the Private Area and enable access to new graduates;
- UP-PGH doctors and UP-PGH medical school graduates are top-ranked nationally. Overall, the University of the Philippines is the top university in the country, ranked #87 in Asia and #412 globally in the QS World University Rankings 2023[5], ahead of any other Philippines university;
- Partnering with UP-PGH and being part of the University of the Philippines, allows exposure to the forefront of cancer research activities;
- As UP-PGH doctors already have an existing pool of patients that they could transfer from day one to the new facility, this will increase initial patient volume in the Private Area in the critical ramp-up period; and

[5] https://www.topuniversities.com/university-rankings/world-university-rankings/2023

- PGH is consistently ranked as a top place to work in the Philippines, as seen in the LinkedIn “Top Companies 2022 Philippines” ranking,[6] making it a partner of choice.

With respect of its residents and fellows, it is envisioned that the UP-PGH will enter into a memorandum of agreement with the Private Partner wherein UP-PGH residents and fellows can practice in the Private Area as government doctors, and the time spent there will be counted for purposes of completing residency in UP-PGH. A joint admissions panel will be established, wherein the qualifications of the clinical staff that will practice in the Private Area are pre-determined and agreed by the committee. This would not preclude the Private Partner from availing from clinical manpower outside of UP-PGH, though selection would need to meet the criteria of the joint admissions panel.

## 7. Private Area JCI Accreditation

The Private Partner will be required to acquire Joint Commission International (“JCI”) accreditation in the Private Area within a certain number of years of commencing operations.

JCI is an independent, not-for-profit organization that accredits and certifies health care organizations and programs across the globe. JCI accreditation and certification is recognized as a global leader for health care quality of care and patient safety and is the world’s largest health care accreditor. JCI standards are designed to offer quantifiable benchmarks for quality and patient safety.

The accreditation applicable to the Private Area will come under the “Hospital” category and all the standards defined by JCI for hospital category will be applicable, as well as the General Eligibility Requirements[7]. Confirmation will need to be sought from JCI as to the eligibility and exact requirements.

## 8. Design and Construction Standards

The MPSS for the hospital design are set out in the Concession Agreement and based on the Philippines National Building Code. They consider the applicable Floor Space Index (“FSI”) and Floor Area Ratio (“FAR”) from statutory and municipal requirements, as well as the Project location within a Zone 4 seismic area. Based on the findings of the geotechnical study, the Project will require piled foundation with stiffened raft due to the potential for liquefaction from prevailing soil stratification and seismic potential.

The Private Partner will be required to prepare a detailed architectural design to be approved by UP-PGH and the relevant local authorities. Architectural guidelines to align the Cancer Center PPP to the proposed UP-PGH Master Plan will be provided to bidders as part of the MPSS. These will aim to retain the spirit and architectural heritage of UP-PGH and provide a cohesive approach to the complex development.

The NICCA establishes a National Integrated Cancer Control Council which will act as the policymaking, planning and coordinating body on cancer control, and is attached to the Department of Health (“DOH”). The Council will also set quality and accreditation standards for oncology focused health service facilities (amongst others), which may result in the Project needing to meet these requirements. Further, the DOH developed standards to classify, accredit and designate comprehensive cancer care centers, specialty centers, stand-alone specialty cancer centers, regional cancer centers and cancer satellites or stand-alone clinics. The standards for accreditation of cancer centers have been issued under amended Rules and Regulations for Licensure of Cancer Treatment Facilities in the Philippines, which shall be observed, insofar as applicable, for this Project. It is understood that UP-PGH can apply for accreditation with the

[6] https://www.linkedin.com/pulse/top-companies-2022-15-best-workplaces-grow-your-career--1e/
[7] Eligibility Criteria-7th ed- hospitals. URL:
https://www.jointcommissioninternational.org/-/media/jci/jci-documents/accreditation/hospital-and-amc/elgi bility-criteria-7th-ed-hospital.pdf

DOH as a cancer center, though alignment with the standards may be required should the Project be established prior to such standards being promulgated.

## 9. Private Area Target Market

The Philippines can be classified into five socio-economic classes based on the Philippine Statistics Authority Family Income and Expenditure Survey ("FIES") monthly income classification[8]. Average Family Income in 2021 was estimated at PHP 307,000 per annum. In the NCR, this was PHP 418,000 per annum. Accordingly, most of the population in the NCR falls into the "A-C" socioeconomic category.

UP-PGH primarily serves sponsored patients from both the NCR and the provinces. These can be classified as "D" and "E" socioeconomic segments specifically in the public wards, while the Department of Pay Patient Services (DPPS) caters to segments "B" and "C" with some patients from segment "A". PGH "Pay" beds help improve the financial viability of PGH's operations and to lower its dependence on subsidies. Private self-paying beds were relocated to the upper floors of the Central Block in 1988. Today, of PGH's existing 1,300 beds, around 400 or 30% are private self-paying beds. Given its location within UP-PGH, the Project's Private Area will be expected to be designed, equipped, and priced to also cater a target level "B" and "C" socioeconomic segment of society, in line with the objective to provide more affordable cancer care to the Filipino people.

**Table 3 Total and Average Annual Family Income (2021)**

| Income Class | Total (million) | Average (thousands) | Income Class | Distribution (%) |
|---|---|---|---|---|
| **Philippines** | **8,109,045** | **307** | | |
| Under 200,000 | 1,172,020 | 148 | E | 14% |
| 200,000 - 300,000 | 1,827,099 | 231 | D | 23% |
| 300,000 - 450,000 | 1,754,167 | 332 | C | 22% |
| 450,000 - 800,000 | 1,206,649 | 457 | B | 15% |
| Above 800,000 | 2,149,110 | 814 | A | 27% |
| | | | | |
| **National Capital Region (NCR)** | **1,467,628** | **418** | | |
| Under 200,000 | - | - | E | 0% |
| 200,000 - 300,000 | 272,491 | 259 | D | 19% |
| 300,000 - 450,000 | 521,420 | 371 | C | 36% |
| 450,000 - 800,000 | 357,820 | 509 | B | 24% |
| Above 800,000 | 315,899 | 898 | A | 22% |

Private hospital's fees in the Philippines are not regulated and therefore market driven. Charges within the Private Area will therefore not be regulated, though are expected to reflect the target market and the stated objective of the Project to provide more affordable cancer care to the Filipino people.

## 10. Payment Scheme

Over the concession period the Private Partner will earn the following streams of revenue:

1. Private Area patient revenues, which will be derived from:

[8] 2021 Family Income and Expenditure Survey ("FIES"), Philippine Statistics Authority

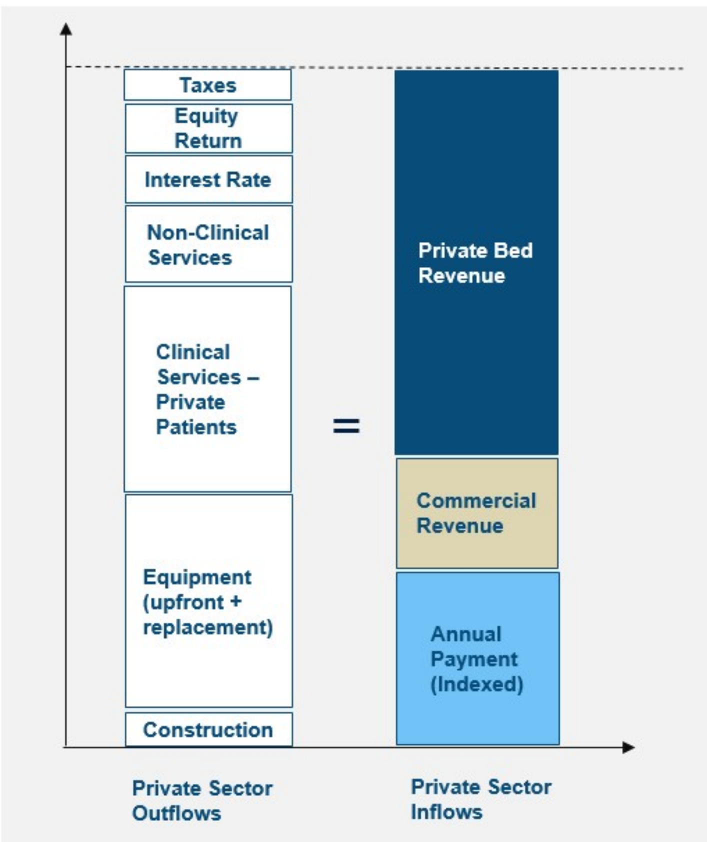
- Philippine Health Insurance Corporation (PhilHealth) payments;
- Private insurance payments; and
- Out of pocket payments.

For private patients in the Private Area the Private Partner will assume all associated costs of clinical manpower, drugs, and consumables, and take full demand risk. The Private partner will be able to retain all private patient revenues earned.

2. Commercial revenues from food and beverage outlets, retail outlets, convenience stores, and parking, as well as any other activities relevant to a hospital ecosystem throughout the facility.

3. Fixed Annual Payment from UP-PGH to the Private Partner. The Annual Payment amount will be determined through the competitive bid process, subject to an approved cap. The winning bidder will be selected based on the lowest proposed Annual Payment.

**Figure 5 Project Inflows/Outflows**




The Annual Payment from PGH represents a periodic payment to the Private Partner for the repayment of the provided infrastructure, equipment, and non-clinical services. The Annual Payment is an availability payment, and as such PGH will commence payment only once the Public Area is complete, commissioned, and available for use in accordance with the Concession Agreement. In accordance with the Project's NEDA Board approval, the Annual Payment will be a fixed number with a flat payment profile over time and will not be adjusted for inflation over time. The Annual Payment will be paid to the Private Partner in semi-annual installments.

The Private Partner will have to meet MPSS related to availability of the infrastructure and equipment, as well as non-clinical services provided. These will include, for example, scheduled up-time of equipment, and response times to incidents. The Annual Payment will be subject to deductions in the event of non-availability of the infrastructure and equipment or failures in required standards of service provision.

The revenues earned from commercial activities and the clinical services provided to patients in the Private Area aim to supplement the Annual Payment and collectively they will form the cash flows to the Private Partner for the Project.

## 11. PPP Structure and Concession Period

The Project will be 30-year concession (inclusive of construction) implemented as a PPP and will follow the international competitive tender provisions of the Philippine Build-Operate-Transfer Law (RA 6957 as amended by RA 7718 or the "BOT Law") and its Revised 2022 Implementing Rules and Regulations which took effect on October 12, 2022 ("IRR"), under a Build Transfer Operate ("BTO") model. The BOT Law and its IRR provides the legal framework for government agencies to enter into Concession Agreements with qualified private sector proponents for the prosecution of government infrastructure or development projects. In particular, the BOT Law and its IRR describe the requirements and procedures for the preparation, approval, tendering and implementation of PPP/BOT projects.

Under a BTO contractual arrangement UP-PGH will contract out the construction of the infrastructure to the Private Partner, who will build the hospital on a turn-key basis and assume all cost overruns, delay, and related performance risks. Once the hospital is commissioned satisfactorily, in accordance with DOH regulations and contractual requirements, the title will be transferred to UP-PGH, and ownership of the hospital infrastructure will be vested in and retained by UP-PGH. The Private Partner, however, will undertake the operations specified above for the duration of the Concession Agreement. Terms governing the title to the equipment procured and installed by the Private Partner will be defined in the Concession Agreement.

## 12. Risk Allocation

The following table summarizes the risk allocation between UP-PGH and the Private Partner.

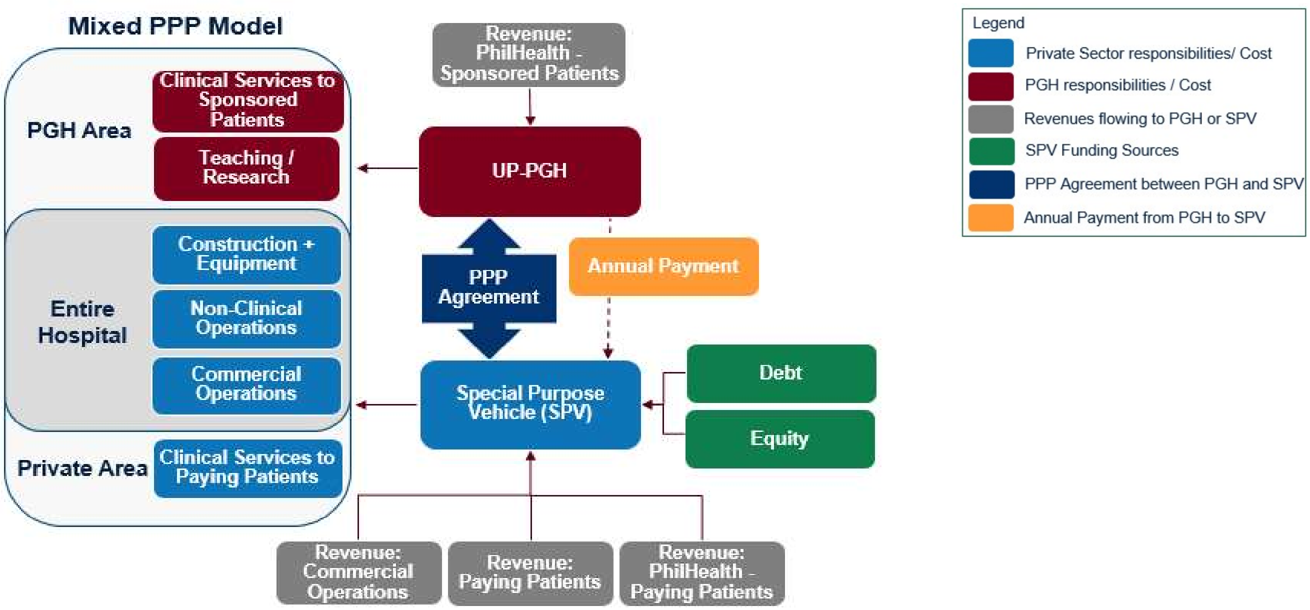
**Table 4 Risk Allocation Matrix**

| Risk Allocation Matrix | | Entire Hospital | | Public Area | | Private Area | |
|---|---|---|---|---|---|---|---|
| | | UP-PGH | Private | UP-PGH | Private | UP-PGH | Private |
| **Infrastructure** | Land/Site | X | | | | | |
| | Design | | X | | | | |
| | Construction | | X | | | | |
| | Commissioning | | X | | | | |
| | Maintenance | | X | | | | |
| | Facilities Management | | X | | | | |
| | Non-Medical Equipment | | X | | | | |
| **Non-Clinical Operations and Staffing** | IT (Health Information System) | | X | | | | |
| | Catering | | X | | | | |
| | Security | | X | | | | |
| | Cleaning | | X | | | | |
| | Laundry | | X | | | | |
| | Office Equipment | | X | | | | |
| | Human Resources (Recruitment / Remuneration) | | X | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Major (Immovable) Medical Equipment** | Procurement | | X | | | | |
| | Installation | | X | | | | |
| | Spare Parts | | X | | | | |
| | Maintenance | | X | | | | |
| | Periodic Replacement | | X | | | | |
| **Minor (Movable) Equipment** | Procurement | | | X | | | X |
| | Spare Parts | | | X | | | X |
| | Maintenance | | | X | | | X |
| | Periodic Replacement | | | X | | | X |
| **Commercial Facilities** | Food and beverage, retail outlets, ATM, etc. | | X | | | | |
| | Parking management | | X | | | | |
| **Utilities** | Availability | X | | | | | |
| | Maintenance | | X | | | | |
| | Payment | | | X | | | X |
| **Hospital Management** | Budgeting | | | X | | | X |
| | Administration and Management | | | X | | | X |
| | JCI Accreditation | | | X | | | X |
| | Human Resources (Recruitment / Remuneration): Doctors, Nurses, Medical Technicians | | | X | | | X |
| **Clinical Services** | Diagnosis and treatment: Medical oncology, Surgical Oncology, Radio-oncology, Imaging and Radiology | | | X | | | X |
| | Clinical Protocols | | | X | | | X |
| | Nursing | | | X | | | X |
| | Pharmacy | | | X | | | X |
| | Clinical Consumables (related to procedures) | | | X | | | X |
| | Laboratory | | | X | | | X |
| | Medical Records | | | X | | | X |
| | Patient Demand (volume and revenue risk) | | | X | | | X |
| **Teaching and Research** | Teaching and Research | | | X | | | |

The figure below illustrates the flows of revenues, costs, and responsibilities of each party.

**Figure 6 PPP Structure Flows**



# C LEGAL ENVIRONMENT

## 1. Relevant Agencies

### 1.1 University of the Philippines-Philippine General Hospital

The Philippine General Hospital is the country's National University Hospital – a tertiary referral center and the teaching hospital of the University of the Philippines Manila. It is the largest government hospital administered by the UP System and offers various clinical training programs. With approximately 1,300 mixed-used beds, it is the largest hospital in the country and is designated as the National University Hospital.

PGH is subordinate to and subject to the supervision and control of the University of the Philippines (UP). The procuring agency for the UP-PGH Cancer Center is therefore UP. By virtue of being a part of UP, PGH is not under the supervision of the DOH, and hence, is not considered a DOH-retained hospital by virtue of Executive Order No. 392 (s. 1950).

UP is the premier state university in the Philippines, with a mandate to provide advanced education, research, and public service that foster a democratic, diverse, and prosperous society. Established in 1908, UP is the oldest and largest university in the country, with eight (8) constituent universities located in different regions.

As a public educational institution, UP operates under the supervision of the Commission on Higher Education ("CHED"), and its charter is governed by Republic Act No. 9500, also known as the University of the Philippines Charter of 2008. UP is governed by a Board of Regents ("BOR"), which is composed of 11 members, including the Chairperson and the President of the university. The BOR is responsible for formulating policies, approving the budget, and appointing the top officials of the university.

As the procuring entity, UP shall be represented by the UP President, acting and signing for the Board of Regents. UP and PGH will be co-signatories to the Concession Agreement.

Under the provisions the UP Charter, UP, through the BOR, is expressly allowed to exercise the general powers set out in the Corporation Code. This allows it to authorize the construction, maintenance or repair of its buildings, machinery, equipment and other facilities, and the purchase and acquisition of real and personal properties, including necessary supplies, materials, and equipment[9]. The Corporation Code also grants the power to mortgage one's properties.

PGH is a government instrumentality[10] which is vested by law with fiscal autonomy[11]. Under Executive Order No. 94 (s. 1947), notwithstanding the transfer of PGH to UP, the appropriations for the PGH

[9] UP Charter, Section 11 (o).

[10] "Government instrumentality" refers to any agency of the National Government, not integrated within the department framework vested with special functions or jurisdiction by law, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a charter.

[11] "Fiscal autonomy" refers to the authority to receive and appropriate all sums as may be provided by law for the support of the national university to the ends specified by law, and all other sums in the manner it may, in its discretion, determine to carry out the purposes and functions of the national university

continue to be itemized in the annual General Appropriations Act ("GAA"), the law which sets out the budget allocation of each department or agency of the Government. Under the 2019 GAA, the appropriations of UP (including those sums specifically appropriated to the PGH) are released and disbursed in accordance with the provisions of the UP Charter.

The UP Charter provides for UP's institutional autonomy to determine its teaching, research and extension thrusts, plans, policies, programs, and standards. On the basis of such determination, it recommends its annual budget to the President of the Republic of the Philippines and Congress.

The UP Charter provides that UP, through its BOR has the power to receive and appropriate all sums statutorily granted to it for purposes provided by law. Further, the UP Charter expressly authorizes the use of unexpended balances in any appropriation for purposes that the Board of Regents determines. UP-PGH therefore has the flexibility to spend its funds, whether received under GAA or as income generated by UP from its operations, in the manner it deems fit and appropriate, and consistent with the provisions of the UP Charter. Based on the foregoing, PGH has submitted a Request for Certificate of Budget Availability to the Department of Budget Management ("DBM") to secure a government appropriation to fund the required Annual Payment for the Project.

UP-PGH's primary source of funds are government appropriations. Although, government subsidy had increased for the past few years (i.e., in 2022, it was 109.9% greater than the subsidy in 2018), with increasing patient census and numerous needs of the hospital, the expenditures still exceeded the allotment coming from the government. With the realization that PGH could not operate solely on the subsidy of the government, the hospital continues to exert efforts towards income generation and cost efficiency to answer the health care needs of patients. Other sources of funds came from the operation of the different departments and units of the hospital, other miscellaneous income (rent, interest, dividend, sale of waste materials, fines and penalties, etc.), income from PhilHealth, sale of drugs, and donations.

**Table 5 PGH Sources & Uses 2014-2022 (PHP Million)**

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sources** | Government Subsidy | 2,411.2 | 3,518.5 | 4,247.9 | 3,378.1 | 3,291.8 | 3,800.0 | 3,920.4 | 6,543.5 | 6,908.5 |
| | Income | 784.8 | 853.6 | 864.1 | 1,029.4 | 1,276.8 | 1,209.5 | 916.0 | 1,339.5 | 1,779.2 |
| | Prior Year Income | 16.9 | 82.3 | 145.9 | 5.7 | 571.8 | 599.2 | 911.5 | 396.4 | 608.8 |
| | Sale of Drugs | 97.2 | 98.1 | 124.0 | 135.1 | 194.9 | 191.1 | 98.2 | 206.2 | 118.1 |
| | Donations (Cash) | 52.3 | 77.0 | 10.6 | 330.1 | 461.3 | 713.6 | 810.7 | 621.5 | 891.0 |
| | **Sources Total** | **3,362.4** | **4,629.5** | **5,392.5** | **4,878.4** | **5,796.6** | **6,513.4** | **6,656.8** | **9,107.1** | **10,305.7** |
| **Uses** | Personnel | 1,760.6 | 1,902.1 | 2,279.5 | 2,375.9 | 2,556.7 | 2,979.7 | 3,247.4 | 3,700.1 | 4,188.9 |
| | Maintenance and other Operating Expenditures | 781.6 | 941.8 | 968.9 | 1,113.7 | 1,614.7 | 1,997.2 | 2,199.7 | 3,595.7 | 3,146.7 |
| | Capital Outlay | 364.9 | 1,237.0 | 1,594.7 | 256.8 | 615.8 | 856.3 | 109.9 | 669.7 | 180.5 |
| | Subsidy to Sponsored Patients | 14.9 | 14.8 | 145.6 | 12.0 | 16.0 | - | - | - | - |
| | **Uses Total** | **2,922.0** | **4,095.7** | **4,988.7** | **3,758.4** | **4,803.2** | **5,833.2** | **5,557.0** | **7,965.5** | **7,516.1** |
| **Balance** | | **440.4** | **533.8** | **403.8** | **1,120.0** | **993.4** | **680.2** | **1,099.8** | **1,141.6** | **2,789.6** |

## 1.2 Department of Health ("DOH")

The Department of Health ("DOH") is the agency primarily responsible for the formulation, planning, implementation, and coordination of policies and programs in the field of health. Its primary function is to promote, protect, preserve, or restore the health of the people through the provision and delivery of health services and through the regulation and encouragement of providers of health goods and services. Under the Administrative Code, the DOH is authorized, among other things, to (i) regulate the operation of and issue licenses and permits to government and private hospitals, clinics and dispensaries, laboratories, blood banks, drugstores, and such other establishments which by the nature of their functions are required to be regulated by the DOH, and (ii) issue orders and regulations concerning the implementation of established health policies. As mentioned, the DOH does not have PGH under its supervision, and hence, is not considered a DOH-retained hospital by virtue of Executive Order No. 392 (s. 1950).

The DOH is the agency that will issue the hospital or clinic's Permit to Construct ("PTC"), License to Operate ("LTO") or Certificate of Accreditation ("COAc").

## 1.3 PhilHealth

The Philippine Health Insurance Corporation ("PhilHealth"), a government corporation attached to DOH, was created in 1995 to implement universal health coverage in the Philippines. It collects premiums, accredits providers, sets benefits packages and provider payment mechanisms, processes claims, and reimburses providers for their services.

Benefits from PhilHealth are done on a case rate basis, so only a capped amount is reimbursable. The case rate amount is deducted by the facility from the member's total bill, which includes professional fees of attending physicians, prior to discharge. PhilHealth currently has a policy to cover up to 45 days in a year of inpatient care for the treatment of its beneficiaries, capped by case rates. For sponsored patients, PhilHealth has a No Balance Billing policy which mandates the coverage of medical services conducted in government hospitals, and the cost in excess of the PhilHealth case rate is covered by the hospital, and not by PhilHealth.

Cancer coverage has been supported through PhilHealth's "Z Benefits[12]" package since 2011, a scheme designed to provide protection for those afflicted by high-cost conditions. It covers acute lymphocytic leukemia (children), breast, prostate, cervical, colon and rectal cancers and includes services across diagnosis, hospitalization, and treatment. With the enactment of the NICCA and the UHC Law, these are expected to increase over time.

Based on existing PhilHealth policies on reimbursement to accredited healthcare institutions, PhilHealth reimburses them according to the maximum amount of coverage as provided under the existing benefits coverage matrix of PhilHealth. In other words, the reimbursement is directed to the holder of the PhilHealth Accreditation.

PhilHealth estimates that around 93% of the population is covered through PhilHealth, with membership increasing steadily since inception. Although the expanded PhilHealth membership is a step towards achieving universal healthcare, support values (which represent the average benefit PhilHealth beneficiaries will recover per insurance claim) are typically unable to fully cover individuals' medical costs. PhilHealth coverage is expected to increase following the passing of the UHC Law and the NICCA.

[12] https://www.philhealth.gov.ph/benefits/

## 2. Relevant Laws

### 2.1 Procurement Framework: BOT Law

The Project is proposed to be a 30-year concession (inclusive of construction) implemented as a PPP and to follow the open competitive tender provisions of the Philippine Build-Operate-Transfer Law (RA 6957 as amended by RA 7718 or the "BOT Law") and its Revised 2022 Implementing Rules and Regulations which took effect on October 12, 2022 ("IRR"), under a Build Transfer Operate ("BTO") model. The BOT Law and its IRR provides the legal framework for government agencies to enter into Concession Agreements with qualified private sector proponents for the prosecution of government infrastructure or development projects. In particular, the BOT Law and its IRR describe the requirements and procedures for the preparation, approval, tendering and implementation of PPP/BOT projects.

### 2.2 NICCA

The Project is fully aligned with the Republic Act 11215, also known as the National Integrated Cancer Control Act ("NICCA"), which was passed in February 2019. The NICCA aims to strengthen essential programs and increase investments for the entire cancer care continuum to make cancer services and care more accessible to all Filipinos.

The law mandates the establishment of dedicated cancer centers to address the significant shortage of adequate cancer care in the country. Recognizing the inability of the public sector alone to meet the growing infrastructure needs, the law states that "the use of Public Private Partnership shall be allowed on the procurement of cancer care infrastructure and delivery of services to improve access to and services to hasten delivery of essential oncological services and promote efficiency in fiscal utilization for cancer program and projects."

### 2.3 UHC Law

Shortly after the passing of NICCA, Republic Act No. 11223, or the Universal Health Care Law ("UHC Law") was passed in March 2019, automatically enrolling all Filipino citizens in the national health insurance program and encouraging complementary reforms in the health system to support the provision of universal health care. The UHC Law focuses on improving the comprehensiveness of national networks of care, with a particular attention to how the health care system is organized, strengthening referral pathways both in public and private institutions, as well as financial mechanisms needed to support these. In the context of a renewed focus on healthcare and an enabling legal and regulatory enabling environment, the Project will further some of the key objectives of the NICCA as well as the UHC Law.

## 3. Taxation

National (internal revenue) taxation is administered by the Bureau of Internal Revenue. In addition, customs duties are administered by the Bureau of Customs, while local taxes are administered by the concerned local government units ("LGU"). The Corporate Recovery and Tax Incentives for Enterprises Act ("'CREATE Law" or Republic Act No. 11534), was passed into law on March 26, 2021. CREATE grants tax relief for companies in financial need, provides transparent tax provisions, and aims to further increase the competitiveness of the Philippines. As the largest fiscal stimulus for firms, providing 1 trillion pesos worth of tax relief over the next 10 years, CREATE introduces an enhanced incentives package that is performance based, time-bound, targeted, and transparent.

Notable features of the CREATE Law include the following:

**Table 6 CREATE Law**

| CREATE Law | Description |
|---|---|
| **Regular Corporate Income Tax ("RCIT")** | - RCIT for domestic and foreign corporations engaged in trade or business within the Philippines (resident foreign corporations) has been lowered from 30% to 25% of taxable income.<br>- RCIT for foreign corporations not engaged in trade or business in the Philippines (non-resident foreign corporation) has been lowered from 30% to 25% of gross income.<br>- RCIT for proprietary educational institutions and hospitals, except those whose gross income from unrelated trade, business or other activity exceeds 50% of the total gross income derived from all sources, is 10% of taxable income. |
| **Minimum Corporate Income Tax ("MCIT")** | - MCIT imposed on domestic and resident foreign corporations has been reduced from 2% to 1% of gross income, effective July 1, 2020, until June 30, 2023 |
| **Intercorporate Dividends** | - Dividends received by a domestic corporation are not subject to tax.<br>- Foreign-sourced dividends are exempt from income tax provided the following:<br>a. funds from such dividends actually received or remitted into the Philippines must be reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received, and these must be limited to funding working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure projects;<br>b. the domestic corporation must hold directly at least 20% of the outstanding shares of the foreign corporation; and<br>c. the domestic corporation must have held the shareholdings for a minimum of two years at the time of the dividend distribution. |
| **Tax Incentives** | - The Fiscal Incentives Review Board ("FIRB"), or the Investment Promotion Agencies, under a delegated authority from the FIRB, will grant the appropriate tax incentives only to the extent of their approved registered project or activity under the Strategic Investment Priority Plan.<br>- Tax incentives may include:<br>o Income Tax Holiday;<br>o Special Corporate Income Tax;<br>o Enhanced Deductions;<br>o Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories; and,<br>o Value-Added Tax ("VAT") exemption on importation and VAT zero-rating on local purchases.<br>- CREATE Law has exempt VAT on the sale and importation of prescription drugs on cancer starting January 1, 2021. |

Other relevant taxes may include the following:

**Table 7 Other Applicable Taxes**

| Tax | Description |
|---|---|
| **Real Property Tax ("RPT") and Special Education Fund ("SEF")** | - In accordance with the Project's NEDA Board approval, any RPT for the Project will be borne by UP-PGH. |
| **Local Business Taxes ("LBT")** | - The maximum amount of LBT imposable by each province, city of municipality is 2% of gross sales or receipts of the preceding calendar year earned in the concerned LGU.<br>- Further, every corporation doing business in the Philippines pays an annual community tax of PHP 500.00 and an annual additional tax of maximum PHP 10,000.00 in accordance with the schedule provided under the LGC.<br>- Registered Enterprises are granted an exemption from LBT under the LGC for 4 years from the date of registration with Board of Investments. |

The applicability of relevant taxes and associated incentives are to be determined by bidders as part of their due diligence.

## 4. Licensing

The Project will be required to secure at a minimum the following licenses:

- Permit to Construct, issued by the DOH, through the Health Facilities and Services Regulatory Bureau ("HFSRB") or the Center for Health Development in its Regional Offices;
- License to Operate ("LTO"); issued by the DOH HFSRB;
- Construction licensing issued by the Philippine Contractors Accreditation Board ("PCAB");
- Local council and a building permit;
- Food and Drug Administration licenses for the use of drugs;
- all applicable Local Government Unit permits and clearances, including:
    - (i) zoning clearance;
    - (ii) building permits;
    - (iii) fire safety inspection certificates;
    - (iv) occupancy permits;
    - (v) equipment permits;
    - (vi) barangay business permits; and
    - (vii) city or municipal business permit;
    - (viii) effluent discharge permit;
    - (ix) biomedical waste management permit; and
- Specific licenses may also apply to the Project depending on the facility or equipment it operates.

Licensing requirements specific to the Project are to be further defined in consultation with DOH and relevant authorities. DOH guidance on licensing and classification shall be finalized prior to bid submission, as per the NEDA Board approval, and prospective bidders shall be informed accordingly through supplemental Bid Bulletins.

## 5. Investment Incentives and Government Undertakings

The Board of Investments (“BOI”), an attached agency of the Department of Trade and Industry under Executive Order 226, is the lead government agency in the promotion of investments in the Philippines. Pursuant to this function, the BOI prepares an annual Investment Priorities Plan, which contains a listing of economic activities which are considered priority industries and are encouraged through the grant of incentives. The BOI likewise accepts registration of entities to be entitled to incentives, both fiscal and non-fiscal.

The BOT Law expressly provides that PPP projects costing more than one (1) billion Philippine Pesos (PHP 1,000,000,000.00) shall be entitled to the incentives under the Omnibus Investments Code upon registration with the BOI. Moreover, hospitals and specialty hospitals are in included in the 2020 Investment Priorities Plan[13]. Incentives may include[14]:

- Income Tax Holiday;
- Additional Deduction for Labor Expense;
- Tax Credit on Domestic Capital Equipment;
- Exemption from Contractor’s Tax;
- Simplification of Customs Procedure;
- Unrestricted Use of Consigned Equipment;
- Employment of Foreign Nationals;
- Exemption on Breeding Stocks and Genetic Materials; and
- Tax Credit on Domestic Breeding Stocks and Genetic Materials.

UP-PGH will provide the land where the Project will be built as a Direct Government Subsidy under Section 13.3(c) of the BOT Law IRR. The land is an existing property of UP-PGH, and it will be provided to the Concessionaire at no cost on the part of UP-PGH.

Further, some existing medical equipment within the UP-PGH Cancer Institute shall be transferred to the Project on an “as is-where is basis”.

## 6. Foreign Investment

Republic Act No. 7042, or the Foreign Investments Act of 1991, as amended, seeks to promote, and regulate foreign investments in the Philippines. Foreign investors are allowed to invest 100% equity in companies engaged in almost all types of business activities subject to certain restrictions as prescribed in the Foreign Investments Negative List (“FINL”)[15], or the lists of investment sectors that are subject to foreign investment ownership restrictions.

[13] https://boi.gov.ph/wp-content/uploads/2020/12/20201118-MO-50-RRD-2.pdf
[14] https://boi.gov.ph/wp-content/uploads/2018/02/EO-226-omnibus-investments-code.pdf
[15] https://www.officialgazette.gov.ph/downloads/2022/06jun/20220627-EO-175-RRD.pdf

Given the project structure and the role of the Private Partner, the foreign ownership restrictions under the FINL will not apply. Nationality triggers may apply for example related to capitalization requirement, and construction, where a specific license needs to be sought.

## 7. Construction Industry

*Licensing*

The construction industry in the Philippines is primarily regulated by the Construction Industry Association of the Philippines ("CIAP").[16] All foreign and local entities intending to engage in the business of construction are required to secure a license from the PCAB in accordance with the provisions of the Republic Act No. 4556 or the Contractors' License Law ("Contractors' License Law"), in conjunction with the Rules and Regulations Governing Licensing of Constructors[17] ("Contractors' License Law IRR"), and the PCAB's issuances. In this regard, a licensed constructor is required to operate within the classification(s) that he is authorized, by his license, to engage in.[18] There are two types of licenses usually issued by the Philippines' licensing body: a Regular License or a Special License.

A Regular License[19] is issued to authorize licensees to engage in construction contracting within the scope and field of its license classification for as long as the license is valid. It may be issued to a domestic corporation, irrespective of equity ownership, with a capitalization of at least One Billion Pesos (PHP 1,000,000,000.00) in cash. Holders of a Regular License shall be categorized in a scale of seven, namely: AAAA (Quadruple A), AAA, AA, A, B, C, and D.

A Special License is issued to a joint venture, consortium, foreign contractor or a project owner, authorizing the licensee to engage in the construction of a single specific undertaking or project. For contractors with a Special License, the project must either be (a) foreign financed / internationally funded and that international bidding is required, or the participation of foreign contractors is allowed under the terms of the bilateral agreement entered into by the Philippine Government and the foreign / international financing institution[20] or (b) implemented in accordance with Republic Act No. 6957, as amended, or the Build-Operate-Transfer Law. Holders of a Special License shall be categorized in a scale of seven, namely: AAA, AA, A, B, C, and D, and Trade.

*Disputes*

The Construction Industry Arbitration Commission ("CIA Commission") is "the duly constituted quasi-judicial agency accorded with jurisdiction to resolve disputes arising from construction contracts in the Philippines." It was created in 1985 under Executive Order No. 1008 (Creating an Arbitration Machinery for the Philippine Construction Industry) (EO 1008), in recognition of the need to establish an arbitral machinery that would expeditiously settle construction industry disputes. EO 1008 provides that the CIA Commission shall have original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the disputes arise before or after the completion of the contract, or after the abandonment or breach thereof. Based on the CIA Commission Revised Rules of Procedure Governing Construction Arbitration, an arbitration clause

[16] CIAP is a government agency established through Presidential Decree No. 1746, series of 1980, as amended (PD 1746).
[17] Constructor shall have the same meaning as "contractor" as used in Section 9(b) of the Contractor's License Law (Contractor's License Law IRR, Section 1.1(f)).
[18] Contractors' License Law IRR, Section 5.4.
[19] The Regular License with Annotation is a new sub-category introduced by the PCAB and was approved by the CIAP and the President on November 13, 2015.
[20] *See* Contractors' License Law IRR, Section 4.6 e.

in a construction contract or a submission to arbitration of a construction dispute shall be deemed an agreement to submit an existing or future controversy to CIA Commission jurisdiction.

## 8. Labor Laws

Presidential Decree No. 442 (Labor Code), its Implementing Rules and Regulations, and relevant issuances from the Department of Labor and Employment ("DOLE") provide the policy on labor and employment. Unless provided otherwise in the Labor Code, all the rights and benefits granted to workers under the law shall apply to all workers without distinction.

Contracting or subcontracting are regulated under Philippine labor laws. "Contracting" or "subcontracting" is defined under Department Order No. 174, series of 2017 (DO 174-17), as an arrangement whereby a principal agrees to farm out to a contractor the performance or completion of a specific job or work within a definite or predetermined period, regardless of whether such job or work is to be performed or completed within or outside the premises of the principal.

DO 174-17 provides that contracting or subcontracting arrangements in the construction industry under the licensing coverage of the PCAB shall be governed by Department Order No. 19, Series of 1993 (Guidelines Governing the Employment of Workers in the Construction Industry); Department Order No. 13, Series of 1998 (Guidelines Governing the Occupational Safety and Health in the Construction Industry); and the DOLE-DPWH- DILG-DTU and PCAB Memorandum of Agreement-Joint Administrative Order No. 1, Series of 2011 on coordination and harmonization of policies and programs on occupational safety and health in the construction industry.

In the construction industry, contractors are required under Presidential Decree 1746, series of 1980 (PD 1746) to register with the PCAB. The PCAB regulates and ensures that contractors/subcontractors comply with DOLE's Guidelines on Occupational Safety and Health in the Construction Industry. Both the DOLE and PCAB have the authority to cancel or suspend the licenses of contractors who fail to comply with the relevant labor laws.

In addition to labor standards, employers are also required to comply with standard benefits under social welfare laws such as Republic Act No. 1161 as amended by Republic Act No. 8282 known as the Social Security Law, Republic Act No. 9679 known as the Home Development Mutual Fund Law, and Republic Act No. 7875 known as National Health Insurance Act.

Penalties and even the risk of imprisonment are imposed against employers who do not comply with labor standards under the Labor Code as well as social welfare laws.

## 9. Environmental Regulation

The the following environmental laws and their respective implementing rules and regulations provide the environmental policies, frameworks, standards that are some applicable to the Project and its operations:

- Environmental Impact Assessment (EIA) in the Philippines was originally conceived in 1977 with the issuance of the Presidential Decree 1151, or the Philippine Environmental Policy. This law mandates all national government agencies, including government-owned and controlled corporations, as well as private corporations, firms and entities to prepare an Environmental Impact Statement (EIS) for any project or activity that significantly affects the quality of the environment. The EIA System in the Philippines was officially established under Presidential Decree No. 1586 (PD 1586). PD 1586 also provides that no person, partnership or corporation shall undertake or operate any such declared environmentally critical project or area without first securing an Environmental Compliance Certificate (ECC).

- Republic Act No. 9275 known as the Clean Water Act aims to abate and control water pollution from land-based sources and provides for the imposition of fines and penalties against any person caught violating this law and its rules.

- Republic Act No. 9003 known as the Ecological Solid Waste Management Act provides the procedures and guidelines for systematic, comprehensive and ecological solid waste management program. The operator shall be held responsible for non-compliance to the provisions of this law.

- Republic Act No. 6969 known as the Toxic Substances & Hazardous & Nuclear Waste Control Act of 1990 and its implementing rules and regulations aim to regulate, restrict or prohibit the importation, manufacture, processing, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk and/or injury to health or the environment; to prohibit the entry, even in transit, of hazardous and nuclear wastes and their disposal into the Philippine territorial limits for whatever purpose; and to provide advancement and facilitate research and studies on toxic chemicals.

- PGH has adopted the International Finance Corporation's Environmental and Social Performance Standards to avoid, mitigate, and manage related risks and impacts. The obligations of both the Concessionaire and UP-PGH will be clearly defined in the Bidding Documents. Some of the obligations identified for the Concessionaire under IFC's Performance Standards include commissioning of a qualified and accredited Fire Protection Engineer (FPE), performing a risk-based Life & Fire Safety review and development and implementation of an Environmental and Social Management System (ESMS) in accordance with the requirements set forth in the Bidding Documents.

- At the local level, LGUs issue ordinances and directives to enhance existing laws and regulations, which form part of the environmental frameworks.

## 10. Bangko Sentral ng Pilipinas

The BSP regulates foreign exchange transactions and consolidates its rules in the Manual of Regulations on Foreign Exchange Transactions ("*MORFXT*").

*MORFXT rules on registering with the BSP the foreign currency investment or loan*
Section 24.2 of BSP's MORFXT prescribes certain rules for private sector foreign loans/borrowings[21] that are (a) not publicly guaranteed (b) not covered by Section 24.3,[22] and (c) will ultimately be serviced with

[21] "Foreign loans/borrowings" refer to all obligations [regardless of currency of denomination (Philippine peso or foreign currency)] owed by Philippine residents to non-residents, including advances from foreign parent companies/head offices, shareholders and affiliates. *See* BSP Foreign Exchange Regulations (FAQS), *available at* http://www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf (last accessed May 15, 2020).
[22] The foreign loans covered by Section 24.3 are:
(a) Foreign currency loans of resident borrowers from banks operating in the Philippines, which are not publicly guaranteed;
(b) Short-term loans in the form of export advances from buyers abroad of resident exporters/borrowers;

foreign exchange ("FX") resources of the local banking system. If the new loan is a foreign loan/borrowing falling under Section 24.2 of the MORFXT, the borrower must perform the following if the loan will be ultimately serviced with FX resources of the banking system:

a. Submit a Notice to the BSP (in the prescribed form found in Annex E.3 of the MORFXT), supported with a copy of the signed covering agreement(s)/document(s), within one (1) month from date of signing;
b. Send a notification to BSP for: (i) change/s in the loan's financial term and conditions[23]; or (ii) cancellation (whether partial or in full) of the loan/commitment/agreement, within 15 banking days from availability of information/signing of the amended or supplemental agreement/effectivity date, as the case may be, for monitoring purposes; and,
c. Apply for loan registration with the BSP within one (1) month from drawdown date (for short-term loans) and within six (6) months from utilization of proceeds (for medium- and long-term loans), using the prescribed form (Annex D.2.B of the MORFXT).

Further, Section 22.8 of the MORFXT requires all foreign loans/borrowings [*e.g.*, availments, debt service payments (including prepayments) and cancellations], whether or not said loans are BSP-approved/registered, to be regularly reported to the BSP using the prescribed forms (Annexes E.1, E.2 and E.3 of the MORFXT) within the prescribed period until the obligations are fully extinguished.

*Repatriation of Investment*

Foreign exchange may be traded freely and with few restrictions, brought into or sent out of the country by foreign corporations operating in the Philippines. Foreign investments/profits can also be repatriated in foreign exchange. Foreign inward investments are required to be registered with the BSP if capital will be repatriated or earnings/dividends will be remitted using foreign exchange resources sourced from Authorized Agent Banks ("AAB") or of AAB subsidiary or affiliate foreign exchange ("AAB forex corps").[24] In other words, the registration requirement would only apply if the entity intends to acquire forex resources from AABs or AAB forex corps in order to repatriate capital or remit dividends/profits to the investors. If the investors intend to do so, the application for registration with the BSP must be filed within one (1) year from the date of inward remittance/payment for the investment in the Philippines.[25] If the investors will exchange PHP to US$ for remittance using other sources, the BSP registration requirement is not necessary.

(c) Foreign obligations of residents under deferred letters of credit (L/Cs) or under documents against acceptance or open account (D/A-O/A) arrangements with a term of more than one (1) year that are not guaranteed by foreign governments/official export credit agencies; and,
(d) Short-term trade loans of resident exporters/importers from offshore banking units and non-resident non-bank creditors that have been granted under BSP-reported lending programs.

[23] Financial terms and conditions refer to committed amount, purpose, currency, interest rate, fees/charges, tenor, amortization schedule, default rate and prepayment. Changes in borrower/issuer/creditor/guarantor, availability/closing date, financial ratios/covenants, and/or availments/amendments/cancellation of related hedging instruments shall also be included in the notification to BSP.

[24] MORFXT, Section 32(2).

[25] MORFXT, Section 36(4) in relation to Appendix 10.A.

# D OPERATING CONTEXT

## 1. Cancer Incidence and Infrastructure

Cancer is currently the third leading cause of death in the Philippines after cardiac and vascular diseases[26]. In 2020, there were about 150,000 new cancer cases reported, an estimated 355,000 prevalent (5-year) cancer cases, and over 90,000 deaths[27]. Notwithstanding the current and growing need for cancer treatment, there is a significant infrastructure gap in the country. Many cases are not being attended to[28], driven primarily by lack of infrastructure, low affordability, which exacerbates low detection rates, and the large-scale deferment of medical care which took place due to the COVID-19 pandemic and its associated restrictions. Due to the lack of scale in government investment in cancer facilities, private operators have filled the growing consumer demand and private facilities currently outnumber public health facilities. While there have been efforts to upgrade health facilities through the Department of Health – Health Facilities Enhancement Program, the Philippines needs to rapidly expand its cancer care health system capacity to adequately address current and future constraints.

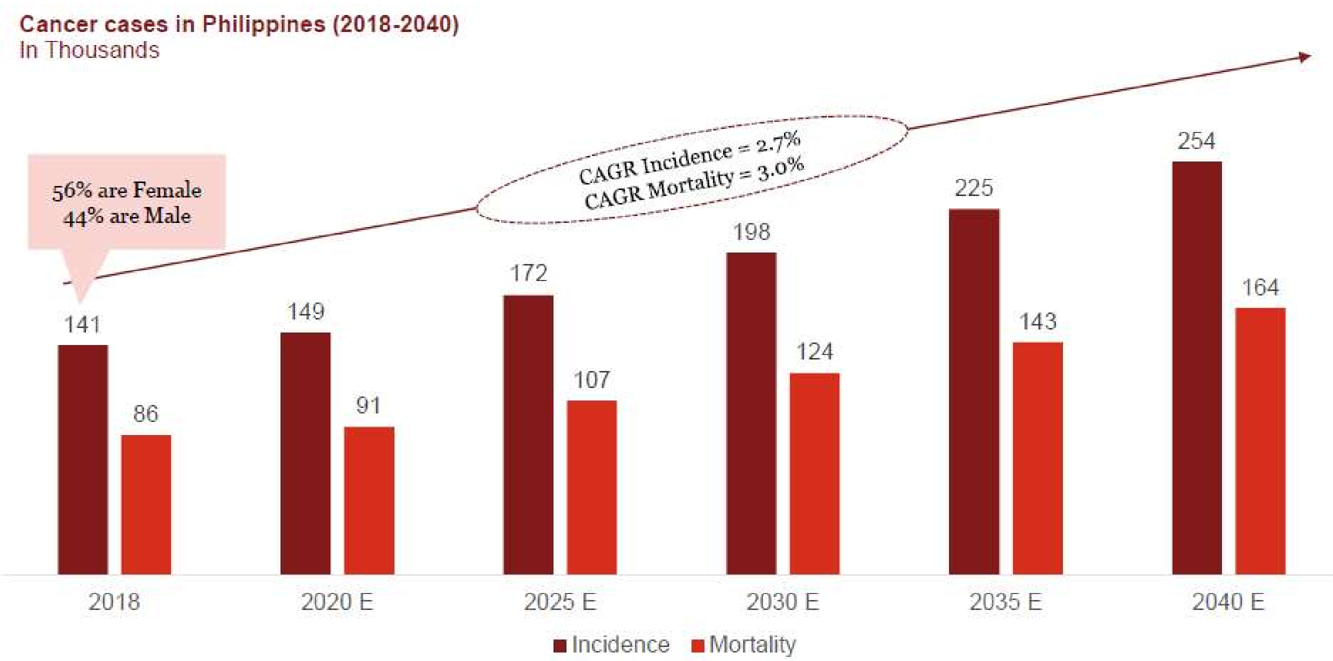
Metro Manila (the National Capital Region or "NCR") is the main commercial and population center of the Philippines. NCR growth has historically exceeded the national average and contributes to over a third of national GDP[29]. Despite being the epicenter of the Philippines the NCR has no public dedicated oncology care facility, and only fifteen hospitals having a capacity of more than 75 beds for cancer treatment offer all three main cancer care modalities (chemotherapy, surgery, radiation).

There therefore remains significant scope to increase the cancer care provision in NCR. While few hospitals have cancer infrastructure in their multispecialty offering, and there are both public and private initiatives coming on stream, there is still projected to be significant gap in the NCR for radio oncology equipment. New public sector LINAC additions are expected to be installed primarily in provincial public healthcare facilities going forward. About half the available LINACs in Philippines (around 40) are in the NCR. This partly explains the large influx of patients from the provinces – currently about 40-50% of total patients treated in the NCR. Of the LINACs in the NCR, over 80% are in private hospitals. The more complete cancer care facilities, with both LINAC and PET/CT, are also largely in the private sector.

A market study of the NCR oncology market undertaken to confirm the demand for the Project[30] estimates that cancer incidence and mortality are estimated to grow at a compound annual growth rate ("CAGR") of 2.7% and 3% respectively over the next 20 years. In the NCR, this translates to the need for 1,300 cancer beds alone in 2021, growing to 1,800 beds by 2030, An estimated 20 additional LINACs are needed today in the NCR to meet current demand, and this is expected to grow to over 55 by 2030.

[26] https://psa.gov.ph/vital-statistics/
[27] https://gco.iarc.fr/today/data/factsheets/populations/608-philippines-fact-sheets.pdf
[28] DOH Health Statistics, 2015 Philippine Cancer Facts and Estimates by Philippine Cancer Society and Department of Health
[29] Gross Domestic Product of the Philippines Highlights https://psa.gov.ph/regional-accounts/grdp/highlights
[30] PWC demand analysis 2019

**Figure 7 Philippines Cancer Incidence and Mortality Forecast**




These estimates are supported by an Economist Intelligence Unit ("EIU") study completed in December 2019 that found low surgical capacity and a lack of radiotherapy equipment in the country[31]. The analysis found radiotherapy equipment capacity at only 33.4%, meaning the Philippines has about a third of the radiotherapy machines necessary for its cancer burden.

A report published in June 2020 by the EIU on cancer preparedness in Asia Pacific ranks the Philippines last in cancer preparedness in the region with an overall score of 42.6 out of 100, well below the regional average of 65.5[32]. The Philippines recorded below-average scores across Policy and Planning, Care Delivery, and Health System and Governance domains[33]. The Index found a strong correlation between income level and overall cancer preparedness, and between the overall score in the said index and cancer control outcomes, demonstrating that better preparedness to manage the cancer burden equates with achieving better cancer outcomes. While the Philippines was recognized for its comprehensive national cancer control plan with the passing of the NICCA and the progress achieved towards increasing financial protection among the poor and previously uninsured population through the passing of the UHC Law, Philippines still faces the challenge to improve coverage and the quality of their data. A dedicated cancer center will be timely in helping to narrow the widening infrastructure gap in the country.

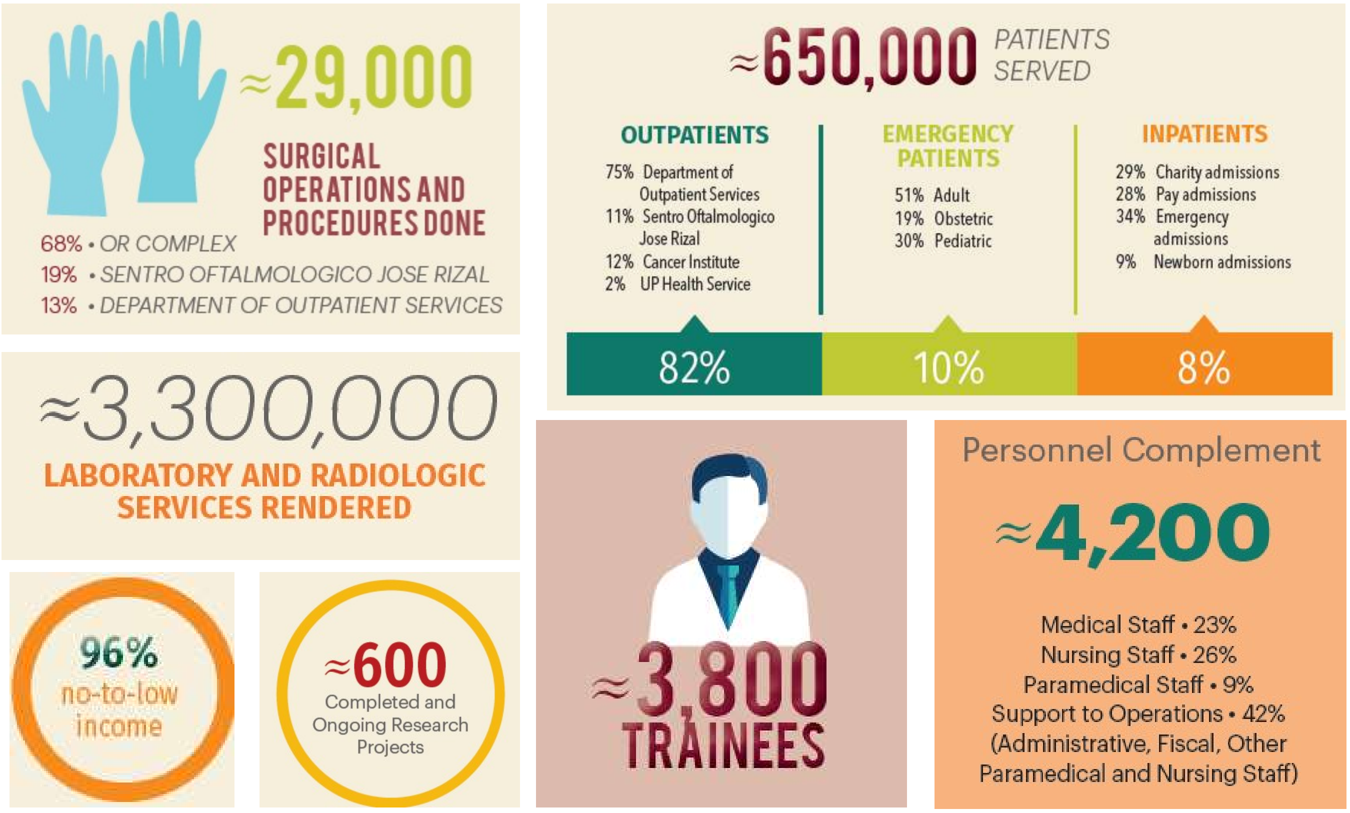
## 2. UP-PGH

UP-PGH is committed to deliver globally competitive, cost-effective, compassionate and accessible health care to the Filipinos, to provide world-class education to health professionals, and to generate relevant research that will impact on health policies. As the largest training hospital in the country, PGH is considered the apex health institute in the country, providing high quality and affordable health

[31] https://eiuperspectives.economist.com/sites/default/files/download/country_profile_philippines_v2-final.pdf
[32] https://worldcancerinitiative.economist.com/cancer-preparedness-asia-pacific
[33] Its Index of Cancer Preparedness measures the readiness of healthcare systems in 10 countries, namely Australia, China, India, Indonesia, Japan, Malaysia, The Philippines, Thailand, South Korea, and Vietnam.

services, and is the leading choice for availing health services by the general population. In fact, according to the SCImago Institutions Ranking, PGH ranks 1st in the Philippines in the health sector[34].

**Figure 8 PGH Facts and Figures 2022**




PGH operates around three main pillars centered on the provision of (i) service, (ii) training, and (iii) research.

**Service**

PGH has 20 clinical departments which, with their attached units, offer facilities for the delivery of comprehensive care for both healthy and sick Filipinos, especially the poor and marginalized, seeking specialty and subspecialty care. The table below provides an overview of some key hospital indicators of PGH's overall clinical care.

**Table 8 PGH Hospital Indicators**

| Hospital Indicators | 2019 | 2022 |
|---|---|---|
| **Average daily bed occupancy (inpatients)** | 1075 | 951 |
| **Average Length of Stay (ALOS)** | 5 days (6 for charity) | 8 days |
| **Bed occupancy rate** | 81% overall<br>- 1,274 available inpatient beds | 89.2% overall<br>- - 1,067 inpatient beds |

[34] https://www.scimagoir.com/institution.php?idp=54044. SCImago assesses universities and other research-focused institutions.

| | | |
|---|---|---|
| | - 341,977 patient days<br>- 74% occupancy in the pay and charity areas (excl. emergency/ newborn) | - 347,230 patient days |
| **Bed count (authorized by DOH)** | 1,334 | Due to the COVID-19 pandemic, the number of allocated beds was reduced to adopt the "new normal" setup; the average number of implementing beds was 1,067. |
| **Bed turnover interval** | 1.14 days | 1 day |
| **Bed turnover rate** | 62 | 40 |
| **Mortality rate** | 4.70% | [data not available] |

PGH has about 14 Oncologic Subspecialties that are directly involved in cancer care. One of the strengths of the institution is that all of these units have training programs which provides manpower later on not only to PGH but also to other hospitals and local health units all over the country.

**<u>Training</u>**

UP is known for its academic excellence within the Philippines, with a strong reputation for research, innovation, and public service. UP faculty members and alumni have received numerous awards and recognition, both locally and internationally. UP is also home to several research centers, institutes, and programs that focus on various disciplines, such as science, engineering, social sciences, humanities, and the arts.

PGH is the heart of the University's Health Sciences Campus. PGH is well-reputed for its training in medical and allied medical professions. PGH caters to the training needs not only of students but also of observers/externs and professionals from different government and private institutions. It is in PGH that postgraduate and undergraduate students undergo rigorous clinical rotations in various departments under the tutelage of leaders in the fields of medicine, nursing and allied health professions. Didactics, ward rounds and preceptorships, emergency room duties, outpatient clinics, operating theater rotations and departmental and interdepartmental conferences are included in the clinical rotations. Other key features of their education such as leadership, community and social organization and resource mobilization ensure a holistic training geared towards molding the future leaders of Philippine medical and allied medical professionals.

The Medical Oncology Division, University of the Philippines – College of Medicine/ Philippine General Hospital, Manila, started in 1980. It was the 1st Medical Oncology Section in the Philippines. The Medical Oncology Training program has the clinics and didactics of the 2-year fellowship program aligned to local and global curriculum standards plus core and major baccalaureate degree courses from the University of the Philippines-College of Medicine. UP has a number of clinical training programs across various departments in the field of oncology. These are listed in the table below:

**Table 9 PGH Clinical Training Programs – Oncology**

| Department | Clinical Training Program |
|---|---|
| **Department of Medicine** | - Fellowship in Medical Oncology<br>- Master of Science in Clinical Medicine (Medical Oncology)<br>- Master of Clinical Medicine (Medical Oncology) |
| **Department of Obstetrics and Gynecology** | - Fellowship in Gynecologic Oncology |
| **Department of Pediatrics** | - Fellowship in Hematology and Oncology |
| **Department of Radiology** | - Residency Training in Radiation Oncology<br>- Residency Training in Diagnostic Radiology<br>- Fellowship in CT/MRI<br>- Fellowship in Interventional Radiology<br>- Fellowship in Ultrasound |
| **Department of Surgery** | Fellowship in Surgical Oncology |

In 2022, in the field of oncology, there were four (4) in residency and 37 in fellowship training.

**Figure 9 Medical trainees**

Clinical Clerkship and Other Medical Undergraduates
Medical Internship

**Medical Residency**
**Post-Residency Fellowship**

**2022**

- **Residency Radiation Oncology (Radiology)___1**
- **Musculoskeletal Tumor Surgery (Orthopedics)___3**
- **Fellowship Training – Medical Oncology (Medicine)___13**
- **Fellowship Training - Gynecologic Oncology (Obstetrics and Gynecology)___13**
- **Fellowship Program – Otorhinolaryngology Surgical Oncology (Otolaryngology – Head & Neck)___1**
- **Fellowship Program - Neuro-oncology Clinical (Neurosciences)___1**
- **Fellowship - Hematology and Oncology (Pediatrics)___7**
- **Fellowship - Surgical Oncology (Surgery)___2**

Nursing
Hospital Dentistry
Medical Technologist
Nutrition
Occupational Therapy
Pharmacy
Social Work
Speech Pathology
Emergency Medical Services
EEG Technician
Public Health Laboratories
Administrative
Others

## Research

PGH continues to focus on research initiatives that impact on national health policies. With the dawning of evidence-based medicine and the emergence of new health and medical problems, PGH puts further focus on research designed towards improving the quality of life of every Filipino. To date over 600 research projects are either completed or ongoing.

## 3. Cancer care within UP-PGH

Cancer is a disease that affects all PGH clinical departments and specialties, and as PGH is still patterned around academic faculties, cancer care is fragmented across locations and specialties. Given the high and growing volume of cancer patients, these cases are often spread throughout the wards of different departments, despite their sharing similar needs. Patients and PGH alike will benefit from shifting to a one-stop-shop approach where patients with similar needs, and the relevant range of services, all converge. A dedicated cancer center will both decongest PGH wards and integrate all needed services around cancer patients in one main facility.

PGH has a large demand for its services and is almost always over-occupied. On average, it is estimated that overall PGH treats 1.5 patients per ward bed[35]. For cancer, the average annual growth rate of outpatient patients in PGH is outpacing overall annual patient growth threefold.

While the existing PGH Cancer Institute has a capacity of 51 beds, 43 are operational within the Cancer Institute. However overall, demand for cancer treatment at UP-PGH outstrips this capacity and an average of around 140 beds treating cancer patients at any given time, with around 100 beds spread around PGH main campus.

**Table 10 Cancer Institute Beds**

| Cancer Institute | Beds |
|---|---|
| Medical Oncology | 19 |
| Pediatric Hematology-Oncology | 7 |
| Gynecologic Oncology | 4 |
| Adult Hematology | 4 |
| Surgical Oncology | 2 |
| Hospice | 2 |
| Buffer Bed | 2 |
| Radiation Oncology | 1 |
| BT Bed | 1 |
| RAI | 1 |
| **Total** | **43** |

PGH is home to a variety of rare adult and pediatric malignancies. These include malignant giant cell tumor, embryonal sarcomas, and pleuropulmonary blastoma and pinealoblastoma for pediatric malignancies. In 2021, the top 3 leading cause of adult medical oncology consults were breast cancer, colorectal cancer, and head and neck cancers. Whereas in pediatric malignancies, most common newly diagnosed tumors are that of brain tumors, leukemia and retinoblastoma.

The PGH Cancer Institute had approximately 70,000 outpatient consults for cancer and 2,700 inpatient admissions alone in 2019, and the radiation oncology department has a waiting time of more than two (2) months. PGH currently has one LINAC. The LINAC machine sometimes treat 65-70 patients a day, above the indicative recommended average of 60 patients a day. Monthly, around 25 patients are referred to other institutions for radio-oncology treatment. While the COVID-19 pandemic reduced outpatient numbers, as the virus has become endemic, and movement restrictions have been dramatically eased,

[35] http://www.up.edu.ph/on-the-up-philippine-general-hospitals-lack-of-an-ounce-of-compassion/

this is resulting in a return to pre-pandemic activity and with this outpatient numbers are steadily rising to pre-pandemic levels.

The PGH Cancer Institute boasts several strengths that set it apart from other cancer treatment centers in the Philippines. In terms of surgical expertise, the institute has a team of experts who are well-equipped to perform even the most complex surgeries. Additionally, the institute offers robotic surgery as an option for patients. In the field of medical oncology, the institute is recognized as a study site for international clinical trials, and it is the only medical oncology training program in the country that offers a Master's degree in Clinical Medicine. Furthermore, it is one of the few that is able to handle very rare and complex cases. In radiation oncology, the institute has a high case load. Finally, the institute takes a multidisciplinary approach to cases. Unlike other hospitals that have one general tumor board or conference, UP-PGH holds Multidisciplinary conferences (MDCs) for different malignancies, allowing for a more comprehensive and targeted approach to treatment.

PGH's cancer capabilities today span diagnostic services include diagnostic services, imaging services, medical therapeutic services, and surgical therapeutic services.

**<u>Diagnostic Services</u>**

In cooperation with the institute of human genomics of UP Manila and the capabilities of PGH's laboratory, PGH are able to carry out molecular and genomic tests including chromosomal analysis, FISH and genetic counselling. The Pathology division is able to carry out routine pathology reading, Immunohistochemistry and special stains. PGH's endoscopy unit is fully equipped with endoscopes with ultrasound probes allowing imaged-guided biopsy procedures and more accurate tumor staging. The Nuclear medicine division offers affordable radioimmunoassay tests including those for thyroid and endocrine malignancies.

- *Genetic Diagnostics and Genomics*
    - Chromosomal Analysis and Karyotyping
    - Fluorescent in situ hybridization
    - Genetic counselling
    - Family studies
    - Mosaicism Analysis
    - Newborn blood
- *Pathology and Tumor Markers*
    - Cell block Cytology
    - Routine biopsy
    - Immunohistochemistry
    - Frozen Section
    - Tumor Markers
    - Special stains
    - Slide review

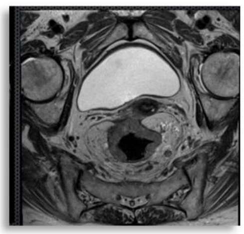
Radioimmunoassay at PGH

- *Endoscopy Unit*
    - Esophagogastroduodenoscopy (EGD) with UTZ
    - Sigmoidoscopy
    - Colonoscopy
    - Endorectal and Endoanal UTZ
    - Endobronchial ultrasound EBUS
- *Radioimmunoassay*
    - One of the largest nuclear medicine facilities offering affordable radioimmunoassay tests
    - Offers 25 different blood tests for several disease entities

**Imaging Services**

The Cancer Institute's radiology department offers a range of imaging services. The Interventional Radiology service is also able to do percutaneous image-guided biopsies with either ultrasound, CT-scan or MRI, which is very important especially in cases of thoracic and abdominal malignancies. The Radioscotope Laboratory at the institute is equipped with advanced cameras. The nuclear medicine division is also able to carry out Whole Body Bone Scan, Iodine scans for thyroid malignancies, and sentinel node mapping.

- *Imaging Services*
    - X-ray (Fixed and Portable)
    - CT scan (x4)
    - Digital Sonography
    - Digital Mammogram (Portable and Fixed)
    - MRI
    - PET-CT scan (under process)
- *Interventional Radiology*
    - Fluoroscopy
    - Image-guided biopsy with Ultrasound, CT scan and MRI
- *Radioscotope Laboratory equipped with the following cameras:*
    - SPECT Gamma Camera (Siemens Evo Excel)
    - SPECT-CT Gamma Camera (Siemens Symbia T16)
    - Bone Densitometry (Stratos DR Densitometer)



Imaging Service at PGH

Left: Siemens Evo Excel in PGH’s Radiosotope Laboratory
Top: Siemens Symbia T16 at PGH

**Medical Therapeutic Services**

PGH are able to procure, compound, and administer chemotherapeutic drugs that are included in the Philippine National Formulary. These meds can be given intravenous, intrathecally, subcutaneous, intramuscular or oral. PGH surgeons are also able to administer hyperthermic intraperitoneal chemotherapy in the operating rooms. Data for 2021 suggests that about 360 patients are admitted for chemotherapy per month, while there are more than 1,200 patients receiving chemotherapy as outpatient.


Chemotherapy at PGH

- Intravenous Chemotherapy
    - Infusional
    - IV push
- Intrathecal chemotherapy
- Subcutaneous, Intramuscular, PO
- Hyperthermic Intraperitoneal Chemotherapy (HIPEC)

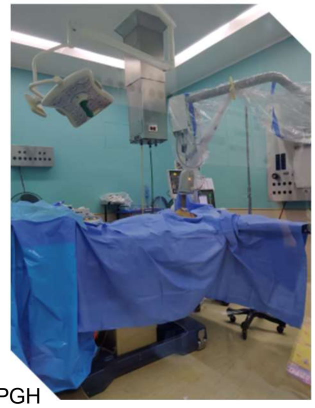
**Table 11 Chemotherapy in 2021**

| Chemotherapy | Inpatient/month | Outpatient/month |
|---|---|---|
| Medical Oncology | 124 | 664 |
| Pediatric HO | 174 | 388 |
| Adult Hematology | 49 | 26 |
| Gynecologic Oncology | 22 | 216 |
| **Total** | **369** | **1,294** |

The Radiation Oncology Division has a dedicated CT simulator that allows them to plan for 2D, 3D and Intensity modulated radiotherapy. PGH also have a high-dose rate brachytherapy machine and an intraoperative radiotherapy machine which has been operational since September of 2021.

- LINAC capable of 2D, 3D, and IMRT
- HDR brachytherapy machine
- Intraoperative Radiotherapy (IORT) machine
- SRS/SBRT-capable and tomotherapy machines in the works






Medical Therapeutic Service at PGH

Aside from diagnostic procedures, PGH's interventional radiology service is also able to do transarterial chemoembolization for hepatocellular carcinomas, intra-arterial chemotherapy and tumor ablation among others.

- Transarterial Chemoembolization
    - curative and palliative
- Sclerotherapy
- Pre-operative endovascular embolization
- Tumor ablation
- Intraarterial chemotherapy
- Pleurodesis

**<u>Surgical Therapeutic Services</u>**

Currently there are 25 active operating rooms in PGH, and surgical specialties include:

- Surgical Oncology, Head & Neck, Breast, Skin & Soft Tissue and Esophago-gastric Surgery (GS1)
- Colorectal Surgery (GS2)
- Hepatobiliary and Pancreatic Surgery
- Thoracic and Cardiovascular Surgery
- Pediatric Surgery
- Plastic Surgery
- Urology
- Gynecologic Oncology
- Neurosurgery
- Otorhinolaryngology – Head and Neck Surgery
- Orthopedic Oncology

PGH's Department of Surgery is able to carry out complex operations, from open, laparoscopic and robotic assisted. These surgeries include esophagogastric, breast conservation and radical surgeries, advanced colorectal surgeries including TME and transanal surgeries, cyroreductive surgeries with or without HIPEC, multi-organ resections in cases of metastasectomy, and advanced pancreatic and hepatobiliary procedures. The Orthopedic Oncology, Gynecologic Oncology and Pediatric surgery are also able to carry out difficult and complex procedures including minimally invasive and extensive abdominopelvic surgeries.

Surgical Equipment includes:
- Laparoscopic tower
- Da Vinci robot system
- HIPEC machine
- Endorectal ultrasound machine
- Telepak (portable colonoscope)

Surgical Therapeutic Service at PGH

Surgical Therapeutic Service at PGH

In the context of escalating incidence and mortality of cancer and the lack of sufficient cancer facilities within PGH and more broadly in the NCR, a dedicated cancer center in the NCR is timely to adequately address the current and growing need for cancer care. It will help narrow the already large gap in cancer care by introducing at least three LINACs where there is a current shortage of around 20 and provide a focal point for best practice in cancer treatment. It will help further the objectives of the NICCA and help bring to fruition the significant efforts put into developing the country's cancer policy framework.

## 4. Private Health Insurance

The private health insurance market in the Philippines is rapidly growing. According to the Family Income and Expenditure Survey (FIES) conducted by the Philippine Statistics Authority (PSA) in 2018, 33.9% of the population had some form of health insurance coverage, with 26.7% covered by government health insurance (PhilHealth) and 7.2% covered by private health insurance. A report published by Data Bridge Market Research estimates that the Philippines private health insurance market is expected to reach the value of USD 1,273.12 million by the year 2029, at a CAGR of 1.2% during the forecast period of 2022-2029. "Individual Health Insurance" accounts for the most prominent type of segment in the respective market owing to the rise in private health insurance.

Health maintenance organizations (HMOs) are increasingly playing a role, offering comprehensive health insurance coverage that includes preventive care, diagnostic services, and hospitalization, as they provide a cost-effective and accessible alternative to traditional health insurance policies.

Several factors are driving the growth of the private health insurance market in the Philippines, including the increasing cost of healthcare, the need for better and more accessible medical services, and a growing awareness of the importance of having health insurance. The Philippine government is also encouraging the growth of the private health insurance market by providing tax incentives for companies that provide health insurance to their employees.

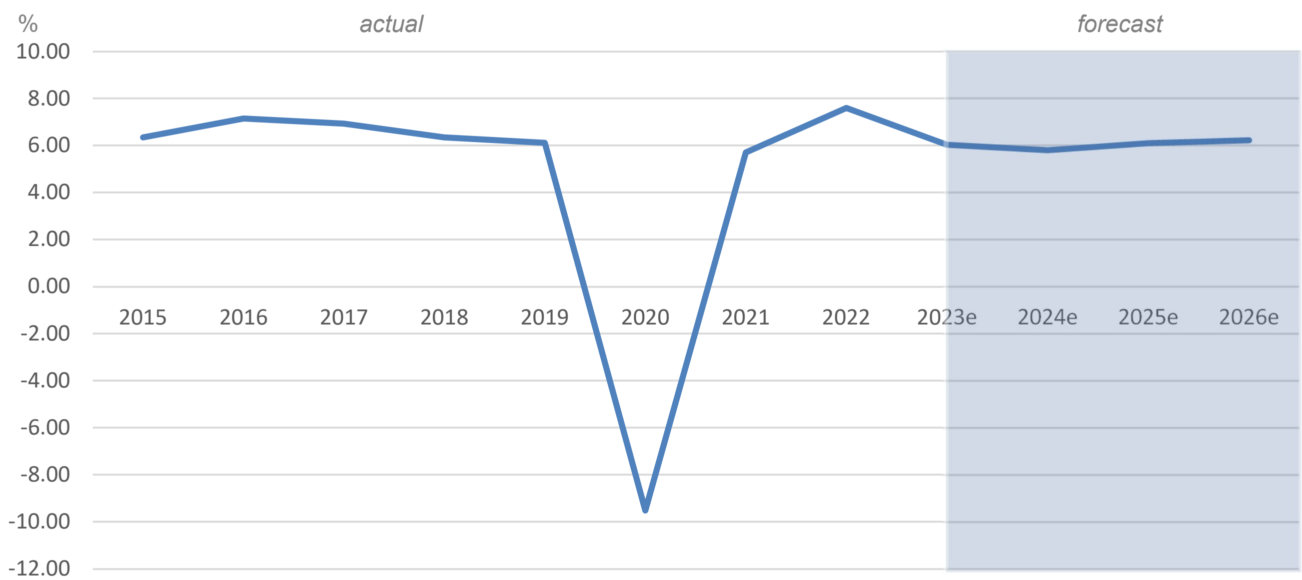
# E MACROECONOMIC CONTEXT

## 1. Philippines Macroeconomic Environment

Overall, the Philippines has experienced strong economic growth over the past two decades, sustaining an annual GDP growth of 2.4% CAGR from 2000 to 2022.[36] Following a sharp contraction in 2020 due to the COVID-19 pandemic, the Philippine economy rebounded in 2021, growing by 5.7%. In 2022 the Philippines recorded its strongest economic growth in more than 40 years, despite the global slowdown and rising inflation. According to Philippine Statistics Authority, the Philippines gross domestic product increased by 7.6%. Growth was spurred by strong domestic demand, rising employment, recovery in tourism, increased private investment and a return to pre-pandemic levels of economic activity.

Going forward, GDP is projected to grow by 5.4% according to World Bank estimates[37]. Sustained reforms and disciplined macroeconomic policies proved decisive in steering the Philippines out of a sharp pandemic-induced recession, but the outlook may be impacted by an uncertain global environment. The economic outlook is subject to potential policy tradeoffs between supporting output on the one hand and reducing inflation and safeguarding the external position on the other.

**Figure 10 GDP Growth Rate**




Underpinned by sound fundamentals, the economy is recovering, credit growth has picked up, and the banking system has shown resilience, coming out of the pandemic with sufficient liquidity and capital buffers. However, amid US dollar strength, high commodity prices, and tightening global financial conditions, inflation has increased, the external position has weakened, and fiscal space has narrowed. Calibrating the policy mix to preserve macroeconomic stability, enhancing fiscal and financial resilience, and accelerating structural reforms remain important determinants to a sustained recovery.

[36] World Bank. https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=PH
[37] Ibid.

The current account swung from a surplus to a deficit in 2021. Bangko Sentral ng Pilipinas sees a $17.1-billion deficit (4% of GDP) for 2023 and $16.8 billion (3.4% of GDP) for 2024, amid a more subdued global growth outlook, persistent inflation pressures, and supply chain disruptions. As of April 2023, the country's running debt stock amounts to PHP13.9 trillion and debt-to-GDP stood at 61%.[38]

Standard and Poor's Global Ratings has maintained its BBB+ sovereign rating with a stable outlook reflecting expectations of economic recovery and a significant decline in the fiscal deficit in the next two years[39]. Fitch affirmed its BBB rating for the country, and in May 2023 upgraded its outlook from negative to stable, reflecting the reflects their assessment that the Philippines' economic policy framework remains sound and in line with 'BBB' peers.

Philippines' historic growth has led to a rapidly rising foreign direct investment ("FDI") inflows, with a significant increase in less than a decade, from around US$1 billion in 2010 to around US$9.2 billion end 2022, making the Philippines one of the most rapidly growing FDI recipient in Asia against regional peers. While FDI net inflows decreased in 2022 due to the extended global slowdown and high inflation, FDI is seeing a recovery in 2023. The majority of FDI investments included manufacturing, financial/insurance activities, real estate, tourism/recreation, and transportation/storage.

The Philippines continues to address investment constraints to improve the business climate. Implementing rules and regulations for The Ease of Doing Business and Efficient Government Service Delivery law of 2018 (Republic Act 11032) were signed in 2018. The law allows for a standardized maximum deadline for government transactions, a single business application form, a one-stop shop, an automation of business permits processing, a zero-contact policy, and a central business databank[40]. The law has also created an Anti-Red Tape Authority under the Office of the President that oversees national policy on anti-red tape issues and implements reforms to improve competitiveness rankings. In late 2018, the Foreign Investments Negative List was also updated, which enumerates investment areas where foreign ownership or investment is banned or limited. The Corporate Recovery and Tax Incentives for Enterprises Act, signed into law in 2021, lowered corporate income tax (CIT) rates. More recently in 2022, a series of reforms were passed into law in 2022; these include the Foreign Investments Act (FIA), granted access to foreign professionals in investment areas previously reserved for Philippine nationals, and amendments to the Public Service Act (PSA), which eased foreign equity restrictions in key sectors.

Further, the Philippine government continues to improve the business climate by simplifying procedures in registering a business and following through on other measures to encourage more foreign investments. Starting a business is now easier due to the abolishment of the minimum capital requirement for domestic companies; dealing with construction permits has been improved (improvement of coordination, standardization of the process for obtaining an occupancy certificate); and minority investor protection has also been strengthened.

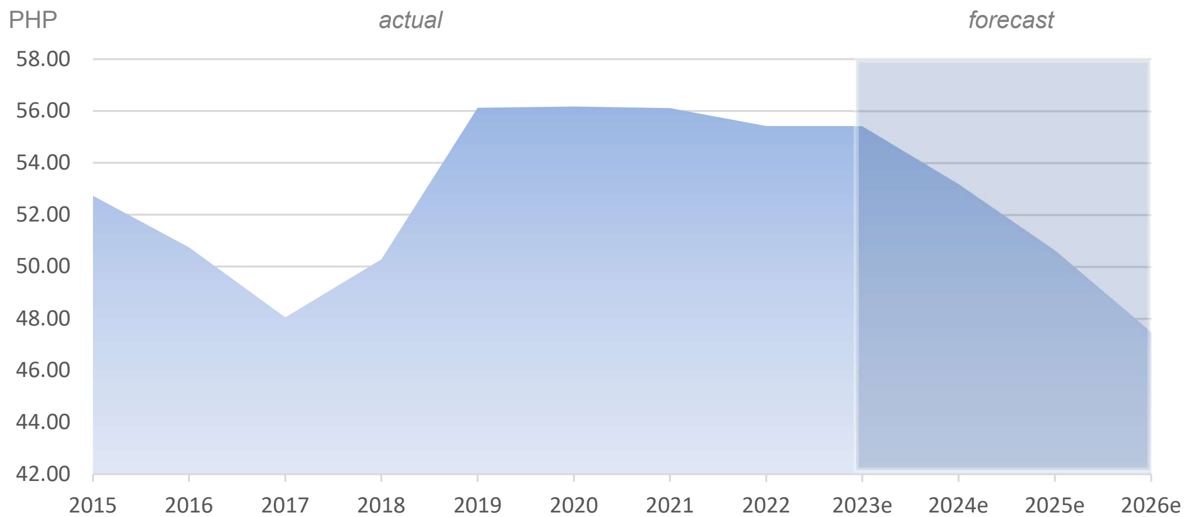
## 2. Currency and Interest Rates

The local currency is the Philippine Peso (PHP). Monetary supply is issued and regulated by the BSP, the Philippine central bank. It is 100% floating. The PHP has seen significant stability over the last decade. Currency swaps against other major currencies are available with most local and international banks.

[38] Bureau of Treasury, May 2023. https://www.treasury.gov.ph/?page_id=12407
[39] S&P Affirms Philippines Investment Grade Rating https://www.bworldonline.com/top-stories/2022/11/18/487965/sp-affirms-philippines-investment-grade-rating/. The BBB+ sovereign rating is a notch away from the A-level grade targeted by the government, while a "stable" outlook means the rating is likely to be maintained in the next six months to two years
[40] https://www.officialgazette.gov.ph/2018/05/28/republic-act-no-11032/

Post the Asian Financial Crisis, BSP maintained a very conservative level of international reserves and maintained import cover levels of 7-10 months even during periods of extreme currency volatility. This is contributing to lower currency volatility despite the COVID-19 impact. The exchange rate hit an all-time low of PHP ~59 to US$1 in October 2022 but has since rebounded, stabilizing to PHP ~56 to US$1 end 2022 amid the series of rate hikes as well as its intervention in the foreign exchange market to smoothen the volatility. Forecasts estimate a continued improvement in the near term in the foreign exchange rate[41].

**Figure 11 USD/PHP Exchange Rate**




Remittance flows from overseas Filipino workers (OFWs) and business process outsourcing ("BPO") industry are expected to stay robust over 2023, lending crucial support to the peso. Gross international reserves stood at US$101.3 billion as of May 2023 which is higher than end-2022 of US$96.1 billion.[42]

The reference rate for domestic loan pricing purposes is the Philippine BVAL Reference Rates, which is based on an algorithm of available market data of trades, executable trade, indicative quotes, and comparable quotes.[43] As of June 2023, interest rates are 5.81%, 5.86%, 5.92% and 5.94% for the 5-, 7-, 10- and 20- year tenors[44].

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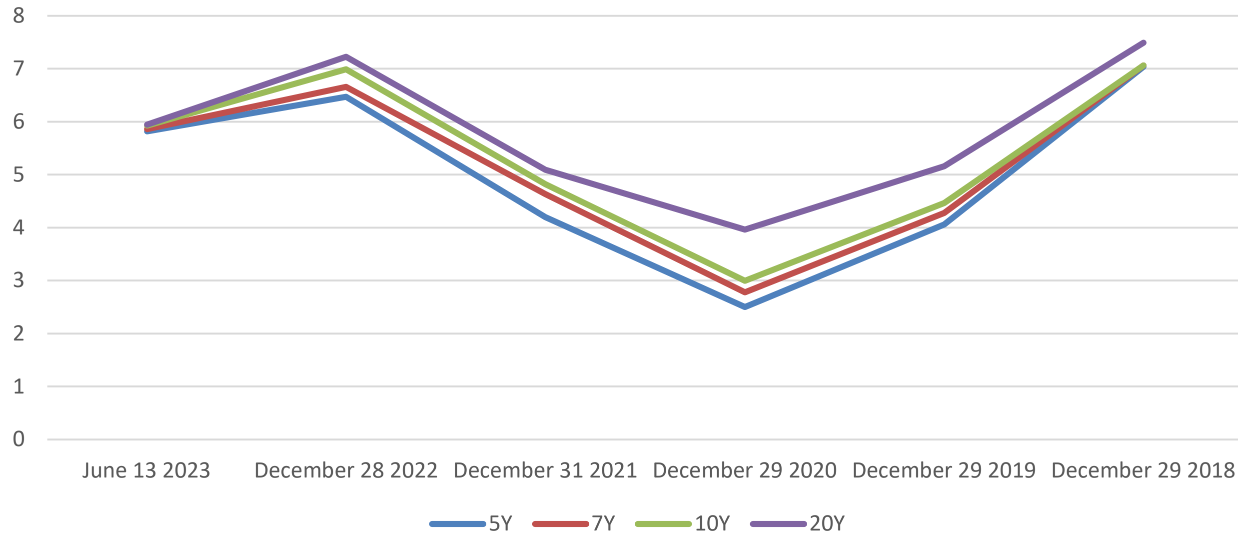
[41] Oxford Economics / IFC, April 2023
[42] Bangko Sentral ng Pilipinas. June 2023. https://www.bsp.gov.ph/Statistics/sdds/table12_data.aspx
[43] PDS Group. June 2023. https://www.pds.com.ph/wp-content/uploads/2023/02/Bloomberg-BVAL-Methodology-FAQ.pdf
[44] PDS Group. June 2023. https://www.pds.com.ph/index.html%3Fpage_id=56432.html

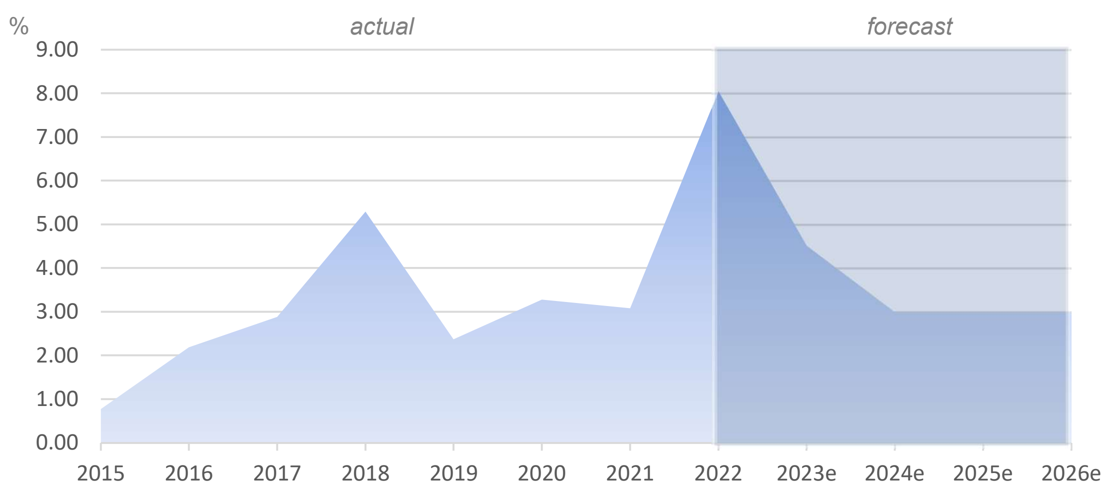
**Figure 12 BVAL Rates**




BSP has deployed a number of liquidity-boosting and credit-relief measures in 2020 with the objective of preserving the country's sovereign credit rating[45].

Inflation rates ranged from 0.77% to 8% from 2015-2022[46] (end of year). The recent rise in inflation have been driven by rising utility, housing, and food costs post-pandemic. In the mid-term inflation is expected to stabilize. As of May 2023, inflation has eased to 6.1%, on track to settle within the government's 2% to 4% target.

**Figure 13 Inflation Rate % (2015 – forecast 2026)**




[45] Bloomberg. Philippines May Keep Interest Rate Low Through 2022, Diokno Says. December 22, 2020. (https://www.bloomberg.com/news/articles/2020-12-22/philippine-central-bank-may-keep-low-key-rate-through-end-2022)

[46] Philippine Statistics Office, June 2023. IMF World Economic Outlook (forecast, April 2023)

## 3. Local Banking Sector

Philippines' banking sector is dominated by several large domestic banks, which are tightly interlinked with nonfinancial listed corporates through conglomerate ownerships and significant exposures. These follow a traditional commercial banking business model, taking deposits and lending mostly to nonfinancial corporates. The size of the financial system is broadly in line with the economy's level of development.

A syndication of local banks has historically funded PPP projects. Long-term lending for 10-15 years or even longer has been made available in previous PPPs.

The banking system has shown resilience during the pandemic, emerging from the downturn with sufficient liquidity and capital buffers.

## 4. PPPs in the Philippines

Under the Government's 2023-2028 Development Plan, infrastructure remains a top priority, with over 3,600 infrastructure projects worth a total of $372 billion in the pipeline set be implemented through 2028. The government plans to spend 5-6% of gross domestic product on infrastructure. There currently are 87 public-private partnership (PPP) projects in the pipeline amounting to $54 billion. PPPs are one of the six cross-cutting strategies that the administration aims to leverage to serve as catalysts for economic, social, institutional, and environmental transformation. Its infrastructure program aims to be a cornerstone of its policy to support domestic consumption and stimulate the economy going forward. In the context of the fiscal constraints faced in the current operating context, the private sector is considered an important partner for the government to achieve its ambitious infrastructure targets.

The Philippines boasts a comprehensive legal framework for PPPs that includes a well-established PPP law (the BOT Law), along with related regulations, manuals, and policy guidelines. The current administration has demonstrated a tangible shift in policy towards PPPs, demonstrated by the resolute action to amend the BOT Law IRR and guidelines for processing and approval of PPPs. Implemented as priority, the IRR was approved mid October 2022 and the supporting ICC Guidelines were thereafter approved December 2022. The amendments have made valuable changes that addressed some key bankability concerns as well as clarifying some previously ambiguous provisions.

The Philippines has implemented a significant number of infrastructure projects through PPPs since the establishment of the BOT Law. A total of 211 PPP projects have been awarded, 88 of which are national agency PPP projects, for a total value of PHP 2.3 trillion[47]. Of the 211 projects, 117 are operational, 32 are under construction, 4 under pre-construction, and 42 have already been completed. Projects have primarily been in the transport[48] and power sectors, as well as some notable projects in the water and sanitation, and solid waste management sectors. To date, three (3) local health PPPs have been awarded (1 recently awarded, 1 under pre-operation and 1 under construction). However, there have been no successful national health PPPs implemented; the Orthopedic Hospital PPP successfully tendered but did not reach financial close.

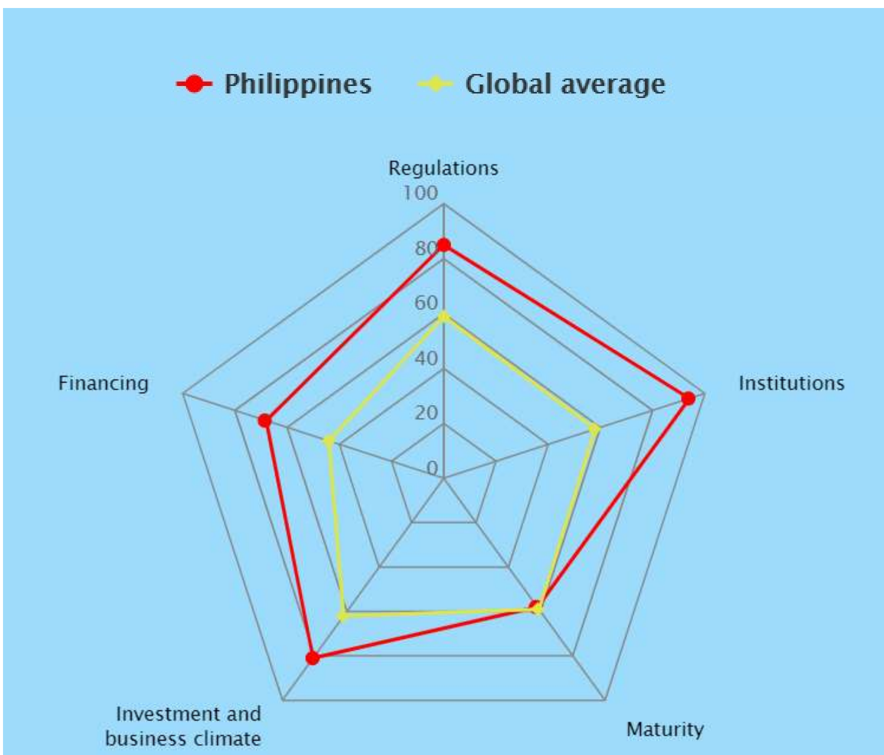
[47] https//ppp.gov.ph
[48] A total of 30 PPP projects composed of airports, rail projects, roads, terminals, and ports (e.g., Mactan Cebu International Airport Passenger Terminal Building Project, Clark International Airport Project, Manila LRT 1, NAIA Expressway).

According to World Bank's Benchmarking Infrastructure Development 2020[49] the Philippines scores well in indicators reflecting its ability to prepare, procure and manage PPPs. The study assesses the quality of regulatory frameworks for preparation, procurement, and management of large infrastructure projects.

**Figure 14 Philippines World Bank PPP Benchmarking Report Score**


The Economist Intelligence Unit ("EIU") 2019 Asia Infrascope Report also ranked the Philippines highly in its capacity to implement sustainable and efficient PPPs[50] and the PPP regulatory environment is considered "mature" given the number of successful projects completed.

**Figure 15 EIU Infrascope PPP Report Score**




[49] https://openknowledge.worldbank.org/handle/10986/34608

[50] https://infrascope.eiu.com/,https://infrascope.eiu.com/wp-content/uploads/2019/04/EIU_2019-IDB-Infrascope-Report_FINAL-1.pdf

# F TENDER PROCESS

## 1. Bid Parameter

The required Annual Payment to be paid by PGH to the Private Partner will be determined through a competitive bidding process. The winning bidder will be selected based on the lowest Annual Payment required. The Annual Payment will have a fixed, flat profile over the concession operating period. The Annual Payment will be disbursed to the concessionaire in equal tranches on a semi-annual basis.

## 2. Issuance of Bidding Documents

Interested parties qualify as potential bidders upon their purchase of the Bidding Documents from UP-PGH. Bidding Documents will include this Information Memorandum, the Instructions to Bidders ("ITB"), and the draft Concession Agreement/Term Sheet.

## 3. Single-stage Tender Process

### 3.1 Bid Evaluation Process

The tender process will be completed as a single stage bid where qualifications documents will be submitted at the same time as the technical and financial bids. On the bid submission date, Bidders will submit three envelopes that will be opened and evaluated sequentially:

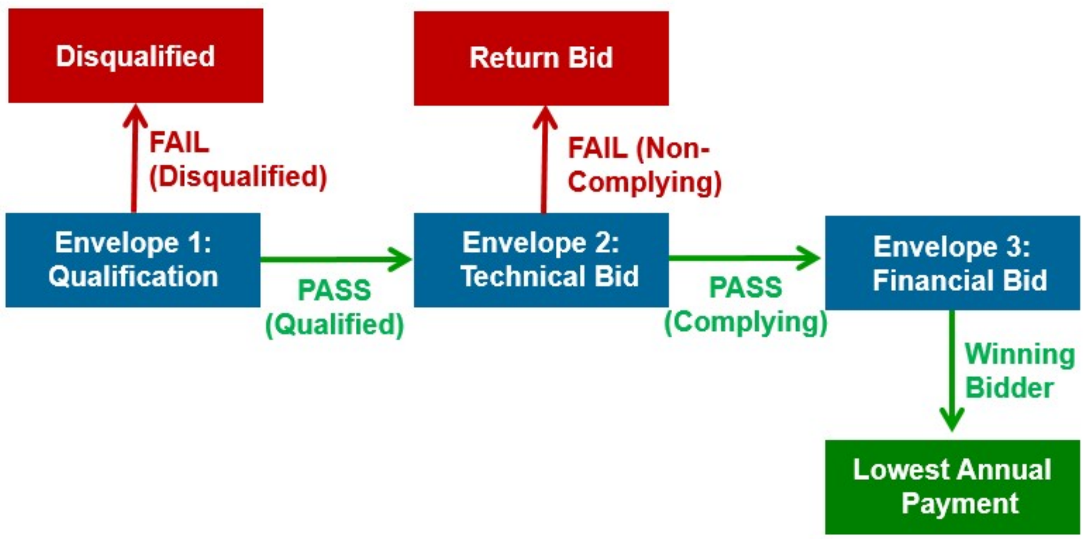
- Qualification (First Envelope) - evaluated on a Pass/Fail basis;
- Technical Bid (Second Envelope) - evaluated on a Pass/Fail basis;
- Financial Bid (Third Envelope) - winning bidder selected based on the lowest proposed Annual Payment.

The First Envelope will contain the Qualification Documents. The Project's Special Prequalification, Bids and Awards Commission ("SBAC") will evaluate the completeness and the compliance of the bidders' legal, technical, and financial qualifications against the criteria and minimum requirements set out in the ITB.

The Second Envelope will contain the Technical Bid. Only the Second Envelope of those who have qualified, based on the results of the evaluation of the First Envelope will be opened. The SBAC will evaluate the completeness and the compliance of the bidders' technical proposals based on the criteria and the mechanics set out in the ITB. The Second Envelope will also contain the bidders' Bid Security. Disqualified bidders will be notified and provided an explanation regarding their disqualification. Their bid securities will also be returned.

The Third Envelope will contain the Financial Bid, including the proposed Annual Payment. Only the Third Envelope of those who have qualified, based on the results of the evaluation of the Second Envelope will be opened. The bidder with the lowest Annual Payment, subject to the cap imposed by NEDA, will be declared the Winning Bidder.

Figure 16 Tender Process




## 3.2 Investor Due Diligence

Potential bidders are invited to conduct their due diligence and will be provided access to complete site visits at the Project Site. The process will be supervised by UP-PGH.

Bidders will also be provided access to the Virtual Data Room ("VDR") where relevant due diligence materials, the Bidding Documents, including iterations of the Concession Agreement and supplemental Bid Bulletins will be uploaded.

## 3.3 Pre-Bid Conference and One-on-one Meetings

Interested parties may attend the Pre-Bid Conference where UP-PGH will provide additional information on the transaction, clarify any questions on the procurement process, Bidding Documents and overall implementation arrangements for the Project.

Potential bidders will be entitled to attend one-on-one meetings with UP-PGH for consultations on the draft Concession Agreement, which will be issued subsequently via a Bid Bulletin from the SBAC and uploaded to the VDR. Potential bidders will be allowed to comment on the Bidding Documents. UP-PGH will engage in transparent and open negotiations with all parties. It is understood that, at the end of the negotiations, all potential bidders will receive the same final version of the Bidding Documents on which to bid.

## 3.4 Post-qualification and Award

The Winning Bidder will be selected to undergo a post-qualification process as set out in the ITB. The SBAC will conduct final verification of the credentials and the bid documents of the Winning Bidder before the Notice of Award is issued. If no irregularities are found, then the Notice of Award will be issued to the Winning Bidder.

Other qualified bidders who passed the Technical and Financial Evaluations may maintain their Bid Securities with UP-PGH. Should the Winning Bidder be disqualified in the post-qualification stage, or it fails to sign the Concession Agreement, the bidder with the next Best Bid and with a valid bid security still with UP-PGH will proceed to the post-qualification stage and may be declared the Winning Bidder.

# G TRANSACTION CONTACTS

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