



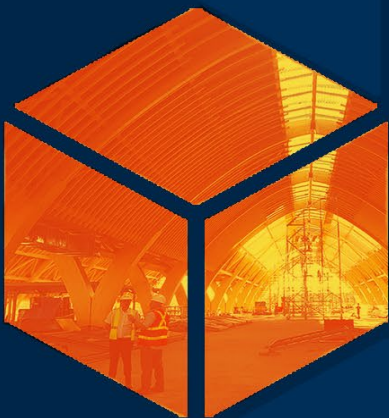
ADB



# Negros Occidental Bulk Water Supply Project

## Investor Conference

Bacolod City, Negros Occidental  
10 August 2023





# THE PHILIPPINE PPP PROGRAM AND PPP CENTER



# PPPs and the Philippine Infrastructure Development Program



## 8-POINT SOCIOECONOMIC AGENDA

4

### Job creation through infrastructure improvement, among others,

- Accelerate spending and increase investments in infrastructure
- Continue and expand, wherever possible, the existing government infrastructure program

## FINANCING AND IMPLEMENTATION MECHANISMS

**Government Financing**  
General appropriations,  
corporate funds

**Government Borrowings**  
Domestic & foreign debt,  
official development  
assistance (ODA)

**Private Sector Financing**  
Public-Private Partnership  
(PPP)



# Philippine Infrastructure Program

## Philippine Development Plan (PDP) 2023-2028



The PDP 2023-2028 identifies infrastructure as critical to the economic transformation. Attainment of water security, ecological integrity of water systems, and resiliency to water hazards and entering into PPPs were among the strategies identified by the current administration.

Upgrading and expanding water infrastructure are foundational in achieving the following key outcomes in the PDP.

PPP shall be encouraged to enhance and strengthen investments in managing and developing water infrastructures and services. Obstacles to private sector participation shall be managed



# Priority sectors to develop inclusive and sustainable infrastructure



**Health**



**Education**



**Agriculture and food security**



**Water supply and sanitation**

8 projects in the pipeline\*



**Tourism**



**Physical connectivity**



**Digital connectivity**



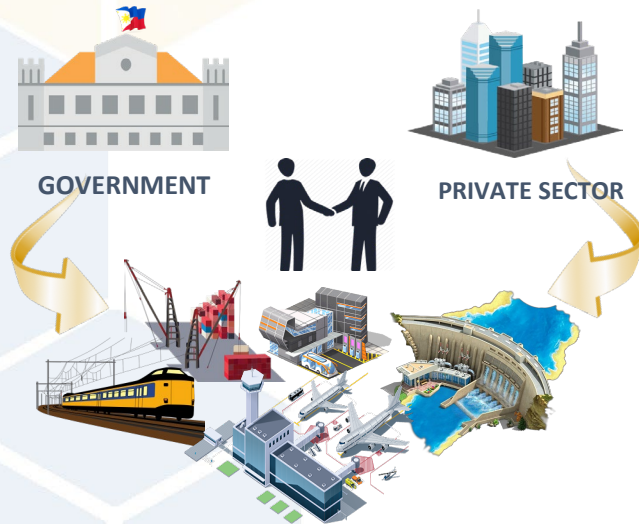
**Energy**

*\*in various stages of development, approval and procurement*



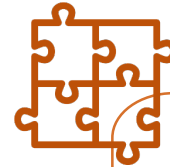


# PPPs for the Water Sector



- A **long-term contractual agreement** between government and a private firm
- In the water sector, governments may engage the private sector to deliver services through PPPs which are targeted towards **financing, designing, operating,** and **maintaining** water supply infrastructure facilities and services

## Why PPPs?



Integrated approach (design + build + operate + maintain) can **reduce whole-of-life project cost.**



More **efficient delivery of public services** by tapping private sector's capacity and technology



**Optimal risk allocation** (where risk is allocated to the party who can best manage it) can also reduce project cost.



# PPP Center of the Philippines



*The PPP Center facilitates the implementation of the country's PPP Program. It serves as a central coordinating and monitoring agency for all PPP projects.*



Advocate for **POLICY** reforms to enhance enabling environment



Conduct **CAPACITY BUILDING** activities to improve skills of agencies



# PPP projects



as of July 21, 2023

# 226

**AWARDED  
PROJECTS**  
PHP 2,584 Billion

	No.	PhP (bn)
National	166	2,259
Local	60	326

# 106

**PROJECTS  
IN THE PIPELINE**  
PHP 2,491 Billion\*

	No.	PhP (bn)
National	94	2,380
Local	12	111

*\*Total cost does not include projects undergoing studies and with costs that are yet to be finalized*



# PPP trends: expanded sectors in the pipeline

as of July 21, 2023

## National PPPs (94)



64

Transportation  
(airport, road, rail,  
port, and terminal)



6

Health  
(hospital facilities  
and services)



11

Vertical infrastructure /  
government property  
development



6

IT system



5

Water supply and  
sanitation



1

Tourism



1

Energy

## Local PPPs (12)



3

Water supply and  
sanitation



2

Vertical infrastructure /  
government property  
development



4

Solid waste  
management



Agriculture/Food  
Security

## Emerging sectors in local PPPs



3

Transportation  
(e.g. port, road, bus rapid  
transport [BRT], and terminal)



Tourism



IT system



Health  
(hospital facilities  
and services)



Energy



# PPP Center Assistance to Province of Negros Occidental



PPP Cooperation Framework  
between PPP Center and PGNO (April  
2022)



Capacity building activities for  
Provincial PPP Unit and Project TWG  
(June 2022)



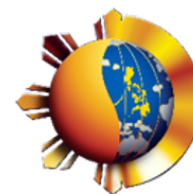
Technical assistance for Negros Bulk  
Water Supply Project (Ongoing)



# Current Technical Assistance to Province of Negros Occidental



*TA 9766-REG: Southeast Asia Public Management, Financial Sector, and Trade Policy Facility*



*PPP Center  
Local PPP Strategy*

PUBLIC-PRIVATE PARTNERSHIP  
CENTER

## TA 9766 Capacity Building for Negros Bulk Water Supply Project

### **Project Study Component**

The Program shall utilize an immersive, handholding, learning-by-doing approach to train the Province of Negros Occidental in conducting the necessary activities during the development, as well as preparation for procurement of solicited PPP projects

### **Capacity Building Component**

The Program also covers capacity building and competency training for the Province of Negros Occidental for the purpose of developing and implementing a bulk water supply PPP project.

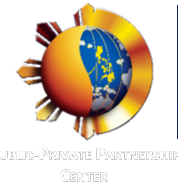


# PPP Project Study Component



## Baseline Assessment Report and Hydrologic Report

Dependable flow estimates
Water demand
Transmission mains
Cost estimates
Preliminary financial analysis



## PPP Project Study

Technical analysis finalization
Conceptual engineering design for bulk water and septage system
Environmental safeguards
Legal and institutional
Financial analysis
VFM Analysis
PPP Project Structuring
Bidding preparations



*Complete Project Study  
for Negros Occidental  
Bulk Water Supply  
Project*



- 1. Project approval  
(e.g. P4 Selection  
Committee,  
Provincial Council)*
- 2. Project bidding*





# PARTNERING WITH THE PROVINCE OF NEGROS OCCIDENTAL



# Profile of Negros Occidental



**Ripe for investment  
with supporting  
infrastructure in place**

- Outside Metro Manila, Negros Occidental has the **most number of cities** with its highly urbanized capital, Bacolod City, plus 12 component cities and 19 municipalities
- **Land area:** 792,607 hectares (of which 540,386 ha is alienable/disposable)
- **Population:** 3.2 million in 2020 and seen to reach at least 5 million by 2040
- 10 renewable **energy** sources
- **Easily accessible** by air, land and sea transport
- **Competitive** labor cost
- 2.74 million **employed** persons as of 2018 and with active education program for skilled manpower
- **24 Ecozones:** 3 agro-industrial, 19 IT/BPO Center/Park, 2 manufacturing

# Profile of Negros Occidental

## Major Industries

- Wholesale and retail
- Services
- Manufacturing, construction and real estate development
- Agriculture and aquaculture
- Mining and quarrying

## Investment Priorities

- Infrastructure
- Tourism
- Information Technology
- Agri-Business
- Organic Agriculture
- Renewable Energy Resources
- Sugar Industry
- Giftware & Holiday Decor

## Emerging Developments

- Commercial developments (e.g. new malls)
- Residential subdivisions, socialized housing
- Government buildings
- Planned townships
- Seaport



**Abundant opportunities for investment and growth**

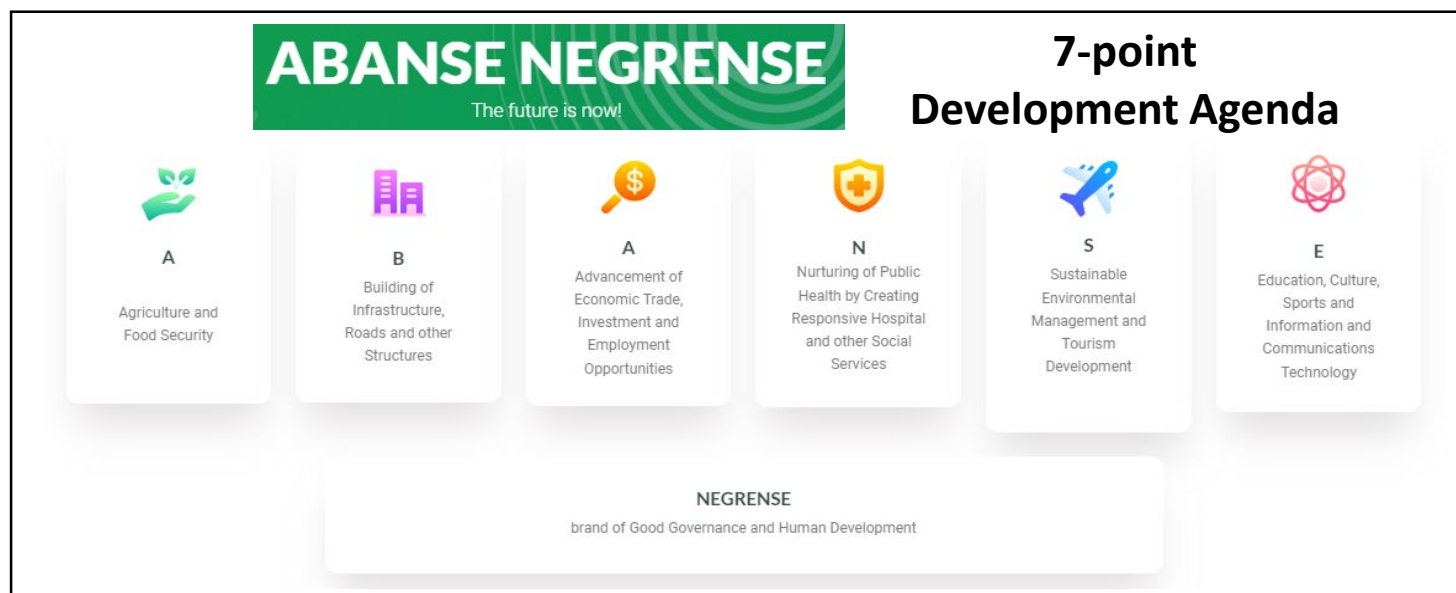
# Profile of Negros Occidental

- **Abanse Negrense 7-point Development Agenda for 2023-2025** is geared towards advancement of the Province and every Negrense
- **PGNO pursuing Public-Private Partnerships (PPPs)** to deliver and achieve the development priorities under the 7-point Development Agenda
- PGNO leadership and supporting frameworks **now ready for PPP** project development and implementation
  - ✓ Province of Negros Occidental P4 Code (Ordinance No. 2018-001)
  - ✓ PPP cooperation framework with PPP Center
  - ✓ Creation of Provincial PPP Unit and Project TWG
  - ✓ Capacity building activities

**Exceptional governance,  
leadership, institutional  
readiness and commitment**

*“We shall create an environment that is friendly to big investments. **The public-private partnership should be pursued** to promote cooperation between the public and private sectors in the furtherance of our development agenda.”*

– Governor Eugenio Jose Lacson, 2019







# NEGROS BULK WATER PROJECT OVERVIEW



# Project Background

## Project Rationale

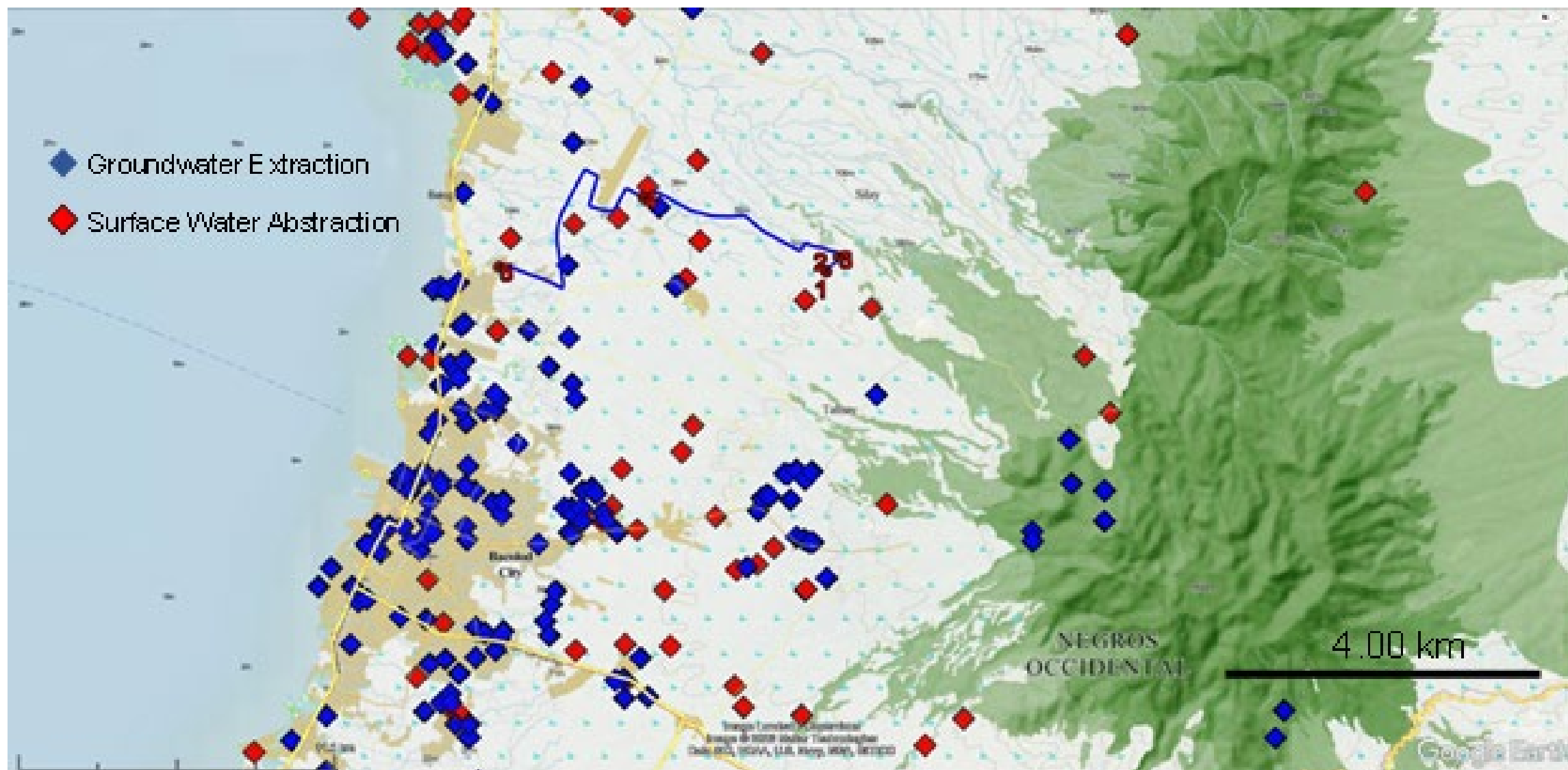
Current Situation in Negros Occidental:

- Groundwater sources are rapidly being depleted and will soon be fully used up.
  - Available groundwater can meet only 8% of expected demand; abundant surface water sources are able to supply the remaining 92% and more
  - Current groundwater resources will no longer hold the Province's demand by 2035
- Based on the Philippine Sustainable Water Masterplan, LGUs and WDs should shift to surface water sources in order to have a sustainable water supply system and mitigate depletion of groundwater sheds.
- There are service problems occurring such as high turbidity during rainy season, low pressure occurrences during peak-hour demand, poor water quality, etc.
- There is a need to develop a new water source to augment the current water supply.

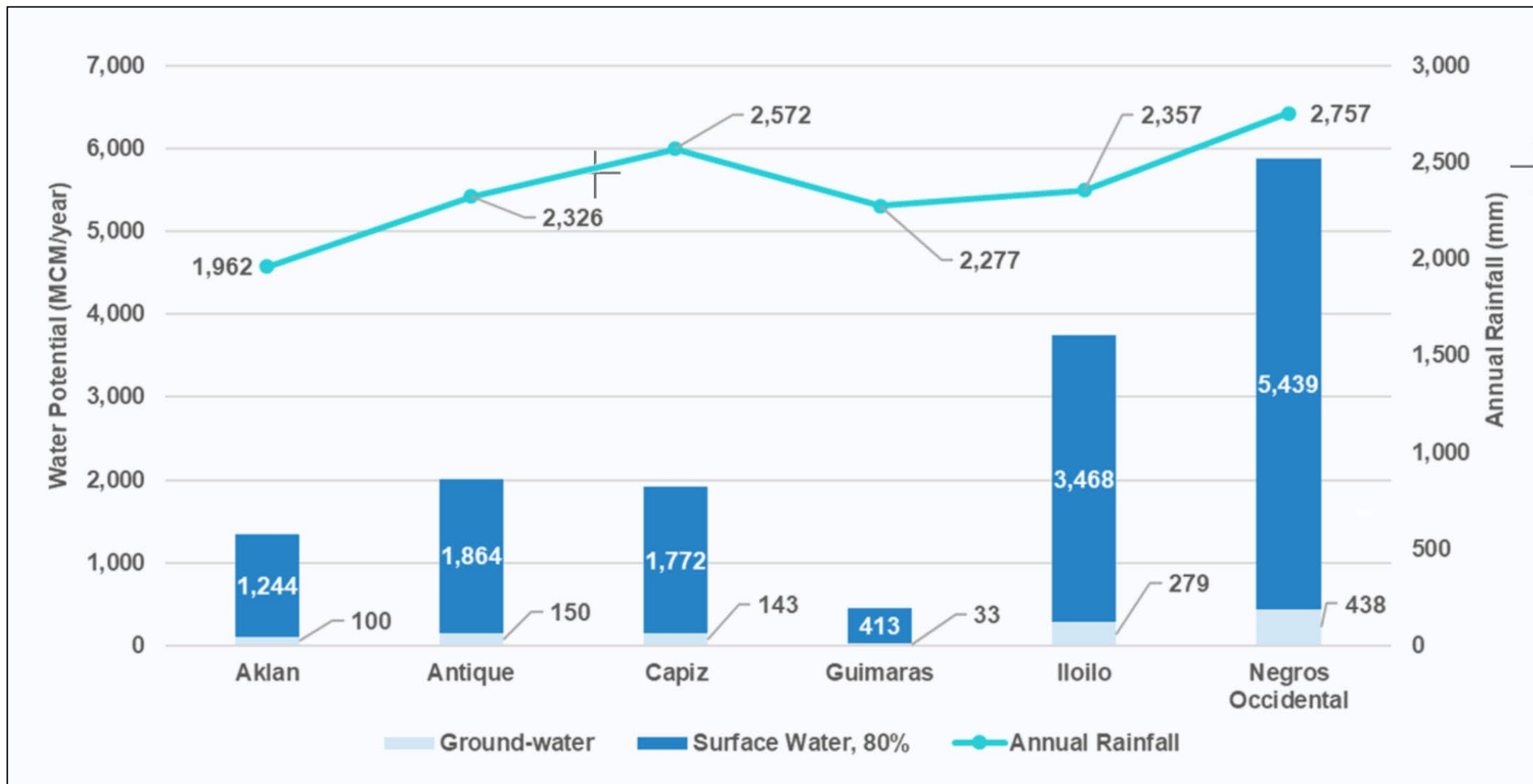
## Project Objectives

The Project aims to address the increasing water demand of the Province of Negros Occidental by developing surface water as the source to provide potable, sustainable, and resilient water supply and at the same time reducing dependency on groundwater and use of deep wells.

# Current Situation



# Profile of Water Sources





# Project Background

## Project Description

The project involves:

- Financing, engineering design, construction, operation and maintenance
- Bulk water supply system: intake facilities, water treatment plant, transmission mains, offtake facilities, etc.
- Utilizing surface water source to supply bulk water to 6 Water Service Providers (WSPs) of the Cities of Silay, Talisay, Bacolod and Victorias, and Municipalities of EB Magalona and Manapla

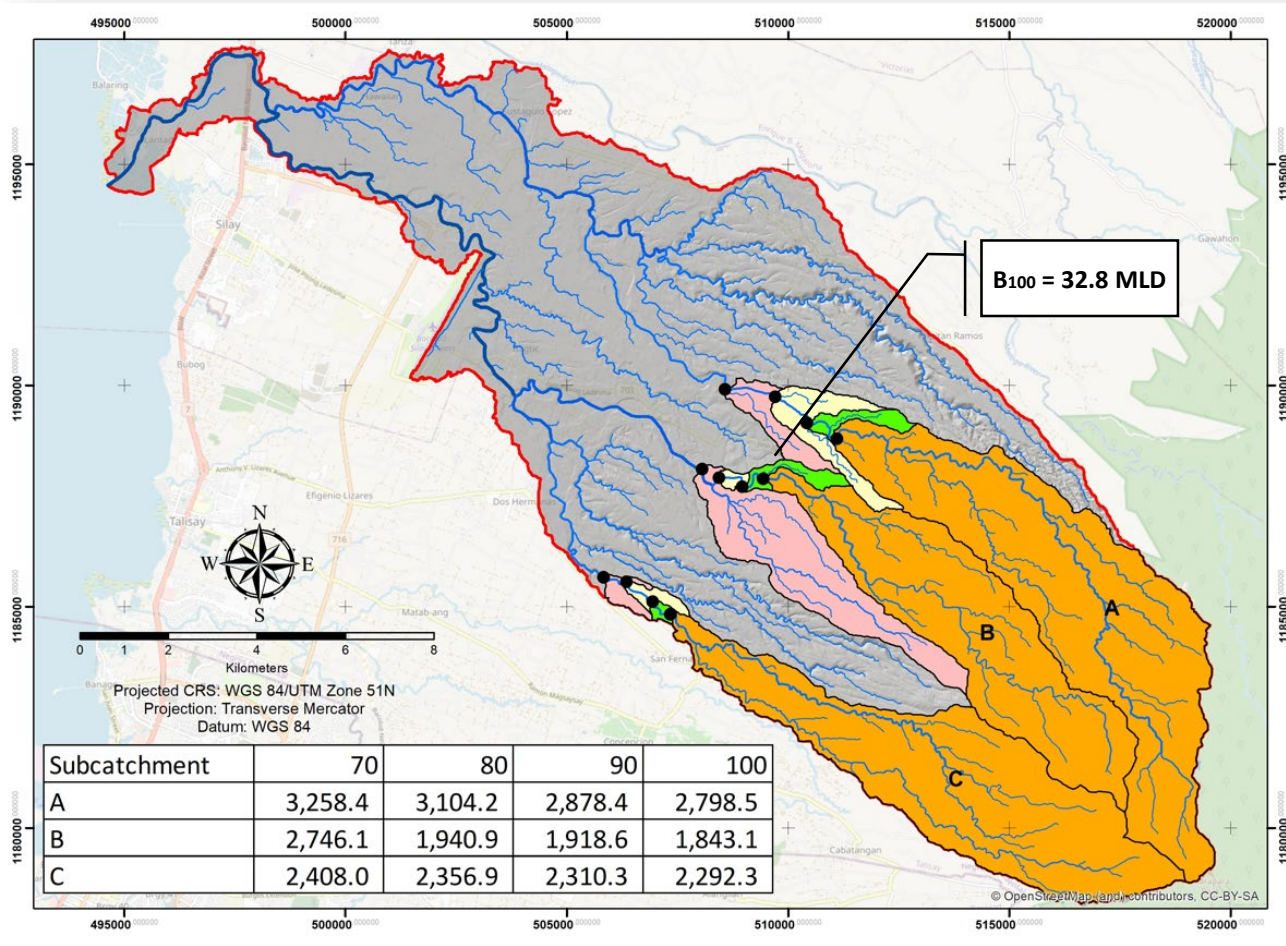


## Sectoral Context

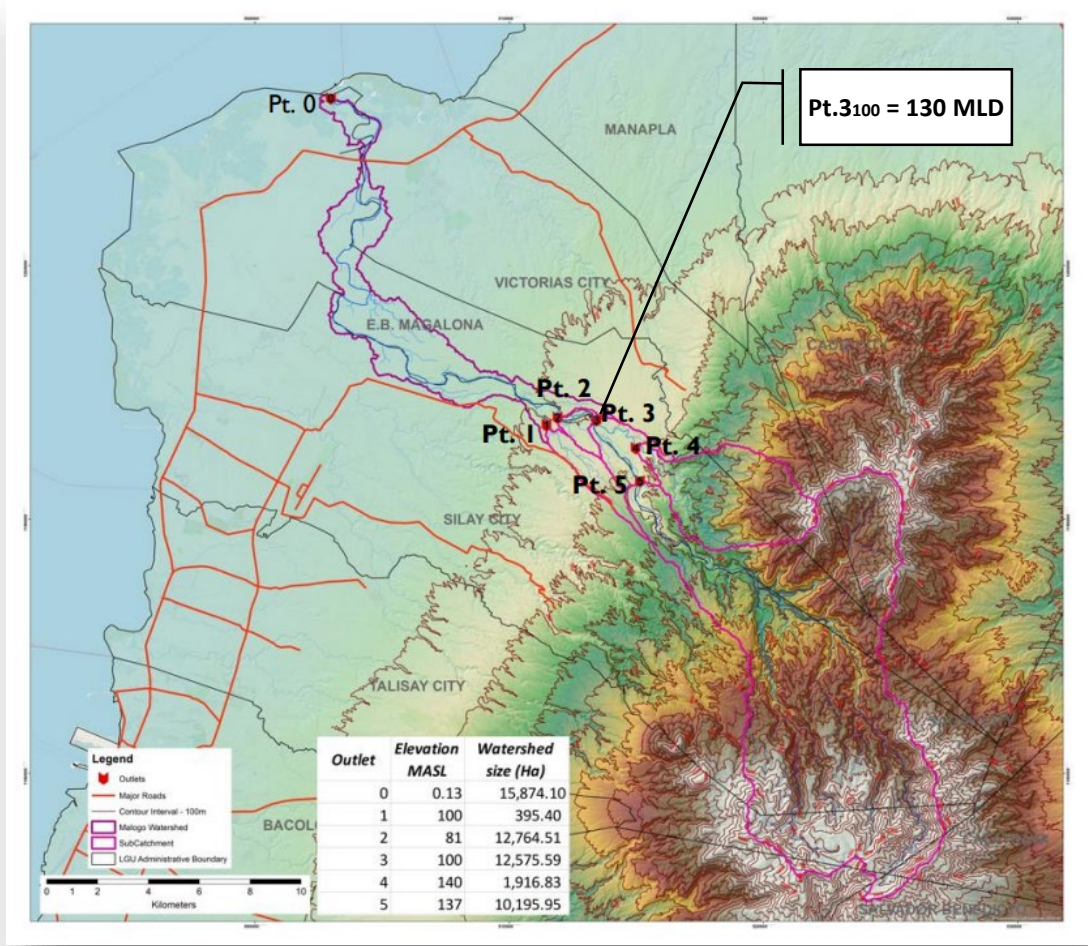
- ✓ One of the priority projects under the Abanse Negrense seven-point development agenda
- ✓ Aligned with:
  - ✓ Philippine Water Supply and Sanitation Master Plan 2019-2030
  - ✓ PPP Center Local PPP Strategy
  - ✓ DENR Strategic Program for Climate Resilience / Risk Resiliency and Sustainability Program
  - ✓ Philippine Clean Water Act of 2004 (Republic Act No. 9275)

# Surface Water Sources

## IMBANG RIVER, SILAY CITY



## MALOGO RIVER, SILAY CITY / EB MAGALONA





# Project Coverage

Service Area	Water Service Provider (WSPs)	Classification	LOI Committed Volume
City of Bacolod	Bacolod City Water District (BACIWA)	"A"	10 MLD
Enrique B. Magalona	Local Government Unit (LGU) of Enrique B. Magalona	n/a	n/a
Municipality of Manapla	Manapla Water District	"D"	0.8 MLD
City of Silay	Silay City Water District (SICIWA)	"C"	5 MLD
City of Talisay	Talisay Water District	"C"	5 MLD
City of Victorias	Victorias City Water District	"C"	5 MLD



Water Districts are categorized into 4 types, namely: A, B, C, & D. Categorization is based on their service connections and point rating (please refer to the Revised Manual on Local Water District Categorization for details).

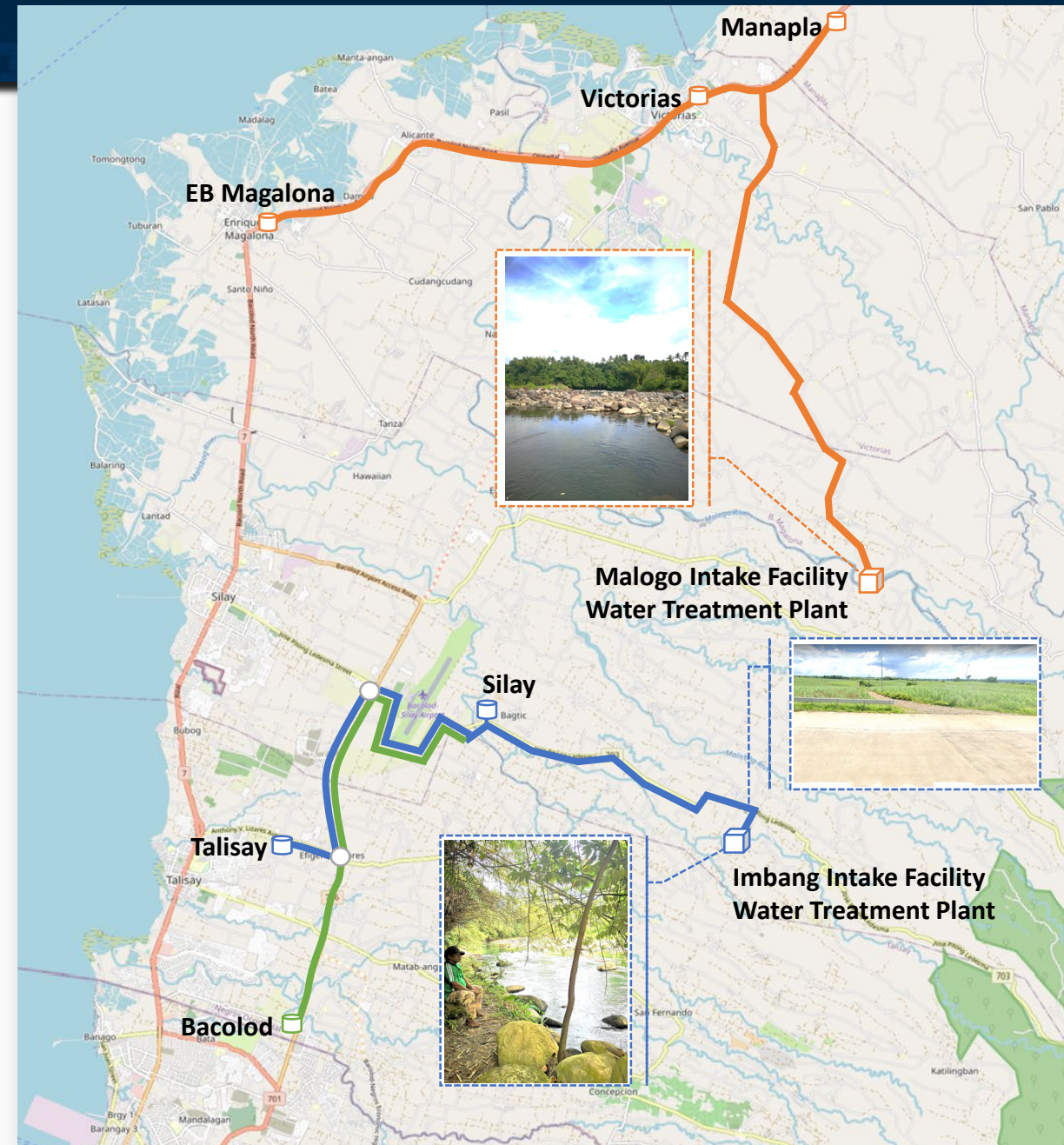
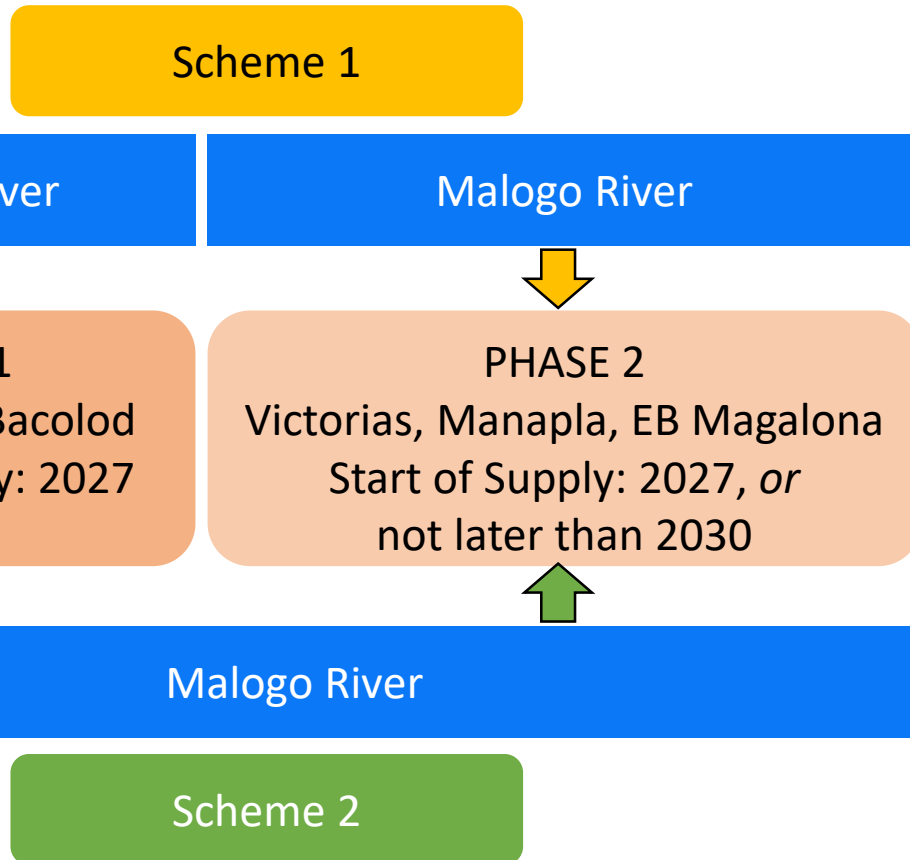
- Based on # of active service connections: A - at least 30,000; B - at least 10,000; C - at least 3,000; D - below 3,000;

- Based on (point-rating or points earned): A - 75 to 100; B - 50 to 74; C - 25 to 49; D - 1 to 24.



# System Requirements

- **Supply to 6 Water Service Providers (WSPs)** of the Cities of Silay, Talisay, Bacolod and Victorias, and Municipalities of EB Magalona and Manapla
- **Required minimum system capacity of 34.50 MLD**, to be sourced from **Imbang and/or Malogo**, using either of the following schemes; phased approach allowed

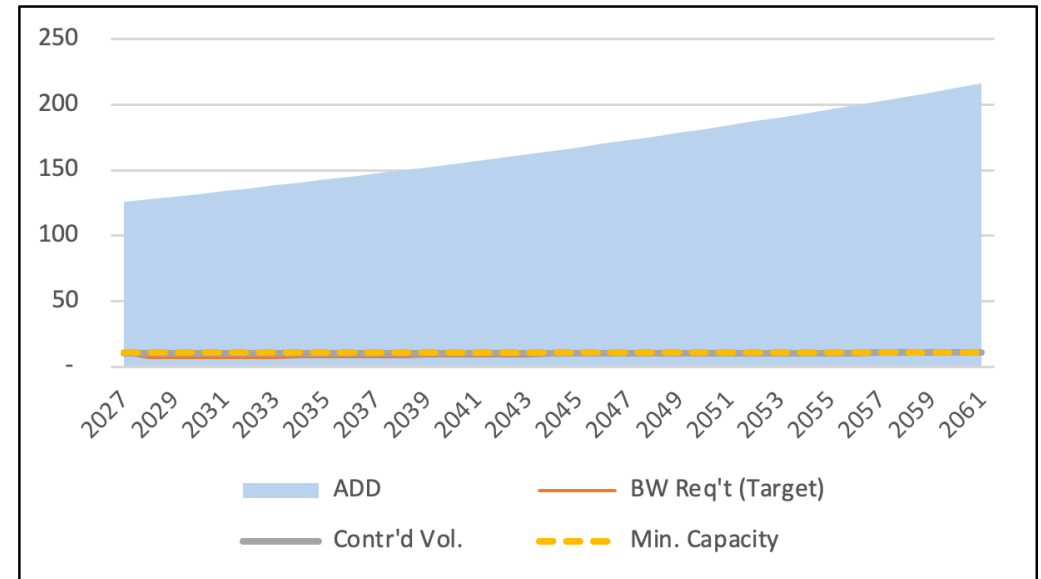




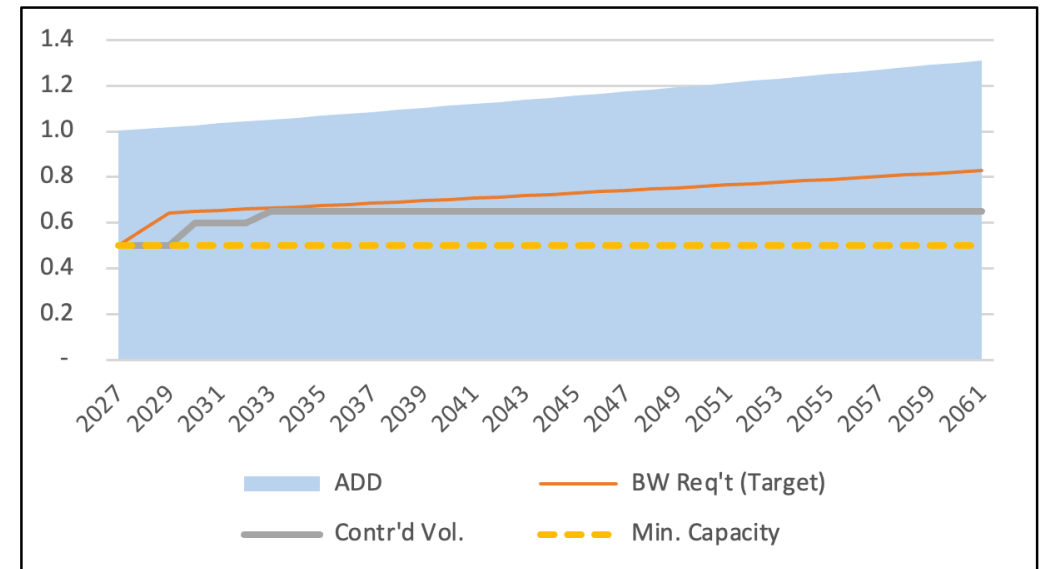
# Demand Analysis

Service Area	Starting Volume (MLD)	Long-Term Bulk Water Target	Required Min. Capacity (MLD)
City of Bacolod	10.00	5% of ADD	<b>11.00</b>
Enrique B. Magalona	0.50	60% of ADD	<b>0.50</b>
Municipality of Manapla	0.80	60% of ADD	<b>1.00</b>
City of Silay	5.00	80% of ADD	<b>10.00</b>
City of Talisay	5.00	65% of ADD	<b>6.00</b>
City of Victorias	5.00	70% of ADD	<b>6.00</b>

BACOLOD CITY

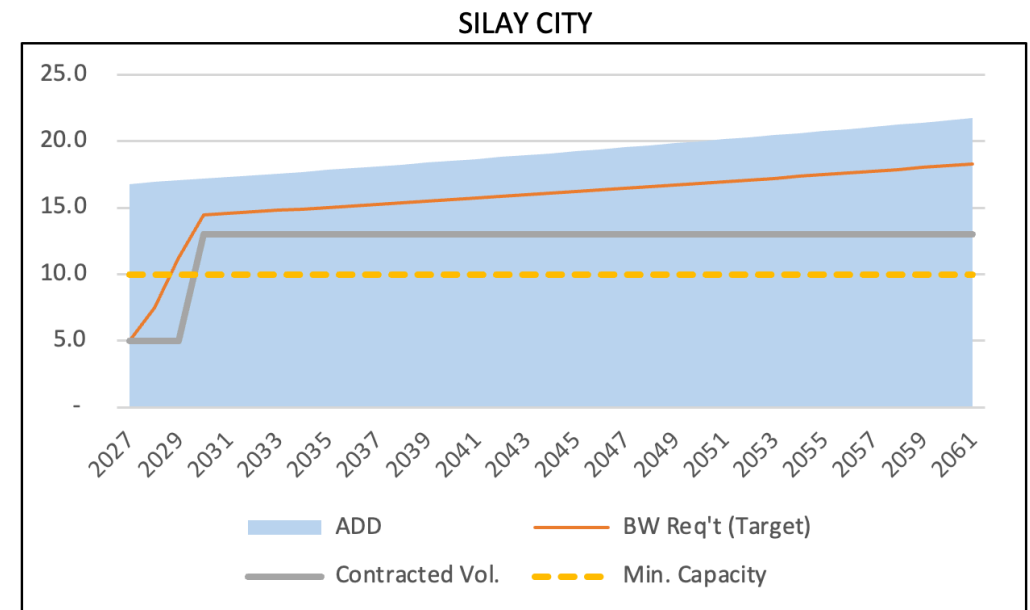
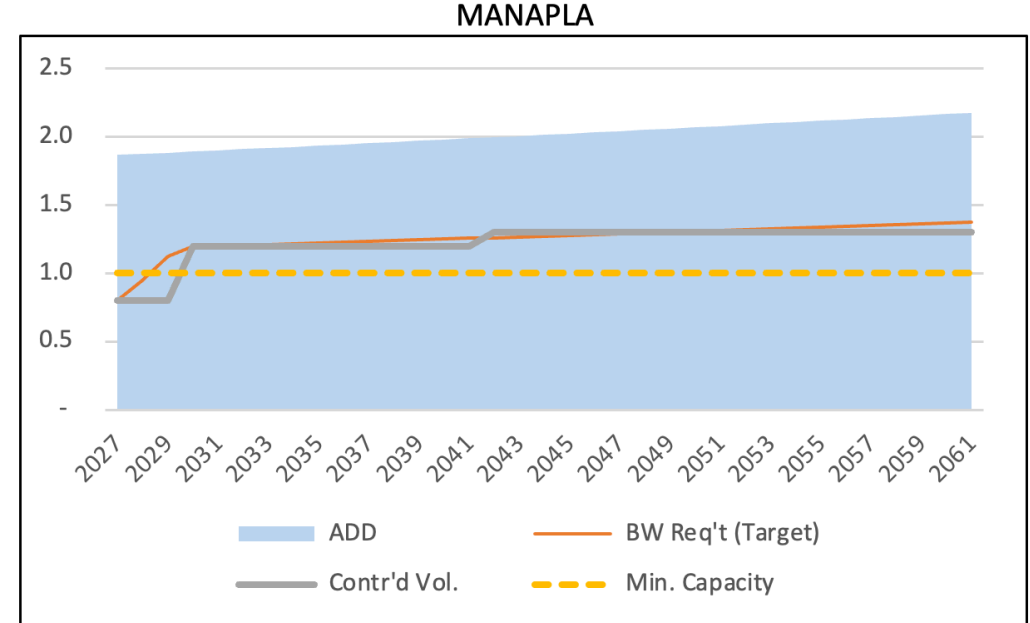


EB MAGALONA



# Demand Analysis

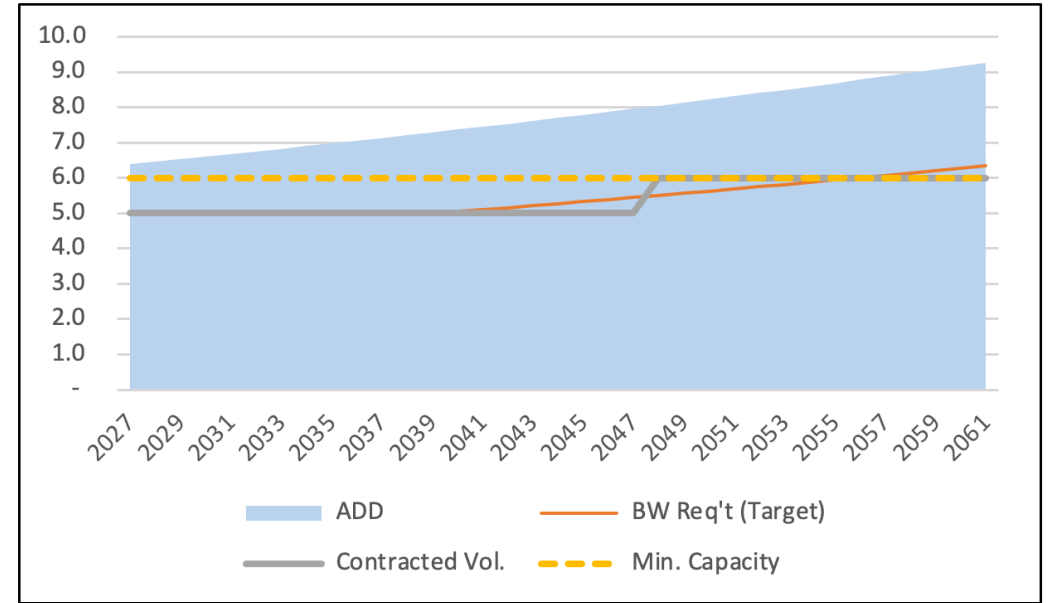
Service Area	Starting Volume (MLD)	Long-Term Bulk Water Target	Required Min. Capacity (MLD)
City of Bacolod	10.00	5% of ADD	<b>11.00</b>
Enrique B. Magalona	0.50	60% of ADD	<b>0.50</b>
Municipality of Manapla	0.80	60% of ADD	<b>1.00</b>
City of Silay	5.00	80% of ADD	<b>10.00</b>
City of Talisay	5.00	65% of ADD	<b>6.00</b>
City of Victorias	5.00	70% of ADD	<b>6.00</b>



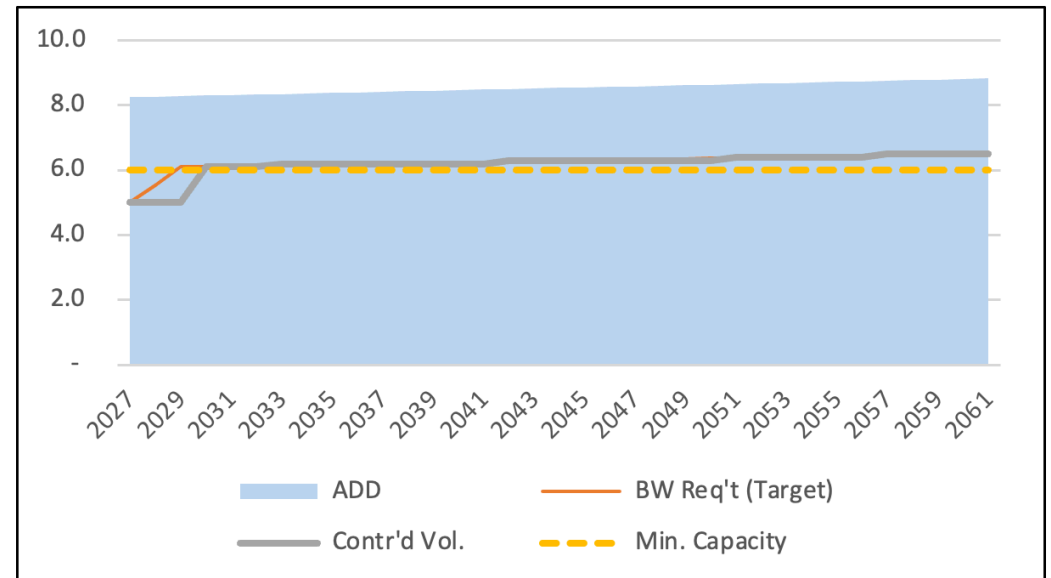
# Demand Analysis

Service Area	Starting Volume (MLD)	Long-Term Bulk Water Target	Required Min. Capacity (MLD)
City of Bacolod	10.00	5% of ADD	<b>11.00</b>
Enrique B. Magalona	0.50	60% of ADD	<b>0.50</b>
Municipality of Manapla	0.80	60% of ADD	<b>1.00</b>
City of Silay	5.00	80% of ADD	<b>10.00</b>
City of Talisay	5.00	65% of ADD	<b>6.00</b>
City of Victorias	5.00	70% of ADD	<b>6.00</b>

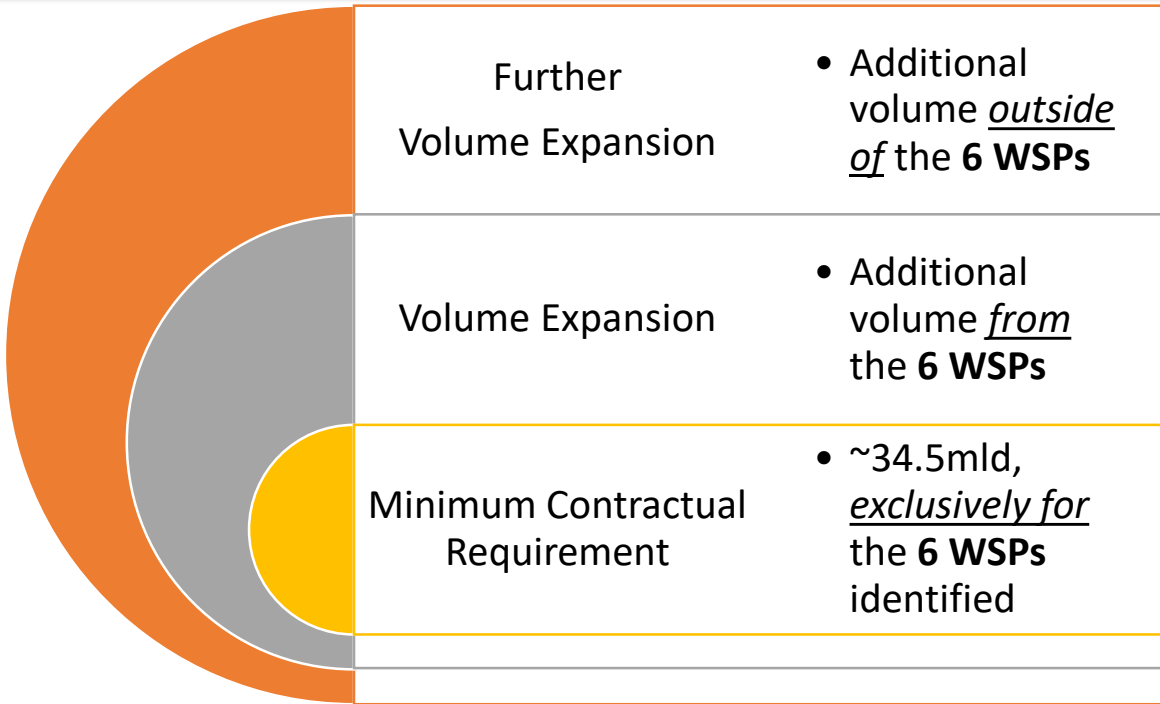
TALISAY CITY



VICTORIAS CITY



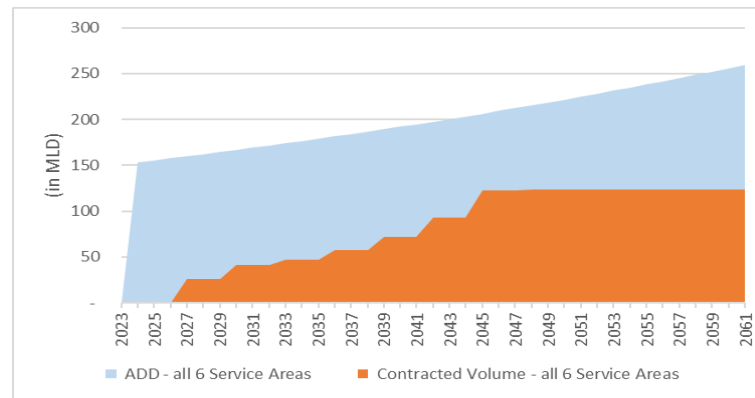
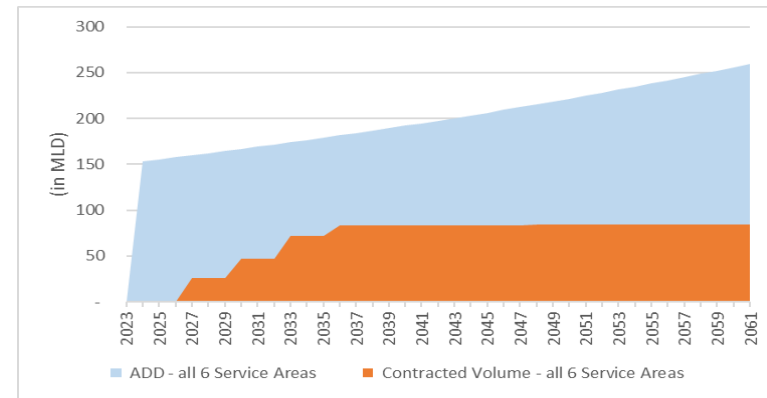
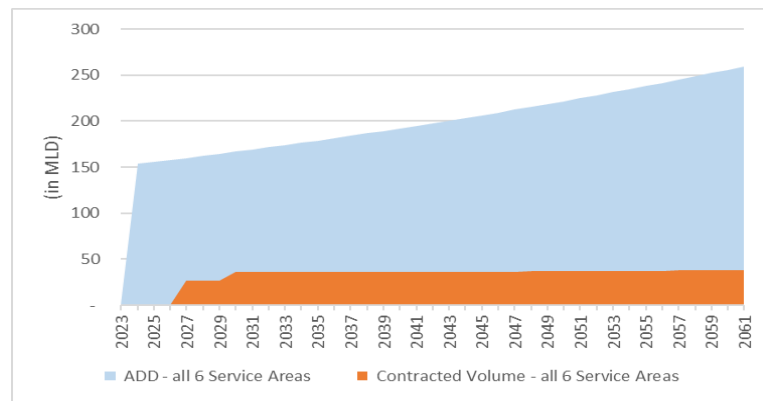
# Future Volume Expansion



## Key contractual principles w/ regards to volume expansion:

- Tender for the Project will be based on minimum contractual requirement;
- Allow for the JV contract to accommodate future increase in bulk water demand both from (a) the 6 WSPs, and (b) outside 6 WSPs i.e. new clients;
- Bulk water charge for volume expansion from the 6 WSPs will be based on JV contract, while bulk water charge for volume expansion outside of the 6 WSPs will be based on market

The JV contract will be structured such that it will be adoptable to the various possible scenarios for future volume expansion over the 38-year duration of the JVA.

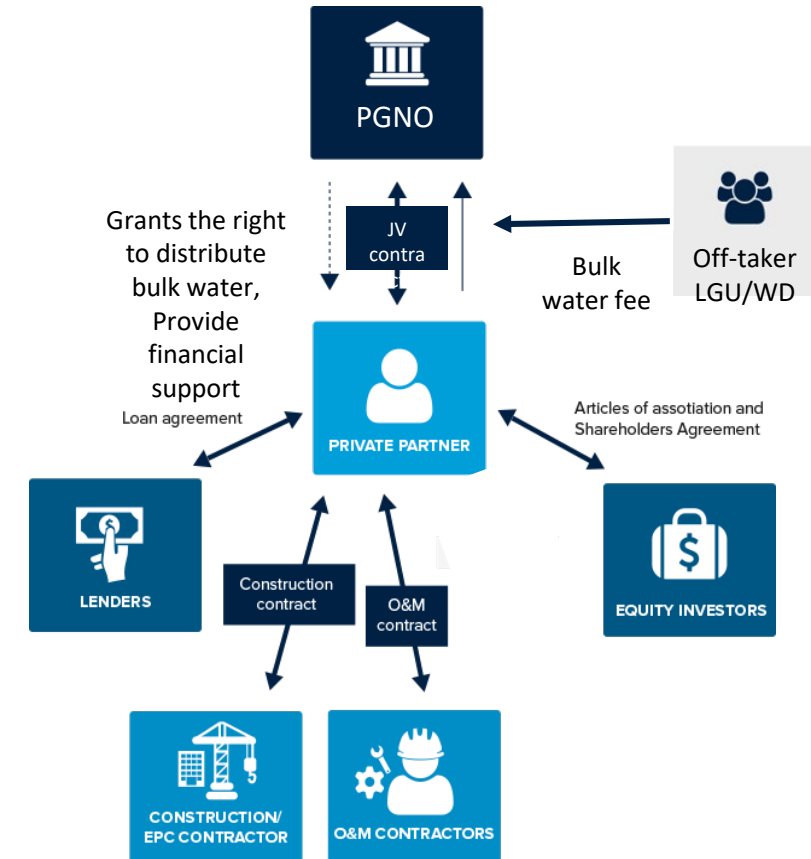




# Project Terms

## Negros Bulk Water Supply Project

<b>Implementing agency:</b>	Provincial Government of Negros Occidental
<b>PPP structure:</b>	Contractual Joint Venture under the Negros Occidental P4 Code
<b>Project cost:</b>	Php 1.2 billion (minimum system capacity of 34.50 MLD)
<b>Cooperation period:</b>	38 years (inclusive of 3 years construction period)
<b>System requirements:</b>	<ul style="list-style-type: none"> <li>Supply to 6 Water Service Providers (WSPs) of the Cities of Silay, Talisay, Bacolod and Victorias, and Municipalities of EB Magalona and Manapla</li> <li>Minimum system capacity of <b>34.50 MLD</b>, to be sourced from Imbang and/or Malogo, using either of the following scheme:             <ol style="list-style-type: none"> <li><b>Imbang</b> for Silay, Talisay, Bacolod; and <b>Malogo</b> for Victorias, Manapla and EB magalona; <i>OR</i></li> <li><b>Malogo</b> for Silay, Talisay, Bacolod, Victorias, Manapla, and EB Magalona</li> </ol> </li> </ul>
<b>JV Partner Scope/Contribution:</b>	<ul style="list-style-type: none"> <li>Financing, Engineering design, Construction, Operation and Maintenance of Project facilities (Intake Facilities, WTP, Transmission Mains, Offtake Facilities, etc.)</li> </ul>
<b>Return:</b>	<ul style="list-style-type: none"> <li>Bulk water charge from off-takers</li> </ul>
<b>PGNO Contribution:</b>	<ul style="list-style-type: none"> <li>Financial support/cash contribution to JV (VGF)</li> <li>Provision of land and ROW for the project facilities</li> </ul>
<b>Return:</b>	<ul style="list-style-type: none"> <li>PGNO may share in revenues</li> </ul>
<b>Bid parameter:</b>	Lowest bulk water charge, given fixed cash contribution from PGNO



# Project Structure

## Key Features of a Joint Venture Modality under PGNO's P4 Code

- Parties **share risks** to jointly undertake an investment activity
- An investment activity involving the **contribution** of money/capital, services, assets
- **PGNO shall be minority equity**
- May be undertaken either through a contractual JV or the creation of a JV Company
- Each party shall be entitled to dividends/revenues and will bear risks, losses and obligations in proportion to its share (*unless otherwise agreed and depending on the terms of the competitive selection process*)
- Transfer of ownership of the investment activity to PSP under competitive market conditions

## Project Structure: Contractual Joint Venture

- ✓ **Faster implementation** since no incorporation and registration with the SEC is required
- ✓ The relationship and obligations of both parties are all stipulated in the contract (**regulation by contract**)
- ✓ A better option for the project wherein the proportionate sharing of risks and profits are **easily identifiable and implementable**

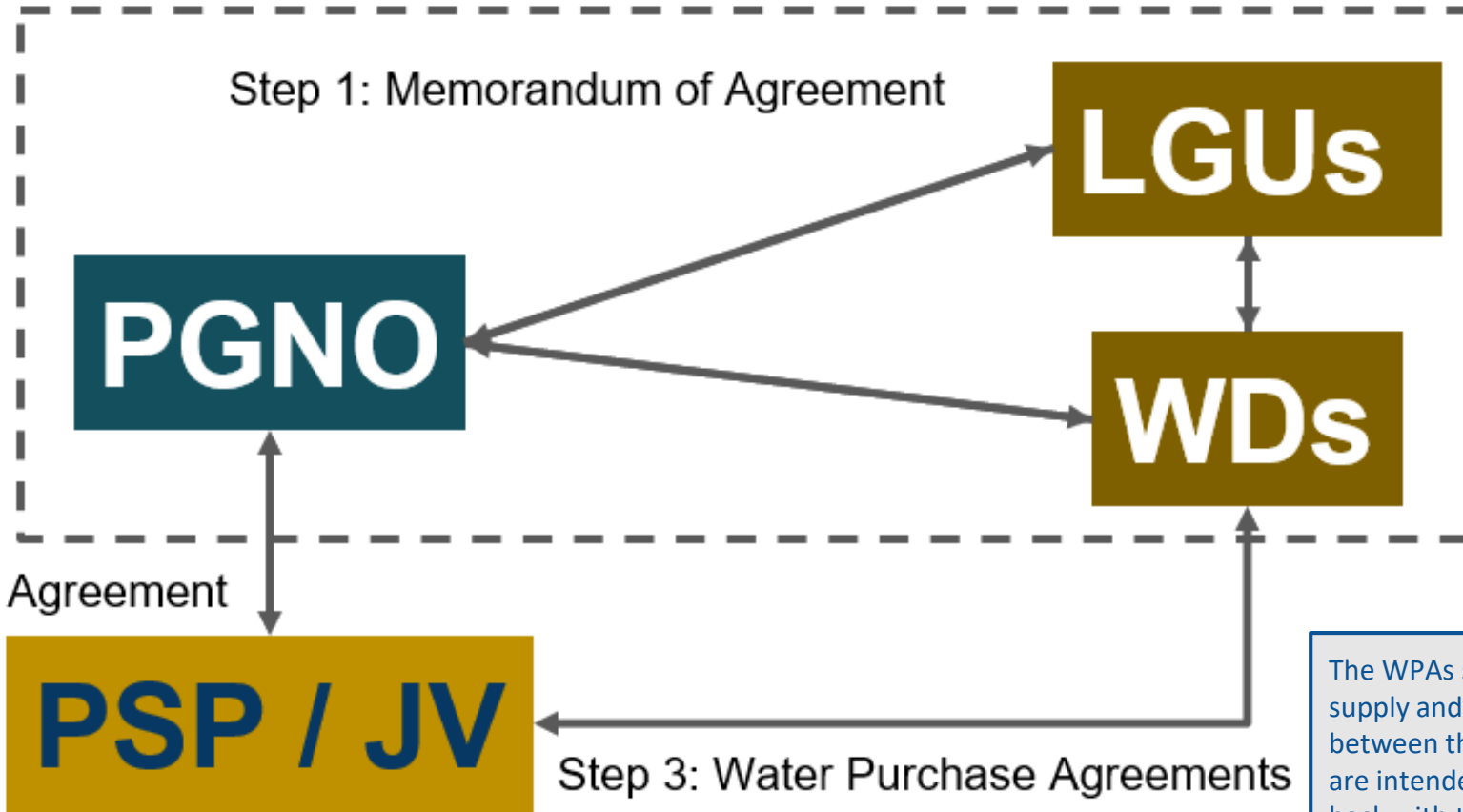
# Roles and Responsibilities of the JV Partners

Private Sector Partner	PGNO
<ul style="list-style-type: none"><li>● Secure and shoulder cost of securing necessary permits and clearances, including ECC</li><li>● Finance, design, construct, operate and maintain the bulk water facilities in accordance with the agreed upon MPSS and KPIs</li><li>● Complete the project on time, according to design and at predetermined cost</li><li>● Treatment and supply of bulk water to Water Districts at the agreed schedule</li><li>● Collect bulk water charge from off-taker WDs</li><li>● <b>Expansion of bulk water supply coverage as may be agreed in the JVA</b></li></ul>	<ul style="list-style-type: none"><li>● Provide access to the project site</li><li>● Financing and acquisition of right-of-way</li><li>● <b>Financial support/cash contribution to JV (Viability Gap Funding)</b></li><li>● Provide assistance in obtaining the initial commitment on the bulk water demand from Water Districts</li><li>● <b>Application and acquisition of water rights from NWRB</b></li><li>● Provide assistance in securing necessary permits and clearances (if requested)</li></ul>

# The three-step contracting process

The MOA secures:

- The agreement of LGUs to cooperate and consolidate with the PGNO the procurement of bulk water supply via PPP
- The commitment of WDs to obtain a predetermined / determinable volume of bulk water from the Project and enter into WPAs with the JV upon signing of the JV Agreement



Step 2: BOT / JV Agreement

The JV Agreement governs the relationship between PGNO and the PSP, including the rights and obligations of each, as well as the proportional sharing of risks and profits from the venture

The WPAs serve as the bulk water supply and purchase agreement between the WDs and the JV and are intended to be executed back-to-back with the JV Agreement



# Applicable Legal and Regulatory Framework

## On the water sector:

1. Water Code of the Philippines (PD 1067) and its IRRs
  - Framework for the appropriation, utilization, exploitation, development, conservation, and protection of water resources in the country, including the application and granting of water permits
2. Clean Water Act (RA 9275)
  - Framework for water quality management and regulation
3. Provincial Water Utilities Act (PD 198)
  - Mandated the creation of water districts (WD) authorized to operate, manage, and maintain water systems in cities, municipalities, and provinces
  - Mandated the establishment of the Local Water Utilities Administration (LWUA) to regulate and provide technical assistance and training to WDs
4. Local Government Code (RA 7160)
  - Mandated the province to pursue infrastructure facilities including intermunicipal waterworks, drainage and sewerage, flood control & irrigation systems

# Applicable Legal and Regulatory Framework

## On LGU-level Public-Private Partnerships:

1. PGNO PPP for the People (P4) Code (Ordinance No. 2018-001)
  - Provided the basis for allowing the PGNO to enter into a PPP with a private sector partner for the development and/or operation and maintenance of water supply and distribution, sewerage, irrigation, drainage, and water conservation facilities
  - Provided greater flexibility in selecting the appropriate PPP modality, including joint ventures
2. *2023 NEDA JV Guidelines (suppletory application)*
  - May be referred to further supplement the rules on JV under the PGNO P4 Code (such as the procurement process)
3. *PPP Center Guidebook on Joint Venture for LGUs (JMC 2019-01)*
  - Provided additional guidance / discussion on how to structure LGU-level JV projects

# Permitting Requirements

Permits and Clearances	Description
<b>Environmental Compliance Certificate (ECC)</b>	Based on the Philippine EIS System Requirements and per consultation with Region VI Environmental Management Bureau (EMB), the project is classified as <b>Category B: Non-Environmentally Critical Project (Non-ECP) requiring an Environmental Impact Statement (EIS) to secure an ECC.</b>
<b>Water Permit from NWRB</b>	Under the provisions of PD No. 1067, a water permit shall be secured from the NWRB in the appropriation of water for municipal purposes.  PGNO has already secured a Certificate of Water Availability for Imbang River from the NWRB and is in the process of lodging an application for Water Permit to the NWRB.
<b>Other Permits</b>	Includes: (1) Building Permit; (2) Location Clearance; (3) Excavation Permit; and (4) Building Permit, among others

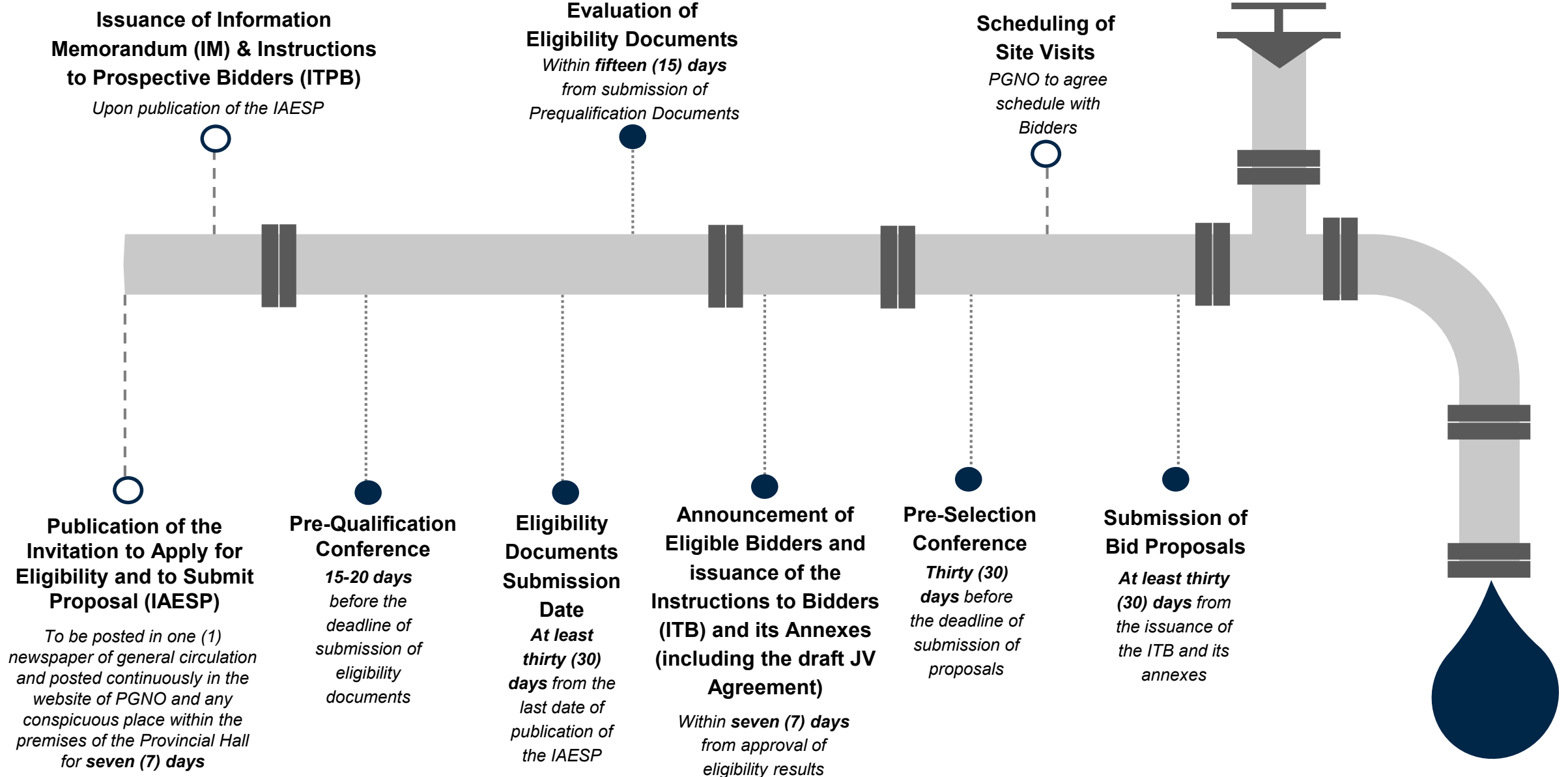


# NEXT STEPS AND INDICATIVE TIMELINE

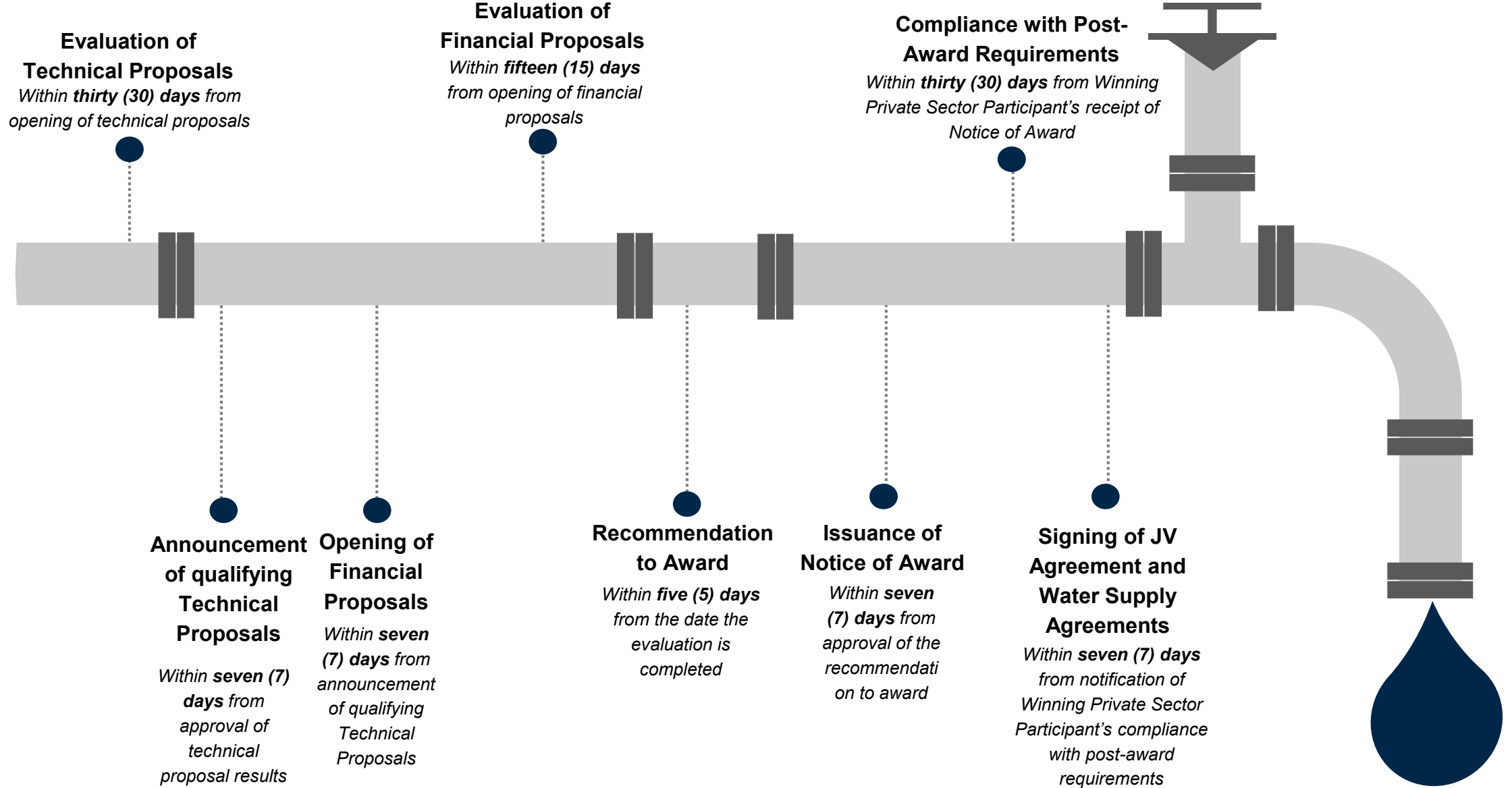




# Summary of Project Tender Process



# Summary of Project Tender Process



# Indicative Timetable

Activity	Indicative Date
Bidding Stage	
• Publication of Invitation to Pre-qualify	Week 1 of November 2023
• Pre-qualification	December 2023
• Bid Submission	February 2024
• Bid Evaluation	March 2024
Notice of Award	April 2024



PUBLIC-PRIVATE PARTNERSHIP  
CENTER

For further information, please visit:

[www.ppp.gov.ph](http://www.ppp.gov.ph)

For inquiries, kindly e-mail:

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Project Development Service

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Public-private-partnership-  
Center-of-the-Philippines



PPPPinas

