2.1.4 Inland Transportation

(1) Situation of the Philippines

The transportation system in the Philippines is multi-modal comprising of road, rail, sea and air transport. At present, however, it is predominantly dual mode system, with road and sea transport basically complementing each other. The estimate on the extent of freight and passenger traffic that each mode carry is shown in Table 2.1.4-1 and the graphical presentation in Fig. 2.1.4-1.

Table 2.1.4-1 Transportation Modal Split

Transport Mode (National)	1980				1987			
	Freight (Billion)		Passenger (Billion)		Freight (Billion)		Passenger (Billion)	
	Ton-Km	% Share	Pas-KM	% Share	Ton-Km	% Share	Pas-KM	% Share
Road	22.00	65.00	53.00	90.00	22.00	53.00	83.00	89.00
Sea	12.00	35.00	4.00	7.00	19.00	47.00	8.00	9.00
Rail	0.04	-	0.40	1.00	0.06	-	1.80	2.00
Air	-	-	1.20	2.00	0.02	-	0.20	-

Source: DPWH Infrastructure Atlas 1996

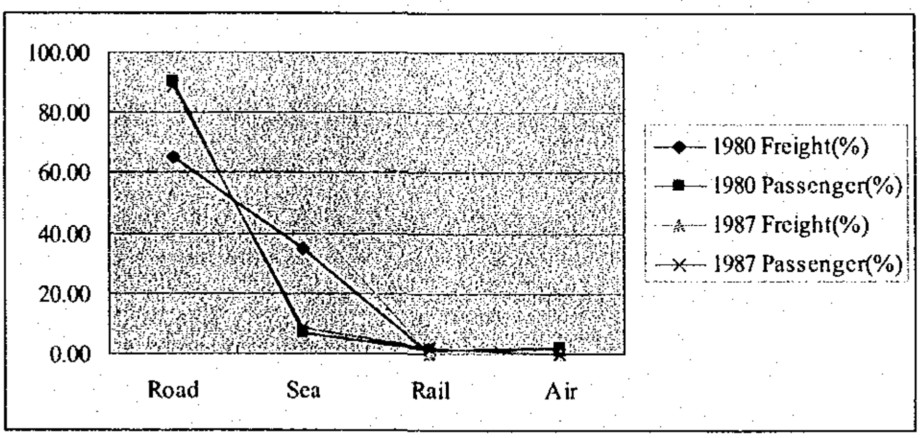


Fig. 2.1.4-1 Shares of Freight and Passenger by Transport Mode

From the above Figure, it can be seen that the share of sea transportation is uptrend and the road transportation is downtrend in freight traffic. On the other hand, there is no significant movement as a trend.

Since road transport is the most dominant among the transport system of the country, public road network is continuously improved and upgraded. For the year 1995, the Philippines have a total road network of 160,970 km, representing an increase of 0.01% over the 1994 figures of 160,948 km. The Southern Mindanao Region (Region 11) has the longest road network which is about 10% of the total. It is followed by the Western

Visayas Region (Region 6) and Central Luzon Region (Region 3), contributing 8.8% and 8.1% respectively.

Existing road lengths by administrative classification 1995 is shown Table 2.1.4-2.

Table 2.1.4-2 Existing road lengths by administrative classification in 1995

Region	National	Provincial	City	Municipal	Barabgay	Total (Km)	Share(%)
NCR	904.591		1,273.641	554.339	271.286	3,003.857	1.9%
CAR	1,596.149	1,402.007	142.171	435.224	3,662.362	7,237.913	4.5%
Region 1	1,493.434	1,783.467	167.549	1,079.626	8,002.495	12,526.571	7.8%
Region 2	1,709.183	1,694.254		1,037.726	6,619.093	11,060.256	6.9%
Region 3	1,653.458	2,365.661	258.468	1,008.300	7,770.784	13,056.671	8.1%
Region 4-A	2,311.851	1,869.953	226.071	873.636	5,447.864	10,729.375	6.7%
Region 4-B	1,850.352	1,996.705	66.686	516.431	3,458.559	7,888.733	4.9%
Region 5	1,997.841	1,771.263	217.626	767.022	4,188.394	8,942.146	5.6%
Region 6	2,712.059	2,371.738	297.321	693.320	8,135.865	14,210.303	8.8%
Region 7	1,664.317	2,313.030	313.365	878.177	5,462.426	10,631.315	6.6%
Region 8	2,104.253	1,405.385	70.595	701.271	4,304.403	8,585.907	5.3%
Region 9	857.994	1,804.590	121.523	812.785	5,755.495	9,352.387	5.8%
Region 10	1,335.119	1,885.326	134.679	757.794	6,296.458	10,409.376	6.5%
Region 11	1,804.090	3,587.202	453.612	1,264.268	9,158.503	16,267.675	10.1%
Region 12	775.889	726.875	123.530	430.989	1,820.567	3,877.850	2.4%
Region 13	1,225.447	1,139.067	82.443	609.579	3,183.129	6,239.665	3.9%
ARMM	724.223	1,000.725		398.997	4,826.296	6,950.241	4.3%
Philippines	26,720.250	29,117.248	3,949.280	12,819.484	88,363.979	160,970.241	100.0%

Source: DPWH Infrastructure Atlas 1996

Road density of population and land area by region in 1995 is shown in Table 2.1.4-3. With the exception of the National Capital Region (NCR), which has a road density of 4.72 km/sq. km, high road density of the NCR, which is very much higher that the country's density of 0.54 km/sq. km is due to its small land area, which is 636 sq. km only, the smallest among the regions.

Relative to the 1995 population, the country has 2.35km of road for every 1,000 persons. The regions with very high road density per thousand population are the most sparsely areas of CAR, Regions 2, 4-B and 10 while the regions with very low road density per thousand population are the densely populated areas of NCR and the Southern Tagalog Region (Region 4-A).

As far back as 1961, the total road network in the Philippines was recorded to be about 49,605 kilometers. This increased at an average rate of 5.3% annually to a total of 77,951 kilometers in 1970. The network continued to increase dramatically during the 70's with the inclusion of about 80,960 kilometers of barangay roads so that by 1995 the total road inventory stands at about 160,970 kilometers.

Table 2.1.4-3 Road density of population and land area by region in 1995

Region	Total Road Length (km)	Population	Density (km/1,000 pop.)	Land area (sq. km)	Density (km/sq. km)
NCR	3,004	9,454,040	0.32	636.00	4.72
CAR	7,238	1,254,838	5.77	18,293.68	0.40
Region 1	12,527	3,803,890	3.29	12,840.19	0.98
Region 2	11,060	2,536,035	4.36	26,837.58	0.41
Region 3	13,057	6,932,570	1.88	18,230.82	0.72
Region 4-A	10,729	7,909,825	1.36	19,468.15	0.55
Region 4-B	7,889	2,030,897	3.88	27,426.01	0.29
Region 5	8,942	4,325,307	2.07	17,632.49	0.51
Region 6	14,210	5,776,938	2.46	20,223.14	0.70
Region 7	10,631	5,014,588	2.12	14,951.42	0.71
Region 8	8,586	3,366,917	2.55	21,431.73	0.40
Region 9	9,352	2,794,659	3.35	15,997.34	0.58
Region 10	10,409	2,483,272	4.19	14,032.93	0.74
Region 11	16,268	5,126,345	3.17	31,855.43	0.51
Region 12	3,710	1,576,453	2.35	9,657.94	0.38
Region 13	6,240	1,942,687	3.21	18,846.97	0.33
ARMM	7,118	2,282,071	3.12	11,608.29	0.61
Philippines	160,970	68,614,162	2.35	300,000.00	0.54

Source: DPWH Infrastructure Atlas 1996

(2) Situation of Region 7

Due to its island configuration, the region's road network almost inability follows the pattern of the coastline, which is circumferential, with cross-country roads that usually end up at a seaport or airport. Traffic flow map of region 7 is shown in Fig. 2.1.4-2.

In 1995, the region has a total road length of all types of 10,631.316km, categorized into national, provincial, city/municipal and barangay roads. The regional total represented 6.6% of the nation's total road length (see Table 2.1.4-2). The average road density was 0.71km per square km in terms of land area, and 2.12km per thousand persons in terms of population. The former is slightly higher than the national average road density of 0.54, while the latter is lower than the national average of 2.35(see Table 2.1.4-3). The performance of these indicators vis-à-vis the national averages, however, does not entirely reflect the effectiveness of the transport system. Given the small-island configuration of the Visayas, a higher density is required for the system to be comparatively as efficient as land-locked road transport networks.

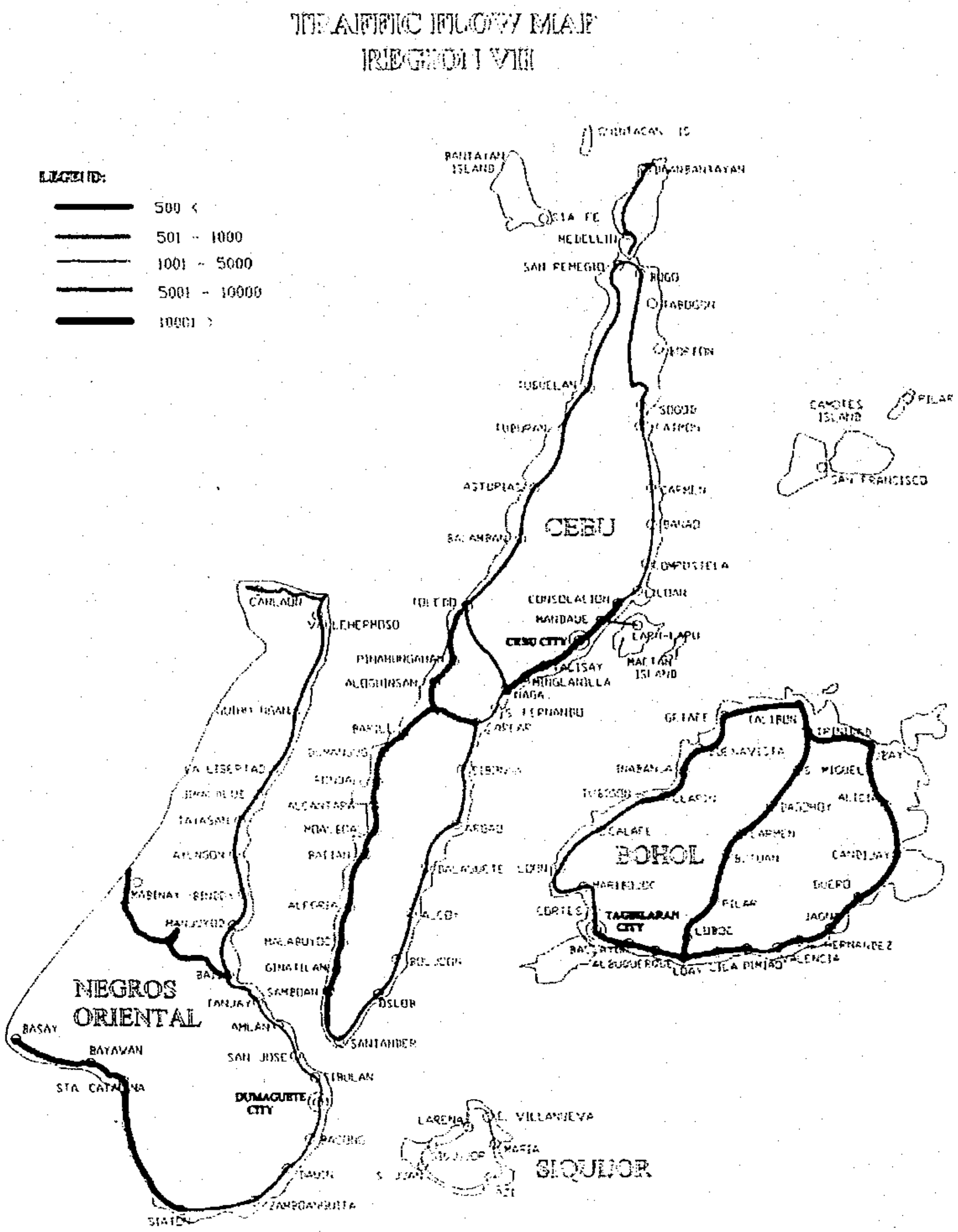


Fig. 2.1.4-2 Traffic Flow Map-Region 7

In terms of road surface types, concrete accounts for only 6.0% or 636.397km of the total road length of all surface types in the region. Gravel is still the most dominant type accounting for 78% or 8,297.646km. This is lower than the 7.9% of concrete pavement to total road length of all surface types in the country. Existing road lengths by surface type is shown in Table 2.1.4-4.

Table 2.1.4-4 Existing road lengths by surface type

Region	Type of Pavement				Total (Km)
	Paved		Unpaved		
	Concrete	Asphalt	Gravel	Earth	
NCR	1,182.476	1,500.677	308.922	11.782	3,003.857
CAR	220.629	536.071	5,573.298	907.915	7,237.913
Region 1	787.839	1,333.136	9,964.347	441.249	12,526.571
Region 2	842.342	320.214	9,537.777	359.923	11,060.256
Region 3	1,796.532	1,318.568	9,548.298	393.273	13,056.671
Region 4-A	1,343.435	1,809.298	7,215.799	360.845	10,729.377
Region 4-B	244.576	535.015	6,812.825	296.317	7,888.733
Region 5	1,320.231	895.938	6,239.507	486.470	8,942.146
Region 6	976.976	1,135.023	11,922.736	175.568	14,210.303
Region 7	636.397	1,302.411	8,297.646	394.862	10,631.316
Region 8	1,511.499	545.800	6,189.593	339.015	8,585.907
Region 9	297.051	472.816	8,256.615	325.905	9,352.387
Region 10	412.375	740.678	8,397.010	859.313	10,409.376
Region 11	862.034	434.767	13,244.708	1,726.166	16,267.675
Region 12	335.293	158.482	3,115.563	268.512	3,877.850
Region 13	641.327	24.209	5,227.721	346.408	6,239.665
ARMM	301.858	73.642	5,851.974	722.767	6,950.241
Philippines	13,712.870	13,136.745	125,704.339	8,416.290	160,970.244

Source: DPWH Infrastructure Atlas 1996

Existing Roads Type of Pavement and by Province 1995 is shown in Table 2.1.4-5. Bohol has the longest road network (4,422.6321km), which is 41.6% of the total regional road network. Siquijor has the shortest (361.26km) or 3.4% of the total. Cebu accounts for the bulk of concrete and asphalt roads (58.36% and 42.5%, respectively), while Siquijor accounts for the least (1.59% and 4.85%, respectively).

The most complex and congested road links are found in the Metro Cebu Area. Based on the 1989 traffic survey conducted by the DPWH, the major articles going out of the commercial business district (CBD) of Metro Cebu are the most congested road links. These road links and their respective traffic volumes measured in terms of Average Annual Daily Traffic (AADT) are; Cebu South Road-25,000, Cebu North Road-24,100, and Mandaue-Mactan link-20,600.

Most of the urban roads are found to be generally deficient and sub-standard. Many of these streets are observed to be "access-dominated" where roadside activities predominate such as loading and unloading, parking, vehicles repair and children's recreation or play. The survey further notes that "through traffic" and trunk line roads are better handles than "access-dominated" and "traffic-dominated" roads.

Table 2.1.4-5 Existing Roads Type of Pavement and by Province in 1995

		Central Visayas	Bohol	Cebu	Negros Oriental	Siquijor
Total Road Length	(km)	10,631.316	4,422.632	3,809.375	2,038.049	361.260
Distribution	(%)	100.00%	41.60%	35.83%	19.17%	3.40%
Concrete	(km)	636.397	138.303	371.399	116.598	10.097
	(%)	100.00%	21.73%	58.36%	18.32%	1.59%
Asphalt	(km)	1302.411	329.045	553.552	356.701	63.113
	(%)	100.00%	25.26%	42.50%	27.39%	4.85%
Gravel	(km)	8297.646	3836.658	2706.704	1467.324	286.96
	(%)	100.00%	46.24%	32.62%	17.68%	3.46%
Earth	(km)	394.862	118.626	177.72	97.426	1.09
	(%)	100.00%	30.04%	45.01%	24.67%	0.28%

Source: DPWH Infrastructure ATLAS 1996

2.1.5 Hinterland Development Plans of Ports in Cebu Province

(1) Hinterland of Cebu Baseport

1) Metero Cebu Development Project Phase III

The project is composed of two projects, which are Cebu South Coastal Road Project, and Cebu South Reclamation Project. The coastal road is to make a direct uninterrupted access from southern part to Central Business District (CBD) of Cebu City and Mactan Cebu International Airport (MCIA). On the other hand, the Cebu South Reclamation Project is to provide area for industrial use.

With the result of the feasibility studies of Metro Cebu Development Project (MCDP) Phase III, the Metro Cebu South Coastal road was properly defined. The project is made up with three sections namely: Talisay section which is about 5.3km, Causeway Section which is about 4.02km and CBD Section which is about 2.40km. The CBD Section is an elevated highway (viaduct) one portion runs inland which is about 1.60km and the other portion runs offshore which is about 0.6km. The project is a component of MCDP III with financial assistance provided by OECF (currently JBIC) Project under the 20th Yen Loan.

The Cebu South Reclamation Project is expected to dissolution the problems of squatters by providing employment as an industrial, and during construction of reclamation and industrial zone since Cebu City suffers from the social and urban problem as other metropolitan.

In particular, the Mactan Economic Zone (MEZ), which has been occupied by foreign and domestic manufacturers, is planned to expand in the near future, it is expected that new industrial purpose land will be urgently needed for new ones.

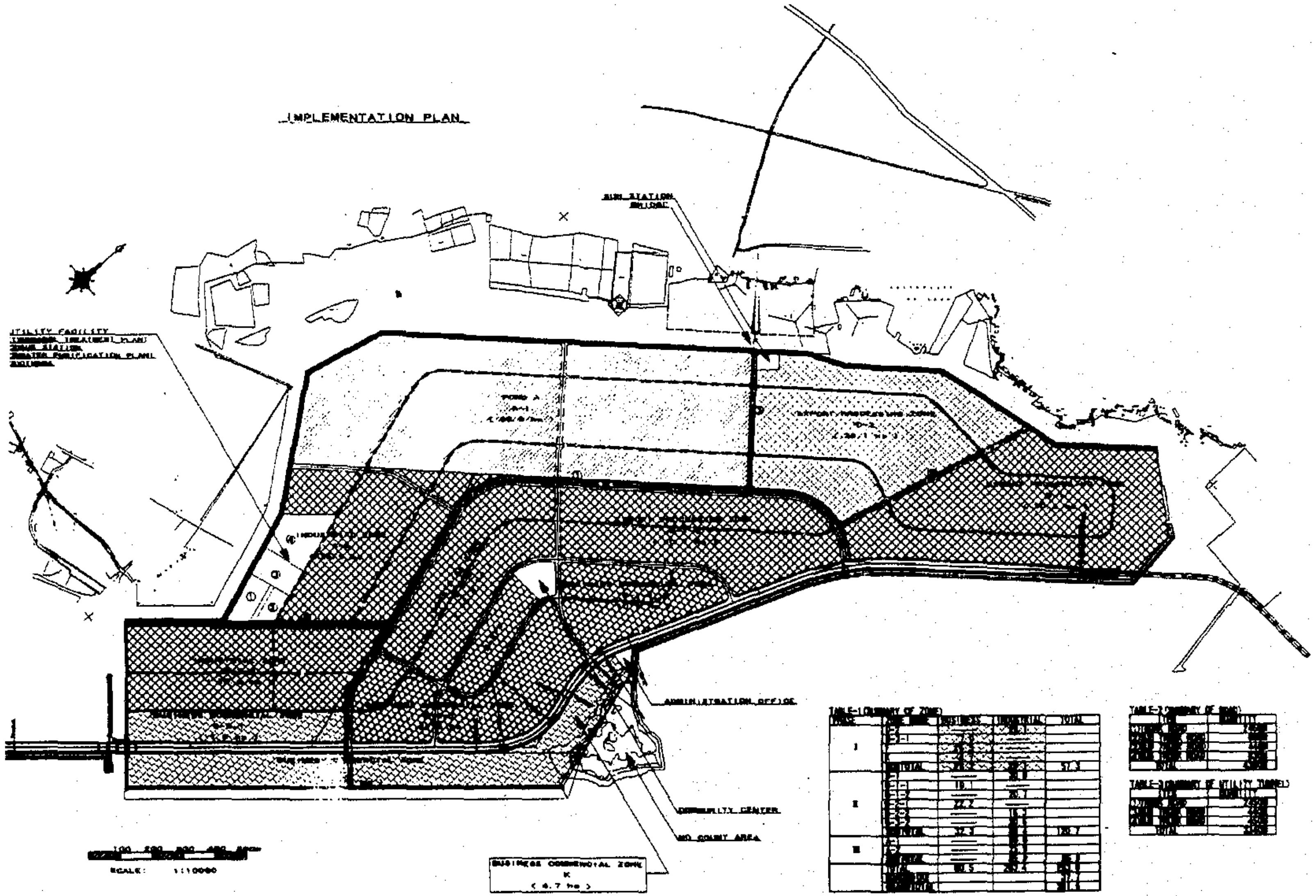
However, considering the result of market research for land use of the reclamation area, the plan has changed to utilize part of the land for resort and commercial zone as well due to following reasons as indicated in its Land Use Plan, March 2000.

- After a feasibility study was completed in 1991, Japan, which was expected to have the biggest number of enterprises to be invited, its economy has been stagnated making its less enthusiastic with foreign investment. Therefore, to invite Japanese enterprises is supposed to be difficult.
- The site of the reclamation area is located adjoining Cebu City. The viaduct, 1.52km of length, which is a main access to the area is located offshore without traffic signal on halfway, it is supposed to be less than 10 minutes to reach the center of the area by vehicle.
- If the city facilities such as hotel, meeting place, exhibition hall, condominium, shopping mall, hospital, school and so on are built at the resort and commercial zone, the convenience of living of inhabitants around the site would be improved. People at the EPZ also would have the same standard of living.
- It is easy to presume that the demand for this commercial area is prominence, because the land prices are low.

Planned land allocation for industry use, commercial use and other area including the facilities of utilities, a road site, park and so on are as follows.

Classification	Area (ha)
Industry (EPZ)	180
Commercial	45
Other	73
Total	298

Implementation plan is shown in Fig. 2.1.5-1.



Source: PMO MCDP III

Fig. 2.1.5-1 MCDP III - Land Use Plan

2) Cebu North Coastal Road Project

The project is a major development of a coastal road and forms an integral part of the overall Cebu Island in Metro Cebu road network. It links the coastal northern road of Cebu with the new road facilities that provided access to the Cebu International Port (CIP), Mactan Cebu International Airport (MCIA), as well as to Cebu's western seaboard.

The 1994 JICA Cebu Integrated Area Master Plan Final Report identified the project under study as a basic infrastructure facility to trigger the growth and development of Metro Cebu.

Moreover, since 1986, several technical, engineering and economic studies conducted by the DPWH and MCDPO with the technical assistance of ADB and OECF (currently JBIC) have confirmed the viability of this coastal road especially with the on-going development of the 2nd Mandaue-Mactan Bridge. Over a ten-year period, the increased economic activities have further lent sufficient technical and economic justification for its construction that would shorten the route by traversing the Cansaga Bay that separates the coastal boundary of Mandaue City and Consolacion Municipality.

One major emphasis of the government is to promote light and agro-industries. To support this development objective, the road infrastructure facility has addressed specific concerns to benefit the central and northern part of Cebu where this project will be implemented to wit:

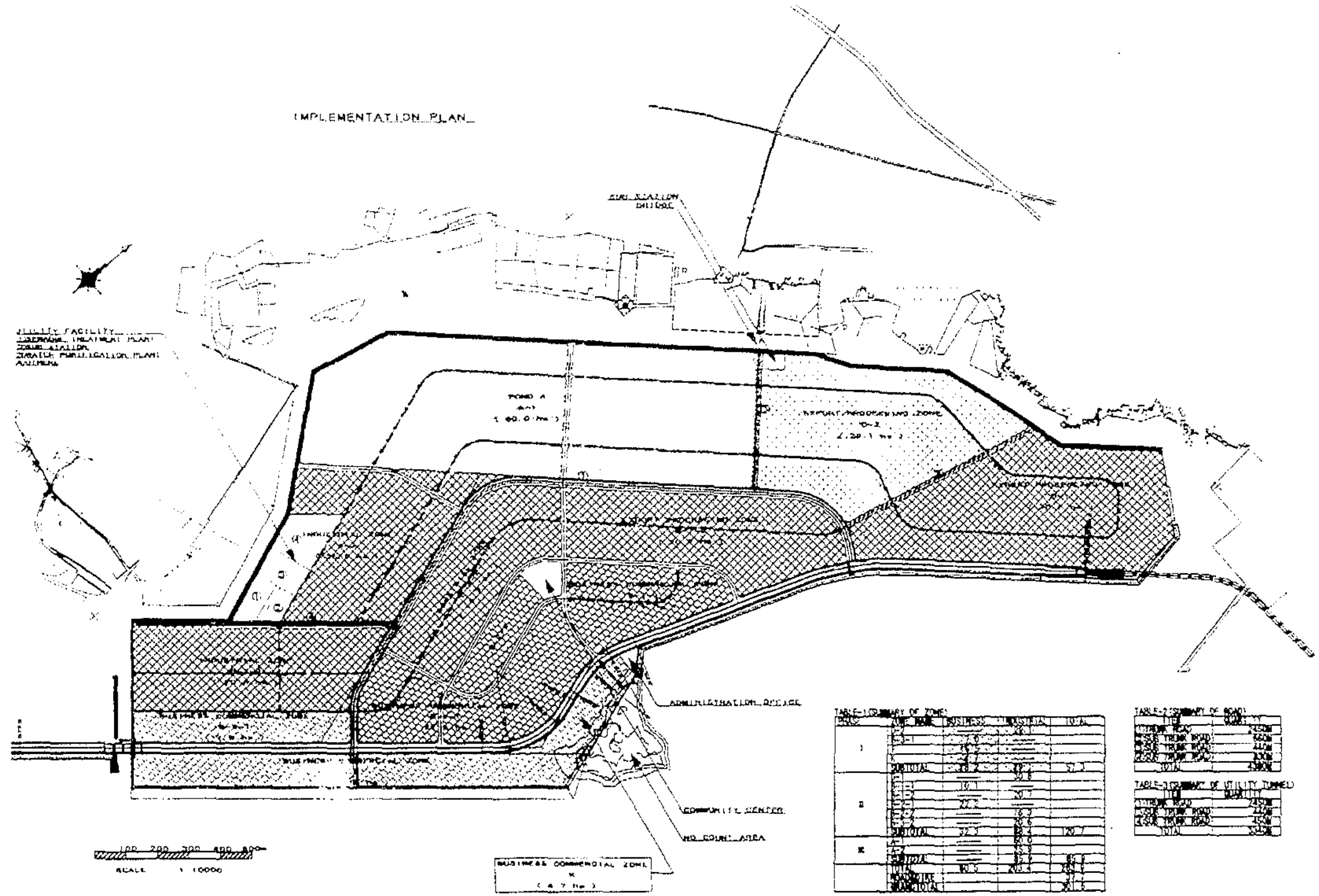
- The road construction and improvement of coastal roads to an economically maintain and viable design standards.

- The improvement of coastal roads whose existing pavement is unable to adequately and economically carry the present and future traffic volumes.

- The construction and replacement of temporary and weak bridge with permanent structures to be carried out under a nationwide bridge replacement program.

It is therefore the purpose of this study to determine the feasibility of construction and improving the existing Mandaue-Consolacion-Liloan Coastal Road, which cuts the route by crossing the Cansaga Bay thereby raising the level of productivity, agro-industrial growth and community welfare of the central and northern part of Cebu. It is emphasized that the central and northern Cebu is a major source of indigenous materials to support the productive activities of the industrial sector in the metropolitan areas.

The project is a construction of new road facilities and the improvement of the existing Consolacion-Liloan provincial road. The scope of work includes the construction of four-lane roads, 240m R.C. bridge crossing the Cansaga Bay and the improvement of the existing concrete paved road infrastructure with four-lane that is at present a two-lane facility. The project is planned to implement in the period of 2003-2006 and with 1.57 billion pesos.



Source: PMO MCDP III

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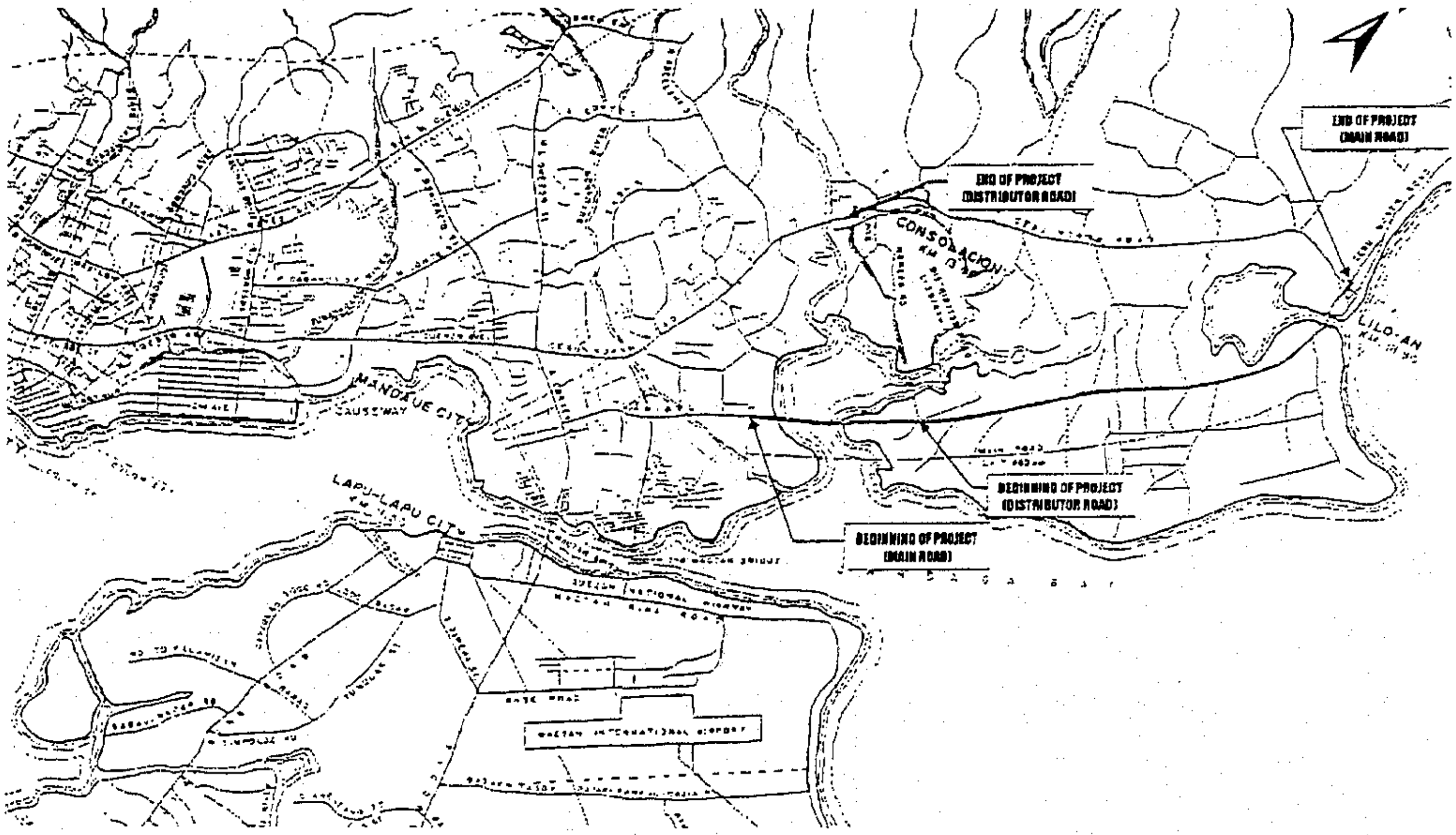
Included in the study is the environmental impact assessment on the aspects of biological physic-chemical and most especially on the social aspect where some households whose residential/commercial lots and improvements will be affected. Other areas of environmental impact assessment will be studied in details so as to confirm with the national thrust for a sustainable development.

The province of Cebu is situated in the center of the Philippines archipelago and is part of the Central Visayas Region (Region VII). It is bounded on the east by the Camotes Sea, on the west by the Tanon Strait, on the north by the Visayan Sea and on the southeast by the Bohol Strait. Cebu has two highly urbanized cities, 3 component cities and 48 municipalities, which are politically grouped, together into 8 congressional districts. The cities and municipalities are subdivided into baranagays, which at present numbered 1,201.

Metro Cebu is not an administrative jurisdiction but a deliberately recognized area where physical and socio-economic development is being pursued to solve existing and emerging urban problems centered on the CBD by mobilizing efforts. From this definition, the coverage of Metro Cebu should be wide enough to accommodate anticipated urbanization in the long-term. Therefore, Metro Cebu is constructed as the metropolitan area encompassing three cities of Cebu, Mandaue, Lapu-lapu and seven municipalities of Talisay, Minglanilla, Naga, Compostela, Liloan, Cordova and Consolacion, or the area within a 25 km radius centered on Cebu City. Viewing the urban development perspective, RDC VII has defined Metro Cebu as the area referred to as Central Cebu encompassing Carmen in the northern corridor, Argao in the southern corridor and Barili to Tuburan in the western coastal corridor, or the area with following cities and municipalities are additionally included: Danao City, Toledo City, Carmen, San Fernando, Carcar, Sibonga, Tuburan, Asturias, Balamban, Pinamungahan, Aloguinsan and Barili. The defined development area is recognized as "Greater Metro Cebu" and is considered as the district influence area of Cebu's economy.

Vicinity map of the project area is shown in Fig. 2.1.5-2.



Source: NEDA

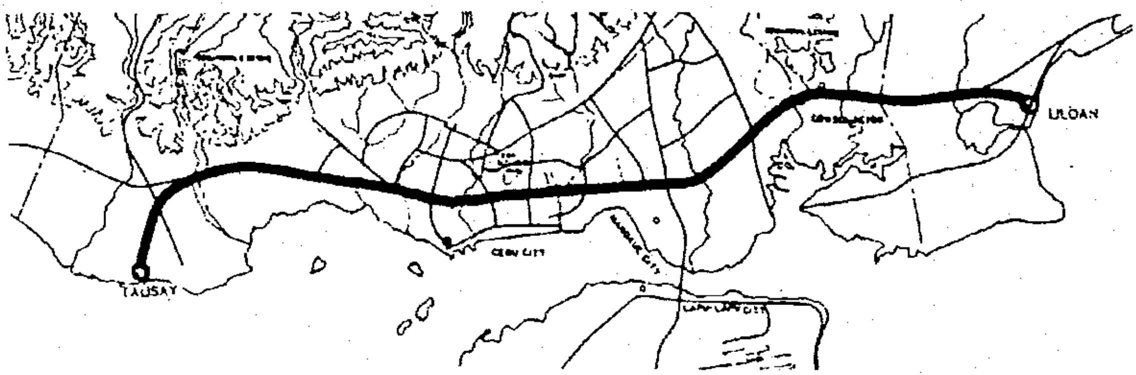
Fig. 2.1.5-2 Cebu North Coastal Road Project Vicinity Map

3) Metro Mass Transit System (Light Railway Transit) Project

"Feasibility Study on the Metro Cebu Mass Transport System" was conducted as of January 1994. In the report, it is proposed to introduce a Mass Transit System (MTS) between Mandaue and Talisay. However, another alternative route is recommended in Cebu Integrated Area Development Master Plan (CIADMPS) that is between Talisay and Liloan (about 20km) instead of Mandaue in order to locate the workshop and supporting facilities at the northern end terminal. CIADMPS also recommend that the public sector initiate preparatory actions such as follows:

- Widening of the North-South Highway in consideration of the introduction of MTS;
- Designation of "Public Transit Corridor" for this corridor, where bus services, replaced for "Jeepney", be operated as a prime public transportation;
- Facilitation of acquisition of the land located around areas of the major intersections of Public Transit Corridor;
- Examination of an appropriate privatization scheme for the implementation.

Proposed route of MRT is shown Fig. 2.1.5-3.



Source: CIADMPS

Fig. 2.1.5-3 Proposed line of Mass Transit System for Phase I

4) Mandaue North Reclamation Project

Mandaue City has an intention to have an International Port at North Reclamation area. The project involves the reclamation of an estimated 300ha of new land area adjacent to the proposed industrial zone of Mandaue. An industrial port is also part of the infrastructure support facilities such as road networks and power and water supply.

Mandaue City has been identified by the Cebu Integrated Area Development Master Plan as a priority area along with the other Metro Cebu Cities and will play a critical role in the development of the region. Further, Industrialization has been regarded as an important trigger for internationalization.

As the primary economic base of Mandaue City, local industries and manufacturing can contribute to the local economy through the creation of more job opportunities.

An objective of the project in general is to develop Mandaue City in particular, and Cebu in general, into a full-pledged industrial investment destination over the medium and long-term period, and objectives specifically identified as follows:

- To provide for an integrated land and horizontal infrastructure development including all utilities necessary for an industrial state
- To provide a developed area for interested investors for industry-related investments
- To improve the economy through the generation of new employment

The project was already studied by a developer and proposed to the city, and some 40-hectare area was already reclaimed.

The project intention is already submitted to the NEDA, RDC as a priority project of the city though no implementation schedule is indicated yet. However, the city wants to do it within the period of 2000-2003. The plan also includes a certain waterfront park, which is 100 meters wide.

5) Mactan North/South Reclamation Project

The City Development Strategy (CDS) Program of Lapu-lapu City 1999-2020 in the next 15 years is centered on the realization of a number of proposed programs and projects supportive of the overall and sectoral visions of the city. it is specially noted that Lapu-lapu City is unique in the sense that it has, coupled with the Municipality of Cordova, an island based economy biased towards the tourism and manufacturing sectors, as opposed to the more agricultural and agrarian inclination of other places.

What is especially interesting in this case is that both tourism and manufacturing are high value-added activities capable of propelling rapid development, albeit incompatible with each other when places side by side. With proper delineation in the use of land and with the provision of buffer zones, the urban growth and development of the city would be better managed.

The limited land area of Mactan shall be allocated to support the economic and population development framework. The following policies and strategies are adopted to support and achieve the visions for the City.

- The airport shall be maintained for expansion and to accommodate airport related industries.
- The entire eastern strip shall be declared a tourism zone. Tourism precincts shall be identified along its entire length as well as in the tourism islands, which will be reclaimed at both ends.

- The industrial zone shall be limited to the existing MEZ I and II, including the proposed MEZ III (PEZA area). No industrial zone of such magnitude shall be identified in the island although Science and Technology Parks may be identified in the Mixed Land Use Area of the South Reclamation.
- The western strip shall be designated as the Urban/Commercial Zone and shall be extended along the Marigondon Area shall be set up in Marigondon to service the Tourism Zone.
- The rest of the areas shall be residential in use. Areas near the airport shall be designated as low-level residential while the remaining areas as high-level residential.
- The Mactan North Reclamation shall be primary for the tourism purposes but shall contain enough areas for port, commercial and mixed use purposes.
- A strip of land adjacent to the airport shall be declared as parks and green zone. This will serve as buffer between the airport and the adjoining residential area and at the same time function as a recharge area for groundwater aquifer.

Location of the project is shown in Fig. 2.1.5-4.

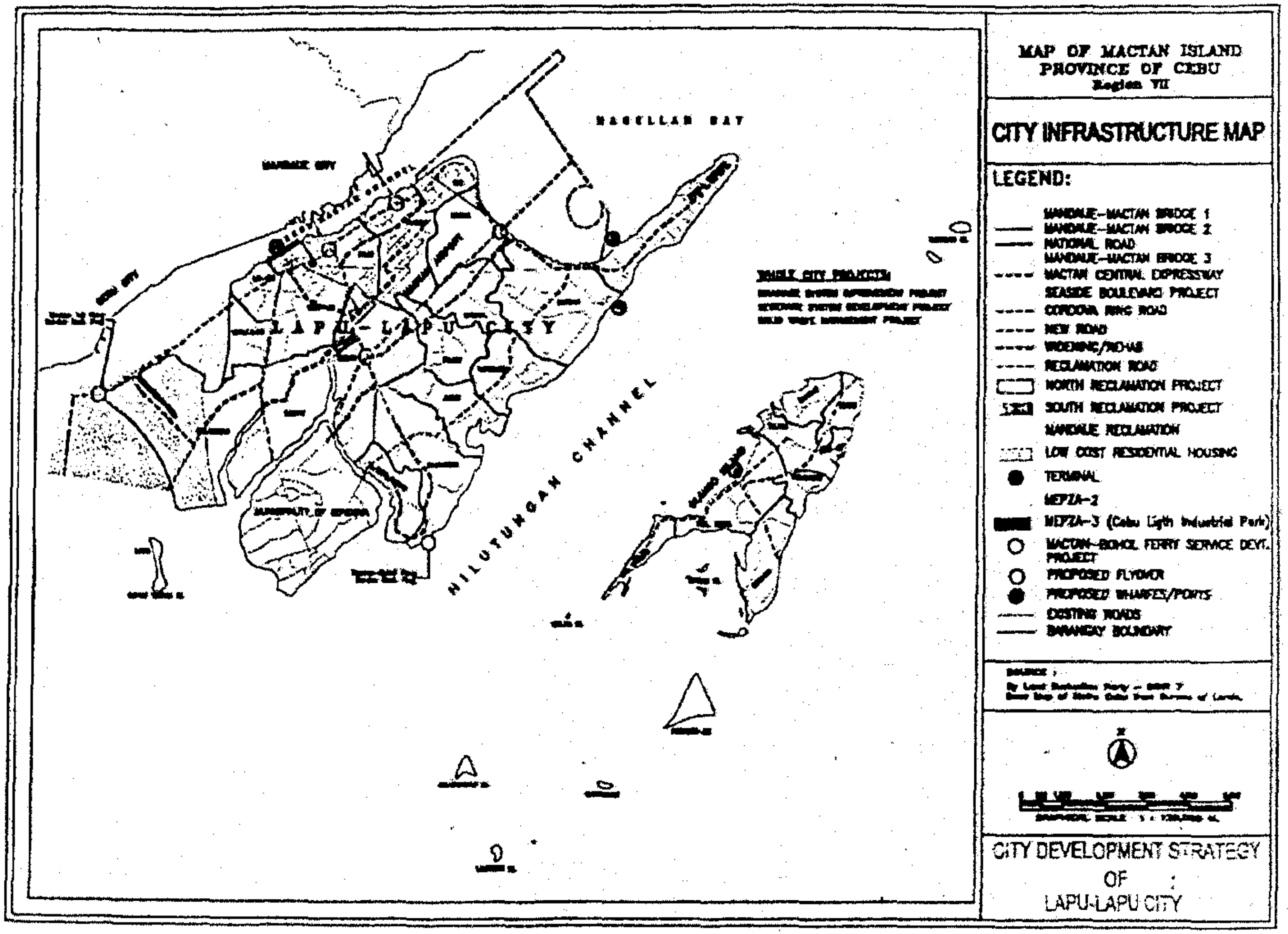


Fig. 2.1.5-4 Location of Mactan North/South Reclamation Project
Source: City Development Strategy, City of Lapu-lapu 1999-2020

6) Minglanilla Reclamation

The Municipality of Minglanilla proposes the project of Minglanilla International Seaport and Reclamation, although it is still under the conceptual study.
The concept of the project constitute:

- The construction and operation of an International Seaport in the Barangays of Tulay, Tungkop, Calajoan and Tungkil, Municipality of Minglanilla.
- The reclamation of approximately 500 ha of land from the sea, fronting the whole of the conastline of the Municipality of Minglanilla.
- The development of the reclaimed land into a complex consisting of a container yard and warehouse, an industrial-economic zone, a financial commercial zone and a residential estate-reclamation center.

The Municipality of Minglanilla, being part of the bigger Metro Cebu share in many instances the many opportunities and risks that the development in Metro Cebu is providing to its component areas.

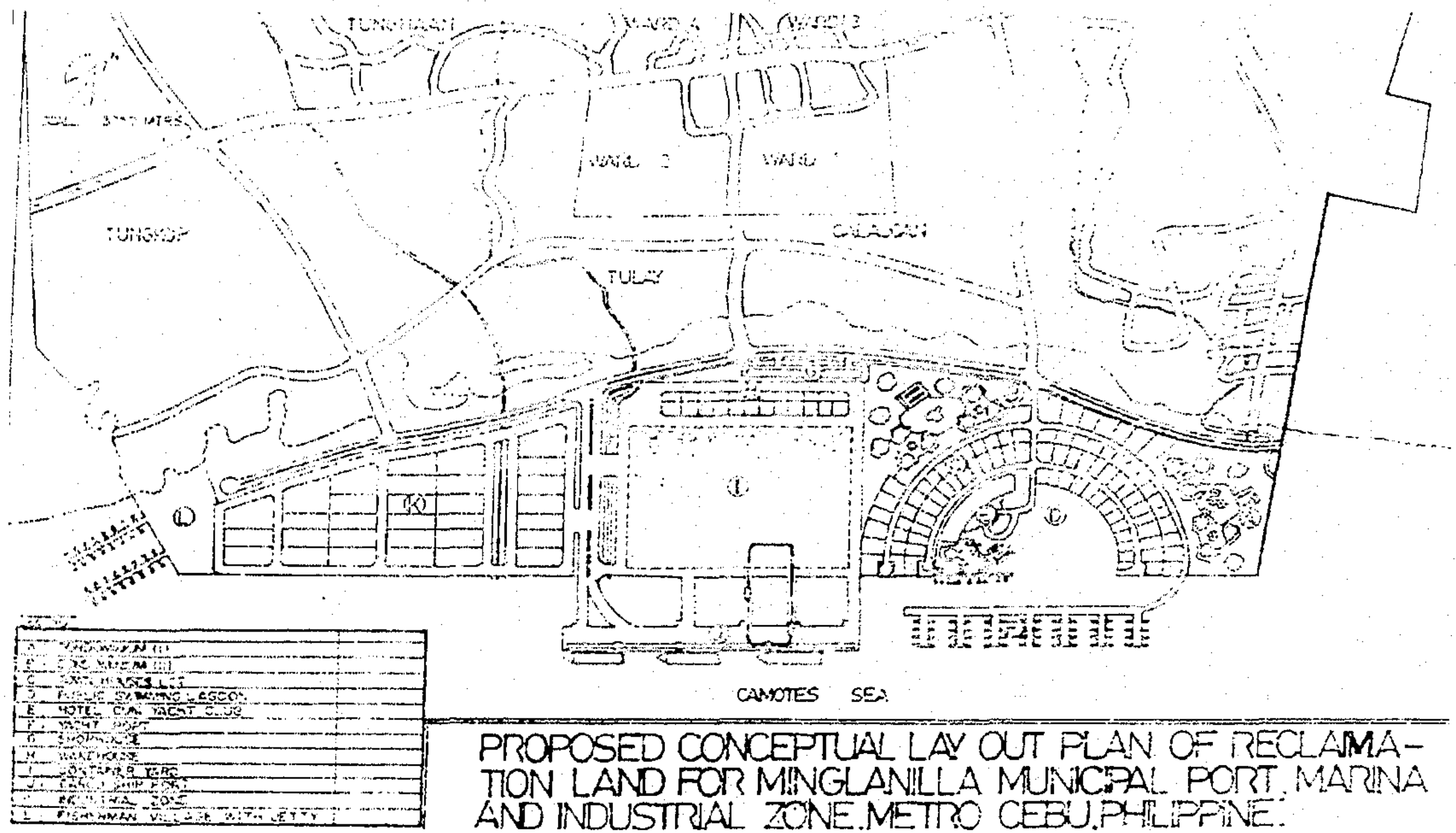
The core of the development will be the port which would be located in the central portion of the project and which will be supported by a large container yard and warehouses. The residential complex will be located in the northern section of the project. A number of blocks will be located in the southwestern portion of the residential complex while another group of apartment blocks will be sited at the northeastern portion. The industrial economic zone will be located at the southern portion of the project. It will have direct and immediate access to the port and the container yard.

The Municipality intends to commence actual construction works within one year from the date the project is awarded subject to the approval of all the plans, permits and licenses from various agencies.

A 70/30 sharing scheme will be followed. 70% of the reclaimed land to the developer net on saleable areas les roads and open spaces and 30% share for the Municipality of Mingalnilla.

The project implementation from land reclamation to completion of the vertical development is planned from 4 to 10 years. The land reclamation will be completed in 3 to 4 years but initial phase of the vertical development could start in the beginning of the third year.

Conceptual layout plan is shown in Fig. 2.1.5-5.



Source: Municipality of Minglanilla

Fig. 2.1.5-5 Conceptual Layout Plan of Minglanilla Reclamation Project

7) Cebu Civic and Trade Center

Cebu Civic and Trade Center is a mixed-use development located on Salinas Drive, Lahug, Cebu City. It is situated on a 24ha prime property and is a master planned community that offers corporate accommodations like office buildings, residential condominiums, retails centers and a hotel.

Horizontal work on the first phase of the project was completed. The area covering 18.3ha will have 39 office lots and the proposed civic super block.

8) Mactan Export Zone (I and II)

MEZ is about 14km away from the Port of Cebu and 0.5km from the Mactan Cebu International Airport. It is easy accessibility by sea and air has attracted many foreign investors, thus, increasing its international market.

The total development area of MEZ is 119.4ha of which industrial use accounts for 89.4ha, management building area, 3.9ha; and park and other uses, 26.1ha.

The existing 119ha MEZ has been very successful and is even considered the most successful export processing zone in the country. The additional 30.10ha expansion at the Mactan Cebu International Airport (MCIA) property is already fully booked. More firms still want to invest and operate, thus, a need for another site for expansion.

The development of a 90ha lot at the Mactan Air Base in barangay Basak is ongoing. The expansion is referred to as the MEZ II Special Economic Zone. The Macatna Cebu International Airport Authority (MCIAA) through a private developer under BOT scheme undertakes the development of MEZ II. The industrial estate is projected to generate US$ 425million more in export earnings upon completion and full occupancy by 1997. MEZ II is designed to accommodate more new potential investors.

9) Cebu Light Industrial Park-Mactan

The Cebu Light Industrial Park (CLIP), located on Mactan Island, is approximately 6km away from the MCIA, 15km away from the MCIA. The Philippine Economic Zone Authority (PEZA) designates CLIP as an Economic Zone and therefore locators may enjoy an attractive package of incentives.

10) New Cebu Township One

New Cebu Township One (NCTO), located at Cantao-an, Naga, is 22km south from Cebu City business center, 35km from MCIA and 24km from CIP. The Philippine Economic Zone Authority (PEZA) designates NCTO as a Special Economic Zone (SEZ)

Total area to be developed is 250ha and 123ha is approved by PEZA as of 1997. Sixty hectare out of 250ha is designated an industrial zone, namely Cebu Techno Park.

(2) Hinterland of major outports

1) West Cebu Industrial Park

The dispersal of industries in Cebu to new Integrated Industrial Centers in the countryside saw the development of the West Cebu Industrial Park (WCIP), Export Oriented Economic Zone (particularly heavy industries) in Balamban town along the western seaboard of Cebu Island.

The 202ha estate is a project of Cebu Industrial Park Developers, Inc. (CIPDI), a joint venture of the Aboitiz Group and Tsuneishi holdings, Inc. of Japan. It is planned for medium and heavy industries, especially for shipbuilding and allied activities.

Five milestone firms have set up shop in WCIP with others planning to follow in 1999.

Locations of Industrial land are shown in Fig. 2.1.5-6 and reclamation projects in Fig. 2.1.5-7.

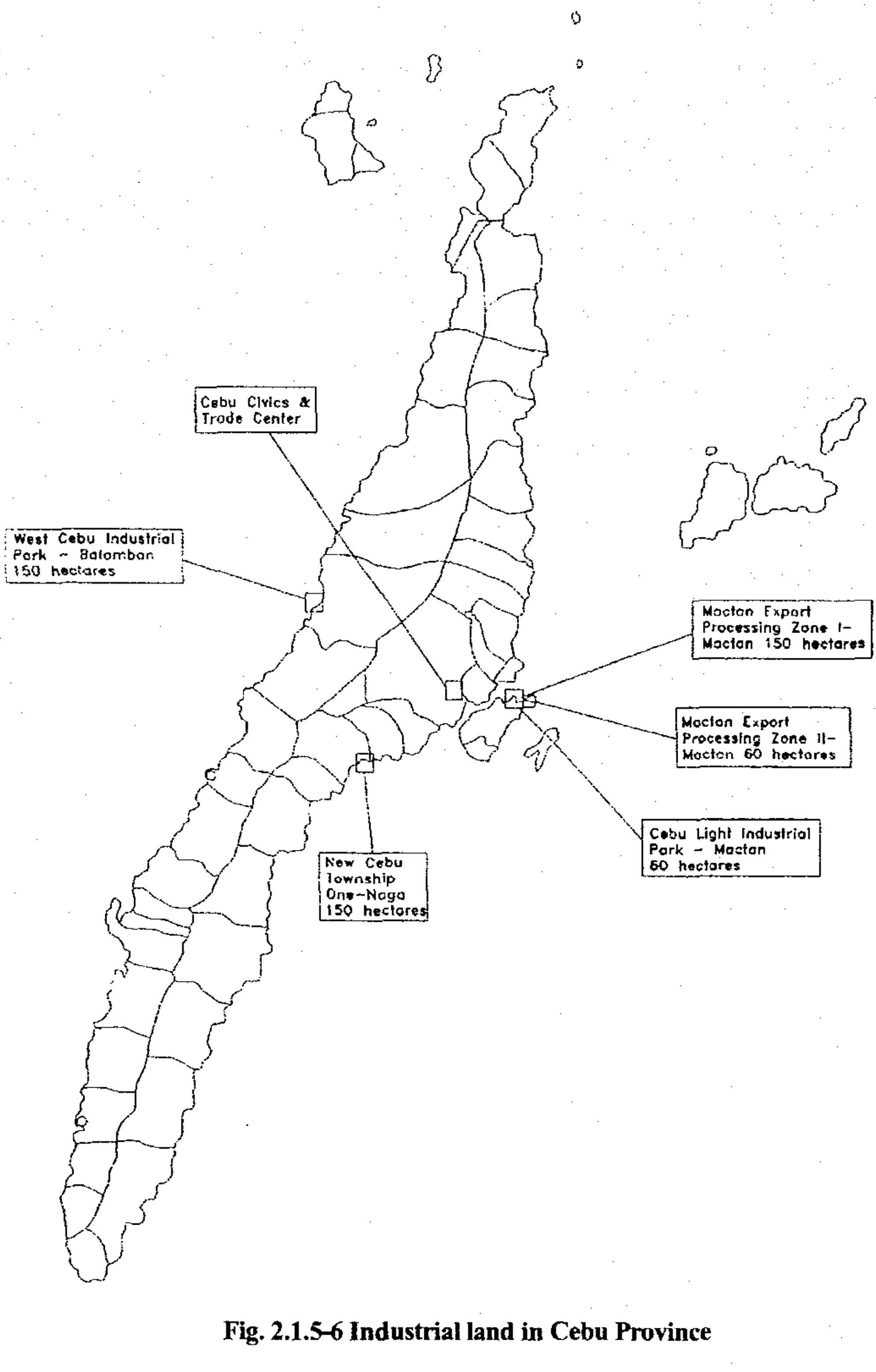


Fig. 2.1.5-6 Industrial land in Cebu Province

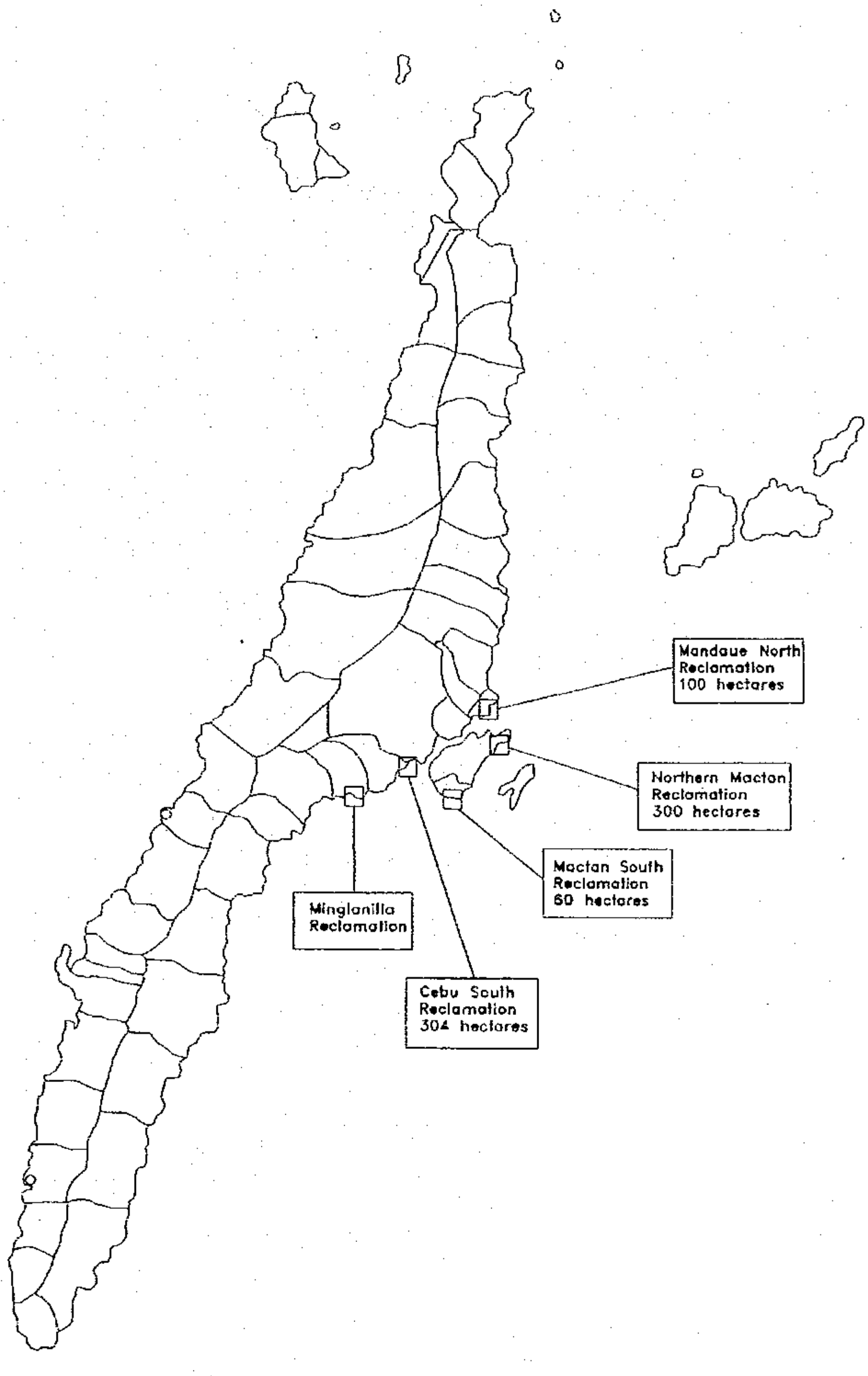


Fig. 2.1.5-7 Reclamation Projects in Cebu Province

2.2 Port Development Situation

2.2.1 Outline of Institutional Frameworks

(1) Outline of Philippine Port System.

There are over 1,300 ports at present in Philippine. Ports in the Philippines are classified into public ports built and managed by public sectors and private ports built and managed by private sectors. In principle, All ports are under control of PPA and CPA which mean the port authority can check and control all port including private ports in this region from the viewpoint of regional development and efficient port function arrangement.

The Cebu Port Authority or CPA was created through R.A. 7621 in 1992 to administer all ports located in Cebu province, effectively separating them from the PPA system. CPA began operations and took over all Cebu ports on 01 January 1996, 5 years ago.

Both port authorities are under the supervision of the Department of Transportation & Communications for purposes of policy coordination. There are no other port authorities in the Philippines at present.

1) PPA Port System

There are 122 ports at present in PPA port system designated by the Management-Executive Committee of the PPA. These ports consist of 19 Base Ports, which function as hub ports both in foreign and domestic trade, and 103 Terminal Ports. There are Port Management Offices at each Base Port, and Terminal Office at each Terminal Ports.

PPA ports list is shown in Table 2.2.1-1

Table 2.2.1-1 PPA Ports List

	PDO - MANILA
	PMO-NORTH HARBOR
*1	Manila North Harbor
2	Lamao (Limay)
3	Capinpin (Orion)
	PMO-SOUTH HARBOR
	Manila South Harbor
	M.I.C.T.
	Pasig
	PDO - LUZON
	PMO-BATANGAS
*7	Batangas
8	Calapan
9	San Jose,Occ. Mindoro
10	Abra de Ilog
11	Balanacan
12	Sta. Cruz
13	Dalahican
14	Poctoy (Odiongan)
15	Romblon
16	Pagbilao
17	Lopez
18	Real
	PMO-LEGASPI
*19	Legaspi
20	Tabaco
21	Pasacao
22	Pantao
23	Bulan
24	Matnog Ferry
25	Masbate
26	Virac
27	San Jose Panganiban
	PMO-PUERTO PRINCESA
*28	Puerto Princesa
29	Brooke's Point
30	Coron
31	El Nido
	PMO-SAN FERNANDO
32	Irene
33	Currimao
34	Aparri
35	Masinloc
36	*Sual*
	PDO - VISAYAS
	PMO-DUMAGUETE
*37	Dumaguete
38	Tandayag
39	Guihulngan
40	Larena
	PMO-ILOILO
*41	Iloilo
42	Estancia
43	Culasi (Roxas City)
44	Dumaguit
45	San Jose Buenavista
46	Lipata (Culasi, Antique)
47	Jordan (Guimaras)
48	San Lorenzo (Guimaras)
49	Dumangas
	PMO-PULUPANDAN
*50	Pulipandan
51	Hinoba-an
52	San Carlos
53	Danao (Escalante)
54	Bacolod
	PMO-TAGBILARAN
*55	Tagbilaran
56	Catagbacan
57	Tubigon
58	Jetafe
59	Talibon
60	Ubay
61	Jagna
62	Balamban
	PMO-TACLOBAN
*63	Tacloban
64	Naval
65	Calubian
66	Palompon
67	Ormoc
68	Baybay
69	Hilongos
70	Maasin
71	Liloan Ferry
72	Guiuan
73	Borongan
74	Catbalogan
75	Calbayog
76	San Isidro Ferry
77	San Jose Caraingan
	PDO - NORTHERN MINDANAO
	PMO-CAGAYAN DE ORO
*78	Cagayan De Oro
79	Opol
80	Balingoan
81	Benoni
82	Guinsiliban
	PMO-ILIGAN
*83	Iligan
84	Tubod
85	Rolambugan
	PMO-NASIPIT
*86	*Nasipit*
87	Masao
88	Butuan
	PMO-OZAMIS
*89	Ozamis
90	Silanga
91	Jimenez
92	*Pulauan (Dapitan)*
93	Sindangan
	PMO-SURIGAO
*94	Surigao
95	Lipata Ferry
96	San Jose Dinagat
97	Dapa
98	Socorro
99	Cantilan
100	Tandag
101	Aras-Asan
102	Mangagoy
	PDO - SOUTHERN MINDANAO
	PMO-DAVAO
*103	Davao (Sasa)
104	Davao (Sta. Ana)
105	Malalag
106	Mati
	PMO-GENERAL SANTOS
*107	General Santos (Marker)
108	Glan
	PMO-JOLO
*109	Jolo
110	Siasi
111	Ruala Baru
112	Bongao
113	Sitangkai
	PMO-POLLOC
*114	Polloc
115	Cotabato
116	Kalamansig
	PMO-ZAMBOANGA
*117	Zamboanga
118	Ipil
119	Malangas
120	Pagadian
121	Basilan (Isabela)
122	Lamitan

Note: PDO: Port District Office
PMO: Port Management Office
*: Baseport

2) CPA Port System

There are 113 ports at present in Cebu province under control of CPA. These ports are classified into 2 main groupings, which are Government ports and Private ports. Government ports consist of 10 Primary Ports, which includes Cebu base port, and 32 Secondary Ports. Government ports are owned by CPA except for a few municipal ports which are funded by municipalities. CPA is basically responsible for the maintenance of these ports. The main office is at Cebu Base Port and there are 4 branch offices at Toledo, Danao, Santa Fe and Argao. Private Marine Facilities consist of Private Ports (52), Shipyards/Drydocks (14), Fish Ports (3) and a Marina (1). CPA Port system and Ports list are shown in Fig. 2.2.1-1 and Table 2.2.1-2

As for small ports, following decisions were made according to the approval of the NEDA Board, which was convened in September 1990.

DOTC shall coordinate the programming and implementation of future municipal / tertiary / feeder port projects while actual implementation and maintenance of these projects shall be devolved to the local government unit, with DOTC providing technical supervision and engineering design standards. Actual construction and rehabilitation of these ports is carried out by Project Management Service of DOTC at national government's expense, while maintenance and operation is carried out by local governments. However, Local governments do not have enough funds and technical skill at present.

At this moment (February 2001), Poro port and Balasa port funded by DOTC are under construction. Only one port, Bandayan, is maintained by a municipal government.

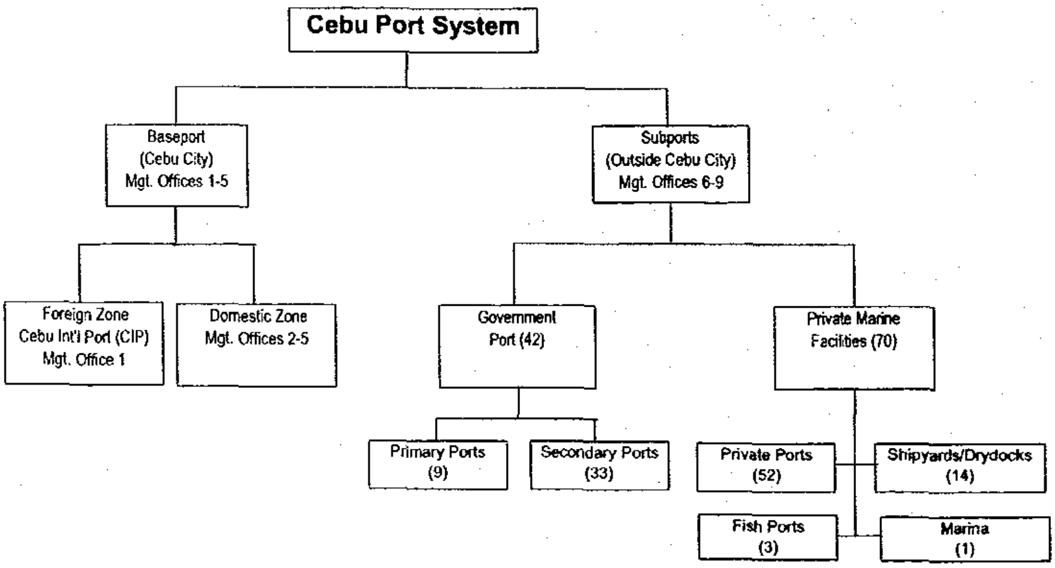


Fig. 2.2.1-1 CPA Port System

Table 2.2.1-2 CPA Port List

1. GOVERNMENT PORT	
(1) PRIMARY PORT	
1	Baseport of Cebu
2	Port of Danao
3	Port of Bantayan
4	Port of Carmen
5	Port of Hagnaya
6	Port of Poro
7	Port of Sta. Fe
8	Port of Tabuelan
9	Port of Toledo
10	Port of Tuburan
(2) SECONDARY PORT	
11	Aloguinsan Causeway
12	Argao Port
13	Badian Causeway
14	Barili (Japitan) Causeway
15	Baring Causeway
16	Bato Port
17	Bogo (Pulambato) Causeway Landing
18	Bogo Causeway
19	Borbon Causeway
20	Bout Causeway
21	Bulasa Causeway
22	Cang-asil Causeway
23	Compostela Causeway
24	Cordova Causeway
25	Dalaguete Causeway
26	Dapdap Causeway
27	Kawit Causeway
28	Madridejos (Malbago)/Kaungkod Causeway
29	Malabuyoc Causeway
30	Maya Landing/Causeway
31	Moalboal Causeway
32	Pilar Causeway/Pier
33	Poro Port
34	Punta Engaño Causeway
35	Ronda Causeway
36	Samboan (San Sebastian) Port
37	San Francisco (Puerto Bello) Causeway
38	Sibonga Port
39	Sogod Causeway
40	Sta. Rosa Port
41	Tabogon Port
42	Tangil Causeway/Landing
43	Tudela Causeway
2. PRIVATE Marine Facilities	
(1) PRIVATE PORT	
1	Abines Private Port
2	Abucay Private Wharf
3	Acoje Wharf
4	Anton Causeway
5	ACMDC Private Wharf
6	AFC Port
7	APO Cement Corporation
8	Baigad Pier
9	Bato Stevedoring Port
10	Bulkfleet Marine Corporation
11	Cabahug Private Wharf
12	Caltex Phils.
13	Condrado Loon Causeway
14	CT Ferry Inc. Port
15	Davao Union Marketting
16	Diosdado Ursal Causeway
17	E.C. Quano Dev't and Management Corporation
18	Eleuterio Casila Causeway
19	EMRO Wharf
20	FBM Marine Aboitiz
21	Far East Cement Corporation
22	Foremost/Philrock Construction
23	General Milling Corporation Port
24	Grand Cement Corporation Port
25	GT Ferry Incorporated
26	Ingatan Private Wharf
27	Ingatan Landing
28	Ludo and Luym Pier
29	Luvimin Private Wharf
30	Maayo Landing
31	Maayo Shipping Inc. Wharf
32	Meraluana Cabahug Causeway
33	Mobil
34	Narciso Gomez Causeway
35	National Power Corporation
36	Pablito Oliver Causeway
37	Petron Philippines Inc.
38	Philippine Mining and Smeltering Corporation
39	Philippine Trigon Shipyard
40	Renato Servile Causeway
41	Roden Construction
42	Sandigan Landing Area
43	San Miguel Corporation
44	Shell Corporation
45	Soledad Alfonso Vda. De Gabutan
46	Ting Guan Development Corp
47	Tudela Causeway
48	Tulay Mandaue Fairport Serv
49	TPC Port
50	UC Pier
51	VECO Port
52	Xerxes 'Biboy' M. Facultad Private Port
(2) SHIPYARDS	
1	Bulkfleet Marine Corp. Drydocks
2	Colorado Shipyards
3	K&A Metal Industries (Cebu) Incorporated
4	Keppel Cebu Shipyard
5	L'nor Marine Services Inc
6	Michael Shipways
7	Philippine Trigon Shipyard
8	PKS Shipping Incorporated
9	RM Marine Construction and Ship Repair
10	Sandoval Shipyard
11	Santiago Shipyard and Shipbuilding Corporation
12	Tsuneishi Heavy Industries (Cebu) inc.
13	VY Arante Shipyard
14	Yransport Drydocks Co. Inc.
(3) FISHPORT	
1	Alpine Fishport
2	Hagnaya Bay Corporation
3	Pasil Fishport
(4) MARINA	
1	Cebu Yatch Club

3) Private Ports

Many private ports are registered with the port authorities, but there are also a lot of ports that are not registered, even though port authorities give financial incentives to registered private ports. These private ports handle their own cargo.

A private company that wants to build port facilities has to get permission of the Bureau of Land, the Department of Natural Resources and the port authority. First they have to get a shore lease from the Bureau of Land, since shore of the Philippines is under jurisdiction of the Bureau. The Bureau gives permission and leases the shore for 25 years after consulting the port authority. After that they have to obtain permission of the port authority. Normally the operation period is 25 years, the same as a shore lease of the Bureau of the Land, and it can be renewed.

Private port operators have to submit statistics as well as management, operation and finance reports to the port authority, which audits them and can make necessary recommendations.

(2) Functions and Organization of the DOTC

The Department of Transportation and Communications has responsibility for maintenance and expansion of viable, efficient and dependable transportation and communications systems as effective instruments for national recovery and economic progress. It exercises general supervision over air, land and water transportation, postal service and telecommunications.

Water Transportation Planning & Project Development Division of Transportation Planning Service is in charge of port related activities. Main functions of Water Transportation Planning & Project Development Division are as follows:

1) Coordinates with Marine Industry Authority and the Ports Authority with regards to the plans and programs for the development of water transportation to draw up the integrated maritime transportation master plan for the country;

2) Identifies and / or rationalizes water transportation needs and facilities in the country including maritime navigational facilities;

3) Maintains liaison with other government and private offices / organizations related to water transportation particularly the local shipping firms to know their requirements and needs with regards to safety at the ports and waterways;

4) Performs such other functions as may be assigned from time to time.

DOTC organization chart is shown in Fig. 2.2.1-2

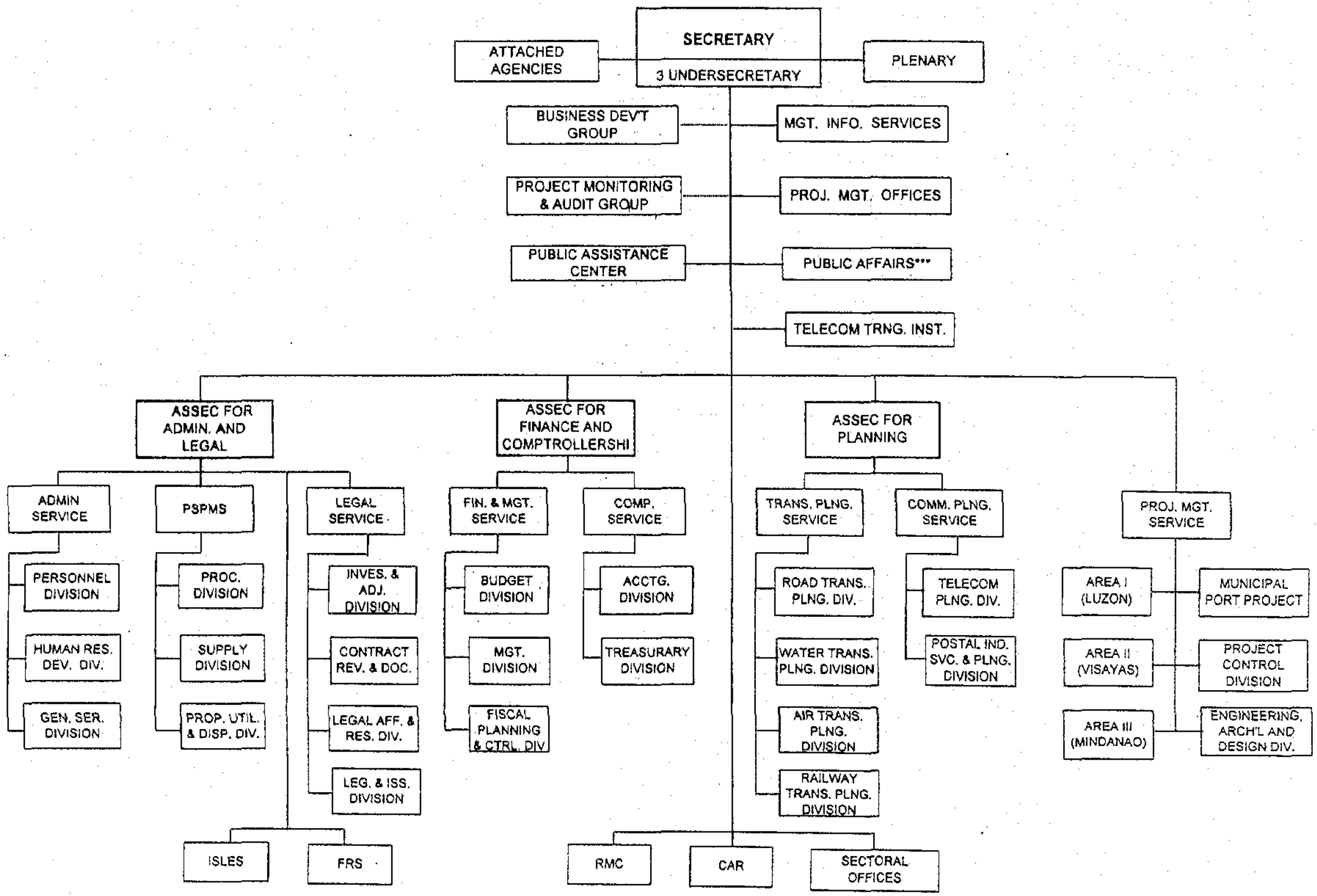


Fig. 2.2.1-2 DOTC Organization

(3) Functions and Organization of the PPA

In the past, port administration in the Philippines was merged with the traditional functions of revenue collection of the Bureau of Customs and ports and harbors maintenance and construction was done by the Bureau of Public Works. However, the Philippine Ports Authority was created in July 1974 under Presidential Decree (PD) N0.505, subsequently amended by P.D.857 (Charter) on December 23, 1975:

The general objective of the Authority is to implement the State policy for the planning, development, financing, operation and maintenance of ports or port districts for the entire country. According to the Charter (P.D.857), the PPA has the following functions:

1) To formulate in coordination with the National Economic and Development Authority (NEDA) a comprehensive and practicable Port Development Plan for the State and to administer its implementation, renew and update the same annually in coordination with other national agencies.

2) To supervise, control, regulate, construct, maintain, operate and provide such facilities or services as are necessary in the ports vested in, or belonging to the Authority.

3) To prescribe rules and regulations, procedures, and guidelines governing the establishment, construction, maintenance and operation of all other ports, including private ports in the country.

4) To license, control, regulate, supervise any construction or structure within any Port District.

5) To provide services (whether on its own, by contract, or otherwise) within the Port District and the approaches thereof, including but not limited to
- berthing, towing, mooring, moving, slipping, or docking any vessel;
- loading or discharging any vessel;
- sorting, weighting, measuring, warehousing, or otherwise, handling goods.

6) To exercise control or administer any foreshore rights or leases which may be vested in the Authority from time to time.

7) To coordinate with the Bureau of Lands or any other government agency or corporation, in the development of any foreshore area.

8) To control, regulate, and supervise pilotage and the conduct of pilots in any Port District.

9) To provide or assist in the provision of training programs and training facilities for its staff,

or staff of port operators and users for the efficient discharge of its functions, duties and responsibilities.

10) To perform such acts or provide such services as may be deemed proper or necessary to carry out and implement the provisions of this decree, including the adoption of necessary measures to remedy congestion in any government port, and in coordination with the Bureau of Customs in the case of ports of entry.

The policy formation level is the PPA Board of Directors. The Board consists of the Secretary of Transportation and Communications as the Chairman and the PPA General Manager as Vice-Chairman. The other members are the Director-General of the National Economic and Development Authority, the Secretaries of Public Works of Highways, Finance, Trade and Industry, Natural Resources, the Administrator of MARINA and a representative of the private sector. The term of the Director from the private sector is three years and at present it is selected from Philippine shipping line.

Policies are implemented by the General Manager as the Chief Executive Officer, assisted by three Offices, namely; Operations, Engineering and Finance, Legal Administration and Management, each headed by an Assistant Manager. The General Manager and Assistant Managers are appointed by the President of the Philippines. Under the office of the Assistant General Manager for Operations there are five Port District Offices (PDO). Under PDO there are 19 Port Management Offices (PMO). PMOs are established in each Base Port. They manage and operate the Base Port as well as control Terminal Ports and private ports under its jurisdiction.

As of December, 1999, the total number of PPA employees is 2183 which consists of 472 employees in the head office and 1711 employees in Port District Offices.

PPA Organization chart is shown in Fig. 2.2.1-3

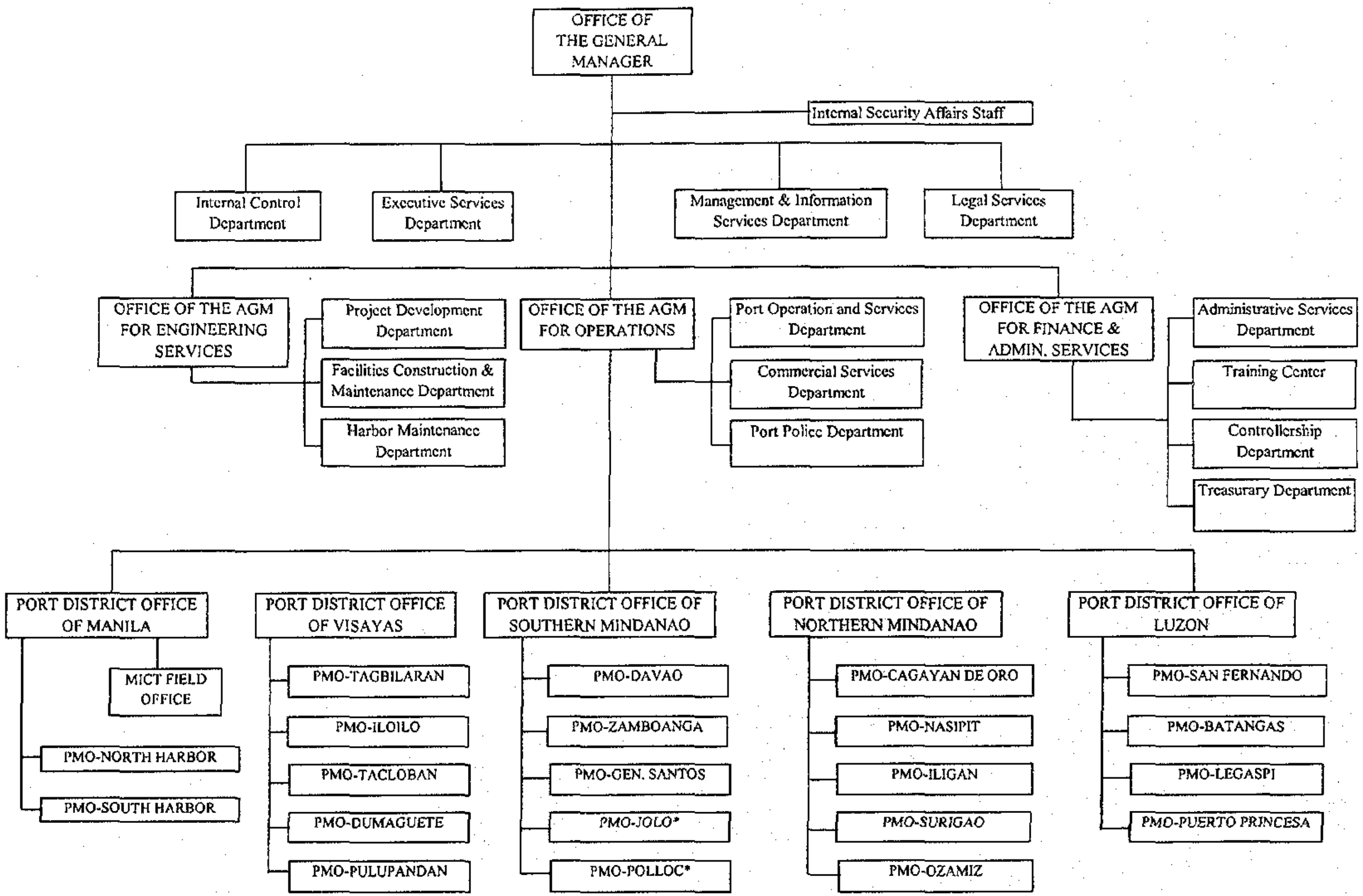


Fig. 2.2.1-3 PPA Organization Chart

2.2.2 Privatization Scheme

(1) National Privatization Policy

To make good use of private sector skills, the government of the Philippines introduced the Republic Act (RA) No, 6957 in 1990. One purpose of the law is to provide suitable incentives for greater private sector participation. The law includes regulations for raising funds, construction, management and operation for the facilities of the infrastructure done by the private sector.

In 1994, the government introduced RA 7718 (an amendment to RA 6958) entitled " An act authorizing the financing constructor operation and maintenance of infrastructure projects by the private sector, and for other purposes". In RA 6958, only two schemes were provided for private sector participation. RA 7718 allows all methods, from the established two methods to Build-own-and-operate, Build-lease-and-transfer, Build-transfer-and-operate, etc. An assembly of financial enticements has been put together to attract private sector participation in infrastructure development. Numerous tax incentives, risk-sharing schemes, direct subsidies, credit enhancements, and equity payments are available on a project-to-project basis. Government's commitment to a level playing field in the procurement of private sector financing and expertise is grounded on utmost transparency. The law makes the procedures of this type of project clearer.

To promote further participation of the private sector in infrastructure projects, The government established the Coordinating Council for Private Sector Participation (CCPSP), which is essentially a merger between the Coordination Council of the Philippine assistance program (CCPAP), Build-Operate-Transfer Center and other support units by Administrative Order No.67. The council shall coordinate and monitor the PSP program, formulate and recommend policies and guidelines.

Acknowledging the need for a funding facility for the purpose of preparing BOT/PSP projects, CCPSP developed the Project Development Facility (PDF) to aid implementing agencies and local government units in packaging projects for private sector participation on December 31 1999. The PDF is sponsored by the Asia Development Bank and the United States Agency for International Development. The PDF not only fills the funding gap for project preparation but also addresses the lack of properly packaged projects ready for tendering.

(2) Privatization Scheme

The several variants of the BOT scheme enumerated under the law are as follows. The BOO scheme specifically requires Presidential approval. Contractual arrangements other than those enumerated under the law are as follows

1) Build-operate-and-transfer - A contractual arrangement whereby the project proponent undertakes the construction, including financing, of a given infrastructure facility, and the operation and maintenance thereof. The project proponent operates the facility over the fixed term during which it is allowed to charge facility users appropriate tools, fees, rentals, and charges not exceed those proposed in its bid or as negotiated and incorporated in the contract to enable the project proponent to recover its investment, and operating and maintenance expenses in the project. The project proponent transfers the facility to the government agency or local government unit concerned at the end of the fixed term which shall not exceed fifty (50) years: Provided, That in case of an infrastructure or development facility whose operation requires a public utility franchise, the proponent must be Filipinos or, if a corporation, must be duly registered with the Securities and Exchange Commission and owned up to at least sixty percent (60%) by Filipinos. The build-operate-and-transfer shall include a supply-and-operate situation which is a contractual arrangement whereby the supplier of equipment and machinery for a given *infrastructure facility, if the interest of the* Government so requires, operates the facility providing in the process technology transfer and training to Filipino nationals.

2) Build-and-transfer - A contractual arrangement whereby the project proponent undertakes the financing and construction of a given infrastructure or development facility and after its completion turns it over to the government agency or local government unit concerned, which shall pay the proponent on an agreed schedule its total investments expended on the project, plus a reasonable rate of return thereon. This arrangement may be employed in the construction of any infrastructure or development project including critical facilities which, for security or strategic reasons, must be operated directly by the Government.

3) Build-own-and-operate - A contractual arrangement whereby a project proponent is authorized to finance, construct, own, operate and maintain an infrastructure or development facility from which the proponent is allowed to recover its total investment, operating and maintenance costs plus a reasonable return thereon by collecting tolls, fees, rentals or other charges from facility users: Provided. That all such projects, upon recommendation of the Investment Coordination Committee (ICC) of the National Economic and Development Authority (NEDA), shall be approved by the President of the Philippines. Under this project, the proponent which owns the assets of the facility may assign its operation and maintenance to a facility operator.

4) Build-lease-and-transfer - A contractual arrangement whereby a project proponent is authorized to finance and construct an infrastructure or development facility and upon its completion turns it over to the government agency or local government unit concerned on a lease arrangement for a fixed period after which ownership of the facility is automatically transferred to the government agency or local government unit concerned.

5) Build-transfer-and-operate - A contractual arrangement whereby the public sector contracts out the building of an infrastructure facility to a private entity such that the contractor builds the facility on a turn-key basis, assuming cost overrun, delay, and specified performance risks. "Once the facility is commissioned satisfactorily, title is transferred to the implementing agency. The private entity however, operates the facility on behalf of the implementing agency under an arrangement.

6) Contract-add-and-operate - A contractual arrangement whereby the project proponent adds to an existing infrastructure facility which it is renting from the government. It operates the expanded project over au agreement franchise period. There may, or may not be, a transfer arrangement in regard to the facility.

7) Develop-operate-and-transfer - A contractual arrangement whereby favorable conditions external to a new infrastructure project which is to be built by a private project proponent are integrated into the arrangement by giving that entity the right to develop adjoining property, and thus, enjoy some of the benefits the investment creates such as higher property or rent values.

8) Rehabilitate-operate-and-transfer - A contractual arrangement whereby an existing facility is turned over to the private sector to refurbish, operate and maintain for a franchise period, at the expiry of which the legal title to the facility is turned over to the government. The term is also u5ed to describe the purchase of an existing facility from abroad, importing, refurbishing, erecting and consuming it within the host country.

9) Rehabilitate-own-and-operate - A contractual arrangement whereby an existing facility is turned over to the private sector to refurbish and operate with no time limitation imposed on ownership. As long as the operator is not in violation of its franchise, it can continue to operate the facility in perpetuity.

Summary of BOT Schemes are shown in Table 2.2.2-1.

Table 2.2.2-1 Summary of BOT Schemes

	Scheme	Fund	Construct	Ownership transfer
BOT	Built-Operate-Transfer	Private	Private	End of franchise period
BT	Built-Transfer	Private	Private	Complete Construction
BOO	Built-Own-Operate	Private	Private	Private
BLT	Built-Lease-Transfer	Private	Private	Complete Construction
BTO	Built-Transfer-Operate	Public	Private	Complete Construction
CAO	Contract-Add-Operate	Private	Private	Depends on a arrangement
DOT	Develop-Operate-Transfer	Private	Private	End of franchise period
ROT	Rehabilitate-Operate-Transfer	Private	Private	End of franchise period
ROO	Rehabilitate-Own-Operate	Private	Private	Private

(3) Privatization Policy in the Port Sector

The Cebu Ports Authority (CPA) administrates the main ports in the Cebu. According to the national privatization policy, CPA propelled the privatization of the port sector. Republic Act No. 7621 mandates the Cebu Ports Authority to integrate and coordinate the planning, development, construction and operations of ports and port facilities with in its jurisdiction. A 25-year Port Development Plan has been formulated incorporating the BOT and joint venture (JV) projects. This is in line with the Philippine government policies adopted in 1994 to encourage foreign investment, tourism development, decentralization of government responsibilities and functions and concerns for safety and environmental protection.

CPA will continue to vigorously pursue port development with the participation of the private sector. The BOT Law and the joint venture schemes will be explored to expedite the provision of port infrastructure and services, which are critically needed in a 25-Year Port Development Plan. Primary emphasis will be accorded to private sector participation and will be vigorously promoted in the effort to minimize future direct involvement of the government in port infrastructure projects. BOT and JV projects, involving little or no cost on the part of CPA, will be the focus of this plan.

(4) Incentives of Private Investor

Project proponents under the BOT Law may avail of fiscal incentives and government undertakings. Available fiscal incentives under the BOT Law are as follows :

1) Project costing more than one billion (P1 billion) shall, upon registration with Board of Investments, be entitled to incentives as provided under the Omnibus Investment Code. LGUs may provide additional tax incentives, exemptions or reliefs subject to the provisions of Local Government Code of 1991.

2) The government agency or LGU may provide support through cost sharing or credit enhancement.

The Omnibus Investment Code was concluded at 1987 as a Executive Order No. 226, subsequently amended few times. Typical incentives of this law are follow under condition of above (1).

- Income tax holiday for 4 to 6 years from commercial operation.
- Tax and duty exemption on imported capital equipment
- Exemption from contractor's tax.
- Exemption from taxes and duties on imported spare parts

2.2.3 Port Development Policies and Plans

(1) National and Regional Port Development Policies

1) Medium-Term Philippine Development Plan (1994 – 2004) (MTPDP)

MTPDP stated the basic national development policies and strategies for transportation sector in Chapter 5, Infrastructure Development.

a) Focus the transportation strategy on reduced government involvement in project implementation and operations.
b) Improve the quality of existing infrastructure through proper maintenance, rehabilitation and upgrading.
c) Adopt appropriate regulatory and pricing policies to foster competitive markets.
d) Ensure that the public and private sectors operate on the same levels through institutional restructuring.
e) Encourage private sector to address critical bottlenecks in transporting as balanced against the need to optimize the use of scarce fiscal resources.
f) Enact bills that will expedite the acquisition of rights-of-way.

Subsectoral policies and strategies for water transportation were also described as follows;

a) Transfer regulatory functions to an independent regulator (or regulators) which shall have jurisdiction over all ports.
b) Rationalize tariff levels and structures to be applied at each port or group of ports based on the cost of providing services. Government will also take into account the possible discontinuation of levels from private ports to the Phil. Ports Authority in the interest of leveling the playing field.
c) Adopt a more proactive approach to the planning of new port facilities emphasizing commercial requirements and financial feasibility.
d) Encourage maximum private sector participation and investment in the sector.
e) Formulate effective polices and implementation of projects to enhance safety practices and strengthen enforcement.

Regarding CPA, MTPDP described that the delay in the operationalization of the CPA affected investments for the expansion of the terminal port as well as the Ro-Ro network development program, which is centered in Cebu, aims to connect the Visayas and Northern Mindanao.

Estimated financial requirements for port sector, 1999-2004 are shown in Table 2.2.3-1. To attain the development goals in line with the policies and strategies set out above, the medium term program for port infrastructure aims to undertake the priority activities as follows:

a) Development international port
b) Upgrading of Ro-Ro terminals along pan Philippine Highway
c) Development of transfer points along Manila – Cebu corridor
d) Conduct of feasibility studies

In these priority projects, only Balamban was listed up for c) and d) out of the ports in Cebu Province.

Table 2.2.3-1 Estimated Financial Requirements for Port Sector, 1999-2004

Unit: million pesos

	1999	2000	2001	2002	2003	2004	Total
DOTC*	355	306	420	287	369	5	1,742
PPA	588	1069	1,379	1,240	665	581	5,522
Total	943	1375	1,799	1,527	1,034	586	7,264

Source: MTPDP

Note: * feeder ports only

2) Central Visayas Medium - Term Development Plan (1999-2004) (CVMTDP)

CVMTDP stated situation and strategies for port sector as follows:

Due to its strategic location, Cebu Province is the base of about 90 percent of the country's inter-island shipping companies. Transportation, which was previously dominated by traditional seacrafts and motorized bancas, has been revolutionized by fast ferry services. A significant development in sea transportation during the past plan period was the operationalization of CPA in January 1996. CPA has taken over the management and operation of all ports in Cebu Province from the PPA.

In general, the physical condition of the ports in the region needs improvement. These are poorly maintained and short of facilities such as passenger terminals and warehouses. Berthing facilities are inadequate. Cargo handling equipment is far from satisfactory. Even the Port of Cebu needs further improvement to accommodate more and larger vessels. Ro-Ro ports will be established in Regional Development Council (RDC) prioritized sites while existing Ro-Ro ports will be rehabilitated and provided with appropriate facilities like terminal buildings, ware houses and lighting. Where feasible, existing ports shall be expanded to address the problem of congestion. In the upgrading, rehabilitation and construction of ports, compliance with the Accessibility Law, such as provision of catwalks and ramps, shall be enforced.

CVMTDP also stated that the involvement of local government units in municipal port development should be enhanced and private sector participation in port development should be promoted.

3) The Study on the Cebu Integrated Area Development Master Plan

This study was conducted from 1993 to 1994 by the JICA study team and its objective is formulation of development strategies, development framework, sectoral plans, implementation scheme and projects/programs towards the year 2010.

Concerning port and sea transport, this report identified four major issues.

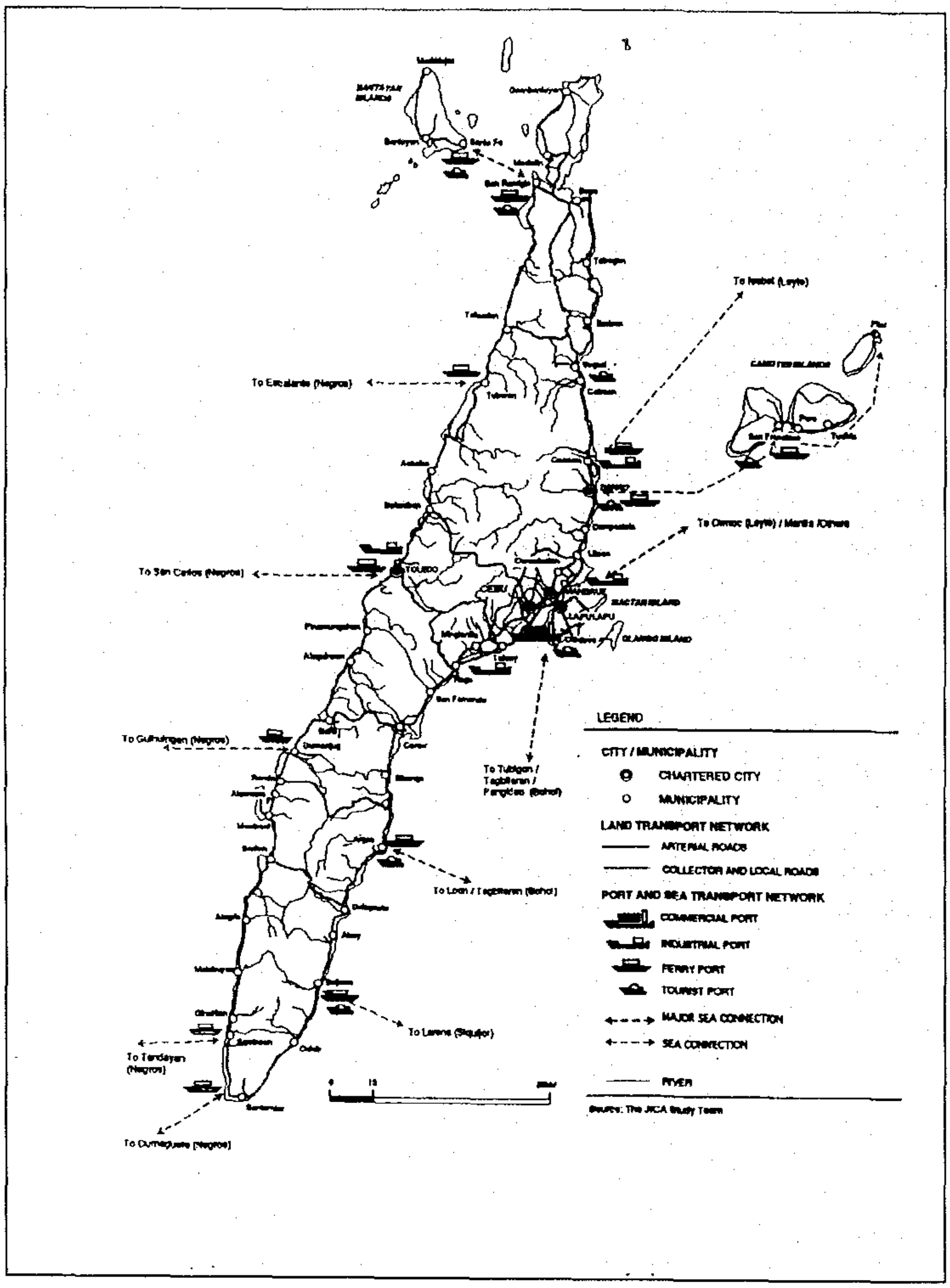
a) Improvement and expansion of Cebu Baseport to meet the future demand as a hub of international and inter-regional traffic flows
b) Improvement and/or development of local ports for inter-regional and intra-regional transportation with Ro/Ro services and road transport connections
c) Development of new industrial ports to support the planned industrialization
d) Development of tourist ports linked with tourism development

A proposed transport network structure in this report is shown in Fig. 2.2.3-1.

This report put the first priority on the development of Cebu Baseport, because strengthening of the gateway function of Cebu Baseport is a crucial issue for the development of the Cebu economy. It is emphasized that improvement of the existing port facilities must be undertaken and a new international port needs to be developed at an alternative place by 2010, because the present location of Cebu Baseport has no sufficient space for its expansion. A new Cebu port shall be international deep-sea port with the international standard of containerization. This report also stated five candidate sites were conceivable, namely,

- Consolacion;
- Mactan North reclamation area;
- Mactan South reclamation area;
- The Planned Cebu South Reclamation Area, and
- Minglanilla Reclamation area.

Conduct of a detailed feasibility study for these candidate sites was recommended to be urgently undertaken.



Source: The Study on the Cebu Integrated Area Development Master Plan (1994)

Fig. 2.2.3-1 A Proposed Transport Network Structure 2010

(2) Port Development Plans

1) Fifth IBRD Ports Project (Port of Cebu)

Before establishment of CPA in 1996, the rehabilitation project of Cebu Baseport with IBRD loan, which included rehabilitation of wharfs, road pavements and drainage systems, was planned and prepared. This project also included expansion of quay walls toward off-shore. But CPA commission didn't agree with the implementation of this loan project because the financial foundation of CPA was not firm at its initial stage of management and operation.

2) Port Development Plans of CPA

In Cebu province ports are classified into two main categories, government ports and private ports (private marine facilities). Government ports consists of primary ports and secondary port. Basically primary ports are national ports, which are constructed, maintained and developed by national government (CPA), and secondary ports are municipality ports, which are constructed and maintained by a local government unit out of local funds. Therefore, CPA has development plans only for primary ports, including Cebu Baseport and other major out ports.

Ten year development program (from 2000 to 2010) of CPA, formulated in 1999, is shown in Table 2.2.3-2. In this plan there are two major projects in Cebu Baseport. One is rehabilitation of the quay wall, and extension of R.C. deck and back-up area from berth 8 to 17 except berth 13 and 14 (fast craft terminal) project. After completion of this project, the quay line will be extended 30 m off-shore and the cargo handling area will be expanded. Total estimated cost of this project was 860 million pesos. The other one is rehabilitation of three (3) piers. Total estimated cost of this project was 193 million pesos.

However, the projects to be implemented are decided on a yearly basis through the formulation of annual budget. Therefore, this ten year development program is considered just as a guideline to implement the projects. This program has already been revised. For example, the rehabilitation of pier 2 is ongoing now. But the rehabilitation other piers, which was scheduled for 2002 and 2003, has been postponed indefinitely due to a lack of financial resources.

Concerning outports, provision of passenger terminal and office (Toledo Port, Danao Port), rehabilitation of old facilities (Carmen Port, Sta. Fe Port, Tuburan Port, Hagnaya Port) and construction of passenger terminal building (Tuburan Port, Carmen Port) are being implemented or planned.

Development of a new port in place of Hagnaya Port (San Remigio) and construction of international port for deep bottom vessels are also planned.

For rehabilitation and maintenance of port facilities, the total budget of the priority projects for year 2001 is 115 million pesos (See Table 2.2.3-3). Main project is rehabilitation of pier 2 of Cebu Baseport.

3)Re-development of PMO5 area of Cebu Baseport

The development of Cebu South Coastal Road Project connecting Cebu South Reclamation Area with Cebu City central district is now being conducted. The southern part of PMO5 area of Cebu Baseport is included in this project site. Therefore close of the berths of 31-33, whose total quay length is 405m, is scheduled in 2002.

Together with this project, Cebu City Waterfront Development project was planned in PMO5 area. It included the development of a fast craft terminal and amenity facilities. However, this project was recently canceled due to its low profitability.

Table 2.2.3-2 Ten Year Development Program of CPA (formulated in 1999)

PROJECT TITLE	LOCATION	EST. AMT. P	FUNDING SOURCE	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Pavement @ Berths 15-22	Baseport	35.1	CPA-Capital Outlay	■										
Provision of Passenger Terminal & Office	Toledo Port	5.00	CPA-Capital Outlay											
Provision of Passenger Terminal & Office	Danao Port	3.50	CPA-Capital Outlay	■										
Provision of Roofing @ Admin. Bldg.	Baseport	1.50	CPA-Capital Outlay	■										
Construction of Multi-Purpose Bldg.	Baseport	4.00	CPA-Capital Outlay	■										
Rehabilitation of Working Apron & R.C. Deck @ Berth 24 (N)	Baseport	11.00	CPA-Capital Outlay	■										
Rehabilitation of Quaywall & Extension of R.C. Deck and Back-up Area @ Berth 8-11 (Phase I)	Baseport	240.00	Loan (DBP)	■	■ 18 mo.	■								
Convert Existing Marginal Wharf for Conventional Roro Vessel @ Berths 15-17 (Phase II)	Baseport	270.00	Loan		■	■ 24 mo.								
Convert Existing Marginal Wharf for Conventional Roro Vessel @ Berth 12 (Phase III)	Baseport	350.00	Loan				■	■ 30 mo.	■					
Rehabilitation of Old Facilities	Carmen Port	5.00	CPA-Repair & Maint.		■									
Rehabilitation of Old Facilities	Sta. Fe Port	10.00	CPA-Repair & Maint.		■									
Rehabilitation of Old Facilities	Tuburan Port	8.00	CPA-Repair & Maint.		■									
Rehabilitation of Old Facilities	Hagnaya Port	4.00	CPA-Repair & Maint.		■									
Construction of Passenger Terminal Bldg.	Tuburan Port	6.00	CPA-Capital Outlay			■								
Construction of Passenger Terminal Bldg.	Carmen Port	3.00	CPA-Capital Outlay					■						
Concreting of Pavement @ Berths 23-27	*Baseport*	29.70	*CPA-Capital Outlay*			■								
Rehabilitation of Pier 1	Baseport	65.00	CPA-Capital Outlay			■								
Rehabilitation of Pier 2	Baseport	63.00	CPA-Capital Outlay		■									
Rehabilitation of Pier 3	Baseport	65.00	CPA-Capital Outlay				■							
Develop New Port in place of Hagnaya Port	San Remigio	25.00	CPA-Capital Outlay				■	■						
Construction of International Port for Deep Bottom Vessels	Consolacion Lilo-an	8.80B	ODA/BOT						■	■	■	■	■	■

Tabla 2.2.3-3 List of Priority Projects for Year 2001

			ESTIMATE(in Millions)
A.	CAPITAL OUTLAY PROJECTS		
	1. Rehabilitation of Pier 2, Baseport		55.00
		TOTAL	**55.00**
B.	REPAIR AND MAINTENANCE PROJECTS		
	1. Repair of Fendering System @ Berth 28 to 29		6.30
	2. Repair of Pavement & Drainage System @ Berth 24 & 25		10.00
	3. Repair of Drainage System @ Berth 8 to 11		4.50
	4. Upgrading of Electrical System		8.00
	5. Maintenance of Physical Facilities		4.00
	6. Maintenance of Equipment		1.50
	7. Repair of Terminal Office @ Port of Sta. Fe		3.00
	8. Repair of Pavement @ 15th Street Baseport		4.00
	9. Repair of Pavement beside CFS Building CIP Complex, Baseport		7.00
	10. Provision of Covered Catwalk with Railings @ Sta. Fe, Outport		1.50
	11. Rehabilitation of Old Pier @ Sta. Fe Outport		7.00
	12. Repair of Pavement @ Tuburan Outport		3.20
		TOTAL	**60.00**
	13. Repair of Quaywall & Pavement @ Berths 28 – 29, Cebu Port		25.00
	14. Replacement of Roofing & Equipment Shed		2.50
	15. Structural Investigation & Repair of Broken PSC Piles @ CIP		5.00
	16. Concreting of Block B of CY @ CIP		34.00

Source: CPA

Note : No.13 – 16 are second priority projects and will be carried out only after the implementation of first priority projects and if sufficient funds are available.

2.2.4 Environmental Consideration Policy in the Philippines

(1) Environmental legislations in the Philippines

The 1987 Philippine Constitution lays down the basic framework for policy on the environment. Section 16, Article II states that *"The State shall protect and advance the rhythm and harmony of nature."* Section 15 of the same Article also mandates the State *" to protect and promote the people's right to health."*

The basic environmental ordinance consists mainly of two Presidential Decrees (P.D.).

- The P.D. No. 1151 (Established and enacted on June 1977) known as the "Philippine Environmental Policy"
- P.D. No. 1152 (Established and enacted on July 1977) known as the "Philippine Environmental Code".

The latest DENR Administrative Order (DAO) No.37, series of 1996 or DAO 96 - 37, which expressly supersedes DAO 21, series of 1992. DAO 96 - 37 is an attempt to further streamline the EIA system and to strengthen the processes for its implementation.

Table 2.2.4-1 Philippines EIA System Legal and Regulation Framework

Law / Regulation	Year	Feature
Presidential Decree (P.D) 1151	1977	Philippine Environmental Policy : requires sponsors of all government and private projects affecting the quality of the environment to prepare an environmental impact assessment (EIA)
P.D 1586	1978	Establishing an Environmental Impact Statement (EIA) System: centralized the EIA System under the National Environmental Protection Council (NEPC), & authorizes the President and NEPC to proclaim projects and activities subject to the EIS system
Proclamation 2146	1981	Proclaims certain area and types of projects as environmentally critical and within the scope of the EIS system
DENR Administrative Order 96 - 37	1996	Revising DAO 21, Series of 1992, to further strengthen the implementation of the EIA System

(2) The Philippine Environmental Impact Statement (EIS) System

The early EIA System of the Philippines was established by the implementation guideline of P.D. No. 1151 (May 1978) and the Environmental Impact Statement (EIS) System was indicated in Section 4 of P-D.No.1151.

By the P.D. NO. 1586 (June, 1978), the Philippine EIS was officially established and enacted in June, 1982 with its basic policy objectives "to attain and maintain a rational and orderly balance between socio-economic growth and environmental protection".

Also, the government has established a rules and regulations prescribing the function of related agencies and committees as well as the framework of EIA System in July 1983. Furthermore, in 1992, the additional policy objectives of the EIS System was promulgated in D.A.O. No. 21 to promote its proper administration and reinforcement in order to achieve further preservation of the environment These additional policy objectives are:

1) Incorporate environmental considerations in the early stages of project development; Assess the direct and indirect costs and benefits of projects to the local community and the country as a whole;

2) Reduce the unacceptable environmental impacts of projects and describe the most appropriate and cost-effective mitigation measures, including both pollution prevention and control;

3) Encourage early and continuous public involvement to help ensure that projects are socially acceptable;

4) As much as possible, involve a wide spectrum of concerned sectors and the adjacent communities that will be affected by the project development in the exchange of views, information and concerns in order to effect projects that are beneficial to the majority and acceptable to the community; and

5) Provide the basis for assessing the actual impacts of implemented and completed projects, and identify, other significant impacts in order to effect corrective measures and improve future projects of similar type and magnitude.

(3) Environmental Administrative Agencies Involved in EIA System

DENR and Environmental Management Bureau (EMB), a subordinate agency of DENR, handle the administration that involves environment. Their duty and responsibility deals on the management and examination of EIA, and has an authority to impose penalties for the violation. Presently, the EIA Section is established in EMB. The environmental impact assessment will be carried by this Section and the project proponent can implement its project when the Environmental Compliance Certificate (ECC) is approved and issued. Fig. 2.2.4-1 shows EIA system.

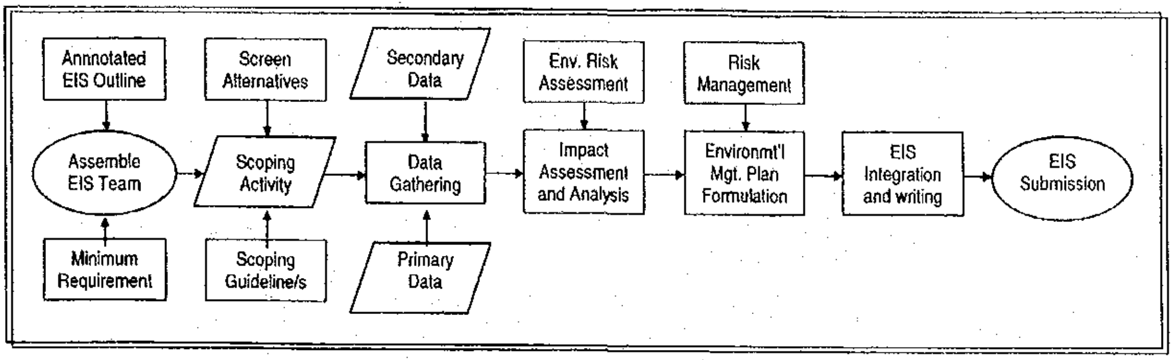


Fig. 2.2.4-1 EIA Process

(4) Role and Responsibility of CPA and study Team for preparation of EIA

Table 2.2.4-2 shows the roles and responsibilities of Cebu Port Authority and JICA study team.

Table 2.2.4-2 Roles and Responsibilities of Each Organization

Organization	Roles and Responsibilities
CEBU PORT AUTHORITY: Organization which is the owner of the port development projects	➢ Provides project description ➢ Facilitates and assist the consultants in the gathering of secondary data, letter of introduction, permits and other pertinent requirements from the LGU of identified communities ➢ Introduces the project and consultants to the LGU of identified communities through a formal meeting ➢ Preparation of Information, Education and Communication materials about the project, the projected impacts and mitigations, as well as , the benefits ➢ Acts as liaison of the project in relation to the consultants, government line agencies, non-government agencies and people's organizations ➢ Submission IEE / EIA to DENR relevant secession
JICA STUDY TEAM (OCDI / PCI) : Technical expert team for assist the port development project formulation	➢ Provides the technical expertise in the assessment process ➢ Informs the identified LGU and the affected people about the IEE/EIA process using IEC materials. That this is being done by the multidisciplinary team to assure them that the project shall be environmentally sound following strictly the parameters set-forth by DAO 96-37 and JICA ➢ Presents the results of the study (impacts and mitigations) to the affected communities for validation of findings ➢ Coordinates with the EMB Regional Director, PENRO, CENRO and the Review Committee in relation to the progress of the study , up to its final review

(5) Type of Document Required and Principal Reviewing Agency

The EIS System covers the following projects and undertaking:

1) Environmentally Critical Projects (ECPs)

a) Heavy Industry
   a. Non-ferrous metal industries
   b. Iron and steel mills
   c. Petroleum and petro-chemical industries, including oil and gas
   d. Smelting plants

b) Resource Extractive Industries
   a. Major mining and quarrying industries
   b. Forestry projects
      - Logging
      - Major wood processing projects
      - Introduction of fauna (exotic animal) in public / private forests
      - Forest occupancy
      - Extraction of mangrove production
      - Grazing

c) Fishery projects
   a. Dikes for / and fishpond development projects

d) Infrastructure projects
   a. Major dams
   b. Major power plants (fossil-fueled, nuclear-fueled, hydroelectric or geothermal)
   c. Major reclamation projects
   d. Major roads and bridges

e) Golf course projects

2) Projects Located in Environmentally Critical Areas

Environmental Critical Projects (ECPs) is defined as a project that have high potential for significant impact and is listed as such under Presidential Proclamation No. 2146, series of 1981 and Presidential Proclamation No. 803, series of 1996, as well as other projects which may be proclaimed as environmentally critical in accordance with Section 4 of PD 1586.

After checking the Environmentally Critical Projects above mentioned, major reclamation projects in the Infrastructure projects is applicable under the port development projects. The major reclamation projects is defined as a project which involve the filling or reclaiming of areas (foreshore, marshes, swamps, lakes, rivers, etc.) equal to or exceeding twenty-five (25) hectares.

3) Other ordinances relevant to the environment are:

a) The DENR Administrative Order (D.A.O.) No. 14 which establishes environmental standards for air pollution, exhaust emission standards, exhaust emission standards for automobiles and air quality management standards,

b) The D.A.O. Nos., 34 and 35 which establishes criteria for water quality and effluent,

c) The D.A.O. No. 29 "*Implementing Rules and Regulations of Republic Act 6969*" which establishes various ordinances with several government agencies involved, such as DENR, Ministry of Public Affairs, and Ministry of Health, and

d) The "Ordinance for the Conservation of Nature" like P.D. No. 3915 which establishes provision for the parks for public use and game and preserve sanctuaries to protect wild life

2.2.5 Resettlement and Institutional Framework and Land Acquisition

The National Housing Authority (NHA) issued Memorandum Circular No. 1070 entitled Policy Guidelines for the Implementation of the Resettlement Assistance Program to Local Government Units in September 1994. This will serve as an institutional framework for local government units in their resettlement assistance to affected communities.

Pursuant to the Board Resolution No. 3039 dated 30 September 1994, this Circular is issued governing the Policy Guidelines for the Implementation of the Resettlement Assistance Program to Local Government Units. The content of the said memorandum circular is described in the following paragraph:

(1) Statement of Policy

Given the mandate under the Urban Development and Housing Act of 1992, to provide technical and other forms of assistance to Local Government Units (LGUs), upon the request. In the implementation of their respective urban development and housing programs, the National Housing Authority hereby adopts a policy of providing assistance to Local Government Units in pursuit of their Housing Program particularly in the area of providing Resettlement Sites. As contemplated, the Resettlement Program shall be implemented as a joint undertaking with the LGU's, where the participating LGUs shall contribute land and /or funds for development. LGUs shall likewise take full responsibility in the maintenance and operations of resettlement sites.

(2) The Program: Its Policy and Operational Framework

The Resettlement Housing Assistance Program to the Local Government Units is a strategy designed to enhance the capability of the LGUs in the delivery of resettlement housing through a hands-on training on project planning and implementation as well as to maximize the capability of NHA to expand its operations nationwide through a resource sharing scheme with the Local Government Units as well as other sectors in the development of resettlement sites.

The general concept is to enhance active participation of LGUs in the housing provision by providing support and deliver their mandated tasks under the NHA.

1) Objectives

a. To serve as the framework of defining the possible areas of collaboration and partnership with LGUs in the development of resettlement sites as mandated under UDHA.

b. To institutionalize the mechanisms and processes that would allow for a smooth transition of expertise to the LGUs with the end view of sharing their capabilities and potentials along housing development.

c. To serve as the mechanism for the implementation of the corporate policy of attracting the LGUs to actively participate and to venture in housing.

d. To maximize corporate capacity to deliver housing to the level mandated under the Shelter Program and the Medium-Term, Philippine Plan 1993 to 1998.

e. To provide opportunity to harness idle properties and land suitable for housing purpose.

f. To effect a more equitable regional coverage and implementation of the shelter program.

2) Policy Framework

a. The Program is a joint housing development project undertaking of the NHA and the LGUs and a sole intervention scheme by NHA nor a subsidy to LGUs Resources and expertise are shared where one party will fill in the inadequacy of the other towards the effective and efficient delivery of government housing assistance to qualified beneficiaries.

b. The target LGU - partners are those urban and "urbanizable" areas defined under RA7279 whose housing need is classified as high and medium, and where the presence of illegal settlements requiring immediate clearance is prevalent.

c. The target beneficiaries of the resettlement projects generated shall be those families within the lowest 30 % of the urban population who are illegal settlers, and their illegal settlements have been declared to be in danger area or areas needed by national or local government for infrastructure projects. The beneficiaries must qualify as Social Housing Program beneficiaries as defined under RA 7279 or UDHA. Such affordable residential home lot will have basic services and facilities in accordance with development standards and provides the minimum acceptable requirement under BP 220.

d. The primary role of NHA shall provide technical assistance to LGUs in the development of its resettlement program. Depending on the capability of the LGU-partner and the assistance being sought, the NHA may provide funds out of its subsidy allocation from the National Government to cover the land development cost. However, the primary role of the LGU is to provide land and manpower resources in the implementation of the project. The LGU may also provide funds for land development. In the event that NHA provides funds, this shall be treated as one-time grant to the LGU concerned. In all cases, a cap shall be established as to the amount of assistance to be extended to the LGU and the end-beneficiaries of the Program.

e. No funds shall be directly transferred to the LGU. In situation however, where the LGU shall provide counterpart finds for the land development, over the above its land contribution, both funds may be deposited under a common account, disbursements from which shall be jointly authorized by both parties as governed by an agreed Terms of Reference for Fund Disbursement and Utilization. The LGU may likewise opt to front-end the necessary funds subject to reimbursement by NHA. Other options may be adopted subject to acceptable government accounting and auditing rules and regulations. In all cases, contracts awarded to undertake the infrastructures works shall be in accordance with provisions of PD 1594, and its IRR, as amended.

f. To ensure the continuity of the Program, the project cost shall be recoverable from the end beneficiaries. The NHA however, shall not recover its contribution to the LGU. As one-time grant to LGU, no LGU shall be granted additional funding assistance until other qualified urban and "urbanizable" centers have been granted similar assistance by NHA. It is therefore mandatory for the LGU to recover the investments made. Funds recovered by the LGU shall be placed under the Program Trust account to be managed and administered by a Housing Board.

g. The Program shall be implemented through a Memorandum of Agreement between and among participating entities. The Memorandum of Agreement shall be annotated on the TCT of the land subject of the Agreement.

h. To achieve equitable distribution of the limited funds available under the Program, the NHA shall allocate funds based on the ranking of the housing needs by regions. The allocation of funds within the region shall be determined on the basis of prioritization criteria. The NHA shall likewise allocate funds for each of the Priority Selection Criteria set.

3) Program Scope

a. Participating Local Government Units.

For a Local Government Unit to avail of the Program benefits, the following conditions must be satisfied:

- Availability of a counterpart Project Team
- Establishment of a Local Housing Board
- Feasibility Study indicating therein the cost recovery scheme
- List of prospective project beneficiaries of the completed list of the socialized housing beneficiaries qualified under RA 7279

b. Priority Selection Criteria.

Owing to the various proposals and request from the LGUs for housing assistance and given the limited resource available to NHA, participating LGUs shall be prioritized based on the following selection criteria:

- Where the provision of resettlement site in that LGU is of prime national interest affecting major economic and social programs and projects of national character.
- Where LGU is located in one of the 19 depressed provinces identified by the Presidential Council for Countryside Development (PCCD) in support to the pump priming program of the National Government and to extend assistance to LGUs less capable of pursuing housing projects on their own.
- Where the LGU is identified as the major urban center with high housing need.
- Where the NHA does not have any presence in that particular province and/or congressional district.

4) Type of Assistance.

This program shall cover the development of resettlement site. The Program shall likewise include the formulation of the Shelter program for the LGU which will be submitted for the approval of the Local Housing Board and shall serve as the Housing Plan of a particular LGU over a period of time. This will identify the various appropriate intervention schemes. The assistance envisioned under this Program may come in various forms depending on the need and capability of the LGU, to wit:

a. Limited to Technical Assistance where NHA provides input in planning, works engineering and in the formulation of the LGU Shelter Program. The LGU, on the other hand, provide the total funding requirement and assumes project management.

b. Provision of Fund Allocation, where the NHA shall block off funds for the project and may undertake the project or specific project components jointly with the LGU. No fund transfer is envisioned.

c. Reimbursement of funds for the development of the project front-ended by the LGU but limited to commit fund allocation.

d. Cash contribution entrusted to the LGU where cash contribution of NHA constitute a minority share in the total project cost or to be pooled with the funds to be provided by the LGU. Release of funds shall be on a staggered basis as mutually agreed upon.

(3) Operational Framework

1) General Terms and Conditions.

In addition to the priority selection criteria set, the program shall be subject to the following general terms and conditions:

a. The participating LGU must be willing to provide equity contribution either in the form of land and/or cash equity to finance land development. The participating LGU must likewise assume project management and maintenance.

b. The readiness of the LGU to participate in the Program must be demonstrated by way of the establishment or creation of Local Housing Board composed of representatives from government-private sector-beneficiaries to oversee the planning, implementation and monitoring of the local Housing programs and projects. In addition, the LGU must create a housing project team which shall serve as the core of its Housing Office and who will be provided with an on-the-job training on housing program/project development.

c. The commitment of the LGU to undertake the housing project must be demonstrated by its compliance to the mandated tasks under RA 7279 (i.e.. completion of the land inventory, completion of the identification of land suitable for socialized housing beneficiaries).

d. The target beneficiaries of the Resettlement projects to be implemented by participating LGUs are the urban poor families for relocation and resettlement assistance under RA 7279.

2) Land Contribution

a. As a general rule, NHA will not finance land acquisition. Land to be contributed by the LGU shall be located within the urban center where livelihood opportunities are available or within an area where livelihood opportunities could be made available, identified and evaluated as suitable for socialized housing, and titled under the name of the LGU. It must be free from any lien, encumbrances of any other legal problems as well as acceptable by and affordable to the intended beneficiaries.

b. Where the land being contributed is a public land, it is the responsibility of the LGU to secure the issuance of the Presidential Proclamation and the Special Patent. The NHA however shall assist and facilitate the issuance of the same. As a general rule, no contract for the infrastructure works shall be issued unless the land to be developed is covered by at least a Presidential Proclamation.

c. The size of the land must be economically viable for development (5 to 10 hectares) and preferably able to cover the housing need of the LGU within the next three to five years in case where the land area is more than 10 hectares, the development shall be phased.

3) Cost Sharing

a. Cost of land acquisition shall be on the account of the LGU. The LGU may likewise contribute cash, equipment and manpower for the land development.

b. The contribution of NHA shall be utilized for land development. Land development cost shall include survey works, earthworks, roads and alleys, drainage system, sewerage and sanitary facilities, and water utilities.

c. Given the current level of subsidy granted by the National Government to NHA for the development of Resettlement sites, the Board shall set the ceiling of assistance on per project, per LGU basis (i.e. Ph 1.2 M per hectare or Ph 112 M per LGU). The level of assistance shall be assessed and updated on an annual basis.

d. The contribution of NHA shall cover only the basic minimum requirement under RA 7279 and acceptable under BP 220 standards. For this purpose, a cap of Ph 30,000 per homelot of family-beneficiary is established. The level of assistance shall be assessed and updated on an annual basis.

e. LGU shall assume the cost for the maintenance and operations of the resettlement site. For this purpose, while NHA does not intend to recover the cost of land and the land development to ensure sustained fund flows for the maintenance and operations. Should the LGU opt to include in the annual budgetary allocation the cost of maintenance, operations and improvement for the completed resettlement project, funds recovered shall be utilized exclusively for the acquisition and/or development of additional resettlement sites.

4) Physical Aspect

a. Design and standards shall conform to the basic acceptable minimum standards set under BP 220 and other government regulations for resettlement site development. For this purpose, the NHA shall issue the design standards for resettlement sites. The issuance of standards must be clearly explained to the participating LGU to the effect that such standards shall be maintained at the acceptable minimum level in order to entice possible attrition by way of selling the awarded lots to higher income groups nor provide benefits beyond the affordability level of the beneficiaries.

b. The end product shall be a serviced home lot. Lot size shall be limited to 60 square meters to no more than 100 square meters, depending on the affordability of the beneficiaries. No vertical construction is envisioned. Housing consolidation shall be considered as the equity of the beneficiaries. A program however, shall be designed to assist the beneficiaries to have access to affordable construction materials i.e. housing material cooperative, bulk buying and other approaches.

c. Sites shall be provided for community facilities (i.e. schools, health clinic, multi-purpose center, open spaces and playgrounds) where warranted. The construction of school buildings, health centers, markets, multi-purpose centers, basketball court and others shall be on the account of the LGU or the Agency concerned. For this purpose, agencies concerned must actively participate in the planning process to ensure funding and provisions of the necessary facilities.

d. Infrastructure contracts shall be awarded through public bidding in accordance with the provisions of PD 1594 and its IRR, as amended. In extreme cases and where the capability of the LGU has been clearly demonstrated, infrastructure works by the administration may be allowed. In some cases, private developer may be allowed to undertake the infrastructure works as part of the mandatory 20 % balanced housing for which case the private developer must share in the cost of development as part of a low-income housing joint venture project with the LGU and/or NHA.

e. Where warranted, mixed market land use may be allowed, where certain portion of the project site with commercial use potential may be classified as economic lots; in which case, full cost recovery with positive rate of return shall be the pricing policy for these economic lots which shall be awarded through public lottery.

f. Where warranted, project phasing may be allowed. As a general rule the project implementation must be completed within the agreed timetable with the maximum project turn over period of not more than one (1) year.

5) Beneficiary Selection

a. The target beneficiaries of the Resettlement projects to be implemented under the Program, are the urban poor families qualified for relocation and resettlement assistance under RA 7279.

b. The target beneficiaries shall be drawn from the List of Social Housing Program Beneficiaries qualified under RA 7279 selected through a process of lottery. In situations however, where the resettlement site was established for the purposes of clearing a particular site for a government infrastructure project or a danger area, lottery will be conducted for the purposes of determining lot assignments. Those not qualified under RA 7279 shall be subject to eviction for which the LGU shall be responsible in clearing the site or they may participate in the lottery for economic lots where available.

c. The Sanggunian of the LGU shall pass a resolution clearly defining the qualified beneficiaries of a particular project, formulate rules on beneficiary selection and prioritization as well as the procedures for relocation and resettlement to include the public announcement. All policies pertinent to the implementation of the Project to include the disposition of lots, cost recovery, and the Sanggunian shall likewise promulgate estate management.

d. Security of tenure shall be granted to the project beneficiaries whether through a Usufruct Agreement or through a Conditional Deed of Sale as may be prescribed in an Ordinance to be promulgated by the Sanggunian.

e. Disposition of home lots shall be subject to restrictions on disposition of lands for Socialized Housing as prescribed under Article IV, Section 14 of RA 7279 and under an Ordinance to be promulgated by the Sanggunian.

(4) Roles and Responsibilities

1) The Local Government Unit shall:

a. Provide the Project site and ensure the property is free from liens, encumbrances and other legal problems and acceptable to the intended beneficiaries.

b. Provide additional funding should the funds to be provided by NHA would not suffice to complete the Project in accordance with the agreed specifications as well as shoulder additional costs due to variations in the plans and specifications introduced by the LGU.

c. Create a full-time technical team responsible for the undertaking the Project operations and management, to wit: (a)) physical development of the site, (b) beneficiary selections and relocation procedures; (c) disposition and cost recovery/collection; and (d) project maintenance and operations.

d. Prepare the subdivision development plans as well as detailed engineering drawings technical specifications and cost estimates for land development with the assistance from the NHA, where necessary, and secure approval of the same and other related permits and clearances from concerned government agencies.

e. Undertake estate management functions such as the collection of fees from the identified beneficiaries of the Project and the related tenurial activities.

f. Ensure titling of all individual lots covered by the property

g. Undertake estate management of open spaces within the Project by planting trees and other vegetative cover. The LGU may likewise allow the construction of community facilities in duly designated areas or sites, the operation of which shall be covered by separate Agreement with specific agencies. As owner of the property, the LGU shall have the right to authorize the entry of agencies for the purposes of introducing social services and livelihood opportunities to he beneficiaries.

h. Submit to NHA monthly reports on the physical accomplishment and utilization of the funds under the Trust account and upon the completion of the project, a duly COA audited financial/disbursement report and a Project Completion Report shall also be submitted.

2) The NHA shall:

a. Provide funds from the subsidy support granted to the NHA by the National Government and its contribution to the Project to cover the funding requirement for the land development and installation of utilities.

b. Provide technical personnel in the project planning, implementation, beneficiary selection, relocation procedures, estate management and other areas where assistance is requested by the LGU.

c. Assist the LGU, in the preparation of the subdivision development plans as well as detailed engineering drawing, technical specifications and cost estimates for land development of the Project.

d. Conduct periodic inspection to monitor the implementation of the Project and the utilization of the funds under the Trust Account.

e. If the LGU shall undertake the project or where the LGU is sharing in the cost for land development. 15 % of the funds shall be immediately released upon signing of agreement and the TOR for Fund Utilization, 35 % upon utilization of Initial 15 %, and the balance of 50 % upon completion of the 50 % of the works. Fund released shall be deposited under a Trust Fund under the account of the Project and custody of the LGU Treasurer.

f. Under the same scheme, the LGU may opt to front-end the necessary funds subject to reimbursement corresponding to NHA's share, upon submission of the physical and financial report.

g. The LGU shall submit to NHA a monthly report on the utilization of funds under the Trust Account. After the physical completion of the Project, the LGU shall submit to NHA a duly-COA audited disbursement report of the project. The Trust Fund under the account of the Project shall be closed, and any unutilized balance shall be transferred to a Trust Fund under the account of the LGU Resettlement Program and shall be utilized for other resettlement projects of the LGU or maintenance and operations of the completed resettlement sites.

h. If the LGU has no contribution for land development and the infrastructure contract shall be awarded to the NHA, the fund shall remain with the NHA and shall be disbursed for payment of accomplishment following normal government auditing rules and regulations.

i. In all other situations, the releases and disbursements of funds shall be based on agreements reached during the negotiation phase of the projects.

j. No funds for capital expenditure shall be provided if the nature of assistance required from NHA is technical assistance only except personnel and related costs.

3) Project Implementation

a. The Resettlement Project shall be implemented pursuant to the plans, specifications, and costs mutually approved by both Parties. The design, plans and specifications shall be in accordance with the provisions of BP 220 as a Socialized Housing Project.

b. The development of the Project shall be undertaken through civil works/infrastructure contract to be awarded in accordance to the provisions of PD 1594 and its implementing Rules and Regulations (IRR), as amended.

c. The project implementation shall commence within fifteen (15) days after the signing of a Memorandum of Agreement or upon availability of the land and shall be completed within a period mutually approved by both parties. If covered by Presidential proclamation (PP), implementation shall commence within 15 days after the issuance of the PP.

d. A joint NHA-LGU team shall jointly implement the Project. Such arrangement however, shall not be construed as establishing the relationship of employer and employee between the NHA and the LGU or any of their respective staff. Both the NHA and the LGU shall at all times, be personally and directly liable for the acts of all its personnel duly employed and shall hold each party free and harmless from any and all claims or liabilities arising from the acts or conduct of its employees.

4) Beneficiary Selection

a. The process of the beneficiary selection shall commence during the pre implementation phase where specific group of beneficiaries shall have been pre-determined.

b. The LGU shall be responsible in the beneficiary selection which shall be undertaken pursuant to the rules and regulations initiated by its Sanggunian

c. The actual process of selection and social preparation activities shall commence as soon as the project is 50 % completed.

d. The actual relocation of the beneficiaries shall be undertaken by the LGU on its account with technical assistance to be provided by NHA pursuant to the provisions of RA 7279.

5) Project Completion

a. The physical aspect of the project is deemed completed upon submission of the works accomplishment and the acceptance by a joint NHA-LGU committee.

b. The project is deemed completed upon, full occupancy of the home lot. Thus, the engagement of NHA in the project is deemed completed at this stage and the LGU shall assume for the operations and maintenance of the project

(5) Effect

This circular shall take effect immediately. All other arrangements with the LGU not covered by this Circular shall be separately presented for the consideration of the Board covered by other appropriate Circulars.