

# Iloilo, Philippines

(Date of Tracer Study: April, 2016; Tracer Study Team: T. Wong; R. Baoy)

## Project Background

In January 2008, the CDIA approved the application of Metro Iloilo Guimaras Economic Development Council (MIGEDC) for technical assistance in planning, development and implementation of two priority infrastructure projects in the MIG region namely, the Guimaras-Iloilo Ferry Terminal System (GIFTS) project and the Iloilo Downtown CBD Revitalization (IDCBDR) project. In line with the technical assistance agreement between CDIA and MIGEDC forged in February 2008, CDIA supported the MIGEDC in the following: i) conduct of PFS for the GIFTS project; ii) conduct of PFS for the IDCBDR Project; iii) strengthening of MIGEDC capacity as the coordinating unit for the MIG infrastructure program development and implementation; and iv) development of a marketing plan for the MIGEDC infrastructure projects.

### Box 2: Iloilo Project Overview

<b>PFS period</b>	Apr 2008 – Nov 2008
<b>Focus sectors</b>	Urban transport; urban renewal
<b>CDIA - supported activities</b>	- PFS of GIFTS and IDCBDR - Capacity building of MIGEDC - Development of marketing plan for MIGEDC projects
<b>L2F Status</b>	GIFTS financed by PPP and local government funds

Recognizing the need for further support by MIGEDC, the CDIA approved a follow-up technical assistance on March 9, 2009 with activities focused on linking the proposed infrastructure projects to financing.

## GIFTS Project: Progress as of 2016

The GIFTS project involved the development of the pier sites at Iloilo City and Guimaras as modern ferry stations complete with public parking, terminal lobby and ticketing area, safe loading arcades, and support conveniences such as dining places, souvenir shops and public toilets. The project aimed to improve and modernize Parola, Buenavista and Jordan landings to cater to the needs of an expanding number of daily commuters between Guimaras and Iloilo and to enhance the piers as an improved transport and tourism facility which could contribute to the growth of the MIG region's economy. Towards this aim, the PFS envisaged the development of a three-port ferry terminal system through an inter-LGU joint venture arrangement.

### Box 3: GIFTS Status as of March 2016

- Gradual development of Buenavista and Jordan municipal ports from 2009 to 2015 using local funds amounting to about Php 62 million.
- Joint venture development of Parola Station into a modern ferry terminal complex between Iloilo City and private partner
- Parola Terminal Complex is 40% completed. When fully operational in early 2017, the facility will serve about 3,500 commuters between Guimaras and Iloilo City.

The planned three-port terminal system to be developed, managed and operated by a joint venture corporation owned by the four LGUs of MIGEDC did not materialize due to changes in political leadership within the cooperating LGUs. Using internally-generated funds, the municipalities of Buenavista and Jordan in Guimaras Province opted for a gradual re-development of their ports from 2011 to 2015.

With the three-port ferry terminal system no longer feasible, the Iloilo City Government accepted an unsolicited proposal from Double Dragon Properties

Corporation to develop the Parola Ferry Terminal into a multi-use commercial complex under a Joint Venture Agreement signed in October 2012 following the award of the Parola property to the city government through a Presidential Proclamation in July 2011. Construction of the Parola ferry terminal complex is about 40% completed (as of March 2016), and is expected to commence operation in early 2017.

Total investment value for the development of Parola Terminal Complex and the gradual re-development of Buenavista and Jordan terminal stands at Php 187 million (USD3.7 million).

As part of the PPP agreement, the Iloilo City Government relocated 30 informal dwellers within the Parola complex to the city relocation site. For its part, the private partner will accommodate some 15 informal street vendors currently operating outside the construction site within the ferry terminal complex upon its completion.



Fig. 1: Ongoing construction of GIFTS terminal at Parola landing station, Iloilo City

### Intervention Results



Fig. 2: Locally-funded development of Buenavista ferry terminal in Guimaras Island

**PFS-guided local planning of ports.** While the jointly owned and managed three-port ferry terminal system was not realized, key informants acknowledged that the GIFTS project PFS done by CDIA was still effective in guiding subsequent decisions of LGUs to develop their respective ports. The study team observed that most of the existing and planned structures of the three ports can be traced to the PFS recommendations made in 2008.

**Enhanced project preparation skills.** Key city officials involved in the PFS process and subsequent activities to link the project to

financing claimed that the CDIA engagement improved their skills in urban planning and project tendering, widened their understanding of the PPP guidelines and enhanced their skills in managing public consultations. This is evident in the successful joint venture arrangements subsequently entered into by Iloilo City government with private sector partners for its septage management and waste-to-energy projects. The same officials are optimistic that the Parola ferry terminal project will bring about positive impacts on environment, climate change mitigation and adaptation and inclusive development as the private developer was able to incorporate these features into the project master plan approved by the city government.

**Increased user fees.** Key informants from Guimaras province, however, view the Parola Terminal development as disadvantageous to Guimaras commuters (estimated at 3,000) and ferry boat operators as the former will be paying terminal fees on top of their current fare of Php14 and the latter will be paying higher berthing fees to the private ferry terminal operator (all but one ferry boat operator are from Guimaras Province).

## IDCBDR Project: Progress as of 2016

The IDCBDR project is an urban renewal initiative envisioned to revive the Iloilo City Downtown CBD's commercial appeal and competitive advantage. With CDIA assistance, a PFS for the IDCBDR project was prepared in 2008 to transform the area into a vibrant, exciting and interesting destination for residents, visitors and tourists, and a thriving location for all types of businesses. Taking into account earlier initiatives by the city government and the Iloilo City Cultural Heritage Conservation Council (ICCHCC), the PFS recommended a pilot downtown CBD revitalization project with three interlinked elements: i) the redevelopment of the city's 1.4-hectare Iloilo City Central Market property; ii) pedestrianization of a section of Calle Real; and iii) street/night market along Aldeguer Street. After careful review of the PFS, the city decided to implement the Project through a public-private partnership (PPP) arrangement as recommended by the PFS and sought continued assistance from CDIA for this purpose.

Due to the tedious process required to set up the joint venture corporation suggested by the PFS, the Iloilo City Government opted instead to implement the project through a PPP arrangement via a Joint Venture Agreement with a private partner. Following the advice of the CDIA Consultants, the City passed an Executive Order in 2011 creating a Special Bids and Awards Committee (SBAC) to oversee the PPP procurement process and selection of a private entity for the CBD Revitalization project.

Two previous tendering processes conducted in 2012 and 2013 failed due to low turnout of bidders and inability of bidders to comply with documentation requirements. As the city was about to conduct a third round of bidding in 2013, a group of market vendors expressed their opposition to the planned re-development of the Central Market for fear that they will be displaced when a private firm takes over to develop, manage and operate the market. This prompted the Mayor's Office to conduct another round of consultations with the market vendors to explain the objective, nature and scope of the project and to arrive at a consensus on how to resolve issues surrounding the re-development of the Central Market.



Fig. 3: Old Iloilo City Public Market: the subject for redevelopment via PPP

In order to attract investors to the project, the City Council passed a resolution on January 28, 2014 amending the TOR for the IDCBDR project and limiting the obligation of the private investor to the redevelopment of the Central Market. The two project components removed from the previous TOR, namely, Aldeguer Street Night/Weekend Market and Calle Real Sidewalk Rehabilitation, are to be implemented by the city as regular investment projects considering that the city has already made substantial investment on sidewalk rehabilitation and street illumination. Using the modified TOR endorsed by the City Council, the

SBAC was set to start the procurement process for the re-development of the Central Market in May 2016.

### **Box 4: IDCBDR Status as of March 2016**

- Two public biddings were conducted in 2012 and 2013, both of which failed due to low turn-out of bidders and non-compliance with documentation requirements.
- To attract investors, the city amended the TOR in 2014 limiting the role of the private partner to Central Market redevelopment
- Restoration of heritage buildings have been initiated by the city and the private sector as envisaged in the PFS.

## Intervention Results

**Skills enhancement.** Key city officials attributed the improved internal capacity of the City Government to explore PPP as a financing model for other infrastructure projects to CDIA's technical support. They likewise claimed that the CDIA engagement with the city enhanced their knowledge and skills on project tendering, negotiating with private investors, communicating with project stakeholders and implementing heritage conservation policies and plans.

**Policy enactment.** The city government enacted local legislations creating special bodies to institutionalize the PPP procurement processes. Following the recommendation of CDIA, the city issued an executive order in 2011 establishing the SBAC to oversee the PPP tendering process for the IDCBDR project while the local council passed resolutions endorsing the TOR that will lead to the selection of a private partner that will eventually develop the Iloilo Central Market. The same SBAC was responsible for the successful tendering of PPP projects on septage management and waste-to-energy projects subsequently ventured into by the city.

**Heritage conservation.** Back in 2008, the heritage buildings located in the CBD were slowly deteriorating due to lack of incentive on the part of owners to maintain the building. Recognizing the serious effort of the city to revitalize the downtown CBD through the CDIA-supported IDCBDR project and the passage of the pioneering local legislation of heritage conservation, some building owners have started to restore and refurbish their buildings thereby attracting new businesses and tenants to the city's downtown heritage zone.



Fig. 4: Improved sidewalk in Calle Real, Iloilo Downtown CBD

## Conclusion and lessons learned

Overall, the findings of this tracer study indicate that the GIFTS and IDCBDR projects of MIGEDC will likely achieve their objectives as envisaged in the PFS prepared in 2008. By and large, the assistance of CDIA was viewed to be beneficial in terms of strengthening the capacity of Iloilo City officials in urban infrastructure planning and linking projects to downstream financing. The CDIA intervention in MIGEDC offers the following lessons:

**Need for a PPP framework at the local level.** Implementing PPP at the LGU level takes time and not something that happens overnight. When Iloilo City embarked on PPP projects in 2009, the national government and the PPP Center had no clear road map on PPPs at the LGU level. With no official roadmap or framework to follow, the city government with technical assistance of CDIA had to study the legal implications of various PPP options and seek the opinions of various stakeholders including NEDA and the PPP Center.

**Need for post-PFS engagement to link projects to finance.** A well-prepared PFS does not necessarily trigger linkage to finance. In the case of Iloilo City, follow-up technical assistance to capacitate and handhold the city in the various PPP processes was instrumental in reaching the financial closure of the Parola ferry terminal complex development and the ongoing bidding processes for the Iloilo CBD.