GUIDELINES FOR ACCOMPLISHING THE ICC BOT PE FORMS
Summary of Information

This set of guidelines directs project proponents on how to fill out ICC BOT Proje Evaluation Forms 1 to 8. These forms should be submitted together with tl project feasibility study. While designed to capture information relevant in tl evaluation of the project, these forms can never replace the value of a we prepared feasibility study. The submission of these forms shall likewise inclu the diskettes containing, among other things, the economic and financial analy of the project.

I. General Information

Refer to Guidelines for Accomplishing ICC BOT PE Form No. 1.

II. Market Information

The conditions of the market for a project's inputs and outputs can larg influence project performance. Market information regarding the (i) price a quantities of both supply and demand for project output as well as (ii) supply and price of project inputs, therefore are required for the evaluation the viability of the project.

In addition the proponent should also estimate the price elasticity of dema of the project output. Price elasticity of demand refers to the percent change in demand for a one-percentage change in the price of the output. example, in a toll road facility this will be the percentage decrease in number of vehicles using the toll road for every percentage increase in toll kilometer or entry into the facility.

III. Financial Analysis

1. Source of Financing - Refer to Guidelines for Accomplishing ICC BOT Form No. 2.
2. Schedule of Investment Cost - Refer to Guidelines for Accomplishing BOT PE Form No. 3.
3. Schedule of Operations and Maintenance Cost - Refer to Guidelines Accomplishing ICC BOT PE Form No. 3.
4. Schedule of Tariffs/Revenues - Refer to Guidelines for Accomplish ICC BOT PE Form No. 5.

5. Loan Schedule - Provide a table indicating the amount of loan(s) and *schedule of principal and interest amortization. State the terms of the* loan, i.e., interest and maturity period, including grace period, if any.
6. Provide the following: (i) income statement, (ii) balance sheet and (iii) cash flows statement. Indicate the annual tax liabilities of the project, whenever applicable. Also, provide the return on equity of the project.
7. Provide the cash flows analysis showing the financial net present value (NPV) and financial internal rate of return (FIRR) from the following perspectives: (i) total project approach, (ii) owner's perspective and (iii) government's budget perspective. State the assumptions used in the computations. A summary table may be provided.

The total project approach looks at the overall financial viability of a project, and accounts for all financial flows including subsidies received and taxes paid. From this perspective, analysis is made regardless of financing costs. As such, the cash flow items exclude loan proceeds from the receipt side and debt servicing from the expenditure side.

The analysis from the owner's perspective deviates from the total project approach in that loan proceeds are considered an inflow from the owner's perspective and loan payments are considered outflows. The project "owner" can be a government agency, a GOCC, or private company or consortium. In the case of BOT projects where the private proponent resorts to commercial financing, it is important to obtain a realistic estimate of the commercial financing terms to be able to assess the project from the BOT proponent's perspective.

The government's budget perspective is helpful in assessing the budgetary impacts of projects. This is important in government programming and budgeting procedures. The analysis captures the sponsoring agency's, GOCC's or LGU's share in project revenues during the entire concession period. These inflows include but are not limited to (i) revenue shares, (ii) lease payment, (iii) share of assets (i.e., land, building), etc.

VIII. Economic Analysis

1. The analysis should use the ICC-prescribed shadow prices for labor, foreign exchange and cost of capital (hurdle rate).
2. Provide the estimated economic costs and benefits of the project. Show the unit values, whenever applicable.
3. Refer to Guidelines for Accomplishing ICC BOT PE Form No. 6.
4. Provide the cash flows statement for the economic analysis showing the economic NPV and EIRR of the project

V. Risk Analysis

Project proponents shall conduct a risk analysis as it will enable them and the evaluator to predict the sensitivity of the project's viability to certain risk variables like demand for project outputs, price of input, movements in commercial interest rates and foreign exchange rates. Risk analysis is conducted to determine whether the project will remain feasible if changes in the assumptions used in the calculation/projections were to take place. At the minimum, risk analysis should be conducted through a sensitivity analysis. However, project analysts are encouraged and enjoined to perform a more in-depth risk analysis through probabilistic simulations that are made possible through various computer application softwares.

A. Sensitivity analysis shall be conducted using three scenarios: (i) increase in projected costs by 10% to 20%, (ii) decrease in revenues by 10% and 20%, and, (iii) combination of the above cases. The proponent may include additional scenarios to account for the impact of risky variables other than costs and revenues on the project.

   The sensitivity parameters above shall likewise be applied in the economic evaluation of projects

B. Probabilistic simulation allows project analysts to determine the simultaneous impact of multiple risk variables on project outcomes. Computer simulations may be performed using various risk analysis softwares.

VI. Risk Allocation Matrix

Refer to Guidelines for Accomplishing ICC BOT PE Form No. 7.

VII. Investment Incentives

Refer to Guidelines for Accomplishing ICC BOT PE Form No. 8.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 1
General Information

1. Indicate the project title used in the project's Feasibility Study.

2. The overall description of the project must include a concise description of each of the components of the project and information on the objectives and envisioned output of the proposed project. It should indicate clearly/explicitly if the project is multipurpose in nature, a phase of a bigger, multi-phased project, or part of an integrated area development (IAD) project. The section should indicate whether or not the project is a public utility. It should also describe the magnitude of the project and identify the prospective project beneficiaries.

3. Describe the sectoral linkages of the project, i.e.,

   a. Describe the goals and objectives of the sector;
   b. present a brief overview of sector targets, existing programs and sectoral gaps based on existing master plans/sector programs. For region-based projects, this may be based on the existing regional development plan and/or area master plans adopted by the concerned regional development council;
   c. identify how the project addresses the needs, priorities and objectives of the sector as indicated in the overview; and,
   d. reflect the linkage of the project with the projects in the sector and related projects of other sectors.

4. Relate the project with national and regional development thrusts/goals. Likewise, state the project's linkages with:

   a. other projects within and across regions;
   b. gender and development; and,
   c. the environment.

   Relevant Regional Development Council(s) endorsement and LGU development bodies' endorsement of project shall be made as an attachment(s) to this to form.

5. Indicate in project location the region(s) and the province(s) and municipality(ies) or city(ies) where the project's components/activities will be established or conducted. For example, it should indicate the province(s)

   a. where the manufacturing of an industrial project is located;
   b. where the dam and electromechanical equipment of hydroelectric project are to be constructed; and,

   c. where the proposed highway project traverses.

   The location map of project shall be provided as attachment.

6. Indicate the proposed implementation scheme, i.e., build-operate-transfer, build-transfer-lease, etc., and the lengths of the construction and concession or cooperation periods. Likewise, indicate whether the project will be for public bidding or is an unsolicited proposal.

7. Total project cost shall include all project expenditures from the drawing up of the detailed engineering/design until the completion of construction but prior to operation. It is expressed in Philippine peso. Total project cost is the sum of the peso costs of the foreign component and local component. Base year of the cost should be indicated, e.g., total project cost is P3.5 billion in 1998 prices.

   The foreign component of the total project cost is the total of all items to be procured from foreign sources. (Refer to ICC BOT PE Form No. 2). It is expressed in equivalent Philippine peso.

   The exchange rate used to convert the foreign currency into peso must be indicated.

   In cases where a project may have two or more foreign sources, indicate the exchange rates of all foreign sources.

   The local component of total project cost is the total amount which is provided by local sources. (Refer to ICC BOT PE Form No. 2). Indicate the sources of local counterpart requirements, the budgetary outlay, internally-generated funds, domestic loans, etc.

8. The target processing period should be indicated. The processing period includes (i) ICC and NEDA Board approval of the project, (ii) the conduct of the Swiss challenge, for unsolicited proposals, (iii) ICC and NEDA Board notation of the project agreement, power purchase agreement, energy conversion agreement and similar contracts and, (iv) contract award.

   The proposed date of start of construction and the target date for completion of construction should be indicated. The two dates define project implementation schedule. For a multi-phased project, the implementation schedule of all stages/phases of the project should be indicated. For single-phased projects, fill-out the area for Phase I only.

9. The <u>estimated life of the project</u> is the number of years the project will be in operation. It excludes the construction years of the project. The start of project life is the year when it begins operating. The end year is the year when the flow of project benefits and costs terminates.

10. Indicate the government entity(ies), i.e., national government agency, government-owned or -controlled corporation (GOCC) or local government unit, that is(are) sponsoring or accepting the BOT proposal. GOCCs are required to submit its governing board's approval and endorsement of the project for ICC review.

11. Indicate the composition of the private sector proponent that is proposing to implement the project. The proposed contractual structure should be attached to inform the ICC about the relationship between and among the financier, operator, contractor, supplier and other members of the project consortium. For public utilities, indicate the developer-operator or facility operator that must have a minimum of 60% Filipino equity ownership.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 2
Sources of Financing

1. Indicate the debt-to-equity ratio of the project.

2. Indicate the sources of financing, whether local or foreign, or both.

3. Indicate the actual years when funds will be obtained in the year column of the tables.

4. Under LOCAL SOURCE (I), state amounts of financing corresponding to the appropriate types and sources indicated. These should refer to finances obtained from local sources and should be expressed in pesos.

   a) <u>Budget Appropriations</u> refer to amounts appropriated out of the funds in the National Treasury for the operation of the Government of the Republic of the Philippines.
   b) <u>Internal Cash Generation</u> are funds generated by government agencies and government corporations from their operations.
   c) <u>Equity</u> refers to capital invested in local firms by Philippine nationals, and includes retained earnings. Equity shall be in the form of paid-up capital.
   d) <u>Bonds and Notes</u> are evidences of indebtedness which may be interest or non-interest bearing, issued by domestic borrowers to domestic lenders and foreign entities buying said financial instruments under which the issuer agrees to repay the principal at a stated future date. Bonds are negotiable instruments with fixed interest rates and fixed maturity dates.
   e) <u>Direct Borrowing</u> are loans directly obtained from the indicated sources - deposit money banks, specialized banks, thrift banks, and other financial institutions (as defined in letter i).
   f) *Deposit Money Banks* consist of commercial banks and rural banks, accepting demand deposits.
   g) Specialized government banks or *government financial institutions* consist of government banks performing specific economic functions as Development Bank of the Philippines (DBP), Land Bank of the Philippine (LBP) and the Philippine Amanah Bank (PAB).
   h) *Thrift Banks* are composed of savings and mortgage banks, stock savings and loan associations and private development banks.
   i) *Other Financial Institutions* are those regularly engaged in the lending of funds obtained from the public through the issuance of their own debt instruments (but not in the form of deposits) and/or those regularly

engaged in lending of funds but do not obtain funds from the public (either in the form of deposits or other evidences of indebtedness).

i. Those which are regulated by or under supervision of the Bangko Sentral ng Pilipinas include investment houses, financing companies, managers, lending investors, pawnshops, money brokers, and the Government Service Insurance System and Social Security System.

ii. Those which are neither regulated by nor under the supervision of the Bangko Sentral ng Pilipinas include the private insurance companies.

5. Under FOREIGN SOURCE (II), also state amounts of financing corresponding to appropriate types and sources indicated. These should refer to finances obtained from foreign sources and should be expressed in the peso equivalents. Use the same exchange rates assumption used in ICC BOT PE Form No. 1

a) Foreign Loans (whether fixed or revolving, in cash or in commodity) are borrowings secured from foreign sources, which should include offshore banking units located in the Philippines.
b) Under Direct Obligation, the proponent or the end-user is the primary borrower.
c) Commercial Loans are foreign borrowings with maturities of up to 15 years, maximum.
d) Foreign loans from Relending Lines are loans wherein the proponent is the end-user but not the primary borrower. In a separate sheet, please specify details, i.e., 1) source of loan, e.g., DBP, LBP, etc., and 2) other particulars on the credit line, if available.
e) Bonds and Notes are as defined in 4 (d) except that these are issued to foreign lenders.
f) Equity includes capital invested in local firm by non-Philippine nationals, whether in the form of foreign exchange in other assets, including reinvested earnings and capitalized expenses. Equity shall be in the form of paid up capital
g) Under "Others" (II.3), include financing obtained from sources other than those specified under II.1 and II.2.

Indicate the cost sharing arrangement for projects with more than one sponsoring agency and private sector proponents.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 3: Estimated Project Cost, Investment Phase

1. Indicate the costs incurred during the investment phase of the project. Investment/implementation phase covers the detailed project engineering stage up to the construction/installation stage of the project.

2. Expenditures for detailed engineering and other expenditures (development and financing costs) before start of construction in year 1 are considered year 0 expenditures. Development costs refer to costs incurred in developing the project proposal while financing costs are costs incurred in securing financing for the project.

3. Costs shall be expressed in constant and current prices. Likewise, the assumptions for said costs, e.g., base year, inflation rate, etc. must be indicated. The inflation rate is the assumed rate of inflation during a given period. Indicate the inflation rates for foreign and domestic prices.

   Any contingency for domestic and foreign inflation of the general price level should be excluded if the costs are expressed in current prices. However, physical contingency allowances are included in cost calculation.

4. Foreign exchange costs include costs of all materials, equipment and manpower (supervision and technical assistance) for which offshore procurement would be required to satisfy the needs and specifications of the project. Foreign exchange costs should include both direct and indirect costs. Direct foreign exchange costs are costs of equipment and materials which are directly imported (CIF prices). Indirect foreign exchange costs should include costs of inputs imported for the local production of materials used in construction.

   Foreign exchange costs should be expressed in US dollars or its equivalent in US dollars, in cases where currencies other than US dollars are used.

5. The estimated project costs required in ICC BOT PE Form No. 3 should include the following:

   a. Costs should specify taxes and duties as well as fees and charges imposed by all levels of government, i.e., national and local to be paid by the project. For example, if the project pays $10,000 for an imported equipment and P2,000 for import tax of the same equipment, the relevant cost is the $10,000, plus the P2,000 paid for tax.

b. Costs should indicate interest on loans and other loan charges on a separate schedule.

6. The costs of the following items should be indicated:

   (a) Civil works which cover the construction of access roads, bridges, camp, operator's village, diversion works, materials processing plants, dam, spillway powerhouse, shafts and associated works, among other things. Civil works expenditures must indicate: i) expenditures including rent on equipment and machineries used in civil works; (ii) materials and supplies; and, (iii) labor costs. Labor costs should indicate: a. costs of direct supervision and consultancy fees (also known-as engineering and administrative costs); b. salaries engineering and administrative costs); and, c. salaries and wages for laborers and construction works.
   (b) Machineries and equipment include costs of mechanical or electrical equipment installed for the project. These are different from the equipment and machineries used in the civil works.
   (c) Land acquisition costs are payments made for the acquisition of land for project use.
   (d) Other investment costs catch all other items not reflected above. The components of these costs must be specified in a separate sheet.
   (e) Total foreign exchange costs refer to the sum of the foreign exchange costs of items (a) to (d). Total local costs indicate the sum of the local costs of same items (a) to (d).

7. Item 9 refers to the total amount of subsidies proposed to be or may be received by the project (as applicable). Subsidies usually take the form of unit price discounts (price subsidy) on materials and supplies purchased by the project. The subsidy is the difference between the purchase price by the project and the market price of goods, and is the amount that is shouldered by government. The subsidy may also take the form of lowered rates for utilities (e.g., power and water) consumed by the project. Indicate in the space provided the total amount of subsidies expected to be availed of by the project. Enumerate the subsidized items, too.

GUIDELIINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 4: Annual Operations and Maintenance Costs

1. The operational phase of the project is the phase following the completion of project construction/implementation. Year 1 is the first year of operation. Cost items which should be indicated are:

   i. equipment/machineries;
   ii. materials and supplies;
   iii. labor costs (payments to personnel);
   iv. utilities and oil costs;
   v. depreciation;
   vi. other operations and maintenance (O & M) costs; and,
   vii. taxes[2].

2. The annual operations and maintenance (O & M) costs apply to O & M for all project components. For example, if a multipurpose project has an irrigation project as one of its components, the O & M for the irrigation project has to be included. Furthermore, if the irrigation component involves associated costs for agricultural extension services, the associated costs should also be included as O & M costs.

3. The costs should include replacement costs necessary to replace existing equipment and machineries when their respective useful economic lives are completed. These are entered as equipment/machineries costs.

4. Estimates are required for the entire life of the project. Use a separate sheet for additional specifications.

5. For the definition of foreign exchange costs, labor costs and subsidies, refer to Guidelines for Accomplishing ICC BOT PE Form No. 3.

[2] Taxes shall refer to sales tax and not income tax.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 5: Estimated Project Revenue

1. For income-generating projects, indicate the project's income using the format in the sheet provided. This should be supported by projected production volume and the prices used in projecting income.

2. Present the following in the Worksheets provided: (Use additional sheets when needed)

   a. sample steps used in the calculation of the revenues;
   b. the methods applied in projecting numbers, for all projections made; and,
   c. all assumptions used.

   Provide the escalation/parametric formula.

   The revenue streams should be estimated for the entire life of the project. Use additional sheets, if necessary.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 6: Estimated Project Benefits

1. Benefit constitutes an increase in the economy's real resource through either increases in output or savings in resource use.

   In the use of transport facilities, for instance, the set of direct benefits may include:

   a. reduced vehicle operating costs;
   b. lower maintenance costs;
   c. fewer accidents;
   d. savings in time for passenger and freight; and,
   e. production increases (in the case of developmental transport).

   The first two benefits (**a**, **b**) and the last (**e**) are easily quantifiable (and practical); however, efforts to quantify the effects of the other benefits on national income (e.g., value of each human life saved in terms of the capacity to earn during productive life) should be undertaken.

2. Specify the source of benefits in the space provided. For more than two sources, use additional sheets. Example of benefit sources are:

   a. value of increased rice production (irrigation project);

      Note: The increased value of production attributable to the project and considered project benefit is the increment between "Without-the-project" and "With-the-project" value of production net of associated production costs. (For more information, refer to Project Development Manual NEDA, 1984)

   b. vehicle operating cost savings (highways/road projects); and,
   c. income derived from sale of the project (for industrial projects).

      For multi-purpose projects, project benefits for each of the project components should be presented.

3. Present the following in the Worksheets provided: (Use additional sheets, if necessary.)

   a. sample steps used in the calculation of the value of benefits;
   b. the sources of data;

c. the methods of projections, for all projections made; and,
d. all assumptions used.

4. Whenever applicable, project proponents are enjoined to identify and quantify the environmental cost and benefits of the proposed project. The "green economic analysis" of the project shall be attached to ICC PE form no. 6. The worksheets shall also contain the following:

   a. Sample steps used in the calculation of the value of benefits;
   b. The sources of data;
   c. The methods of projections, for all projections made; and,
   d. All assumptions used.

5. The project benefits should be estimated for the entire life of the project. Use additional sheets, if necessary.

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 7: Risk Allocation Matrix

1. This matrix will outline the distribution of the risks, i.e., political, commercial, legal, development, construction, and operations and management, among others, among the government (proponent agency/GOCC, national government oversight agencies, local government) and the private sector (constructor and financier).

2. Example:

   Bulk Water Supply Project

Nature of Risk	Government	Private Sector
Hydrology Risk		Constructor
Water Quantity		Constructor
Market	Water District	
Permits and Site Acquisition	Water District	Constructor

GUIDELINES FOR ACCOMPLISHING ICC BOT PE FORM NO. 8: Investment Incentives

1. Identify the investment incentives to be needed or requested by the project. Classify these incentives into fiscal incentives and government undertaking. Fiscal incentives are tax holidays to the project company. Fiscal incentives may be (i) provided by the BOI; (ii) provided under laws like PD 535 and RA 7156; and, (iii) provided by LGUs as mandated by the Local Government Code of 1991. Indicate the time period when the fiscal incentive will be needed by the project and calculate monetary equivalent of the fiscal incentives.

2. Government undertakings are "direct or indirect support or contribution such as but not limited to:

   i. Cost Sharing. Refers to the agency/LGU concerned bearing a portion of capital expenses associated with the establishment of an infrastructure development facility such as the provision of access infrastructure, right-of-way, or any partial financing of the project; and,
   ii. Credit Enhancements. This shall refer to direct and indirect support to a project/development facility by the project proponent and/or agency/LGU concerned, the provision of which is contingent upon the occurrence of certain events and/or risks, as stipulated in the contract. Credit enhancements are allocated to the party that is best able to manage and assume the consequences of the risk involved. Credit enhancements may include a guarantee by the government on the performance of the obligation of the agency/LGU under its contract with the proponent, subject to existing laws"[1].

   Classify the cost sharing arrangements and credit enhancements into (i) those that shall be provided by the implementing from its resources and (ii) those that shall be requested from other the national government agencies.

[1] Section 13.2.b of the Implementing Rules and Regulations of R.A. 7718.