

# **INFRASTRUCTURE COOPERATION PROGRAM BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA**

## **Foreword**

The Republic of the Philippines and the People's Republic of China (hereinafter referred to as "the Philippines" and "China", respectively, and collectively as "both sides") enjoy a time-honored friendship and share wide-ranging common concerns and interests in regional and international affairs. It is in the long-term interests of both sides to further enhance the traditional friendship and cooperation as the shared aspirations of both people's, contributing to peace, stability and prosperity in the region.

In recent years, the two countries have continuously exchanged high-level visits, deepened mutual understanding and trust, and promoted political and strategic cooperation. In the fields of economy and trade, science and technology, and society and culture, the two countries have also developed in-depth bilateral cooperation and reached a series of mutually beneficial cooperation agreements. The Philippines and China issued a joint statement in November 2017 during Chinese leaders' visit to the Philippines and agreed to jointly implement *the Six - Year Development Program for Trade and Economic Cooperation Between the Government of the Republic of the Philippines and the Government of the People's Republic of China (2017-2022)* to advance bilateral cooperation in infrastructure, capacity and investment, economy and trade, agriculture, livelihood development, social and cultural field, among others. Moreover, both sides signed the *Memorandum of Understanding on Jointly Promoting the Second Basket of Key Infrastructure Projects Cooperation Between the Department of Finance of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China*, and the *Memorandum of Understanding on Jointly Promoting the Philippine National Railways South Long Haul Project Cooperation between the Department of Transportation of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China*, among others.

In order to strengthen the link between China's Belt and Road Initiative and the Philippines' Long Term Vision, put into practice the consensus reached between China and the Philippines on strengthening infrastructure cooperation, and promote further in depth cooperation, both sides jointly develop and adopt the *Infrastructure Cooperation Program between the Government of the Republic of the Philippines and the Government of the People's Republic of China* (hereinafter referred to as "the Program") to serve as guidelines for bilateral infrastructure cooperation for the next ten years.

## **Chapter I - Objectives, Principles and Term**

### **1.1 Objectives**

1.1.1 To build a more effective framework for infrastructure cooperation between the Philippines and China, to further improve the investment environment, to facilitate the stable and orderly cooperation and optimize social and economic development of both countries.

1.1.2 To utilize their comparative advantages, collaborate in multiple ways, enrich the substance of cooperation, improve the quality of such cooperation and expand its scope.

### **1.2 Principles**

Both sides agree to push forward the implementation of the Program based on the following principles:

1.2.1 The identification of cooperation areas and projects should be guided by both countries' demands and economic situations and based on strategic merits, growth potential, driving effect, as well as feasibility, security considerations and existing relevant legal guidelines.

1.2.2 The cooperation projects shall be identified based on the most cost-efficient and cost-effective measures to attain the best value for money through the application of value methodologies, such as, but not limited to, Value Engineering/Value Analysis (VE/VA).

1.2.3 The cooperation projects will be implemented, under the guidelines of "government guidance, independent decision-making by enterprises and market-based operation", in an orderly manner from easy to difficult on the basis of the specific conditions and preliminary work.

### **1.3 Timeline**

The timeline of the Program is from November 2018 to November 2028.

## **Chapter II - Key Areas of Cooperation**

Both sides recognize the growing demand of the Philippines on infrastructure brought by rapid economic growth, rapid population growth and urbanization. Infrastructure is one of the key areas for bilateral cooperation.

Both sides agree upon transportation, agriculture, power, watershed management, and ICT/telecommunications as main cooperation areas.

### **2.1 Transportation**

#### **2.1.1 Railways**

2.1.1.1 Railway is one of the main modes of transportation in the Philippines. Economic development brings along increasing demand on long-distance, large-volume, and modern-railway transportation. The existing transportation system needs to be upgraded and expanded.

2.1.1.2 Both sides note China's rich experience in railway infrastructure construction and lead in high-speed railway technology as well as a huge potential for bilateral cooperation. China will share its experience in railway construction with the Philippines.

2.1.1.3 Both sides agree to encourage enterprises to participate in the following priorities under railway cooperation, subject to agreement by both sides:

(1) Construction of the *Philippine National Railways South Long Haul Project*, *Subic-Clark Railway Project*, *Mindanao Railway Project*, and other railway projects; and

(2) Conduct of feasibility studies for priority railways, e.g., subsequent phases of the *Mindanao Railway Project*, and other proposed railway projects.

#### **2.1.2 Roads**

2.1.2.1 As of 2017, the total length of the road network in the Philippines is 210,463 kilometers, of which national road takes up 16%; provincial, 14%, and other local roads, 70%. There is a need to upgrade and develop roads to meet the growing transportation demands, and since

traffic congestion is still a major problem facing social development, especially in urban and metropolitan areas.

2 . 1 . 2 . 2 China is willing to share its experience in highway construction, operation and management and further deepen highway cooperation with the Philippines.

2 . 1 . 2.3 Both sides agree to encourage enterprises to participate in the following priorities under road cooperation :

(1) Conduct of feasibility studies for priority highways and roads;

(2) Building of intermodal terminals, transportation control centers and other projects to further improve the highway route systems; and

(3) Development of highway network plans in various metropolitan areas and regions.

### 2.1.3 Bridges

2 . 1 . 3.1 As a country composed of numerous islands , the Philippines relies heavily on bridges for connectivity. The Philippine bridges have not yet met the demands of economic and social development.

2 . 1 . 3 . 2 China is willing to share with the Philippines its experiences in bridge construction to enhance the bilateral cooperation in this field and meet the Philippines' demands on bridges brought by economic development.

2.1.3.3 Both sides agree to encourage enterprises to participate in the following priorities under bridge cooperation, subject to agreement by both sides :

( 1) Construction of five bridges across *Pasig-Marikina River and Manggahan Floodway* , including *North South Harbor Bridge* , *Palanca -Villegas Bridge* , *Beata-F Y . Manalo Bridge* , *Blumentritt Antipolo Bridge* , and *East Bank-West Bank Bridge 1* , and other priority bridge projects.

(2) Conduct of feasibility studies of priority bridges, e.g., *Panay Guimaras-Negros Island Bridge*, *Negros-Cebu Link Bridge* , *Cebu Bohol Link Bridge* , *Leyte-Surigao Link Bridge* , and *Luzon-Samar Bridge* , and other priority inter-island bridges.

### 2.1.4 Ferries

2.1.4.1 Pasig River Ferry System serves as an important transportation mode connecting different cities in Metro Manila. However , pollution and heavy siltation of the River have seriously affected its navigability and discouraged commuters from completely patronizing the Pasig River Ferry System resulting in failure of the ferry system to completely and effectively achieve its objective to supplement/complement the other modes of transport and somehow reduce traffic congestion in Metro Manila. In addition, the stations/terminal facilities and the respective hinterland infrastructure access are pronouncedly in need of upgrading, rehabilitation and/or modernization/redevelopment.

2.1 . 4 . 2 Both sides agree that there is huge potential for bilateral cooperation in the revival, rehabilitation, upgrading and strengthening of the Pasig River Ferry System.

2.1.4.3 Both sides agree to encourage enterprises to participate in the following priorities under ferry transport system development cooperation:

(1) Fleet acquisition , waterway pollution control, and communication services, among others.

(2) Route development, transportation engineering and management, promotion of safe navigation , rehabilitation and upgrading of the stations/terminal facilities, and integration of ferry to inter-modal transport system, among others .

#### 2. 1 . 5 Airports

2 . 1.5.1 There are 85 national airports in the Philippines, composed of 11 International Airports , 14 Principal Class 1 Airports, 19 Principal Class 2 Airports, and 41 Community Airports . Some airports, particularly those with regular commercial airline services , require upgrading and/or rehabilitation to cope with the increasing demand. The existing capacities are unable to meet the demand for both passenger and freight transportation.

2 . 1 . 5.2 Both sides agree to encourage enterprises to participate in the construction or development of airports in various regions.

### **2.2 Agriculture**

Both sides agree upon irrigation and fish ports as main areas for agriculture cooperation.

#### 2. 2 . 1 Irrigation

2.2. 1 . 1 At present, the existing irrigation capacities have yet to meet the increasing demand for irrigation.

2.2.1.2 Both sides agree that there is huge potential for bilateral cooperation in irrigation.

2.2.1.3 Both sides agree to encourage enterprises to participate in the implementation of priority irrigation projects, *e. g. , Ilocos Norte Irrigation Project , Phase II*, subject to agreement by both sides.

#### 2. 2 . 2 Fish Ports

2.2.2.1 Fish ports are critical facilities for fishery development. At present, the number and capacity of fishing vessels, and the number and handling capacity of fish ports are limited, and unable to meet the current demand . These spell the need for upgrading and/or rehabilitation of fishery post-harvest infrastructure and facilities of the fish ports and fishing vessel fleet.

2.2.2.2 Both sides agree that there is huge potential for bilateral cooperation in fish port construction, upgrading, and rehabilitation.

2.2. 2 . 3 Both sides agree to encourage enterprises to participate in the implementation of priority fish port development projects.

### **2.3 Power**

2. 3 . 1 The total installed capacity nationwide in the Philippines is 23,687MW in 2018. While new capacities were added to the country's supply base in 2017, more capacities will be needed to meet increasing electricity demand.

2 . 3.2 Both sides agree that there is huge potential for bilateral cooperation in the power sector.

2.3.3 Both sides agree to encourage enterprises to participate in the conduct of feasibility studies of priority power-related projects,