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**POLICY BRIEF  
MONITORING AND EVALUATION**  
Final Draft (Post Consultation) as of 18 January 2013

**Prepared for**

**PPP Center  
Manila, Philippines**

**Under Asian Development Bank's  
Capacity Building Technical Assistance**

**"Strengthening Public-Private Partnerships in the Philippines" (TA7796-PHI)  
(co-financed by the Government of Australia and the Government of Canada)**

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## Contents

ACRONYMS .....	3
1.0 INTRODUCTION .....	4
1.1 Scope of Policy Brief.....	4
1.2 Definition of Terms .....	4
2.0 CURRENT SITUATION .....	6
3.0 ISSUES.....	7
4.0 INTERNATIONAL PRACTICE .....	8
5.0 RECOMMENDED POLICY INITIATIVES FOR THE PHILIPPINES .....	13

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## ACRONYMS

BOT	Build Operate Transfer
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DPWH	Department of Public Works and Highways
EPC	Engineering, Procurement and Construction
EO	Executive Order
EU	European Union
IA	Implementing Agency
IRR	Implementing Rules and Regulations of the BOT Law
GFI	Government Financial Institution
GOCC	Government-Owned and Controlled Corporations
GPH	Government of Philippines
KPI	Key Performance Indicators
LGU	Local Government Unit
MPSS	Minimum Performance Standards and Specifications
M&E	Monitoring and Evaluation
NEDA	National Economic and Development Authority
ODA	Official Development Assistance
OGCC	Office of the Government Corporate Counsel
OSG	Office of the Solicitor General
PMU	Project Management Unit
PPP	Public Private Partnership
PPP PRU	Performance Review Unit
SUC	State Universities and Colleges
VfM	Value for Money

## 1.0 INTRODUCTION

1. This policy brief has been prepared to detail action and activities for monitoring and evaluation (M&E) of public private partnership (PPP) Contracts, post-tender to project termination. Certain M&E policies have also been articulated in the Policy Brief - Contract Management. This policy brief will explore more closely M&E activities and define responsibility for implementation of rules, guidance on formulation of procedures and guidelines and responsibility for implementation, reporting, review and assessment, and generating overall analyses of M&E to GPH.

### 1.1 Scope of Policy Brief

2. This policy brief will focus on the M&E function to be assumed by PPP Center. Contract Management has been described in a separate Policy Brief which focusses specifically on what roles IAs and the PPP Center share for Contract Management overall in project implementation and setting policy, procedures, rules and actions.
3. The Contract Management function extends over four distinct phases, namely:
  - a. The **contract preparation stage**, where terms and conditions governing the project preparation, solicitation, award, contract signing and the settlement of conditions precedent to the effective date of the contract;
  - b. **Pre-construction and construction** - a period extending from the award of contract to the commissioning stage, where progress in respect of the negotiation of key project and finance documents takes place and the mobilization of finance is monitored carefully by the Contract Management team. During construction, lenders and the IA agree to hire an independent consultant to appraise the progress made by the engineering, procurement and construction (EPC) contractor during construction and, based on this evaluation, authorizing progress payments to the latter. This process is not to be confused, however, with the M&E conducted over the construction period by the PPP Center or NEDA (if one or more components of the project's construction is funded from ODA sources) and subsequently, through operations;
  - c. **Operations stage** – starts when the plant is commissioned and ends when the contract terminates. It involves the post-commissioning delivery of contracted services, adherence to the project documents and finance agreements. M&E activity yields important information regarding the extent to which the project is meeting its commercial objectives, is continuing to deliver quality services at a value for money (VfM) cost, and is meeting minimum performance standards and specifications (MPSS) with regard to environment, gender, resettlement, and projected affected peoples;
  - d. **Transfer stage** - where the transfer to Government of the Philippines (GPH) of the business and its assets takes place (unless the government exercises its option to extend, or re-tender, the PPP contract).

### 1.2 Definition of Terms

4. **DEFINITIONS USED IN POLICY BRIEF:**
  - a. **APPROVING BODY** refers to that body which approves PPP projects for tender at the national or local government unit (LGU) level in Sections 2.7 and 2.8 of the Revised BOT Law IRR;

- b. **CONTRACT ADMINISTRATION** refers to those ad hoc duties that may arise during construction and operations that involve changes in the project agreement or base case financial model such as coordinating requests for variations during construction or operations, as and when needed. Changes in the project agreement or base case financial model will also occur with the refinancing of the project and implementing agreed principles relative to the sharing of refinancing gains and/or restructuring of the project agreement as necessary following force majeure or change in law. Contract administration also involves supervising asset handover at the expiry of the contract; supervising early termination activity and confirming accuracy of related termination payments; assisting in the management of disputes and their resolution; and any other non-routine activity for which special time, focused attention and the drafting of recommended actions are needed;
- c. **CONTRACT MANAGEMENT**, an activity that includes several functions, namely: (a) drafting, approval and execution of a solicited or unsolicited PPP contract, (b) M&E of a PPP project during its life cycle, and (c) contract, or project, administration. The revised implementing rules and regulations (IRR) of the BOT Law assigns responsibility for (a) and (b), but does not address (c). Although responsibility is assigned for (b), the scope and content of this responsibility is not fully depicted;
- d. **EARLY TERMINATION** means the termination of the project prior to the expiry date of the project agreement either because of an event of default by a party or, otherwise, as a result of a force majeure;
- e. **EVALUATION** is the systematic determination and assessment of the merits of an activity based on monitoring those actions, activities, outcomes and comparing this with the specific obligations, MPSS and other performance based outcomes detailed in the PPP Contract, specific policies, rules, regulations, guidelines and pronouncements that formulate part of the overall Contract and performance obligation;
- f. **FACILITY AGREEMENT** means the loan agreement entered into by the syndicate of the lenders with the project company;
- g. **FORCE MAJEURE** is the basic concept to provide the parties of a contract relief where forces of nature or other extraordinary forces outside the control of the parties (such as war) prevent contract performance. Standard "force majeure" language includes: Neither Party shall be liable nor be able to terminate this contract for any failure to perform hereunder where such failure is proximately caused by a Force Majeure Occurrence. A "Force Majeure Occurrence" shall mean an occurrence beyond the control and without the fault or negligence of the party affected and which by exercise or reasonable diligence the said party is unable to prevent or provide against. Without limiting the generality of the foregoing, force majeure occurrences shall include: acts of nature (including fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, acts of foreign combatants, terrorists acts, military or other usurped political power or confiscation, nationalization, government sanction or embargo, labor disputes of third parties to this contract, or the prolonged failure of electricity or other vital utility service. Any Party asserting Force Majeure as an excuse to performance shall have the burden of proving proximate cause, that reasonable steps were taken to minimize the delay and damages caused by events when known, and that the other Party was timely notified of the likelihood or actual occurrence which is claimed as grounds for a defense under this clause”;
- h. **IMPLEMENTING AGENCY** means any unit of GPH with the mandate and authority to identify, select, prioritize, prepare, tender, negotiate and execute a PPP project agreement with a private entity. This can be a Department as in the case of DPWH, or a government owned and controlled corporation (GOCC) as in the case of Philippine Ports Authority, Light Rail Transit Authority or Philippine National Railways. It can also be any Government Financial Institution (GFI), State Universities and Colleges (SUC) or LGU.

- i. **MONITORING AND EVALUATION** means a component activity of Contract Management, involving periodic reports submitted by the project company and visits to the project company to monitor and assess its performance in areas where it has specific obligations, as set forth in the project agreement. It also entails maintaining documentation for the progress of each national PPP project as well as any other PPP project undertaken by any other IA including any GOCC, GFI, SUC or LGU and maintaining an adequate staff with clear cut responsibility;
- j. **MONITORING** means the regular observation and recording of activities taking place in a project or with a project company or visits to the project or project company to review and observe activities, outcomes and specific obligations set forth in the project agreement;
- k. **PPP CONTRACT-** The umbrella contractual arrangement in a PPP, around which all other contractual arrangements must dovetail;
- l. **REFINANCING GAINS** means the sharing of gains made by the project as a result of the re-financing, or restructuring, of its capitalization at some time after construction, or during the operating period;
- m. **RESTRUCTURING** means a change in the capital structure of a project, involving a proportionate increase in the amount of debt relative to equity in the case of a refinancing; or conversely, the amount of equity relative to total capital in the event the project becomes distressed;
- n. **RISK MANAGEMENT FRAMEWORK** A risk management program for a PPP project has the purpose of developing a life-cycle risk management framework that results in the realization of VfM and a risk-reward balance between different stakeholders. It identifies and prioritizes project risk, develops action plans for dealing with the risk, and allocates responsibility to specific individuals for implementing the agreed plans should the risk occur.

## 2.0 CURRENT SITUATION

- 5. The PPP Center M&E activities are ambiguous under the overall contract management function by Executive Order (EO) 8 [2010], a responsibility more recently reaffirmed by the Rule 14.1 of the Revised IRR of the BOT Law (R.A. 7718).

***Rule 14.1 of the Revised IRR:***

“The PPP Center shall be responsible for the coordination and monitoring of projects implemented under Contractual Arrangements or schemes authorized under these Revised IRR. Project monitoring will be undertaken to ensure that the project complies with these Revised IRR, including the proponent’s required environment clearances from the Department of Environment and Natural Resources (DENR). For this purpose, concerned Agencies/LGUs shall periodically submit to the PPP Center information on the status of projects implemented by them. In addition, all concerned Agencies/LGUs shall submit to the PPP Center a copy of all Unsolicited Proposals that they receive and all other related documents. The PPP Center is also hereby mandated to guide the Agency/LGU in the preparation and development of the project”.

“At the end of every calendar year, PPP Center shall report to the ICC, President, and the Congress on the progress of all projects implemented under these Revised BOT Law IRR”.

6. Initially, GHD recommended that Executive Order (EO) 8 [2010] and Rule 14.1 of the Revised IRR of the BOT Law (R.A. 7718) define Monitoring activities for the PPP Center differently in each document. The EO notes that the PPP Center's role is to "Monitor and Facilitate" while the Revised IRR notes that the PPP Center's roles is to "Monitor and Coordinate". These roles are in conflict. We define "Facilitate" as providing assistance to make the IAs job easier. GHD was concerned that GPH should define "Coordinate" as harmonizing the actions of the IAs to Monitor and Evaluate projects.
7. During the Stakeholders' Consultation held on the 11<sup>th</sup> and 12<sup>th</sup> of December 2012, it was noted that the term "Facilitate" was deliberately inserted into EO 8 [2010] to provide support for expanding the PPP Center's role in assisting IAs implement their role in Monitoring and Evaluation. There was general concern prior to drafting EO 8, that the 'Coordinate' role could be interpreted in a less generous manner that could exclude PPP Center from direct support and assistance. With this improved understanding of the intent of the law, GHD will revise its recommendations to support revision of the Revised IRR of the BOT Law (R.A. 7718) to be consistent with EO 8.

### 3.0 ISSUES

8. The EO and the Revised IRR must be harmonized to resolve confusion of the role of the PPP Center in respect of Monitoring.
9. Although project agreements typically grant the government the right to monitor, it has not been clear the extent to which the M&E function has been executed, which agencies are responsible, how and what has been monitored and where the records are filed. While monitoring by some agencies may take place from time to time, a formalized process for performing this function, systematically, has not been created at either the national level or with any GOCC, GFI, SUC or LGU. EO8 [2010] and the Revised IRR of the BOT Law requires the PPP Center to monitor and coordinate this function. While there may be some evidence that the wording is creating confusion for the M&E process with a number of agencies insisting that M&E falls within its charge but PPP Center is responsible for rule making only. We understand that urging a stronger role for the PPP Center in M&E particularly in developing a comprehensive set of standards is necessary. Noted above GHD will suggest that amending the Revised IRR is the most appropriate forum to ensure consistency.
10. While a formalized process for monitoring of construction activities has been developed in most of the agencies and discussed in the Contract Management policy brief, there is no formal process for monitoring other elements of the contract including meeting formal MPSS stipulated in the contract. Worse still, if the BOT proponent fails to meet financing requirements or other factors that can result in contract termination there are limited notification processes in place to start the termination process. Finally, where a Force Majeure may occur, without a formal monitoring process there may be no way to track whether the parties are cooperating to alleviate the incidence of Force Majeure in accordance with the contract.
11. The question remains what role should the PPP Center take for M&E, if any, and what role should the IA take for M&E. Further, what reporting is required by each agency and what should be the role of the PPP Center should it be determined that the IA is failing in its roles as leading M&E. These concerns must be addressed forthrightly to ensure an effective M&E function under PPP rules. To provide guidance we look to international practice in M&E in Australia, the United Kingdom and India.



#### 4.0 INTERNATIONAL PRACTICE

12. Detailed operating guidelines in respect of contract management do not appear to be available on the respective PPP sites for Australia, Canada, India and European Union (EU). With minor exceptions however, one finds the principles for justifying a robust Contract Management function. The most often mentioned principle in this regard is the need to ensure continuing VfM over the operating phase of the project. Other rationales mention the requirement to ensure compliance with project agreements, the finance documents, asset condition and other obligations.
13. The organization, staffing and institutional location of a typical M&E function varies from location to location. For example, the EU issues general guidance for all its twenty-seven member countries but seems to leave the operating details to the latter.
14. The following summarizes the key points in each set of Guidelines.

##### **India**

15. India issues specific guidance relative to each organization. In India, the IA is to set up a project management unit (PMU), which will be responsible for M&E of each project. The unit reports to a "...Performance Review Unit (PPP PRU), led by an officer not below the rank of Joint Secretary located at the level of the Central Ministry / State Government/ statutory entity for reviewing the monitoring of all PPP projects within its jurisdiction."<sup>1</sup> This is interpreted to mean that the PMUs in each IA report to a designated central unit which is responsible for reviewing reports, maintaining documentation and ensuring follow-up.
16. The PMU, itself, is responsible for preparing a PPP Project Monitoring Report, which is submitted to the PPP PRU monthly, within 15 days after the close of the relevant month.
17. The report contains the following information (italicized terms found in parenthesis attribute Philippine meaning to the terms used<sup>2</sup>):
  - a. Compliance with the conditions precedent and achievement of financial close within the period specified in the concession agreement (*project agreement*);
  - b. Adherence to the time lines and other obligations specified in the concession agreement (*project agreement*);
  - c. Streamlining of, and adherence to, the reporting procedures between the concessionaire (*PPP project company*) and the Project Authority (*IA*), which may also include an MIS;
  - d. Assessment of performance against laid down standards (*Minimum Performance Standards and Specifications*);
  - e. Remedial measures and action plans for curing defaults, especially when performance standards (*Minimum Performance Standards and Specifications*) are not fulfilled;

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<sup>1</sup> Secretariat for the Committee on Infrastructure, *Guidelines for Monitoring of PPP Projects*, May 2009, Sections 7.1-7.11, pp. 9-11

<sup>2</sup> Ibid

- f. Imposition of penalties in the event of default;
  - g. Levy and collection of user charges based on approved principles (*parametric formula*);
  - h. Progress of on-going disputes and arbitration proceedings, if any; and
  - i. Compliance with the instructions of the Project Authority (*IA*) or Independent Engineer (*Independent Consultant*), as the case may be.
18. The PPP PRU reviews the PPP Project Monitoring Reports submitted to it and oversees or, initiates, action for rectifying any defaults or lapses. Moreover,
- “...T(t)he PRU should also prepare quarterly reports on the status of such PPP Project. These reports should, in particular, focus on any non-compliance relating to the provisions of the relevant contract, especially in terms of the standards of performance (*Minimum Performance Standards and Specifications*) or loss to the public exchequer and the users. It should clearly indicate the steps taken or required to be taken by the Project Authority (*IA*) in accordance with the provisions of the relevant contract. The PRU will submit its quarterly report to the competent authority<sup>3</sup>.
19. The quarterly report should, according to the same source, include:
- a. A compliance report regarding implementation of the various PPP projects as per the provisions of the respective contracts;
  - b. An ‘Exception Report’ highlighting issues where remedial action is to be taken for enforcing the provisions of the respective contracts;
  - c. A review of the grievances of users and the manner and extent of their redress; and
  - d. Matters affecting the interests of the public exchequer in relation to the expenditures and revenues arising from the PPP project<sup>4</sup>.
20. Illustrative formats of the Reports submitted by PPP PMU and PPP PRU can be found in Annexes-I and II of the referenced Guidelines. Note that the instructions specify that these are indicative in nature only. The users of the report are expected to evolve the required formats for each project separately.<sup>5</sup> The Indian Guidelines make a point of indicating that each authority has the responsibility to evolve its monitoring activity to fit the requirements of the project. Guidelines, therefore, are assumed to be dynamic in nature, to be changed or amended according to circumstances.

### **European Union**

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<sup>3</sup> Ibid

<sup>4</sup> Ibid

<sup>5</sup> Ibid

21. While the EU Guidelines are not instructive with regard to institutional arrangements, they are quite specific on what is to be monitored. The scope of work related to the monitoring activity is quite detailed and focuses on the following areas, which are directly quoted from the indicated reference:
- a. **Output Specifications** – establishing that the required levels of performance and the associated information requirements for judging service performance, are capable of objective measurement and are being met;
  - b. **Payment** arrangements – enforcing and monitoring the payment mechanism, including the conditions required for the commencement of payment and the basis for ongoing certification (frequency, measurement basis, variations, and specific conditions);
  - c. **Financial performance** – reviewing the ongoing financial performance and position of the Contractor against the forecasts set out in the financial model and enforcing and monitoring any arrangements for revenue sharing or profit capping. (**NOTE:** This would appear to be an efficient way of monitoring compliance with the finance documents, also, without the need unless it becomes imperative, to discuss the issue with the Agent Bank);
  - d. **Monitoring arrangements** – involving the defined monitoring obligations of the Contracting Authority (IA) and the Contractor (*PPP Project Company*), the provision of facilities for monitoring by the Contracting Authority, and the procedures for determining compliance. (**NOTE,** that this aspect would imply that the entity that monitors is different from the IA, an arrangement similar to that being discussed in the Philippines);
  - e. **Security and insurance** – monitoring compliance with specific conditions in relation to insurance policies, indemnities, tax clearance certification, safety procedures and systems;
  - f. **Management of interactions** - managing all of the interfaces between the operations of the Contractor and those of the Contracting Authority. These interfaces may cover network management issues, the effects of new planning and development and the regulation of existing development (for example, waste collection and discharge licenses);
  - g. **Dispute resolution** – providing mechanisms for problem solving and dispute resolution where and when appropriate. (**NOTE:** the mechanisms for problem solving and dispute resolution should be identified in the project agreement, not as this implies, on an ad hoc basis);
  - h. **Compliance** - setting out the arrangements for dealing with non-compliance by the Contractor including enhanced monitoring, proposals for rectification and payment deductions;
  - i. **Contingency for default** - arrangements to cover default on the part of the Contractor, or its subcontractors, where the continued delivery of the service is at risk, including step-in rights;
  - j. **Change management** – implementing and managing the procedures and protocols for dealing with changing requirements over the life of the project. (**NOTE:** This would appear to cover aspects of Contract Administration, probably working closely with the IA); and
  - k. **End of contract conditions** – dealing with maintenance, the condition of the assets at the expiry of the contract period and the ability of the Contracting Authority to re-tender for the provision of the service.

**Australia**

22. For Partnerships Victoria, the Guidelines are very broad and general. A footnote at the beginning of the section related to the Section styled, "Performance Monitoring and Review," indicates that the monitoring system described is but one aspect of the broader project and contract monitoring, but there is no further information available regarding the full scope and content of this monitoring activity.<sup>6</sup> A key point made in the section is that "the private party must monitor its own performance (including its compliance with KPIs set forth in the project agreement) and must warrant that each report is materially accurate.<sup>7</sup> Each report, of course, is subject to rights of review and audit by government.<sup>8</sup>
23. Reporting is monthly, as is the case with India and EU. Reports are delivered through the Contract Administrator to the monitoring unit, which would suggest that the latter is separate from the IA. Monitoring costs incurred by government are to be assumed by the latter, except for those audits that are occasioned by information that is subsequently found to be faulty or incorrect.<sup>9</sup> In those cases, government has the right to appoint its own auditor but there is no information as to whether the auditor is a private or public body.<sup>10</sup> Monitoring rights available to government include customer service surveys, scheduled and unscheduled reviews and inspections and feedback from facility users as to the "adequacy and quality of the facility or the contracted services."<sup>11</sup>
24. Figure 1 provides a pictogram of how monitoring is required by the agency at a number of various 'Gateways' during the project life cycle and is known as a Gateway Review. A Gateway review delivers a peer review, in which independent, external practitioners use their experience and expertise to examine the progress and likelihood of success of the program or project. It provides a valuable perspective on the issues facing the internal team and an external challenge to the strength of the plans and processes. The review is not an audit and should not be regarded as an alternative to appropriate project or program management<sup>12</sup>

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<sup>6</sup> See National PPP Guidelines, Supplemented with Partnerships Victoria Requirements, Volume 3, commercial Principles for Social Infrastructure, December 2008, Footnote 43

<sup>7</sup> Ibid, Section 13.1.2, p.43

<sup>8</sup> Ibid, Section 13.1.3, p.43

<sup>9</sup> Ibid, Section 13.3.3, p. 45

<sup>10</sup> Ibid, Section 13.3.2 p.43

<sup>11</sup> Ibid, Section 13.3.2. p. 44

<sup>12</sup> State government of Victoria Australia, Department of Treasury and Finance, Overview Gateway Review Process, p. 2

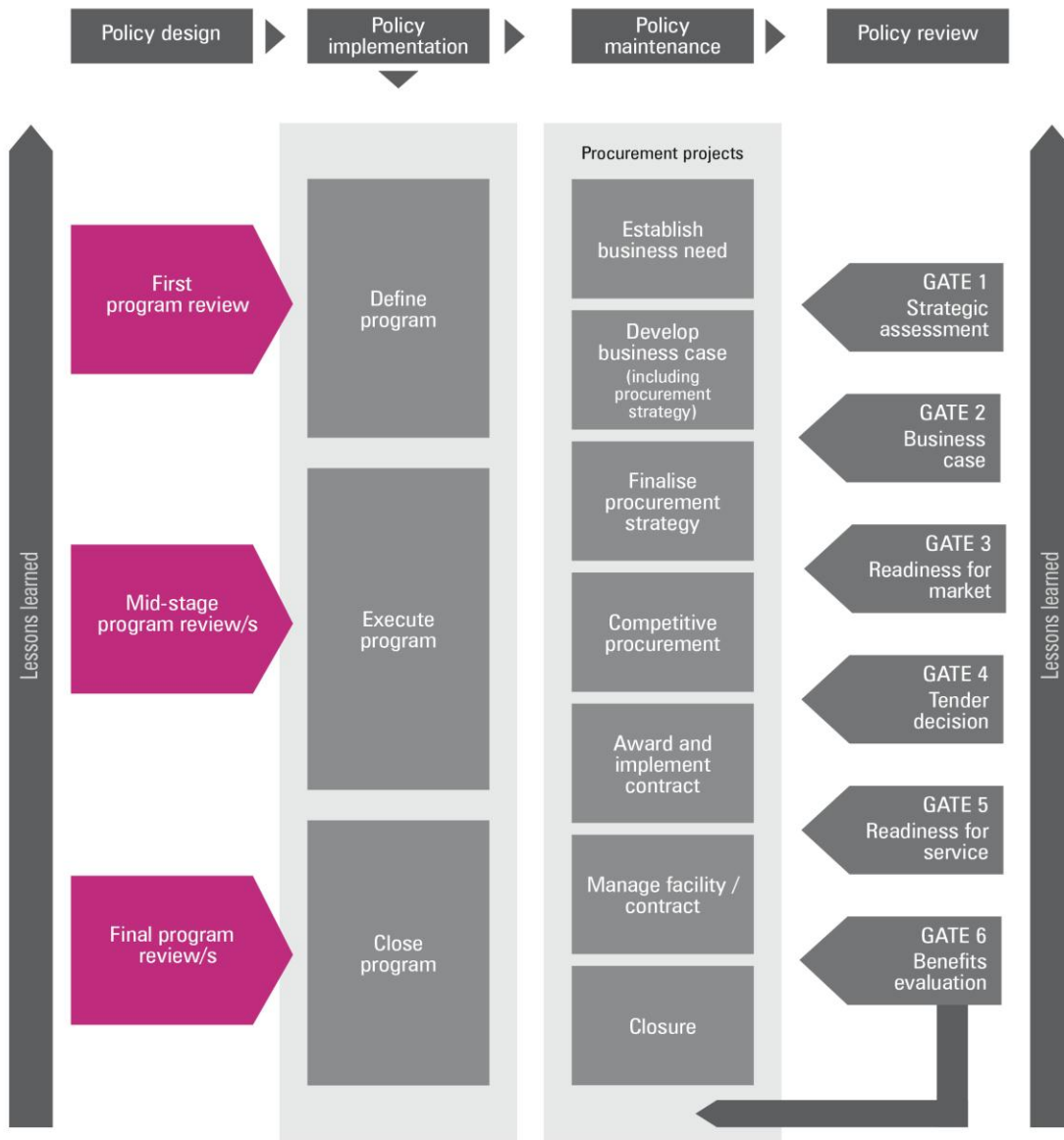


Figure 1: Overview of the Gateway Review Process

25. Partnerships Victoria requires a series of reviews at a number to specific junctures during the project lifecycle. These reviews coincide with a series of different key criteria such as determining when the tender decision should be made and more particularly when the project is ready for service. This is generally interpreted as when the project's conditions precedent have been, or should have been, met.
26. The key M&E juncture occurs as early as the project negotiation stage and intensifies during the period the PPP is in operation. The final Gateway review will confirm that benefits from the program are being met as follows:

- a. confirm there remains a business need for the investment;
- b. assess whether the benefits anticipated at this stage are being delivered;
- c. assess the effectiveness of the ongoing contract and/or facility and service delivery management processes;
- d. confirm the client continues to have the necessary resources to manage the facility, and any contract, successfully;
- e. confirm continuity of key personnel in facility and/or contract management roles;
- f. assess the ongoing requirements to meet the business need and if circumstances have changed, ensure the service delivery and any contracts are adapting to the new situation. Changing circumstances could affect: partner management; relationship management; service management; change management; contract management; benefits management; and performance management;
- g. check any agreed changes do not compromise the original delivery strategy;
- h. check there are ongoing continuous improvement mechanisms to improve value-for-money;
- i. confirm there are plans to manage the facility and any operational contracts to its conclusion;
- j. and the validity of the exit strategy and arrangements for re-competition;
- k. assess lessons learned and the methodology for sharing information within government, and
- l. confirm that all environmental sustainability and social safeguard policies and commitments are integrated and implemented as indicated in agreed program. Ensure that any adjustments or changes adopted do not compromise or diminish the main objectives set forth by these safeguards policies.

## 5.0 RECOMMENDED POLICY INITIATIVES FOR THE PHILIPPINES

27. Guidance is needed on the M&E role of the PPP Center. GHD takes the position that PPP Center's role based on our discussions and the consensus achieved during the Stakeholders' Consultation includes coordinating and facilitating evaluation by setting up consistent policies, procedures, rules, guidelines, and accumulating data in an interactive database that can highlight problem projects, difficulties with compliance and contract defaults either by the IA or the Proponent. Resolution of these issues should remain with the IA with notice. However, to resolve the conflict between the EO and the Revised IRR, the Revised IRR should be amended to ensure consistent interpretation of PPP Center's roles in the M&E process.
28. When compared to international practice, the Philippines lacks specific policy guidance to implement a PPP M&E program. Instead the policy guidance merely stipulates that the PPP Center has responsibility of Monitoring, Coordination and Facilitation. With the lack of specificity in who is responsible for direct M&E activity and what coordination is required and who reports should be forwarded to and how those reports should be viewed, reviewed and commented on, it is clear that policy guidance must be promulgated with specific rules, regulations, procedures, guidelines and reporting standards.

29. Developing the M&E policy one must take into account the need to (1) ensure M&E rules and regulations are promulgated for all PPP Contracts, (2) ensure M&E reports at various stages of Contract Administration are prepared in accordance with rules and regulations (3) ensure that reporting is prepared by the responsible party, is adequately reviewed and determination made on Contract compliance, (4) ensure reporting meets standards set by M&E rules and regulations, (5) provide for adequate and periodic review of reports in a systematic manner (6) ensure that rules and regulations are revised based on review findings and inadequacies noted through periodic reporting and reviews.
30. **Rules and Regulations** – as part of the coordination process required of the PPP Center, the agency is best placed to set M&E rules, regulations, guidelines and standards in cooperation with other key agencies (NEDA, DOF to name a few). It is recommended that PPP Center prepares specific rules, regulations, procedures, model analyses, model worksheets and model analytical tools for use by reporting entities for M&E.
31. **Reports** – will be prepared by the private sector entity and submitted to the IA. Reports must be submitted at least quarterly to the IA.
32. **Report review and analysis** – will be the responsibility of the IA. The IA must complete their review in a certain period of time using the procedures and models provided under the rules, regulations and procedures prepared by the PPP Center. The review of periodic reports must be supported by documents, files and analyses noted in the M&E rules and procedures.
33. **Government reporting** – will be the responsibility of the IA to forward reports on Contract performance periodically to the PPP Center. PPP Center is responsible for review of reports, data accumulation, summarizing key issues and providing specific data to various Government Agencies such as DOF on meeting Contract requirements. The PPP Center is responsible for reporting deficiencies and preparing queries to either the IA or the project proponent or both. The PPP Center has the right and responsibility to prepare reviews of specific reporting requirements or overall project performance at the discretion of the PPP Center. During the Stakeholders' Consultation held on 11 and 12 December 2012, reporting frequency by the IA and collation of reports by the PPP Center were discussed. It was generally agreed that each IA should have a policy which requires continuous M&E, and they should determine for themselves the frequency of M&E reports but in no instance should that frequency be less than quarterly. It was further agreed that the PPP Center should collate these individual agency reports and prepare a simplified report format for M&E results, reporting to key PPP Agencies (NEDA, DOF, OP and other agencies) as required to advise on potential project stresses - operational, financial or legal among those.
34. **Contract review** – is the responsibility of the PPP Center but the review should not be conducted as an audit of the Contract or the agency. Its purpose shall be to ensure that performance meets Contract compliance, ensure that reports, information and documentation are adequate to provide a specific report on whether the project is achieving the benefits envisioned during the preparation stage. Further, this review shall serve as a preliminary indication of Contract non-compliance but shall not certify non-compliance. Non-compliance can only be determined by the appointment and review by an independent consultant under the authority of the IA and in cooperation with the PPP Center. Contract non-compliance or breach is governed by the existing contract and by the BOT law and the Revised IRR.
35. **Revisions of rules and regulations** – will be the responsibility of the PPP Center. Rules and regulations shall be periodically reviewed and revised as needed to ensure that reporting meets local needs and international standards. Revised analytical models will also be prepared to take advantage of changing technology and changing standards. PPP Center may take advantage of international consultants and financial modelers to ensure that new reports and reporting remains consistent with international best practice.

**M&E Logistics**

36. The PPP Center must ensure that its M&E department is properly staffed and organized. While the purpose of this policy brief is not to define the organization or staff composition of the PPP Center, it is clear that inadequate staffing levels have earlier caused concern within the PPP Center. There are currently more than 70 projects to be monitored and evaluated. The projects that were prepared prior to the development of the PPP Center do not receive the same level of scrutiny as those developed after the PPP Center was developed.
37. When new rules and regulations are developed, additional reporting will be required and the PPP Center will need to be organized and staffed to meet that challenge. Without a supporting organization there will be inadequate review and ability to check data. GHD noted this issue during the Stakeholders' Consultation, and was advised that the M&E department within PPP Center has recently been reviewed and evaluated with additional staff having been, and currently being, hired. This is welcome news and we encourage continuous rationalization of staff and resources to meet the needs for PPP support and information sharing.
38. Finally, promulgating updated rules and regulations will be the function of the M&E section of the PPP Center. The ability of promulgate these new rules and regulations will be a product of the adequacy of the review process, the adequacy of the organization and the adequacy of the rules and regulations drafting capacity of the M&E section. With properly defined rules, regulations, procedures and reporting, the PPP Center must continue as noted above to develop an organization consistent with those needs and requirements.