



Republic of the Philippines
Public-Private Partnership
Center

Maximizing PPPs for LGUs

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The Philippine PPP Program



Outlook: Philippine Infrastructure Spending

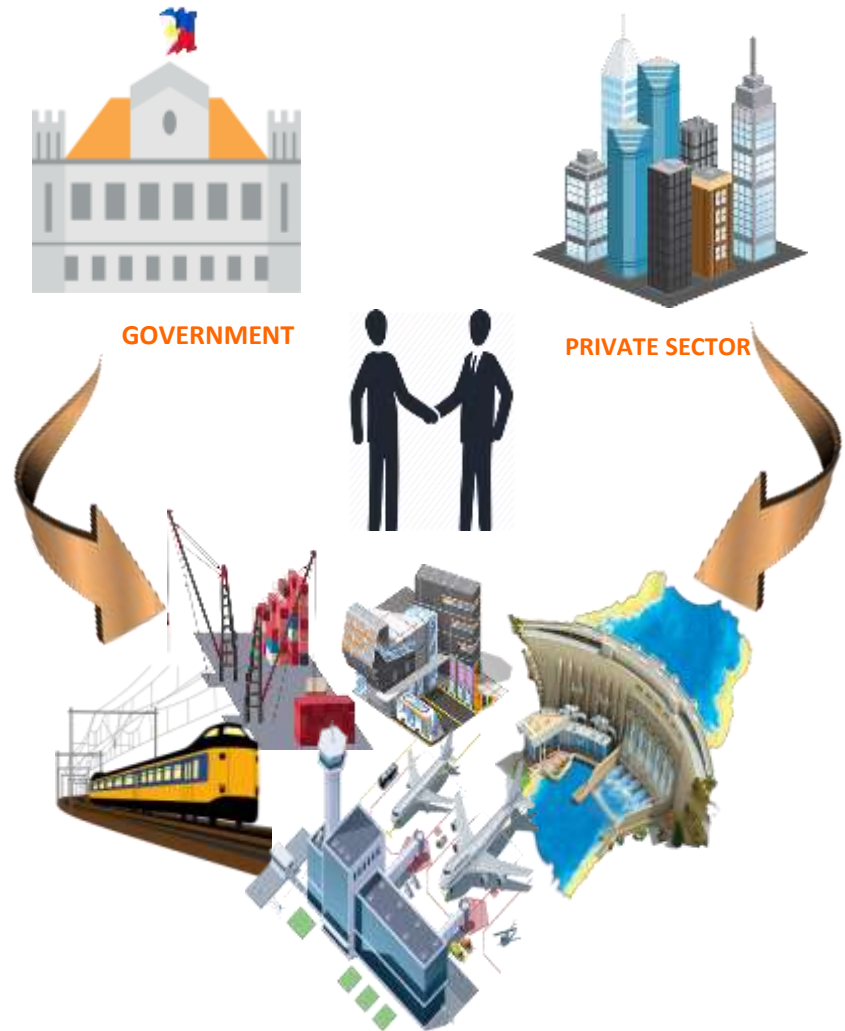


Part of the proposed 10 point socio-economic agenda of the incoming administration is to ***accelerate annual infrastructure spending to account for 5% of the GDP with PPPs playing a key role***

On top of public spending, ***PPPs*** will bring in private sector capital and expertise to address the infrastructure gap.

What is PPP?

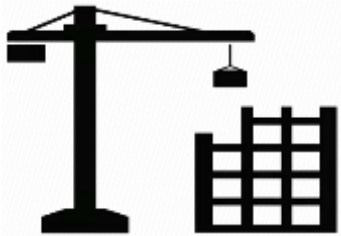
- ✓ A **contractual arrangement** between the government (Implementing Agency) and private sector partner to accelerate provision and/or implementation of **infrastructure and/or development projects or services**.
- ✓ The contractual agreement provides clearly-defined **roles and responsibilities** of the partners.
- ✓ There is allocation of **rewards/revenues/costs/risks** between public and private partners.



The Role of the Private Sector



- State's partner in development



- Utilize private sector technology and innovation



- Can finance, design, construct, operate the facility, and authorized to collect fees

Government Benefits in PPPs

- **Financial (Monetary)**

- Transfers public sector burden of raising funds to private partner(s)
- Facilitates public sector use of limited budget for other urgent (i.e. social) requirements
- Provides additional sources of revenues for public sector depending on the contractual arrangement
- Value for Money

- **Non-Monetary (Efficiency Gains)**

- Efficient provision of infrastructure/development requirements/services
- Superior technology and expertise
- Technology transfer and training for the public sector

Private Sector Participation in Government Projects



Public sector owns and operates assets

- Utility
- Restructuring
- Corporatization
- Decentralization



Public-Private Partnership (PPP)

- Service Contracts
- Management and Operating Contracts
- Concessions
- Build-Operate-and-Transfer (BOT)*
- Joint Venture Agreements



Private sector owns and operates assets

- Full Divestiture/Privatization

Low

Private Sector Engagement

High

Eligible Types of PPP Projects



highways/roads



railroads/railways



industrial



canals/dam/
irrigation/water supply



education



transport systems



ports



airports



ICT systems/facilities



agriculture



public markets/warehouses/
slaughterhouses



housing



government buildings



solid waste management/
climate change mitigation



land reclamation



tourism estates/facilities

General Forms of PPP Structure

- **Availability-based PPPs**

- The government pays regular fees to the private sector partner for providing a public good, service or product as agreed in the contract.

- **Concession-based PPPs**

- The government grants the private sector partner the right to recover its investment, operating costs, financing costs, and a reasonable return by charging the public a user fee or tariff.

Legal and Regulatory Framework



- **1987 Philippine Constitution**

“The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.”

- **RA 6957, as amended by RA 7718:** The Amended Build-Operate-and-Transfer (BOT) Law and its IRR

- **Other Major Laws**

RA 10752 (*Right of Way Acquisition Act*)

RA 8975 (*Expeditious Implementation and Completion of Government Infrastructure Projects by Prohibiting Lower Courts from Issuing Temporary Restraining Orders*)

RA 7160 (*Local Government Code*)

Legal and Regulatory Framework



- Provisions on Foreign Participation in PPP Projects
 - For projects that do not require a public utility franchise, **the facility operator or concessionaire may be foreign-owned**
 - For projects that would require a public utility franchise, the facility operator must be a Filipino or, if a corporation, must be duly registered with the Securities and Exchange Commission (SEC) and owned up to at least 60% by Filipinos.

Institutional Set Up



- **Implementing Agencies**
 - Line Agencies (national government agencies)
 - Government Corporations
 - Local Government Units
- **Review and Approving Bodies**
 - Local Development Councils
 - Investment Coordination Committee (ICC)
 - National Economic and Development Authority (NEDA) Board
- **Coordinating and Monitoring Agency**
 - PPP Center

PPP PROJECTS*

Awarded Projects	13
USD 6.50 Billion	
Project for Awarding	1
USD 515.56 Million	
Projects under Procurement	13
USD 9.69 Billion	
For Approval of Relevant Government Bodies	5
USD 2.26 Billion	
Projects under Evaluation	2
USD 11.91 Billion	
Projects with Ongoing Studies	3
USD 93.53 Million	
Projects Under Development	16

53
PROJECTS**
USD 30.968
BILLION

**Projects started from 2010 onwards (excluding MRT 7 and MMS 3, which were developed before 2010, and the terminated MPOC)*

***Amount does not include 18 other projects with no estimated costs yet*

LGU PPPs in the Philippines

- **Legal Framework**

- RA 7160: The Local Government Code of the Philippines
- DILG MC No. 2011-16: Creation of a PPP Subcommittee in the Local Development Council

- **PPP Center Initiatives**

- Capacity Building (PPP 101)
- Development of PPP Manuals and other Knowledge Products
- Partnership with selected Local Capacity Building Institutions (LCBIs)
 - DAP rollout to LGUs in October 2016
- Development of a Local Water PPP Code
- Assistance on Pre-Investment Studies

TYPICAL LGU PPP PROJECTS

- Shopping Center and Public Market
- Government Administrative Center
- Water Supply System



TANAUAN CITY PUBLIC MARKET REDEVELOPMENT PROJECT

The project entails the upgrading and modernization/ redevelopment of the existing Tanauan City Public Market in Batangas. The project includes: 1.) Construction of four (4)-Storey Commercial Building with minimum building footprints of 26,000 sq. m. comprising of ground and second floor commercial building; third and fourth floor for parking and terminal and 2.) Construction of wet and dry market building with a minimum building footprints of 10,000 sq. m.



QUICK FACTS

Implementing Agency

City Government of Tanauan

PPP Structure

DBTO

Cooperation Period

30 years inclusive of construction period of one year

Status

Awarded

BAGGAO WATER SUPPLY PROJECT

The project involves the provision of a Level III potable piped water supply service which will initially serve 24 barangays in the municipality. The project is inclusive of bulk water source development, transmission, and distribution to individual household level connections.



QUICK FACTS

Implementing Agency

Municipality of Baggao, Cagayan

PPP Structure

BOT

Cooperation Period

25 years

Status

For procurement of Transaction Advisors



THE PPP CENTER



Per Executive Order No. 8, s. 2010, as amended **by Executive Order No. 136** signed last 28 May 2013:

- BOT Center renamed as **PPP Center**
- PPP Center Services:
 - Provide **advisory services**
 - **Facilitate development** of PPP projects
 - **Manage** the Project Development and Monitoring Facility
 - **Capacitate** national implementing agencies and LGUs
 - Advocate **policy reforms**
 - **Monitor implementation** of PPP projects
- **Expanded mandate:**
 - BOT Law
 - Monitoring of Joint Venture arrangements
- PPP Center to directly reports to the **PPP Governing Board**

PPP Center Services

Provides project development and advisory services; technical assistance to NGAs and LGUs

**PROJECT
DEVELOPMENT
and LEGAL
SERVICES**

Capacitates NGAs and LGUs in PPP project preparation and development

**CAPACITY
BUILDING AND
KNOWLEDGE
MANAGEMENT
SERVICES**

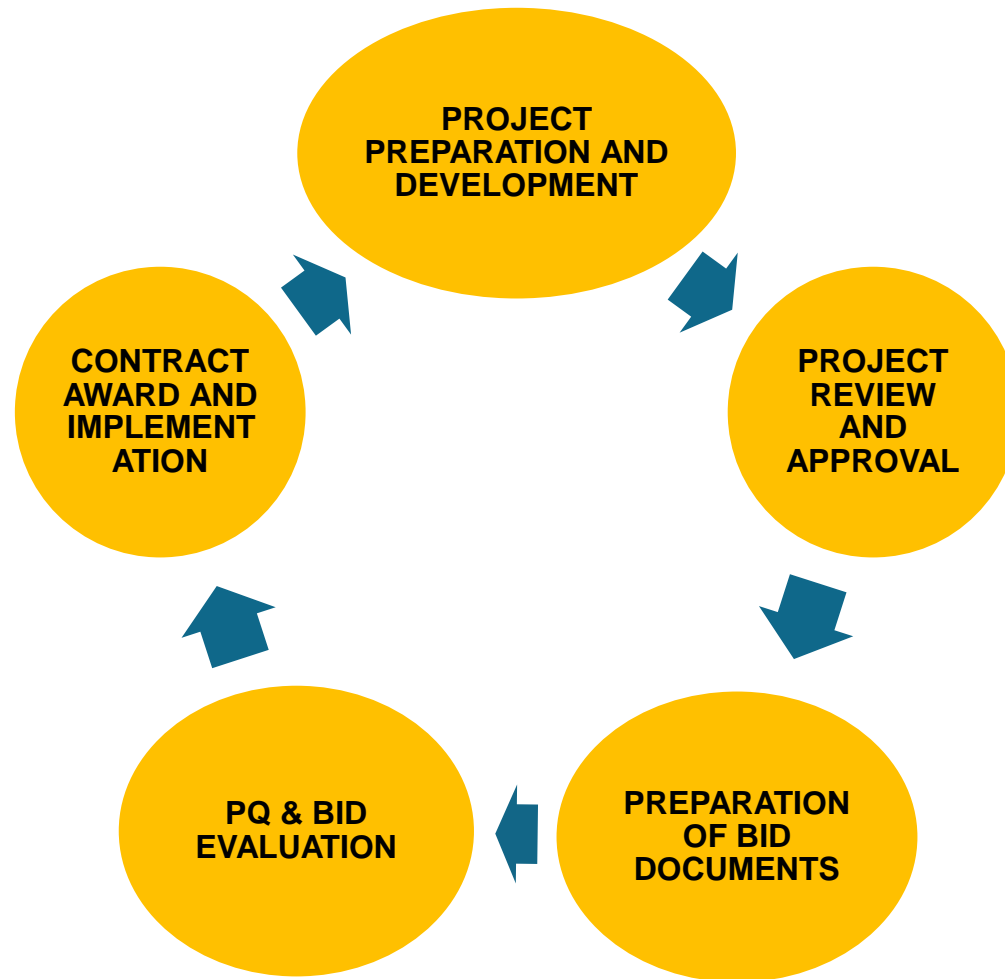
Manages and administers the Project Development and Monitoring Facility (PDMF)

**PROJECT
DEVELOPMENT
AND
MONITORING
FACILITY
SERVICE**

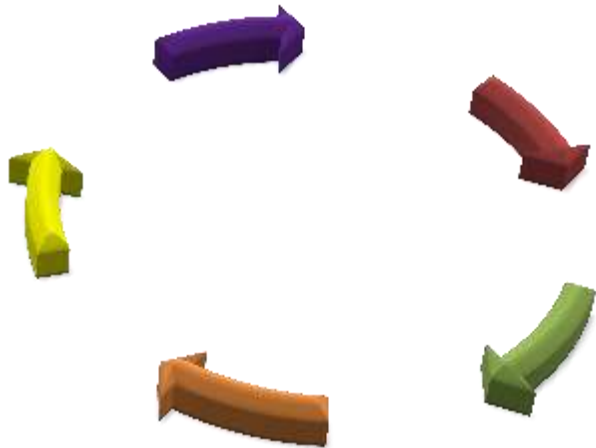
Monitors PPP project implementation and advocates policy reforms for efficient PPP implementation

**POLICY
FORMULATION,
PROJECT
EVALUATION
AND
MONITORING
SERVICES**

ROLES OF THE PPP CENTER

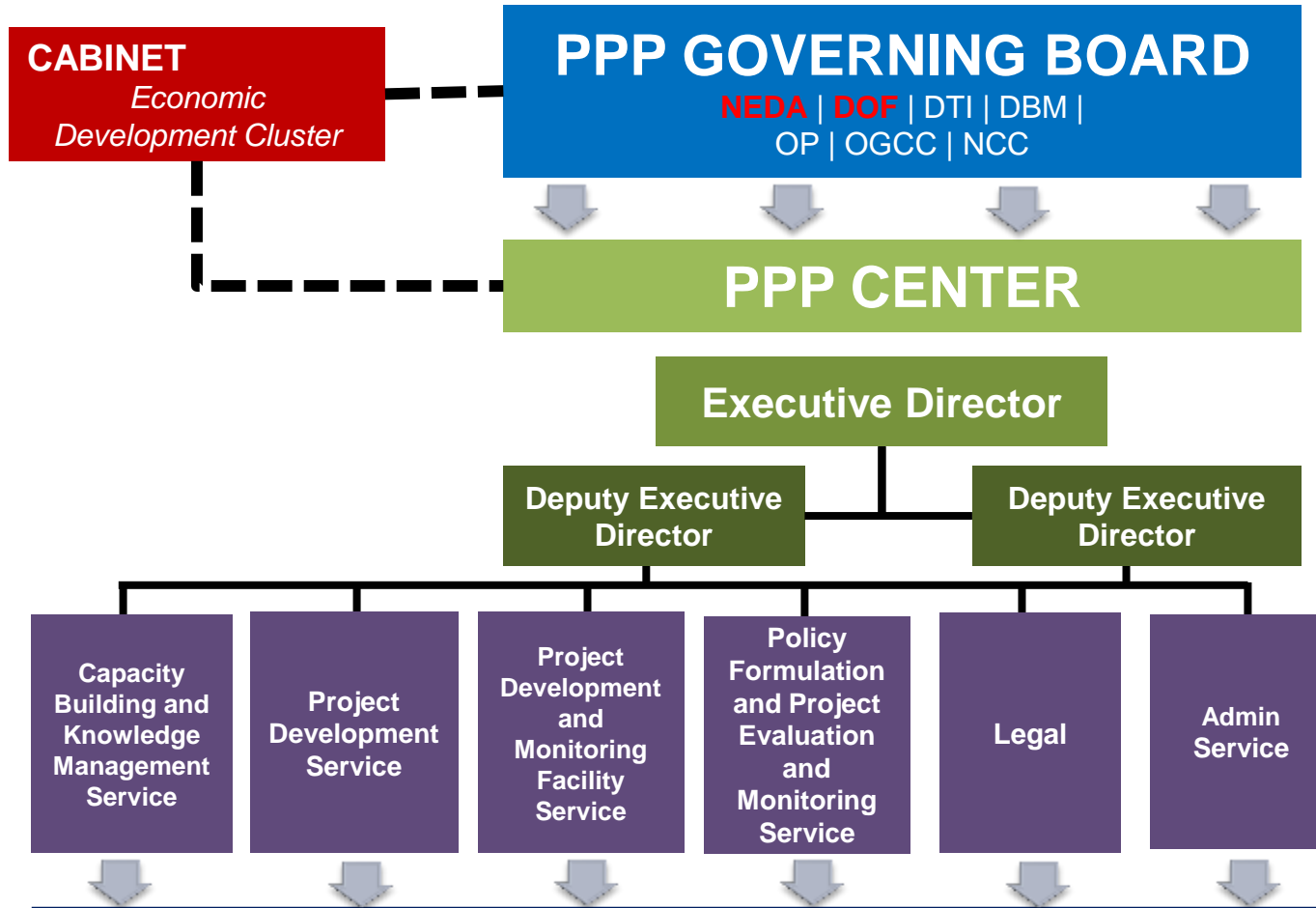


PROJECT DEVELOPMENT AND MONITORING FACILITY (PDMF)

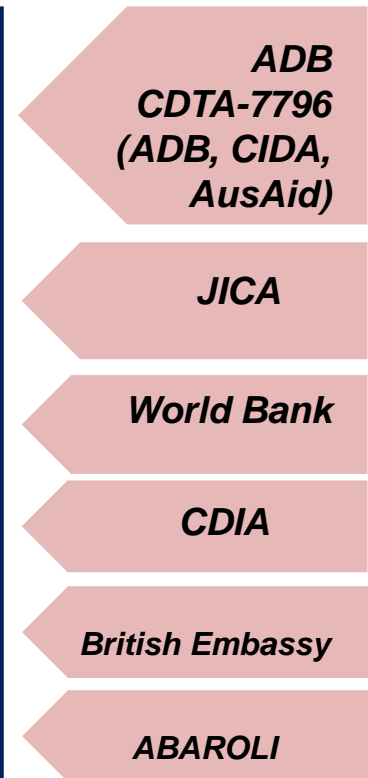


- **Revolving pool of funds** made available to enhance the investment environment for PPP and to develop a robust pipeline of viable and well-prepared PPP infrastructure projects
- **22** consortia of Internationally-renowned consulting firms
 - PDMF Funds | **USD 69.47 million**
USD 18 million from AusAID through ADB
USD 51.47 million from the Philippine Government

PPP CENTER INSTITUTIONAL FRAMEWORK



External Support



IMPLEMENTING AGENCIES

National Agencies / Line Agencies, GOCCs, SUCs
Local Government Units / Province, City, Municipality

WHAT WE HAVE ACHIEVED



Streamlined appraisal process as the Secretariat to the Investment Coordination Committee (ICC) for PPP projects.

PROCESS IMPROVEMENTS



Institutionalized market feedback during project preparation; systematic and transparent bidder interaction during tender process

WHAT WE ARE DOING



Policy Enhancements

1

Further enhancement of the legal and regulatory framework for PPPs through the enactment of the PPP Act and the issuance of several policy circulars and guidelines

2

Institutionalization of the Contingent Liability Fund; and other processes & policy reforms



Process Improvements

1

Update and improve hiring of independent consultants through the PDMF

2

Standardize PPP contracts

3

Establish more streamlined project monitoring and evaluation protocols

4

Hiring of probity advisors for big-ticket project

5

Ongoing establishment of PPP Units in IAs



Policy Framework

1

Standardize policies and systems in engaging private sector in the water sector

2

Develop the Philippines' capital markets for infrastructure financing

WHAT THEY SAY ABOUT THE CENTER



PPP Agency of the Year
The ASSET Triple A Asia
Infrastructure Awards 2015



Best Central Government
PPP Promoter
Partnerships Awards 2014



Asia-Pacific
Grantor of the Year
IJGlobal Awards 2014

QUESTIONS?



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