



PUBLIC-PRIVATE PARTNERSHIP CENTER



Forging Partnerships



2016
ANNUAL REPORT



PUBLIC-PRIVATE PARTNERSHIP CENTER

The PPP Center is mandated to facilitate the implementation of the country's PPP program and projects. It is the government's main authority on Build-Operate-Transfer (BOT) Law and serves as the central coordinating and monitoring agency for all solicited and unsolicited PPP projects in the Philippines. The agency's core mandates are: Projects, Policy, and Capacity. The PPP Center provides technical assistance to implementing agencies – national government agencies (NGAs), local government units (LGUs), government-owned and controlled corporations (GOCCs), government financial institutions (GFIs), and state universities and colleges (SUCs) – in the entire life-cycle of PPP projects, from development, approval and procurement to implementation and monitoring stage.

The PPP Center advocates policy reforms built on principles of transparency, fair competition, appropriate risk allocation and value for money. It also administers the Project Development and Monitoring Facility (PDMF) – a US\$102 million fund that facilitates the development of a pipeline of well-structured and bankable PPPs.



Forging Partnerships

The cover highlights 2 entwined ribbons representing the strong partnership between the public and private sector. This also reiterates the title 'Forging Partnerships' as the PPP Center continues to facilitate projects from various stakeholders to continue to drive Philippine infrastructure growth.

Projects highlighted include Mactan-Cebu International Airport New Passenger Terminal Building and the recently completed NAIA Expressway (Phase II).

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Vision

The Center shall serve as the champion of Public-Private Partnerships for the country's inclusive growth and sustainable development.

Mission

The Center shall facilitate and optimize Public-Private Partnerships in the country for the delivery of public infrastructure and other development services.

Professionalism

We commit to provide fast, reliable, efficient, competent, and effective services that adhere to the principles of good governance and genuine public service.

Passion for Excellence

We are dedicated to consistently deliver timely and the best quality of public service and to ensure efficient and effective implementation of Public-Private Partnerships in the country.

Pro-Activeness

As prime movers in Public-Private Partnerships in the country, we strive to achieve positive results through dynamic processes that are anchored on the principles of transparency and accountability.

Client Orientation

We intend to foster long-term relationships that will enable clients to meet their Public-Private Partnership targets. We will continuously innovate our processes to maintain an investment climate where our partners could operate on a level-playing field.



Message from the President of the Republic of the Philippines

Rodrigo Roa Duterte

*President
Republic of the Philippines*

My warmest greetings to the Public-Private Partnership (PPP) Center on the publication of your 2016 Annual Report.

We, in the administration, are working hard to ensure that our people are properly taken care of by this government by providing equal opportunities, development programs, security, protection and efficient public services.

One of our fundamental strategies to address the infrastructure gaps in the country is to engage in PPPs. Once realized, PPPs will play a major role in accelerating our infrastructure spending to account for 5 percent of our country's annual Gross Domestic Product (GDP).

Thus, the role of the PPP Center is more crucial than ever to help us succeed in delivering much needed infrastructure projects that will truly benefit our people. By your institution's technical advisory, you empower our implementing agencies, including the local government units (LGUs), to undertake project preparation for rolling out viable and bankable infrastructure projects.

As the lead agency of the country's Public-Private Partnerships program, the PPP Center must continue to encourage more private partners to participate in PPP projects that will foster investments, generate jobs and boost economic activities in every region of the country.

I ask you to join me in bringing change and in providing the highest quality of public service that will transform the lives of our citizens. Let us all work together in seeking and attaining the progress that will create a huge impact to our people today and the next generations of Filipinos. Together, we can achieve great things.

Mabuhay kayong lahat!

Message from the
**Socio-Economic Planning
Secretary and
Director-General of the
National Economic and
Development Authority**



Ernesto M. Pernia

Socio-economic Planning Secretary



The new administration is steadfast in implementing more infrastructure projects around the country to sustain our growing economy and deliver rapid development. When we began crafting the economic agenda of President Duterte, we made sure that part of the government's priorities is to accelerate our infrastructure development. This resulted to the inclusion of boosting our infrastructure spending with Public-Private Partnerships (PPPs) playing a pivotal role.

We highly encourage the participation of the private sector in our nation building. We are cognizant of the need to make our business environment more palatable to investors. Before the new government was installed, we reassured our private partners and stakeholders that we will honor the contracts that have been sealed in the past administrations. We will also pursue the rolling out of the PPP projects in the pipeline.

In addition, the government committed that we will undertake significant changes and improvements to fast track our implementation strategies and address bottlenecks in the PPP process. We will advocate more policy reforms and new strategies to adopt with the changing business, social and political environment. This is only one of our objectives that will help us maintain the current status of the Philippines as a developed PPP market and become one of the most attractive PPP environments in the world.

To further tap the private sector's capital and efficiency, the government now encourages private partners to propose unsolicited projects that will help us address the infrastructure gaps in every corner of our country. We will also introduce hybrid PPPs wherein the government will build the facility through official development assistance or public funding and the operations and maintenance will be bid out to the private sector. We are grateful because the private sector immediately heeded our call to support us in initiating more infrastructure projects in the national and local levels. I am confident that the PPP Center will play a most critical role in all of these changes. The dynamic and driven men and women of this public institution has and will continue to formulate and implement the needed reforms to sustain the Program.

At the beginning of the new administration, we did not waste a single opportunity to start the ball rolling in realizing our new economic agenda. On November 14, 2016, we convened the National Economic and Development Authority (NEDA) Board chaired by the President himself. The first Board meeting approved several infrastructure projects, which include two PPP projects. These are the Php74.56 billion NAIA PPP Project and Php1.47 billion New Nayong Pilipino at Entertainment City.

We will continue to develop new bankable infrastructure projects in the archipelago and seek more partners to achieve the annual targets that we have set. We will not stop until the Filipino people experience a safer and more secure transport system, pass through roads with world-class standards, travel with comfort and ease, and go home to their families without worrying about traffic congestion.

May we all achieve our vision and aspirations for a prosperous Philippines.



“The value of PPPs is realized when the public is enjoying the benefits of the project and when the government is achieving the development goal.”



Message from the Executive Director

At the start of 2016, the PPP pipeline stood at 51 projects worth Php1,086.49 billion. By the end of 2016, the PPP pipeline stood at 53 but with the following changes: NAIA Expressway (Phase II-A) was completed, Bulacan Bulk Water Supply, Southwest Integrated Transport System and MRT 7 Projects started construction. The Civil Registry System Information Technology Project Phase II and NLEX-SLEX Connector Road projects were awarded. The NAIA PPP and New Nayong Pilipino at Entertainment City projects were approved. The unbundling of the five regional airport projects, which were originally offered in two bundles to prospective investors during the last administration, was also approved. Meanwhile, four projects were added to the pipeline: the East-West Rail, Clark International Airport, Rural Dairy Industry Development, and Duty Free Retail Development projects while two projects were taken out, namely, Plaridel Bypass Toll Road and Modernization of the Philippine Orthopedic Center projects.



The year 2016 also saw a change in administration and with that, a change in the strategy for infrastructure. With the improved sovereign credit rating and big pledges of concessional loans from China and Japan, the administration saw an opportunity to implement what it terms the hybrid model – build the infrastructure with low cost financing while use PPP for the operation and maintenance (O&M). Thus, a number of projects that were in the PPP pipeline have become candidates for this hybrid model. Furthermore, the administration has declared its openness to unsolicited proposals.

The PPP Center is therefore adopting what it calls P3 for B3 or the PPP for the Build-Build-Build program. The key elements are supporting the implementation of the hybrid model, establishing guidelines for unsolicited proposals, targeting implementing agencies whose projects are not covered by Official Development Assistance (ODA), and supporting local government units with their PPP projects. Thus, the short-term reduction in the number of projects in the pipeline will be offset as we develop O&M

PPPs, and PPPs involving non-traditional implementing agencies and LGUs. As for the latter, two Memorandum of Agreement (MOAs) have been signed. In 2016, the LGU P4 (Public Private Partnership for the People) was signed between the PPP Center and the Department of Interior and Local Government (DILG) in 2016 to help LGUs contribute to the 0+10 point Socioeconomic Agenda of the present administration and improve the quality of life of the people in the LGU communities. In May 2016, the PPP Center and the Mindanao Development Authority (MinDA) signed a MOA that has the objective of assisting LGUs and other executing agencies in Mindanao in identifying and implementing infrastructure and development projects to be undertaken through PPP.

The PPP Center believes that PPPs shall continue to be a viable option for infrastructure and delivery of public service, especially when life-cycle costs or quality of delivery of public service are key considerations. Sustaining this viability means continuing to work on reforms to ensure delivery of value-for-money projects that serve the public interest. Thus, the PPP Center picked up on what was started in 16th Congress to seek legislation of a PPP Act that would further enhance competition, address key bottlenecks, improve the integrity of the PPP program as a whole, and institutionalize the PPP function. The PPP Center shall continue to utilize the PPP Governing Board for reforms that can be instituted through that body. Finally, the PPP Center is also working to diversify sources of funds to include institutional investors like pension funds and insurance companies. One recent accomplishment is the work it did together with the Securities and Exchange Commission and the Philippine Stock Exchange to come up with the listing rules for PPP project companies.

On a personal note, I would like to thank my colleagues and others who have worked at the PPP Center. The above accomplishments would not have been achieved were it not for their strong commitment to public service and to nation building.

Mabuhay ang PPP Center. Mabuhay ang Pilipinas.


Ferdinand A. Pecson
Executive Director

PPP Awards and Citations

Silver Award for Government PPP Promoter of the Year



The Public Private Partnership Center of the Philippines won the Silver Award for Government PPP Promoter of the Year during the Partnerships Awards 2016 held by UK-based Partnerships Bulletin.



The PPP Center was recognized as the 2016 Most Outstanding Accounting Office from the Association of Government Accountants of the Philippines (AGAP) Inc..



Mactan Cebu International Airport Passenger Terminal Building Project

2015

“Best PPP Deal in Asia Pacific Region”

IJGlobal Asia-Pacific

2015

“Transport Deal of the Year”

Project Finance International

2016

“Asia Pacific Regional Airport of the Year”

Center for Asia-Pacific Aviation Center for Aviation

LRT Line 1 Cavite Extension and O&M Project

2016

“Best Project Finance Deal”

Alpha Southeast Asia

“Asia-Pacific PPP Infra Deal of the Year”

Project Finance International





What We Have Achieved

2016: A YEAR FOCUSED ON MAXIMIZING THE PPP POTENTIAL

The year 2016 marked significant changes—not only at the PPP Center but for the entire Philippine government—with the change of administration as a result of the May national elections. The PPP Center, to date, faces challenges, triumphs, and transformations with the change in the leadership and direction of Public-Private Partnerships (PPPs) in the country.



Despite all these new developments, the Center continues to perform its mandate as the main facilitator of the PPP Program and Projects in the country.

Improving interregional connectivity

The year also saw the completion of the NAIA Expressway Project, a 4-lane, 7.75-km elevated expressway that connects the Ninoy Aquino International Airport (NAIA) Terminals 1, 2, and 3 to the expanding commercial and resource-rich southern areas of Metro Manila.

Phase II-A of the expressway was opened to the public in September 2016, while the segment that links Terminal 2 to Terminal 3 was opened later in December 2016. Aside from providing ease of transfer to and from the 3 NAIA terminals, the project also reduces travel time from the South Luzon Expressway (SLEX) to NAIA by a robust 67%—from 1 hour to just 20 minutes.

A number of PPP projects have also completed their pre-construction activities. Construction works have started in 2016, including the first airport and water projects awarded under the PPP Program. The Mactan-Cebu International Airport (MCIA) New Passenger Terminal Building Project held its concrete-pouring ceremony in January, signaling the start of the construction for Terminal 2. This new, world-class terminal is targeted to open in June 2018. Due to the continuing enhancements at MCIA Terminal 1 by the GMR-Megawide Cebu Airport Corporation, the project has been recognized through various awards from international award-giving bodies.

Ensuring enough water supply

The construction of the water treatment plant component of the Bulacan Bulk Water Supply Project (BBWSP) has also started, breaking ground in April. The project, which was awarded to the Luzon Clean Water Development Corporation (LCWDC), is expected to provide treated bulk water to various water districts of Bulacan. Around 541,000 households will have access to safe and reliable water supply—covering 569 barangays—once this project becomes operational.

Assuring efficient transport, faster mobility and better public service

The Southwest Integrated Transport System (SWITS) started its construction works in October, with targeted completion in 2018. The terminal—to be situated in PRA Property, Parañaque City—will connect passengers coming from the Batangas and Cavite side to other transport systems that include the future LRT Line 1 Cavite extension and other public utility vehicles such as buses and taxis serving inner Metro Manila. Over 3 million commuters will benefit from this project.

Construction works for the Metro Rail Transit System Line 7 (MRT 7) Project has finally commenced in October. The project was awarded to the San Miguel Corporation (SMC)-backed Universal LRT Corp.. This project involves the construction of a 22.8-km rail transit system with 14 stations—from the North Avenue station in EDSA to the Intermodal Transport

Terminal to be built in San Jose del Monte, Bulacan. Travel time is expected to be reduced from 3.5 hours to 1 hour from San Jose del Monte to EDSA, Quezon City once the project is completed.

Two PPP projects have also been awarded in 2016. The Notice of Award for the Civil Registry System – IT Project Phase II (CRS ITP2) was issued to private sector partner UNISYS Managed Services Corp. on September 9. This is the first PPP project awarded under the current Duterte administration, and it will modernize the civil registry operations of the Philippine Statistics Authority.

Continuing earlier initiatives

Not long after, the North Luzon Expressway-South Luzon Expressway (NLEX-SLEX) Connector Road Project was awarded to the original proponent—the Metro Pacific Tollways Development Corporation—after being subjected to a Swiss challenge. The project involves the construction and operation of an 8-km expressway from C3 Road in Caloocan City connecting to the Metro Manila Skyway Stage 3 in Sta. Mesa, Manila. This expressway will provide an alternative route to EDSA, C5 and other major thoroughfares for motorists traveling between NLEX and SLEX. If the project is completed, travel time between NLEX and SLEX will be reduced from more than 1 hour to just 15–20 minutes.

The National Economic and Development Authority (NEDA) Board, on the other hand, has approved the unbundling and relaunching of the procurement process for the Regional Airports Project, which will be bid out as five separate projects. This project includes the Iloilo, Bacolod, Davao, Laguindingan, and New Bohol (Panglao) airports with a combined cost of Php110.42 billion. These projects aim to address airport congestion, reduce delayed flights, and encourage more direct flights to serve local and international travelers. These airports will also improve connectivity around the country and enhance economic activities and development growth in the regions.

The NEDA Board also approved another 3 PPP projects: (i) the NAIA PPP Project, (ii) the New Nayong Pilipino at Entertainment City Project, and (iii) the modified North-South Railway Project—South Line Project. As of December 2016, there were 53 PPP projects in the pipeline with a total indicative cost of Php891.53 billion.

Three projects were added in the pipeline namely: East West Rail Project (a 9.4-km railway line from Diliman, Quezon City to Lerma, Manila); Rural Dairy



Industry Development Project (a one-stop shop for processed milk and milk products); and Duty Free Retail Development Project, which aims to expand Duty Free Philippines Corporation's (DFPC) operations to international benchmarks.

Breaking new grounds

Amidst the change in administration, PPPs continue to play an important role in the delivery of critical infrastructure projects in the country. The Duterte administration's $\text{Ø} + 1\text{Ø}$ - Point Socioeconomic Agenda espouses PPPs as a critical component in accelerating infrastructure spending to 5% of the gross domestic product (GDP).

Under new leadership, the PPP Center embarked on a new direction that would respond to the current needs of the country and of the Filipino people—maximizing Absolute Value for Money (AVfM) in PPPs. In line with this vision, the PPP Center held a Stakeholders' Consultation Conference with various government agencies, private partners, financing institutions, and development partners to solicit their ideas, insights, and experience toward achieving AVfM in PPP projects.

Taking off from the invaluable feedback gleaned from this conference, the PPP Center continues to pursue various policy reform initiatives to further improve the enabling environment for PPPs. Foremost of this is the PPP Act, which will (i) institutionalize existing PPP best practices, such as the use of the Project Development and Monitoring Facility (PDMF) to develop and structure viable projects; and (ii) enhance the PPP Program by expanding its coverage and fostering a more competitive and transparent process, among others. Nine PPP bills are currently filed in the Senate and the House of Representatives.

Encouraging unsolicited proposals

To maximize AVfM, one of the key steps is to encourage the private sector to propose projects that would address the infrastructure gap in the country

through unsolicited proposals. The PPP Center has already drafted the General Guidelines for Unsolicited Proposals, which defines the roles of different government agencies in the unsolicited proposal process, and provides general rules and standard metrics in the evaluation of unsolicited project proposals.

Exploring other financing avenues

With the lower borrowing rates of the government, it is also looking at developing more hybrid PPP projects—wherein the government, through its own budget or via Official Development Assistance (ODA), will finance the construction of a facility, which will then be bid out to the private sector for its operation and maintenance.

This is supplemented with the PPP Center's continuing efforts to tap the capital markets for financing PPP projects. The PPP Center recently made headway in this area—when the Philippine Stock Exchange (PSE) issued in December the listing rules for companies engaged in PPPs. Meanwhile, the PPP Center is also coordinating with the Social Security System (SSS) to boost its investments in PPP projects.

Earning recognitions

The country's success in implementing its PPP Program has not gone unnoticed in the international arena. After previously being awarded as the "PPP Agency of the Year" at The Asset Triple A Asia Infrastructure Awards in 2015, and with the "Asia-Pacific Grantor of the Year" given at the IJGlobal Awards in 2014, the PPP Center again won the Silver Award for the "Government Promoter of the Year" during the Partnerships Awards in 2016 held by the United Kingdom-based Partnerships Bulletin.

In a way that is unique to its mandate, the PPP Center continues to maximize the potential of PPPs—for the development growth of the country and for the benefit of the Filipino people.

Highlights of Accomplishments

1

Completed Project
(NAIA Expressway)



2

Awarded Contract
(CRS ITP2, NLEX SLEX
Connector Road)



3

Projects Started
Construction
(BBSWP, SWITS, MRT 7)



3

NEDA Board
Approved Projects
(NAIA PPP, New Nayong
Pilipino, NSRP-South)

37

Total of PDMF-Funded
Projects Since 2011

USD **102M**
PDMF Funds

11

53

Projects
in the
Pipeline



5

Approved
Policy Circulars



67

Capacity
Building Initiatives





Project Development and Monitoring Facility Service

The Anchor Mechanism of the PPP Program

One of the key ingredients for the success of the country's PPP Program is the pivotal government support—through the Project Development and Monitoring Facility (PDMF). The PDMF with support of US\$18 million from the Australian Government through the Asian Development Bank (ADB) has been vital in building a robust pipeline of viable and well-prepared PPP projects by engaging high-caliber project preparation and transaction Consultants.

The PDMF provides an integrated package of support across a PPP project's life cycle. Through the PDMF-funded consultants, services are provided for pre-investment activities and to ensure effective monitoring of PPP project implementation.



The PDMF Service ensures the efficient administration and management of the facility by providing technical support in evaluating PDMF applications, recruiting and managing results-oriented consultants, and prudently managing its finances. The PDMF Service is geared up to align its thrusts with the new administration's vision and strategies on PPP and infrastructure development.

A key ingredient in the PPP program's success

The PDMF Service continued to process funding requests to ensure the availability of pipeline projects that are ready for development or to be offered to the market. In 2016, four PDMF requests for new projects from various implementing agencies were evaluated, one of which was presented to the PDMF Committee



and granted approval. Additional funding requests from two ongoing transaction support services were also processed. In 2016, the PDMF Service facilitated the signing of contract variations for three projects.

By the end of 2016, two more PDMF-funded projects were awarded—the Civil Registry System Information Technology Project Phase II (CRS ITP2), and the North Luzon Expressway–South Luzon Expressway (NLEX-SLEX) Connector Road Project. This brings the total PDMF-funded awarded projects to 10, comprising 70% of the total awarded projects under the previous administration.

Making available a steady source of funds

The PDMF Service maximized the revolving feature of the PDMF fund by intensifying its collection efforts in 2016. As a result, its reflows reached approximately US\$6 million, which may now be used to fund more projects approved for PDMF support.

As part of the PPP Center's compliance with its contractual obligations, the PDMF Service processed a total of 35 requests for consultants' payment.

Providing access to a pool of high-caliber consultants

The PDMF Service also carried out preparatory works to re-establish the Project Preparation and Transaction Advisory (PPTA) Panel and later establish separate panels for probity advisors and independent consultants. It also posted in the Asian Development Bank's and PPP Center's websites Request for Expressions of Interests (REOI) for the pre-qualification of consulting firms for the PPTA Panel. Upon its reconstitution, the PPTA is expected to provide



enhanced technical, legal, and financial expertise through an enhanced pool of international and national consultants for the various pre-investment activities of PPP projects.

With an expanded mandate to use the PDMF for engaging probity advisors and independent consultants, the terms of reference for the consultants were further defined and REOIs were posted for the pre-qualification of consulting firms for the two Panels—(i) Probity Advisors and (ii) Independent Consultants. These Panels are envisaged to provide high-quality advice to implementing agencies and local government units (LGUs) to ensure fairness and transparency in the PPP bid process, as well as to ensure conformance with agreed standards and specifications during project implementation.

Equipped for the new administration

As the new administration was ushered in, the PPP Center started laying the groundwork to buttress the administration's policies and plans of revitalizing the PPP Program. Toward this objective, the PDMF Service spearheaded revisions to the 2016 PDMF Guidelines to make them more responsive to the new investment environment and to institutionalize procedures that would ensure proper fund management. The PDMF Service undertook re-programming activities to confirm that projects in its pipeline were consistent with the priority programs and projects of the incoming administration.

Status of the PDMF Fund

In 2016, reimbursements amounting to US\$1.4 million were received from the winning bidders of two PPP projects awarded during the previous year. For 2016, the total reflows to the PDMF amounted to US\$6 million. Cumulatively, about 30% or a total of US\$15 million of the cost of consultancy contracts were recovered.

As of December 2016, 47% of the total PDMF funds were committed to 37 projects, utilizing 50% of the total contribution of the Philippine Government, and 78% from the Australian Government. Across sectors, 73.6% of the funds were committed to 22 projects in the transport sector.



2016 PDMF STATUS

37

PDMF-funded
Projects since 2011

2

Awarded
PDMF-funded
projects for 2016

US\$ 1.4m
total fund
reimbursement
from winning bidders

US\$ 6m
PDMF
fund reflows

22

PDMF-funded
transport
projects



Project Development Service

Ensuring a Robust and Bankable PPP Pipeline

The Philippine PPP Program has been largely instrumental in the country's efforts of achieving its economic growth targets and improving overall infrastructure. To date, it has come a long way in developing a robust pipeline of bankable PPP projects.



At the PPP Center, the Project Development Service (PDS) renders technical assistance and project advisory services to national government agencies (NGAs), government-owned and controlled corporations (GOCCs), and local government units (LGUs) in developing and managing PPP projects. The PDS assists from conceptualization and structuring of projects to the approval and tendering processes. In 2016, the PDS assessed a total of 47 projects in the pipeline for possible PPP implementation.

Milestones in number of awarded contracts

Through the PDS' assistance, important milestones were achieved in 2016 by the PPP Center with the successful awarding of two more PPP contracts. These two projects bring the total awarded PPP projects to 15. This is considered a crucial step taken by the government in addressing the infrastructure gap in the Philippines.

The North Luzon Expressway - South Luzon Expressway (NLEX - SLEX) Connector Road — one of the two projects awarded— involves the construction, operations, and maintenance of an 8-km, 4-lane elevated expressway from C3 Road to Metro Manila Skyway Stage 3. The project is expected to be completed by 2021, thereby decongesting



traffic in Metro Manila and cutting the travel time between NLEX and SLEX from more than an hour to around 15 minutes.

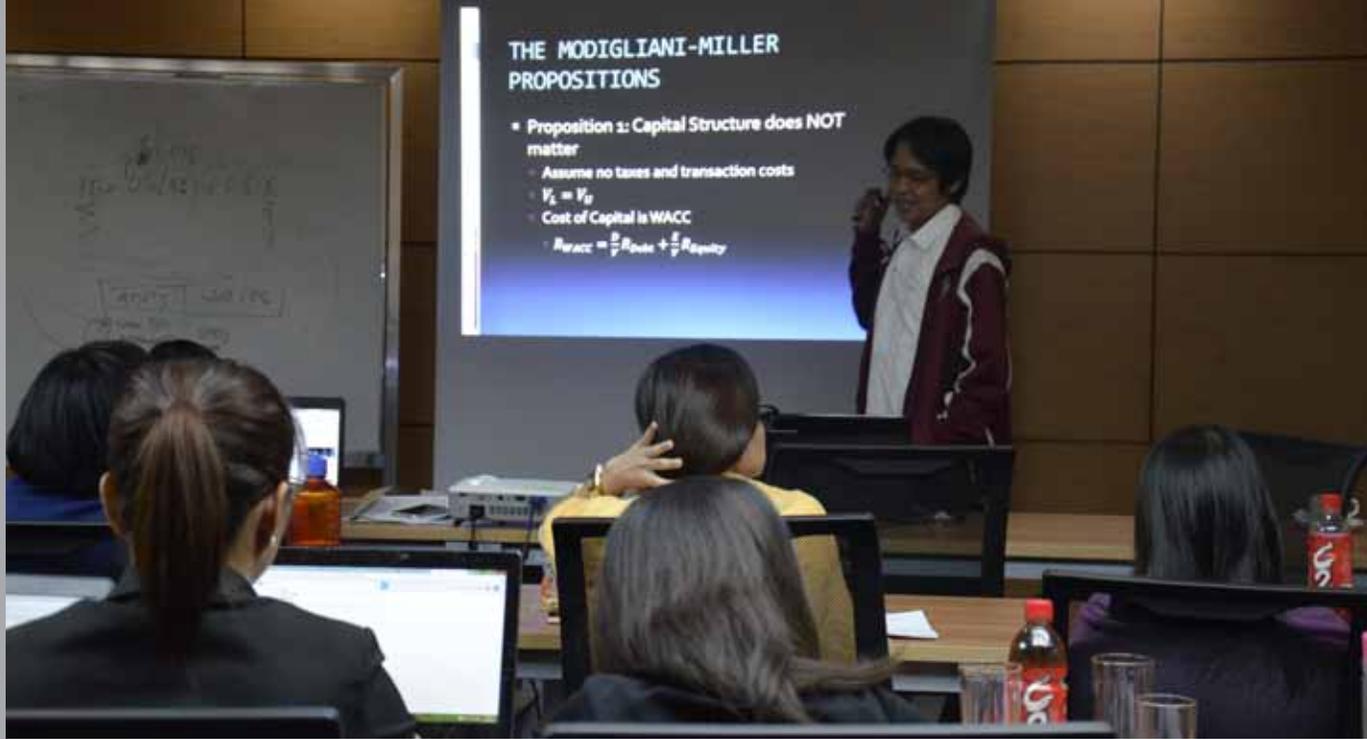
In support of vital government services

Aside from transport projects, the PPP Program also aims to improve the delivery of vital government services. The second of the 2 awarded projects is the Civil Registry System - Information Technology Project Phase II (CRS-ITP2). This is a pioneer PPP project in the information and communication sector. The project will upgrade the current service levels of the Philippine Statistics Authority (PSA) in its function of providing various civil registry documents, such as birth, marriage, death, and no marriage certificates.

Continuous development of the PPP Program

While the Philippines is now being recognized as one of the prime movers in the field of PPP, the PPP Center recognizes the need to continuously develop the PPP Program with the goal of maintaining the established momentum and fast-tracking the delivery of quality infrastructure to the public.

The Integrated Terminal System - North Terminal Project is being developed to complete the master plan for an effective mass transport intermodal terminal. Following the successful tender of the South and Southwest Terminals, this project will involve the construction, operations, and maintenance of an integrated terminal in the north of EDSA. This project aims to maximize road usage by reducing vehicle volume and improving traffic flow along Metro Manila's major thoroughfares.



Concerted efforts are also being undertaken to develop infrastructure in regions outside Metro Manila. The Judiciary Infrastructure Development through PPP Project aims to provide new and rehabilitated halls of justice and court houses around the Philippines. The San Ramon Newport is a leading project being developed at the First Industrial Park of Zamboanga Economic Zone. It aims to improve the competitiveness of Zamboanga and its surrounding regions by linking resources, markets, and other logistical activities that can contribute to the economic development of Mindanao.

Through proper selection and thorough project development, these further developments in the PPP pipeline will translate into concrete benefits for the public.

Gearing up for the “Golden Age of Infrastructure”

The growing and active engagement of various sectors with the Philippine PPP Program is manifested by the increasing number of NGAs, GOCCs, LGUs, and other agencies that have become involved in





the PPP Program, in addition to the participation of prospective bidders from the Philippines and abroad. This increased interest manifests the existence of a sound PPP environment in the country.

With the identification of PPP in the new administration's $\text{Ø} + 1\text{Ø}$ -point socioeconomic agenda as a mechanism to accelerate annual infrastructure spending and pave the way for the country's "Golden Age of Infrastructure", the PDS aims to continue building the robust pipeline of PPP projects and ensuring the sustainability of the PPP program through an efficient, fair, and transparent tender process.





Policy Formulation, Project Evaluation, and Monitoring Service

Policy Initiatives and Advocacies for PPP

As part of the ongoing thrust of the PPP Center to address the policy gaps in the PPP process and to fast-track the implementation of projects, a number of policy initiatives and advocacies to enhance the Program were pursued in 2016.



Among others, the PPP Center continued one of its main initiatives since 2013 with the push for the enactment of the PPP Act, which proposed amendments to the existing Build-Operate-Transfer (BOT) Law in the 16th Congress. During the year, the proposed PPP Act achieved significant progress. House Bill (HB) 6331 reached Third Reading at the Lower house, while Senate Bill (SB) 3035 moved forward to the period of interpellation on the Second Reading at the Senate. However, the enactment of the PPP Act remained elusive.

Under the Duterte administration, the PPP Center renewed its efforts to get the PPP Act approved during the 17th Congress. The PPP Center studied the new bills filed, which sought to amend the BOT Law. Once passed, the PPP Act will ensure the sustainability of the PPP Program in line with the government's pursuit for affordable, accessible, and efficient public services.

Improving PPP processes through policy circulars

The PPP Center also initiated further improvements to the policy framework for PPPs through the issuance of three new policy circulars and amendments to five existing ones, which were approved by the PPP Governing Board (PPGGB).



New policy circulars included those on: Managing Government Employees Affected by PPP Projects, which seeks to provide a framework to set a Transition Plan, Mandatory Employee Consultations, and identified Options for Affected Personnel of PPP projects; Assessing Value for Money (VfM) in PPP Projects, which institutionalized Value for Money (VfM) analysis at the project development stage and outlined general principles for VfM analysis; and Public Consultation and Engagement, which institutionalized the consultation and engagement of the public for all PPP projects, specifically outlining the responsibilities of implementing agencies and the PPP Center.

Meanwhile, some approved policy circulars were further amended with the end view of improving the policy framework, based on the inputs and feedback gathered from various stakeholders. These circulars included Managing Government Employees Affected by PPP Projects, Assessing the VfM in PPP Projects, Public Consultation and Engagement, Guidelines and Procedures for the Appraisal of PPP Projects, and the Appointment of Probity Advisors for PPP Procurement.

In addition to these, the PPGGB, with the confirmation of the Investment Coordination Committee (ICC), also approved the revisions made to the Generic Preferred Risk Allocation Matrix (GPRAM). The revisions, which varied from reallocation of certain risks to addition of risk mitigation strategies, were premised on having well-defined PPP contract terms and provisions wherein the party that could best handle the risks involved in undertaking a PPP project would take on the same.

New Policy Circulars Approved

- **Managing Government Employees Affected by PPP Projects**
- **Assessing Value for Money in PPP Projects**
- **Public Consultation and Engagement for PPP Projects**

Policy Circulars Amended

- **Managing Government Employees Affected by PPP Projects**
- **Assessing Value for Money in PPP Projects**
- **Public Consultation and Engagement for PPP Projects**
- **Guidelines and Procedures for the Appraisal of PPP Projects**
- **Appointment of Probity Advisors for PPP Procurement**

Initiating improvements in the project evaluation of PPPs

The PPP Center also deemed it necessary to introduce improvements in the evaluation process of PPP projects as more of these come into the fold. In 2016, the process for appraising PPPs was reviewed and changes were introduced. As a result of this effort, the PPP Governing Board approved the proposed amendments to the (PPPGB) Policy Circular No. 01-2015 (Guidelines and Procedures for the Appraisal of PPP Projects). The change covered three major revisions: (i) the extension of the evaluation period for proposed PPP projects, (ii) a reformatting of the Technical Working Group's (TWG) report to the Investment Coordination Committee (ICC), and (iii) involvement of the TWG members in the technical validation of a proposed PPP project.

Extending technical support to Implementing Agencies (IAs)

As part of its role as PPP Secretariat to the ICC, the PPP Center provided technical assistance for IAs facing the approval of NEDA Board for their PPP projects. Its work in 2016 included technical support for IAs that resulted in the approval of the NEDA Board, such as (i) the NAIA PPP Project of the Department of Transportation (DOTr), (ii) the New Nayong Pilipino at Entertainment City Project of the Nayong Pilipino Foundation and the Department of Tourism, and (iii) the modified North-South Railway Project-South Line. The PPP Center also helped IAs hurdle ICC-Cabinet Committee approvals. Support were provided to (i) the DOTr's variation request for the North-South Railway Project-South Line, (ii) the Philippine Statistics Authority's (PSA) Reasonable Rate of Return for the Civil Registry System-Information Technology Project II, and (iii) the Department of Public Works and Highways' (DPWH) Plaridel Bypass Toll Road Project.

Continuing the monitoring work for PPPs

Even as the PPP Program continues to be successfully implemented, there is a need for the PPP Center to continuously and diligently monitor awarded PPP projects. In 2016, some 15 PPP projects were being monitored to ensure that the contract provisions were faithfully followed by both the government and the private sector, the risks were properly managed, and the project benefits were being realized.

The full operation of the NAIA Expressway (NAIAX) Phase II Project commenced on December 20, 2016. The project connects NAIA Terminals 1, 2, and 3; the new Pagcor Entertainment City; the Cavite Expressway; and the Macapagal Road to the Skyway. Such a connection generated over 4,000 direct and indirect jobs. Since its start of operations, the NAIAX Phase II has benefited approximately 1.7 million travelers, cutting their travel times from 25 minutes to 8 minutes from Entertainment City/Macapagal Road to the airport terminals 1 and 2, and from 1 hour to 20 minutes from the same origin to Skyway/Terminal 3.

Reaping the benefits of expanded services

During its first year of operations, the Automatic Fare Collection System Project expanded the use of its beep™ cards for the payment of toll fees in CAVITEX and accredited convenient stores. Over 2.9 million beep™ cards have been sold and users are now experiencing the seamless transfer among Light Rail Transit (LRT) Line 1, Line 2, and MRT 3.

The LRT Line 1 Project, under the management of the Light Rail Manila Corporation (LRMC), also completed the restoration of elevators and escalators in all railway stations in 2016. As part of the upgrading and modernization of the existing stations of LRT-1,

the number of operational train sets also increased, in addition to the installation of PWD-compliant features, such as Braille buttons and accessibility of controls to persons with wheelchairs.

More projects signed, awarded, and being constructed

In the second half of 2016, two more PPP contracts were awarded: the second phase of the Civil Registry IT Project Phase II (CRS ITP2) and the NLEX-SLEX Connector Road Project.

The Concession Agreement for the CRS IT Project Phase II, between the Philippine Statistics Authority and the Unisys Managed Services Corp., was signed on September 30, 2016. The contract for the NLEX-SLEX Connector Road Project—the first unsolicited proposal to be awarded since 2010—was signed between the DPWH and the Manila North Tollways Corporation on November 23, 2016.

The CRS IT Project Phase II aims to deliver fast and efficient civil registration services, such as issuance of birth, marriage, and death certificates; and establishment of 80 CRS outlets nationwide. The Php23.2 billion North Luzon Expressway-South Luzon Expressway (NLEX-SLEX) Connector Road Project will seamlessly connect the NLEX-SLEX.

Five more projects were under construction by the end 2016. These are (i) the PPP for School Infrastructure Project (PSIP) Phase II with 2,821 classrooms completed, (ii) the Mactan Cebu International Airport (MCIA) New Passenger Terminal Building, (iii) the Metro Manila Skyway (MMS) Stage 3, (iv) the Southwest Integrated Transport System (SWITS), and (v) the MRT 7 in Quezon City.



PPP PROJECTS EVALUATED BY THE CENTER

**NAIA
PPP Project**



**New Nayong Pilipino at
Entertainment
City Project**



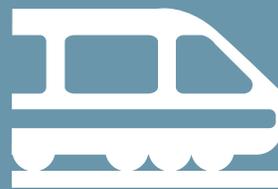
**Plaridel Bypass Toll
Road Project**



**Civil Registry System
Information Technology
Project Phase II**



**North-South Railway
Project – South Line**



Capacity Building and Knowledge Management Service



Upgrading the Technical Capacity to Champion for More PPPs

The PPP Center's capacity building program chalked up several milestones in 2016. This was impelled by the strengthened thrust of the current administration to extend the success of PPPs from the national level down to the local communities.

Knowledge sharing and data management became more transparent and PPP projects were given life with the addition of success stories based from personal accounts of the project users. The PPP Center also benefited from the upgrade of its information and communications technology platform, thus, ensuring more efficient internal and external coordination through an ADB Capacity Development Assistance with support from the governments of Australia and Canada.



Sustaining the capacity building program

The PPP Center continued to develop the capacity of national government agencies (NGAs), local government units (LGUs), government-owned and controlled corporations (GOCCs), government financial institutions (GFIs) and state universities and colleges (SUCs) by undertaking 37 PPP orientation-workshops.

Capacity building support for development partners was extended—to the Department of Transportation (DOTr), Department of Public Works and Highways (DPWH), Department of Health (DOH), and the Iloilo City LGU—through the rollout of the Capacity Assessment and Development Program by the Japan International Cooperation Agency (JICA).

The PPP Center also continued to enhance the technical capacity of project officers and other critical staff involved in facilitating the implementation of PPP projects. Knowledge Sharing Sessions (KSS) were conducted for the PPP Center and other implementing agencies (IAs). The major topics were Philippine Capital Markets, Value for Money, Legal Framework for Joint Ventures in the Philippines, Expropriation Proceedings and Right-of-Way Acquisition, Water and Sanitation Appreciation, Sectoral PPP Good Practices (Health, ICT, Transport), and Sharing of Foreign PPP Frameworks (e.g., Kenya, Australia, and the Republic of Korea).

To better understand the Philippine PPP framework and its required policy improvements, to capably address PPP bottlenecks, and to establish a better financial and economic climate for PPPs, briefings were also provided for (i) the Commission on Audit



67

of
NGAs
Trained



33

GOCCs and
GFIs
Trained



222

of
LGUs
Trained



1,648

of
Participants
Capacitated



1

Signed
MOA



4

Signed
MOU



(ii) the Insurance Commission, (iii) the Philippine Stock Exchange, (iv) the Securities and Exchange Commission, and (v) the Philippine Dealing System Holdings Corporation in support of capital markets development.

Empowering more LGUs to enter into PPPs

Drawing from the current administration's thrust to promote local economic and social development through PPPs, the PPP Center became part of the Department of Interior and Local Government's (DILG) Public-Private Partnership for the People Initiative for Local Governments (LGU P4). This was formalized through a memorandum of agreement (MOA) signed together with the Philippine Chamber of Commerce and Industry, Chamber of Commerce of the Philippine Islands, and the Union of Local Authorities of the Philippines. The LGU P4 provides LGUs the policy direction and guidance to the alternative procurement process of tapping the private sector for various PPP projects.

The PPP Center also took part in the key activities under the LGU P4 initiative, from its formal launching to the Mindanao Conference on LGU P4, and in the national rollout to DILG's Regional Offices and other stakeholders. The LGU P4 complements the ongoing PPP Center's strategy of engaging LGUs for PPP projects.

Local capacity building institutions (LCBI) in the Visayas Region were also established, through a memorandum of understanding (MOU) with the West Visayas State University and the University of the Philippines-Visayas. The Development Academy of the Philippines (DAP) also developed Training-of-Trainers on PPP, which paved the way for DAP's first public offering of an LCBI module. This module, held on October 19-21, was an Introductory Course on PPPs for LGUs, and attended by 11 LGU representatives and 1 private sector representative.

Capacity building and technical support from development partners and other government agencies were also secured by the PPP Center for the

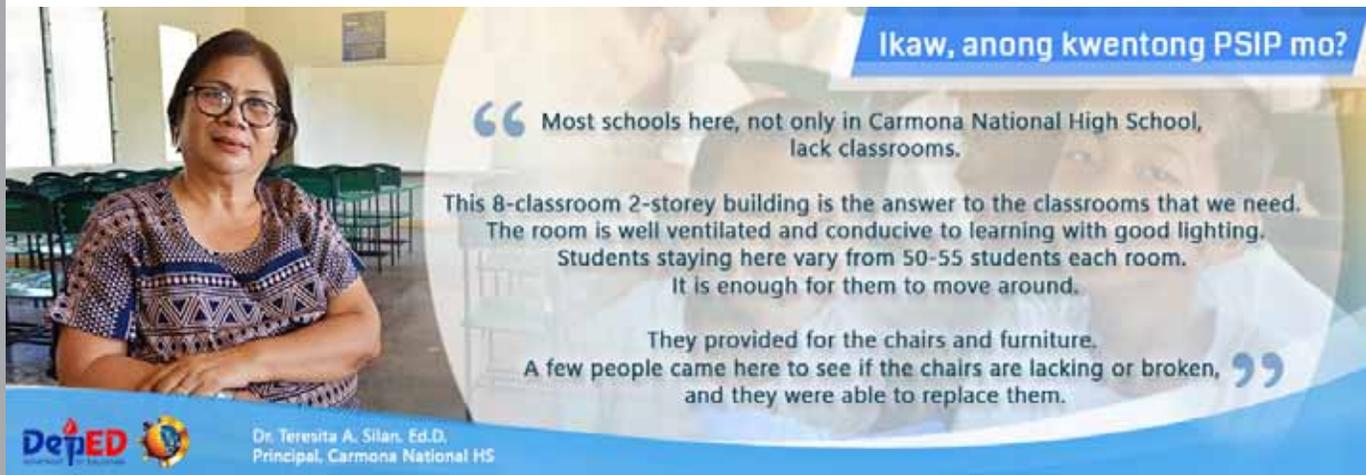
LGUs to assist them during the early stages of the PPP process. An MOU was formalized with the Philippine National Oil Company-Renewables Corporation (PNOC-RC) to assist LGUs in the development of their renewable energy PPP projects. The renewed agreement with Cities Development Initiatives for Asia (CDIA) puts into operation the scope of assistance to be offered to second-tier cities on capacity building, knowledge product creation, and project development. Another technical assistance, the JICA Capacity Assessment and Development Program included Iloilo City as an IA beneficiary. This program aims to identify, select, and prioritize potential PPP projects based on each LGU's development direction and priority infrastructures.



Strengthening transparency in PPP concerns and issues

The PPP Center advocates the transparency of government institutions through prompt media releases of PPP project status, and clarification of project and program issues ranging from the LRT 1 extension, the Civil Registry System, and the PPP Act, among others. Press conferences were also organized throughout the year to update the media and the public on current initiatives and PPP milestones. The PPP Center's website and social media accounts continue to provide up-to-date and relevant PPP-related information.

Breakthroughs in the knowledge management portal also highlight 2016 with the digitization of feasibility studies and concession agreements of past and recently awarded PPP projects, file naming convention guidelines integrated with a configured file server system, and the creation of an initial PPP project database offering a more streamlined and organized document sharing and collaboration tool for its users. Internal file sharing was also organized among the PPP Center's divisions for easier transition of project documents upon reaching specific stages of the PPP process.



Upgrading internal ICT requirements to enhance services

Major strides in modernizing office processes and technology to enhance workplace efficiency and web security were also one of the focus activities in 2016.

The Administrative Service's systems were enhanced, which included the use of e-payroll, e-dtr, job bank, and online application requests. Upgrades on the storage back-up system, deployment of valid domain SSL security certificates, and mail system transition were also prioritized.

Upgrading of the wireless connection within the PPP Center was installed, integrating work devices to the improved internet connection. The maintenance and protection of the data center were also improved to ensure operability of the server room and minimize potential hazards.



Sharing the PPP success and challenges

Serving as a hub for sharing and showcasing the experiences in PPP program implementation, including the lessons learned, the PPP Center hosted several foreign study visits of ministry officials from Bangladesh, Bhutan, Myanmar, Vietnam, and Spain. These visits were instrumental in facilitating the exchange of good PPP practices and inputs for the development and improvement of each country's own PPP framework.

As the PPP Center continues to learn and share knowledge on PPPs, it did not forget to look back and reflect on the real purpose of implementing infrastructure projects under PPP. This allowed the PPP Center to connect to one of its most important clients—the Filipino people.

Toward this end, the “Anong Kwentong PSIP Mo?” and other information materials were created—featuring the benefits of PPP projects. The PPP Center came out with stories that featured accounts of success through the lens of the projects' intended beneficiaries. Such stories confirmed the role of PPPs in developing infrastructure projects that deliver improvements in the lives of the Filipino people.



Legal Service

Continuing the Tradition of Active Legal Support and Initiatives

During the year, the Legal Service continued to provide active support and assistance to the different Services of the PPP Center to aid them in performing their respective mandates. The Legal Service was at the forefront of ensuring the smooth and successful transition to the new administration, making sure that no legal obstacles were in the way of the adoption and integration of the new development plans and direction set by the incoming leaders.



The Legal Service also spearheaded several vital solutions and activities, which were essential not only for the PPP Center but also for both government and private partner institutions. It provided the requisite knowledge and information to prospective trainers from the Development Academy of the Philippines (DAP) in key aspects of PPP project procurement and management. It also guided the auditors of the Commission on Audit (COA) on the legal fundamentals of PPPs to help them draft an audit manual for PPP projects.

To assist the new administration in operationalizing the people's constitutional right to information and the State policy of full public disclosure, the Legal Service also led the drafting and launching of the PPP Center's Freedom of Information (FOI) Manual. The manual contained the implementing details to facilitate people's access to information, public records, and official records.





PPP training for government lawyers

With the goal of empowering government lawyers to become equipped to handle PPP transactions, the Legal Service partnered with the Asian Development Bank and the law firms of DLA Piper and Romulo Mabanta Buenaventura Sayoc & de los Angeles. Together, a PPP training program for government lawyers was developed to help them better understand the key principles of risk allocation, and to improve the capacity of Implementing Agencies in handling legal issues on the development and implementation of PPP projects.

Organizational functions

As part of its primary role, the Legal Service assisted the different Services by providing professionally vetted legal advice and input to the PPP projects under development, procurement, and implementation.

As the PPP Center was developing its organizational structure, the Legal Service provided critical input particularly in the areas of compliance with applicable laws, rules, and regulations. In coordination with the Administrative Service, it ensured that all government procurement processes and contracts entered into by the PPP Center were legally compliant.



In furtherance of legal reforms

The Legal Service has also shown its unwavering commitment to reforms by contributing to the various legal reform initiatives pursued by the PPP Center—specifically on the legal and policy framework for PPPs. The legal risks to be managed and mitigated were identified as the PPP Center proposes to fully strengthen the PPP framework. The Legal Service, through its secretariat role in the PPP Governing Board, convened the Board two times in 2016, for the approval of new policy circulars and improvements to existing ones, which serve as guidelines in the development, procurement, and implementation of PPP projects.

The initiative on the PPP Contract Standardization Project was also pursued, in collaboration with the University of the Philippines (UP) Law Center's Institute for Government and Law Reform. The

results of the collaboration will greatly benefit the current and future Implementing Agencies in the procurement of their PPP projects.

Key role in addressing the legal challenges

The lawyers of the Legal Service also attended various events as speakers or resource persons in seminars and workshops, providing expert knowledge and addressing legal concerns related to PPP projects and the PPP Program. These activities enabled government officials and local planners to be equipped with the basic know-how and fundamental legal principles of PPP projects.

For the coming year, the Legal Service will embark on plans and programs that would infuse into its future activities the lessons learned from past successes and failures, in line with the plans of the current administration to streamline the PPP process.





Administrative Service

Toward Excellence in Managing the PPP Center's Internal Operations

In 2016, the Administrative Service continued its resiliency and dedication to the PPP Center's operations and to its own programmed activities for the year despite the period of transition and adjustments with the incoming leadership and administration.

A good year in financial management

The Finance Division came up to report a 98% budget utilization rate and a 100% disbursement rate by the end of 2016. Its compliance with the Government

Accounting Manual (GAM) resulted in a complete, accurate, timely recording and timely submission of its Financial Statements. Likewise, an orientation of the Electronic New Government Accounting System (eNGAS) took place in preparation of its adoption the following year.

One of the highlights of the year was receiving the 2016 Most Outstanding Accounting Office Award for the PPP Center from the Association of Government Accountants of the Philippines (AGAP) Inc. The award is given to agencies that have exemplary met the criteria of accuracy, timeliness, reliability, and compliance with Accounting Rules and Regulations set by the Committee on Awards.



Using effective tools in improving human resource management

The Human Resources Division (HRD) developed its own Competency-Based Questionnaire for Core Competencies and Competency-Based Assessment Rating, which are now being used during interviews. It aims to ensure proper matching of an applicant's competencies and that of the PPP Center's requirements.

An *Employees Welfare and Benefits Handbook* was also developed and distributed during the year, serving as a useful reference for the employees' monetary and non-monetary benefits.

The HRD also launched two online systems within the year. One is the Online Talent Bank, which aimed to expedite the screening process of applicants, as well as to build a robust pool of competent and

qualified applicants. The other is the Human Resource Document Records and Service Request System, which enables the division to immediately respond to requests; and track documents, records, and services being requested by internal and external clients.

Promoting internal career development

During the year, the PPP Center handed out 12 internal promotions at different levels, encouraging career progression and giving employees equal opportunities to climb up the corporate ladder. In addition, 21 newly hired employees were added to the growing human resource workforce of the PPP Center.

Individual Career Development Plans (ICDPs) were also prepared to identify the career development needs of the employees. For employees to excel and achieve satisfaction in their current jobs, it is





necessary for the management to understand their career plans. From the ICDPs, a bigger plan was crafted to strategically outline the career needs of the employees in relation to the PPP Center's mandate.

Commitment to learning and development

The HRD conducted three workplace learning and performance activities and nine briefing sessions—focusing on both the hard and soft skills of employees. The Career Development Committee also processed 15 training/scholarship invitations from various local and foreign sponsors/donors.

In coordination with the Government Procurement Policy Board–Technical Support Office (GPPB-TSO), the General Services Division (GSD) facilitated the conduct of the Training on RA 9184 (Government Procurement Reform Act) and its 2016 Revised IRR. This is to update all procurement officers, officials, and employees of the latest procurement issuances. The GSD also conducted the second Suppliers' Forum, in coordination with the Bids and Awards Committee (BAC), to update service providers with the latest issuances and guidelines in procurement.

Managing business continuity and emergency preparedness

To ensure the continuous delivery of business services, the GSD led the crafting of the Business Continuity Plan for the PPP Center. This plan provides structured guidance and procedures to ensure continuous delivery and recovery of systems, processes, and functions following a disruptive incident or an emergency situation. Together with the Emergency Response Team (ERT), the GSD also facilitated the PPP Center's participation in the Fire Drill in March and in the second Metro Manila Shake Drill in June.



Ensuring a safe and healthy workforce

One of the PPP Center's top priorities is the occupational health and safety of employees. This works both ways as it ensures sustained productivity and readiness of the workforce. Several briefings were conducted during the year, with topics ranging from workplace ergonomics and risk resilience to a number of physical health-related topics. Weekly health updates, tips, and related information were disseminated to the entire workforce. Medical records of employees were created to provide ready information for emergency purposes. A quarterly blood glucose testing was done to monitor employees with high blood sugar levels. Security monitoring and regular upkeep of premises were also strictly implemented.

Aligning office rules and regulations with national policies

In compliance with Executive Order No. 2, or the "Freedom of Information (FOI) Order," the Records Management Information Committee (RMIC) spearheaded the drafting of the PPP Center FOI Manual, which was approved by the Executive Director last November 2016. As this Order became effective, the Records Officer of GSD was designated as the FOI Records Officer (FRO) to handle all public requests for records, projects, contracts, and other relevant documents.

Office Circular (OC) No. 10 s. 2016, also known as the "No Gift Policy," was also drafted and approved—in line with the Civil Service Commission (CSC) policy and with RA 6713 ("Code of Conduct and Ethical Standards for Public Officials and Employees"); hence, the creation of a Gift Registry Logbook for the implementation of this guideline.

The HRD also drafted OC No. 16, s. 2016 (“Prescribing the Policies on Overtime Services and Overtime Pay for PPPC Employees”) in compliance with CSC/DBM Joint Circular No. 1, s. 2015 or the “Policies and Guidelines on Overtime Services and Overtime Pay for Government Employees.”

Compliance with governing and regulating bodies

To comply with issuances from various governing and regulatory agencies, the Administrative Service submitted the following: (i) Financial Reports, (ii) employees’ Statement of Assets, Liabilities and Net Worth (SALN), (iii) Annual Procurement Plan, (iv) Report of Physical Count of Property, Plant and Equipment, (v) Agency Procurement Compliance and Performance indicators (APCPI), (vi) Procurement Monitoring Report and Supplies Inventory, (vii) Gender and Development (GAD) Accomplishment Reports, and (viii) GAD Plan and Budget— within prescribed timelines.

Secretariat services to various internal committees

The Administrative Service regularly provides secretariat services to various committees of the PPP Center, such as the Bids and Awards Committee (BAC), BAC-Technical Working Group (BAC-TWG), Records Management Improvement Committee

(RMIC), Property Inventory and Disposal Committee (PIDC), Personnel Selection Committee (PSC), Career Development Committee (CDC), Gender and Development Committee (GAD), Sports and Cultural Committee (SCC), and the Emergency Response Team (ERT).

Participation to national events

The PPP Center also participated in the following national events:

- National Women’s Month
- Fire Prevention Month
- Philippine Civil Service Month
- Philippine Institute for Development Studies–Development Policy Research Month
- Philippine National Volunteer Service Coordinating Agency–National Volunteer Month
- 18–Day Campaign on Anti-Violence against Women and Children
- Brigada Eskwela

These accomplishments were carried out with the support of strategic planning sessions, application of best practices, constant target monitoring, and thorough performance review to maintain the efficient delivery of targets and ensure the judicious use of the PPC Center’s human, financial, and physical resources.



Strong Collaboration with Development Partners

Development partners continue to provide support to the Philippine PPP program. The Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), World Bank, British Embassy, American Bar Association Rule of Law Initiative (ABAROLI) and the Cities Development Initiative for Asia (CDIA) have provided the following technical assistance to the PPP Center and partner agencies:

ADB Capacity Development Technical Assistance (CDTA) 7796-PHI on Strengthening PPPs in the Philippines, co-financed by the Governments of Australia and Canada **Phase 1 of CDTA:**

1. **PDMF COMPONENT** – Transactions Advisory services for development, preparation and bidding of PPP projects.
2. **CAPACITY BUILDING COMPONENT**
 - a. Strengthened PPP Enabling Framework
 - i. Support for the legislation of a new PPP Act
 - ii. Development of PPP Manual for National Government Agencies and LGUs
 - iii. Preparation of PPP Sector Guidelines
 - iv. Development and issuance of policy circulars on selected topics related to PPPs
 - v. New appraisal and approval process for PPP projects
 - vi. Framework for harmonization of ROWA, EPIRA, Water Industry, TRB and RA 9184 with the BOT Law
 - b. Strengthened Capacity of the PPP Center
 - i. National and International Consultants to build capacity of the PPP Center
 - ii. Development of the PPP Knowledge Portal and its web-based IT knowledge management systems
 - iii. Conduct of external training, seminars and conferences for development of PPP Center staff skills
 - c. Institutionalization of PPP Best Practices
 - i. Training of Trainers for the oversight agencies, Implementing agencies and LGUs
 - ii. Training of Government Lawyers in drafting and negotiating PPP project agreements
 - iii. PPP Center and Implementing Agencies' Institutional Strengthening through Knowledge Sharing Sessions (KSS) and Learning Series (LS)
 - iv. Twinning Partnership with Infrastructure New South Wales (INSW) of Australia
 - v. LGU PPP Strategic Assistance
 - vi. Funding of Probity Advisory Services and Independent Consultants for project implementation
 - vii. Promoting environmental best practices and gender mainstreaming in PPP projects

- d. Established Long-term Financing and Risk Guarantee Mechanisms
 - i. Guidelines on risk identification and allocation, funding and management of contingent liabilities for PPPs
 - ii. Development of long-term financial instruments for PPPs
 - iii. Framework for risk management in PPPs

JICA

- Capacity development for DOH, DPWH, DOTr and Iloilo City government

World Bank – Water and Sanitation Program

- Launching of Toolkit for Water and Sanitation PPPs for LGUs and Water Districts to promote standardization of project development process and institutionalization of National Government PPP Technical Working Group for Local Water PPPs

ABAROLI

- Training of trainers on Alternative Dispute Resolution
- Communication Plan for information campaign on EO 78 and its IRR

British Embassy

- Grant support for the development of a Foreign Investment Framework

CDIA

- Capacity development, knowledge products and project development assistance



Infrastructure development is one of the more tangible signs of change. It is not surprising, therefore, that PPPs are being tapped to play a key role in the President's Ø + 1Ø-Point Socioeconomic Agenda. The vision is to accelerate the country's annual infrastructure spending to account for 5% of the gross domestic product (GDP). This sets the tone for the development of PPPs in the next six years.

While the Philippine PPP program is among the more mature ones in Asia, the opportunities for advancement and for increasing our proficiency in developing PPPs are intrinsic to achieving our overall development agenda.

New policy directions

Consistent with the new administration's thrust to make PPPs relevant to the country's overall development plan, the PPP Center conforms its efforts to make the PPP Program responsive to the country's changing priorities.

The PPP Center is strengthening its links with partner implementing agencies (IAs) by pursuing new policy directions in infrastructure financing, bid parameters, and unsolicited proposals.

The PPP Center is actively engaged with the National Economic and Development Authority - Investment Coordination Committee's (NEDA-ICC) efforts to map out the best procurement option for infrastructure projects. This is particularly important, as the hybrid infrastructure financing model—which combines government budget, official development assistance (ODA) and PPP mechanisms in infrastructure delivery—is being eyed for some future projects. This is seen as a way of maximizing the government's lower financing cost while still tapping the private sector efficiencies and innovations in PPPs.

The government's current shift to being open to unsolicited projects has paved the way for more private partners to bring in their new technologies and efficiencies. This will significantly benefit users, and provide better facilities and processes that will enhance the operations of PPP projects.

The PPP Center is also working on a number of policy issuances, to be presented to the PPP Governing Board for approval. These include proposed amendments to the Policy Circular on Appointment of Probity Advisors for PPP Procurement, which seeks

to enhance the integrity of the PPP procurement process, and new Policy Notes on Unsolicited Proposals and Bid Parameters.

The Policy Note on Unsolicited Proposals is meant to provide the implementing agencies (IAs), as well as Project Proponents, clear and standard guidelines on managing PPP unsolicited proposals. The Policy Note on Bid Parameters is intended to rationalize the framework for determining the most advantageous bid for the Government, while ensuring the best interest of the public.

Continuing initiatives

The administration's new policy directions—as well as other policy refinements that facilitate the implementation of present and future PPPs—are being pursued alongside the amendment of the Build-Operate-Transfer (BOT) Law into the PPP Act. The PPP Center is actively engaged in crafting the PPP Act with both the legislative and executive branches of the government in order to build consensus and introduce policy refinement.

The PPP Center is also continuously working with the IAs in identifying and developing viable and well-structured PPPs. These are essential in maintaining a robust pipeline of feasible PPP projects.

At the same time, the PPP Center continues to explore new partnerships to develop PPP projects with other national government agencies (NGAs), government-owned and controlled corporations (GOCCs), and local government units (LGUs) that are new to the PPP process.

The PPP Center is fully committed to maximizing the use of its Project Development and Monitoring Facility (PDMF), by judiciously managing the Fund to finance high-quality feasibility studies for potential PPPs. We will continue to work closely with our donor partners—the Asian Development Bank (ADB) and the Australian Government—in ensuring sustainability of the PDMF.

The entry of new players into the PPP process necessitates investments into capacity building efforts. The PPP Center remains steadfast in empowering IAs with potential to undertake PPP projects through the conduct of focused capacity building seminars and workshops. Together with the Department of Interior and Local Government (DILG),

the PPP Center supports initiatives, such as the Public-Private Partnership for the People (LGU P4). This partnership aims to expand the reach of PPPs to the local government level, thus, benefiting more people at the grassroots level.

With new players bringing in new projects of increasing scale and complexity, the financial resources of local banks may no longer be sufficient to address the financial requirements of future PPP companies. The PPP Center's partnership with the Philippine Stock Exchange (PSE) aims to remedy this by allowing qualified PPP companies to list their equities as a means of accessing capital markets, providing them the flexibility to choose the financing option best suited to their needs and capabilities. As a partner of PSE, the PPP Center shall help inform PPP companies of the opportunities this partnership brings and how they can make the most of it.

While striving to add more projects to the PPP pipeline, the PPP Center shall continue to monitor the progress of projects that have been awarded or completed. This will ensure that contractual obligations are being met, while the PPP Center works with concerned parties in resolving issues that may arise.

While the changes brought about by the transition into the new Administration come with challenges, particularly in terms of redefining established approaches and processes, these may also be seen as opportunities for the Philippine PPP Program to evolve and better serve the public. Consistent with its mandate, the PPP Center shall continue developing a viable pipeline of projects, building up the capacity of PPP stakeholders, working with development partners, and facilitating the implementation of PPP projects. Through these efforts, the PPP Center can do its part in further strengthening the foundations of the PPP Program and contribute better to the country's development.



Management Committee



FERDINAND A. PECSON
Executive Director



ELEAZAR E. RICOTE
Deputy Executive Director



MIA MARY G. SEBASTIAN
Deputy Executive Director



FEROISA FRANCISCA T. CONCORDIA
Director IV
Capacity Building and Knowledge Management Service (CBKMS)



ATTY. FRANCES YANI P. DOMINGO
Director IV
Legal Service (LS)



LAWRENCE G. VELASCO
Director III
Project Development Service (PDS)



JEFFREY I. MANALO
Director III
Policy Formulation, Project Evaluation and Monitoring Service (PFEMS)



ATTY. FLORINDA P. INOTURAN
Officer-in-Charge
Project Development and Monitoring Facility Service (PDMFS)

Financial Highlights

PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES

STATEMENT OF FINANCIAL POSITION (ALL FUNDS)

AS OF DECEMBER 31, 2016

In Philippine Pesos

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	2,053,367,944.92	900,241,298.70
Receivables	1,294,639,987.78	1,090,544,296.83
Inventories	1,648,009.39	3,683,700.40
Other Current Assets	9,265,470.94	9,932,385.10
Total Current Assets	<u>3,358,921,413.03</u>	<u>2,004,401,681.03</u>
Non-Current Assets		
Property, Plant and Equipment	40,635,376.43	41,574,275.04
Intangible Assets	11,511,472.89	8,136,554.07
Total Non - Current Assets	<u>52,146,849.32</u>	<u>49,710,829.11</u>
TOTAL ASSETS	<u>3,411,068,262.35</u>	<u>2,054,112,510.14</u>
LIABILITIES		
Financial Liabilities	12,109,232.67	3,890,921.03
Inter-Agency Payables	21,973,301.28	121,099,924.12
Other Payables	28,262,499.62	46,624,262.53
Total Liabilities	<u>62,345,033.57</u>	<u>171,615,107.68</u>
NET ASSETS / EQUITY		
Total Net Assets / Equity	<u>3,348,723,228.78</u>	<u>1,882,497,402.46</u>
TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u>3,411,068,262.35</u>	<u>2,054,112,510.14</u>

PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES

**STATEMENT OF FINANCIAL PERFORMANCE
(ALL FUNDS)**

FOR THE YEAR ENDED DECEMBER 31, 2016

In Philippine Pesos

	<u>2016</u>	<u>2015</u>
REVENUE		
Service and Business Income	22,844,409.37	74,935,082.16
Shares, Grants and Donations	7,985,582.71	4,073,642.07
Total Revenue	<u>30,829,992.08</u>	<u>79,008,724.23</u>
LESS CURRENT OPERATING EXPENSES:		
Personnel Services	72,194,470.73	69,496,918.31
Maintenance & Other Operating Expenses	47,796,929.21	45,357,837.98
Financial Expenses	958.73	399,025.53
Non-Cash Expenses	12,898,724.35	11,232,329.36
Total Current Operating Expenses	<u>132,891,083.02</u>	<u>126,486,111.18</u>
SURPLUS (DEFICIT) FROM CURRENT OPERATIONS	<u>(102,061,090.94)</u>	<u>(47,477,386.95)</u>
Net Financial Assistance/Subsidy	1,551,335,080.64	1,081,556,751.40
Gains/(Losses)	20,231,393.80	4,030,582.70
SURPLUS (DEFICIT) FOR THE PERIOD	<u>1,469,505,383.50</u>	<u>1,038,109,947.87</u>

PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES

**STATEMENT OF CHANGES IN NET ASSETS/EQUITY
(ALL FUNDS)**

FOR THE YEAR ENDED DECEMBER 31, 2016

In Philippine Pesos

	<u>2016</u>	<u>2015</u>
Balance at January 1	<u>1,882,497,402.46</u>	<u>867,526,525.86</u>
Change in accounting policy		(1,963,293.79)
Prior period adjustments/ Unrecorded income and expenses	3,756,443.49	(4,660,678.97)
Other adjustments		
Restated balance	<u>1,886,253,845.95</u>	<u>860,902,553.10</u>
Changes in Net Assets/Equity for the Calendar Year		
Adjustment of net revenue recognized directly in net assets/equity	(7,036,000.67)	(16,515,098.51)
Surplus for the period	1,469,505,383.50	1,038,109,947.87
Total recognized revenue and expenses for the period	<u>1,462,469,382.83</u>	<u>1,021,594,849.36</u>
Balance at December 31	<u>3,348,723,228.78</u>	<u>1,882,497,402.46</u>

**STATEMENT OF CASH FLOWS
(ALL FUNDS)**

FOR THE YEAR ENDED DECEMBER 31, 2016
In Philippine Pesos

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	2,952,666,540.49	1,939,633,895.18
Collection of Income/Revenues	8,820,625.46	7,755,708.59
Collection of Receivables	229,709,448.87	180,101,033.16
Other Receipts (Refund of Excess Cash Advance)	89,200.08	360,456.00
	<u>3,191,285,814.90</u>	<u>2,127,851,092.93</u>
Total Cash Inflows		
Cash Outflows		
Remittance to National Treasury	4,247,473.24	143,229.13
Payment of Expenses	108,077,647.46	108,599,571.96
Purchase of Inventories	2,335,072.38	767,570.40
Grant of Cash Advances	2,529,736.91	2,996,653.96
Prepayments	519,792.64	729,274.42
Payment of Accounts Payables	72,299,150.16	2,567,226.35
Remittance of Personnel Benefits Contributions and Mandatory Deductions	5,827,978.28	5,793,593.59
Grant of Financial Assistance/Subsidy	1,394,636,554.28	851,050,567.00
Advances for Project Costs	454,865,413.76	504,444,368.53
Reversal of Unutilized NCA	6,694,905.57	9,090,911.80
	<u>2,052,033,724.68</u>	<u>1,486,182,967.14</u>
Total Cash Outflows		
Net Cash Provided by (Used in) Operating Activities	<u>1,139,252,090.22</u>	<u>641,668,125.79</u>
Cash Flows from Investing Activities		
Cash Inflows		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	4,951,350.55	9,391,998.43
Purchase of Intangible Assets	1,405,487.25	
	<u>6,356,837.80</u>	<u>9,391,998.43</u>
Total Cash Outflows		
Net Cash Provided by (Used in) Investing Activities	<u>(6,356,837.80)</u>	<u>(9,391,998.43)</u>
Increase/(Decrease) in Cash and Cash Equivalents	1,132,895,252.42	632,276,127.36
Effects of Exchange Rate Changes	20,231,393.80	4,030,586.61
Cash and Cash Equivalents, January 1	<u>900,241,298.70</u>	<u>263,934,584.73</u>
Cash and Cash Equivalents, December 31	<u>2,053,367,944.92</u>	<u>900,241,298.70</u>

PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
ALL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016
(in Philippine Pesos)

Expenses	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual Amount
	Original	Final		
RECEIPTS				
Services and Business Income		8,820,625.46	8,820,625.46	
Assistance and Subsidy		28,618,192.81	28,618,192.81	
Shares, Grants and Donations		7,985,582.71	7,985,582.71	
Reimbursement of Project Costs	1,588,248,000.00	1,588,248,000.00	274,990,505.33	1,313,257,494.67
Gains				
Total Receipts	<u>1,588,248,000.00</u>	<u>1,633,672,400.98</u>	<u>320,414,906.31</u>	<u>1,313,257,494.67</u>
PAYMENTS				
Personnel Services	59,425,000.00	79,499,489.00	72,194,470.73	7,305,018.27
Maintenance and Other Operating Expenses	3,436,614,767.25	3,434,677,767.25	1,304,353,096.62	2,130,324,670.63
Capital Outlay	10,509,000.00	10,509,000.00	6,356,837.80	4,152,162.20
Financial Expenses		958.73	958.73	
Total Payments	<u>3,506,548,767.25</u>	<u>3,524,687,214.98</u>	<u>1,382,905,363.88</u>	<u>2,141,781,851.10</u>
NET RECEIPTS/PAYMENTS	<u>(1,918,300,767.25)</u>	<u>(1,891,014,814.00)</u>	<u>(1,062,490,457.57)</u>	<u>(828,524,356.43)</u>

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