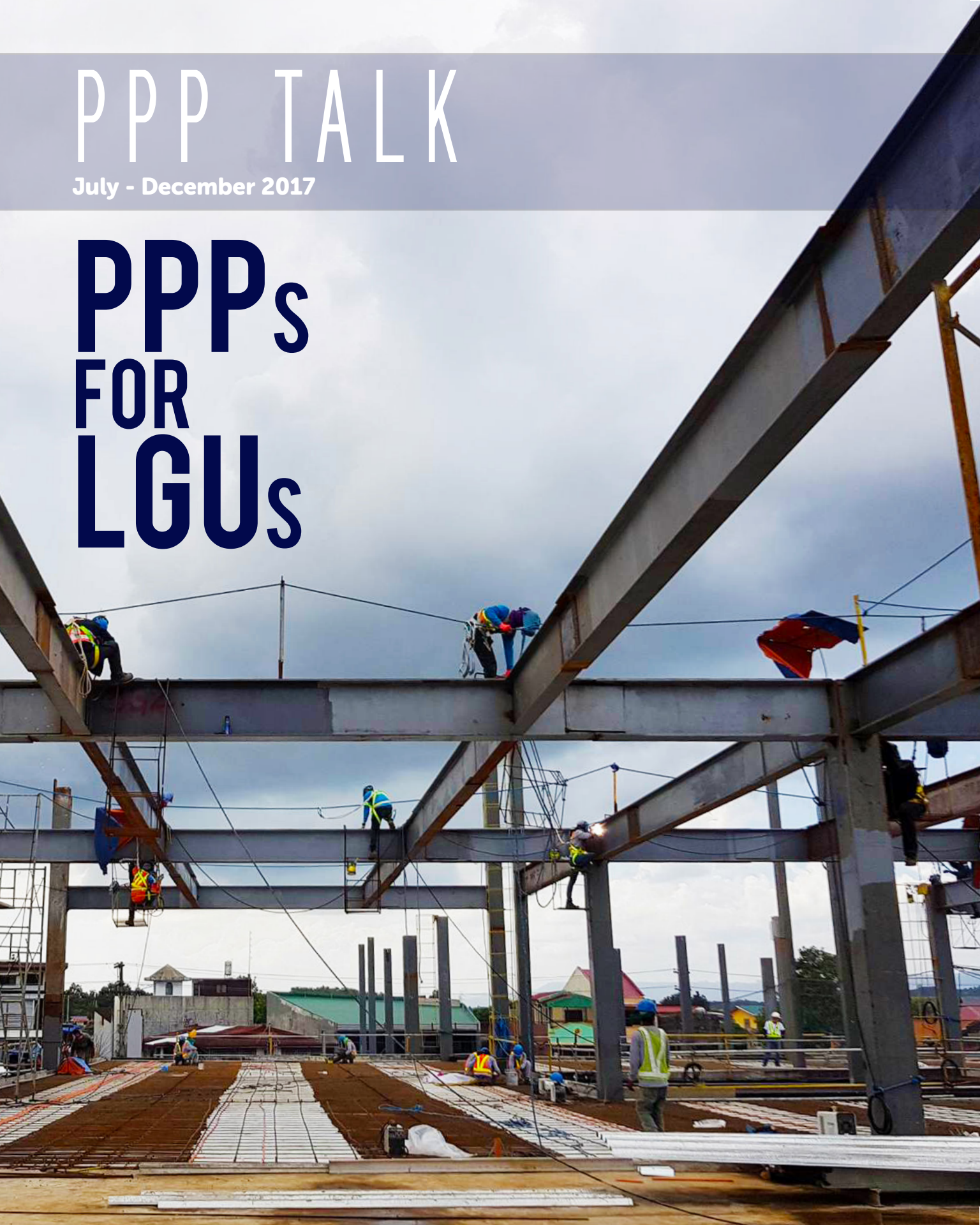


# PPP TALK

July - December 2017

## PPPs FOR LGUs



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**PPP TALK** is a semi-annual newsletter of the Public-Private Partnership Center of the Philippines. This newsletter is part of the Center's thrust to provide relevant, accurate, and reliable PPP knowledge and information.

## About the Cover

On this issue of PPP Talk, the Center's initiatives of bringing PPPs at the local level are highlighted. The aim is to empower our local government units (LGUs).

## Acknowledgement:

The feature cover photo of the Blue Water Falls of Baggao Cagayan Valley was taken by Rawen Balmaña. The PPP Center requested permission of the use this photo.

You can check out more of Rawen Balmaña's photos below:

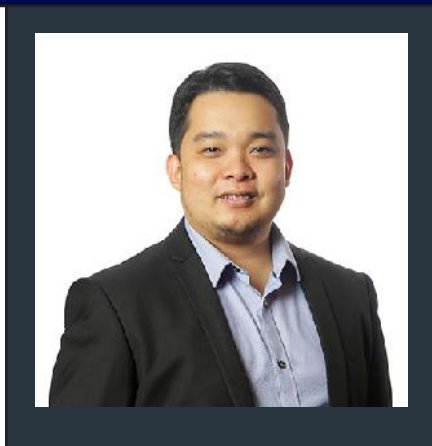
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## Addendum:

The PPP Talk January to June 2017 issue cover photo (Mactan-Cebu

International Airport Terminal 2 building construction) was taken by Kara Denise O. Calansingin.



## VIEW FROM THE CENTER

# EMPOWERING LGUs FOR PPP AGREEMENTS

By Lawrence G. Velasco

When the Duterte Administration took over in mid-2016, it is clear that one of the government's priorities is rapid build-up of infrastructure that will serve the people. The President is a strong advocate of regional development, championing more equitable growth towards the countryside. Public-Private Partnerships (PPPs) at the local government unit (LGU) level will spur growth to the countryside and ensure that benefits will redound to our people.

Acknowledging the important role of LGU PPPs in regional development, the PPP Center has relaunched its strategic direction by strengthening the support it provides to LGUs in the development and implementation of PPP projects.

## Enhanced Capacity Building Initiatives

In recognition of the potential of LGUs to utilize PPPs to improve the delivery of services in their localities, the PPP Center's Capacity Building and Knowledge Management Service (CBKMS) team has been at the forefront of training and other capacity building activities of LGUs since 2011. In support of the intensified focus on LGUs, our CBKMS team develops modules that will offer a more customized intervention which will be applicable at the project preparation stages such as prioritizing projects for PPP implementation, reviewing and developing feasibility studies, and financial analysis and financial modelling.

## Beyond the Traditional Build-Operate-Transfer Framework

In line with the current Administration's thrust to explore all avenues for LGUs to participate in PPPs, the PPP Center recognizes that there are other legal framework and modes that can be used to implement PPPs. For instance, through the local autonomy granted by the Local Government Code of 1991, LGUs are given the authority to pursue Joint Venture Arrangements (JVA), subject to rules that they will enact in their own local Joint Venture / PPP Ordinance. The Center will continue to strengthen its capacity building and project development initiatives in support of JVAs. Continuous support shall likewise be extended for evaluation of unsolicited proposals submitted at the local level.

## Replicating successful LGU projects

Based on our on-the-ground experience in interacting with LGUs, we realize that LGUs have similar infrastructure needs. LGUs are looking for successful PPP implemented programs at the local level which can serve as their model projects. In addressing this, the PPP Center is pursuing efforts to successfully develop, approve and bid out LGU PPPs in the sectors of water supply and distribution, septage and sanitation facilities, solid waste management facilities, and vertical infrastructures/property development.



These sectors are recommended based on the typical needs of LGUs and their commercial attractiveness. Once we have fully developed a project, we hope that these pilot projects can eventually be replicated by other LGUs as a successful PPP project.

### Linking LGUs to Project Preparation Funding and Support

Most good ideas for PPP projects at the local level do not prosper simply because LGUs find it difficult to spend for properly made and high quality pre-investment studies. The PPP Center recognizes that a well-developed project will require resources – even at the very early, project development phase. Thus, part of the LGU Strategy is to actively link PPP projects with potential for success to various funding sources so that their good ideas can be developed through a robust feasibility study (FS). The PPP Center

is collaborating with our Development Partners like Asian Development Bank (ADB), Cities Development Initiative for Asia (CDIA), and local sources of funding like the Department of Finance's Municipal Development Fund Office (MDFO) so we can link good projects to FS funding sources. LGUs can likewise tap the Project Development and Monitoring Facility (PDMF) administered by the PPP Center. Hopefully, this initiative will enable LGUs to bring their vision to reality through the help of our partners in development.

In conclusion, the PPP Center's LGU strategy is anchored on these bedrock plans to address the pain and needs of LGUs in pursuing PPP projects. With its intensified support to LGUs, the PPP Center hopes to create a local PPP project pipeline composed of well-structured and viable LGU PPP projects that would truly improve lives and benefit our people.



Technical Working Group and Special Bids and Awards Committee Meeting for the Baggao Water Supply Project



Signing of Technical Assistance Agreement for GenSan Internship Program with the PPP Center



Orientation on PPP concepts and processes for the City Government of Koronadal



# LGU PPP STRATEGY

On the back of a stable macroeconomic environment, the Philippines continues to have one of the fastest growing economies in the region. As government continues to ramp up its infrastructure spending under its Build Build Build program, the country is expected to sustain this level of growth.

With high economic growth leading to rapid urbanization the quality of living declines and infrastructure services become inadequate. Local infrastructure projects, including public-private partnership (PPP) projects undertaken by local government units (LGUs) can help address these problems.

Aside from providing LGUs with an alternative method of financing urgent infrastructure demands, local PPPs provide home-grown investors an opportunity to penetrate the market and be a part of the PPP program. These increased economic activities spur further economic growth at the regional level.

## Pushing PPPs at the local level

As part of its intensified efforts to help develop and implement local PPPs, the PPP Center, in collaboration with the Asian Development Bank (ADB), launched its expanded LGU PPP strategy in September 2017. The launch also served as a platform to increase awareness on the services offered by the PPP Center to LGUs, and provided an avenue for development partners to share potential funding options for LGU project preparation.

The LGU PPP Strategy, which serves as the PPP Center's policy direction in providing assistance to the LGU PPP Program and projects, is defined into three categories: short term (immediate), medium term (1-2 years), and long term (2-5 years).



In the short term, the PPP Center shall provide focused advisory assistance to LGUs which will implement PPP, including Joint Venture (JV) projects, covering identified priority sectors such as water supply and/or seepage management and sanitation, solid waste management, vertical infrastructures (public markets, government complex, etc.), and transport terminals. Capacity building support for LGUs will also be further enhanced via customized LGU trainings and stronger collaboration with local public or private capacity building institutions.

In the medium term, successful LGU PPP projects shall be replicated by developing templates of project studies and PPP contracts, and by cascading these to applicable LGUs through internship programs and Local Capacity Building Institutions (LCBIs).

LGU assistance in the long term involves the expansion of PPP Center support to include project development services such as crafting of feasibility studies, and the creation of a facility similar to the


existing Project Development and Monitoring Facility (PDMF) to support local PPPs.

### **LGU Assistance**

In 2017, the PPP Center has provided assistance to 17 LGUs and water districts, including the municipality of Baggao and the water district of Cagayan de Oro. It has also capacitated a total of 1,413 participants from 409 LGUs, water districts and State Universities and Colleges (SUCs), and initiated 43 local capacity building activities.

For the following years, the Center intends to expand its reach even further, partnering with the National Economic and Development Authority (NEDA) Regional Offices. to provide project assistance to more LGUs. These trainings shall be supplemented by PPP knowledge products that will be made available to LGUs via a PPP Knowledge Corner to be established in each NEDA Regional Office.





# THE BAGGAO WATER PROJECT: A PARTNERSHIP FOR CLEAN, SAFE WATER

## The need for clean water

According to the World Health Organization (WHO) there are 844 million people who lack basic drinking water services. This includes 159 million people who are dependent on surface water. The trouble with surface water is that it is not safe to drink. Shallow wells can become contaminated and pose health hazards. When water becomes accessible because of improved sources, less time and effort and even money are spent to physically collect and obtain safe, clean water. People become more productive in other ways.

In the Municipality of Baggao in Cagayan province, access to clean drinking water has been a challenge for its 82,782 constituents. Without the presence of a dedicated water distribution pipeline where treated metered water is supplied to every household, people rely heavily on individual shallow wells for their everyday water needs.

## Bringing safe water to Baggao via PPP

With this situation in mind, the Municipality of Baggao is tapping the private sector to deliver potable drinking water to its citizens through public-private partnerships (PPPs).

The project is estimated to cost PHP 84.220 million pesos and will be undertaken as a PPP project, structured as Build-Operate and Transfer (BOT). The entire project will be financed by the private partner except for the Right of Way (ROW) cost which will be shouldered by the Local Government of Baggao for the three (3) identified sites.

Dubbed as the Baggao Water Supply Project, the Local Government of Baggao is looking for private partners who will provide their municipality with water supply facilities including that of building a bulk water source. The water supply project will provide facilities for the pumping, storing and treatment of water, including laying down the transmission and distribution pipes that will benefit every household.

This project is envisioned to provide the 24 barangays of Baggao 24/7 access to clean water that conforms to the Philippine National Standards for Drinking Water (PNSDW) of the Department of Health (DOH). The private partner is also expected to undertake the expansion activities of the project, including the delivery of the necessary infrastructure facilities.

As a BOT project, the private partner of the Baggao Water Supply Project is also expected to operate and maintain the facilities through the entire 25- year concession period. Included in its responsibility is the testing of the quality of water to meet the PNSDW standards of the DOH as part of its Minimum performance standards and specifications stated in the concession agreement.

### **The PPP LGU Strategy**

As part of the Center's PPP LGU strategy, the PPP Center has been providing LGUs like Baggao, with technical assistance in developing its PPP projects. The goal is to further intensify the development of PPPs at the local level. This sustained collaboration between the local governments and the PPP Center is in line with the current direction of the government to disperse infrastructure development across different regions.

PPP Center Executive Director Ferdinand A. Pecson reiterates, "The PPP Center is intensifying its efforts in encouraging more viable PPP projects at the local level by expanding its local government unit (LGU) initiatives."

In September of 2017, the PPP Center, in collaboration with the Asian Development Bank (ADB) launched its expanded LGU PPP Strategy to increase awareness about the kinds of services offered by the PPP Center to LGUs. It also provided an avenue for development partners to share potential funding options for LGU project preparation.

### **Water is Life**

Access to clean, safe water is a basic human right. The United Nations (UN) explicitly acknowledge that "clean drinking water and sanitation are essential to the realization of all human rights."

The UN maintains that a good water supply increases productivity in agriculture, livestock, and industry and help eradicate extreme poverty and hunger. It also affirms that clean water will reduce child mortality.

### **Water sustains life**

PPPs provide a successful model for delivering safe and clean water systems. Previous successful PPP water projects like that of the MWSS is a testimony of how PPPs can positively improve the lives of the Filipino. In the case of water projects, PPPs can help bring safe and clean water for all.





## Clark Airport New Terminal Building Groundbreaking Rites

The Clark International Airport Expansion, a PPP project, formally kicked off with a groundbreaking and capsule-laying ceremony last December 20, 2017. The ceremony was led by the Bases Conversion and Development Authority (BCDA), Department of Transportation (DOTr), Clark International Airport Corporation (CIAC), and the Clark Development Corporation. The new terminal is expected to accommodate an additional eight (8) million passengers, and would help decongest the Ninoy Aquino International Airport (NAIA). The Notice of Award was issued on December 18, 2017.



## GenSan Internship Program Agreement

The Local Government of General Santos City and the Public-Private Partnership Center signed a Technical Assistance Agreement (TAA) for the implementation of an Internship Program for GenSan. The internship program aims to strengthen the competencies of potential Implementing Agencies (IAs) to undertake PPP projects.



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## LGU PPP Projects

The PPP Center continues to perform its mandate in monitoring PPP projects not only in the national level but also in the local level. Last year, the Center visited several LGU PPP projects that were rolled out by the local government of Cagayan de Oro (CDO) and Bohol to check their latest status. These are the construction of New Agora Complex and Redevelopment of the CDO City Slaughterhouse, and the Bohol Provincial Water and Electric System. These local LGU PPP projects are currently providing improved public services to the localities and several benefits to the constituents.



## Stakeholders Consultation

The PPP Center, together with the Cities Development Initiative for Asia (CDIA) and League of Cities of the Philippines, conducted a Stakeholders Consultation Workshop for Local PPP Projects in General Santos City on August 1, 2017. The stakeholders consultation was organized to gather inputs and suggestions from local government units (LGUs), regional offices of national government agencies (NGAs), and private sector representatives of SOCCSKSARGEN region to improve the implementation of PPP in these localities.



## PPP Book Launch

The University of the Philippines (UP) Law Center Institute of Government and Law Reform, in collaboration with the Public-Private Partnership (PPP) Center, launched the PPP Book at the UP College of Law, Malcolm Hall, Diliman, Quezon City on October 11, 2017. The PPP book features a complete contract template and envisioned to serve as an easily comprehensible guide in structuring PPP contracts in the Philippines.

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REPUBLIC OF THE PHILIPPINES  
PUBLIC-PRIVATE PARTNERSHIP CENTER

8th Floor, One Cyberpod Centris, EDSA cor.  
Quezon Avenue, Quezon City 1100, Philippines  
Trunkline: (+632) 709-4146

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