PUBLIC-PRIVATE PARTNERSHIP GOVERNING BOARD
March 25, 2015

FOR : **All Heads of Departments, Bureaus, Offices, Commissions, Authorities or Agencies of the National Government, Government-Owned and/or Controlled Corporations, Government Financial Institutions, and State Universities and Colleges, and Local Government Units**

SUBJECT : **GUIDELINES ON VIABILITY GAP FUNDING (VGF) FOR PUBLIC-PRIVATE PARTNERSHIP (PPP) PROJECTS**

I. Introduction

It is the declared policy of the State to recognize the indispensable role of the private sector as the main engine for national growth and development, create an enabling environment for Public-Private Partnership (PPP), and provide the most appropriate incentives to mobilize private resources for the purpose of financing, design, construction, operation, and maintenance of infrastructure projects and services normally financed and undertaken by the government. Such incentives, aside from financial incentives as provided by law, shall include provision of transparent and reasonable government regulations and procedure in support of PPP projects.

In this regard, it is recognized that there are PPP projects that are economically viable but are not commercially feasible. Such projects may require some financial support from the Implementing Agency[1] in the form of Viability Gap Funding (VGF), which will be sourced from the General Appropriations Act (GAA). The Implementing Agency and/or Approving Body shall have the flexibility to determine whether VGF is required, and if so, by how much in accordance with existing law and ensure that the Government gets the best value out of the transaction.

Lastly, in the preparation and evaluation of the project, the form of government support should be fully disclosed in the project documents.

II. Objective

These Guidelines seek to institutionalize a VGF scheme for PPP projects to make economically-viable PPP projects affordable to the public and at the same time, improve their commercial attractiveness.

[1] Refers to the department, bureau, office, instrumentality, commission, or authority of the national government, including government-owned or-controlled corporations (GOCCs), state universities and colleges (SUCs), government financial institutions (GFIs), government instrumentalities with corporate powers (GICPs), government corporate entities (GCEs), and other government corporate entities (OGCEs) as defined in Republic Act No. 10149 or local government units (LGUs), which undertake PPP projects in accordance with this Act.

III. Scope and Applicability

VGF shall be available only to solicited concession-based PPP projects[2] which are economically viable but are not financially attractive. It shall be in the form of cash subsidy available to the private sector as a contribution of the Government to the project.

The maximum VGF support that the Government can provide to such projects shall be in accordance with existing laws, not only in the amount but also in process.

IV. Effectivity

These Guidelines shall take effect immediately upon approval by the PPP Governing Board.

I hereby certify that these guidelines were approved by the PPP Governing Board at its meeting held on March 25, 2015, and subsequently renamed[3] and renumbered[4] by virtue of PPP Governing Board Resolution No. 2018-03-07 which was approved on March 22, 2018.

Ferdinand Pecson

FERDINAND A. PECSON
Undersecretary and Executive Director
Head, PPP Governing Board Secretariat

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[2] Concession-based PPP – Refers to a PPP where the implementing agency grants the project proponent the right to finance, design, build, operate and maintain an infrastructure facility, and recover its investment, operating and financing costs by charging the public a user fee or tariff.
[3] Renamed to "Guidelines on Viability Gap Funding (VGF) for Public-Private Partnership (PPP) Projects";
[4] Deleted the phrase "Policy Circular No. 04-2015" in the title.