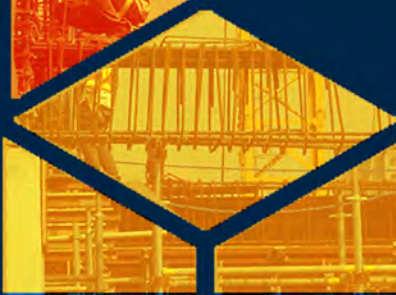




LOCAL GOVERNMENT UNIT JOINT VENTURE FREQUENTLY ASKED QUESTIONS



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WHAT IS JOINT VENTURE?

A Joint Venture is defined as an arrangement whereby a private sector entity or a group of private sector entities on one hand, and a government entity or a group of government entities on the other hand, contribute money, capital, services, assets (including equipment, land, intellectual property or anything of value), or a combination of any or all of the foregoing to undertake an investment activity.



WHAT ARE THE KEY STEPS IN UNDERTAKING JV PROJECTS?

- Set up governance structure (enactment of a PPP Code/JV Ordinance) and project teams
- Secure support from decision makers
- Ensure sufficient/available resources (financial and organizational)



HOW DO YOU SELECT A JV PARTNER?

1. **Competitive Selection (Solicited)** – The local government unit (LGU) identifies projects from its list of priority projects. The LGU also develops the project study for the identified project and selects its partner based on transparent criteria which is open to participation by any interested and qualified private entity.
2. **Competitive Negotiation (Unsolicited)** – A private sector proponent submits a JV proposal, which includes a cover letter, project study, and draft JV agreement, to the LGU. The proposal, if accepted by the LGU, is subjected to a competitive challenge.



WHAT ARE THE LEGAL BASES OF LGUs IN IMPLEMENTING JOINT VENTURE ARRANGEMENTS?

1. Republic Act No. 7160, An Act Providing for a Local Government Code of 1991

Section 35 of the Local Government Code states that “Local government units may enter into joint ventures and such other cooperative arrangements with people’s and nongovernmental organizations to engage in the delivery of certain basic services, capability-building and livelihood projects, and to develop local enterprises.”

2. Department of Justice (DOJ) Opinion No. 018, 2012

The DOJ, in its Opinion No. 018 in 2012, recognizes that LGUs are “free to prescribe the requirements, procedures and conditions for local joint ventures provided no law is violated.”

3. Own Local Government PPP Code/JV Ordinance

The Department of the Interior and Local Government issued Memorandum Circular No. 2016-120 or the Guidelines for the Implementation of Public-Private Partnership for the People Initiative for Local Governments (LGU P4) on September 7, 2016. The MC encourages LGUs to adopt an LGU P4 Code where one of the suggested modalities is JV.

While LGUs are not covered by the NEDA Revised JV Guidelines (Executive Order No.423 s. 2005), they can still adopt the process stipulated in it. It outlines the process and principles for JV agreements between the private sector and national government agencies and other government entities.

JOINT VENTURE AGREEMENTS (JVAs)



ARE PROJECTS UNDER JVA CONSIDERED PPP PROJECTS?

Yes. Aside from following the Amended BOT Law, an LGU has the option of doing PPPs through JVs. Under the Local Government Code, an LGU is endowed with corporate powers and is authorized to enter into contracts like JVs.



WHAT ARE POSSIBLE PROJECTS UNDER JOINT VENTURE ARRANGEMENTS?

- Public markets
- Transport terminal systems
- Water supply and sanitation
- Slaughterhouses
- Housing
- Industrial estates or townships
- Government buildings
- Solid waste management and climate change mitigation facilities
- Land reclamation
- Education and health facilities
- Tourism estate/facilities
- ICT systems and facilities
- Other development projects

WHAT ARE THE DIFFERENT FORMS OF JOINT VENTURE?

1. **Incorporated JV** – also known as “Corporate JV,” the formation of JV Company thru the Corporation Code of the Philippines to perform the primary functions and obligations of the JV as stipulated under the JV Agreement.

2. **Unincorporated JV** – also referred to as “Contractual JV,” the JV partners shall perform the primary functions and obligations under the JV Agreement without forming a JV company.

