

GUIDE ON DEVELOPING SOLICITED HEALTH PPP PROJECTS

A knowledge product developed by the
Public-Private Partnership Center

First Edition
December 2021

Table of Contents

About the Guide	3
Definition of Terms	4
Key Considerations in Developing Health PPP Projects	5
Chapter One: Project Identification and Prioritization	6
Chapter Two: Institutional Capacity Assessment	7
Chapter Three: Developing the Project Concept	10
Chapter Four: Pre-Investment Studies	12
Chapter Five: Funding for Feasibility Study Development	17
Chapter Six: Engagement and Management of Experts such as Transaction Advisors	18
Chapter Seven: Market Sounding	21
Chapter Eight: Public Consultations	23
Chapter Nine: Risk Allocation	25
Chapter Ten: Project structures in health PPPs	26
Chapter Eleven: Performance Specifications	30
Chapter Twelve: Preparation of Requisite Documents for the Approving Body, and the Proposed Project Parameters, Terms and Conditions (PTC)	33
References	34
Annex A: Concept Note for a Theoretical Health Facility	35
Annex B: Latest Version of the PTC Form Adopted by NEDA ICC	41

About the Guide

Background

The experience brought about by the Covid-19 pandemic has exposed the significant gaps in the country's health care system. While government financing is expected to remain a crucial source of investments in health infrastructure and service delivery, PPPs provide an opportunity to leverage the private sector's financial resources, technical capabilities, and operational efficiencies in delivering much-needed health infrastructure and services.

To successfully develop health PPPs, there is a need to build the capability of health implementing agencies (IAs). One approach in building capability is by providing knowledge products IAs may use in developing health PPP projects under Republic Act No. 6957, as amended, by Republic Act No. 7718, or the BOT Law.

Objectives

This guide aims to help implementing agencies in developing health infrastructure projects using the PPP scheme under the BOT law.

Scope

1. **Implementing agencies.** This guide may be used by both national and local health implementing agencies such as the Department of Health and its retained hospitals, state universities and colleges, and local government units.
2. **Type of health project.** This guide may apply to primary care facilities such as barangay health centers, and specialized/ancillary health facilities such as dialysis centers, and apex referral hospitals.
3. **Modality and legal framework.** This guide is designed for solicited PPP projects pursued under the BOT Law and its Implementing Rules and Regulations (IRR).
4. **Project components.** This guide is designed for PPP projects which have both construction and operations and maintenance components, including facility management.
5. **Coverage.** This guide covers the project development stage of health PPP projects, from pipeline development until preparation of documents for submission to the approving body.

Exclusion

1. **PPP stages.** This guide does not cover project evaluation, procurement, and contract implementation.
2. **Modality.** Unsolicited proposals are not covered by this guide.
3. **Legal framework.** Projects with legal framework other than the BOT law, such as joint ventures, are not covered by this guide.

Definition of Terms

1. **Morbidity** - refers to any departure, subjective or objective, from a state of physiological or psychological well-being. In practice, morbidity encompasses disease, injury, and disability.¹
2. **Mortality** – refers to a measure of the frequency of occurrence of death in a defined population during a specified interval.²
3. **Public-Private Partnerships (PPPs)** - refers to a contractual arrangement between the government and a private firm targeted toward financing, designing, implementing, and operating infrastructure facilities and services that are traditionally provided by the public sector. It embodies optimal risk allocation between parties – minimizing cost while realizing project development objectives. The project is also structured in such a way that the private sector gets a reasonable rate of return on its investment.
4. **Solicited project** – refers to projects identified by the IA from the list of their priority projects and for which the IA conducts formal solicitation of bids.
5. **Unsolicited proposal** – refers to a project proposal submitted to an IA without a formal solicitation from the government.

¹ Based on the definition provided by the US Centers for Disease Control and Prevention, [Principles of Epidemiology | Lesson 3 - Section 2 \(cdc.gov\)](#)

² Based on the definition provided by the US Centers for Disease Control and Prevention, [Principles of Epidemiology | Lesson 3 - Section 3 \(cdc.gov\)](#)

Key Considerations in Developing Health PPP Projects

There are many considerations in developing a PPP project in the health sector. The chapters in this Guide seek to discuss these considerations, as well as approaches on how implementing agencies can apply these in their respective projects.

Chapter One: Project Identification and Prioritization

In identifying projects, it is crucial for Implementing Agencies (IAs) to determine a demand the project seeks to serve or a problem it aims to solve. Determining demand will necessarily entail an assessment of the needs of an IA's identified customers or clients. These needs may be found in various sources such as:

- a. International commitments such as the United Nations Sustainable Development Goals (SDGs), particularly SDG 3 for the health sector (e.g. halting or reversing the Covid-19 pandemic, scaling up access to universal healthcare coverage);
- b. National plans and programs such as the Philippine Development Plan, Universal Health Care Act of 2019, the Public Investment Program, the Department of Health National Objectives for Health 2017-2022, and the National Tuberculosis Control Program;
- c. Local plans and programs such as those contained in regional development plans and priorities of local chief executives. This may also include comprehensive land use plans, comprehensive development plans, and annual investment plans of LGUs, among others; and
- d. Calls from the local community which have not been covered by either national or local plans or programs. This may be in the form of appeals for a specific health project or service made by stakeholder such as homeowners, indigenous peoples, and local farmer or fisherfolk organizations.

Once the specific needs of the customers or constituents are identified, the IA may proceed to identify the projects that address the identified needs.

Depending on the scope and complexity of the needs identified by the IA, it is possible for the IA not to have the resources to develop and implement all proposed projects at the same time. When this happens, the IA may consider tapping the technical and financial resources of the private sector to realize these projects.

In order to determine which project has the potential to be implemented as a successful PPP, the IA may consider using the Multi-Criteria Analysis (MCA) tool. The MCA tool uses a set of evaluation criteria to determine which projects can be undertaken through a PPP framework with some degree of certainty before the IA spends significant resources on the project's development. The evaluation criteria may include market acceptability, project life cycle costs, appropriate risk sharing, and institutional readiness or capacity of IAs.

A more detailed discussion of the MCA tool may be found in PPP Governing Board Guidelines on the Identification, Selection, and Prioritization of PPP Projects, which is in the PPP Center website (https://ppp.gov.ph/wp-content/uploads/2018/07/PPPC_GUIDE-Identification-Selection-Prioritization-20150325.pdf).

IAs may also seek the help of the PPP Center in identifying and prioritizing their PPP projects based on the data available to the IA and other accessible resources.

Chapter Two: Institutional Capacity Assessment

Before an implementing agency (IA) can implement a PPP project it has identified, it must first determine whether it has the capacity to do so. Institutional capacity can be assessed through various dimensions, such as an agency’s mandate, its project development and implementation experience, and its access to resources. The assessment of each institutional capacity dimension may be done in parallel once the mandate and authority of the IA to enter into PPPs is established.

The table below shows the assessment parameters to help IAs determine their level of institutional capacity, the decision points for IAs and the possible next steps they can pursue to address specific institutional capacity constraints, and the government agencies that can assist for each constraint.

Table 1: Institutional capacity assessment parameters and decision points

Institutional capacity dimension	Assessment parameters	Decision points and next steps	Government agencies that can assist
Mandate	<p>Does the IA have the mandate to implement the project being conceptualized under its charter?</p> <p>Is the agency, through its regional offices and attached agencies legally authorized to enter into PPP contracts?</p>	<ul style="list-style-type: none"> • If yes, then the assessment of other dimensions may proceed. • If no, then the project cannot be undertaken via PPP unless the mandate is made explicit or expanded through relevant channels (e.g., Executive Orders, legislation) or the project is taken on by another agency with the mandate to implement such project. 	<ul style="list-style-type: none"> • PPP Center - review of the agency’s mandate
Project development and implementation experience	<p>Has the agency done any health-related infrastructure project, including PPPs, in the past?</p>	<ul style="list-style-type: none"> • If yes, and the agency still has the resources (e.g., manpower, expertise, finances) that made past projects possible, then assessment of the other dimensions may proceed. • If no, the agency may look into relevant training on health project development and PPPs to build up the capacity of the team. 	<ul style="list-style-type: none"> • PPP Center - targeted capacity building interventions for IA officials and staff, project development assistance
	<p>Does the designated unit working on PPPs have the necessary</p>	<ul style="list-style-type: none"> • If yes, then the assessment of other dimensions may proceed. 	<ul style="list-style-type: none"> • PPP Center - targeted capacity building interventions for

Institutional capacity dimension	Assessment parameters	Decision points and next steps	Government agencies that can assist
	<p>training and skills on PPP concepts?</p> <p>Does the designated unit working on PPPs have the necessary training and skills on developing projects in the health sector?</p>	<ul style="list-style-type: none"> If no, the agency may look into relevant training on PPP concepts and training on developing health projects. 	<p>IA officials and staff</p>
Access to resources	<p>Does the agency have the financial resources to develop pre-investment studies for health PPP projects?</p> <p>Does the agency have the financial resources to cover for government undertakings and availability-based repayment?</p>	<ul style="list-style-type: none"> If yes, then the assessment of other dimensions may proceed. If no, the agency shall identify sources of funding, including external support, to cover such financial requirements. 	<ul style="list-style-type: none"> PPP Center - project feasibility support through the Project Development and Monitoring Facility (PDMF) PPP Center – assistance in setting up linkages with development partners who may provide external support for proposed projects.
	<p>Does the agency have a team or designated unit working on PPPs?</p>	<ul style="list-style-type: none"> If yes, then the assessment of other dimensions may proceed. If no, the agency may create a dedicated team or designate a unit to work on PPP projects. <p>In the case of LGUs, the Economic Enterprise Division may be created as the PPP unit pursuant to the DILG Memorandum Circular No. 2020-167.</p>	<ul style="list-style-type: none"> PPP Center - advice on the composition of the designated unit working on PPPs
	<p>Does the agency have access to external support such as technical assistance agreements with development partners and/or the national government (e.g., DOH)?</p>	<ul style="list-style-type: none"> If yes, then the assessment of other dimensions may proceed. If no, the agency should determine whether external support is needed and if so, which organizations are in the position to provide the needed support. 	<ul style="list-style-type: none"> PPP Center – <ul style="list-style-type: none"> Project development assistance, PDMF support for pre-investment studies Linking with development partners

Institutional capacity dimension	Assessment parameters	Decision points and next steps	Government agencies that can assist
			<p>based on the needs of the IA</p> <ul style="list-style-type: none"> • DOH PPP for Health Program Management Office for the following services: <ul style="list-style-type: none"> ○ Channeling of health-related investments ○ Concept planning in PPPs for Health ○ Assistance in project development financing ○ Project processing ○ PPP capacity building services ○ PPP knowledge management services

Addressing institutional capacity constraints is essential before an IA pursues a project to minimize the risks of project failure especially once it is subjected to the review of the relevant approving body.

Chapter Three: Developing the Project Concept

After identifying the project and assessing its institutional capacity, the IA may develop a project concept note (PCN). The PCN provides initial information about a proposed PPP project, serves as a reference point to determine the level of pre-investment study needed, and may be used as a supporting document or communication tool used for seeking endorsements or project prioritization from internal approving bodies.

Since a PCN is intended to be utilized mainly by project planners, decision makers, and target project beneficiaries, it should:

- Be concise and supported by data;
- Provide sound project cost estimates;
- Identify realistic timelines based on timeframes of actual processes;
- Identify direct results by means of project impact and intended outcome; and
- Have a clear and specific project scope.

For PPP projects assisted by the PPP Center, a project concept note will contain the following details:

a. General information on the project

i. *Project name*

ii. *Brief description* – describes the proposed project by:

- Presenting the major component/s of the project and the expected output/s to be delivered after the investment/construction phase.
- Indicating the location of the project, target beneficiaries, and perceived benefits from the project.
- Describing how the private sector may be involved. This may include a discussion on the role/s of the private sector in project implementation, operation and/or maintenance.
- Discussing the objective of the IA in pursuing the project targeted and the health service levels it wants to achieve.

iii. *Project background* – provides additional information that is essential in reviewing the project such as:

- Previous and/or ongoing studies (and related studies) undertaken, their recommendations, and highlights of decisions and actions taken, if any, on said recommendations.
- Estimated project cost.
- Difficulties encountered and/or issues raised in the development of the project (if the project is not a new concept).
- Relation of the project, if any, to other projects proposed to be financed through other modalities, such as official development assistance or through government appropriations.

iv. *Estimated project cost* – The BOT Law IRR defines project cost as the total cost to be expended to plan, develop, and construct the project to completion stage including but not limited to cost of feasibility studies engineering and design, construction, equipment, land and right-of-way, taxes imposed on said cost, and development cost. As such, this section of the concept note should identify major

cost components and estimated cost of each component, based on similar projects of the agency in the past, including relevant assumptions used for the estimates.

b. Rationale of the project

- i. *Sectoral program context* – this covers the project’s alignment with the Philippine Development Plan and how it helps attain sectoral objectives and/or addresses gaps as may be presented in sector master plans, if any.
 - ii. *Regional and spatial context* – this contains a discussion on the project site and site selection process, geographical coverage of the project, and its linkage with other projects in the region and across the country.
- c. Indicative schedule/timeline – this includes the timelines for the development phase (e.g., completion of business case, submission of the feasibility study, submission to the ICC) and approval and bidding phase (e.g., ICC approval, issuance of tender documents).
- d. Support requirements – this includes support needed from external parties such as consultants in developing the project, the outputs expected from these parties, the type of skills and competencies needed, and how much time needs to be allocated for the delivery of the outputs required.
- e. Available documents – this covers a discussion on documents in relation to the project such as a list of current studies/documents prepared for the project (e.g., masterplans, pre-feasibility study, business case, feasibility study, technical study, information memorandum).
- f. Legal authority to undertake PPP – this discusses the legality of the agency entering into a PPP arrangement with the private sector. The section describes the agency’s mandate including relevant laws and policies that support the same.

Once the concept note is completed, pre-investment studies are needed to further develop the project in preparation for its submission to the relevant approving body.

IAs may seek the assistance of the PPP Center in the form of capacity building activities and PCN workshops to come up with concept notes for their projects.

Annex A provides an example of what a concept note for a theoretical health facility may look like.

Chapter Four: Pre-Investment Studies

Once a project concept is formed, pre-investment studies are needed to provide the data on the project's feasibility. Based on the experience of the PPP Center, pre-investment studies may be in the form of a business case, a pre-feasibility study, and/or a feasibility study (FS). IAs should undertake the pre-investment study that best suits their project.

- a. **Business case.** This is a study undertaken to justify undertaking a project. It evaluates the project's benefits, costs, and risks of alternative options. Its main focus is on providing financial and economic justification for the project. A business case can be an input to and an output of a feasibility analysis. As an input, it provides justification for a project idea based on a thorough analysis of the business opportunity. As an output, it summarizes the results of the FS to justify the viability and feasibility of the project.

Based on the PPP Center's experience, business case is done when IAs intend to establish the value proposition of the project being considered and/or are still unsure of whether to pursue the project and/or whether PPP is the appropriate procurement modality.

- b. **Pre-feasibility study.** This is a preliminary assessment which identifies possible alternatives to the project, recommends preferred options, and identifies future actions needed in terms of further studies to be done, additional data to be gathered, and implementation or operation issues and challenges that need to be resolved. For projects supported by the Project Development and Monitoring Facility (PDMF) offered by the PPP Center, the pre-feasibility study serves as an input or preliminary document to the FS.

In general, the pre-FS includes the following:

- i. *Project description and outline of technical solutions.* This refers to the preparation of an outline of the infrastructure facility's design and main technical features and functionalities (e.g. main hospital building, accommodation ward for patients, electronic and IT systems). This should specify whether the proposed technical features are aligned with WHO standards, DOH regulations and requirements, and other applicable guidelines.
- ii. *Needs/benefits of the Project for various options proposed.* This part of the pre-feasibility study which helps IAs establish the value proposition of the project being considered, and identifies the viability of various project financing options such as PPP, public procurement, or even official development assistance.
- iii. *PPP suitability.* If the project or some of its components are identified to be worth pursuing through PPP, this section should outline the various PPP options (contractual structure and key risk allocation between public and private sector) that the IA can pursue.
- iv. *Economic analysis.* This includes the identification and measurement of the project's economic benefits and costs. The economic analysis in a pre-feasibility study may be a qualitative discussion of the possible economic benefits and costs of the project. The discussions may entail a high-level estimate of the proposed project's economic net present value and economic internal rate of return.
- v. *Financial analysis.* This includes the preparation of a broad estimate of the capital expenditure required to design and build the health infrastructure facility as well as the estimated project revenue and operating costs over the life of the project.

- vi. *Legal and institutional analysis.* This includes a discussion of the existing legal framework applicable to the proposed project and the existing institutional set-up of the implementing agency. The analysis should also identify legal and institutional gaps that the implementing agency needs to address to implement the project. It should also include a discussion on the proposed measures that are needed to address the identified gaps
 - vii. *Stakeholder analysis.* This should be able to identify the stakeholders that are needed to be consulted for the project and should include a preliminary implementation plan for the stakeholder consultation. In preparing the stakeholder analysis discussion, IAs may refer to the Guidelines on Public Consultation and Engagement for PPP Projects which provides guidance on institutional responsibilities, the drafting of a communications plan, and use of various communication platforms. This Guideline can be found at the PPP Center website ([PPPC GUIDE Public-Consultation-Engagement-20160621.pdf](https://www.pppcenter.gov.ph/PPPC%20GUIDE%20Public-Consultation-Engagement-20160621.pdf)).
 - viii. *Preliminary market sounding.* The IA may opt to conduct a preliminary market sounding activity to gauge the attractiveness of the project to the private sector. In general, this includes prospective bidders, lenders, and other interested parties. Unlike the market sounding activity conducted after an FS, the information provided to private sector firms in a preliminary market sounding is more general and has less project details. IAs may expect a more positive tone from the private sector given this.
- c. Feasibility Study (FS). This provides a comprehensive discussion on the viability and soundness of the project in all aspects- from project implementation to operation. It also provides a conclusion on the suitability of the project to be implemented using the PPP framework as described in item b.iii. above. The contents of a feasibility study may vary per project, but the items enumerated below are important information that should be present in any feasibility study, including health PPP projects. Notably, the contents of the pre-FS are may be carried over to the FS.
- i. *Project background/description of project.* This includes details that provide a clear understanding of the project for decision makers such as:
 - Sector (for purposes of this guide, the health sector)
 - Problem definition or statement of objectives
 - Project location
 - Proposed payment scheme
 - Contractual arrangement and length of concession/cooperation period
 - Project's scope
 - Total project cost
 - Area impacted by the project
 - Sectoral program context, which covers project linkages with national and regional development thrusts, goals, gender and development, and the environment
 - Estimated economic life of the project
 - Government undertakings expected
 - Legal and institutional analysis. For instance, in developing a hospital project, the feasibility study should take into the mandatory allocation of beds for basic or ward accommodation in accordance with the Universal Health Care Act. It should also cover whether a new License to Operate (LTO) needs to be obtained from the DOH, or if an existing LTO shall be used.
 - Stakeholder analysis

- Possible consortium members, contractor, financier, supplier, operator, etc.
 - Information on job creation/employment impact of the project, including breakdown per stage of project, and number and types of jobs with corresponding sex-aggregated data and amount of wages/salaries
- ii. *Technical study.* This covers a discussion on of the various technical aspects of the projects such as:
- Technical requirements and design
 - Analysis of technical solutions or alternatives, including analysis of risks and impacts (including inputs garnered from stakeholder consultations)
 - Cost of the chosen technical solution including cost of mitigating related risks and impacts
 - Expected outcomes and key success indicators, including means of verification and key assumptions/risks
 - Market research and demand analysis
 - Technical and operational analysis or feasibility (including interface with the government's masterplan and other infrastructure projects)

For health PPPs, technical considerations may include:

- Sizing of the hospital (catchment area of the hospital, current and future population estimates, current hospital bed supply and demand, operating capacity of existing hospitals)
 - Functional requirements of the hospital (hospital size and type, complete list of clinical and diagnostic services to be provided, medical teaching and research facilities, hospital accommodation requirements)
 - Technical requirements (inpatient facilities, outpatient accommodation, ancillary facilities, proposed floor areas)
 - Medical equipment requirements
 - Conceptual masterplan
 - Facility management plan
 - Clinical operations plan
 - Operational IT systems and procedures
 - Key performance indicators for each project stage (e.g., construction, supply/installation of equipment, operations, etc.)
- iii. *Financial viability assessment.* This includes the determination of the financial viability of the project from the perspective of the project, private sector, and the government and should include a complete financial model (cash flow, income statement, balance sheet, and assumption sheets) and project and financing milestones. The soft copy of the financial model should always be in excel and traceable format.
- iv. *Project economic viability assessment.* This includes a full assessment of the economic benefits and costs of the project. Details needed here include:
- Estimated economic costs and benefits
 - Methodology employed
 - Economic internal rate of return
 - Benefit-cost ratio
 - Net present value of net benefits
 - Sensitivity analysis

The economic model to be submitted as part of this section of the FS must be in traceable format to facilitate the review process by the approving body.

- v. *Value-for-Money analysis.* After a project concept has been identified, the implementing agency then needs to determine whether the PPP approach is the most appropriate way of developing and implementing a project as part of their feasibility assessment. This is done through a VfM analysis where future cash flows of the project are analyzed to determine whether an infrastructure is best suited for the traditional procurement option or for PPP by measuring the relative benefits of both options in terms of net present cost or net present value.

VfM analysis involves both a quantitative assessment as well as a qualitative assessment. For the quantitative assessment, the focus is on comparing the costs involved in procuring the project under different options to determine whether the PPP option adds value that will make the project worthwhile to pursue as a PPP. On the other hand, the qualitative assessment focuses on factors that are not quantifiable but have an impact on the project's outcomes. These may include competition, innovation, service delivery outcomes, appropriateness of risk sharing, user satisfaction, etc.

- vi. *Risk allocation.* This covers the identification of risks that the project may encounter and the preparation of plans to mitigate these. This shall be covered in greater detail in the risk allocation section of this Guide.
- vii. *Environmental impact assessment.* This covers the assessment of the project's environmental footprint and includes discussions such as:
- Environmental evaluation and proposed mitigating measures.
 - Conduct of a Strategic Environmental Assessment and Management Planning and Environmental Impact Study.
 - Conduct strategic social risk and impact assessment and resettlement assessment and analysis, and management planning, including relocation and/or compensation for displacement impacts.
 - Prepare Social Development Plan (SDP), which includes measures to address gender and resettlement concerns.
 - Preparation of an information, education, and communications plan.
- viii. *Final project structure.* This is a summary discussion that covers the project structure recommended based on the results of the study.

It is important to consider that projects to be submitted to the NEDA ICC³ for approval are required to have an FS, which shall contain data not older than three years at the time of review.

IAs having difficulty determining the appropriate pre-investment study for their project and/or those needing project development technical assistance may request the PPP Center for support in the form of capacity building assistance, project development

³ The NEDA Investment Coordination Committee (ICC) evaluates the fiscal, monetary and balance of payments implications of major national projects, and recommends to the President the timetable of their implementation on a regular basis; advises the President on matters related to the domestic and foreign borrowings program; and submits a status of the fiscal, monetary and balance of payments implications of major national projects. Source: NEDA website [Investment Coordination Committee \(ICC\) - The National Economic and Development Authority \(neda.gov.ph\)](http://neda.gov.ph)

assistance, and support for feasibility study development through the Project Development and Monitoring Facility.

Chapter Five: Funding for Feasibility Study Development

Once the IA has decided to move forward with the project and pursue a full FS, it may tap different sources for the funding of the feasibility study and transaction advisory services of the project. These sources may include the following:

- a. Project Development and Monitoring Facility (PDMF) – this is a revolving fund managed by the PPP Center, which provides resources for hiring consultants to undertake project preparation support during the project development stage, transaction and probity advisory services during the procurement stage, and independent consultancy services during contract implementation. For more details on the PDMF, please see the PPP Center’s website at <https://ppp.gov.ph/pdmf/overview/>.
- b. Municipal Development Fund Office (MDFO) PPP Fund – this is a PPP fund financing window opened to support LGU financing needs in engaging in PPP projects. Funding can be provided for programs/projects that are not yet built or developed (new facility); programs/projects that were already built but needs augmentation of resources from the private sector; thus the need to engage in PPP, and programs/ projects that were already implemented as a PPP but needs additional LGU counterpart financing. For more details on the MDFO PPP Fund, please see the MDFO website at <http://www.mdfo.gov.ph/download/new/ppp.pdf>.

Both of these funding sources explicitly provide support for health PPP projects. Aside from these sources, there are also other sources of funding for FS development such as loans or grants from development partners or multilateral institutions. In case the implementing agency has funds for the development of a feasibility study, it may also undertake the FS on its own through the procurement of highly technical consultants under Republic Act 9184⁴ or the Government Procurement Reform Act (GPRA).

⁴ Entitled “An Act Providing for the Modernization, Standardization, and Regulation of the Procurement Activities of the Government and for other Purposes”

Chapter Six: Engagement and Management of Experts such as Transaction Advisors

Once funds are secured to undertake the project feasibility study, the IA may then engage experts such as transaction advisors to undertake the tasks needed for the completion of the study. There are various considerations in the engagement and management of these technical experts, as follows:

- a. **Lineup of Experts.** The skills needed for a project depend on the nature of the project. For instance, if a project aims to provide complementary and alternative medicine (CAM), then a Health and Wellness Operations Specialist should be included in the lineup of experts. This specialist may not be needed for other hospitals which do not offer CAM.

For PPP projects supported by the PDMF, the lineup of experts needed by the project is required to be indicated in the PDMF Forms.

Aside from identifying the specific type of expert needed for the project, it is also important to establish the qualifications of the said expert. As an example, Table 2 below provides health related and non-health related consultants including their qualifications as prescribed in a hypothetical terms of reference (TOR).

Table 2: Sample of experts and qualifications required under the TOR

Type of expert	Qualifications
<i>Health-related experts</i>	
Health and Wellness Operations Specialist	<ul style="list-style-type: none"> • Ten (10) years of demonstrated experience in the development and management of hospital/health and wellness centers including at least five (5) PPP projects • Extensive knowledge of Complementary and Alternative Medicine (CAM) sector requirements, market appetite and demand estimation, cost recovery mechanism, identification of the issues to be addressed in the Project.
Hospital Operations Specialist	<ul style="list-style-type: none"> • Five (5) years of demonstrated experience in the development and management of hospitals/health centers, extensive knowledge of health sector requirements, market appetite and demand estimation, cost-recovery mechanism, etc. • Should possess country-specific knowledge of the sector and regulatory issues involved, market analysis and demands, special privileges and incentives issued by the Government for the sector/for implementation of the project on PPP, etc. • Prepared three (3) hospital projects
Biomedical Engineer	<ul style="list-style-type: none"> • Five (5) years of demonstrated experience in the design, layout and construction of hospitals/health centers, focusing on development of plans for the establishment or installation and O&M of medical equipment and associated facilities. • Prepared two (2) hospital/health facility projects. •

Type of expert	Qualifications
<i>Common or non-health related experts</i>	
Project Finance Specialist/Team Leader	<ul style="list-style-type: none"> • Ten (10) years of demonstrated experience in providing PPP transaction advisory services/development of large infrastructure projects on PPP basis, including extensive experience in financial modeling; project structuring; risk analysis, allocation and management; project agreements; and bid process management. • Prepared five (5) PPP projects on property or real estate development. • Five (5) years of demonstrated experience as team leader, project manager, project director or its equivalent. • Acted as team leader or project manager/director for five projects.
Legal Specialist	<ul style="list-style-type: none"> • Five (5) years of demonstrated experience in preparing bid/ tender documents for PPP projects, resolving legal issues during project development until contract award, PPP policy and institutional assessment; project structuring; drafting contractual agreements and other related documents/agreements; procurement; and bid process management. • Prepared three (3) PPP contracts demonstrating the experience in the preparation of bid or tender documents and the management of the bidding process. • Must have the necessary or relevant license/qualification/registration for the assigned responsibilities for this consulting assignment.

The PPP Center can help implementing agencies come up with the list of required experts based on the circumstances of each project, as well as the recommended qualifications for these experts.

- b. Management of experts. Once the experts are brought on board, it is good practice for implementing agencies to designate a team to oversee the consulting engagement. As an example, for PDMF supported projects, a Project Study Committee is created to review and consequently approve the outputs of transaction advisers.

It is strongly recommended to ensure that the members of the oversight team have adequate institutional, technical, financial, economic, and legal capacities to guide and oversee the direction of the PPP project delivery.

Additionally, the oversight team may be guided by a contract manager that is involved in the consultant recruitment process or at least familiar with the consulting contract to be awarded to the winning bidder. In PDMF-supported projects, the contract manager (i.e. the PPP Center's PDMF Service) handles the consultant recruitment process and ensures, among others, that the consultant's outputs/services are delivered and payments made, according to the consulting contract, and that variations are properly documented in contract amendments.

The management approach and structures for experts may vary depending on the rules and regulations of the organization funding the project. As such, IAs need to work closely with their counterparts in the funding agencies to determine the structures and processes to be adopted.

Chapter Seven: Market Sounding

Once the basic project details are established and the IA has a clear idea on the value proposition and financial viability of the project, market sounding activities could be conducted. Market sounding activities could be done through various means such as video conferencing, face to face meetings, or fora with private sector entities who may potentially participate to the proposed project.

Market sounding provides the IA an opportunity to assess the attractiveness of the project for the private sector as well as the private sector's willingness and ability to assume risks in the proposed project. Market sounding also serves as a venue for early detection of issues and concerns that may affect the project. It is also used to develop competitive strategies in structuring the project. This minimizes the risk of failure of bidding during the procurement process.

Before conducting market sounding, the IA and its technical advisers need to prepare a project information memorandum and market sounding questions. The project information memorandum should contain project details that the participants need to know to make informed inputs, which would then be elicited through the market sounding questions. In general, market sounding questions should focus on the private sector's feedback on important points such as:

- Preferred PPP structuring model (BOT vs JV. If BOT, what type of BOT structure? If JV, contractual or corporate?)
- For hospital projects, willingness to include in the project scope the provision of clinical services, the maintenance, procurement and replacement of medical equipment, and the supply of additional required medical professionals.
- Preferred payment scheme (availability payments vs. revenue-based; is there a need for government subsidy?)
- Government guarantees on availability payments. (Is the private sector comfortable with a Letter of Commitment where the government commits to include the payment obligation in its proposed budget year-on-year but still subject to independent Congressional approval?)
- Optimal contract duration of the PPP project
- Preference for the bidding process (one stage vs two stage)
- Project risks that the private sector is willing to assume
- Willingness to advance cost of right of way and resettlement costs, if needed
- Acceptable repayment scheme for the resettlement and ROW costs advanced by the private sector, if needed
- Cost of equity and expected return
- Overall interest to bid in the project
- Other private sector considerations related to the proposed project

Aside from the preparation of the information memorandum and market sounding questions, the IA may cluster private sector participants according to their potential roles in the project so that the appropriate information can be shared with them. For instance, this could be done by clustering the private sector into smaller groups such as potential project proponents, lenders, and other interested stakeholders (e.g., potential suppliers or service providers for the proponents).

There are questions or concerns that may not be answered during the market sounding event. In such cases, unanswered questions and concerns may be noted and discussed through follow up market sounding events, or through individual or group consultations/meetings. It is

important to ensure that the information and questions shared with all participants are the same to ensure transparency and level playing field.

Recording of sessions is usually done to have a reliable reference that can be reviewed in the preparation of the market sounding report. Inputs of participants to the market sounding activities could then be used to further refine the project proposal to maximize the project's viability and make it sufficiently attractive for potential bidders.

Finally, it must be noted that market sounding is a continuous process. It shall therefore be done during various stages of the PPP process, from preliminary market sounding during the pre-FS stage, revalidation of the FS, and the preparation of the tender documents during the procurement stage of the project.

Chapter Eight: Public Consultations

Consultations with relevant stakeholders help implementing agencies identify important issues and concerns on the ground and formulate appropriate strategies to effectively address these.

It is important to note that certain legal requirements for PPP projects, such as obtaining an Environmental Compliance Certificate from the DENR and securing project approval by LGUs, require public consultation.

Consultations may be done with formal representatives of the community who have authority to discuss and protect the community's interest, especially in politically sensitive projects. This has been the experience of the PPP Center in the projects it had assisted and is currently assisting. Possible arrangements include having LGUs assist and connect project teams to their constituents through *barangays*, while national government agencies facilitate communications with labor/workforce organizations and various departments of the facilities/establishments to be involved in the PPP project.

The PPP Governing Board issued Guidelines on Public Consultation and Engagement for PPP Projects ([PPPC GUIDE Public-Consultation-Engagement-20160621.pdf](#)) to identify institutional responsibilities of IAs in consulting stakeholders and provide guidance on how to prepare consultation plans. This issuance may be used as reference in developing public consultation plans, specifically for health PPP projects.

Indeed, the importance of public consultations cannot be understated for health PPP projects as these projects play an important role in the lives of numerous stakeholders. Failure to address concerns of the public can result in the failure of a project even when it is well designed and successfully tendered.

This can be seen in the case of the Modernization of the Philippine Orthopedic Center (MPOC) project, which got terminated even after it was successfully awarded. The project faced significant complaints from the employees of the existing Philippine Orthopedic Center, who felt that their livelihoods were being threatened by the takeover of a private partner. The project also faced negative media coverage.

These two issues, which are normally present in health PPP projects, could be effectively addressed by a holistic and transparent approach in public consultations. For instance, employees of public health facilities that could be affected by a proposed PPP project should be actively engaged in all stages of the project cycle. IAs may refer to the Guidelines on Managing Government Employees Affected by PPP Projects issued by the PPP Governing Board, for more details on how this could be done ([PPPC GUIDE Managing-Gov-Employees-Affected-20160621.pdf](#)). On the other hand, the negative media coverage could be managed better through a well-targeted public communications plan. Mass media could be an effective partner in communicating a proposed project to the public when they have access to relevant project information and are considered integral stakeholders in capacity building efforts.

Aside from promoting transparency, consultation sessions also provide an opportunity to gather important social data needed to complete the feasibility study of the project. Data gathered in public consultations are analyzed and further refined resulting to outputs that are part of the feasibility study.

These outputs include the social development plan, information and education communications plan, potential social and gender benefits (e.g., identification of healthcare services that specifically caters to women, children, and the elderly, among others),

identification of adverse impacts and risks, and environmental impact assessment or related studies. The information contained within these parts of the FS are then referred to in contract drafting, bid strategy, and implementation plans.

The following are social data that are relevant to health PPPs that may be elicited from public consultations:

- a. Identification of Catchment Area of the health PPP Project and geographical profile of patients – refers to the area/ region that will be impacted by the project (where possible patients may come from) and its projected population.
- b. Health Indicators – primarily denotes the incidence of diseases, average life expectancy, morbidity, and mortality rates in the patient population.
- c. Patient Profile – is usually classified by emergency, inpatients, and outpatient cases denoted in terms of gender and annual count.
- d. Patients with Medical and Social Service Classification - Identifies the social service classification (e.g., Charity and its various brackets, and Pay-patients) of the patient population.
- e. Outpatient Consultations – Identifies what type and the number of outpatient services registered across different medical specializations.
- f. Inpatient Admissions – Identifies the gender ratio per classification of admissions (e.g., charity, pay, and emergency).
- g. Medical workforce capacity – refers to the workforce capacity and technical expertise specially if the project will be anchored on existing public healthcare facilities.
- h. Competition – other facilities that may compete with the proposed PPP project whether existing or in the development stage, must be identified at the onset of the study as these may affect not only the patient counts but as well as the medical professionals available for the Project.

IAs interested in applying for the PPP Center's PDMF may include a Development Communications Specialist as part of their request for project preparation support. This will help ensure that experts are on board to better communicate project objectives to key stakeholders and to the public.

Chapter Nine: Risk Allocation

Optimal risk allocation, that is allocating risks to the party that is able to best manage them, is an important consideration in PPP projects. Risks passed on to a party not equipped to manage them can result in higher project costs or even the termination of a project.

To help implementing agencies better manage the allocation of risks among contracting parties, the NEDA ICC Cabinet Committee has adopted a Generic Preferred Risk Allocation Matrix (GPRAM). The GPRAM serves as a guide for government entities and the private sector in structuring PPP projects with regard to the risks to be borne by the government or the private sector, and the risks that may be shared between both parties. A copy of the latest version of the GPRAM may be accessed through this link (https://ppp.gov.ph/wp-content/uploads/2017/02/GPRAM_2Aug2016.pdf).

This risk allocation matrix lists the preferences, including risk mitigation measures, for consideration by the proponent agencies in the development and implementation of their projects.

Some health-specific project risks include the following:

- a. Hospital over-capacity. Risk that bed occupancy rate is higher than expected, which could result to increased facility management costs. Depending on the project structure employed, the government may assign this risk to the private partner; assume this risk in availability-based PPP structure; or share this risk with the private partner.
- b. Revenue risk (clinical services). Risk that PhilHealth case rates are reduced resulting in higher portion of treatment cost, or risk that revenue from paying patients is lower than anticipated. Depending on the project structure employed, the government may assign this risk to the private partner; assume this risk in availability-based PPP structure; or establish mechanisms where parties could share the risk.
- c. Revenue risk (ancillary commercial businesses). Risk that ancillary commercial business operations adversely impact the private sector's fulfilment of PPP contractual obligations and/or pose additional exposures for government. Such risk is normally borne by the private sector partner.

For projects which will undergo approval by the NEDA Investment Coordination Committee (ICC), the risk allocation is required to be included in the Parameters, Terms, and Conditions (PTC) form to be submitted to the ICC. This is further described in Chapter Twelve of this Guide.

Chapter Ten: Project structures in health PPPs

PPP project structures refer to the architecture of contract relationships and project cash flows that govern the development and life of the PPP project (APMG International). Tables 4 and 5 below summarize the typical PPP models applied to health PPPs and the typical payment structures, respectively.

Table 4: Typical PPP models in the health sector

	(1) Infrastructure PPP	(2) Services PPP	(3) Integrated or concession PPP
Design	Private	Public**	Private
Build	Private	Public**	Private
Finance	Private	Public**	Private
Operate	Public*	Private	Private
Maintain	Private	Private	Private

* In some cases, private sector may operate non-clinical services (e.g., cafeteria, waste management, laundry) and other ancillary services/facilities

** In some cases, private sector may cover capital investments for specific services transferred to the private sector (e.g., in order to effectively deliver hemodialysis services, the allocated hospital space needs to be reconfigured and refurbished to meet health facility standards)

Table 5: Various payment structures in health PPPs

	Infrastructure PPP	Services PPP	Integrated or concession PPP
Availability-based payment	MOST COMMON Government pays for the facility built by the private partner after full construction.	COMMON Government pays the private partner for the services it has delivered based on set KPIs.	COMMON Government payments may be integrated with concession-based payment depending on financial viability and bankability of the project.
Concession-based payment	NOT COMMON All payments made by paying patients are typically collected by the government.	MOST COMMON Private partner typically gets a share of revenue from paying patients (e.g. revenue share for out-of-pocket expenses or services not covered by health insurance).	MOST COMMON Concession-based payments may be integrated with availability-based payment.
Other revenue sources	COMMON Private partner may earn revenue from commercial establishments located within the hospital (e.g. restaurants) or other ancillary services .	NOT COMMON Private partner is focused on providing clinical services. Non-monetary payments may apply if (1) an infrastructure facility is built and (2) the facility includes commercial establishments.	COMMON Private partner may earn revenue from commercial establishments or other ancillary facilities.

Below are illustrative examples on how these models and payment structures may be applied:

(1) **Infrastructure PPP: Theoretical New Hospital**

Typically, this PPP model involves the design, construction, and maintenance of a health facility by the private sector partner, while the public sector continues to operate the entire facility. In some cases, the private partner may operate non-clinical services (e.g., cafeteria, waste management, laundry).

• Possible PPP model 1: **Build-Transfer-Maintain (BTM)**

The project involves the development of a new hospital which will include the development of a tertiary care hospital, outpatient services, and ancillary facilities. The whole hospital shall be operated by the IA.

Private	Public
<ul style="list-style-type: none"> • Design of the facility • Construction of the facility • Financing • General maintenance of the facility 	<ul style="list-style-type: none"> • Operation of non-clinical services (e.g., cafeteria, waste management, laundry) • Operation of clinical services (e.g., lab test, radiology, etc.) • Monitoring and regulation of the services delivered by the private sector partner
Repayment scheme/s	
<ul style="list-style-type: none"> ✓ Availability payments are paid to the private partner for building and maintaining the hospital. 	

• Possible PPP model 2: **Build-Transfer- Operate (BTO)**

The project involves the development of a new hospital which will include the development of a tertiary care hospital, outpatient services, and ancillary facilities. The IA shall operate the clinical services of the hospital, while the private partner shall operate the non-clinical service of the hospital.

Private	Public
<ul style="list-style-type: none"> • Design of the facility • Construction of the facility • Financing • Maintenance of the facility • Operation of non-clinical services (e.g., cafeteria, waste management, laundry) 	<ul style="list-style-type: none"> • Operation of clinical services (e.g., lab test, radiology, etc.) • Monitoring and regulation of the services delivered by the private sector partner
Repayment scheme/s	
<ul style="list-style-type: none"> ✓ Availability payments are paid to the private partner for building and maintaining the hospital. ✓ Revenue from commercial business (e.g., cafeteria, waste management, laundry) and other ancillary services. 	

(2) **Service PPP: Theoretical Dialysis Center**

In general, this PPP model involves the operation of certain clinical services by a private partner. However, in some cases, certain capital investments for infrastructure is needed for specific services. For example, in order to effectively deliver hemodialysis services, the allocated hospital space needs to be reconfigured and refurbished to meet health facility standards.

- Possible PPP model 3: **Build-Operate-Transfer (supply-and-operate scheme)**

The project involves the design and construction of a hemodialysis center, the procurement of hemodialysis unit, and the operation and maintenance of the facility.

Private	Public
<ul style="list-style-type: none"> • Financing • Operation of the hemodialysis services (which may involve minimum initial capital outlay for reconfiguration and refurbishment) • Maintenance of the facility 	<ul style="list-style-type: none"> • Provision of hospital space for the service • Operation of non-clinical services (e.g., cafeteria, waste management, laundry) • Operation of other clinical services outside of the project scope (e.g., lab test, radiology, etc.) • Monitoring and regulation of the services delivered by the private sector partner
Repayment scheme/s	
<ul style="list-style-type: none"> ✓ Annual lease payments to the private partner for 15 years ✓ Revenue share of the private partner from fees collected from hemodialysis patients 	

- Possible PPP model 4: **Rehabilitate-Operate-Transfer (ROT)**

The project involves the rehabilitation of an existing building into a renal center facility; the supply, operation, and maintenance of hemodialysis machines; and delivery of ancillary services.

Private	Public
<ul style="list-style-type: none"> • Design and rehabilitation of the facility • Financing • Operation and maintenance of the hemodialysis facilities and equipment • Operation of non-clinical services (e.g., cafeteria, waste management, laundry) 	<ul style="list-style-type: none"> • Provision of hospital space for the service • Operation of other clinical services outside of the project scope • Monitoring and regulation of the services delivered by the private sector partner
Repayment scheme/s	
<ul style="list-style-type: none"> ✓ Annual lease payments to the private partner for 15 years ✓ Revenue share of the private partner from fees collected from hemodialysis patients ✓ Revenue from commercial business (e.g., cafeteria, waste management, laundry) and other ancillary services. 	

(3) **Integrated or concession PPP: *Theoretical Specialty Hospital***

This PPP model involves the design, construction, financing, maintenance, as well as the operation of certain clinical and non-clinical services by a private partner.

- Possible PPP model 5: **Build-Operate-Transfer (BOT)**

The project involves the design, construction, financing, operation, management, and transfer, at the end of the contract period, of a super-specialty tertiary care hospital, including clinical and allied services.

Private	Public
<ul style="list-style-type: none"> • Design and construction of the facility • Financing • Operation of clinical services • Operation of non-clinical services (e.g., cafeteria, waste management, laundry) • Maintenance of the facility 	<ul style="list-style-type: none"> • Monitoring and regulation of the services delivered by the private sector partner
Repayment scheme/s	
Mix of the following possible repayment schemes <ul style="list-style-type: none"> ✓ Availability payments ✓ Revenue share from fees collected from patients ✓ Revenue from commercial business (e.g., cafeteria, waste management, laundry) and other ancillary services. 	

Chapter Eleven: Performance Specifications

In PPP projects, the government provides a set of output specifications and functions, commonly known as Minimum Performance Standards and Specifications (MPSS), as well as Key Performance Indicators (KPIs) to be delivered by the private partner. The job of the private partner is to design and construct a project that meets the standards and performance measures required by the government. These MPSS and KPIs form part of the PPP contract. Below are examples of MPSS and KPIs found in a previously awarded hospital PPP contract.

1. Sample MPSS items required for a new hospital facility

- a. Bureau of Health Facilities and Services License. The Project Proponent shall acquire and maintain the requisite license as required for a Tertiary Care Hospital as stipulated by the Bureau of Health Facilities and Services (BHFS), conforming to the stipulated guidelines, protocols, procedures, standards, specifications, and outputs, among others, as deemed necessary for maintaining the said accreditation, at all times.
- b. PhilHealth Accreditation for Centre of Excellence. The Project Proponent shall achieve and maintain accreditation for the New Hospital Facility as a PhilHealth Center of Excellence and maintain conformance with the stipulated guidelines, protocols, procedures, standards, specifications, and outputs, among others, as deemed necessary for maintaining the said accreditation, at all times. Requirements for PhilHealth accreditation include DOH licensing, acceptance of National Health Insurance Program on quality assurance and utilization review and operation of Internal Quality Assurance Programs, therapeutics committee and infection control committee
- c. Laboratory services. Laboratory services shall be available to meet patient needs, and all such services shall meet applicable local and national standards, laws and regulation. Adequate, regular and convenient laboratory services shall be available and shall meet applicable local, national and preferably international standards, laws and regulation. Emergency laboratory services shall be available including after normal hours. In case any laboratory service is availed of from outside sources, the same service provider shall be selected based on an acceptable record and compliance with laws and regulations. Patients shall be informed about any relationships between the referring physician and outside sources of laboratory services.
- d. Utility Systems. Portable water and electrical power shall be available 24 hours a day, seven days a week, through regular or alternate sources, to meet essential patient care needs. The New Hospital Facility shall have emergency processes to protect facility occupants in the event of water or electrical system disruption, contamination or failure and the New Hospital Facility shall also test its emergency water and electrical systems on a regular basis appropriate to the system and document the results. Electrical, water, waste, ventilation, medical gas and other key systems shall be regularly inspected, maintained and when appropriate improved. Designated individuals or authorities shall monitor water quality regularly and the New Hospital Facility shall collect the monitoring data for the utility system management program and this data shall be used to plan the New Hospital Facility's long-term needs for upgrading or replacing the utility system.

2. Sample KPIs required for the operation of a new hospital facility

KPI	Response time	Rectification period
Maintenance of the Hospital Facility		
Breakdown Maintenance carried out in accordance with the Annual Service Plan for medical and non-medical equipment maintenance	Emergency – 20 minutes Urgent – 1 hour Routine – 24 hours	Emergency – 4 hours Urgent – 12 hours Routine – 7 days

Miscellaneous Maintenance (other than Breakdown Maintenance) carried out in accordance with the Annual Service Plan for medical and non-medical equipment maintenance	24 hours	7 days
Scheduled Maintenance on all equipment or devices under AMCs including life safety and emergency systems pursuant to the Annual Service Plan for medical equipment and non-medical equipment maintenance.	N/A	3 to 7 days
The Project Proponent or the Hospital Operator shall carryout 85% of all other Scheduled Maintenance within the times scheduled in the Annual Service Plan, and the Project Proponent or the Hospital Operator shall carryout all remaining Scheduled Maintenance not carried out within 30 days from the scheduled date of maintenance.	N/A	As per agreed rectification period specified in the approved O&M manual

PPP contracts normally impose penalties to the private partner if it fails to meet the set MPSS and KPIs. To enforce the said penalties, PPP contracts would normally contain penalty provisions containing the amount, and the manner by which the penalties must be paid. Below is an example of such contract provision:

“The Project Proponent shall be required to adhere to the KPIs as indicated at all times during the O&M Period. In case of failure to meet any of the above mentioned KPIs, the Project Proponent shall be required to rectify the failure within the Rectification Period as mentioned for each of the KPI. Failure of the Project Proponent to rectify the failure within the appropriate Rectification Periods shall result in the imposition of O&M Penalties of four thousand Philippine Pesos (PhP4,000.00) per KPI per day of delay after the rectification period.

For instance, the Project Proponent shall be required to carry out routine Breakdown Maintenance in accordance with the Annual Service Plan for medical equipment and non-medical equipment maintenance. If the Project Proponent is unable to carry out such routine Breakdown Maintenance, the Project Proponent shall have a rectification period of seven (7) days to rectify such failure. If the Project Proponent fails to rectify within the Rectification Period of seven (7) days, then for each day of delay beyond the Rectification Period, it shall be liable to pay O&M Penalties equivalent to Four Thousand Philippine Pesos (PhP4,000.00). Assuming rectification is undertaken by Project Proponent in ten (10) days, then it shall be liable to pay O&M Penalties for a delay of three (3) days (Actual 10 days - 7 rectification days =3 days delay) equivalent to PhP12,000 (3 days of delay x PhP4,000 per day of delay). Similar O&M Penalties imposition mechanism shall be applied to all the other KPIs mentioned.

In case the cumulative value of the O&M Penalties for non-adherence to the KPIs (as mentioned in Section 2.2 above), exceeds Four Million Eight Hundred Sixty Thousand Philippine Pesos

(PhP4,860,000.00) at any time within a period of three consecutive calendar quarters, the DOH shall issue a Notice of Termination to the Project Proponent. Further, in case O&M Penalties for non-adherence to any single KPI (as mentioned in the Section 2.2 above); exceeds Three Hundred and Twenty Four Thousand Philippine Pesos (PhP324,000.00) at any time within a calendar quarter, the DOH shall have the right to issue a Notice of Termination to the Project Proponent”

Chapter Twelve: Preparation of Requisite Documents for the Approving Body, and the Proposed Project Parameters, Terms and Conditions (PTC)

Once the project investment studies are completed and the decision to seek the approving body's approval has been made by the IA, the IA shall prepare the documentary requirements set by the appropriate approving body as referred to in Section 2.6 of the BOT Law IRR.

For PPP projects requiring NEDA ICC endorsement or approval, an official checklist defining a complete set of submission by the IA is provided in this link: [Investment Coordination Committee \(ICC\) - The National Economic and Development Authority \(neda.gov.ph\)](https://neda.gov.ph/investment-coordination-committee-icc).

An accomplished PTC form is one of the documentary requirements needed to facilitate the evaluation and approval of a PPP project.

The PTC form lists down the different parameters, terms, and conditions proposed for a PPP project, for consideration of the approving body. Proposed PTCs may be clustered into three categories:

- a. Fixed - Specific PTCs approved by the approving body, which the agency has to adopt as part of the final draft contract. These are non-negotiable terms as far as the NEDA ICC is concerned. Examples of these are the project scope, the contractual arrangement, and the project term/concession period, among others.
- b. Restricted - PTCs approved by the approving body, with a range of options or a set of conditions within which the agency can decide on how a PTC shall be set forth in the final draft contract. Examples of these are the proposed allowable debt-equity ratio for the project, types of allowable performance securities, and the range of the reasonable rate of return set by the ICC.
- c. Delegated - PTCs where the approving body gives the agency discretion to decide on how a PTC shall be set forth in the final draft contract. Examples of these are details pertaining to procedures on payment of liquidated damages, and specific deadlines and milestone dates under the contract, among others.

The PTC form also includes a summary of the proposed risk allocation for the project, for approval by the approving body.

Annex B shows the latest version of the PTC form adopted by the NEDA ICC.

IAs may seek the assistance of the PPP Center in reviewing the documents to be submitted to the appropriate approving body.

References

1. Final Draft of the Sector Guidelines on Health, GHD Pty Ltd, December 23, 2013
2. Guidebook for Hospital Project Screening and PPP Project Screening, Castalia and Deloitte, December 2017
3. Developing coordinated public-private partnerships and systems for financing health in Africa, African Development Bank, May 2017
4. National Government Agency PPP Guidebook, PPP Center
5. PPP Governing Board Guidelines on Public Consultation and Engagement for PPP Projects
6. PPP Governing Board Guidelines on Assessing Value for Money in PPP Projects
7. PPP Governing Board Guidelines on Institutionalizing Best Practices in PPP Project
8. Project Feasibility and Structuring of the Philippine General Hospital Diliman Project, Price Waterhouse Cooper and Isla Lipana & Co., January 2021
9. Feasibility Report for the Modernization of the Philippine Orthopedic Center under PPP, Deloitte Touche Tohmatsu India Pvt and Puyat Jacinto & Santos, July 2012
10. APMG International website chapter on project structure: <https://ppp-certification.com/ppp-certification-guide/61-introduction-basic-ppp-project-structure>.

Annex A: Concept Note for a Theoretical Health Facility

GENERAL INFORMATION

1. Name

PROPOSED HOSPITAL

2. Brief Description

- The proposed project includes the construction, operation and the maintenance of a hospital that shall cater to internal and external clients that will include patients needing specialized care located within 3 km of the hospital's vicinity.
- The private sector shall be tapped for the Project's financing, design, construction, and operation and overall maintenance.

3. Project Background

- The project was proposed by the IA to address the demand of local residents for an accessible hospital facility within the local municipality.
- The proposed project is intended to be wholly implemented under a PPP framework, and is not a component of a larger project financed through other schemes such as ODA or GAA.

RATIONALE OF THE PROJECT

1. Sector

HEALTH FACILITIES

2. National Context

- The project is aligned with Philippine Development Plan (PDP) 2017-2022, specifically responding to *enhance social fabric* with its plan to offer services that will promote wellness of body, mind and spirit. Support for the mental wellness of Filipinos are also outlined under the PDP's "Pagbabago" pillar, with its policy to reduce vulnerability of individuals and families by providing health services to the community.
- Furthermore, it shall *enable and support economic environment* with the establishment of enterprises that will offer job opportunities to the residents of the local municipality and neighboring towns.

3. Sectoral Context

- The project sites are located inside the 3.4-hectare compound owned by the IA. Within the local province, there are no similar facilities that can offer such services.

- The government also underscores its support to promote health. In particular, the recently-enacted Universal Healthcare Act highlighted that every Filipino shall be granted immediate eligibility and access to preventive, promotive, curative, rehabilitative, and palliative care for medical, dental, mental and emergency health services.

INDICATIVE IMPLEMENTATION SCHEDULE

Project Development

MILESTONE*	TARGET DATE
Submission of the Feasibility Study	2 nd quarter of 2020
Submission to ICC for Approval	3 rd quarter of 2020

*May also indicate other important milestones and/or activities the Agency has or is committed to accomplish.

Approval and Bidding Phase

MILESTONE*	TARGET DATE
ICC Approval	July-August 2020
NEDA Board Approval	September 2020
Prequalification	September-November 2020
Bid Submission	January 2021
Contract Signing with the Private Proponent	February-March 2021

*May also indicate other important milestones and/or activities the Agency has or is committed to accomplish.

SUPPORT REQUIREMENTS

1. Major Outputs

- Project Feasibility Study (Development, Operation and Management (Technical and Financial))
- Preparation of bid documents and assistance during the bidding process
- Assistance and advisory to IA until Financial Close

2. Experts Required, Qualification, and Tasks

- Enumerate specialists required with their corresponding field of expertise (and/or required related field) to deliver the major outputs. Special emphasis is given into enumerating sector-specific experts (e.g., Railway Engineer, Highway Engineer, Civil Aviation/Airport Operations Specialist, IT/MIS Specialist, Civil Engineer) including tasks to be performed by each. To the extent possible, minimum requirement for experience, involvement in projects, and number of projects completed, among others, should be included.

Suggested format:

With International Expertise

Expert 1: Project Finance Specialist/Team Leader	<p>Qualification: Ten (10) years of demonstrated experience in providing PPP transaction advisory services/development of large infrastructure projects on PPP basis, including extensive experience in financial modeling; project structuring; risk analysis, allocation and management; project agreements; and bid process management. Prepared five (5) PPP projects demonstrating above mentioned technical experiences.</p> <p>Five (5) years of demonstrated experience as team leader, project manager or project director or its equivalent. Acted as team leader or project manager/director for five (5) years.</p>
Duration of Engagement (in person-months):	
<p>Tasks</p> <ul style="list-style-type: none"> • Develop a full financial model and financing plan, including determination of sound assumptions resulting in a set of projected financial statements (balance sheet, cash flow, income statement, key ratio analysis), and sensitivity scenarios. The working model shall be submitted whenever requested. The Project Finance Specialist/Team Leader, for the duration of the PPTA's contract, shall schedule periodic presentations; and shall make himself/herself available to receive comments or queries and provide responses thereto, and entertain consultations, whenever necessary; • Determine pricing structures under the PPP arrangement; • Coordinate the inputs of team members as per the agreed work plan, advise team members of changes to the work plan, and monitor team members' other project commitments to ensure appropriate priority attention is given to the assigned task; and • Ensure outputs of team members are in accordance with the TOR and the client's quality expectations. 	
<i>With National Expertise</i>	
Expert 2: Project Finance Specialist/ Project Manager	<p>Qualification: Five (5) years of demonstrated experience in providing PPP transaction advisory services/development of large infrastructure projects on PPP basis, including extensive experience in financial modelling; project structuring; risk analysis, allocation and management; project agreements; and bid process management. Prepared five (5) PPP projects demonstrating above mentioned technical expertise.</p> <p>Five (5) years of demonstrated experience as project manager or its equivalent. Acted as team leader or project manager/director for five (5) projects.</p>
Duration of Engagement (in person-months):	
<p>Tasks</p> <ul style="list-style-type: none"> • Assist in developing a full financial model and financing plan, including determination of sound assumptions resulting in a set of projected financial 	

<p>statements (balance sheet, cash flow, income statement, key ratio analysis), and sensitivity scenarios. The working model shall be submitted whenever requested.</p> <ul style="list-style-type: none"> • Assist in the conduct of project risk analysis (valuation, allocation and mitigation of risks) to determine, assess, allocate and manage risks (such as, but not limited to project commercial, financial, political, economic, force majeure and legal risks) during all project stages and assess extent to which project risks can be underwritten by commercial insurance and corresponding cost; • Assist in assessing various PPP modality (with due consideration to legal and institutional impacts) and recommend and institutional structures to effect such PPP arrangement. Ascertain the potential acceptability of the recommended PPP structure by the private investors and potential lenders; and recommend a suitable bankable financing plan for the recommended PPP structure, including appropriate debt equity ratios, loans tenures and rates for project viability; • Liaise with the PPP Center and IA and keep all stakeholders apprised of any issues or concerns that could impact project performance and completion of the consulting assignment 	
Expert 3: Legal Specialist	<p>Qualification: Five (5) years of demonstrated experience in preparing bid documents, PPP agreements, including O&M Agreement, and other related documents/agreements; managing bidding process; and resolving legal/policy/institutional assessment issues during bidding process and contract award.</p>
<p>Duration of Engagement (in person-months):</p>	
<p>Tasks</p> <ul style="list-style-type: none"> • Assess the viability from a legal standpoint of having a model PPP/O&M Agreement for this project, including an assessment of laws, administrative issuances, policies and regulations that affect the proposed development and O&M arrangement, the IA's capacity or legal personality to manage and monitor implementation of the O&M project once operational and make recommendations to improve the O&M of the project; • Conduct project risk analysis, including licensing, permitting and other legal risks that need to be addressed and allocated for each PPP option; • Review and assess legal issues associated with the management of the social and economic impacts of the project; • Prepare all necessary bid/tender documents, including the Information Memorandum, draft PPP Agreement, and bid evaluation criteria, among others; • Draft responses to bidders' queries; • Assist in securing the opinion/approval of the Office of the Solicitor General (OSG), and the Department of Finance (DOF) on the PPP Agreement; • Assist the PBAC in the evaluation of bids; • Assist the IA with all functions relating to grant of approval on any issue to the private sector proponent or signing any agreement or any other document with the private sector proponent; • Prepare execution copies of the PPP Agreement and render an opinion that the execution copy is in accordance with pertinent laws; • Provide signed legal opinions on issues which need to be addressed; • Prepare the PPP Contract Management Plan; • Prepare the Bid Process Report; and 	

<ul style="list-style-type: none"> • Provide support to ascertain on-time submission of required deliverables 	
Expert 4: Economic Analyst	Qualification: Five (5) years of demonstrated experience in sector economic assessment, opportunity cost implications, etc. Engaged as economic specialist for three (3) projects (public- and private-funded). Experience in handling infrastructure projects with historical significance will be an additional merit.
Duration of Engagement (in person-months):	
Tasks 1. Undertake a cost-benefit analysis. The analysis should include, among others, the following: <ol style="list-style-type: none"> Opportunity cost implications and projected project benefits and impacts; Determination of project rationale and economic impact in comparison with alternative options; and Determination of realistic economic rates of return for the project under various scenarios 	
Expert 5: Architecture/Civil Engineering Expert	Qualification: Five (5) years of demonstrated experience in detailed design and, with specific experience of design, layout and construction of at least 10 complexes.
Duration of Engagement (in person-months):	
Tasks <ul style="list-style-type: none"> • Carrying out detailed design, lay out plan (at least 3 alternative layouts) and other related activities relating to the development of the convention center and its additional support facilities considering the special requirements of the sector; • Determination of quantities and rates for major civil works, equipment, construction and other input items and in determining the project cost; • Development of projected operation and maintenance costs for the project on a whole of life basis; • Assistance in the project's financial and economic analysis with inputs on project costs (capital expenditures, operations, maintenance), required contingency levels, and any other information as requested; • Development of operation and maintenance manual for all the structures and associated facilities. 	
Expert 6: Environmental Specialist	Qualification: Five (5) years of demonstrated experience in the preparation of environmental impact assessment (EIA) reports and environmental management plans/programs for three (3) projects (public- and private-funded) in accordance with the specific requirements in the Philippines.
Duration of Engagement (in person-months):	
Tasks The consultant will ensure the project environmental impact assessment is adequate and compliant with the Philippine requirements. This will be done through implementation, among others, of the following activities: <ul style="list-style-type: none"> • Carry out a comprehensive environmental assessment and ensuring substantive and form-wise consistency with the Government's environmental requirements, i.e., ECC; • Conduct public consultation requirements, including informing the affected persons and local non-government organizations, and information 	

<p>disclosure of project-specific and quantitative information on potential environmental impacts (both positive and negative) and proposed mitigation measures;</p> <ul style="list-style-type: none"> • Assess, plan and recommend appropriate mitigation measures for wastes in an environmentally friendly manner; • Estimate the cost of an environmental management plan and funding sources, ensuring that these are included in the total project cost; • Identify government environmental clearance, required permits, and approvals; 	
<p>Expert 7: Social and Gender Specialist</p>	<p>Qualification: Five (5) years of demonstrated experience in assessment of social impacts including gender analysis and preparation of mitigation measures for three (3) projects (public-funded) in accordance with the specific requirements in the Philippines.</p>
<p>Duration of Engagement (in person-months):</p>	
<p>Tasks</p> <ul style="list-style-type: none"> • Collect sex-disaggregated data of clients/users of the project; • Conduct gender assessment and analysis of needs of women and men, as well as gender differential impact of the project; and • Review gender risks and develop mitigation measures. 	

AVAILABLE DOCUMENTS FOR THE PROJECT

- List current studies/documents prepared for the project (e.g., masterplans, pre-feasibility study, business case, feasibility study, technical study, Information Memorandum)

The IA has not yet commissioned a pre-investment study for the project.

LEGAL AUTHORITY TO UNDERTAKE PPP

The IA is a DOH-retained hospital mandated to serve the health needs of the people of the local region. It is under the technical supervision of the Department of Health.

Being a national government agency, it is qualified to enter PPP through RA7718 or the BOT Law.

Annex B: Latest Version of the PTC Form Adopted by NEDA ICC

Grp No.	Item No.	Parameter, term, or condition	Details of the parameter, term, or condition		Referenced sections of the IRR of the BOT Law	Approving body's position (fixed, restricted, delegated)	If approving body's position is fixed, state the position If position is restricted, state the options or the range of options If position is delegated: a) And if a solicited project, state the decision delegated to the agency/LGU b) And if an unsolicited project, state whether the negotiated position requires approval by the approving body
1	1.1	Scope of the project	Construction	What assets shall be constructed?	Item a. of Sec. 4.4		
	1.2		Supply	What assets shall be supplied?			
	1.3		Operation	Shall operation be part of the scope?			
	1.4		Maintenance	Shall maintenance be part of the scope?			
	1.5		Capacity augmentation /expansion /extension	Shall capacity augmentation or expansion of the system be part of the scope?			
	1.6			Shall extension of the alignment be part of the scope?			
	1.7	Financing	Which elements shall be financed				

			by the private sector?				
	1.8		What is the maximum Debt-to-Equity ratio allowed for this project?				
	1.9		Shall the CapEx be partly financed by the agency/LGU?				
2	2.1	Contractual arrangement	Contractual arrangement	What shall be the contractual arrangement of the project?	Sec. 4.4 (a) and Sec. 2.9		
3	3.1	Term	Contract duration	How long shall the contract be in effect?	Item a. of Sec. 4.4, and Sec. 12.11 (c)		
	3.2		Contract effectivity	When shall the contract be effective?			
	3.3		Start of concession	If a concession agreement, what event shall trigger the start of the concession?	None		
4	4	Milestones	Milestones	What shall be the milestones and when shall each be due?	Item c. of Sec. 4.4; last sentence of Sec. 12.2		
5	5.1	Technical Specifications and system features	Capacity	What shall be the required capacity of the project? E.g., No. of passengers per year (for airport), or Daily passenger traffic (for rail)	Item b. of Sec. 4.4		
	5.2		Specifications measured in units of time	What shall be the specifications measured in units of time of the project? E.g., Passenger queueing time (for airport), or Headway (for rail)	Item b. of Sec. 4.4		

	5.3		Quality performance specifications (focused on users of infrastructure)	What shall be the quality performance specifications (focused on users of infrastructure) of the project? E.g., Terminal climate temperature (for airport)	Item b. of Sec. 4.4		
	5.4		Environmental performance specifications	What shall be the environmental performance specifications of the project? E.g., Maximum level of noise emission (for airport)	Item b. of Sec. 4.4		
	5.5		Health and safety performance specifications	What shall be the health and safety performance specifications of the project? E.g., Maximum no. of safety citations per month (for airport or rail)	Item b. of Sec. 4.4		
	5.6		Other performance specifications	What are the other performance specifications of the project?			
	5.7		New technology	In the case of unsolicited projects, is there a new technology to be introduced for the project?	Sec. 10.2		
6	6.1	Commencement of implementation	Financial close	What documents shall be submitted as proof of financial close?	None		
	6.2		Financial close	When is the deadline for financial close including the submission of the required proof of financial close?			

	6.3		Financial close	What shall be the consequence for failure to achieve financial close? If an event of default, see Item 16.6.			
	6.4		Notice to commence	Under what conditions shall the Notice to Commence be issued?	Sec. 12.5		
7	7.1	Terms related to the construction & supply of assets by the proponent	Detailed engineering design	What shall be the procedures for approval of the DED?	Sec. 12.6		
	7.2			Who shall shoulder the cost of interconnection and interoperability of the proposed project with other projects			
	7.3			If the proposed project shall connect with another project:			
	7.3.1			What components of the interconnecting projects shall be part of the interface plan?			
	7.3.2			What shall be the procedures for the approval of			
	7.3.3			Who shall shoulder the cost of interruption of operations of the other project?			
	7.4			Traffic Management Plan (TMP)	If a TMP is required, what shall be the procedure for approval?	None	
	7.5		Delivery of project site / right-of-way (ROW)	Is government assistance needed for securing project site/ROW?			

	7.6			For ROW that shall be acquired by the IA/LGU for the project:			
	7.6.1			What shall be the procedure for handover?			
	7.6.2			How shall the IA/LGU be compensated?	Last two items of Sec. 10.4		
	7.7	Performance security for construction works and for supplied assets		How much shall be the performance security?	Item f. of Sec. 4.4; Sec. 12.8		
	7.8			What shall be the form of performance security?			
	7.9			What shall be the process and timing of release and replenishment of security?	last sentence of item a. of Sec. 12.13		
	7.10	Reviewing the progress of construction or of the installation of supplied assets		Who shall represent the parties in the group that will monitor the progress of construction?	Sec. 12.10		
	7.11			What shall be the roles and responsibilities of the representatives from each party?			
	7.12			How shall the progress of the construction be reported?			
	7.13			Shall an independent consultant (IC) be hired?			
	7.14			What shall be the roles and responsibilities of the IC?			
	7.15			What shall be the procedures for hiring an IC?			
	7.16			How shall the cost of the IC be shared?			

	7.17			What shall be the procedures for paying the IC?			
	7.18		Acceptance procedures	What shall be the procedures for acceptance of the assets built or supplied by the proponent?	Item a. of Sec. 12.13		
	7.19		Liquidated damages for delay	What shall be the materiality threshold at which the delay in construction or arrival of supplied assets, shall be considered an event of default?	Item e. of Sec. 4.4 ; Sec. 12.14		
	7.20			What shall be the mechanism for payment of the liquidated			
	7.21		Insurance during construction of assets or installation of supplied assets	What types of insurance shall be included?	Item g. of Sec. 4.4		
	7.22			For each type of insurance, what shall be the coverage?			
	7.23			Which of these types of insurance shall be purchased from a government insurance entity?			
8	8.1	Terms related to Hybrid or Brownfield Projects	Assets to be constructed by the proponent	Of the total assets to be constructed (see Item No. 1.1 above), what assets shall be constructed by the proponent?	None		
	8.2			Of the total assets to be supplied (see Item No. 1.2 above), what assets shall be supplied by the proponent?	None		

	8.3		Terms related to construction and supply of assets by the proponent	See Item 7 above			
	8.4		Assets to be provided by the agency/LGU	What assets shall be supplied by the agency/LGU?	'Item c. of Sec. 13.3 c.		
	8.5			If an unsolicited project, how shall the agency/LGU be compensated?	'Item b of Sec. 10.4		
	8.6			What shall be the condition of the assets that will be handed over by the agency/LGU to the proponent?	None		
	8.7			What shall be the procedures for testing and acceptance			
	8.8			How shall existing contracts related to these assets be dealt with?			
	8.9			Affected government employees	What shall be the process for selecting the employees who will be absorbed by the proponent?	None	
	8.10			How shall employees who will not be absorbed be handled?			
9	9.1	Terms related to project assets that would be leased from third parties	Leased assets	What assets shall the agency/LGU allow to be leased from third parties?	None		
	9.2			What restrictions shall be required to be included in a lease agreement between			

				the proponent and the lessor?			
10	10.1	Terms related to Operation	Division of responsibility for operations	Of the operations in Item No. 1.3, which shall be under the proponent's responsibility?	Item a. of Sec. 4.4		
	10.2			Shall the above include commercial operations? If yes, what shall be allowed?	Item d. of Sec. 12.16		
	10.3			Of the operations in Item No. 1.3, which shall be under the agency/LGU's responsibility?	none		
	10.4		Performance standards and specifications	What are the operating parameters and specifications?	Sec. 12.9; Sec. 12.13 (b)		
	10.5		Proponent's Performance security for operations	How much shall be the performance security?	Sec. 12.9; Sec. 12.13 (b)		
	10.6			What shall be the form of performance security?			
	10.7			What shall be the process and timing of release and replenishment of security?			
	10.8		Monitoring the performance of the proponent during operation	Who shall represent the parties in the group that will monitor the performance?	'Sec. 12.10		
	10.9			What shall be the roles and responsibilities of the representatives from each party?			
	10.10			How shall monitoring be conducted?			
	10.11			What testing procedures shall be conducted?			

10.12			How shall the performance of the proponent be reported?			
10.13			Shall an IC be hired?			
10.14			What shall be the roles and responsibilities of the IC?			
10.15			What shall be the procedures for hiring an IC?			
10.16			How shall the cost of the IC be shared?			
10.17			What shall be the procedures for paying the IC?			
10.18		Liquidated damages for deviation from, or non-compliance with performance standards	Under what conditions shall the proponent be liable to pay liquidated damages?	Sec. 4.4 (e); Sec. 12.14		
10.19	How much shall the proponent pay for liquidated damages?					
10.20	What shall be the mechanism for payment of the liquidated damages?					
10.21		Repair and maintenance costs	What portion of the project's revenues shall be set aside for repair and maintenance costs?	Sec. 12.15		
10.22			How shall the amount set aside for repair and maintenance costs be reported?			
10.23		Insurance during operations	What types of insurance shall be included?	Sec. 4.4 (g)		

	10.24			For each type of insurance, what shall be the coverage?			
	10.25			Which of these types of insurance shall be purchased from a			
	10.26		Hiring of government employees for operations	What conditions shall be imposed for government employees to be absorbed by the proponent?			
11	11.1	Capacity augmentation	Submission of capacity augmentation plan	If capacity augmentation is part of the Scope of the Project, what shall trigger the submission of a capacity augmentation plan?	None		
12	12.1	Revenues going to the proponent	Agency/LGU payments arising from the nature of the contractual arrangement	What is the schedule of the payments to be made by agency/LGU (amount of each payment, due date)?	Item b. and c. of Sec. 12.16.1		
	12.2			Shall payments be linked to the performance of the proponent (as in the case of availability payments)? If yes, how?			
	12.3			In what manner shall the Proponent be paid?			
	12.4			Under what conditions shall the amount of government payments change?			
	12.5		Fees, tolls, charges paid by users	If regulated by contract:	Item a and b of Sec. 12.16.1, Sec. 12.16.2; Sec. 12.18		
	12.5.1	Who shall approve the fees/tolls/charges to be charged to users?					

	12.5.2			How much shall be the fees/tolls/charges at the start of operation?			
	12.5.3			What shall trigger the adjustment of fees/tolls/charges?			
	12.5.4			What shall be the parametric formula for the adjustment of fees/tolls/charges?			
	12.5.5			What is the rate of return (RROR)?	First sentence of Sec 9.3		
	12.5.6			How shall the parametric formula take into account the prescribed RROR?			
	12.6			Other sources of revenues	What other sources of revenues, if any, shall be granted to the proponent?	Items d. and e. of Sec. 12.16.1	
13	13.1	Revenues going to the agency/LGU	Fees, tolls, charges paid by users	If collected by the Proponent on behalf of agency/LGU, how shall these be accounted?	Item b. of Sec. 12.16.1; Sec. 12.19		
	13.2			How shall these be remitted to the agency/LGU?			
	13.3		Share in Proponent's revenues	Which of the proponent's revenues shall be shared with the agency/LGU?	Sec. 12.17; Sec. 12.19		
	13.4			How shall revenues, that shall be shared, be accounted for?			
	13.5			How much shall be the agency/LGU's share?			
	13.6			How shall these be remitted to the agency/LGU?			
	13.7		Fixed Payment/s to the agency/LGU	What is the schedule of the payments to be made by	Sec. 12.17		

				the proponent (amount of each payment, due date)?			
	13.8			How shall these payments be remitted to the agency/LGU?			
14	14.1	Accession/ Divestiture	Lock-in period	How long shall be the required lock-in period?	Sec. 12.20		
	14.2		Approval of change in ownership	What shall be the procedure for securing approval of the change in ownership?	None		
15	15.1	Loan covenant	Consent of the agency/LGU	What events of default in the loan covenant shall require the prior consent of the agency/LGU before the loan covenant is signed?	None		
	15.2		Payment in case of default	How shall the private proponent obtain the consent of agency/ LGU on the payments to be made in case of loan default?	None		
	15.3		Monitoring of the obligations of the private proponent	How shall the private proponent share with the agency/ LGU the status of obligations which, if not fulfilled, could result to loan default?	None		
16	16.1	Default by either Party (with respect to obligations in the PPP contract)	Agency/LGU's events of default	Failure to comply with a contract obligation	Item a. of Sec. 12.21		
	16.2.1		Proponent's events of default	Violation of Section 11.6 of the IRR - Withdrawal/substitution of a member	par. 2 of Sec. 11.6		
	16.2.2			Failure to correct non-compliance with approved plans, specifications and	par. 2 of Sec. 12.10		

				standards within prescribed time			
	16.2.3			Failure to comply with project milestones	Sec. 12.12		
	16.2.4			Accession or divestiture not in accordance with Sec. 12 of the IRR	par. 2 of Sec. 12.20		
	16.2.5			Failure to perform the provisions of the contract	Item b. of Sec. 12.21		
	16.3.1		Curing the event of default	What is the process for obtaining government consent for cures that may increase the government's liabilities?	None		
	16.3.2			How shall the private proponent share with the agency/ LGU			
17	17.1	Termination of Contract	Termination in case of default by agency/LGU	How shall termination be effected in case the agency/LGU fails to cure an event of default within the curing period?	Item a. of Sec 12.21		
	17.2			How shall the termination payment be calculated?	par.2 and 3 of 12.21		
	17.3			Who shall be the independent appraiser?			
	17.4			How shall the termination payment be made?			
	17.5			How shall the transfer of assets be made?	None		
	17.6		Termination by the government, by mutual agreement, or by the court through no fault of the proponent	How shall the termination payment be calculated?	Item c. of Sec 12.21		
	17.7			Who shall be the independent appraiser?	par.2 and 3 of 12.21		
	17.8			How shall the termination payment be made?			
	17.9			How shall the transfer of assets be made?			

	17.10		Termination in case of default by proponent	How shall termination be effected in case the proponent	Item b. of Sec 12.21 (b)			
	17.11			Shall lenders be allowed to step-in?	None			
				If yes:				
	17.11.1			What shall be the lender's step-in process?			a)	
	17.11.2			What shall be the rights and obligations of the lenders if they step in?	None			
	17.11.3			What conditions shall lead to termination of the process being implemented by the lender?	None			
	17.11.4			What shall be the consequences of termination of the process being implemented by the lender?	None			
				If no:				
	17.11.5			How shall termination payment be calculated?	None			
	17.11.6			Who shall be the independent appraiser?	None			
	17.11.7			How shall the termination payment be made?	None			
	17.11.8			How shall the transfer of assets be made?	None			
	17.12			Termination in case of force majeure	What kinds of force majeure shall lead to termination?	None		
	17.13				How shall the termination payment be calculated?	None		
	17.14		Who shall be the independent appraiser?		None			

	17.15			How shall the termination payment be made?	None		
18	18.1	Temporary takeover of the project by agency/LGU	Conditions that would trigger a temporary takeover of the project by agency/LGU	What conditions will lead to the agency/LGU temporarily taking over the project?	None		
	18.2			How shall the proponent be compensated for lost revenues in case of a temporary takeover?	None		
	18.3			How shall the assets be handed over to the agency/LGU?	None		
	18.4			At the end of the takeover, how shall the assets be handed	None		
19	19.1	Dispute resolution	Dispute resolution	What shall be the dispute resolution process?			
	19.2			If arbitration shall be part of dispute resolution process,			
	19.2.1			Who shall be the arbitrator?			
	19.2.2			Where shall be the seat of arbitration?			
	19.2.3			Where shall be the venue of arbitration?			
20	20.1	Litigation	Litigation	What shall be the venue for litigation?			
21	21.1	Transfer at the end of the contract	Assets to be transferred	What assets shall be transferred to the agency/LGU?	Sec. 12.23		a)
	21.2			What shall be the required condition of the assets when transferred to the agency/LGU?			

	21.3			What shall be the procedures to test conditions of the assets to be transferred to the agency/LGU?			
	21.4			How much shall be the handback security? "Handback Security" means the security to be given by the proponent for the handback rectification works to ensure that the assets to be transferred to the agency/LGU meet the required condition under the contract.			
	21.5			What shall be the form of the handback security?			
	21.6			What shall be the timing and process of the release and replenishment of the handback security?			
	21.7			When shall the testing be conducted?			
	21.8			When shall the transfer of assets to the agency/LGU take place?			
	21.9			Who shall shoulder costs related to transfer of assets to the agency/LGU?			
	21.10		Warranty after transfer	What shall be the coverage of the warranty?			
	21.11			How long shall be the warranty period?			
	21.12			How much shall be the performance security during the warranty period?			

22	22.1	Other obligations of the parties	Guarantee on MAGA	What agency/LGU actions shall be treated as MAGA?	None		
	22.2			What obligations, if not performed by agency/LGU, shall be treated as MAGA?			
	22.3			For compensation to take effect, what shall be the materiality threshold?			
	22.4			How shall the proponent be compensated in case of a MAGA?			
	22.5			How much shall be the cap on compensation?			
	22.6			When shall be the deadline for the payment of compensation?			
	22.7		Sharing in refinancing gains	How much shall be the share of the agency/LGU in refinancing gains, if any?			
	22.8		Assistance to be provided by agency/LGU	What kinds of assistance are needed from agency/LGU?			
	22.9			How shall the agency/LGU be compensated for providing such assistance?			
	22.10		Handling of labor strikes	How shall the impact of labor strikes on the proponent's performance be treated?			
	22.11		Handling Liabilities to third- parties	How shall claims of third- parties be handled?			
23	23.1	Permitted Security Interests	Collateral for debt financing	What shall be permitted to be used as collateral by the proponent?	None		

	23.2			What restriction shall be imposed on each permitted security interest?			
24	24.1	Warranty against corruption	Warranty against corruption	What shall the provision on warranty against corruption contain?	Item k of Sec. 4.4		
	24.2			In case there is a claim of corruption against a party, how shall this be settled?			

Part 2: Assessment of Risks and Proposed Risk Allocation

Grp No.	Item No.	Type of Risk	Details of Risk	As per GPRAM issued August 2016, who should take the risk? G – government P – proponent P&G – government and proponent N – not stated	As per latest ICC policy, who should take the risk? G – government P – proponent P&G – government and proponent N – not stated	For the project, who shall take the risk? G – government P – proponent P&G – government and proponent N – not stated	Details of Approving Body's Position on Each Risk including justifications for risk allocations deviating from the GPRAM or latest ICC policy
25	25.1	Existing structure and assets (refurbishment / extensions)	Risk that existing structures (e.g., buildings, rail lines) and other assets (e.g., computer systems) are inadequate to support new improvements or structures / activities subject of or involved in PPP contract, resulting in additional construction, time, and cost that may be	P&G	P		

			necessary to replace, strengthen, or improve the existing structures or assets to enable it to successfully support the project				
	25.2	Existing facilities: Current service contracts	Uncertainties inherent in existing contracts for the delivery, upkeep or refurbishment of the asset lead to unexpected benefits or costs for the proponent and/or interface issues	P&G	P&G		
	25.3	Existing facilities: Current Government employees	Risks relating to uncertainties and costs in utility of current employees and in retrenching redundant employees	G	P&G		
	25.4	Geotechnical site conditions	Risk that unanticipated adverse geological conditions (geotechnical risk) are discovered which cause construction or maintenance costs to increase and/or cause construction delays	P&G	P		
	25.5	Permits and approvals / Site preparation	Risk that necessary approvals may not be obtained or may be obtained only subject to unanticipated conditions, which have adverse cost and time consequences (e.g. prolonged delay)	P&G	P&G		

	25.6	Environmental liabilities existing prior to the project	Risk that the project site is contaminated requiring significant remediation expenses	P&G	P&G		
	25.7	Environmental liabilities created during operation	Risk that the use of the facility / project site over the contract term has resulted in significant environmental liabilities (clean up or rehabilitation required to make the site fit for future anticipated use)	P	P		
	25.8	Cultural heritage	Risk of costs and delays associated with the discovery of archaeological and cultural heritage attributable directly to the Government's mandated process of conserving, protecting, regulating, and disposition of said discovery	P&G	P&G		
	25.9	Availability of site	<p>(i) Risk that tenure / access to a selected site which is not presently owned by Government or proponent cannot be negotiated</p> <p>Risk of costs and delays in negotiating land acquisition</p>	P&G	P if unsolicited G if solicited		

	25.10	Design / Technical risk	Risk that the design of the facility is substandard, unsafe, or incapable of delivering the services at anticipated cost and specified level of service (often resulting in long term increase in recurrent costs and long term inadequacy of service)	P&G	P		
	25.11	Interconnectivity risk	Interconnectivity refers to the physical linkage of a project to another or to part of a network	P&G	P		
	25.12	Inter-operability risk	Interoperability risk refers to the risks associated with achieving clear and efficient operational arrangements with other facility operator/s which have to be considered in the project design and operation system requirements	P&G	P		
	25.13	Construction	Risk that events occur during construction that prevent the facility from being delivered on time and on cost	P	P		
	25.14	Commissioning	Risk that either the physical or the operational commissioning tests which are required to	P	P		

			be completed for the provision of services to commence, cannot be successfully completed				
	25.15	Interest rates prior to construction completion	Risk that prior to completion, interest rates may move adversely	P	P		
	25.16	Interest rates post-completion of construction	Risk that after completion, interest rates may move adversely	P	P		
	25.17	Exchange rate	Risk that during operation, exchange rates may move adversely, affecting the proponent's ability to service foreign denominated debt and obtain its expected profit	P	P		
	25.18	Inflation	Risk that value of payments received during the term is eroded by inflation	P&G	P		
	25.19	Financing unavailable	Risk that when debt and/or equity is required by the private firm for the project, it is not available then and, in the amounts, and on the conditions anticipated	P	P		
	25.20	Sponsor risk	Risk that the proponent is unable to provide the required	G	G		

			services or becomes insolvent				
	25.21	Change in ownership	Risk that a change in ownership or control of the proponent results in a weakening in its financial standing or support or other detriment to the project	P&G	P		
	25.22	Tax changes	Risk that before or after completion, the tax impost on the proponent, its assets or on the project, will change	P&G	P		
	25.23	Lessee risk	Risk that the major critical assets necessary for the operational stage of the project are acquired through leases and that the proponent defaults on those lease obligations.	P	P		
	25.24	Inputs / Operating cost overrun	Risk that required inputs during the operations stage cost more than anticipated, are of inadequate quality or are	P	P		
	25.25	Maintenance and refurbishment	Risk that design and/or construction quality is inadequate resulting in higher than anticipated maintenance and	P	P		

	25.26	Changes in output specification outside agreed specification range (including modifications and augmentations)	<p>Risk that Government's output requirements are changed after contract signing whether pre or post commissioning</p> <p>Change prior to commissioning may require a design change with capital cost consequences depending on the significance of the change and its proximity to completion</p> <p>Change after completion may have a capital cost consequence or a change in recurrent cost only (for example, where an increase in output requirements can be accommodated within existing facility capacity)</p>	P&G	P&G		
	25.27	Operator failure / shortfall in service quality	Risk that a subcontract operator may fail financially or may fail to provide contracted services to specification	P	P		

			(Failure may lead to service unavailability and a need to make alternate delivery arrangements with corresponding cost consequences)				
	25.28	Technical obsolescence or innovation	<p>Risk that the nature of the contracted service or its method of delivery is not keeping pace, from a technological perspective, with competition and/or public requirements</p> <p>Proponent's revenue may fall below projections either via loss of demand (user pays model) to competing services and/or operating costs increasing</p> <p>Government may wish to change specifications of contracted service</p>	P&G	P		
	25.29	Third party liability	Risk that third parties file suits or claim damages against Government for faults of the proponent and vice versa	P&G	P&G		

	25.30	Demand risk	Risk that operating revenues fall below forecast as a result of decrease service volume (i.e., traffic volume, water or power consumption) attributable to an economic downturn, competition in the relevant market tariff increases, or change in consumer habits	P&G	P		
	25.31	Changes in competitive network	Risk that an existing network is extended / changed / re-priced so as to increase competition for the facility	P	P		
	25.32	Ancillary commercial businesses	Risk that ancillary commercial business operations adversely impact the proponent's fulfilment of PPP contractual obligations and/or pose additional exposures for Government	P	P		
	25.33	Industrial relations	Risk of strikes or industrial action causing delay and cost to the project	P	P		
	25.34	Approvals	Risk that additional necessary approvals required during the course of the project cannot be obtained	P&G	P&G		

	25.35	Changes in Law / Policy	Risk of a change in law / policy of Government only, which could not be anticipated at contract signing and which has adverse effects on revenues, capital expenditure or operating cost of the proponent	P&G	G if Change in law/policy covers only events occurring as a result of an executive action of the Gov't; otherwise, P		
	25.36	Economic Regulation	Risk that where there is a statutory economic regulator involved there are pricing or other changes imposed on the proponent which do not reflect its investment expectations	G	P		
	25.37	Availability of Government Appropriations	Risk in delays in Government contractual payments to the proponent arising from unavailability of Government budgetary appropriations	G	G		
	25.38	Changes in statutory rates of general application	Risk of changes in minimum wages and other regulated rates of general application affecting the proponent	P	P		
	25.39	Force majeure risk	Risk that inability to meet contracted service delivery (pre or post completion) is	P&G	P&G		

			caused by reason of force majeure events				
	25.40	Default and termination	Risk of 'loss' of provision by the proponent of contracted services upon the premature termination of project contract	P&G	P&G		
	25.41	Residual value on transfer to Government	Risk that on expiry or earlier termination of the services contract the asset is not in the required condition term	P	P		