

Requirements for Feasibility Study, Economic Model, and Financial Model for Local Solicited PPP Projects

No.	Document (should be in searchable format)	Description/Remarks
1	Complete Feasibility Study (F/S)	<p>A complete feasibility study (F/S) should contain information that are up-to-date and are not older than three (3) years as of the date of submission to the PPP Center.</p> <p>The F/S should also contain the following information:</p> <ol style="list-style-type: none"> a. problem definition or statement of objectives b. project description - <i>This section presents the project's configuration and scope of works particularly a brief description of the components, the location and the areas of service/influence. This should clearly indicate the outputs (e.g., products, services, target users) of the project.</i> c. project context in the LGU/LUC's overall strategy/program - <i>This pertains to the overview of the concerned LGU/LUC's national strategy and program, including overall development outcomes, timelines, and investment requirements, and the specific link of the proposed project outputs, timelines and investment requirements to achieve the LGU/LUC's national strategy and program.</i> d. sectoral program context - <i>This section provides a brief overview of sector targets, existing programs and sectoral gaps based on existing master plans/sectoral programs, how the proposed project addresses the needs, priorities and objectives of the sector, and linkage of the proposal with other initiatives in the sector as well as related projects in other sectors.</i> e. regional and spatial context - <i>This section indicates the geographical coverage of the proposed project and its linkage with other projects within the region and across the country. For area specific projects, justification for the choice of area/s should be clearly stated. This may include, as annexes, location map and other relevant technical diagrams.</i> f. expected outcomes and key success indicators, including means of verification and key assumptions g. analysis of technical solutions or alternatives, including analysis of risks and impact - <i>An analysis of project design and technology alternatives (advantages/disadvantages) which have been identified to achieve the objective of the project. It must include the criteria and justification for choosing the project, project location and/or alignment (e.g. alternative</i>

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		<p><i>alignments for rail and road projects, location for airport), results of geotechnical investigation, and chosen technology, as may be necessary. It must also show the viability of implementing the selected alternative considering technical characteristics and geologic conditions, physical resource requirements, construction/operation plans, and risks and costs to mitigate the impact of identified technical risks.</i></p> <p><i>The analysis must also include a discussion on the details of the new technology/concept involved in the project, if applicable.</i></p> <p><i>h. stakeholder analysis - Pursuant to Section 6 of the PPP Code, the development of a PPP Project shall only be undertaken after the conduct of stakeholder consultation-</i></p> <p><i>The official documentation of such consultations should be submitted to the PPP Center.</i></p> <p><i>The PPPGB Resolution No. 2016-06-02 provides the guidelines on institutionalizing the consultation and engagement of the public. Said guidelines include the institutional responsibilities of the LGU/LUC, the development of a consultation plan, and the communication platforms to be employed. The stakeholder analysis should include a discussion on the results of the conducted public consultations, including how concerns are mitigated.</i></p> <p><i>i. project costs - refers to the total cost to be expended to plan, develop, and construct the project to completion stage, including cost of feasibility studies, engineering and design, construction, equipment, land/right-of-way (ROW), taxes imposed on said cost, and development cost. For Operations and Maintenance (O & M) PPP Projects without initial capital expenditures, the present value of costs incurred in delivering the contracted service, including any reinvestment requirements shall be considered as the Project Cost</i></p> <p><i>j. legal due diligence, which includes policy and regulatory framework of the market/s affected by the project, and institutional analysis</i></p>

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		<p>k. demand analysis - <i>An analysis of the market as well as the existing and projected demand for the project. This includes assumptions in the demand forecast, the historical data used as basis in the forecast, if any, and an assessment on the appropriateness of project interventions, considering market characteristics (e.g., user fees vs willingness-to-pay).</i></p> <p><i>As applicable, the analysis shall include information/findings on the alternatives available to users of the project and barriers to entry into the market/s affected by the project.</i></p> <p><i>The analysis may include a demand model such as those generated through modeling software (e.g. Strada, CUBE, PTV Vissim). The model must be consistent with the financial and economic models and an electronic copy must be submitted.</i></p>
		<p>l. information on the proposed tariff structure</p>
		<p>m. financial analysis (including information on project revenues consistent with the financial model) - <i>An analysis of the financial sustainability of the project and its ability to meet operational costs and debt service obligations. It should include discussion of information on tariff setting and parametric formula. Cash flows should be expressed in nominal terms. All monetary values shall be expressed/converted into local currency, i.e., PHP. It should include: i) Table of assumptions; ii) Resulting viability indicators and corresponding assessment, among others. It must also include sensitivity analysis, and an assessment of the recommended reasonable Rate of Return.</i></p>
		<p>n. economic analysis (including information on economic benefits and cost consistent with the economic model) - <i>An analysis of project desirability in terms of its net contribution to the economic and social welfare of the country as a whole. It should include description of economic costs and benefits streams considered, table of assumptions (including ICC-prescribed shadow factors for unskilled labor and foreign cost component), and resulting viability indicators with corresponding assessment. It should also include a sensitivity analysis with corresponding assessment.</i></p>
		<p>o. project safeguards - <i>An evaluation of whether project safeguards on the following areas are integrated in the project design, and high-level safeguards performance indicators are included in the monitoring and evaluation plan (e.g., KPIs):</i></p>

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		<ul style="list-style-type: none"> 1. <i>Environmental quality</i> <ul style="list-style-type: none"> - <i>Compliance with environmental standards</i> - <i>Environmental impact/stressors and specific measures/facilities, procedures and systems to address these throughout the project life is identified</i> 2. <i>Natural and cultural resources sustainability</i> <ul style="list-style-type: none"> - <i>Conservation/regulation of use of natural resources</i> - <i>Biodiversity and ecosystems preservation</i> - <i>Cultural resources and heritage preservation</i> 3. <i>Climate change and hazards</i> <ul style="list-style-type: none"> - <i>Resiliency/adaptation measures are identified</i> - <i>Contribution to GHG reduction (e.g., adoption of the Philippine Green Building Code)</i> 4. <i>Equity in development benefits</i> <ul style="list-style-type: none"> - <i>Conduct of due diligence and public consultations with legitimate stakeholders including Indigenous People (IP) / Indigenous Cultural Communities (ICCs), if any, to ensure that relevant concerns are addressed and project benefits are equitably shared</i> - <i>Resettlement / compensation for the displaced / project-affected people (PAP)</i> - <i>Gender equity to ensure that applicable gender-related features and systems are integrated in the project design</i> - <i>Senior citizens & PWD access / inclusivity</i>

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		<p>5. Health and safety</p> <ul style="list-style-type: none"> - Compliance with workplace standards - Implementation of cyber-security standards/good practices <p>p. risk allocation and risk mitigating plan</p> <p>q. value for money analysis - <i>An analysis applied to PPP projects at the project development stage to determine the appropriateness of undertaking them as PPPs and for assessing whether they provide better value for money in comparison to the traditional public procurement option. This shall determine the procurement approach that provides the maximum benefit for the government which could include benefits from private sector innovation, financing, efficiencies in construction and operations and project risk transfer.</i></p> <p><i>Pursuant to Section 3(jj), VFM refers to the effective, efficient, and economic use of resources, which requires the evaluation of relevant costs and benefits, along with an assessment of risks, and of non-price attributes and/or life cycle costs, as appropriate. Price alone may not necessarily represent VFM.</i></p> <p>r. PPP contractual arrangement options and assessment of the proposed contractual arrangement</p> <p>s. information on job creation (from development to operation and maintenance)/employment impact of the project, and number and types of jobs with corresponding sex-aggregated data and amount of wages/salaries</p>
2	Electronic copy of the economic model	<p>The economic model should:</p> <ul style="list-style-type: none"> a. be in traceable formula format (assumptions/inputs shall be shown in a summary sheet that are linked to the relevant work sheets of the model) b. contain information that are up-to-date and are not older than three (3) years as of the date of submission to the approving body <p>The economic model should also contain the following:</p> <ul style="list-style-type: none"> a. economic benefits and costs of a project

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		<ul style="list-style-type: none"> b. assumptions used in calculating economic benefits, and conversion of financial costs to economic costs c. calculation of economic viability (i.e., economic internal rate of return; economic net present value; benefits-cost ratio) <p>Moreover, the submission shall consider the current situation, as may be applicable (e.g., impacts of a pandemic on demand and costs)</p>
3	Electronic copy of the financial model	<p>The financial model should:</p> <ul style="list-style-type: none"> a. be in traceable formula format (assumptions/inputs shall be shown in a summary sheet that are linked to the relevant work sheets of the model) b. contain information that are up-to-date and are not older than three (3) years as of the date of submission to the approving body <p>The financial model should also contain the following:</p> <ul style="list-style-type: none"> a. projected balance sheet of the project for its full life cycle b. assumptions used in calculating the financial revenues and financial costs c. income statement of the project for its full life cycle d. cash flows statement of a project for its full life cycle e. calculations on financial viability (i.e., free cash flows to firm and equity holders; project and equity internal rates of return; project and equity net present value; weighted average cost of capital; cost of equity components based on Capital Asset Pricing Model (CAPM)) f. calculations on bankability (i.e., debt service coverage ratio) g. amounts to be paid and schedule of payments of firm liabilities h. VFM/Public Sector Comparator model <p>Moreover, the submission shall consider the current situation, as may be applicable (e.g., impacts of a pandemic on demand and costs)</p>