

PUBLIC-PRIVATE PARTNERSHIPS

Investing in local PPP infrastructure development

November 20, 2017



PUBLIC-PRIVATE PARTNERSHIPS

Strategy for Engaging LGUs in PPP

The Philippines is a highly urbanized country with approximately 50% of its total population residing in urban areas.

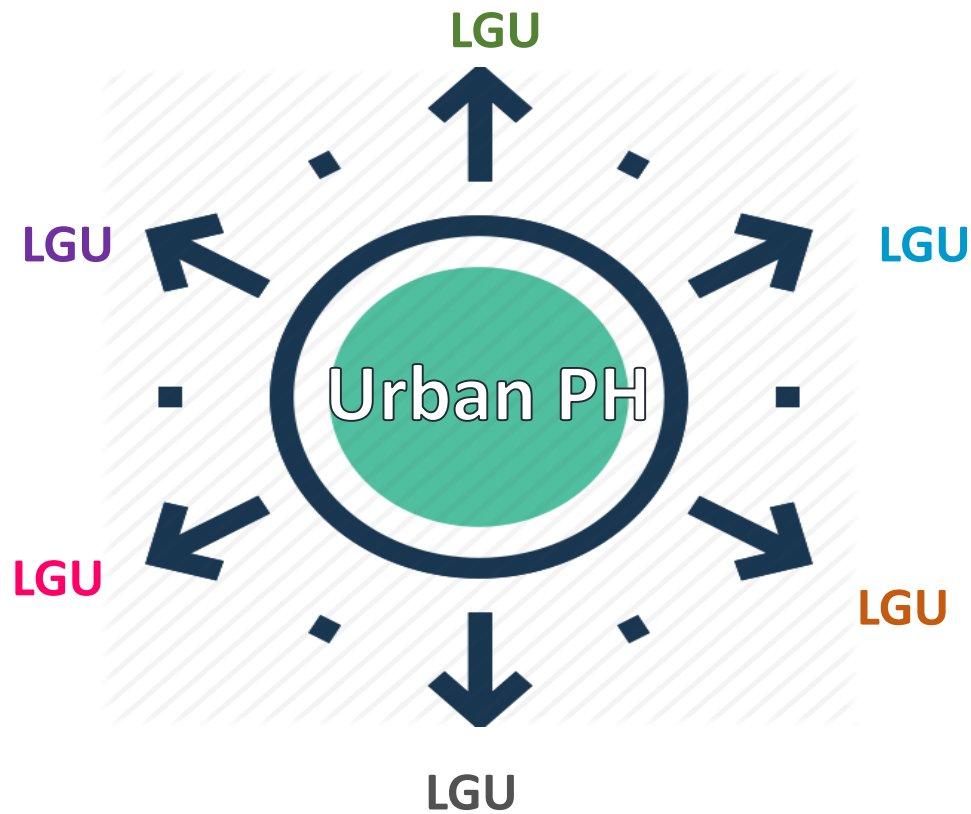
(Asian Development Bank, 2014)





Rapid urbanization is a global phenomenon that leads to a decline in the quality of living and infrastructure problems.





LGU-PPPs can address problems conceived from rapid urbanization through the promotion of decentralization.



LGU PPP Strategy

Rationalizing the Scope and Extent of PPP Center's Interventions to Local Government Units on their PPP Programs and Projects

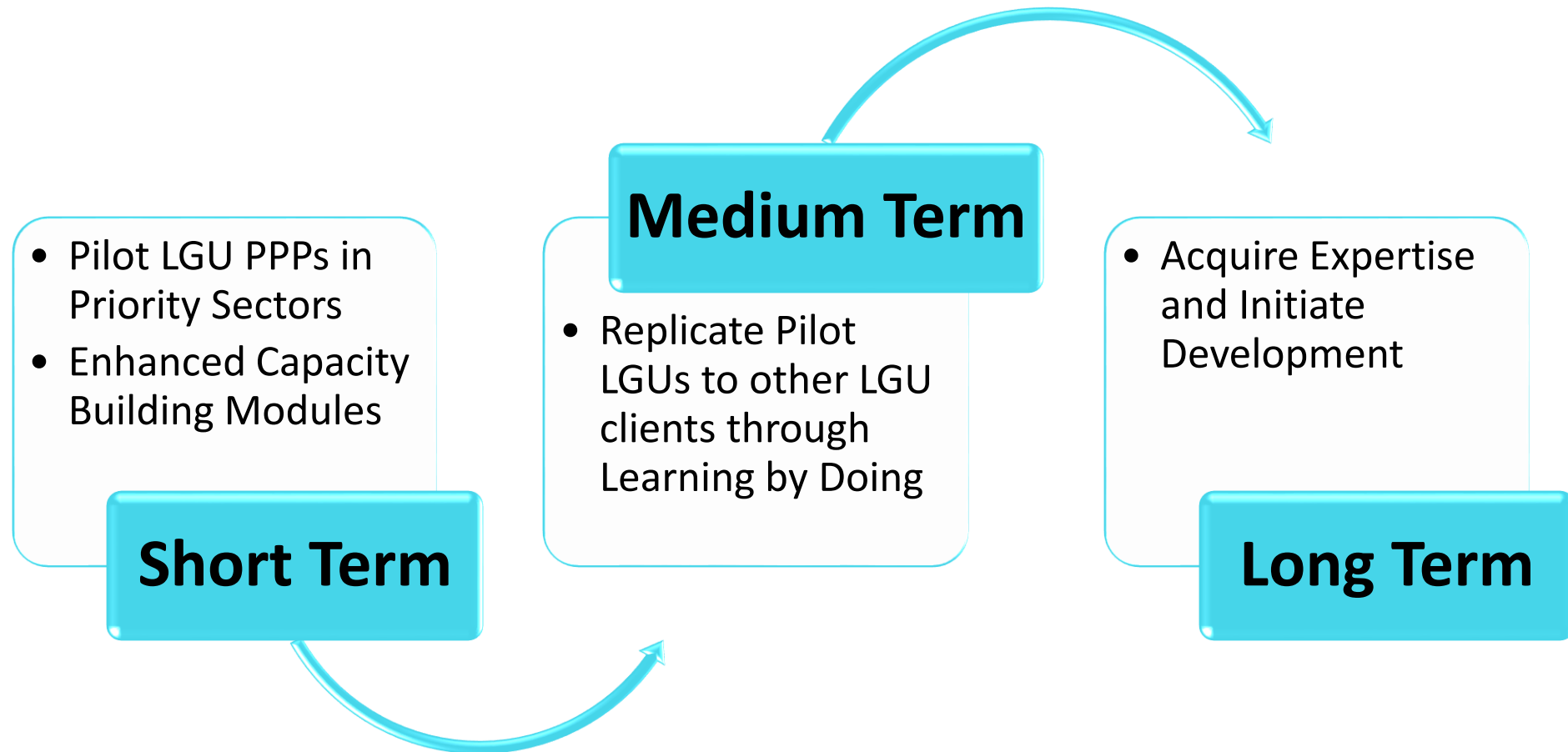
- **Office Circular No. 9** (November 5, 2013) - PPP Center's Official Policy in the Provision of Assistance to LGU-PPP Programs/Projects

Period	Strategy
Short term (Immediate)	LGU Staff Internship Program for Selected Projects
Medium term (1-2 years)	Partnership with selected Local Capacity Building Institutions (LCBIs)
Long term (2-5 years)	Project Development Facility for LGU PPP Projects

- **Enhanced LGU Strategy** (launched on September 18, 2017) - PPP Center updated its strategic direction through strengthening the support provided to LGUs in the development and implementation of projects implemented under the BOT Law, and Joint Venture Agreements



PPP Center's Support under the Enhanced LGU Strategy



Short Term: Pilot LGUs in Priority Sectors

- Improve institutional readiness of LGUs
- Provide support and advice in Joint Ventures (JVs)
- Prioritize mobilization of resources to sectors responsive to LGU's needs (e.g. water supply, sanitation, vertical infrastructure, etc.)
- Explore bundled or clustered LGU PPP projects
- Link LGUs to funders of project preparation studies (e.g. ADB, World Bank, CDIA, etc.)
- Link LGUs to funders that can support hybrid financing



Short Term: Enhanced Capacity Building Modules

- Establish formal collaborative alliances with local capacity building institutions (LCBIs), public or private
- Conduct trainings on Project Prioritization, Feasibility Study Appreciation, Financial Modelling, etc.



Medium Term: Replicate Successful PPP Projects to other LGUs

- Develop templates for priority projects (e.g. technical analysis, financial analysis, contracts, etc.)
- Cascade developed templates through internship programs and LCBIs to applicable LGUs

Long Term: Acquire Expertise and Initiate Development

- Project Development Monitoring Facility (PDMF) for LGUs - customize PDMF to be more responsive to the scale and needs of LGUs
- PPP Center to provide in-house team for Project Development support for LGUs



Key Local Partnerships of the PPP Center

DILG LGU Public-Private Partnership for the People (P4) Initiative

The LGU P4 Program aims to promote local economic development through partnership between the LGU and the private sector

DILG Interventions in Promoting LGU P4 include: 1) Policy Issuance on LGU P4; 2) PPP Training Program; 3) LGU P4 Database; and, 4) LGU-CSO PPP Watch

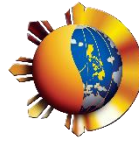
Mindanao Development Authority

Implementation of Capacity Building Program for the Mindanao Development Authority to enable the institution to move local PPP projects in the Mindanao region

League of Cities of the Philippines

Cooperation towards promoting well-structured and viable infrastructure projects through public-private partnerships to spur local economic development.





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PPPs for LGUs

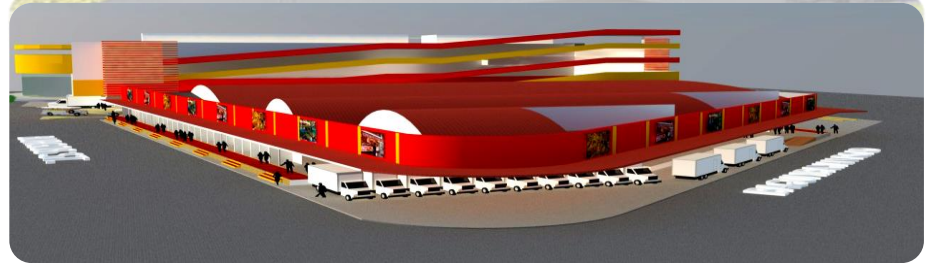
PPP Projects in Focus



Baggao Level III Water Supply Project

LGU: Municipality of Baggao, Cagayan Valley

Project Cost: Php 84.2 million



Tanauan City Public Market

LGU: City Government of Tanauan,
Batangas

Project Cost: Php 400.1 million



CURRENT SITUATION



Majority of the population get their water through individual shallow wells or deep wells which they built and no purification being done.

PROJECT OBJECTIVE

To provide 24/7 Level III water service to 24 barangays conforming to Philippine National Standards for Drinking Water (PNSDW).



PROJECT SCOPE

The private proponent will *finance, design* and *construct* all the components of the of the Level III water supply systems namely:

- source facilities
- treatment facilities
- pumping facilities
- storage facilities
- transmission and distribution facilities

The private proponent will also operate and maintain the system.



PPP SCHEME

PPP Scheme: **Build-Operate-and-Transfer(BOT)**

Cooperation Period: **25 years**

Proposed Bid Parameter: **Lowest proposed tariff**

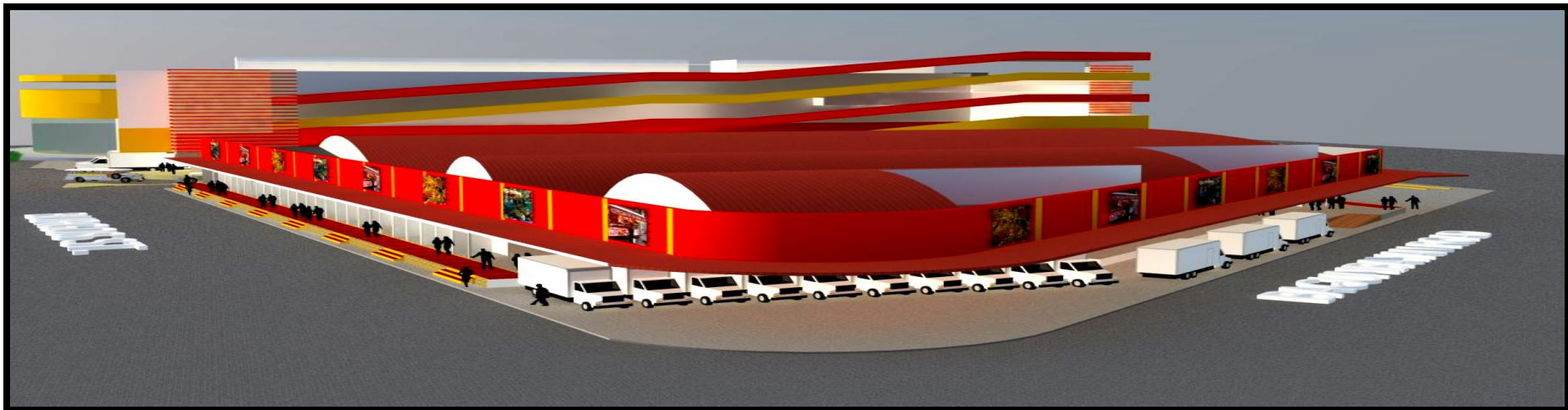
Project Cost : **PHP 84.220 MILLION**

CapEx	%
Source Facilities	11.31
Pumping Facilities	9.79
Treatment Facilities	0.23
Storage Facilities	17.35
Transmission and Distribution Facilities	40.37
Others (contingencies, supervision,)	20.95
TOTAL	100%

TANAUAN CITY PUBLIC MARKET REDEVELOPMENT PROJECT (TCPMRDP)



THE PROJECT WILL HAVE TWO COMPONENTS: A **COMMERCIAL MALL BUILDING** AND A SEPARATE **WET AND DRY MARKET BUILDING** TO BE BUILT ON THE SAME LOCATION OF THE EXISTING PUBLIC MARKET.



BRIEF BACKGROUND OF THE EXISTING PUBLIC MARKET



- **THE TANAUAN PUBLIC MARKET IS SITUATED IN THE HEART OF THE POBLACION, SURROUNDED BY RESIDENTIAL PROPERTIES IN BRGY. POBLACION 7, FRONTING THE NATIONAL HIGHWAY AND ADJACENT TO THE OLD PHILIPPINE NATIONAL RAILWAYS (PNR) RAILROAD TRACK.**
- **ONE OF THE BIGGEST PUBLIC MARKET IN BATANGAS PROVINCE**







COMMERCIAL BUILDING / MALL



THE HIGH-END COMMERCIAL BUILDING OR MALL SHALL BE A FOUR-STOREY STRUCTURE, OF WHICH THE FIRST TWO FLOORS ARE FULLY AIR-CONDITIONED, WITH 519 LEASABLE SPACES OF VARIOUS SIZES AND SIX (6) SLOTS FOR AUTOMATED TELLER MACHINES (ATMs). THE UPPER TWO FLOORS SHALL BE FOR MULTI-LEVEL PARKING SPACES.



WET AND DRY MARKET BUILDING



THE SEPARATE WET AND DRY MARKET BUILDING SHALL HAVE 898 STALLS CATEGORIZED INTO DRY SECTION AND WET SECTION.

THE DRY SECTION SHALL ACCOMMODATE SHOPS FOR SERVICES, SALONS, RTW'S, BAGS, SHOES, ACCESSORIES, TAILORING, GROCERY ITEMS AND RICE DEALERS, WHILE THE WET SECTION WILL BE FOR FISH AND MEAT



TANAUAN CITY PUBLIC MARKET REDEVELOPMENT PROJECT (TCPMRDP)

CONSTRUCTION COST AND FINANCING

PROJECT COST

Pre-construction cost	3,150,000.00
Four-storey Commercial Mall Building with Multi-level Parking Terminal	271,524,199.00
Wet and Dry Public Market	19,500,000.00
Temporary Staging Area/Vendors' Relocation Facilities	4,450,000.00
Common Support Facilities	58,621,982.00
Value Added Tax (VAT)	42,869,541.72
TOTAL PROJECT COST	400,115,722.72

INDICATORS

Project IRR	16.03%
Equity IRR	35.33%
WACC	5.98%
Project NPV	365,558,020.88
Social Discount Rate	15%
Economic IRR	28%
Economic NPV	241,707,128.79

DEBT-TO-EQUITY RATIO

Equity	30%	120,034,716.82
Loan	70%	280,081,005.90
Total	100%	400,115,722.72





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Thank you!

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