

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has a long track record in supporting private participation in infrastructure. Recent support has been instrumental in assisting the revival of the public–private partnership (PPP) program. Importantly, this support has been articulated through capacity development technical assistance (TA), Strengthening Public–Private Partnerships in the Philippines. The TA was approved in March 2011 and is expected to end in March 2021. The TA amount is \$28.2 million—\$2.0 million from ADB, \$22.0 million from the Government of Australia, and \$4.2 million from the Government of Canada. The Government of the Philippines contributes \$83.9 million equivalent to the project development and monitoring facility (PDMF) component, implementation of which was delegated to the PPP Center. Cofinancing by Australia and Canada is through ADB. The capacity building component costs an estimated \$10.2 million, and the PDMF component costs an estimated \$101.9 million.
2. Additional ADB capacity development TA—Strengthening Evaluation and Fiscal Cost Management of PPPs—assisted the government in improving the appraisal and sustainable management of PPP projects. The TA’s focus was on strengthening: (i) the capacity of the National Economic Development Authority (NEDA) for PPP project appraisals; (ii) the capacity of the Department of Finance (DOF) for managing contingent liabilities arising from PPP projects; and (iii) the institutional framework of the DOF for PPP fiscal cost management. The TA cost was \$2 million, was financed by the Japan Fund for Poverty Reduction and administered by ADB. It was approved on 15 May 2014 and was completed in December 2017.
3. Regional TA—Supporting Regional Project Development for Association of Southeast Asian Nations (ASEAN) Connectivity—was approved in 2013 for \$10.8 million, cofinanced by Singapore and Canada, to deliver two main outputs: (i) screening and scoping suitable PPP projects; and (ii) support for structuring selected PPP deals toward financial closure. The rationale centered on: (i) the synergy with regional infrastructure financing initiatives such as the ASEAN Infrastructure Fund in supporting both the public and private sides of relevant infrastructure projects; (ii) complementarity with national efforts such as the PPP Center with additional resources and expertise, since PPP structuring is highly resource intensive; and (iii) regional experience sharing.
4. TA support from ADB is coupled with policy-based lending, reflecting the substance of reform initiatives in this area. Subprogram 1 of the Increasing Competitiveness for Inclusive Growth Program for \$350 million was approved in 2012, and subprogram 2 (also for \$350 million) was approved on 15 December 2014. The program facilitated reforms to revive the country’s PPP program. Subprogram 1 of the Expanding Private Participation in Infrastructure Program, approved on November 2015, helped deepen these PPP reforms by strengthening the PPP management capacity and systems of implementing agencies and local government units (LGUs), improving PPP procurement processes, and facilitating infrastructure financing mechanisms. The proposed subprogram 2 will consolidate PPP reforms to stimulate and facilitate the development of the Philippines’ PPP market and will ensure that earlier reforms are successfully implemented. The French Development Agency-Agence Française de Développement (AFD) is exploring the possibility to provide parallel collaborative cofinancing of €150 million for subprogram 2. The inclusion of a post-program partnership framework continues ADB’s engagement utilizing TA.

5. **Support to individual transactions.** The Mactan–Cebu International Airport Passenger Terminal Project was approved on 9 December 2014 and consists of a \$75 million loan to GMR Megawide Cebu Airport Corporation. The project involves construction of a new terminal, renovation of the existing terminal, construction of a new apron, and operation and management of both terminals and the commercial facilities over a 25-year concession period. In addition, ADB's Office of Public–Private Partnership provides transaction advisory on the Philippines National Railway South Commuter Project, and to the Bases Conversion and Development Authority for the Clark Green City Development Project. In addition, ADB manages the Asia Pacific Project Preparation Facility, a \$75 million multidonor trust fund that assists the structuring of infrastructure projects with private sector participation. The Asia Pacific Project Preparation Facility is providing assistance to Cebu City in undertaking project definition and prefeasibility study for a solid-waste management PPP project.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
ADB, Australia, Canada	Strengthening PPPs in the Philippines	2011–2016	28.2
ADB, Singapore, Canada	Supporting Regional Project Development for Association of Southeast Asian Nations Connectivity	2013–2017	10.8
ADB	Increasing Competitiveness for Inclusive Growth Program	2012–2014	700.0
ADB	Expanded Private Participation in Infrastructure Program	2015–2017	600.0
ADB	Support to Mactan–Cebu International Airport Passenger Terminal Project	2014–2016	75.0
JICA	Project for Capacity Development of Public–Private Partnership Project Formulation in Philippines	2014–2016	3.2
World Bank	Grant for Water and Sanitation Capacity Building for LGUs and the Philippine PPP Center	2014–2016	0.2
United Kingdom	Foreign Investment Framework for PPP Projects	2016–2017	0.1
ADB and Development Partners	Cities Development Initiative in Asia (CDIA)	2013–2018	0.2
United States	Department of Treasury Capital Markets Advisory Service	2013–2018	0.2

ADB = Asian Development Bank, JICA = Japan International Cooperation Agency, LGU = local government unit, PPP = public–private partnership, TA = technical assistance.

Source: ADB.

B. Institutional Arrangements and Processes for Development Coordination

6. Overall coordination of development partner support to the Philippines' PPP program is led by the PPP Center. Close coordination between ADB and major development partners involved in PPPs—the Governments of Australia and Canada—includes using the platform of development partner meetings during the joint ADB–Australia–Canada review missions for Strengthening Public–Private Partnerships in the Philippines.

7. The approach of the World Bank to PPPs focuses on supporting sector reform work on infrastructure planning and working on the preparation and transactions of some projects. The World Bank provided TA of \$200,000 to the PPP Center to carry out feasibility studies for two LGU PPP projects, only one of which has been completed. The World Bank also supported an analytical study of LGU PPPs in the water subsector.

8. The Japan International Cooperation Agency recently completed its capacity building TA to five implementing agencies. It has assisted these agencies in undertaking prefeasibility and feasibility studies for their selected PPP projects. The TA involved the PPP Center as the overall coordinator. Support from the PDMF for the preparation of project feasibility studies could be granted to assist the transaction phase under the TA for Strengthening Public–Private Partnerships in the Philippines.

9. The Government of the United States is providing a resident advisor from the Office of Technical Assistance of the United States Treasury to assist the Securities and Exchange Commission and the PPP Center in capital market reform and development, with the goal of attracting private capital for infrastructure financing, including PPPs.

C. Achievements and Issues

10. ADB has been instrumental in assisting the government in the following:

- (i) Setting up a panel of transaction advisors under the PDMF (the panel now represents 22 international consortia). The PPP panel have been instrumental in assisting implementing agencies in project preparation and successful bidding of 10 PPP awarded projects totaling \$2.5 billion.
- (ii) Strengthening the reorganized PPP Center and boosting the PPP enabling environment through advice on draft amendments to the Build–Operate–Transfer Law and its implementing rules and regulations, and appraisal and approval arrangements.
- (iii) Strengthening the capacity of the NEDA for PPP project appraisals, and the capacity of the DOF for managing contingent liabilities arising from PPP projects.

11. In 2013–2014, ADB conducted dedicated analytical work on the Philippines' PPP contingent liabilities management framework, LGU PPPs, and project financing in the country. Prior to that, and as part of due diligence for the Increasing Competitiveness for Inclusive Growth Program, ADB conducted an assessment of infrastructure PPPs in 2012. ADB also provided comprehensive support to the NEDA on strategic and results-based planning, including infrastructure planning.

D. Summary and Recommendations

12. ADB should continue to couple TA support with specialized lending modalities, including policy-based lending and specific project financing assistance. Overall policy coordination has been successful, resulting in various reforms that are now being institutionalized via legislative changes, and will continue under the leadership of the PPP Governing Board.