

## 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. Highlights of this historical support are:

1. Technical assistance (TA) to local government units (LGUs) for private infrastructure development (2000–2004) supported an LGU Project Development Facility at the Land Bank of the Philippines. However, largely because LGUs were unaware of public–private partnerships (PPPs) and because the central government was not driving the PPP program, the loan was hardly utilized (80% was cancelled).
2. TA for debt and risk management (2005–2007) helped develop a road map to improve the management of contingent liabilities and helped lay the foundation for the debt risk management (DRM) division at the Department of Finance (DOF).
3. A program cluster—Development Policy Support Program (2006–2009)—covered (a) debt and risk management reforms (e.g., establishment of the DRM division in DOF); and (b) the revision of implementing rules and regulations of the build–operate–transfer (BOT) law.
4. TA to improve public expenditure management (2009–2012) supported the establishment of DOF’s DRM division as part of the program cluster cited above.

2. More recent support from ADB has been instrumental in assisting the current government’s revival of the PPP program. Importantly, this support has been articulated through capacity development TA, Strengthening Public–Private Partnerships in the Philippines (listed in the table below). The TA was approved in March 2011 and is expected to end in July 2016; 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 \$72.0 million equivalent to the project development and monitoring facility (PDMF) component, whose implementation 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 \$90.0 million.

3. The second phase of the capacity development TA is being processed in parallel to the proposed program, and has the following outputs: (i) stronger capacity of national and local implementing agencies, (ii) better performance of the PPP Center, (iii) development of infrastructure financing facilities and mechanisms, and (iv) broader scope of the PDMF to engage PPP procurement probity advisors and construction supervision consultants, and to support the development of LGU PPP projects. The second phase is expected to be cofinanced by the governments of Australia and Canada for a total \$27 million.

4. An additional ADB capacity development TA—Strengthening Evaluation and Fiscal Cost Management of PPPs—is assisting the government in improving the appraisal and sustainable management of PPP projects. The TA’s focus is on strengthening (i) the capacity of the National Economic Development Authority (NEDA) for PPP project appraisals; (ii) the capacity of DOF for managing contingent liabilities arising from PPP projects; and (iii) the institutional framework of DOF for PPP fiscal cost management. The TA costs \$2 million, is financed by the Japan Fund for Poverty Reduction, and administered by ADB. It was approved on 15 May 2014 and is expected to be completed by the end of 2016.

5. 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 of suitable PPP projects, and (ii) support for structuring selected PPP deals toward financial closure. The rationale centered on the (i) 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 to national efforts such as the PPP Center with additional resources and expertise, since PPP structuring is highly resource-intensive; and (iii) regional sharing of experience.

6. TA support from ADB is coupled with policy-based lending reflecting the substance of reform initiatives in this area. The first subprogram 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 (based on work done under earlier TA, as described in para. 2) the reforms to revive the country's PPP program. The proposed Expanding Private Participation in Infrastructure Program will help deepen these PPP reforms by strengthening the PPP management capacity and systems of implementing agencies and LGUs, improving PPP procurement processes, and facilitating infrastructure financing mechanisms.

7. **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 (i) construction of a new terminal; (ii) renovation of the existing terminal; (iii) construction of a new apron; and (iv) 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 has received a request from Davao City Water District to provide transaction advisory services on a citywide sewerage system.

#### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
ADB, Australia, Canada	Strengthening PPPs in the Philippines (TA 7796)	2011–2016	28.2
ADB, Australia, Canada	Strengthening PPPs in the Philippines, Phase II	2016–2019	21.37
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	800.0
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 Capacity Building for the Philippine PPP Center	2014–2015	0.2

ADB = Asian Development Bank, JICA = Japan International Cooperation Agency, PPP = public-private partnership, TA = technical assistance.

Source: Asian Development Bank.

## B. Institutional Arrangements and Processes for Development Coordination

8. Close coordination between ADB and major development partners involved in PPPs—the governments of Australia and Canada, International Finance Corporation (IFC), Japan International Cooperation Agency (JICA), and the World Bank— includes using the platform of

semiannual development partner meetings during the joint ADB–Australia–Canada review missions for Strengthening Public–Private Partnerships in the Philippines (para. 2).

9. The approach of IFC and the World Bank to PPPs focuses on supporting upstream work on sector-specific 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 study has been completed. The World Bank also supported an analytical study of LGU PPPs in the water sector.

10. JICA recently launched capacity building TA to five implementing agencies. It will assist these agencies in undertaking prefeasibility and feasibility studies for their selected PPP projects. The TA involves the PPP Center as the overall coordinator from the government's side. Support from the PDMF for the preparation of project's feasibility studies could be granted, to assist the transaction phase, under Strengthening Public–Private Partnerships in the Philippines.

11. Full use is made of the program-based approach. Reforms are fully coordinated by the PPP Center, the PPP Governing Board, and NEDA. TA implementation is largely decentralized, i.e., devolved to these institutions, particularly the procurement process, although in accordance with ADB guidelines. Reforms supported under ADB programs will be institutionalized through amendments to the BOT law, and converted into a PPP law.

### **C. Achievements and Issues**

12. ADB has been instrumental in assisting the government in (i) setting up a panel of transaction advisors under the PDMF (the panel now represents 22 international consortia); (ii) strengthening the reorganized PPP Center and boosting the PPP enabling environment through advice on draft amendments to the BOT law and its implementing rules and regulations, and appraisal and approval arrangements; and (iii) strengthening the capacity of NEDA for PPP project appraisals, and the capacity of DOF for managing contingent liabilities arising from PPP projects. 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 and development partner coordination, ADB conducted an assessment of infrastructure PPPs in 2012. ADB also provided comprehensive support to NEDA on strategic and results-based planning, including infrastructure planning.

### **D. Summary and Recommendations**

13. 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.