



Australian Government

AusAID

Australia's Support to Strengthen Public-Private Partnerships (PPPs) in the Philippines

Australia, through its international aid agency, AusAID, is providing substantial support to the Philippine Government's PPP reform agenda, the centrepiece of the new Aquino administration's development strategy to foster more inclusive economic growth, accelerate poverty reduction, and boost private sector participation.

AusAID is providing approximately \$15 million in grant funding over 3 years to help carry out successful PPP projects and improve the government's capacity to develop, package, competitively tender and implement PPP projects. It will also seek to facilitate a more enabling policy, legal, regulatory, and institutional framework for PPP.

Key Activities

AusAID has worked with the government to enhance the policy and regulatory framework for PPP since 2007. Specifically, AusAID contributed in laying down a technical platform for reform by developing a PPP framework for toll roads based on transparent, competitive bidding.

AusAID is building on this previous engagement to support key emerging reform priorities of the government and develop high priority PPP projects that will deliver better services to Filipinos. AusAID's assistance takes a two-track approach:

- i) **Building a PPP project pipeline** – This component will help fast-track the development of a pipeline of well-prepared, bankable PPP projects to achieve some 'quick wins' and support the efforts of the Aquino administration to demonstrate its reform credentials.
- ii) **Capacity building, institutional and regulatory reforms for PPP** – Targeted technical assistance to pursue the medium and longer-term needs to enhance government's capacity including both oversight and line agencies core business processes to build and sustain a robust PPP market. The PPP Center is the focus of Australia's capacity building support under this track.

AusAID's assistance will be channelled through the Asian Development Bank (ADB), World Bank (WB), and International Finance Corporation (IFC) over three years, 2011-2013. It will allow the government to draw down on ADB, WB and IFC expertise for both policy and transaction advisory support.

❖ Co-financing with the ADB (US\$7 million)

This technical assistance project will help the government develop a stronger policy, legal, institutional and regulatory environment for PPP and raise the capacity of the PPP Center tasked to promote and support implementation of PPP projects.

It will also provide financial support to the government's Project Development and Monitoring Facility (PDMF) to fund transaction advisory support for the preparation of bankable PPP projects. The PDMF has been designed as a revolving

fund to support government agencies carry out project development activities and present well-structured projects to investors and lenders.

The project will also help improve private sector access to long-term financing for infrastructure projects, and pave the way for credible risk guarantee mechanisms to reduce uncertainty for private investors. *(Australia's contribution will largely be provided on a matching basis with the Philippine Government and/or 'success fees' from winning bidders. AusAID's \$6m contribution into the PDMF is matched by an initial GoP contribution of \$7.8m.)*

❖ Co-financing with the IFC (up to US\$4.5 million)

This support is focused on generating some 'quick wins'. It will provide line agencies with access to transaction advisory support to help fast-track select high priority PPP projects through to contract award. It will also demonstrate model transactions and introduce best practices in PPP tendering, enabling government to replicate good practice for other similar transactions.

The IFC is providing transaction advisory services directly to line agencies, supported by specialised consultants to help the GoP to analyse legal and regulatory risks, assess financial, social and environmental concerns and draw up agreements with appropriate risk sharing and mitigating measures fair to both public and private players.

Initial pipeline projects include: Ninoy Aquino International Airport (NAIA) Expressway and Metro Clark Bulk Water Project. *(Australia's support is contingent on the IFC securing a mandate for specific PPP projects and matching Philippines Government contributions, together with 'success fees' from winning bidders.)*

❖ Co-financing with the World Bank (up to US\$4.5m)

This line of support has a medium term objective of helping the GoP build a robust pipeline of PPP projects to sustain the PPP reform agenda after some 'quick wins' and to develop and test PPP models in sectors with limited experience with standard PPP transactions.

Through the World Bank, Australia will fund technical advice to line agencies (e.g. DPWH, DOTC, DoE, DA, DoH, DepED) and local government units to support initial PPP business case analysis and project formulation for novel and priority PPP deals. Transaction advisory services will seldom be provided through the World Bank. Support will also include initial analytical work and capacity building support to develop PPP models for the service delivery sectors (e.g. electric cooperatives, health services, education).