

The Philippines

1. Noteworthy practices for project preparation



EXISTING ENABLING ENVIRONMENT

Strong and effective institutional framework, with well-defined and clearly demarcated responsibilities

The Philippines has established a robust institutional set-up to enable effective project development, with each institution playing a specific role. The National Economic and Development Authority (NEDA) is the central planning body of the Philippines that determines the broad socioeconomic parameters for national and sub-national development projects. The NEDA Board, or its Executive Committee, approves large-scale strategic infrastructure projects. The PPP Governing Board, as the overall policy-making body for all public-private partnership (PPP) related matters, helps to create an enabling policy and institutional environment for PPPs in the Philippines. The PPP Center, as an attached agency of NEDA, assists not only during the project preparation activities, but also during the implementation stage of PPP projects.



PROJECT PREPARATION FINANCING

Partnerships with international development agencies to fund project preparation activities and build local capacity

To support project preparation activities for PPP projects, a dedicated project preparation fund, the Project Development and Monitoring Facility (PDMF), has been established, which is managed by the PPP Center. The PDMF is a US \$102 million revolving fund, co-financed by the Government of the Philippines and the Government of Australia through the Asian Development Bank (ADB). The ADB also provides technical assistance and funding support through the Infrastructure Preparation and Innovation Facility (IPIF), a US \$100 million loan to assist the Department of Transport and the Department of Public Works and Highways for undertaking project development. These funds also assist the implementing agencies and the PPP Center to undertake capacity building initiatives like training, process guidelines and good practice manuals for national and local government agencies.



PROJECT IDENTIFICATION AND CONCEPT DEFINITION

Systematic approach for the preparation of a project pipeline and mapping of project outcomes to the national socioeconomic targets

The Philippines follows a systematic approach to prioritising infrastructure projects, ensuring the appropriate allocation of limited government resources. The NEDA compiles a list of prioritised projects under the Public Investment Program (PIP) at the national level. A subset of the PIP is the Three-year Rolling Infrastructure Program (TRIP), comprising all publicly funded infrastructure projects, which in turn forms the basis for finalising the government's national budget.

Further, projects are evaluated for strategic relevance and mapped to the long-term economic development plan through a defined quantitative framework, known as the Results Matrix.



PROJECT APPROVALS AND QUALITY ASSURANCE

Interdepartmental coordinated support for the evaluation and appraisal of PPP projects

To evaluate PPP project proposals in the Philippines, an interdepartmental committee, the Investment Coordination Committee (ICC), is formed, to bring in cross-functional expertise for project appraisal. The ICC has two levels: the ICC-Technical Board (TB) and the ICC-Cabinet Committee (CC). ICC actions are elevated to the NEDA Board for confirmation. The ICC-TB evaluates all aspects of a PPP project with specific emphasis on each agency's technical expertise. The ICC-TB recommendation is elevated to the ICC-CC for approval. The ICC-TB is composed of senior representatives from the following agencies: NEDA (Chairperson), Department of Finance International Finance Group (Co-Chairperson), and the DOF Corporate Affairs Group, Office of the President, Department of Budget and Management, Department of Trade and Industry, Department of Agriculture, Bangko Sentral ng Pilipinas, Department of Environment and Natural Resources, Department of Energy, and the PPP Center (Members). Other government agencies are invited to participate in the ICC-CC and TB deliberations, as necessary.

2. Snapshot of project preparation activities

During the period 1980 – 2009, the Philippines suffered from underinvestment in infrastructure.¹ To address this, one of the steps taken by the Government of the Philippines was to overhaul the enabling framework for project development and delivery, to support and encourage private investment in infrastructure. The establishment of the Philippines PPP Center along with the Project Development and Monitoring Facility (PDMF) has been central to this transition.

Recognising the contribution of sound project preparation in the implementation of complex infrastructure programs on a large scale, the Philippines has also partnered with international development agencies, such as the Asian Development Bank (ADB) and the Governments of Australia and Canada, to establish dedicated funds for financing and building capacity for project preparation. At the national level, funding for project preparation is supported by the Project Development and Monitoring Facility (co-financed by the Government of the Philippines and the Government of Australia through the ADB for PPP project development), the Project Development and Related Studies Fund (a special purpose fund established under the 2018 General Appropriations Act with an allocation of US \$30 million), and the Infrastructure Preparation and Innovation Facility (a technical assistance loan from the ADB to the Department of Public Works and Highways and the Department of Transportation to strengthen project preparation in the transport sector). These initiatives are encouraging a systematic approach to project identification, assessment, prioritisation and preparation.

INSTITUTIONAL FRAMEWORK

Project preparation activities in the Philippines are decentralised and largely driven by implementing agencies, such as national government agencies (NGAs) and departments, government-owned and controlled corporations (GOCCs) and local government units (LGUs). The National Economic and Development Authority (NEDA) and the PPP Center, in turn, support the implementing agencies, at the national level.

NEDA

NEDA, established in 1972, is the Philippines' central socioeconomic planning body that formulates policies, plans and programs to set the broad socioeconomic parameters for national and sub-national level development. It is responsible for reviewing, evaluating and monitoring infrastructure projects in line with the national development plan. It prepares the Philippines Development Plan (PDP), a six-year plan that details the socioeconomic targets of the national government, and consolidates the Public Investment Program (PIP), a rolling list of priority programs and projects (PAPs) to be executed by the implementing agencies. NEDA also collaborates with regional development councils (RDCs) to prepare the Regional Development Plan (RDP), which adds a spatial dimension to the national development plan by identifying the regional contributions to socioeconomic targets. At the national level, the NEDA Board, which is chaired by the President of the Philippines, serves as the final approving authority² for large-scale public investment and PPP projects in the Philippines.

The NEDA Board, with the assistance of the seven cabinet-level interagency committees³, plays a central role in planning and preparing infrastructure development projects in the Philippines: the Development Budget Coordination Committee (DBCC), the Investment Coordination Committee (ICC), the Committee on Infrastructure (INFRACOM), Social Development Committee (SDC), Committee on Tariff and Related Matters (CTRM), Regional Development Committee (RDCom), and the National Land Use Committee (NLUC).

Development Budget Coordination Committee: The DBCC is responsible for approving the macroeconomic assumptions and economic policy directions for the preparation of the annual national government budget

¹ On average, infrastructure investment as a percentage of the country's gross domestic product (GDP) was 2.1%, and infrastructure development was not on par with the needs of the growing population.

² Pursuant to Section 2.6 – Approval of Projects, of the Revised Implementing Rules and Regulations of Republic Act 7718 – Build Operate Transfer (BOT) Law.

³ <http://www.neda.gov.ph/functions-and-organizations/>

and for the requirements of the PDP. It also advises the President on the approval of the annual government expenditure program and allocating government budget for capital outlay for infrastructure development.

Investment Coordination Committee: ICC reviews the fiscal and monetary implications for major capital projects (MCPs)⁴ and reports the status of these directly to the President. It also reviews and evaluates specific MCPs with respect to technical, financial, economic and social feasibility and submits its recommendation to the NEDA Board for confirmation.

The ICC Technical Board (ICC-TB) cautiously reviews and evaluates public investment programs and proposals and refers the meritorious ones to the ICC Cabinet Committee (ICC-CC) for approval. ICC-TB primarily focuses on advising a project proponent on the various options available in implementing and financing a program or project prior to sending it to the ICC-CC for final approval. The ICC Cabinet Committee (ICC-CC) is the highest executive branch of the ICC that approves the MCPs and presents decisions to the NEDA Board for final approval. A certification of ICC approval is necessary for a project's requirements to be included in the annual budget.

Committee on Infrastructure: INFRACOM advises the President and the NEDA Board on policy and planning matters concerning infrastructure development. It also functions as a coordinating agency and makes recommendations to the President regarding government policies and aligning national development strategies to infrastructure projects and programs.

PPP Center

The Government of the Philippines, by virtue of the *Executive Order No. 8* series of 2010, as amended by *Executive Order No. 136* series of 2013, mandated the PPP Center to facilitate the implementation of the PPP program and projects in the country. The PPP Center, which is the main driver of the PPP program, serves as the central coordinating and monitoring agency for all PPP projects in the Philippines. It champions the country's PPP program by enabling implementing agencies in all aspects of project preparation, managing the PDMF, providing project advisory and facilitation services, and monitoring and empowering agencies through various capacity building activities.

The PPP Center provides technical assistance to national government agencies (NGAs), government-owned and controlled corporations (GOCCs), government financial institutions (GFIs),

state universities and colleges (SUCs), and local government units (LGUs), as well as to the private sector, to help develop and implement critical infrastructure and other development projects. The PPP Center also advocates policy reforms to improve the legal and regulatory frameworks governing PPPs in order to maximise the potential of the infrastructure and development projects in the country.

Through Executive Order No. 136, the PPP Center acts as the Secretariat of the PPP Governing Board. The Board is the overall policy-making body for all PPP-related matters, including the PDMF. It is responsible for setting the strategic direction of the Philippines PPP program and creating an enabling policy and institutional environment for PPPs.

As part of its mandate to further develop PPPs in the country, the PPP Center also undertakes various initiatives to educate and train the implementing agencies on the general principles and processes of PPPs. It conducts training and workshops on the fundamentals of PPPs for both the NGAs and the LGUs. At present, there is an increasing emphasis by the PPP Center on improving the capacities of LGUs, through the Center's Local PPP Strategy. This strategy is focused on assisting LGUs in using the PPP model as a means to improve their project delivery of public services. The PPP Center has also developed knowledge products, such as the NGA PPP Guidebook, that have been made available to the GCAs. Further, the technical assistance granted to NEDA and the PPP Center by development agencies also contributes to strengthening the PPP program via capacity building initiatives. The PPP Center supports the pre-investment activities through the PDMF to create a pipeline of viable PPP projects.

Project Facilitation, Monitoring and Innovation Task Force (PFMI)

Under the 'Build Build Build' initiative of the government, 75 flagship infrastructure projects have been identified by INFRACOM and the ICC from the PIP. These flagship projects represent the major capital undertakings of the government in the medium-term. NEDA has established the PFMI in order to initiate policies and processes to address bottlenecks and gaps in the project cycle of the Infrastructure Flagship Projects (IFPs) i.e. project identification and preparation, appraisal, funding and budget allocation, procurement, implementation and post-evaluation. The PFMI task force is composed of representatives from the major economic and infrastructure agencies.

⁴ MCPs are projects costing more than US \$9.5 million [Exchange rate: PHP 1 = US \$0.019, as of December 2018]

PROJECT PREPARATION LANDSCAPE

Project identification and concept definition. The Philippines follows a systematic and comprehensive approach to identifying and budgeting infrastructure programs and has set up two public expenditure management (PEM) systems: the Public Investment Program (PIP) and Three-year Rolling Infrastructure Program (TRIP), which provide a pipeline of infrastructure programs and projects to be implemented in the medium-term horizon.

- **Public Investment Plan:** The PIP is a six-year programming document accompanied by the Philippines Development Plan (PDP) and the Results Matrix (RM). The PIP serves as an instrument that strengthens the linkages between planning, programming, budgeting, monitoring and evaluation for better public resource allocation. It also helps to create a pipeline of projects and programs (PAPs) to be reviewed and processed by the ICC and the NEDA Board. The Core Investment Programs/Projects (CIP) is a subset of the PIP and serves as a project pipeline of big ticket PAPs for the ICC and NEDA Board. To include and prioritise PAPs in the PIP, NEDA follows a three-tier multi-criteria framework, covering prioritisation at the implementing agency level (Tier 1) and at the NEDA Secretariat level (Tier 2), and validation at the Planning Committee level (Tier 3).
- **Three-year Rolling Infrastructure Program:** The TRIP is a subset of the PIP and comprises all nationally funded infrastructure projects. Implementing agencies are required to specify the different stages of the projects that are listed under the TRIP, so that readily implementable projects are prioritised for the budget over those under development. The TRIP enables the programming and monitoring of project development to ensure that the government's targeted spending on infrastructure projects is achieved.

The TRIP is prepared with an aim to ensure that the agencies' annual budget ceilings are optimised and are used to fund priority PAPs. All the agencies submit their respective TRIPs to the NEDA, which reviews agency TRIPs and prepares a consolidated TRIP, which is presented to INFRACOM for approval before submitting it to the Department of Budget and Management (DBM). Here, the DBM, along with the DBCC, determines the optimised spending levels and hard budget ceilings of the agencies. Finally, the DBM, in consultation with all the agencies, prepares the National Expenditure Program (NEP), the final budget document of the Government of the Philippines.

Project feasibility and structuring. Given the country's institutional set-up for project development, project feasibility studies and structuring are driven entirely by implementing agencies. While the guidelines mandated by ICC on project evaluation provide a benchmark for the aspects to be covered during the feasibility stage, these are only applicable for the large-scale infrastructure projects that require ICC approvals. For smaller projects, implementing agencies have derived their own requirements and processes, which vary between departments. For instance, the Department of Public Works and Highways requires that project proponents (which could be the regional and district offices of the department or local government units) prepare and submit detailed feasibility studies at the project initiation stage itself, which, in turn, undergoes a two-stage vetting process within the department. The Department of Transport mandates that all feasibility studies must include the following aspects - description of product, beneficiaries, proposed annual budget, demand analysis, target population, market growth rate, supply chain, traffic flow, and site visit.

Project approvals and processes. The Investment Coordination Committee (ICC) of the NEDA Board is the agency responsible for the evaluation and review of project proposals. In the case of public investment programs, there are three levels of ICC involvement: the ICC Secretariat accepts the proposal and sends an acknowledgement to the implementing agency, the ICC-Technical Board (ICC-TB) appraises, evaluates and recommends the project to the ICC-Cabinet Committee (ICC-CC) for the first level of approval which endorses the project to the NEDA Board for final confirmation. In the case of PPP projects, the project proposals are reviewed by the PPP Center for its commercial viability and bankability, finance structuring, and value for money to the government, and are subsequently endorsed by the ICC-TB.

Given its prior history with PPPs which have experienced challenges in achieving financial close, as a standard process, most PPPs in the Philippines undertake extensive engagement with the private sector at the structuring and procuring stage. This engagement has included market soundings in relation to potential projects, one-on-one meetings with prequalified bidders, and the provision of project information through virtual data rooms. Further, the PPP program in the Philippines has centered on a comprehensive public communication strategy. Under the Guidelines on Public Consultation and Engagement for PPP Projects mandated by the PPP Center, all implementing agencies are required to develop a consultation plan for each project, which will identify the stakeholders to be engaged with, the timing, and the platforms to be used for the public engagement. These guidelines also mandate that all projects must complete a public consultation exercise prior to submitting proposals to the ICC for approval.

To aid and support independent quality assurance of project proposals and government capacity building, the Asian Development Bank (ADB), along with the Governments of Australia and Canada, supported a technical assistance program, wherein 'twinning partnerships' were established between officials in the PPP Center and their best practice counterparts in other countries. The first among these twinning partnerships was with the Government of New

South Wales (NSW) in Australia. This partnership entailed peer-to-peer exchanges, technical advice and knowledge sharing lectures and workshops, roundtable discussions, and dialogues and site visits to successful PPP projects in NSW.

Financing mechanisms for project preparation. Due to government budget constraints at both the national and local levels, adequate funding for project preparation is not usually budgeted for. Often budget constraints have led to an absence of international expertise in project preparation and have impacted the quality of the preparation. Therefore, as a response to such issues, the national government is encouraging the setting up of independent project preparation facilities that provide demand drive assistance to merit-worthy projects. For example, the NGAs can access PDMF for PPP projects, and the Project Development and Other Related Studies (PDRS) Fund for public investment projects. In some cases, international development agencies have extended financing to set up technical assistance facilities to conduct project preparation activities and capacity building. At the sub-national level, the Project Technical Assistance and Contingency Fund (established by the Municipal Development Fund Office under the Department of Finance) has been established to provide funds for preparation and submission of feasibility studies, and detailed engineering designs for project implementation.

SUPPORTING PROJECT DEVELOPMENT FINANCING IN THE PHILIPPINES

1) Project Development and Monitoring Facility (PDMF)

PDMF is a revolving fund with a total investment of US \$84 million⁵ from the Philippines Government and US \$18 million from the Australian Government through the ADB. The Japan International Cooperating Agency (JICA) has also provided assistance via studies and training courses.

PDMF is under the administration and management of the Philippines PPP Center and its funding is an integral part to the PPP Center's operations and at the core of the PPP Center's ability to deliver on its mandate. The aim of setting up the PDMF is to provide funding and facilitate preparation and monitoring of PPP projects. It provides financing to engage external consultants and transaction advisors to assist implementing agencies in their pre-investment activities for potential PPP projects and develop a pipeline of viable, bankable projects. PDMF can also be tapped by implementing agencies for probity advisory during the bid process, and engagement of independent consultants to monitor the implementation of PPP projects.

Following the approval of assistance by the PDMF Committee for a specific PPP project, the PPP Center sets up a Special Bids Awards Committee, which is tasked with the selection of consultants, and the Project Study Committee/Project Monitoring Committee/Project Implementation Committee⁶, which evaluate the deliverables of consultants and advisors, ensuring quality outputs.

One of the key features of the PDMF is the establishment of three panels of consultants (both international and national firms) that are pre-qualified under ADB procurement guidelines, namely the Panel of Project Preparation and Transaction Advisory Consultants with 22 members, the Panel of Probity Advisors with six members, and the Panel of Independent Consultants with 10 members. ADB procurement guidelines ensure that there is a quick and effective process for pre-qualification and selection of advisors. The actual process of the selection of consultants and transaction advisors is a two-stage process. The first stage comprises of the pre-qualification, selection and retention of a panel of consulting firms under an Indefinite Delivery Contract (IDC) facility for a duration of three years (which may vary each time depending on the discretion of the PPP Center).

The second stage of the process is the actual selection of an advisor or consultant from the panel on a competitive basis. The selected consultant is then responsible for pre-feasibility, project preparation and transaction execution; probity advisory; and/or monitoring of project implementation.

2) Infrastructure Preparation and Innovation Facility (IPIF)

In order to fast-track the implementation of the 'Build Build Build' program, the ADB has provided a technical assistance loan of US \$100 million for the Philippines IPIF.

IPIF is a technical assistance loan provided by the ADB that will directly support the Department of Public Works and Highways (DPWH) and the Department of Transport (DoTr) to deliver more effective and higher quality infrastructure projects. The benefits of this facility involve effective identification, analysis and planning for infrastructure gaps in the roads, urban transport, urban water, sanitation and flood management sectors. This facility will enable the departments to engage international expertise for the preparation and implementation of complex and priority infrastructure projects.

3) Project Development and Other Related Studies Fund (PDRS)

The PDRS fund can be utilised by the NGAs, GoCCs, LGUs, and the state universities and colleges (SUCs) for the preparation of pre-feasibility studies, feasibility studies, options analysis, value analysis, formulations of sector plans and other related pre-investment activities for infrastructure projects that are reflected in the PIP, Regional Development Investment Program (RDIP), Three-year Rolling Infrastructure Programs (TRIP), or Master Plans.

There is a select set of criteria based on parameters such as sector relevance, total project costs, government entity, scale of impact, and project timeline, which are taken into consideration while screening, prioritising and evaluating eligible proposals for funding. Depending on the above criteria, the NEDA Board Committee on Infrastructure (INFRACOMM) will approve the final list of prioritised projects.

⁵ As of December 31 2018.

⁶ Project Study Committee for project preparation services, Project Monitoring Committee for probity advisory services, and Project Implementation Committee for Independent Consultant services

3. Guidance for project preparation

Guidance	PPP CENTER MANUAL OF OPERATIONS
Owner*	PPP Center
Project development stage	Project preparation
Details	<p>The PPP Center Manual of Operations is a guidebook that provides the guidelines for effective performance and completion of core tasks and responsibilities of the PPP Center. The manual mainly focuses on the PPP Center's selected core processes, such as project preparation, management of the Project Development and Monitoring Facility (PDMF), project appraisal, monitoring and evaluation, and conducting training and capacity building activities for NGAs and LGUs in PPP project preparation and development.</p> <p>Link for further details: https://ppp.gov.ph/transparency/ppp-center-operations-manual/</p>
Guidance	PDMF GUIDELINES
Owner	PPP Governing Board
Project development stage	Project preparation financing
Details	<p>The PDMF Guidelines provide the detailed process to be followed by the Implementing Agencies (IAs) in order to apply for PDMF support for project preparation activities, the process to be followed for the recruitment of consultants and management of consultants' contracts funded by the PDMF and the overall management of the PDMF fund. This document specifies the project preparation activities and documents that can be prepared using the PDMF fund, and the IAs and projects that are eligible to obtain PDMF support.</p> <p>Link for further details: https://ppp.gov.ph/pdmf-guidelines/</p>
Guidance	GUIDANCE ON THE IDENTIFICATION, SELECTION AND PRIORITISATION OF PPP PROJECTS
Owner	PPP Governing Board
Project development stage	Project identification and prioritisation
Details	<p>The guidance on the identification, selection and prioritisation of projects intends to institutionalise the criteria and process in the identification, selection and prioritisation of PPP projects using the Multi-Criteria Analysis (MCA) approach. This approach can be useful to determine potential PPP projects and ensure the generation of a credible list of projects that have a higher potential of implementation via the PPP route.</p> <p>Link for further details: https://ppp.gov.ph/wp-content/uploads/2018/07/PPPC_GUIDE-Identification-Selection-Prioritization-20150325.pdf</p>

* Guidance Owner is the governing authority which approves issuances for implementation.

Guidance	GUIDELINES AND PROCEDURE FOR THE FORMULATION OF THE 2017-2022 PUBLIC INVESTMENT PROGRAM (PIP)
Owner	National Economic and Development Authority (NEDA)
Project development stage	Project identification and prioritisation
Details	<p>The guidelines and procedure for the formulation of the 2017-2022 Public Investment Program (PIP) provides a framework and process for the formulation of the PIP, which is an accompanying document of the Philippines Development Plan (PDP) and the Results Matrix (RM). These guidelines provide the procedure to be followed and the parameters to be considered by the IAs to identify and prioritise their individual programs and projects (PAPs), and the role of the NEDA Secretariat and the Planning Committee (PC)/Subcommittee (SC) in the preparation of the final PIP.</p> <p>Link for further details: http://www.neda.gov.ph/wp-content/uploads/2018/10/PIP-2017-2022-01.pdf</p>

Guidance	GUIDELINES AND PROCEDURE FOR THE FORMULATION OF THE THREE-YEAR ROLLING INFRASTRUCTURE PROGRAM
Owner	Department of Budget and Management, NEDA
Project development stage	Project identification and prioritisation
Details	<p>The guidelines and procedure for the formulation of the Three-year Rolling Infrastructure Program are prepared to guide all the implementing agencies in the development and updating of the TRIP. This guidance document specifies the procedure and parameters to be considered by the individual IAs for identifying and prioritising their individual programs and projects. Using the consolidated TRIP, the program or project will be submitted to the DBM by INFRACOM for the determination of spending levels for the approval of DBCC and consideration in determining the agency's budget ceilings. This shall then form the basis for the list of infrastructure PAPs that are to be included by DBM in the National Expenditure Program (NEP).</p> <p>Link for further details: http://www.neda.gov.ph/policy-guidelines-and-procedures-for-the-formulation-of-the-three-3-year-rolling-infrastructure-program-trip/</p>

Guidance	GUIDELINES ON PUBLIC CONSULTATION AND ENGAGEMENT FOR PPP PROJECTS
Owner	PPP Governing Board Philippines
Project development stage	Stakeholder consultation
Details	<p>These guidelines institutionalise the consultation and engagement of the public, with the goal of improving transparency in the development and implementation of PPP projects and overall infrastructure development. This guidance stipulates the responsibilities of the individual participating institutions, such as the IAs and the PPP Center. It provides the process to be followed, the communication platform to be used and the time when the stakeholder consultations should take place.</p> <p>Link for further details: https://ppp.gov.ph/wp-content/uploads/2018/07/PPPC_GUIDE_Public-Consultation-Engagement-20160621.pdf</p>

4. Project case example: Mactan - Cebu International Airport (MCIA) Passenger Terminal Building

PROJECT BRIEF

Mactan Cebu International Airport (MCIA) is located on Mactan Island in the Cebu province of the Central Visayas area in the Philippines. Apart from being the second largest airport in the Philippines in terms of domestic passenger traffic, it is also a gateway for various tourist destinations in the Visayas Islands.

Cebu is among one of the fastest growing provinces in the Philippines and a major contributor to the nation's economy. The Mactan-Cebu International Airport has emerged as a major gateway to the Philippines, with the passenger traffic more than doubling over the past four years. The existing airport at Mactan was unable to cope with the surge in passenger traffic. As a result, in late 2014, India's GMR Infrastructure and the Philippine company Megawide Construction took over the operations of the airport and were appointed to build the second passenger terminal building. The construction of the second terminal began in July 2015 and was completed within three years.

The existing terminal building, which has a capacity of 4.5 million passengers annually, had been operating at over-capacity, with almost seven million passengers using the airport facility in 2013. Upon completion of this project, the overall capacity of the MCIA will increase to 12.5 million passengers annually.

The Mactan-Cebu International Airport passenger terminal development was one of the priority projects of the new government after it made major infrastructure reforms post 2010. It was one of the few initial PPP projects that procured funding from the newly set up mechanism, the Project Development and Monitoring Fund (PDMF), for its project preparation and appointment of external consultants and experts.

QUICK FACTS



VALUE
(IN US \$ MILLION)

390



STATUS

Operational



PROJECT OWNERSHIP

**MCIAA* and Department
of Transport (DoTr)**



SOURCE OF PROJECT
PREPARATORY FINANCING

**Project Development and
Monitoring Facility (PDMF)**



SUPPORT AGENCIES

PPP Center, NEDA

*Mactan – Cebu International Airport Authority

PROJECT TIMELINE

2008	MCIAA announcement regarding terminal expansion plan to address the increasing passenger traffic
2011	PDMF funds were provided and external consultant was hired for project preparation-related studies
2012	Feasibility study was completed with assistance from international expertise from India
2012	Market sounding exercises were conducted with the stakeholders
2012	Project submitted to NEDA for final approval
2012	Project was approved by the NEDA Board
2014	GMR Infrastructure secured a 25-year concession to develop and operate MCIAA
2015	Commencement of the construction of the second passenger terminal
2018	MCIAA new passenger terminal completely operational

LEARNINGS FOR PROJECT PREPARATION

1. Institutional readiness and clearly demarcated responsibilities for the institutions involved leads to faster project preparation, evaluation and approval

Institutional readiness is considered to be a primary success factor for achieving quality project preparation within a timely manner. The implementing agency, in this case the Department of Transportation (DoTr), as the proponent of the project, was responsible for carrying out all the project preparatory activities. The PPP Center was responsible for financing the project preparation activities for the project through the newly set up PDMF mechanism. The NEDA Board was responsible for providing the final approval for the project, once all the project preparation activities were satisfactorily performed. This clear demarcation of responsibilities, along with institutional readiness for implementation, ensured the commitment of the implementing agency in pursuing the project and hence, led to a faster transition of the project from the preparation to the implementation stage.

2. Availability of dedicated financing mechanisms to carry out project preparation activities

Funding the project preparation activities is considered to be a major hindrance in carrying out a high-quality full-fledged pre-investment study. Availability of a dedicated project preparation fund, in this case, the PDMF, helped the DoTr to utilise the expert services of external consultants in order to carry out the project preparation activities. In the case of complex and priority projects like the MCIA, the use of external consultants has helped the project to carry out the project preparation activities diligently and within the specified timelines, which contributed to the delivery of a high-quality PPP project. The integrated support package of the PDMF mechanism across the project's whole lifecycle made the project preparation processes for the MCIA more efficient.

3. Quality assurance mechanisms of the PDMF resulted in high quality and extensive project preparation

Following the signing of the Technical Assistance Agreement (TAA) between the PPP Center and DoTr, the PPP Center initiated the selection of consultants for project preparation from its list of reputable consultants established under the PDMF. A Special Bids and Awards Committee (SBAC) was created to carry out the selection of consultants for the preparation of PPP projects. A Project Study Committee (PSC), consisting of representatives and technical experts from the PPP Center and the DoTr, was also created. It was mandated to review the Terms of Reference (ToR) and bidding documents for the selection of consultants. The PSC was also tasked to review and evaluate the consultant's deliverables for the project preparation (e.g. the Feasibility Study Report) and to likewise endorse payments to the consultant. The quality assurance mechanisms helped ensure the completeness and correctness of project preparation documents.

4. The PPP Center performed stakeholder consultation on a large scale to provide high-grade services

During the course of project development, the PPP Center, in partnership with the DoTr, undertook targeted market-sounding initiatives and consultations to gather insight, suggestions, opinions and comments from the stakeholders and other industry representatives on the proposed projects. Several public consultations were initiated by the PPP Center and the DoTr, wherein interested parties and stakeholders from local and international business communities were invited. In May 2012, a consultation program was conducted at the PPP Center, wherein senior representatives from international airports were also invited to participate.