This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

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city market

Mandaluyong City Market, Manila, Philippines

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On this page: *A case study on Mandaluyong City Market, Manila, Philippines. Find more at the Municipal Public-Private Partnership Framework - Project Summaries section for brief summaries of around 100 projects from around the world, examples of successes and challenges, as well as innovative ideas on solutions, or visit the Guidelines on Innovative Revenues for Infrastructure section.*

Project Summary:

Background

Mandaluyong City's primary market in Metro Manila, Philippines, located along Kalentong Road, was destroyed by a fire in 1991. The government then allowed about 500 traders to set up stalls along sidewalks as a temporary measure. However, this led to both traffic congestion and sanitation problems. The City Government did not have sufficient public capital to build a new market nor the fiscal space to take on the additional debt that the construction of a new market would have required. Thus, the City decided to rebuild the market using a PPP, based on a newly adopted Build-Operate-Transfer (BOT) Law.

Project Structure

Following a competitive tender of the project, the City Government awarded the contract to build the market to Macro Founders and Developers, Inc. (MFD). The project was structured as a 40-year concession to build, operate, and manage the market, after which the property would be handed back to the local government. A seven-story commercial center, named "The Marketplace" was designed to include a public market, street-front stores, a parking garage, commercial shops, department stores, a bowling alley, and a movie theatre.

The Asian Financing and Investment Corporation (AFIC), a subsidiary of the Asian Development Bank, provided a 10-year concessional loan to finance the project. The project was funded with the following mix: 25 percent private equity, 25 percent advances from shops, and 50 percent debt. The concessionaire assumed most of the project's risks (e.g., technical, financial).

The City is responsible for operating the public market and collecting fees from stalls. MFD is accountable for maintenance and security for the public market and operating and maintaining the commercial complex. The City retained the ownership of the land used in the project, but did not require lease payments from MFD for its use. MFD collects revenues from the commercial complex to recoup its capital and operating costs. At the end of the 40-year contract, MFD will transfer the operation and maintenance of the commercial complex to the City.

The City also receives revenues from business and entertainment taxes assessed on activities at the market. These taxes generate additional income for the City of PHP 10 to 20 million (USD 191,000 to 382,000) per

year. Also, as part of the construction of the public market, MFD constructed a box culvert from the main road to the San Juan River. This box culvert has helped address the frequent flooding in the area.

Lessons Learned

Not only has the construction of a new public market and shopping mall benefited the community as a whole by providing around 600 long-term jobs, but it has also helped to improve the living standards of the people due to the construction of the box culvert that addressed the frequent flooding problem. Due to its success, this project is being replicated widely in the Philippines.[1]

The case is a good example of innovative financing for municipal PPP project. It obtained a mixture of financing from concessional loan from a subsidiary of the ADB, private equity, advances from shop-owners, and commercial borrowing. It is also innovative in terms of generating revenue as it generates revenue from various resources, including from its commercial shops, parking lots, bowling alley, and a movie theatre which are then used to subsidize the low-cost vendor facilities.

Footnote 1: Source(s) accessed on January 25, 2019

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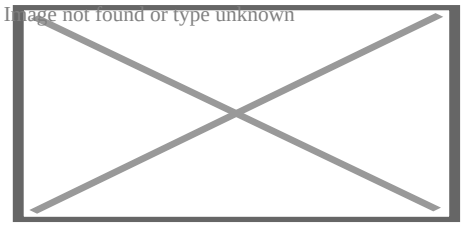
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The Guidelines on Innovative Revenues for Infrastructure (IRI) is intended to be a living document and will be reviewed at regular intervals. They have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions.

To find more, visit the Innovative Revenues for Infrastructure section and the Content Outline, or Download the Full Report. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.

