

Public Markets

38. Mandaluyong City Market, Manila, Philippines

⁸³ Photo published in the public domain by Judgefloro https://commons.wikimedia.org/wiki/File:04009jfGeneral_Kalentong_Street_MarketPlace_Landmarks_Mandaluyong_Cityfvf_19.jpg

⁸⁴ United Nations Development Program. 2008. *Examples of Successful Public-Private Partnerships (Vol. 15)*. Special Unit for South-South Cooperation, UNDP. Accessed on July 3, 2019. <http://tcdc2.undp.org/GSSDAcademy/SIE/Docs/Vol15/6Philippines.pdf>;

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Photo Credit⁸³

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, it decided to rebuild the market using a PPP, based on a newly adopted Build-Operate-Transfer (BOT) Law.

Project Structure

Following a competitive tender, 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 in 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 levied on activities at the market. These taxes generate additional income for the city of approximately PHP 10 to 20 million (USD 191,000 to 382,000) per year. In addition, 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 problems in the area.

Lessons Learned

Construction of a new public market and shopping mall reportedly created around 600 long-term jobs and helped improve the surrounding area due to the construction of the box culvert that helped with the flooding problem. Based on this success, this project is being replicated widely in the Philippines.

This project highlights the following:

- Municipalities should be open to innovative approaches to financing, including blending multiple sources of financing. In this case, the financing for the project comprised a concessional loan from a subsidiary of the ADB, private equity, advances from shop-owners, and commercial borrowing.
- Similarly, municipalities should think broadly with regard to potential funding sources for infrastructure projects. This project was able to generate revenue from a variety of activities at the commercial complex, which may be used to subsidize the lower-cost vendor facilities in the public market.