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Proposed Option Year Work Plan (October 2013 to September 2014)

Investment Enabling Environment (INVEST) Project

Submitted to:

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LIST OF ACRONYMS

ARTA	Anti-Red Tape Act
BFP	Bureau of Fire Protection
BOSS	Business One-Stop Shops
BPLS	Business Permitting and Licensing System
CAS	Country Assistance Strategy
CDI	Cities Development Initiative
CDO	Cagayan de Oro
CIDA	Canadian International Development Agency
CIPC	City Investment Promotions Center
CIP-TWG	City INVEST Project – Technical Working Group
COMPETE	Competitiveness and Trade Expansion Program
COR	Contracting Officer's Representative
COTR	Contracting Officer's Technical Representative
CPA	City Program Adviser
DILG	Department of the Interior and Local Government
DOST	Department of Science and Technology
DTI	Department of Trade and Industry
GIC	Growth and Investment Climate
eBPLS	Business Permitting and Licensing System Automation
IFC	International Finance Corporation
INVEST	Investment Enabling Environment Project
IR	Intermediate Result
IRR	Implementing Rules and Regulations
ISSP	Information Systems Strategic Plan
ICTO	Information and Communication Technology Office
JMC	Joint Memorandum Circular
LCE	Local Chief Executive
LDIP	Local Development Investment Plan
LEIPO	Local Economic and Investment Promotions Office
LGA	Local Government Academy
LGSP-LED	Local Governance Support Program for Local Economic Development
LGU	Local Government Unit
LINC-EG	Local Implementation of National Competitiveness for Economic Growth
LIIC	Local Investment Incentives Code
LRC	Local Revenue Code
M & E	Monitoring and Evaluation
MOA	Memorandum of Agreement
NCC	National Competitiveness Council
NEDA	National Economic and Development Agency
NERBAC	National Economic Research and Business Assistance Center
NGA	National Government Agency
OIDCI	Orient Integrated Development Consultants, Inc.
PBR	Philippine Business Registry
PDF	Philippine Development Forum
PMT	Project Management Team
PPP	Public-Private Partnership

RCA	Recipient's Contract Audit
RCC	Regional Competitiveness Council
SEC	Securities and Exchange Commission
SO	Strategic Objective
SSS	Social Security System
STTA	Short-Term Technical Assistance
SWG-LIR	Sub-Working Group on Local Investment Reforms
TOR	Terms of Reference
TWG-eBPLS	Technical Working Group on BPLS Automation
USAID	United States Agency for International Development
WBS	Work Breakdown Structure
WG-GIC	Working Group on Growth and Investment Climate

I. INTRODUCTION

The United States Agency for international Development (USAID) awarded the management of the Investment Enabling Environment (INVEST) Project to the Orient Integrated Development Consultants, Inc. (OIDCI) on September 29, 2011, initially as a two-year project that aims to improve the investment climate in the Philippines by providing direct assistance to the three first-class cities of Batangas, Iloilo, and Cagayan de Oro in business registration streamlining and investment planning and promotion. On April 2013, USAID granted OIDCI an option year to continue the implementation of remaining activities of INVEST and the institutionalization of reforms and project gains.

One of the contractual obligations of OIDCI under Section F.7 of its contract with USAID is the submission of a work plan for the Project for the option year. This option year Work Plan covers the third and last year activities of INVEST from October 2013 to September 2014. Its formulation was guided by the advice of the Contracting Officer's Representative (COR) to (1) ensure that the activities will be significant, innovative and replicable; (2) initiate reforms that will enable the cities to be recognized for their the contributions and progress; and (3) make the stakeholders in the partner cities realize the important role of USAID in the reforms made. Since the project will end in September 2014, it should put in place measures that will sustain the momentum for reforms in the partner cities even after project life.

As with Years 1 and 2, the Project generally followed a demand-driven and participatory approach in identifying and formulating activities for the option year but being fully conscious of the financial constraints of the Project. The Project started discussions on the option year work plan right after receipt of USAID's intention to exercise the option in April 2013. On April 2 and 3, 2013, the first of the series of meetings with the COR identified the direction that the Project would take in the option year. Meetings with major stakeholders at the city level, particularly the newly elected and re-elected Mayors as well as the newly appointed local officials were also held. Partner oversight agencies such as the Department of Trade and Industry (DTI), the Department of the Interior and Local Government (DILG), and the Department of Science and Technology (DOST) were consulted on their priorities. On August 5 and 6, 2013, another planning workshop was conducted among the members of the Project Team. Strategies, approaches and critical activities both new and carry over from Year 2, were identified. A meeting with the COR on August 15, 2013 provided further guidance as to the potential financial constraints that the Project has to work with in Year 3. A draft work plan was submitted on August 31, 2013 to the COR, who gave USAID's comments on September 18, 2013. This work plan for the option year is therefore the result of extensive consultations with partners and USAID.

As will be shown in the succeeding chapters, the option year activities will focus on assisting the partner cities in achieving their goal of generating investments and implementing best practices in business permitting reforms. In Component 1, the Project shall continue the studies that were started during the latter part of Year 2 and work towards adoption of business permitting reforms at the national level. For Component 2, the priority will be on activities related to the business forum in each partner city, which will entail formulating investment plans that would clearly identify investment opportunities for the business sector, developing marketing materials for the forum and engaging partners to co-sponsor the event. As part of the post-business forum activities, the Project will assist the cities set up Investment Promotion Centers (IPCs), where prospective investors can get information on the city's investment

opportunities.

Project management will be busy in ensuring that the requirements for project closeout will be complied with. A demobilization plan will be prepared and an exit strategy for the Project in each of the partner cities will be discussed with USAID.

The proposed work plan for the option year is divided into ten (10) sections: an introduction; the project's results framework; a narrative summary of accomplishments during the first and second years of project implementation, which is based on the work plan approved on May 16, 2012 and November 17, 2012 for years 1 and 2; the proposed activities for Year 3; the proposed budget for Year 3; general management and administration matters as well as strategies and approaches in dealing with financial constraints; timetable of activities; coordination with partners and stakeholders; consistency with Regulation 216 on environmental documentation; and risks in Year 3 implementation. The accomplishments enumerated in the report cover those achieved as of September 26, 2013.

II. RESULTS FRAMEWORK AND WORK BREAKDOWN STRUCTURE

In Year 3, the INVEST Project shall continue to adhere to its results framework as formulated in its original Work Plan for Years 1 and 2 (Figure 1).¹

The Project's Results Framework

As shown in *Figure 1*, the Project's long-term goal, is to increase foreign and local investments, which is critical in achieving Goal 1 of USAID's Country Assistance Strategy (CAS) for the Philippines, i.e., "accelerating growth through improved competitiveness." The Project's strategic objective (SO), as agreed with USAID, is to improve the business-enabling environment in the country. This strategic objective will be attained through the Project's two intermediate results (IR) which correspond to the Project's two components: (1) streamlining of business registration processes and lowering of the business transaction costs of compliance with rules and regulations; and (2) improving investment planning and promotion in partner cities. The activities under these components will encourage the entry of new local and foreign investments, which, in turn, will generate jobs and additional revenues for the partner cities, while enhancing their competitiveness.

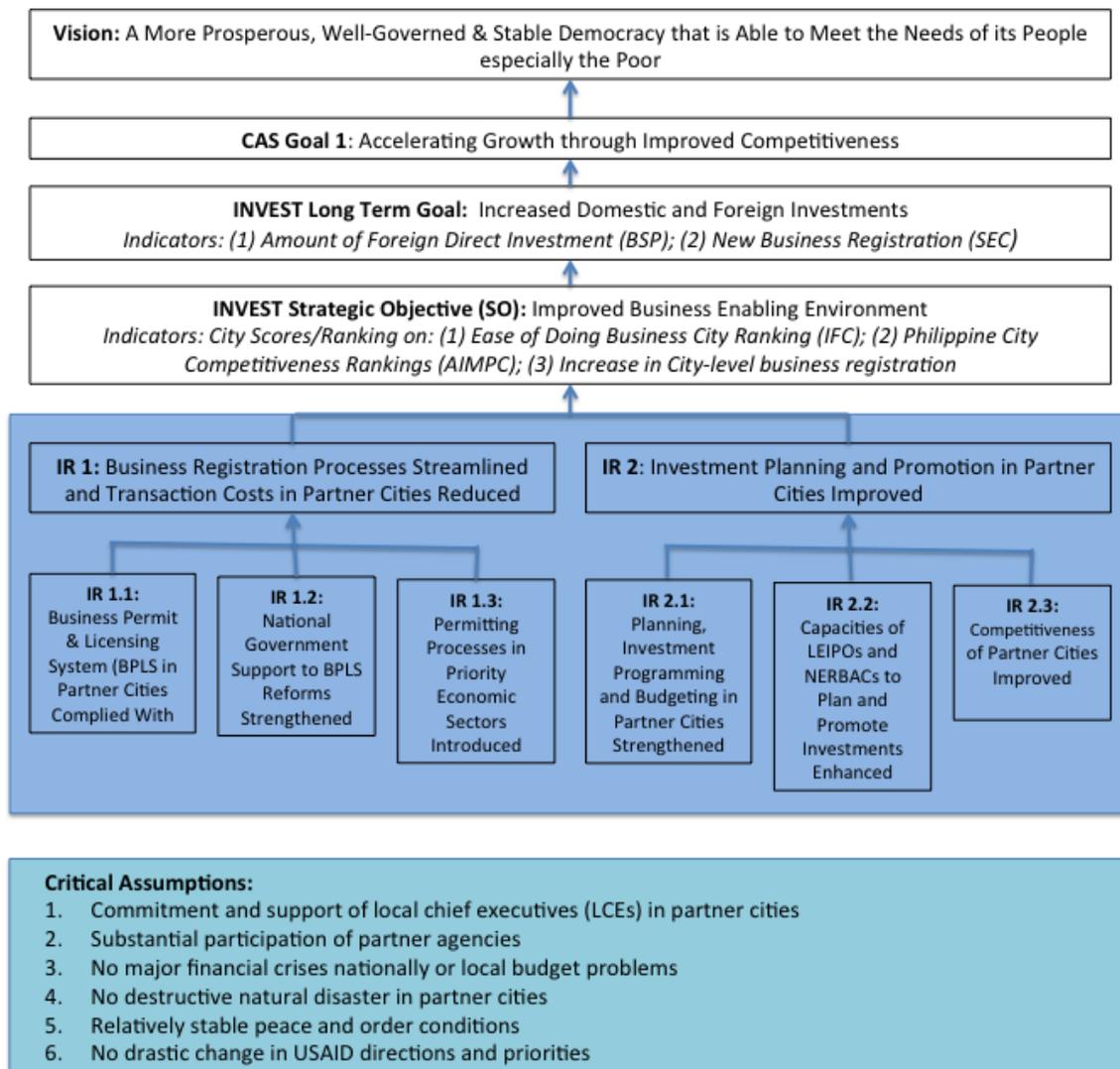
Work Breakdown Structure for Years 1 and 2

This results framework was translated into a Work Breakdown Structure (WBS), which guided project implementation for Years 1 and 2 (*Figure 2*). Each of the two components of the Project had three program areas and ten (10) deliverables. Component 1 has three program areas: (1) enhancing the business permits and licensing systems (BPLS) in the partner cities; (2) strengthening national government support for BPLS reform; and (3) supporting regulatory reforms in the priority sectors/areas of government. Component 2 also has three program areas: (1) strengthening, planning, investment, programming, and budgeting in the partner cities; (2) supporting capacity building of partner cities in investment planning and promotion; and (3) enhancing the performance of partner cities towards improved competitiveness. A crosscutting component was added to the Project that included: (1) assistance to USAID in activities related to the Cities Development Initiative (CDI) and the selection of cities for its next project; (2) technical support to the inter-agency committees on Investment and Business Permits and Licensing System (BPLS); (3) preparation and implementation of the project management plan; and (4) the formulation and implementation of the Gender Action Plan.

The Project has undertaken and delivered most of its activities and outputs in Years 1 and 2 as discussed in Part III of this Work Plan.

¹The INVEST Project was formulated to address the key binding constraints that limit the flow of private investments into the country, including bureaucratic regulatory processes in business permitting that increase the cost of doing business and contribute to the Philippine's poor standing in global competitiveness surveys. The Project's objectives are consistent with the new USAID Forward Reform Agenda, through its focus on partnerships, innovation, and measurable results. These are also aligned with the Philippine government's development goal of inclusive growth through infrastructure investments, good governance, and human development (NEDA 2011. Philippine Development Plan, 2011-2016).

Figure 1. The Project Results Framework



Legends:

CAS – Country Assistance Program

SO – Strategic Objective

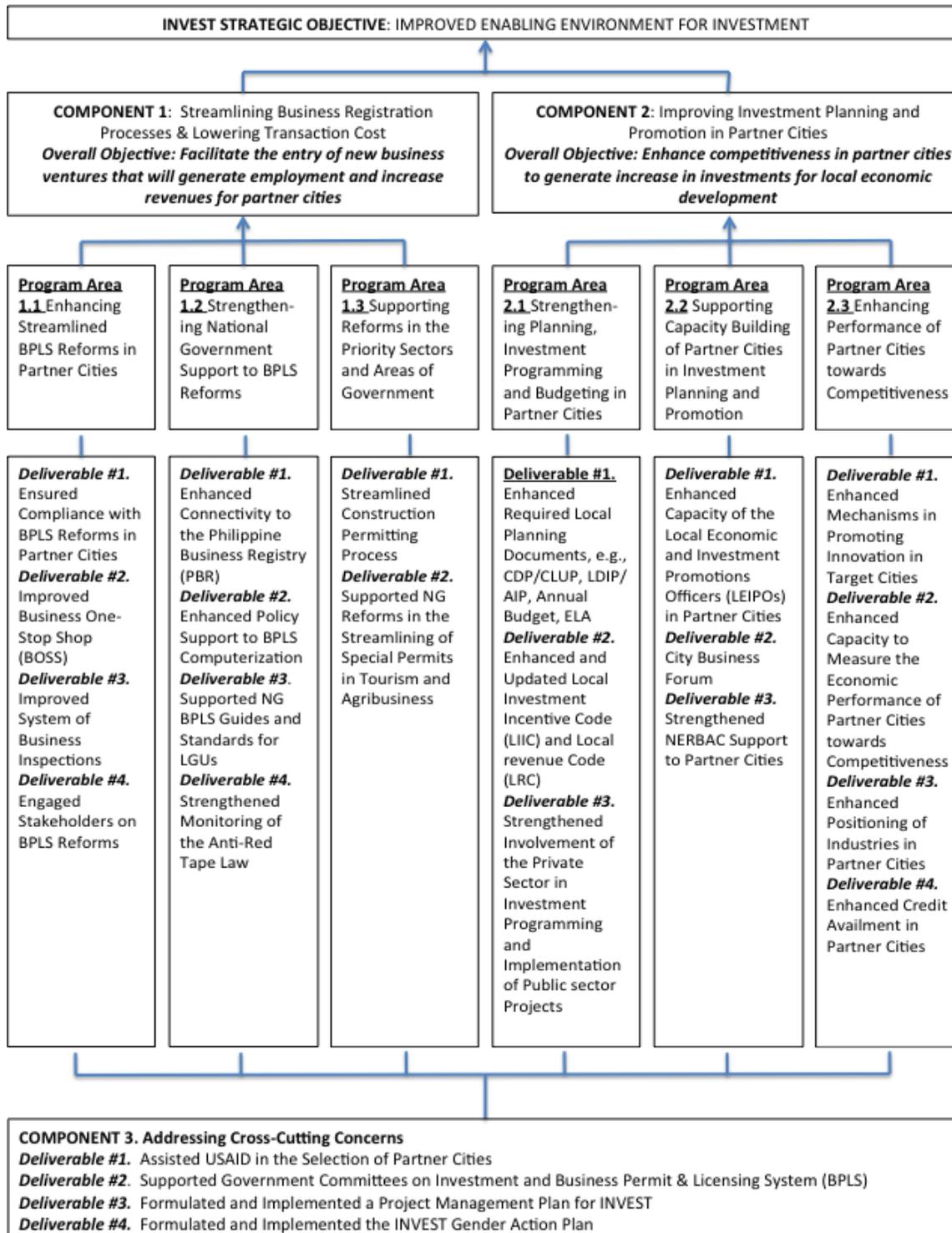
IR – Intermediate Result

BPLS – Business Permit and Licensing System

LEIPO – Local Economic and Investment Promotion Officer

NERBAC – National Economic Research and Business Assistance Center

Figure 2. INVEST’s Work Breakdown Structure, Years 1 and 2



Proposed Work Breakdown Structure for the Option Year

The WBS for the Option Year reflects the Project's reduced activities moving towards its closure but still ensuring that the Project's outputs will be as significant as in the previous two years (Figure 3).

There will be two program areas proposed under Component 1 of the Project. The first program area will focus on the cities' compliance with the BPLS service standards set in the DILG-DTI Joint Memorandum Circular No.1 (series of 2010) (JMC). Since most of the cities were able to adhere to the standards, the deliverables of the Project for the Option Year will focus on (1) setting up of a computerized business permitting system; (2) introducing risk-based inspection system; (3) streamlining of the procedures for securing construction-related permits and those for operating hotel establishments and related tourism related activities. As in the past years, the Project will also be assessing the 2014 business permitting reforms that will be adopted by the cities.

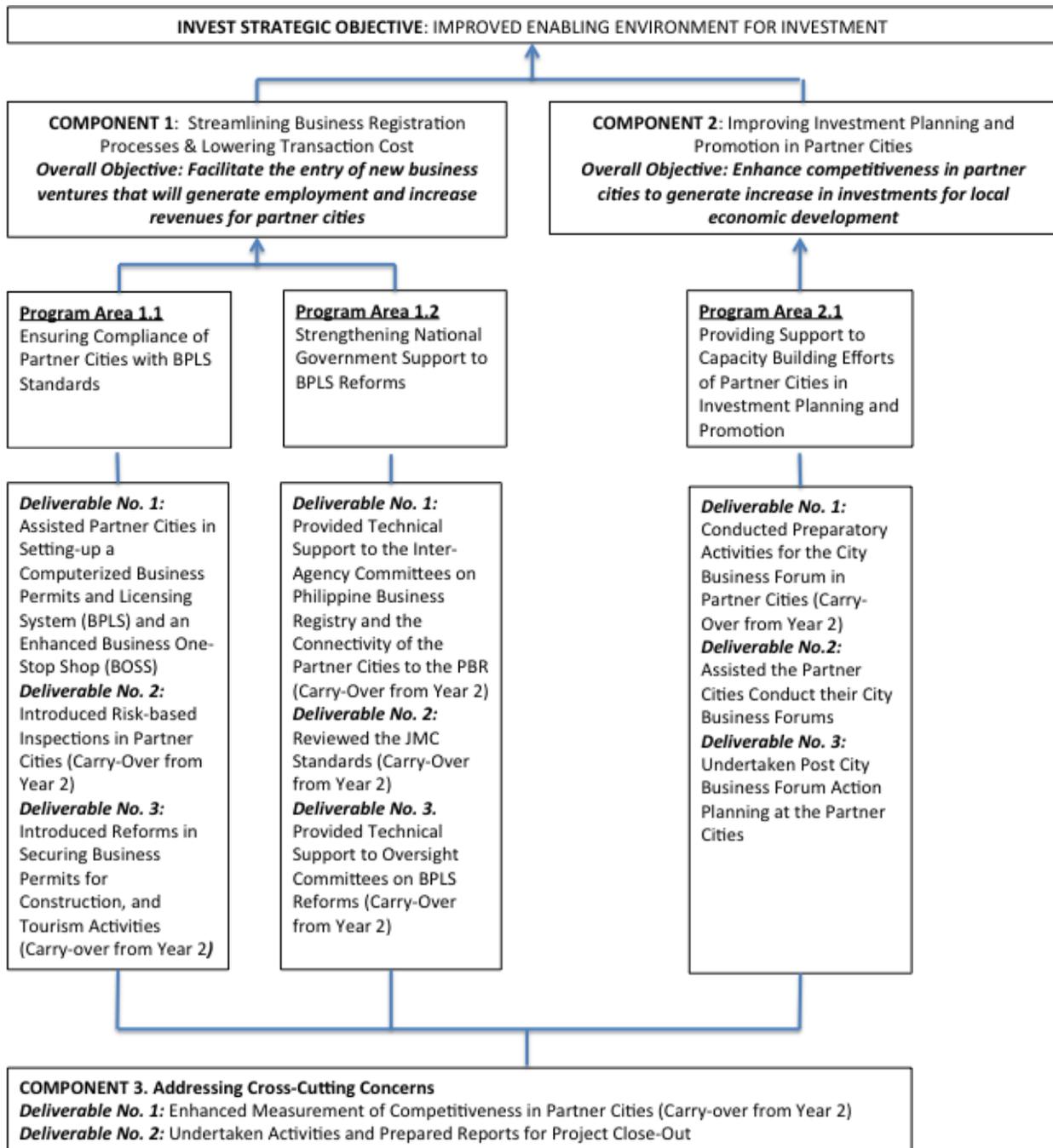
The second program area under Component 1, which complements the first program area, aims at strengthening national government support to BPLS reforms. Under the option year, the Project will be reviewing the JMC in partnership with DILG and DTI, with the objective of refining the standards to match those followed in other ASEAN countries. As in past years, the Project will also be providing technical support to the three inter-agency committees that oversee the policies on business permitting – the inter-agency committees of the Philippine Business Registry (PBR), Technical Working Group on eBPLS (eBPLS TWG) and the BPLS Oversight Committee (BOC).

Under Component 2, the Project will focus on the City's ability to mount business forums, which hopefully will lead to investment interest and business matches. The three related deliverables under this program area include: (1) activities that would be necessary to prepare the city for the forum, such as the investment planning workshops, the preparation of business briefs, among others; (2) the mounting of the business forum; (3) post-business forum activities, e.g. establishment of the City Investment Promotion Centers, monitoring of the entry of prospective investors.

Under the crosscutting component (Component 3), the Project is committed to delivering outputs in two major categories: (1) enhanced system for measuring the level of competitiveness in partner cities; and (2) project close-out activities.

The major outputs and activities for each identified program areas for Year 3 are presented and thoroughly discussed in Part IV of this document.

Figure 3. INVEST Adjusted Work Breakdown Structure for the Option Year (Year 3)



III. ASSESSMENT OF YEARS 1 AND 2 PERFORMANCE

The Project's program areas, and deliverables under each of its two components, as approved by the COR, are summarized in *Figure 2*, as earlier presented in Part 2. More specific outputs under each deliverable have been identified in the approved work plans for Year 1 (as of May 16, 2012 and Year 2 (As of November 7, 2012). .

The activities of the Project in Years 1 and 2 can be summarized under five distinct yet interrelated and interdependent stages, as follows: (1) project start-up and initial planning; (2) assessment of capacities and processes; (3) capacity-building and action planning for reforms and initiatives; (4) implementation of institutional and policy reforms; and (5) assessment of initial reforms implemented at the city level. These stages, although distinct from each other, overlap and the Project went through the whole process in an iterative manner.

The first year of INVEST was devoted to organizing the project management office, setting up institutional mechanisms at the city level, establishing partnerships, and implementing initial project activities, such as assessments, action planning and capacity building, that prepared the groundwork for reform implementation in Year 2. For the second year, the Project focused its activities in establishing systems and processes to facilitate the implementation of reforms.

The succeeding sections highlight the achievements of the Project in Years 1 and 2.

A. Review of Major Accomplishments

The INVEST Project, in its two years of project implementation, generally accomplished its expected major outputs. Its accomplishments can be classified into four - at the city level, at the national level, with USAID, and with other development partners.

City-Level Assistance

1. Encouraged the Partner Cities to Become Models in BPLS Reforms

The Project provided technical assistance to the partner cities in streamlining their BPLS, which yielded very good results. The assessments done in 2013 showed that Batangas and Cagayan de Oro cities not only met all the BPLS standards but also exceeded some targets. Batangas City had the most dramatic change, with the construction of the Business One-Stop Shop (BOSS) and the use of extensive backroom processes to reduce contact between city officers and applicants. Cagayan de Oro City had the fastest processing time, i.e. less than 1 hour for new registrations and less than 2 hours for renewal of business registration. This was made possible by linking the computerized systems of the City Treasurer's Office (CTO), the Business Permits and Licensing Office (BPLO) and the Bureau of Fire Protection (BFP).

2. Engaged the Local Governments of Partner Cities in the Reform Process

A key factor in any successful reform initiative at the local level is the support provided by the Local Chief Executive (LCE). Hence, the Project, together with USAID, exerted efforts at getting the commitment of the LCEs of the partner cities in the activities of the Project. In

all the cities, a City INVEST Project Technical Working Group (CIP-TWG) was organized with no less than the City Mayor as chair(except for Cagayan de Oro where the private sector chairs the Management Committee for the INVEST Project)².

The city governments provided an office for the City Program Advisers (CPAs) of the Project, support during CIP-TWG meetings, staff support to the offices of the CPAs, as well as counterpart funds for some of the project activities, e.g., local and international study tours. This support has enabled the Project to engage in and finance more activities from its limited resources, while deepening the sense of ownership among the city government officials. In the process, the Project is ensured that the reforms jointly undertaken by all stakeholders with guidance and support from the Project will be sustained.

The commitment of the LCEs was also evident in the issuance of Executive Orders that set in place the reformed processes and institutional support needed in the Project.

The constant and close coordination initiated by the Project's staff, especially the CPAs,, with the stakeholders in various activities resulted in the Project gaining the trust and confidence of the city officials and the private sector in USAID and the INVEST staff. This trust and confidence was nurtured throughout Years 1 and 2 and proved to have been a vital factor in facilitating project implementation and in motivating the city officials to undertake reforms.

3. Laid the Institutional Support for Investment Promotion in Partner Cities

The Project was also instrumental in the formal designation of the Local Economic and Investment Promotion Officers (LEIPOs) in each of the three cities. These officers have been the focal points of all investment planning and promotion activities in the cities. A physical space was provided to the LEIPO and staff support assigned. All the cities are now contemplating on setting up an Investment Promotion Office where investors can be briefed on the cities' investment opportunities. Their exposure to Malaysia's Industrial Development Authority, which was part of the Project's international study tour, contributed to the cities' realization of the need for such an office.

4. Strengthened the Capacity of City Officials in Implementing Reforms in Business Processing & Investment Planning and Promotion

The Project conducted a number of capacity building events in its two years of project life. Among these events were the local and international study tours for the three cities to see models of good practices in BPLS and investment promotion, a forum on BPLS automation and inspection reforms, and workshops on plan integration, local economic and investment promotion, and the formulation of the city vision.

To attract investors, the cities should have a credible investment plan based on the city vision of development. This was a major concern of the Project. To address this concern, the partner cities went through a visioning exercise in year 1 and, as a result, formulated their respective visions on how they wish to progress and develop. At the same time, the training on plan integration enabled the cities to produce a set of programs and projects

²The newly elected Mayor of Cagayan de Oro reconstituted the CIP-TWG of the City after his official take-over, with him as the new chair.

consistent with their development thrusts. In this manner, the project linked the budgeting processes of the cities with their development objectives and plans.

The Project conducted training-cum-action planning workshops where the cities were able to map their reform agenda in both business processing and investment promotion. Action plans were formulated for BPLS streamlining, BPLS automation, and the improved operations of BOSS. In the field of investment promotion, the cities also identified measures to strengthen the Local Economic and Investment Offices (and not just the LEIPOs) and activities that would lead to the revision of their local investment incentives codes (LIICs). These action plans were submitted and endorsed for implementation by the CIP-TWGs and the Local Chief Executives of the partner cities.

5. Encouraged Partnerships among City Government Officials and the Private Sector

The Project recognizes that for reforms to be sustainable, efforts should be owned and participated in by the stakeholders. Hence, one of the first activities in its partner cities was to meet with representatives of the business sector, the academic community, and civil society, as well as the different department heads of the city government. In the last two years, the Project was able to organize forums and workshops that strengthened the partnerships between the city government and its various stakeholders. The work planning organized for the Cities Development Initiative is one such example of an event that encouraged joint planning among various stakeholders in the city. Within the first year of its implementation, the Project was instrumental in mobilizing the full and meaningful participation of the private sector in its activities with the city. In Batangas, in particular, the Project brought together business leaders and the city officials to come up with a common vision for the city, a first given the past adversarial relationship between the city government leadership and some members of the business sector. The persistence of the Project led to the organization of the Batangas City Business Club, which is currently being formalized by a group of businessmen in the city.

6. Supported Capacity Building Activities for the Academic Community and Selected Civil Society Groups in Partner Cities

The Project, apart from inviting members of the academic community and civil society groups in its forums, also gave an opportunity to some of the universities to participate in its sub-projects. Specifically, the assessment of the cities' BPLS reforms was subcontracted to the local universities from the three cities, which paved the way for greater involvement of the academe in the reforms of the city government. At the same time, the Project, together with the Civil Service Commission (CSC) trained selected representatives from local civil society organizations on the conduct of the Report Card Survey. Even after the life of the Project, CSC and local private sector groups can tap these CSO representatives to assist in monitoring the performance of the city government in delivering frontline services, including business processing.

Assistance to National Government Oversight Agencies

1. Supported the National Competitiveness Council in Formulating the Competitiveness Ranking of Selected Local Government Units

The Project, realizing the need to have a national competitiveness framework that can be used to promote competitiveness at the local level, formulated one with a corresponding competitiveness indicator system. This was used by the newly organized Regional Competitiveness Councils to collect data on key regional cities and capital towns, which was aggregated into a competitiveness index for each of the LGUs included in the survey. For the first time, the NCC was able to come up with a competitiveness ranking system that covered most of the cities and capital towns in the Philippines. While in its infancy stage, the system can be further refined and annually computed, as a way of promoting competitiveness. The Project also contracted an STTA who assisted the National Competitiveness Council (NCC) in evaluating the Client Satisfaction Survey that was used to measure public perception on the business processing reforms of the government.

2. Supported the Development of the Next Generation Philippine Business Registry

One of the important programs of the government in streamlining business processing is the Philippine Business Registry (PBR). Initially, the Project contracted an STTA to assist the DTI in evaluating the current state of the PBR and in identifying options for improving its operations. The DTI response was quite positive to the Project's recommendations, paving the way for continued support to get the project moving on its second phase. In its second year, the Project paved the way for the formulation of the vision for the next generation PBR by the heads of the partner agencies in the PBR and the crafting of an implementation plan.

3. Assisted the Oversight Agencies in Promoting the Next Wave of BPLS Reforms

The Project was instrumental in forging a partnership among the three oversight agencies, DTI, DILG and DOST, in launching the BPLS Automation Project which was formalized thru a Memorandum of Agreement that was signed on July 24, 2012. During the launch, the Project also introduced to local government units (LGUs) three knowledge products developed by USAID on setting-up a business-friendly inspection system and the planning guide and baseline design on BPLS automation. After the signing, the Project assisted the DOST in organizing the Technical Working Group on eBPLS (eBPLS TWG). With assistance from the Project, the eBPLS TWG came up with an e-Readiness ranking of participating LGUs, which was presented to the BPLS Oversight Committee. The Project also provided technical support in refining the e-Readiness Survey, which will be administered nationwide by DILG.

4. Provided Technical Assistance to Four Policy-Level Committees Concerned with Investment and Business Processing Reforms

The Project provided technical support to the following committees: (1) the Working Group on Growth and Investment Climate (WG-GIC) under the Philippine Development Forum (PDF); (2) the Sub-Working Group on Local Investment Reforms (SWG-LIR); (3) the BPLS Oversight Committee; and (4) the Technical Working Group on BPLS Automation (TWG-eBPLS) chaired by the ICTO of DOST. The Project assisted the technical secretariat of these committees in setting the agenda for the committees and in preparing work plans and discussion guides for the meetings.

5. Leveraged Project Funds with National Government Agencies

The Project also leveraged project resources to raise financial support from national government agencies for some of its activities. Specifically, the BPLS Automation Forum

was funded jointly with the Local Government Academy and NCC. The Project also supported some of the meetings of the SWG-LIR as well as the TWG-eBPLS,.

Support to USAID Activities

1. Submitted to USAID a List of Cities for Inclusion in the Project

During its first two months, the Project assisted the USAID in evaluating a list of first class cities for possible inclusion as an INVEST partner city. It submitted a short list of cities based on an agreed criteria and consultations with the government in late November 2011, from where the final list of three cities were chosen. For the second year, the Project assisted USAID in gathering and processing data and information for first class cities as bases for selecting future city partners of USAID for its other projects.

2. Supported the Launching and Action Planning of the Cities Development Initiative (CDI) in its three Partner Cities

In Year 1, the Project supported the launching of the CDI in its partner cities. This support took the form of, among other measures, coordinating and liaising with officials of the cities, providing background information on the cities, preparing scene setters, arranging logistics and mobilizing the participation of various stakeholders in CDI events. In Year 2, the Project assisted the partner cities draw up their action plans for the implementation of the CDI in their locality.

3. Assisted the COR and Alternate COR in their Participation in NG Committees

Since USAID is currently the Co-Convener of the SWG-LIR, Project assistance has been in the form of preparing talking points for the Chairs of the committee to ensure meaningful and productive management of the meetings.

Working with the Donor Community

1. Leveraged Project Funds with Development Partners

The Project was able to partner with other development partners in the following activities: (a) the BPLS Forum on Automation and Inspection which involved the Canadian International Development Agency's (CIDA's) Local Governance Support Program for Local Economic Development (LGSP-LED) and the Deutsche Gesellschaft für Internationale Zusammenarbeit's (GIZ's) Decentralization Project; and (2) the formulation of the framework for measuring economic growth and competitiveness, which was undertaken with LGSP-LED. These engagements enabled INVEST to expand the scope of its activities beyond what it would have otherwise been with its limited resources. In a way, the Project contributed to the efficient use of official development assistance, consistent with the principles espoused in the Paris Declaration on Aid Effectiveness.

B. Implementation Challenges

The Project, in the main, successfully hurdled the major challenges it faced in Years 1 and 2. Some of these challenges pertained to the conditions at the city level, while others involved aspects of project management.

City Level Challenges

- 1. Unique city “work environment.”** Each city is characterized by “home-grown” political alignments, public-private alliances, private-private relationships, and even personal affinities that bear on the design and implementation of Project activities, especially the nature and level of participation that could be expected from key stakeholders. The local dynamic varies for each city and in each relationship, and ranges from friendly to distrustful to antagonistic. The Project was sensitive to these relationships and was successful in mobilizing full support from all stakeholders despite such alliances and affinities. The project staff has been playing different roles from one city to another, including those of broker, initiator, mediator, and link.
- 2. The varying/lack of capacity of partner cities.** After several months of active engagement with partner cities, it has become apparent that the cities differ in their levels of capacity to perform their functions as an institution and to engage in thematic programs such as the INVEST Project. Although project initiatives/activities have so far been the same for the three partner cities, the approaches and methodology in some cases needed to be specific for each city. In the design and implementation of subsequent activities, the Project will ascertain such levels of capacity and take these into account.
- 3. Synchronization across cities.** There were major activities, particularly those that required the participation of the Mayor and/or other key city officials, which needed to be synchronized across the three partner cities. These included the local study tours, action planning workshops, and presentations of final reports from studies. Activities such as these were subject to the different availabilities and preferences of the key officials and were thus difficult to schedule. The project is now in a better position to address this challenge based on mutual trust and goodwill generated from the successful planning and implementation of various project activities in Years 1 and 2. The CPAs played a key role in “negotiating” schedules with local officials, for the purpose of enhancing inter-city synchronization. Where necessary, the project tapped higher level contacts at the city, regional and national levels in order to achieve better synchronization.

Project Management Issues

- 4. Coordination with Partner National Government Agencies.** One of the program areas of the Project is the provision of assistance to the National Government (NG) in formulating policies related to business permits and licensing reforms and to investment promotion, as these will impact on policies and reforms at the city level. As a strategy, the Project engages NG agencies in studies and major activities to ensure their ownership of the recommendations of studies and to facilitate the issuance of policy circulars to LGUs. This implies involving national government agencies (NGAs) in finalizing statements of work and in selecting consultants. This strategy, however, led to delays in contracting as well as in generating comments from the concerned NGAs on the final outputs of consultants. To manage this difficulty, the Project tried to improve coordination with its partner NGAs at all levels, and to be persistent and patient in following up outputs. The same strategy, which bore fruit in Years 1 and 2, will be followed in Year 3.
- 5. Mobilization of STTAs.** The Project encountered difficulties in identifying suitable candidates for particular studies. This difficulty was encountered in part because of the

highly specialized talent required by the Project (e.g., sanitation engineers) and the short period of engagement vis-à-vis longer-term professional engagements available to prospective STTAs. All these led to a tedious recruitment process.

To implement the activities that needed to be conducted within a particular period of time, whether or not STTAs were available, project staff had to take on the responsibility of the STTAs, thus affecting the Project's operations. In other cases, schedules were adjusted, thus putting a heavy strain on the human resources of the Project when activities needed to be undertaken together with those that had been postponed. In response to this problem, the Project will continue to expand its pool of possible candidates for specialized talent through more active networking with recruitment facilities/agencies.

- 6. Heavy Workload of Project Staff with the Fast-Paced Activities of the Project.** Since the Project is demand-based where schedules of many activities have to be synchronized with the city officials in three cities, there were instances when activities were conducted either simultaneously or back-to-back with each other. With very few administrative staff, the fast-paced Project activities in Years 1 and 2, including the provision of support to CDI activities, required overtime work and/or the hiring of additional jobbers.

IV. PROPOSED OPTION YEAR WORK PLAN

While INVEST has substantially achieved its objectives, delivered most of its expected outputs, and successfully conducted programmed activities for 2 years of project implementation, it shall devote its resources in the Option Year to implementing new and innovative reforms that will improve the regulatory environment for business permitting, mount a business forum in each city, and establish mechanisms to ensure the sustainability of its reform initiatives and gains even after its Project life. Based on the guidelines of USAID, the activities for the Project's last year were chosen on the basis of (1) their significance and reform impact; (2) providing visibility to USAID's assistance; and (3) ensuring the sustainability of the reforms even after the end of INVEST.

Given the limited budget, most of Project activities in the option year will be a continuation of those started during the last quarter of Year 2. In these cases, the Project will be tapping the technical expertise of its personnel in providing advice to its partner cities as well as to its partner agencies at the national level.

As presented in Part II, *Figure 3* summarizes the proposed Year 3 Work Plan of the Project, the program areas and the deliverables under each of its two major components. The description of the various components and deliverables of INVEST is presented below.

A. COMPONENT 1: STREAMLINING BUSINESS REGISTRATION PROCESS AND LOWERING BUSINESS TRANSACTION COSTS

For 2 years of project implementation at the city level, the Project has been able to establish a set of workable and operational systems and procedures that are adherent to the BPLS standards. For the option year, the Project will continue to assist the cities to be showcases of BPLS reforms through the further use of technology in processing business permits and the introduction of streamlined procedures for construction permits and selected tourism activities, both of which are deemed priorities of the national government. At the national level, the Project will complete the review of JMC 1 based on the experiences of the partner cities, among others. The revised JMC is envisioned not only as an operational guide in streamlining BPLS but more importantly as a guide that helps LGUs commit in sustaining or developing holistic management system for their BPLS which will enable accountability and adherence to specific management, quality and audit standards.

The activities for the Option Year are continuations of those started in the latter part of Year 2, except for the assessment of 2014 BPLS reforms, which will be undertaken by the Project Management Office, in contrast to the modality followed in Year 2 where local subcontractors were hired for the assessment. Most of the Project assistance to the cities will be in the form of technical support.

Program Area 1.1: Ensuring Compliance of Partner Cities with BPLS Standards

Years 1 and 2 activities of the Project focused on enhancing the capacities of the partner cities in complying with the BPLS standards contained in the JMC. The objectives of the Project in this program area are to: (1) ensure that the partner cities will be able to showcase a modern system for processing business permits that will lead to reduced processing time and steps, including the use of risk-based inspections; (2) further enhance the existing BOSS in each of the partner cities to effectively and efficiently address the needs of business applicants; and (3) introduce streamlined procedures for processing building and occupancy permits and special permits for setting-up hotels and restaurants. As the Project will end in September 2014, the Project will assist the cities in ensuring that the reforms will continue to be implemented even beyond its life.

Deliverable No. 1: Assisted Partner Cities in Setting-up a Computerized Business Permits and Licensing System (BPLS) and an Enhanced Business One-Stop Shop (BOSS). The third party assessment of the 2013 BPLS in partner cities indicated further room for making the permitting system more business-friendly. In the option year, the Project will assist the cities to implement innovative measures in processing business permits that will make use of modern technology, consistent with the government's effort to computerize the BPLS. This will pave the way for further reducing processing time and the steps for business registration at the local level and will be in sync with the DTI's plan to connect the three cities to the PBR. Specifically, the Project will assist the cities in (1) introducing an on-line business registration system that will enable applicants to submit their applications for a Mayor's permit through the web, including an option for the partner cities to set up "online business registration kiosks" in their respective BOSS to cater to businesses that have no internet facility; (2) further reducing the steps and processing time for business registration; and (3) institutionalizing a business-friendly inspection system. If these objectives are achieved, the partner cities are envisioned to become models of BPLS reforms that can be replicated in all cities and municipalities nationwide that are mandated to process business permits and licenses. For this deliverable, the Project will undertake the following during the option year:

- a. *Coach the Partner Cities in Computerizing their BPLS.* The partner cities are in different stages of automating their operations, which includes their BPLS. The Project, through the CPAs and possibly with assistance from the ICTO of the DOST, will assist the cities in (i) assessing their state of e-readiness through the conduct of an e-Readiness Survey that the Project supported thru the DOST; (ii) formulating Information System Strategic Plans (ISSPs) (if they still don't have one); (iii) connecting to the Philippine Business Registry (PBR) to ensure faster processing of the national government agencies' requirements for business processing; and (iv) designing the automated system that is in sync with the streamlined BPLS.
- b. *Conduct Workshops and Meetings for Further Enhancing Reforms in BPLS, BOSS and Local Inspection Systems and for Evaluating their Implementation in 2014.* The objectives of the workshops and meetings will be two-fold, i.e. to identify areas where the implementation of reforms and initiatives could be further strengthened, enhanced and sustained and to evaluate the implementation of these reforms in 2014.
- c. *Assist Partner Cities in Institutionalizing the BPLS and BOSS Reforms.* To ensure the sustainability of the reforms initiated by the Project beyond INVEST's project life, the CPAs, who are based at the cities, will assist in formulating executive orders or resolutions that will

contain the procedural and institutional reforms in business processing that the cities will be adopting.

Output 1.1: Assessment report on the reforms implemented for BPLS, BOSS and Inspection Systems

Deliverable No. 2: Introduced Risk-based Inspections in Partner Cities (Carry-Over from Year 2). In Year 2, the Project evaluated the inspection system in the partner cities, introduced good practices in conducting inspection, including those followed by more progressive countries like Singapore and Malaysia, and assisted the cities in setting up a business-friendly inspection system. However, the studies conducted by the Project revealed that inspections conducted by the different offices of the partner city governments have really been done selectively due to many reasons, foremost of which is the lack of resources. Hence, the Project will be initiating studies on risk-based inspections for sanitary and fire safety, which has been part of the Year 2 work plan and will be carried over to the option year. Specifically, the Project will undertake the following activities:

- a. *Finalize the studies on Risk-based Inspections.* Based on the assessments of the inspection systems in the partner cities of INVEST, not all establishments are subjected to inspections as required by law. Selective inspections are conducted based on internal criteria, which differ across LGUs. The study on risk-based inspections aims at establishing risk categories for classifying establishments, which may be the basis for a selective inspection system.. The Project will focus on two types of inspections – sanitary and fire safety. These studies will be undertaken in partnership with the DILG and the DOH, which are expected to issue the necessary directives that will standardize the system of selective inspections for sanitary and fire safety.
- b. *Introduce the Recommendations of the Two Studies to the Partner Cities.* The Project will be presenting the results of the study to concerned city officials and NGAs in a forum, as part of the process of convincing them to adopt the recommendations. However, due to limited time and budget, the Project may not be able to ensure their implementation.

Outputs

Output 2.1: Recommendations on the adoption and implementation of a risk-based system for sanitation inspection

Output 2.2: Recommendations on the adoption and implementation of a risk-based system for fire inspection

Deliverable No. 3: Introduced Reforms in Securing Business Permits for Construction, and Tourism Activities (Carry-over from Year 2). In Years 1 and 2, the Project promoted regulatory simplification in securing the Mayor's permit, which is usually processed by cities and municipalities nationwide. However, there are special permits that the business sector has to get, in addition to the Mayor's permit, before it can operate a business. Two special permits, which have been recommended for study by the BPLS Oversight Committee, are those related to construction (e.g., building and occupancy permits) and the operation of hotels and restaurants. These studies were part of the work plan in Year 2, but had experienced delays. Hence, these studies will be conducted in the option year. The Project will undertake the following activities in relation to these studies:

- a. *Finalize the Conduct of the Studies on the Streamlining of Construction Permits.* Past studies have shown that most of those securing a business permit often undergo some construction or renovation of facilities. Hence, construction permits are often misconstrued as part of the business permitting process. The study on the streamlining of construction permits, which will be undertaken with the DILG as partner agency, will be presented to the relevant committees at the national level (e.g., BPLS Oversight Committee) for their consideration and appropriate action.
- b. *Introduce the Recommendations of the Two Studies to the Partner Cities.* The Project will be presenting the results of the study to the concerned city officials in a forum. The results of the studies will serve as guide for the partner cities, in particular, and for other LGUs, in general, in instituting reforms in these areas of concern. Likewise, the Project will assist the partner cities in identifying reforms that they can implement during the remaining period of the Project and beyond.

Outputs:

- Output 3.1: Recommendations on the adoption and implementation of the proposed streamlined processes for securing construction-related permits
- Output 3.2: Recommendations on the adoption and implementation of the proposed streamlined processes for securing permits for hotels and similar establishments

Program Area 1.2: Strengthening National Government Support to BPLS Reforms

Reforms in business processing in recent years were initiated at the national government level under the leadership of the DTI and DILG through various committees like the BPLS Oversight Committee (BOC). In Years 1 and 2, the Project assisted the DTI in assessing the PBR and contributed to the launching of the BPLS Automation Project, a critical reform area in the streamlining of business permitting and licensing. In Year 3, the Project will continue assisting the DTI in implementing the “legacy” and the next generation PBR. At the same time, it will also evaluate the implementation of the JMC, with the end-in-view of further refining the standards for business processes followed by LGUs.

Deliverable No. 1: Provided Technical Support to the Inter-Agency Committees on Philippine Business Registry and the Connectivity of the Partner Cities to the PBR (Carry-Over from Year 2). The Project, in Year 2, supported the review of the PBR and the formulation of the roadmap for the next generation PBR. For Year 3, the Project will continue its assistance to the implementation of the PBR in the following manner:

- a. *Support the PBR Connectivity of Partner Cities to PBR.* This output was originally in Year 2 but had to be shelved pending the results of the PBR visioning and strategic planning exercises that INVEST supported. With the appointment of the new DTI Undersecretary in charge of PBR, who expressed her strong support to LGUs’ connectivity to PBR, the Project will again assist its partner cities in working out their connectivity to the PBR.
- b. *Provide Technical Assistance to the Secretariat of the PBR Inter-agency Committees.* In Year 2, the Project was responsible for assisting the DTI in organizing the High-Level Roundtable Discussion on the Vision for the Philippine Business Registry, which was the first time that the PBR Steering Committee met under the Aquino administration.

Immediately after, the Project again supported DTI in conducting a workshop among the PBR TWG members that identified issues and corresponding solutions for implementing the next generation PBR. In the option year, the Project will continue to provide technical assistance to the PBR Team at DTI in organizing the PBR inter-agency committees.

Output

- Output 1.1: PBR Connectivity of Partner Cities
- Output 1.2: Signed Executive Order on the PBR
- Output 1.3: Meetings of the Steering Committee and the PBR Technical Working Group Organized

Deliverable No. 2: Reviewed the JMC Standards. Based on the experience of the partner cities in implementing BPLS reforms and on the results of third party assessments of the business registration renewal processes followed in partner cities, it is apparent that the JMC is limited as a guide for streamlining the whole BPLS mechanism. Hence, in Year 3, the Project shall complete the review of the JMC, which was started in the latter part of Year 2. More specifically, the draft revised JMC will be presented to concerned agencies, i.e. DTI and DILG, for possible adoption.

Output:

- Output 2.1: Draft DILG-DTI Memorandum Circular on the Revised JMC on BPLS Standard

Deliverable No 3: Provided Technical Support to Oversight Committees on BPLS Reforms. The Project has been providing technical assistance to two inter-agency committees that promote reforms in business permitting at the national level – the BPLS Oversight Committee (BOC) and the eBPLS Technical Working Group (TWG on eBPLS). The BOC, which is jointly chaired by DTI and DILG, oversees the implementation of the JMC. The TWG on eBPLS, which was created through a Memorandum of Agreement (MOA) among DTI, DILG and DOST, is tasked with implementing the government's BPLS Automation Project. INVEST's involvement in these committees through their secretariats is important in ensuring that the lessons learned from studies commissioned by the Project and cities' experiences in BPLS reforms are translated into national policies. For the option year, the Project will continue to support these committees.

Output

- Output 3.1: Report on the Assistance Provided to the Oversight Committees on BPLS

B. COMPONENT 2: IMPROVING INVESTMENT PLANNING AND PROMOTION IN PARTNER CITIES

Taking off from the gains and achievements in the first and second years of project implementation, Component 2 shall focus on two (2) sets of activities in the Option Year, to wit: (a) further strengthening of the integration of planning, investment programming and budgeting at the city level; and (b) demonstration of capacities of the partner cities in investment planning and promotion through the mounting of the Business Forums (BFs) in each of the cities.

Program Area 2.1: Supporting Capacity Building Efforts of Partner Cities in Investment Planning and Promotion

In Years 1 and 2, the Project assisted its partner cities to comply with the provisions of DILG MC 2010-113 on the designation of LEIPOs. It also conducted a series of formal and informal capacity-building activities on local economic and investment promotion which generated insights and action plans for: (a) the institutionalization of the local economic and investment offices; (b) the institutionalization of reforms in enhancing investment planning and promotion; (c) the establishment of investment promotion centers; and (d) the conduct of city business forums. In the option year, the Project will assist its partner cities, particularly their LEIPOs in mounting a business forum (BF), including the conduct of preparatory activities, as a demonstration of their capabilities to promote investment in their areas. The Project will provide the partner cities with assistance in the form of technical advice and expertise, and limited material and financial resources.

Deliverable No. 1: Conducted Preparatory Activities for the City Business Forum in Partner Cities. In preparing for the BFs, the Project shall assist its partner cities in the generation of promotional collaterals and major documents, among others, that would aid prospective and potential investors in understanding the investment opportunities in the partner cities. Hence, prior to the conduct of the BFs, the following shall be undertaken:

- a. *Assist Partner Cities in Formulating Investment Plan for their Priority Sectors.* The Project envisions the BF to be both an opportunity for each of the city to showcase its potential as an investment area and a venue for business matching activities. To achieve these objectives, each city needs to produce an investment plan, containing the government's infrastructure and other public projects as well as the investment opportunities that are available for the private sector. For the option year, the Project will be organizing a workshop in each city that will produce this investment plan for the BF.
- b. *Provide Technical Advice for the Preparation of Promotional Materials, Collaterals, and other Investment Promotion-related Documents.* For the BF, each partner city is expected to prepare a revised city profile, project briefs of potential areas for investment in their cities and other marketing-related and promotional collaterals. The Project is hiring an event organizer who can assist in packaging these materials. In general, the assistance that will be provided by the Project will be technical advice and the conduct of meetings and workshops, as may be necessary.
- c. *Conduct Consultation Meetings, Confidence Building Activities, and Briefing Sessions with the Private Sector.* The Project will conduct these activities to generate support and assistance from private sector groups in its partner cities. This is to ensure their active participation in the conduct of the BF, which shall serve as a positive testimony of

the strength of the business sector groups' influence in the overall development of the city. The extent of assistance from the Project for each city will vary depending on the readiness of the local private sector groups to support the BF.

- d. *Provide Technical Assistance in the Revision of the Cities' Local Investment Incentives Codes (LIIC).* The partner cities have realized that prospective investors will be asking about the incentives available to them if they invest in the partner cities. They therefore need to review and, if warranted, revise their LIICs to ensure that these are supportive of their development goals. They could use the template LIIC and a compendium of incentives provided in national laws, both of which the Project produced in Year 2. The LIIC will be one of the documents that the cities will distribute during the BF.
- e. *Forge Partnerships with and among the Private Sector and the Development Partners for the Conduct of the BF.* The BF is envisioned to be a joint undertaking among the city government, the local business groups, USAID through INVEST and its other projects, and other development partners. In Year 2, the Project successfully elicited the support of the Development Bank of the Philippines as a partner in the event. The other partners it mobilized include the International Relations Office of the *Bangko Sentral ng Pilipinas*, the Philippine Chamber of Commerce and Industry, Inc., and the Filipino-Chinese Chamber of Commerce and Industry, Inc. In the option year, the Project will assist the organizing committees of the BFs to generate more sponsors from the private sector.

Outputs:

Output 1.1: Investment plan for each partner city

Output 1.2: Revised Local Investment Incentives Code for each partner city

Output 1.3: Project briefs and updated city profile for each partner city

Deliverable No.2: Assisted the Partner Cities Conduct their City Business Forums. The Project will assist each partner city in mounting a Business Forum which is intended to: (i) demonstrate the capacity and readiness of the city to plan and promote itself as an investment destination and hub; (ii) involve the private sector and business groups in investment promotion and marketing activities; and (iii) attract local and foreign private investments. The Project contracted an event organizer in Year 2 to provide logistical support in the conduct of the BF.

Output:

Output 2.1: Report on the conduct of the Business Forums in each partner city, including memorandum of agreements concluded and/or partnerships formed.

Deliverable No. 3: Undertaken Post City Business Forum Action Planning at the Partner Cities. The Business Forums are expected to generate investor interest in the city. Hence, the Project shall assist the partner cities in setting up mechanisms that will enable them to respond to investor needs. Specifically the Project will assist the cities undertake the following activities:

- a. *Establish Physical and Virtual City Investment Promotions Centers.* The City Investment Promotions Centers (CIPCs) shall serve as the repository of relevant information easily accessible to potential and prospective investors in the partner cities. The CIPCs, both physical and virtual, shall anticipate and provide prompt and timely responses to investors and doing business-related inquiries. The Project shall assist the partner cities

in coming up with a design for the physical CIPC, which includes the layout design as well as the list of equipment and facilities, materials, collaterals and documents that should be placed in the Center. The Project shall also help the cities in enhancing their websites so that these will serve as sources of necessary and relevant information to prospective investors who could not have physical access to documents and other forms of information at the city level.

- b. *Follow-Thru Meetings with Investors.* It shall assist the partner cities undertake follow-through activities (such as meetings and further marketing and promotion) with potential investors as an offshoot of the business forum. It is then envisaged that commitments for new investments would be generated from these activities.

Output:

Output 3.1: Report on the post-business forum activities of the cities which may include:

- (1) status of the physical and virtual City Investment Promotions Centers (CIPC) in partner cities, including an action plan that will indicate how these centers will identify investment opportunities and encourage potential investors as well as coordinate with existing offices in the LGUs and NGAs to facilitate efficient and effective investment planning and promotional activities; and (2) entry of prospective investors in partner cities.

C. COMPONENT 3: ADDRESSING CROSS-CUTTING CONCERNS

In the Option Year, the Project will focus on finishing the activities that were started in Year 2 and in closing out its operations. Hence, its activities will be limited to the following:

Deliverable No. 1: Enhanced Measurement of Competitiveness in Partner Cities (Carry-over from Year 2). This particular deliverable shall take off from two activities of the Project in Year 2, i.e. the conduct of a study on the framework and indicators in measuring levels of competitiveness and economic growth and the survey questionnaire for competitiveness and local economic development which will be pilot tested in partner cities. The proposed activities under this deliverable include the following:

- a. *Preparation of a Manual of Operations for the Computation of the Competitiveness Ranking of LGUs.* This activity is a follow-through to the competitiveness ranking done by the NCC using data generated by the Regional Competitiveness Councils. The manual of operations will contain data definitions and the formulas for computing the competitiveness ranking of LGUs. This manual will incorporate the lessons learned from the first round of competitiveness ranking done this year and will be the basis for the collection of data for the second round in 2014.
- b. *Conduct of a Survey on Competitiveness and Local Economic Development in Partner Cities.* Part of the Project's output for Year 2 is a perception survey to determine the client's satisfaction on the LGUs processing of business permits and licenses and the businessmen's opinion on the extent of competitiveness of LGUs. The survey will be useful in preparing for the business forum in each of the cities. The results can also be combined with the data generated from the competitiveness ranking of NCC to form a single competitiveness index similar to that used in global competitiveness surveys. There was a delay in sub-contracting the survey in Year 2; hence the activity will instead

be implemented in the option year. The Project will commission a sub-contract for the administration of the survey in the partner cities. The Request for Proposal for the conduct of the survey has been approved by the COR.

Outputs:

Output 1.1: Manual of Operations for the Computation of the Competitiveness Ranking of LGUs

Output 1.2: Survey on Competitiveness and Local Economic Development

Deliverable 2: Undertaken Activities and Prepared Reports for Project Close-Out. As the it ends in Year 3, the Project shall: (a) document and disseminate information on its experiences in project implementation, particularly in adhering to the principles of partnership, beneficiary-ownership, and capacity-building of partners and beneficiaries; (b) translate project implementation processes and results of studies into acceptable knowledge products which could be used in replicating the project and its processes in other LGUs; (c) document the achievements of the Project, particularly in paving the way for the attainment of its set objectives, outcomes and intermediate results; and (d) inventory and then dispose of its assets to pertinent partner institutions or new projects of USAID. The following activities shall be undertaken:

- a. *Conduct of National and City INVEST Experience Dissemination Forums.* The Project intends to organize end-of-project forums to highlight the gains it achieved, the experiences that contributed to its success, and the lessons it learned in project implementation and management, including the technology that the INVEST has employed. The forums will be conducted in Metro Manila and in each of the partner cities.
- b. *Documentation of the Achievement of Intended Results.* The Project will monitor whether the performance indicators it had set at the start of its operations have been achieved and realized. It shall document the deliverables it planned for, activities it undertook, and outputs it produced from October 2011 to September 2014.
- c. *Inventory and Disposal of Project Assets.* By the end of the Project in September 2014, it should have disposed of, or transferred, its properties and other assets to partner institutions and other projects of USAID. As such, it shall conduct an inventory of its assets and the possible recipient institutions, subject to proper documentation as mandated by USAID.

Output:

Output 2.1: Report on the conduct of national and city INVEST experience dissemination forums

Output 2.2: Project terminal/final report (including final M&E results and the implementation of the Gender Plan)

Output 2.3: Project Demobilization Plan

V. TIMETABLE OF ACTIVITIES

In Year 3, the Project will focus on the full implementation of its remaining activities to achieve its desired outputs and show results by September 2014. Sustainability measures will be installed in the areas of BPLS, investment planning and promotion, and competitiveness to make sure that efforts at both local and national levels will be sustained and continued by the partner cities and NGA partners.

Annex 1 presents the schedule of activities for the option year for each output under the three (3) components of the Project. Any adjustments that may need to be made on account of the local situation will be reported to USAID immediately.

VI. COORDINATION WITH PARTNERS AND STAKEHOLDERS

Of crucial importance in securing its reform agenda are the Project's partnerships at the city level, particularly with the CIP-TWGs, the mayors, the city councils, and the local private sector groups. Its partnership with these groups, as well as the partnerships between and among them, will define the success of project activities such as the conduct of the city business forums, the continued implementation of reforms and initiatives for local economic and investment promotion, the establishment of city investment promotion centers, the generation of recommendations for the establishment of business-friendly inspection systems, and further streamlining by the cities of their BPLS.

Collaboration and cooperation with national line agencies, particularly the DTI, DILG, DOST and NCC, are likewise crucial to ensure both consistency of thrusts and activities as well as adequate support to the implementation and sustainability of reforms. More specifically, these national line agencies create the environment conducive to the reform efforts through the issuance of national policy directions. In turn, the Project can advise and provide information to these partner agencies based on Project experience on the ground, the studies that it has conducted and would conduct, and the expertise it possesses and can access.

In Year 3, therefore, INVEST will further strengthen its ties with various stakeholders, particularly the partner city governments, national oversight agencies, business groups, and other civil society organizations. It will ensure their relevant participation in activity identification and design, implementation, and monitoring and evaluation. It will assist in providing technical advice to the secretariats of various inter-agency committees that deal with national level policies on investment and business permitting and licensing reforms. It will conduct more frequent and meaningful dialogues with them, not only to ensure their participation in activities, but also to advocate for their continued support and buy-in to the whole reform process and thus ensure its sustainability long after the end of its implementation life.

The Project shall also continue to coordinate with other projects of USAID, especially the COMPETE Project, for the continuation of efforts it has exerted in generating project concept documents from its partner cities for projects that could be funded and implemented through the Public-Private Partnership arrangement, as well as the SIMM Project which can continue the conduct of studies for the online payment of business fees and taxes.

Annex 2 contains the list of partnerships that need to be strengthened for each of the activities of INVEST in Year 3.

VII. CONSISTENCY WITH REGULATION 216 ON ENVIRONMENTAL DOCUMENTATION

As in Years 1 and 2, INVEST will still largely focus on the provision of technical assistance and conduct of capacity development initiatives in Year 3. Thus, its Year 3 activities do not require Initial Environmental Examinations or Environmental Assessment and Environmental Impact Statements as specified under the procedures of Title 22 of the Code of Federal Regulations, Part 216. The small commodity grants, such as computer units, interconnectivity, simple software and similar components, that it intends to provide would hardly have any effect on, much less endanger, the environment.

Based on the (c) Categorical Exclusions (1) and (2) provided under Regulation 216.2 (Applicability Procedures), the Project is not subject to the procedures set forth in 216.3 based on the following:

- (1) The following criteria have been applied in determining the classes of actions included in 216.2(c) (2) for which an Initial Environmental Examination, Environmental Assessment and Environmental Impact Statement generally are not required:
 - (i) The action does not have an effect on the natural or physical environment; and
 - (ii) A.I.D. does not have knowledge of or control over, and the objective of A.I.D. in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by A.I.D.
- (2) The following classes of actions are not subject to the procedures set forth in 216.3, except to the extent provided herein:
 - (i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.);
 - (ii) Analyses, studies, academic or research workshops and meetings; and
 - (iii) Document and information transfers.³

Nonetheless, the INVEST Project will continue to closely observe and promote both A.I.D. environmental policy as stated in the referred to procedures. It also remains committed to observing and promoting Philippine environmental policies, which have been in effect before and after the Project have started its operation.

³CFR 216 Agency Environmental Procedures, page 1

VIII. IMPLEMENTATION CHALLENGES IN THE OPTION YEAR

In Year 3, the following challenges, if not properly responded to, could delay or derail, project implementation, most particularly at the city level:

- 1. Change in local leadership.** The May 2013 local elections have resulted in changes in leadership in the cities of Batangas and Cagayan de Oro and in the membership of the Sangguniang Panglungsod of the three partner cities. Specifically in Cagayan de Oro, the new administration changed key appointive officials and personnel associated with the previous administration. Likewise, the business group and civil society organizations that served as partners of the previous administration in implementing the Project have been changed. Understandably, the intention of the new administration is to form a new group of like-minded people and institutions that could help push forward its own development agenda for the city in a more efficient and effective manner. Given this, there is a need for the Project to conduct orientation sessions with the leaders and new set of officials and Project partners in Cagayan de Oro to facilitate their appreciation and understanding of the Project, and thus, prevent any unnecessary delays in project implementation.
- 2. Level of capacity of the LEIPO.** It is with the assistance of the Project that the LEIPOs in the partner cities were designated and were able to take on their mandated functions under DILG MC 2010 113. It is also through the Project that the LEIPOs were made aware of their functions and responsibilities in the development and promotion of their respective cities as investment and economic hubs. For two years, the Project has been providing capacity building programs – both formal and on-the-job – to the designated LEIPOs in the areas of investment planning and promotion, in general, and in networking within city government and with the private sector, liaising with the local business groups, gathering and processing economic information for investment promotion, mounting business forums, and city branding, among others.

Despite these efforts of the Project, there remain some areas where the capacities of the LEIPOs could be further enhanced. In Iloilo City, for example, as the Local Chief Executive renewed his support and commitment to the Project and for the City to improve its performance in complying with the BPLS standards, there is a need for the LEIPO to seriously take the lead in the implementation of BPLS reforms and initiatives as well as in investment promotion for the city. For Cagayan de Oro City, the change of administration also led to the change of key department heads and officials of the city government, including the LEIPO. There is thus a need for the Project to start capacitating the new LEIPO. As for Batangas City, the LEIPO needs further coaching and mentoring in undertaking required tasks for the remaining activities of the Project, including the honing of his skills in leading his technical staff to undertake daily responsibilities related to the Project and to the mandates of the LEIP Office.

The LEIPO is indeed a key official at the city government who could facilitate the delivery of Project activities and outputs at the city level.

- 3. Resistance of some key city officials to change.** Even in Years 1 and 2, the Project experienced this particular problem, particularly in implementing reforms involving the whole process of business permitting and licensing. From a behavioral perspective, this problem takes its roots on the fact that the key officials have been too immersed and

familiar with the traditional way of discharging their mandates and functions that they resist even the ways that are intended to make their job easier and more efficient. They resist change that would require further learning and which is viewed as a threat to their comfort zone.

From an operational level, the problem is the result of conflicting objectives among departments at the city level. For example, while the BPLO and the LEIPO are engaged in streamlining processes and providing fiscal incentives to attract investors, the CTO has the professional motivation to increase local revenues through the collection of higher rates of business registration fees, charges and taxes. Local officials such the CTO or the BFP's Fire Marshall resist change and reforms that are seemingly inconsistent with their mandates and responsibilities.

This problem requires a strong leader to champion the reform as well as to manage the change process. In some specific cases, however, it is unfortunate that the LCEs have delegated their responsibilities to a city official, staff member, or even a private individual who is less competent and with limited or no power to influence, administer, and oversee other participating local officials and offices tasked to execute specific reforms at their rank.

It is, thus, necessary for the Project to orient and reorient LCEs and key local officials on the objectives of the Project and provide them guidance on how they could lead and manage necessary reforms that need to be introduced at the city level.

4. **Private sector relational issues.** It has been observed during the implementation of the Project in Years 1 and 2 that business sector groups could not work together as one. This could be due to the lack of trust and confidence on each other or to the fact that certain groups are favored by local politicians.

To ensure the success of the Project, most particularly in attracting new businesses and investments in the cities, this concern should be addressed. As engines of growth at the local level, the business sector should project an image of a contented, vibrant and united community that is confident in its affairs and in the future of its city.

In Year 3, the Project shall endeavor to continue providing assistance to all local business groups so that they could participate actively in the conduct of Project activities, especially in the promotion of the partner cities as business and investment hubs. In Batangas City, for example, the Project will assist the Batangas Chamber of Commerce and Industry, Inc. (BCCII) in forming a city chamber that would unify individuals and groups doing business in Batangas City. In Iloilo City, the Project will endeavor to mainstream other business associations and ensure their active involvement in Project activities, particularly in the conduct of the BF.

5. **Government and business sector differences.** This problem stems from the differences in development vision and the lack of trust between the government and the business groups. This is a continuing concern that the Project has to deal with in Year 3. While this problem has personality dimension attached to it, there are certain operational objective solutions and actions that could be adopted.

As in Years 1 and 2, the Project will continue to create opportunities where the business sector groups and the city government could interact more harmoniously and effectively,

and where in the process, one group or sector would be able to appreciate the insights and perspectives, not to mention the sincerity, of the other. The Project will conduct these and other types of confidence building activities and briefing sessions involving both government and business sector.

6. Sustainability of the Reforms under INVEST

With its ending in September 2014, the Project needs to ensure sustainability of the reforms it initiated. Hence, the challenge of the PMO is to map out a program that will institutionalize the reforms started by the Project in its partner cities. To the extent possible, the Project will draft resolutions that can be passed thru local legislation on the critical areas of reform in business permitting as well as in investment promotion.

Annex 1

GANNT CHART OF INVEST OUTPUTS, BY COMPONENT, PROGRAM AREA AND DELIVERABLE

October 2013 – September 2014

Program Area/Deliverable/Output	Implementation Period											
	Year 3 (Option Year)											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Component 1. Streamlining Business Registration Processes & Lowering Transaction Cost												
Program Area 1.1. Ensuring Compliance of Partner Cities with BPLS Standards												
Deliverable #1. Assisted Partner Cities in Setting-up a Computerized Business Permits and Licensing System (BPLS) and an Enhanced Business One-Stop Shop (BOSS)												
Output 1.1. Assessment Report on the Reforms Implemented for BPLS, BOSS and Inspection Systems												
Deliverable #2. Introduced Risk-based Inspections in Partner Cities (Carry-Over from Year 2)												
Output 2.1. Recommendations on the adoption and implementation of a risk-based system for sanitation inspection												
Output 2.2. Recommendations on the adoption and implementation of a risk-based system for the fire inspection												
Deliverable #3. Introduced Reforms in Securing Business Permits for Construction and Tourism Activities (Carry-Over from Year 2)												
Output 3.1. Recommendations on the adoption and implementation of the proposed streamlined processes for securing construction-related permits												
Output 3.2. Output 3.1. Recommendations on the adoption and implementation of the proposed streamlined processes for securing permits for hotels and similar establishments												

Program Area/Deliverable/Output	Implementation Period											
	Year 3 (Option Year)											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Program Area 1.2. Strengthening National Government Support to BPLS Reforms												
Deliverable #1. Provided Technical Support to Inter-agency Committees on the PBR and Connectivity of Partner Cities to the PBR												
Output 1.1 PBR Connectivity of Partner Cities												
Output 1.2 Signed Executive Order												
Output 1.3 Meetings of the Steering Committee and the PBR Technical Working Group Organized												
Deliverable #2. Reviewed the JMC Standards												
Output 1.1. Report on the Assessment of the DTI-DILG JMC 1, s. 2010												
Deliverable #3. Provided Technical Support to Oversight Committees on BPLS Reforms												
Output 3.1. Report on the Assistance Provided to the Oversight Committees on BPLS												
Component 2. Improving Investment Planning and Promotion in Partner Cities												
Program Area 2.1. Supporting Capacity Building Efforts of Partner Cities in Investment Planning and Promotion												
Deliverable #1. Conducted Preparatory Activities for the Business Forums in Partner Cities												
Output 1.1. Investment Plan for each Partner City												
Output 1.2. Revised Local Investment Incentives Code												
Output 1.3. Project Briefs and updated city profiles for each partner city												
Deliverable #2. Assisted the Partner Cities Conduct their City Business Forums												
Output 2.1. Report on the conduct of the business forums												

Program Area/Deliverable/Output	Implementation Period											
	Year 3 (Option Year)											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Deliverable #3. Undertaken post City Business Forum Activities at the Partner Cities												
Output 3.1 Report on post-business forum activities												
Component 3. Addressing Cross-Cutting Concerns												
Deliverable #1. Enhanced Measurement of Competitiveness in Partner Cities												
Output 1.1. Manual of Operations for the Computation of the Competitiveness Ranking of Cities												
Output 1.2. Survey on Competitiveness and Local Economic Development												
Deliverable #2. Undertaken Activities and Prepared Reports for Project Close-Out												
Output 2.1. Report on the Conduct of National and City INVEST Experience Dissemination Forums												
Output 2.2. Project Terminal/Final Report (including final M&E results and the implementation of the Gender Plan)												
Output 2.3. Project Demobilization Plan												

Annex 2

LIST OF OUTPUTS AND ACTIVITIES: TARGET COMPLETION DATES AND IMPLEMENTATION PARTNERS (By Component, Program Area and Deliverable)

Year 3

Program Area/Deliverable/Output	Major Activities	Target Completion Date	Partnership
Component 1. Streamlining Business Registration Processes & Lowering Transaction Cost			
Program Area 1.1. Ensuring Compliance of Partner Cities with BPLS Standards			
Deliverable #1. Assisted Partner Cities in Setting-up of a Computerized Business Permits and Licensing System (BPLS) and an Enhanced Business One Stop-Shop (BOSS)			
Output 1.1. Assessment Report on the Reforms implemented for BPLS, BOSS and Inspection Systems	Meetings and workshops	EO December 2013	Partner Cities
Deliverable #2. Introduced Risk-based Inspections in Partner Cities (Carry-Over from Year 2)			
Output 2.1. Recommendations on the Adoption and Implementation of a Risk-based System for Sanitation Inspection	Study on Risk-based Inspection for Sanitation/STTA	EO March 2014	Partner City Governments, CHO
Output 2.2. Recommendations on the Adoption and Implementation of a Risk-based System for Fire Inspection	Study on Risk-based Fire Inspection/ STTA	EO March 2014	Partner City Governments, BFP, DILG
Deliverable #3. Introduced Reforms in Securing Business Permits for Construction, and Tourism Activities (Carry-Over from Year 2)			
Output 3.1. Recommendations on the Adoption and Implementation of the Proposed Streamlined Processes for Securing Construction-related Permits	Study on construction permitting processes (continuation from Year 2); STTA	EO December 2013	DPWH, City Engineer's Office of Partner Cities

Program Area/Deliverable/Output		Major Activities	Target Completion Date	Partnership
	Output 3.2. Recommendations on the Adoption and Implementation of the Proposed Streamlined Processes for Securing Permits for Hotels and Similar Establishments	Study on licensing and permitting processes for hotel establishments (continuation from Year 2); STTA	EO December 2013	DOT, Partner City Governments
	Deliverable #4. Assessed the 2014 Reformed BPLS in Partner Cities			
	Output 4.1. Report on the Third Party Assessment of BPLS Reforms during the 2014 Business Registration Renewal Period	Sub-contract	EO May 2014	Academic Institution/s in Partner Cities
Program Area 1.2. Strengthening National Government Support to BPLS Reforms				
	Deliverable #1. Provided Technical Support to the Inter-agency Committees on PBR and the Connectivity of Partner Cities to the PBR			
	Output 1.1 PBR Connectivity of Partner Cities			
	Output 1.2 Signed Executive Order on the PBR			
	Output 1.3 Meetings of the Steering Committee and the PBR TWG Organized			
	Deliverable #2 Reviewed the JMC standards			
	Output 1.1. Draft DTI-DILG Memorandum Circular on the Revised JMC on BPLS Standards	Study on JMC Standards (continuation from Year 2); STTA	EO December 2013	DILG, DTI, Partner City Governments
	Deliverable #2. Provided Technical Support to Oversight Committees on BPLS Reforms			
	Output 2.1. Report on the Assistance Provided to the Oversight Committees on BPLS	Meetings and workshops	September 2014	DILG, DTI, NCC, DOST

Program Area/Deliverable/Output		Major Activities	Target Completion Date	Partnership
Component 2. Improving Investment Planning and Promotion in Partner Cities				
Program Area 2.2. Supporting Capacity Building of Partner Cities in Investment Planning and Promotion				
Deliverable #1. Conducted Preparatory Activities for the City Business Forum in Partner Cities				
	Output 1.1. Investment Plan for Each Partner City	Small group meetings, workshops, KIIs and FGDs	EO March 2014	Partner City Governments, key stakeholders at the city level
	Output 1.2. Revised Local Investment Incentives Code for Each Partner City	Small group meetings, workshops, KIIs and FGDs	EO March 2014	Partner City Governments, key stakeholders at the city level
	Output 1.3. Project Briefs and Updated City Profile of Each Partner City	Small group meetings, workshops, KIIs and FGDs	EO March 2014	Partner City Governments, key stakeholders at the city level
Deliverable #2. Conducted Business Forum for Partner Cities				
	Output 2.1. Report on the Conduct of the City Business Forum in Partner Cities	Conduct of the City Business Forum	EO April 2014	Partner City Governments, key stakeholders at the city level
Deliverable #3. Undertaken Post City Business Forum on Activities at the Partner Cities				
	Output 3.1. Report on post business forum	Technical Assistance in the establishment of CIPC (physical and virtual)	EO June 2014	Partner City Governments, key stakeholders at the city level

Program Area/Deliverable/Output		Major Activities	Target Completion Date	Partnership
Component 3. Addressing Cross-Cutting Concerns				
Deliverable #1. Enhanced Measurement of Competitiveness in Partner Cities				
	Output 1.1. Manual of Operations for the Computation of the Competitiveness Ranking of LGUs	Survey; Sub-contract	EO February 2014	Partner City Governments
	Output 1.2. Survey on Competitiveness and Local Economic Development	Participation and attendance to meetings; provision of technical assistance; STTA	EO July 2014	DILG, LGSP-LED
Deliverable #4. Undertaken Activities and Prepared Reports for Project Close-Out				
	Output 4.1. Report on the Conduct of National and City INVEST Experience Dissemination Forums	Conduct of national and city INVEST experience dissemination forums (May 2014)	EO July 2014	Partner City Governments
	Output 4.2. Project Terminal/Final Report (including final M&E results and the implementation of the Gender Plan)	Conduct of M&E (work and financial), project visits, interviews, data gathering and report writing	EO October 2014	Partner City Governments, Partner National Government Agencies, Business Groups, Academe and Civil Society Organizations
	Output 4.3. Project Demobilization Plan	Inventory of Project's assets	EO August 2014	Partner City Governments