

FINAL REPORT

Agribusiness/Rural Industry Development and Private Sector Investment Stimulation in the Bicol Region

Lincoln Armstrong

USAID/ORD Consultant to the Bicol River Basin Development Program

November 1979

OBJECTIVES OF THE CONSULTANCY

The general objectives for this consultancy were set forth as follows:

1. To assist in further defining, developing and initiating a GOP action program to stimulate higher levels of productive private sector investment in the Bicol Region, with emphasis on agribusiness and labor intensive rural industry.
2. To improve the economic and commercial data bases required for effective and realistic public and private sector planning within the region.
3. To improve the staff capabilities of BRBDP and the National Economic and Development Authority (NEDA) Region V Office to achieve the above objectives.

RATIONALE FOR THE CONSULTANCY

The GOP, assisted by various international financing agencies, is undertaking comprehensive social, economic and physical infrastructural development programs which are expected to facilitate accelerated private sector business and industrial investment and employment generating productive enterprises.¹ The Bicol Region is a beneficiary of these programs, e.g., it is the home of the Bicol River Basin Development Program (BRBDP); construction of the all-weather Manila-South Road; expanded urban and rural electrification based on power from the Luzon Grid which already draws 110 megawatts from the Bicol's Tiwi Geothermal Electric Power Plant; several Integrated Area Development (IAD) projects

¹ See Annex 1 which contains a reprint of President F. E. Marcos's Letter of Instruction (September 1979) to the Ministry of Industry and the Board of Investment on implementation of the national industrial development strategy.

(flood control, irrigation, agroforestation, feeder roads, fish ponds, etc.); and various social development programs bearing on health, nutrition, education, vocational training for public officials as well as for blue collar workers, and tourism. In addition, there are expanding national and provincial road projects; Manila-Bicol railroad improvement, seaport and airport projects; and an initial feasibility study for a large scale Industrial Estate at Malilipot in Albay Province.

While most of the aforementioned activities are primarily the responsibility of the public sector, it is also essential that private sector participation in such development (particularly the linkages in agribusiness and rural industry) be aggressively promoted so that it may grow at a commensurate rate. Over the long run, regional economic planners estimate that the private sector share of the overall development bill must be in the neighborhood of sixty to seventy percent.

It has been consistently assumed by Bicol regional planners that government can play an essential and necessary role in stimulating and assisting private sector investment and participation in the development process. To prospective, new investors, the GOP through its regional line agencies can provide organizational, informational, technical, marketing and financial assistance. Through its planning institutions such as NEDA and the BRBDPO, it can provide project planning, coordinating and monitoring assistance. But to provide these kinds of assistance, a vastly improved benchmark data base is absolutely essential. It is a first order of business, so to speak, which must be complimented by the establishment of permanent survey mechanisms to permit periodic measurement and analysis of progress toward private sector development objectives, and to allow identification of constraints militating against achievement of those objectives.

With regard to the second objective, above, concerning up-grading of various data systems required by Bicol Program macro and micro economic planners, there appeared to be a lot of interest and dynamic planning underway in the early part of 1979. A special meeting of representatives of the BRBDPO Sectoral Planning Staff, national and regional statistical research offices of NEDA and NCSO, and U.S.AID was convened to identify problems, appraise alternative solutions, and arrive at a definite plan of work. Oddly, it was called a SUB-REGIONAL ACCOUNTS PROJECT, but its scope was much broader than that as indicated by the goals and objectives set forth for the collaborative effort.^{1/}

At conclusion of the meeting, so ready to move forward were all concerned, that it was only a matter of weeks before Joint Project Letter of Implementation Number 8 was drafted and approved which provided for recruitment of a "Senior Filipino Consultant: Business Intelligence System and Regional Economic Data for the Bicol." The stated purposes

^{1/} See Annex 9.

of this consultancy were the following:

- "a. upgrading the capability of Bicol GOP agency staffs having responsibility for regional and provincial level economic and commercial data generation and analysis;
- b. expanding the content and representativeness of regional and provincial level economic and commercial data generation; and
- c. systematizing the regular periodic availability of information designed to facilitate economic/sectoral development planning and policy-making, and public and private sector investment decisions at the provincial and regional levels and, to the extent possible, at the Integrated Development Area (IDA) level."

Nothing ever came of this thrust. The consultant has not been recruited. The primarily involved Sectoral Planning Staff economists have resigned from the BRBDP.

At the beginning of 1979 when this consultancy commenced, several data bases had been developed, but none had been used for Bicol Program impact measurement or trend analysis; in short, none had been replicated.^{1/} Field work on a new benchmark study - the Bicol Multi-Purpose Survey (BMS)- had just been completed. Program impact measurement and trend analysis may have to await 1981 when the BMS is scheduled for replication. However, USAID assistance is available for earlier sub-sample studies of IAD projects underway.

Finally, with regard to the training objective stated above, a Training Program for Bicol Investment Promotion functionaries jointly sponsored by the BRBDPO, NMYC and U.S.AID is currently underway. It is discussed in more detail, below. However, it may be noted here that another provision for training of the BRBDP/ADIP staff was ready for implementation in May, 1979. Reference may be made to BRBDPO-U.S.AID Draft Joint Project Letter of Implementation Number 9 calling for recruitment of a "Filipino Senior Consultant: Rural Industry/Agribusiness Project Feasibility Analysis and Promotion: On-The-Job Training". Ultimately, this project failed to obtain the approval of U.S.AID.

As of January 1979, other than a few meetings designed to "sell" certain business venture pre-feasibility studies, apparently neither the BRBDPO nor NEDA had taken substantive steps toward implementation of an investment promotion program although much staff level deliberation and planning had taken place. A purpose of this consultancy, together with BRBDPO and NEDA action, was clearly to try to get something underway in the context of the general objectives set forth above.

^{1/} An exception is SSRU's "Beyond Share Tenancy", 1977 which partially replicates their Annual Panel 1 survey of 1974. See full citation in Annex 3.

BACKGROUND

There have been four progress reports leading up to this final report. Other reference documents include Joint Project Implementation Letters. The initial progress report dated April 1979 traced the role played by agribusiness development and private sector investment stimulation in the history of Bicol river basin and regional development planning, programming and implementation. The BRBDP Program's orientation to agribusiness development was found to have been passive from the outset except for a generic concern over backward and forward linkages to rice production. The linkage problem generally was perceived in the context of traditional middleman exploitation of the tiller of the soil: the solution; take over of middleman functions by government line agencies and/or organization of farmers into "compact farms", Samahang Nayons, area marketing cooperatives, farmer associations, etc., in order for them to provide their own middleman functions, thus eliminating the traditional functionaries.

Beyond very modest involvement in farmer organizational activities BRBDPO management has tended to focus its attention on physical infrastructural development projects apparently taking the position that once the physical infrastructure is in place, the private sector would automatically take advantage of the more favorable environment for business development. And this may be so. Unfortunately, no time-series data has yet been generated for the BRBD Program area to facilitate trend analysis of impact of the Program upon the conditions and quality of life that the BRBDP may be having. At least three good benchmark surveys have been completed by the now dismantled Social Science Research Unit (SSRU) of Ateneo de Naga on behalf of the BRBDPO. SSRU's first (and last) "Annual Panel Survey" (3240 households sample) and its Camarines Sur "Municipal Inventory" survey, both completed in 1974, have never been fully replicated. The importance of replicating the SSRU 1978 Bicol Multi-purpose Survey three years hence just cannot be overstated. Without a continuous flow of reliable time-series data effective Program planning and control is impossible. Much has been written^{1/} about the disinclination of some Bicolanos to rely on impersonal information systems or to trust data generated by government enumerators. It is also said Bicolano leaders are not inclined to carry out programs and projects initiated by other leaders whom they are succeeding. If true, hopefully BRBDP planners will prove themselves exceptions to the rule in the future.

Neither National Census & Statistical Organization (NCSO) "Annual Establishment Surveys" or "Household Income & Expenditure Surveys" may yet be looked to for relief of this dearth of time-series data. Under-sampling in both instances at the regional level, and even more so at provincial and municipality levels, makes all but the most aggregated

^{1/} See especially, Jose V. Barrameda, Jr., Pakikiiba and Pakikidamay: Two Modes of Cooperation in Camarines Sur, SSRU No. 5, April, 1974 and "Economic Personalism and Philippine Entrepreneurship" by James N. Anderson, Asian Survey, Berkeley, California, Vol. IX, No. 9, Sept., 1969, pp. 641-666.

data unprojectable to any useful universe. The primary reason for undersampling is, of course, lack of funds. However, there are, no doubt, other sources of unreliability of NCSO census and survey data which are not likely to be resolved in time for the 1980 round of censuses and surveys.^{1/} Significantly, I understand that the original 1980 census budget of ₱39 million has already been cut to ₱15 million. If so, regional, provincial and municipal data bases will be thinner than ever.

In short, we do not know, and there is no data available by which we can measure what, if any, agribusiness, rural industrial, or non-farm employment developments have occurred in the Bicol. Suggestions as to steps that might be taken by the BRBDPO to assist NCSO in providing more representative data at the local level have not been acted upon. It was agreed informally that if BRBDPO could provide transportation for NCSO enumerators, sample size for the Bicol could be increased. Increased sample size would, in the case of establishment surveys, permit regional and provincial analysis at better than the one digit level (9 categories) on the Philippine Standard Industrial Classification (PSIC). This would be helpful, but still fall far short of meeting investment planning and promotion requirements. For example, NCSO Establishment Surveys have enumerated only the organized sector. Probably a large portion of non-farm employment occurs in the unorganized or informal sector (food production and processing firms with lower than 5 employees, all workers not having fixed business locations, and all who remove their stocks from place of operation after business hours). Under PSIC category #1, "Agriculture, Forestry & Fishery Production Establishments", NCSO does not enumerate those that employ fewer than 5 persons. It is possible that a large proportion of off-farm and non-farm employment occurs in non-enumerated category #1 establishments. It appears, therefore, that the most realistic choices that remain to Bicol development planners are to either replicate the SSRU 1974 Annual Panel Survey now, or await the results of a re-run of the BMS in 1981. In the meantime, by far the most detailed and relevant quantitative and qualitative single scan analyses of the Bicol socio-economic system that are available to all concerned right now remain the aforementioned SSRU 1974 Survey reports.^{2/}

Private sector investment promotion for the Bicol is not a new idea. Actually it was early institutionalized by the creation of a regional development authority in 1966 known as the Bicol Development

^{1/} See, for example, Annex 2 wherein Establishment Survey results for three different survey years are compared revealing wide fluctuations that can only be the result of faulty survey administration.

^{2/} See Annex 3 for a listing of key SSRU survey report titles and authors and a summary of some relevant findings.

Company (BIDECO).^{1/} BIDECO's first major project was the Bicol Sugar Development Company (BISUDECO) which immediately found itself in financial difficulties and was taken over by the Philippine National Bank (PNB). Except for a few other project failures early on, BIDECO has been inactive, project-wise, since shortly after it was founded. However, it still exists and, indeed, has an annual overhead budget of approximately ₱400,000.

Until 1978, BRBDPO's involvement in investment promotion had been mainly limited to contracting out for pre-feasibility studies of relatively large scale projects, and subsequent efforts to "sell" the resulting reports to prospective sponsors. In addition, there were some early organization efforts with Rural Bankers and Chambers of Commerce, and some training of entrepreneurs. Not until late in 1977 did the BRBDPO allocate grant-in-aid funds for the specific purpose of identifying what, other than developing pre-feasibility studies, might be done to stimulate private investment in the Bicol. This was the objective of the author's previous assignment with the BRBDPO which ended in December 1977.

The present consultancy commenced in the Philippines on January 15, 1979. By and large, its terms of reference reflected the findings and recommendations developed by the author in the course of his earlier exploratory investigations in 1977.^{2/} The interim year of 1978 witnessed a change in command at the BRBDPO followed by an extensive turn-over of key planning and project management staff.^{3/} As earlier recommended by the author, a Senior Filipino Consultant,^{3/} employed to carry on investment promotion and agribusiness development activities in accordance with terms of reference set forth in the aforementioned report, served out only part of his six month contract. He was frustrated by a near total moratorium on work plan implementation decisions. Thus, no substantive progress was made toward institutionalization of investment promotion for the Bicol during 1978.

Upon commencement of the present consultancy, the counterpart staff to the author within the BRBDPO remained the Agribusiness Development and Industrialization Project (ADIP) staff. However, the ADIP staff was no longer under control of the Business and Industry Sectoral Planning Chief who was soon to separate from the BRBDPO, along with all but one member

^{1/} Republic Act No. 4690. The company was originally designed to deliver the main thrust in developing the agro-industrial potentials of Bicolandia. It had an authorized capitalization of ₱300 million. According to the BIDECO act, ₱30 million would be released to the company every fiscal year--the last nine installments to begin in 1968. It is estimated that since its beginning, BIDECO has drawn down less than ₱30 million. There is considerable popular sentiment for providing BIDECO with a completely new professional management structure and making it operational again.

^{2/} Private Investment Promotion For the Bicol Region, R.P.: Suggestions for Strategy, Program Content and Organizational Arrangements, Public Administration Service, Washington, D.C., Dec. 1977 under PIO/T 492-260-3-70163.

^{3/} PRO-AG No. 492-55-199-260.

of the Sectoral Planning Division. ADIP's Officer-in-Charge now reported directly to the Director of the Program Planning Department (PPD). The major activities of the BRBDPO/ADIP staff during 1978 consisted of the following:

1. An unstructured compilation^{1/} of various pieces of information, data series, listings, etc., generated by GOP regional line agencies and by development staffs at the provincial, chartered city and municipality level for Camarines Sur, Albay and Sorsogon, especially, although some data was also collected from the island provinces and Camarines Norte. An output of this compilation was an identification of small scale industries and crafts which seemed to the researchers to have some potential for development. The basis of selection was evidence of the fact of their prior existence in the particular municipality. Two or three "potential" projects were listed for each municipality of Camarines Sur.

2. Drafting of terms of reference and memos of agreement with the Ministry of Industry for the conduct of 15 small scale project pre-feasibility studies;^{2/} with the Bureau of Mines for an assessment of the quantities and technical characteristics of selected minerals in the BRB program area;^{3/} and with SGV, Inc., for the undertaking of three data generation projects, all of which the BRBDPO subsequently cancelled.^{4/}

3. Preparation of "prospectuses" (brief project profile plus terms of contract) based on each of several completed "pre-feasibility" investment project studies;^{5/} and the administration of several prospective client group meetings designed to "sell" the studies along with project investment packaging services of the BRBDPO. No "sales" have been recorded to date.

^{1/} Had this data gathering exercise adopted the same survey schedule and questionnaire format as used for the 1974 SSRU Municipal Inventory, useful trend analysis could have resulted. See Annex 4 for a table of contents of the compilation.

^{2/} See Annex 5 for listing. Subsequently, this contract had to be abrogated because it was not possible for the Ministry of Industry to grant to BRBDPO exclusive rights to promote the projects. Its project development assistance services are apparently available to all qualified clients on a free-of-charge basis.

^{3/} Completed in June 1979, the minerals surveyed included those required for cement, ceramics and organic fertilizer industries. Promotional responsibility for translating these informations into manufacturing projects has been assumed exclusively by the Office of the Acting Program Director of BRBDP up to the date of this report writing.

^{4/} Bicol Credit Profile, Market Transaction/Commodity Flow Survey, and Costs of Non-labor Inputs/Agricultural Production Study.

^{5/} The ten (10) SGV, Inc., 1977 studies and eleven (11) of the Ministry of Industry's 15 studies. See Annex 6 for typical "prospectus" terms.

As noted in earlier progress reports, the general condition of project inactivity prevailed well into 1979. Partly responsible was fact that the 1979 budget was not approved by the Budget Commission until late May. In addition, the planning of a major reorganization of the BRBDPO was being carried out by the Office of the Cabinet Coordinator (OCC) for Bicol Integrated Rural Development during the first half of 1979. However, one significant event did occur in 1978 that had been recommended by the author during his earlier consultancy. This was the promulgation of P.D. 1520 the Letter of Instructions for which sanctioned regionalization of the National Commission on Small and Medium Industry (NCSMI). A Region V Council of the National Commission was established in December 1978. It is called the Region V Council for Small and Medium Industry or RCSMI. Its Chairman is the Director of Region V NEDA. Its Vice Chairman is the Director of the Ministry of Industry's Small Business Advisory Center (SBAC) and MASICAP^{1/} for the Bicol. The BRBDPO is an original member of the RCSMI which is being developed as a lead coordinating agency for private sector investment promotion activities in the Bicol. The main emphasis of the present consultancy has been the identification of ways and means by which the BRBDPO can play an effective role in investment promotion through and in cooperation with the Bicol RCSMI.

Alternative vehicles to the RCSMI for investment promotion have been considered. For example, there is the Regional Development Council (RDC) whose core membership consists of the six provincial governors, the chartered city mayors, and line-agency regional directors. However, individual provincial and city identification and loyalty is understandably strong among the governors and mayors. And there is no avoiding the fact of great geographical, economic and historical differentiation among the six provinces of the Bicol.

Additionally, there is current discussion of the possibility of rehabilitating BIDECA which is a presidentially decreed and duly registered development authority with a narrow focus. (See footnote 1, page 6, above.) However, this vehicle is rejected by many on the grounds that BIDECA may have great difficulty living down its incredibly bad track record. It would also be extremely vulnerable to regional political in-fighting.

In favor of BIDECA, assuming it could be provided a truly professional management team reasonably insulated from political interference, is that it would be the ideal type of regional agency for the management of a Bicol Industrial Estate cum Export Processing Zone. Even if it

^{1/} MASICAP = Medium and Small Industry Coordinated Action Program which provides project formulation and implementation assistance to entrepreneurs.

might have to be responsible ultimately to the National Industrial Estate Program (NIEP) and/or Export Processing Zone Authority (EPZA), it would still be a local, potentially self-supporting, institution in charge of truly vital local regional interests. As a regional institution it would provide to the region a source of revenue for the support of other regional level programs, projects and regional administrative overheads.

On the other hand, a strong case can be made for organizing for investment promotion at the provincial rather than regional level. Provincial identification by the people is rooted in social, economic and political traditions and experience, whereas regions are relatively artificial creations of the central government devised quite arbitrarily for centralized administrative and accounting purposes. However, the central government line agencies, including NEDA, are regionally delineated; not provincially. Therefore, it has seemed reasonable to at least give investment promotion at the regional level a fair trial. If lack of regional government machinery or regional taxing authority and a regional budget, in addition to lack of personal identification of the people with a region ultimately proves to be too great a constraint against effective investment promotion, it may then be necessary to program for investment promotion at the provincial level as Cavite is doing so vigorously recently.^{1/} Indeed, even now the Bicol RCSMI is conducting a series of provincial level conferences aimed at organizing businessmen into provincial level promotional councils and sectoral manufacturing and trade associations. There is no reason why regional and provincial promotion can not be simultaneous and mutually reinforcing.

The Region V Council for Small and Medium Industry is clearly not a perfect vehicle for regional investment promotion. For it to do the job it will certainly have to have financing and a budget independent of, and supplemental to the budgets of its member agencies. But even then, so great is the distrust between public and private sector that perhaps no government agency can gain the degree of confidence of the private sector required for effective business sector promotion. If this proves, to be the case, a possible solution may be that of having NEDA and/or the BRBDP spin off a private sector, not-for-profit business venture development assistance and investments promotion foundation or corporation clothed adequately in guarantees of non-governmental interference. However, the RCSMI approach which has been initiated during 1979 appears to be the most promising immediately available alternative and deserves to be aggressively pursued in the months ahead. If this approach cannot be fully and effectively operationalized, it will then be time to consider other alternatives or combinations of approaches to the problem.

^{1/} See BULLETIN TODAY, Sat., Nov. 3, 1979, p. 12

CURRENT STATUS OF CONSULTANCY TASKS

The current situation can be summarized in the following manner:

1. With Regard to Investment Promotion As An Official Function of the BRBDP:

The establishment, effective January 1, 1980, of a new Management Services Department in the BRBDPO incorporating within it an Investment Promotion Section (IPS) manned initially by four permanent professional employees plus an undetermined number of casual/contract support staff reportedly awaits only Malacañang approval. It is assumed the staff of the IPS will be selected from among those BRBDP/ADIP employees presently participating in a BRBDP/NMYC/USAID "Investment Promotion Training Program" (Oct. 23-Nov. 29, 1979).^{1/} The Investment Promotion Section will inherit an already approved and on-going function of the existing ADIP staff, namely, that of providing to the RCSMI "Technical Secretariat" services which include, most significantly, operation of a Referrals and Information Dissemination Center (RIDC).^{2/}

2. With Regard to Agribusiness/Rural Industry Projects Development:

The Agribusiness Development and Industrialization Project (ADIP) staff has recently implemented a plan of operations which is systematic and promises to permit rational project planning and budgeting in the future. The plan starts by generating in-pur supply, production, socio-economic environmental and marketing survey data for a particular industrial sector and then derives out of this base data detailed pre-feasibility analyses of the viability of specific product centered business venture projects. For example, an inventory type 5000 household sample survey among mainland Bicol farmers has recently been conducted in which four commodities were emphasized among some 25 which were pre-listed in the interview schedule. These were cassava, ginger, sweet potato and pili nut. The cassava aspect of the survey results have already been translated into a "CASSAVA FLOUR PROJECT FEASIBILITY STUDY" that is ready for promotion to prospective investors. Alternative modes of production were evaluated. Similar project pre-feasibility analyses are being prepared for other products for which the background survey data looks promising.

It is contemplated that the agribusiness projects development staff will address fisheries and livestock commodity sectors in a similar manner. And at an early point in time, it is recommended that the research thrust be focused on mechanical, electrical, chemical and textile/apparel industrial sectors. Eventually, the staff must focus on the services sector, personal and professional. The consultant feels that the Officer-

^{1/} See Annex 7 containing JPIL-10 and all details concerning the rationale and substance of the training course.

^{2/} See Consultant's SECOND PROGRESS REPORT for discussion of the organization and functions of the "Technical Secretariat" and the operating relationship between IPS, RCSMI and RIDC.

in-Charge of the ADIP should have no difficulty in outlining a five year plan of operations in this area of specific product or service business enterprise projects development work.

The ADIP staff has also demonstrated its ability to provide project development consultative services directly to small scale rice millers recently. Approximately a dozen millers were assisted in adopting rubber roller huller technology into their milling operations and then to prepare feasibility documents required for bank financing which several of them have already obtained.

The vitally important thing right now is to waste not a moment in promoting the still fresh CASSAVA FLOUR project study to prospective clients and getting a project actually implemented. It is in this connection that collaboration between the ADIP and the new Investment Promotion Section of the Management Services Department of the BRBDPO should prove most productive.

The translation of the foregoing project development work into going business ventures will make an important contribution to employment generation goals and to improving the quality of life of persons involved. But we must not lose sight of the fact that most of the impact will be in the organized sector dependent upon recruitment of project proponents who are already well established in the business community. However, a great many Bicolanos will remain unemployed, under-employed, and poorly employed out in the barrios. The consultant has recommended to the BRBDPO a "grassroots agribusiness development approach"^{1/} to reach this unorganized or informal sector of the economy and generate employment and income earning activities at that level.

Specifically, he has recommended that individual ADIP staff members be assigned to do direct project development field work at the barrio level in integrated development areas (IDAs) of the BRBDP. As a test case, one agribusiness development specialist was to be assigned to the Buhi-Lalo agroforestation project to assist in the identification and development of potential grassroots revenue producing activities. The likely targets in this instance would probably be farmers with tree crop potentials currently going to waste or not being effectively exploited. The input would be that of encouraging marketable planting or harvesting and then assisting in organizing for profitable processing and marketing of the crops. Cooperation of the Samahang Nayon Sales Center at the Food Terminal, Inc., should be explored.

If the above so-called grassroots agribusiness projects development approach proves fruitful, the BRBDPO would be in the business of fielding barrio level grassroots type "extension agents" skilled in the managerial disciplines of business venture projects identification, planning, deve-

^{1/} See consultant's Third Progress Report.

lopment and implementation, surely a worthy challenge for the BSAs and MBAs in agribusiness and marketing on the ADIP staff. If it is subsequently determined that this goes too far beyond the fundamental responsibilities of the BRBDPO for planning, coordination and monitoring, this capability could be transferred to a more appropriate implementing agency or it could be spun off to a new independent management services organization such as Compact Farm Management Teams.

3. With Regard to Improving Investor/Entrepreneur Information Services and a Commercial Intelligence System:

It seems there is little that the BRBDPO can or should be expected to do with regard to improving data that is regularly generated by government agencies such as NCSO, university research facilities, private sources of information such as trade and manufacturing associations, etc. other than to offer encouragement at every opportunity and make suggestions regarding data collection and processing that would better serve Bicol information user's needs. For instance, we have an informal promise from NCSO to break out establishment survey data for the Bicol at the three digit level on the PSIC as soon as funds are available.

On the other hand, there is much that can be done to improve the information delivery system which is at least as critical a problem as improving the quality of the information. Indeed, there is a great deal of excellent data and technical information from ad hoc surveys and experimental research facilities published regularly but which rarely reach potentially interested users in the countryside. This is the problem addressed by the establishment of a Referrals and Information Dissemination Center in the Bicol. The RIDC is also an information gathering, screening, analyzing, abstracting and indexing service.

The RIDC now has an office and some furniture and typewriters. It has the beginning of a collection of basic reference materials. Its office is next door to the NEDA Region V Library to which it enjoys full access. It has published the first in a continuing series of indexes of current technical literature bearing on business development and investment promotion. A second issue is ready for mimeographing.

However, the RIDC does not as yet have a budget for the purchase of resource materials and supplies. Without such a budget no effective contribution can be sustained. NEDA is providing office space and utilities. The BRBDPO is providing a "Technical Secretariat." As a new activity sponsored by the Region V Council for Small and Medium Industry, the Council must find the means to provide the RIDC with an operating budget. An appeal to the National Commission for Small and Medium Industry has been made by the Regional Council.

4. With Regard to Organizing and Conducting a Policy Study on Establishing a Development Fund for the Bicol Region, and Assessing Alternative Approaches for Establishing such a Fund^{1/}-----

Based on current policy, it appears relatively difficult for BRBDPO to relate to region-wide policies and projects given what it considers to be its narrower territorial mandate and its day to day preoccupation with specific IAD level programming and projects. This is understandable, but must be modified in the future. Recently, for instance, members of the Bicol River Basin Program's Technical Secretariat to the RCSMI were unable to obtain permission to go to Masbate to a Business Development Conference sponsored by the Region V Council on the grounds that Masbate is not in the BRB Program area. Obviously, policy issues are raised here which must be resolved as soon as possible, if the BRBDP is to be an effective program at the regional level.

On the other hand, even when the BRBDP becomes truly regional in its outlook and scope, the author does not believe it should ever be considered an appropriate institution for direct involvement in establishing a Bicol private business sector oriented development fund. It's basic functional mandate is that of a professional planning organization. This is already sufficiently vulnerable to political interference without adding direct involvement in private sector project funding issues. Based on the consultant's own experience in trying simply to appraise the alternatives, he doubts that the BRBDPO would be a wise choice as an agency to conduct a policy study in this field.

Apparently because of what has been referred to as its "umbrella" relationship with BIDECO, potentially a Regional Development Authority, NEDA Region V has seemed disinclined to get involved in the issue of establishing a development fund for the Bicol.

The adoption of the "Balik Provincial" approach by the Ministry of Industry and of the "Big Brother" approach by the Ministry of Human Settlements suggests that these agencies have already established policy on the alternatives.

Affluent local private sector leaders with whom the matter has been discussed are pessimistic about organizing anything at the regional level, either of a public sector, private sector, or a mixed public-private composition. Intra-regional politics, they say, eliminate any chance of success. Some of these have tried to organize their affluent colleagues into local development corporations and failed for reasons they say are largely political or familiar which, of course, are often closely related.

^{1/} See full discussion of this duty in consultant's FIRST PROGRESS REPORT.

The opinion is almost unanimous; if a regional development fund or corporation can be successfully launched for the Bicol, the initial leadership will have to be assumed by outsiders. It is questionable whether the initiative can or should be taken by the public sector. After all, if the Development Bank of the Philippines (DBP) believed a Bicol development fund should be established, it could do so, but this would not actually serve the primary objective of involving the private sector in the mobilization of its funds. This is not to preclude the desirability of DBP enjoying a minority equity position in any fund that may be established by private sector interests.

I believe future Filipino or U.S. consultancy on this issue should be associated with the NEDA Regional Development Staff in the Central Bank complex from which position it would be able to address the problem from a national point of view, and not merely from that of one particular region.

5. It was anticipated that the consultant might work with BRBDP econometrics specialists regarding preparation of a draft document outlining how five and ten year development planning projections are to be achieved and include estimates of the changes in out-migration and unemployment to be expected over the time periods.

While there still remained any economists on the Sectoral Planning or Program Research staffs of the BRBDPO, the consultant neglected (through oversight) to address this task. When asked to look into the matter in September, no appropriately trained staff remained to work with him on the task. Nevertheless the matter was discussed with a NEDA Region V economist and with Manpower development staff at the National Manpower and Youth Council.

The logical approach to this task involves building a model and then manipulating the independent variables.^{1/} This is, of course a very complex case and computer processing would be indispensable. There are in existence computer programs that could be adapted to the Bicol situation, assuming we have sufficiently current and accurate data that describes actual labor force size, its occupational composition and distribution; its out-migration and in-migration characteristics (temporary and permanent); its composition in terms of unemployment, underemployment and multiple employment; and properly accounts for its organized and unorganized sector characteristics. I have not found any such data for the Bicol.

But even assuming adequate data resources, there remains in this task a constraint that I believe has remained insurmountable to the present time. It has to do with deciding which independent variables to manipulate.

^{1/} Indeed, it has been done. See "Projecting Population Utilizing a Migration Regression Model: An Alternative Approach (A Search for a Migration Model," Arlyne G. de los Santos, First National Convention on Statistics, Philippine International Convention Center, Dec. 1978.

It has to do with policies and values. Should the variable for market oriented production be activated? Or should it be the one for local resources oriented production? If the former, should it be export or domestic market targeted? These are policy issues and I submit that policies have not been laid down for the Bicol. Will the cement cartel permit competition from a new factory in the Bicol? Two months ago the answer would have been definitely not. But now that the President has begun to go after over-protected, inefficient and mis-managed industries, perhaps the positive variable could be activated, especially if 90% of the product would be exported to a captive market.

In this instance, as in the case of the previous task, I do not believe the BRBDP provides an effective environment for carrying out this assignment. The logical base for this consultancy would be the National Manpower and Youth Council (NMYC). Furthermore, I believe that given the inadequacy of available data and the lack of clear policies and strategies vis-a-vis development alternatives for the Bicol, the "REGIONAL MANPOWER PLAN - BICOL: 1978-1982" is a very respectable piece of research, analysis and processing of information and is about the best handling of this task that can be expected under present circumstances. The study was completed and published in 1978.^{1/}

6. "Recommend approaches for better mobilization of agricultural sectoral savings for productive investment purposes in the Bicol Region."

When this task was conceived two aspects of the underlying problem were of primary concern. First, while from a macro-economic point of view the agricultural sector may be producing dis-savings rather than savings,^{2/} we were aware that not all producers in the agricultural sector are deficit spenders. We were aware of the ex-agrarian reform landlords, for instance, who were "sitting on" 6% Land Bank Bond deposits. We were also aware of the existence of many wealthy plantation, forestry and fishery operators about whose reinvestment policies we knew very little. Certainly, these potential investors are prime targets of the investment promotion programs of the RCSMI and its member agencies. One project completed by the RCSMI during this year was a survey of potential Bicol investors which produced considerable information on their socio-economic characteristics and investment requirements and intentions. In short, I recommend the RCSMI investment promotion approach to mobilization of resources for investment purposes.

Second, we were (and are) somewhat skeptical as to the real meaning of the deficit spending survey data. We were more concerned about what productive use, if any, could be made of any surplus manpower, energy, or production that might exist in the barrios or, if non-existent today, might emerge as a result of infrastructural development projects and improved extension service delivery systems. In short, it seemed likely that any such surplus

^{1/} Regional Manpower Development Office No. 5, NMYC, Ministry of Labor, Legazpi City, March, 1978, pp. 115.

^{2/} See any of the Surveys of Household Income and Expenditure that have been completed to date including those by NCSO/NEDA and those by the SSRU.

might go for gratification of immediate needs rather than to investment into increased productivity and future need gratification.

The author, for one, does not believe that mobilization of these kinds of resources for productive investment purposes can be achieved other than by means of economies-of-scale producing "group farming" approaches to the problem. He further is entirely skeptical of the capability of the public sector to manage and control a group farming approach successfully, at least until such time as civil service salaries are raised to a level commensurate with the degree of professionalism that is required for success in this field of management. He is equally skeptical of the viability of cooperative approaches based on egalitarian principles of management and shared responsibility for risk in this cultural environment.^{1/}

The most promising group farming approach of which the author is aware is to be observed at Bancom's "BIDTECH" project whose headquarters are located in Polangui, Albay. It is strictly a private sector oriented Farm Management Services Corporation approach to a compact farm project in a typical rice growing area.^{2/} Each farmer member retains his economic and legal individuality as a responsible businessman and manager. Each pays a fee to the Management Services Team for services rendered which include procurement of production inputs, guidance by professional field supervisors, access to credit facilities and access to certain insurance programs such as for hospitalization and education. It is estimated that two years may be required before a break-even point can be reached. This depends, of course, on a number of factors. Under the present fee structure and costs of services provided, break-even point will be reached when about 600 hectares are brought into the compact farms. At last count there were approximately 450 farms/hectares. Average yields per hectare had risen from 70 cavans to 106 cavans from start-up of the project with the first planting season of 1978.

The current management policy is to try to reach break-even point before attempting to mobilize and channel additional farmer savings into other areas of productivity. However, once break-even point is reached based on increased production of the primary crop, the policy will then be, first, to diversify into other farm produce fields and; second, into various and sundry other areas of economic activity such as cottage industries, milling, storage and transportation services, and perhaps ultimately into processing and marketing of selected products.

Considerable interest in collaborating with the chief proponent of this approach was shown by the staff of the Agribusiness Development and Industrialization Project at BRBDP. Such interest and collaboration should be encouraged.

It may be noted that a Bicol Agricultural Credit Study is underway by ACCI/UPLB which presumably will generate data that will hopefully be useful to planners and implementers of agriculture sector savings mobilization projects.

^{1/} See Jose V. Barrameda, Jr., SSRU Report No. 5, *op. cit.*, p. 5

^{2/} Briefly described in Second Progress Report.

7. "To assist BRBDP, NEDA and associated agencies in further developing and refining strategies and action programs aimed at:
- a. identifying, prioritizing and promoting potential investment opportunities (down to individual municipalities, if feasible).
 - b. identifying and recruiting potential investors,
 - c. identifying and ameliorating disincentives and constraints faced by potential investors,
 - d. stimulating a more rapid rate of productive private investment in the Bicol Region."

The consultant sincerely believes that the best available medium for assisting "BRBDP, NEDA and associated agencies" in achieving the stated objectives is the Region V Council for Small and Medium Industries (RCSMI). The activities defined in items "a-d" are precisely among those for which the RCSMI was established.^{1/} The RCSMI aims to bring together into one body representatives of all of the development planning and implementing agencies which are directly involved and specifically authorized to promote and assist private business sector development. While there is some overlapping, each member agency has its own area of specialization to contribute. Interest in participation has not been automatic. For instance, recruitment of Region V representation of the Ministry of Tourism and the Ministry of Human Settlements has been unsuccessful to date. However, the participation of existing members has been enthusiastic.^{2/}

Item "c" deserves special mention. In practical terms it places the RCSMI in the role of lobbyist or ombudsman for private business investment interests. In so far as major disincentives and constraints are subject to man's control such as electric power rates; telecommunications, transportation, and storage systems; economic sectoral and regional incentives systems; availability of credit and risk insurance; and so forth--the RCSMI is uniquely qualified to bring local regional interests to the attention of central authority through the National Commission on Small and Medium Industry or directly through each member's own parent ministry.

The RCSMI is new and still finding its way. It is presently coping with organizational problems involved in bringing its services to the remote provinces and communities of the region more efficiently. Organization of intermediate provincial level councils for Small and Medium Industry including in their membership chambers of commerce and industry and other

1/ See Annex 8, promotional brochure of the RCSMI.

2/ The author recommends that representation of the Ministry of Agrarian Reform (MAR), should be invited by the RCSMI, in addition to invitations already extended to Region V offices of Tourism and of Human Settlements (livelihood projects) and to regional and provincial level chambers of commerce and industry.

sectoral associations is underway. Likewise, the time can be foreseen when the RCSMI's Referral and Information Dissemination Center located in Legazpi will need to provide branch services in other major growth centers of the region.

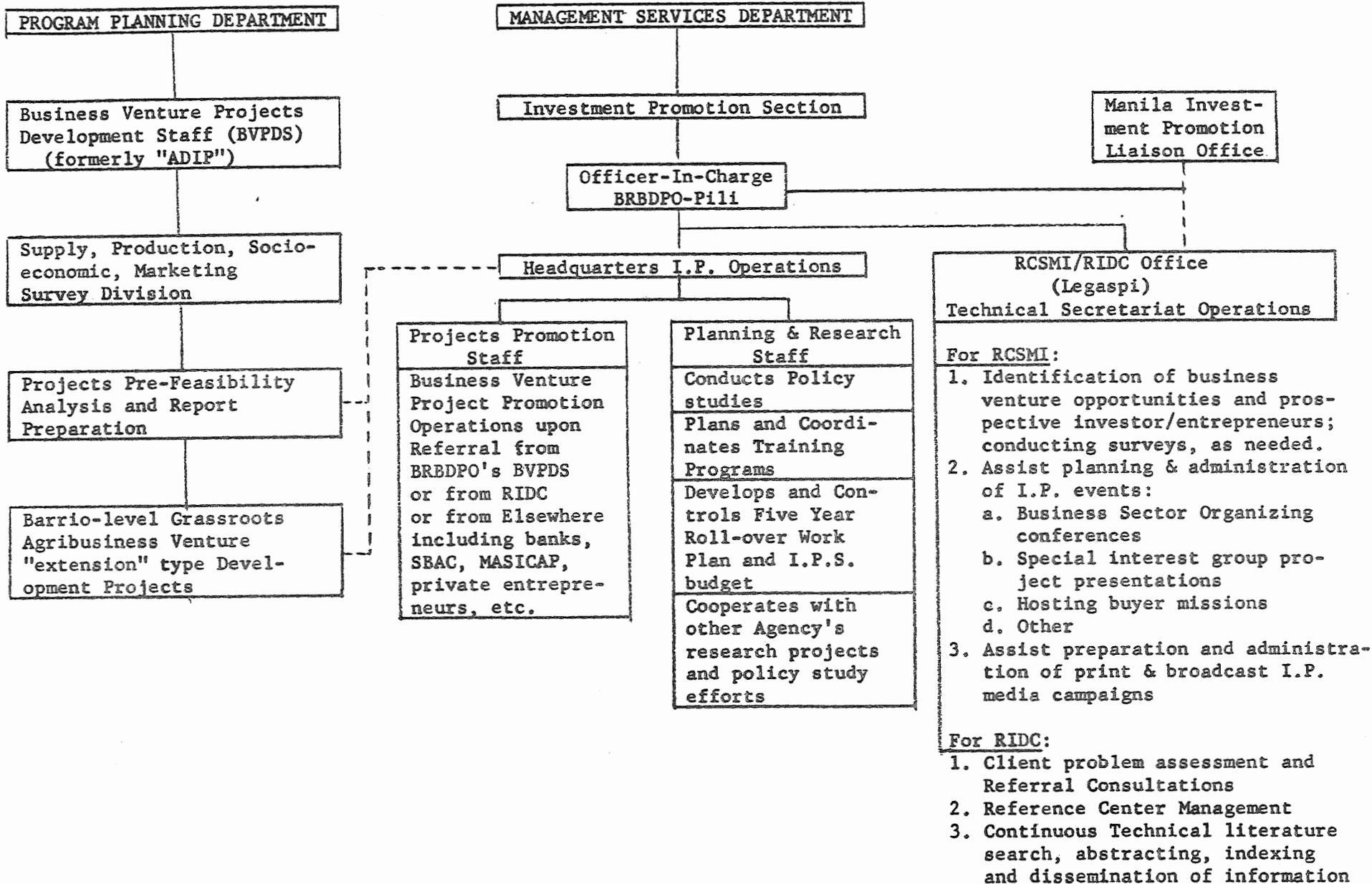
The emphasis on "Small and Medium Industry" in the title of the RCSMI is not seen as a limiting factor. "Small" can include cottage industries, mini-industrial estates, and even the "grassroots agribusiness projects" discussed earlier in this report. "Medium" can encompass some fairly large and complex projects. I am not aware of any regulation that prohibits the RCSMI from promoting or offering its assistance to any project because of a size limitation.

The BRBDP plays a vital role in the RCSMI by providing its "Technical Secretariat" or core operating staff. Without a Technical Secretariat the RCSMI can be little more than a periodic forum for interagency discussions of common internal interests. RCSMI can have no outreach without a Technical Secretariat and certainly could not operate a Referrals and Information Dissemination Center which is indispensable to an effective investment promotion program.

The BRBDP was the logical candidate for playing the role of Technical Secretariat to the RCSMI. The essence of that role is coordination and that is a primary functional responsibility of the BRBDP.

The future operations of the Investment Promotions Section (IPS) of the new BRBDPO Management Services Department are not difficult to envisage and, I am sure, easily translated into the Five Year roll-over planning and budgeting system observed by the Bicol Program.

The IPS will have two operating centers at the outset. Thus:



The fullest possible support by the BRBDPO and U.S. AID for this collaborative effort with the several member GOP line agencies of the Region V CSMI has the consultant's strongest recommendation.

EDITORS NOTE: We are printing in full the Letter of Instruction on the Objectives and Programs of the Ministry of Industry and the Board of Investments addressed to newly-installed Industry Minister Roberto V. Ongpin and signed by President Ferdinand E. Marcos.

The continued escalation of petroleum prices has brought a new challenge which the country must face with resolve. Difficulty and burdensome as the problems may appear, the country must adopt a positive rather than a defeatist attitude in dealing with these problems. The government and the private sector must work closely together to overcome the problems of industry.

In order to successfully meet the challenge, a reorientation is called for in the fundamental industrial policies of the country. While the direction of industrial development remains unchanged, the present environment requires a realignment of priorities. You are hereby directed to devote higher priority to the following objectives and programs:

1. Encourage the private sector to participate more actively in investments. The private sector, which in this country is without question a key element in the economy, has been and will continue to be the basic engine for development. With adequate incentives and the proper support from the government, the private sector can carry forward a large share in the task of development. Therefore, you should establish policies and develop programs which will remove hurdles to private sector initiative and encourage a greater degree of private sector investment.
2. Encourage greater investments in productive capacity. Closely related with the first objective, we must encourage greater investments in productive capacity in order to ensure that in the years to come, goods will be available to our consumers at competitive prices. I am concerned that some of our policies have tended to be over-protective of existing industry by preventing the entry of competition, to the extent that the initiative to expand and to increase productivity is often blunted.
3. Develop a well-conceived export strategy. The rate of economic development of the country depends critically on our success in earning foreign exchange from exports. With sufficient export earnings, we will be able to meet the challenge of the energy crisis and escalating import prices. Thus, in cooperation with the Ministry of Trade, you should give the highest priority to developing a well-conceived strategy in the area of production to accelerate the growth of exports.
4. Actively promote employment-generating projects. Considering the large number of entrants into the labor force each year, you should actively promote employment-generating projects. The employment aspects of a project must be given a very high priority in project evaluation.

^{1/} Reprinted from Ministry of Industry "DEVELOPMENT DIGEST," Sept. 1979, Vol. 11, No. 9.

5. Encourage the rehabilitation of existing industry. It is important to rehabilitate existing industry in order to increase its competitiveness and ensure that it supplies the necessary products to the Filipino consumers at reasonable cost. In addition, a cost-effective domestic industrial base would provide a good spring board for exports.
6. Increase emphasis in regional dispersal of industries. Consistent with our national overall objective of spreading the benefits of economic development throughout the country, I hereby direct you to develop specific programs to actively promote regional industrial dispersal.
7. Activate our Industrial Estates Program. It has been demonstrated that the creation of industrial estate inputs contributes immediately to the objectives of employment generation. Therefore, I hereby direct you to activate a nationwide industrial estates program.
8. Expand small and medium scale industries programs. I hereby direct you to increase the emphasis on small and medium industries through increased MASICAP and SBAC Programs.
9. Encourage investments in energy development efforts. In cooperation with the Ministry of Energy, I hereby direct you to develop an Energy Projects Priorities Plan which will encourage the rapid development of energy saving or energy generating projects, particularly non-conventional sources of energy. Likewise, I hereby direct you to give due consideration to the energy equation in evaluating projects.
10. Re-orient the Board of Investments. Corollary to the policies enumerated above, I hereby direct you to implement forthwith the following specific policies with reference to the Board of Investments:
 1. Activate the promotional role of the Board of Investments by identifying areas in which we need investments and actively promote such areas with potential private sector investors.
 2. Streamline and abbreviate the application and approval mechanisms at the BOI.
 3. Give preference to export-oriented and employment-generating projects by simplifying approval procedures for such projects.
 4. To the maximum extent possible on new project approvals, insist on an export requirement.
 5. Encourage multinationals to capitalize on their domestic market base by using the advantages of such a market base for a higher level of exports.

6. Motivate both Filipino-owned enterprises and multinationals to earn more foreign exchange by keeping track of the foreign exchange they have earned, as compared to the foreign exchange they have used for imports, purchases of capital equipment, and dividend remittances.
7. Quicken the pace on the evaluation and, if proven feasible, the implementation of major industrial infrastructure projects.

RESULTS OF
CENSUSES OF ESTABLISHMENTS FOR CAMARINES SUR AT SELECTED DATES

Dates	Agric./ Forest/ Fishing	Mining and Quarry	Manu- fac- ture	Electricity gas, water	Cons- truc- tion	Distribu- tive & ser- vice trades	Transport/ Storage/ Communic.	Financial Insurance	Social & Personal Services	Total	Change in Percent
1972 ^{1/}	8*	9	1483	16	25	9724	1138	172	247	13,322	
1975 ^{2/}	50	1	1360	9	6	8471	1008	33	805	11,698	- 12.2%
1975 ^{3/}	42	2	1560	10	3	8813	929	113	791	12,263	+ 4.8%
1978 ^{4/} (July)	9*	14	1504	18	19	9919	1163	241	760	13,628	+ 11.1%
1978 ^{5/} (Dec.)	153	15	1706	5	2	6273	1197	149	1312	10,812	- 20.6%

* "Logging" establishments only.

^{1/} 1978 Philippines Statistical Yearbook, p. 307, NEDA. (Note that in 1978 NEDA is still using 1972 data)

^{2/} NCSO Reg. V: Mimeographed - Preliminary Results of Census of Establishments in the Bicol: 1975.

^{3/} 1975 Listing of Establishments: Special Report, NCSO, 1978.

^{4/} ADIP/BRBDP as obtained from Provincial Development Staffs, Sep. 1978.

^{5/} NCSO Reg. V: Mimeographed - Preliminary Results of Census of Establishments for 1978 completed in 1979.

Comparison of Distribution of Establishments by Major PSIC Categories for Bicol Provinces and Cities - 1975^{1/} VS. 1978^{2/}

Region V:	Total Establishment			Agriculture, Forestry & fishery prod'n			Manufacturing			Distributive & Service Trades			Transport, Storage, Communications			Financial, Insurance, Real Estate		
	1975	1978	Change +/%	1975	1978	Change %	1975	1978	Change %	1975	1978	Change %	1975	1978	Change %	1975	1978	Change %
Bicol	37,143	39,377	+ 6.0	184	652	254.0	5754	6369	+ 10.7	26,055	23,496	- 9.8	2531	4091	+ 61.0	315	548	+ 74.0
Provinces:																		
Albay	11,724	13,632	+ 16.2	31	333	+974.2	2778	2849	+ 2.5	7421	7752	- 1.8	766	1420	+ 85.3	100	201	+100.0
Cam. Sur	12,263	10,812	- 11.8	42	153	+264.3	1560	1706	+ 9.3	8813	6273	- 28.8	929	1197	+ 28.8	113	149	+ 31.8
Cam. Norte	3983	4413	+ 10.7	11	28	+154.5	415	560	+ 35.0	2973	2457	- 17.4	161	521	+224.0	41	104	+154.0
Catanduanes	1716	2105	+ 19.5	1	29		140	151	+ 7.8	1414	1572	+ 11.2	101	173	+ 69.0	8	18	+125.0
Masbate	2953	3413	+ 15.5	88	72	- 18.2	427	385	- 9.8	2070	2377	+ 14.8	197	205	+ 4.0	17	37	+117.0
Sorsogon	4459	5022	+ 12.6	11	37	+236.4	434	718	+ 65.4	3364	3265	- 2.9	368	503	+ 36.7	36	39	+ 8.0
Cities:																		
Naga City	2215	1823	- 17.7				254	214	- 15.8	1536	1005	- 34.6	128	212	+ 66	68	72	+ 6
Iriga	1018	907	- 11.0				135	134	- 0.1	624	396	- 36.6	158	183	+ 16	5	19	+280
Legazpi	2095	1579	- 24.6				242	139	- 42.8	1551	791	- 49.1	91	171	+ 88	48	120	+150
Daet	1259	1305	+ 3.7				124	156	25.8	913	617	- 32.5	27	175	+548	24	67	+179
Sorsogon	802	855	+ 6.6				79	66	- 16.5	513	521	+ 1.5	114	115	+	13	15	+ 15
Masbate	525	659	+ 25.5				43	51	+ 18.6	399	466	+ 16.8	12	8	- 33	12	24	+100
Virac	709	694	- 2.2				56	60	+ 7.1	484	417	- 13.9	87	89	+	8	12	+ 50

1/ 1975 Listing of Establishments, "Special Report," NEDA/NCSO, Aug. 1978.

2/ Distribution of Establishments in Bicol Region by City, Municipality, and Industry Group by Province: 1978 - "Preliminary Data"
NCSO Region V, June 1979.

LISTING OF KEY 1974 SSRU SURVEY REPORTS

- No. 2 Rice-Farm Harvests and Practices in Cam. Sur: Do Compact Farms, Masagana 99, and the Samahang Nasyon Make A Difference?, Frank Lynch, S.J., Jan. 1974.
- No. 3 The M99 Delivery System: How Well Does It Work? Frank Lynch, S.J., and Jose V. Barrameda Jr., Feb. 1974.
- No. 5 Pakikiiba and Pakikidamay: Two Modes of Group Cooperation in Camarines Sur, Jose V. Barrameda, Jr., April 1974.
- No. 6 Farmers of the River Basin's Land Consolidation Project Area: No where to go but up -- and in no great hurry to get there, R.C. Salazar & Frank Lynch, S.J., May 1974.
- No. 8 Who get the Jobs? The Old or the Educated? Education and Employment in the Bicol River Basin, J.F.I. Illo and Frank Lynch, S.J., July 1974.
- No. 9 Where Do They Go? What Do They Do? Travel Patterns in the Bicol River Basin, S.S. Roco, Jr. & Frank Lynch, S.J., Aug. 1974.
- No. 10 The Unemployed and Underemployed in the Bicol River Basin, J.F.I. Illo and Frank Lynch, S.J., Oct. 1974.
- No. 11 Medical Services and Nutrition in the Bicol River Basin, Marion F. Samson and Frank Lynch, S.J., Nov. 1974.
- No. 12 Happiness Starts With a Good Job and A good Home -- So Say the People of the Bicol River Basin, R.C. Salazar, Frank Lynch, S.J., Dec. 1974.
- No. 13 Patterns of Income Distribution and Household Spending in the Bicol River Basin, Jeanne Frances I. Illo & Frank Lynch, S.J., Jan. 1975.

SSRU Municipal Survey, 1974 (Camarines Sur Municipalities except Caramoan)

SSRU Transport Survey, 1974.

BEYOND SHARE TENANCY: A Socioeconomic Study of the Effects of Agrarian Reform Programs in the Bicol River Basin, 1974-1977: Richardo R. San Andres and Jeanne Frances I. Illo, SSRU (Naga City), Institute of Philippine Culture, Ateneo de Manila, Quezon City, 1978.

Some SSRU Findings Bearing Upon Rural Industry Employment Generation
In The Bicol

The role of off-farm and non-farm occupations and earnings in sustaining the population of the Bicol is well established and very important. Little, if any, resistance of a motivational nature should be anticipated in finding Bicolanos to fill positions in agribusiness, cottage or other rural industries when opportunities become available. In 1974, there was a reservoir of 7.7% unemployed and 20.6% under-employed to draw upon.

Some supporting data:

1. 53.2% of all BRB Households (HHs) depend entirely upon non-farm income as compared with 74.1% and 39.2% of Poblacion and Barrio HHs, respectively, who earn income only from non-farming sources.
2. Only 8.9% and 27.2% of BRB Poblacion and Barrio HHs, respectively, are entirely dependent on one's own (or one's landlord's) farm income. Thus, nearly 73% of BRB Barrio HHs derive at least some income from other's farms or non-farm sources.
3. 29% of the sample of over 3000 BRB HHs derive mixed incomes from own farms, farms of others, and from non-farm sources.
4. The 19.8% of the BRB HHs which earn only farming income get only a 12.5% share of the total income of BRB HHs. By contrast, the 53% of total households who depend on non-farm income exclusively obtain 48.6% of total BRB HH income; while the 29% having mixed sources of income enjoy a 38.8% share of the total income.
5. The fact of having mixed incomes is twice as prevalent among Barrio than among Poblacion HHs, 33.6% vs. 17%.
6. A higher proportion of Barrio HH members are in the active labor force than of the Poblacion HHs; 2.0 vs. 1.8 members per HH, respectively, and the Poblacion HHs are slight larger than the Barrio ones.
7. The latter two findings are reflected in the current strength of the BRBD Program area in exporting: i.e.,
 - Third only to Manila and Cebu in national ranking.
 - In 1978, nearly \$11. million in direct export earnings by the Bicol's cottage industries, alone.
8. If inequitable distribution of income is able to exert pressure on government to make reforms, and on the poor to try to better their lot, then the Bicol is ripe for rural industrialization. Some facts:

a. The average income of the top 20% of the population (P10,660) is nearly 32 times higher than the mean income of the lowest 20% (P337).

b. 43% of Basin income accrues to the richest 10% of the HHs. This discrepancy is more pronounced in the Barrio segment than the Poblacion.

c. SSRU 1977 study, "Beyond Share Tenancy", compares results with 1974 results and finds among crop farmers:

- Sourcing of income (Farm, Mixed and Non-Farm), generally unchanged except that shifters (CLT holders and other amortizers) tend to supplement income with non-farm jobs more than non-shifters, and that inequitable income distribution is less pronounced among the shifters than among non-shifters;
- No significant increase in real income, 1974 to 1977;
- Unhappiness about community extension services has been added to Prices and Own Education as sources of irritation between 1974 and 1979.

9. How adequate was income in 1974? SSRU Report No. 13 tells the story in Table RS13.12.

Table RS13.12. Proportion of HHs with income or expenditures lower than the food or total poverty threshold, by residence (Bicol River Basin, Camarines Sur, April 1974)

Item measured and poverty thresholds	Poblacion	Barrio
<u>a. HHs with income lower than</u>		
Food threshold	68.0%	80.9%
Total threshold	82.4%	91.
<u>b. HHs with total expenditures lower than</u>		
Food threshold	48.4	62.5
Total threshold	73.5	86.1
<u>c. HHs with food expenditures lower than</u>		
Food threshold	78.6	84.3

10. "The percentage of white-collar workers among all employed members of the BRB labor force is about 15. Differences occur by residence (poblacion, about 35 percent; barrio, 11); by sex (males, 10 percent; females, 26); by age (low for those under 25, high for the 25-44 category, declining after 44); and by education (increasing regularly with years of formal education--from 11 percent for workers with no formal education to 93 for college graduates). Briefly, the person most likely to have a white-collar job will be a middled-aged, female college graduate who lives in the poblacion."

11. "About half (48 percent) of workers are self-employed, a third (32 percent) are employed by others (by government, 8 percent; by private individuals, 24 percent), and almost all of the remaining 20 percent are unpaid family labor. Less than 1 percent are reported to be employers."

The foregoing surface scratching of the gold mine of information on the life styles of BRBD Program area households provides ample evidence that the causes of poverty are not the absence of agribusiness, rural industrial or other non-farm systems of employment and income. The systems are there and operating. The problem is they are not functioning effectively or equitably. The modest amount of data from 1974 and 1977 surveys that allows for comparison, suggests that the situation is not improving, at least as far as crop farmers are concerned.

If the situation is to improve, emphasis must be given to improving the conditions and quality of employment at the grassroots level and not just at the level of large scale agroindustrial projects such as those the BRBDP has been promoting up to now. To keep pace with the rate of increase in the Bicol labor force, 350,000 new jobs must be generated during the next decade. The large scale Industrial Estate at Malilipot is estimated to generate only about 10,000 new jobs in ten years. If all of the large scale projects that the BRBDP is promoting at present were to materialize, we are only talking about a few thousand new jobs as a direct result, and perhaps ten or twenty thousand indirectly. These jobs are desperately needed, of course, but they will not eliminate the basic problem. Needed are higher farm and shop gate prices and lower consumer prices for goods and services. These can be realized only through improving production technology, manpower skills, managerial ability, marketing systems, and market communications.

Obviously the public sector and the philanthropic sector have a continuing role to play by investing in up-grading of grassroots level economic activity. But it is also true that given technical and marketing assistance, access to credit and appropriate training, the grassroots private sector has been known to pull itself up by its own boot straps. Attracting public and philanthropic sector investment (for instance, that of Philippine Business For Social Progress, Inc.) at the grassroots level is also a task for a regional investment promotion organization.

COMPILATION OF SOCIO-ECONOMIC DATA ON BICOL

TABLE OF CONTENTS

CONTENT	PAGE
General Statistics for Bicol Region By Province. 1975 NEDA/NCSO	1
Land Classification, 1977, Region V, BFD	2
Existing Farmland Use in Relation to Potential, Bur. Soils, 1975	3
Cropland Suitability, 1975, Region V, Bur. Soils	4
Agricultural Production by Kind of Crop, Reg. V, 1977, BAECON	5
Cars by Mode of Registration in the Bicol Region, 1975, NCSO	6
Summary Statistics for Cottage Industries in Bicol Region, 1963-75	7
Census of Establishments by Major Industry and by Municipality in Camarines Sur, PDS, July 1978	8
NACIDA Registered Firms by Type of Activity, Region V, No date given	10
NACIDA List of Registered Cottage Industries in Camarines Sur, No date given	12
Mineral Production, 1976, Region V, Bur. Mines	18
Compilation of Major Metallic and Non-Metallic Deposits and/or Prospects of the Bicol Region, Bur. Mines, 1974	19
Operating Mining Companies/Licenses/Permittees in Region V, No Source, No Date	24
Guano and Phosphite Rock, No Source, No Date	26
Phosphatic Rock, No Source, No Date	28
Other Industrial Minerals, No Source, No Date	30
1978 BFD Region V, Pasture Areas by Province	31
1978 Region V, Registered Livestock by Location and Area and Population, BFD	32
Camarines Sur Average Highway Transport Cost Per Ton Per Kilo- meter by Type of Cargo, 1977, No Source	37
Albay Average Highway Transport Cost Per Ton Per Kilometer by Type of Cargo, 1977, No Source	41
Region V, Estimated Mineral Reserves, Bur. Mines	43
Mining Potential of Camarines Sur as of December 1975, Bur. Mines	45
Summary of Yearly Mineral Production, 1970-1974, Area not specified	47
Summary of Coconut Statistics, Bicol Region, 1976, PCAO	67
Coconut Statistics, Province of Camarines Sur, 1976, PCAO	68
Coconut Statistics, Province of Albay, 1976, PCAO	70
Coconut Statistics, Province of Camarines Norte, 1976, PCAO	71
Coconut Statistics, Province of Sorsogon, 1976, PCAO	72
Philippine Coconut Production in Copra Terms, 1971-1975, CCSF and PCA	73
Monthly Copra Export for 1976 (Region V), Exporter, Port, Volume, FOB Value & Destination (No Source)	74

CONTENT	PAGE
Monthly Crude Coconut Oil Export 1976, (Region V) (No Source)	75
Monthly Pellots Export for 1976, (Region V) (No Source)	76
Bicol Coconut Situation Report; 1971-1975: Area Planted & Yield, BAEGON	77
Ricemill Capacities & Production, CY 1977 Camarines Sur Municipalities, NGA	78
Names of Store & Shop Owners, Type of Shop and Address:	
Baao (January-October, 1978)	84
Bombon	87
Bula	90
Calabanga (Includes capitalization)	102
Camaligan Fishery, 1978; Vessel names, Types and Tonnage	105
Area and Quantity of Production by Kinds of Crops, 1976-Naga area	106
Livestock Population and Feed Consumption (No date, source or area indicated)	107
List of Establishments in Canaman, 1976 (No Source)	108
Canaman Livestock Population and Weekly Feed Consumption, 1976 (No Source)	109
Area, Production and Market outlet by Kind of Crops, Canaman, Camarines Sur, 1976	110
Canaman: Store & Shop Owners by Type of Establishment (No date)	112
Caramoan: Socio-Economic Profile & List of Establishments (No Date or Source)	116
List of Major Business Establishments, Del Gallego, Cam. Sur, 1978	131
List of Business Establishments, Goa, Camarines Sur	133
Selected Data on Railroad Municipalities: Del Gallego, Lupi, Ragay & Sipocot	137
List of Business Establishments of Iriga City, 1973	142
Lupi Stores and Other Establishments	147
Magarao " " " "	150
Minalabac " " " "	157
Naga City at a Glance	161
Shares of Population (Naga City, 1977) Occupational distribution	163
Means of Transportation (Naga City, 1977)	164
Naga City Crop Suitability by Soil Type	165
Population by Barangay in Naga City, 1977	168
Naga City List of NACIDA Registered Cottage Industries	170
Inventory of Business Establishments, Naga City, Jan-March 1978	171
Ocampo Business Establishments	191
Pamplona Business Establishments	196
List of Business Establishments at Pasacao, Camarines Sur	198

Directory of Business Establishments, Pili, Camarines Sur, 1978	202
Sipocot " " " " " " " "	215
Siruma " " " " " " " "	221
Tigaon " " " " " " " "	223
Tinambac " " " " " " " "	228
Camarines Sur: On-going and Suggested Projects for each Municipality; No holds presently involved; Major resources; and markets.	233

Separate Volume/Files

#107: Special Analysis of Existing Industries in Camarines Sur Municipalities; Type of Activity, Location, No. of Households Involved, Raw Materials, Market Outlet, and Average Income; followed by Recommended New Projects for each Municipality.

COMPILATION OF SOCIO-ECONOMIC DATA ON SORSOGON: TABLE OF CONTENTS

Crop Production and Distribution by Municipality, 1976	1
Agricultural Development by Crop, Physical and Affective Area, Production and Value	3
Livestock Production and Distribution by Municipality, 1976	4
Producers of Livestock and Poultry by Location and Population	6
Cattle Raisers by Location and Population	7
Producers of other Livestocks and Poultry by Location and Population	8
Number and Type of Fishing Boats by Municipality, 1977	9
Fishery Data by Municipality	10
Resources for Fisheries Development	12
Fish Cold Storage Facilities by Municipality, 1976	15
Fishponds in the Bicol Region, by Province, 1978	16
Non-Metallic Ore Reserves	17
Manufacturing Establishments, Province of Sorsogon	19
Industrial Inventory - Minor Enterprises	21
Number of Establishments by Municipalities	25
Registered Cottage Industry Projects by Municipalities	26
Number of Schools by Municipalities	27

COMPILATION OF SOCIO-ECONOMIC DATA ON ALBAY: TABLE OF CONTENTS

General Statistics for the Province of Albay, 1975	1
Summary Statistics for Cottage Industries in Bicol Region Registered with NACIDA: July 1963-December 1975	2
Cars by Mode of Registration in the Bicol Region, 1975	3
Registered Cottage Industries by Municipality, Quinali IAD, as of June 1975	4
Major Crops and Industries by Municipality, Quinali IAD, 1975	5

CONTENT	PAGE
Fishing Resources	6
Irrigated Farm Areas by Municipality, Quinali IAD, 1975	7
Coconut Statistics by Municipality, Quinali IAD, 1975	8
Population, Land Area and Density by Municipality, Quinali IAD, As of 1975	9
Population by Sex and by Municipality, May 1975	10
Department of Trade List of Exporters in the Bicol Region	11
List of Business Establishments in Daraga, Albay with Capitalization	13
List of Business Establishments, Legazpi City, 1978 (with capitalization)	21
List of Major Business Establishments, Polangui, Albay, 1978	28
Number of Manufacturing Establishments and Average Cost Employment, Province of Albay, 1976	30
Number of Food Establishments, Operators and Owners, Province of Albay, 1977	31
Number of Agri-based Industries, Province of Albay, 1977	32
Family Income and Expenditure, Province of Albay, 1975	33
List of Licensed/Registered Facilities, Province of Albay, July 1977	34
Issuance of Certificates of Land Transfer (7.01 Hectares and Above) Province of Albay, January 1978	35
Number of Samahang Nyon and Membership, Albay, 1978	36
Number of Extension Workers Per Agency, Province of Albay, 1977	37
Mechanical Dryer, Palay Thresher and Transportation Facilities (units and capacities)	38
Agricultural Land Use (In Hectares), Province of Albay, 1976	39
Rice Hectares and Farmers Population, Province of Albay, 1977	40
Rice Production, Regular Crop, Province of Albay, 1976	41
Rice Production, Palagad Crop, Province of Albay, 1975-1976	42
Rice Consumption, Province of Albay, 1977 and 1976	43
Rice Production Sufficiency Analysis, Province of Albay, 1976	44
Corn Production, Province of Albay, 1976	45
Corn Production Sufficiency Analysis, Province of Albay, 1976	46
Abaca Production, Province of Albay, 1960, 1971 and 1976	47
Sugarcane: Area and Production, Province of Albay, 1976	48
Coconut Statistics, Province of Albay, 1976	49
Harvest Area, Production and Prices of Major Agricultural Products, Province of Albay, 1977	50
Poultry Production, Province of Albay, 1976	52
Poultry Population, Province of Albay, 1976	53
Poultry Egg Consumption and Production, Province of Albay, 1976	54
Poultry Meat Production Sufficiency Analysis	55
Livestock Population, Province of Albay, 1976	56
Number of Livestock Slaughtered, Province of Albay, 1976	57
Livestock Meat Production Sufficiency Analysis, Province of Albay, 1976	58
Manufacturing Establishments, Number and Average Total of Employment	59

CONTENT	PAGE
Medium and Large-Scale Manufacturing Plants, Province of Albay, December	61
Number and Percent Distribution of Establishments, Province of Albay, 1976	62
Statistics on Large Manufacturing Establishments, Bicol Region, 1974	63
Number of Establishments, Gross Output and Employment in Selected Industrial Groups, Province of Albay and Bicol Region, 1974	64
Value of Mineral Production (in thousand pesos) Province of Albay 1974 and 1975	65
Private Service Establishments: Gross Receipts and Employment Bicol Region, 1974	66
Number, Gross Receipts and Employment of Electricity, Gas and Water Establishment, Bicol Region, 1974	67
Number, Gross Receipts and Employment of Transportation, Communication, Storage and Warehousing Establishment, Bicol Region, 1974	68
Number of Warehouses and Capacity (in cavans) Albay Province, 1977	69
Statistics on Registered Cottage Industries, Province of Albay, 1976	70
Number of Registered Handicraft Producers, Province of Albay, 1976	71
Cottage Industries and Products, Province of Albay, 1976	72
Number of Wholesaling and Retailing Establishments, Gross Receipts and Employment, Bicol Region, 1974	73
Commodity	

Ministry of Industry (MASICAP TEAM) Pre-Investment Studies

	<u>Est. Proj. Cost</u>
1. Refined Coco-Oil: Expeller Type	P 2,110,980
2. Rattan Furniture	226,169
3. Smoked Fish	84,000
4. Deep Sea Fishing	3,000,000
5. Brickmaking	447,883
6. Fish Meal Plant	225,000
7. Coco-Shell Charcoal	270,000
8. Banana Flour	207,373
9. Limestone Quarrying & Processing	670,000
10. Tannery (Small Scale)	800,000
11. Ice Plant: 10 Tons	1,336,500
Ice Plant: 20 Tons	2,196,000
12. Marble Quarrying & Processing	Incomplete
13. Foundry	"
14. Bamboo Craft	"
15. Constant Brake & Radiator Sensor	"

SGV Inc. Pre-Feasibility Studies

1. Slaughter House Complex	P 19,200,000
2. Feedmill Plant	1,630,000
3. Citrus Juice Extraction Project	4,700,000
4. Coco-Oil Integrated Project (Aqueous Process)	35,000,000
5. Tannery	2,700,000
6. Ethyl Alcohol Plant	17,900,000
7. Wallboard from Rice Stalks & Other Materials	75,000,000
8. Coco-Coir Project	6,800,000
9. Pulp & Paper Project	400,000,000
10. Geothermal Salt Processing Plant	<u>9,000,000</u>

Bureau of Mines Mineral Potentials Survey

1. Limestone For Cement	PFS Incomplete
2. Guano & Rock Phosphate for Fertilizers	PFS "
3. White Clay for Ceramics	" "

ADIF In-House Pre-Feasibility Study

1. Cassava Flour	P 2,200,000
------------------	-------------

FEEDMILL PLANT

INTRODUCTION:

These studies have been developed to stimulate Investment Interest in medium and large scale industries in support of the Industrial Development Program of the Bicol River Basin Development Program (BRBDP). Research, analysis and compilation of data for the pre-feasibility studies were done by SGV.

A. General Evaluation:

One of the major reasons for the low proportion of commercially fed poultry and hog in Bicol is the uncertainty of an adequate supply of quality feeds at a reasonable price. Due to the high cost and poor quality of commercial feeds, poultry and hog raisers are usually forced to mix their own feeds and are discouraged to go into commercial operations. The feed requirement in the Bicol Region for chicken in 1976 was estimated to be 31,945 MT while for hog, the estimated feed requirement was 121,675 MT. The apparent consumption of mixed feeds in the region in 1976 totaled to 5,691 MT. Poultry consumed 3,358 MT while hog used up 2,333 MT. In 1976, only 10.5% of the total number of chicken population and only 1.9% of the total hog population were fed commercial feeds. Considering the market demand potential for feeds, a significant number of chicken and hog population are still not being fed with commercial feed rations.

At present there are 4 locally established feedmill plants in Bicol which supplies 65% of the apparent consumption for mixed feeds. The remaining 35% are supplied by Manila-based feedmills. Prices of locally produced feeds are considerably lower than the prices of feeds shipped from Manila, but locally produced feeds fall below the recommended and guaranteed standard protein contents. Manila feeds enjoy a reputation of quality.

B. Product Description:

Poultry and Hog Feed Types Description and Users:

1. Chicks Starter Mash - Feeds given to chicks from day old to 8 weeks of age.
2. Chick Grower Mash - Feeds given to chicken starting 2 months of age up to 5th month.
3. Layer Mash - Feeds given to laying chickens starting at about 5 months or age when they reach 10% rate of egg production.

4. Broiler Mash - This is given to broiler chicks from day old to 6 weeks of age.
5. Hog Grower Mash - Feed given to pigs a month after weaning or as pigs weigh about 12 - 15 kg.
6. Hog Fattener - Finisher Mash - This feed is given during the finishing stage when the pigs are five month-old or weigh about 60 kilos.
7. Hog Breeder Mash - This is formulated for the breeding herd.

C. Market Aspects:

1. Users

Poultry and Hog Raisers (Commercial and Backyard).

2. Sales Channels and Methods

Domestically, sales may be made directly to end users or to wholesalers and retailers of feeds and poultry products. Terms of sale will generally be cash on delivery. The marketing of the feeds will be undertaken by a sales force. The salesman will inform raisers regarding the feeds and assist users with their needs and problems.

3. Geographical Extent of Market

The target areas are the Bicol Region and Quezon Province. An analysis of their present situation revealed that there is uncertainty as to the adequacy of supply and the quality of reasonably priced feeds.

4. Competition

There are (4) four locally-based feedmills in the Bicol Region and a considerably large number of big feed millers in Metro Manila. Competition is expected to be keen, particularly in areas where raw materials are readily available. However, continued production of quality feeds should enable the prospective investor to withstand competition.

5. Plant Location

Availability of raw materials and transport facilities are essential factors in determining a favorable plant site. The feedmill plant will be established in a strategically-located 2 hectare-land.

D. Production Requirements:

1. Raw Material

Principal raw materials in the production of feeds are ground corn, which accounts for about 40% of poultry ration and 25% of hog ration, and rice bran, which accounts for about 16% and 43% of poultry and hog rations, respectively. These raw materials, including fish meal, ipil-ipil, leaf meal, copra meal, molasses and oyster shell powder are available locally. Other raw material requirements such as soybean oil meal, meat and bone meal, and vitamin premix can be obtained from Manila.

2. Annual Capacity

94,000 50 kg. bags

3. Machineries and Equipment

a) Feedmixers	2
b) Bin Silos	8
c) Hammer Mill	1
d) Boiler	1
e) Horizontal Feedmixer	1
f) Platform Scale	1
g) Weighing Machine	1
h) Automatic Bag Closer	1
i) Drier	1
j) Water Pump	1
k) Conveyor System	1
l) Truck Weighing Scale	1

Total machineries and equipment cost - ₱ 776,980.00

4. Manufacturing Process

- a) The raw materials are received in bags or in bulk and must pass the physical and chemical analysis prescribed

by the quality control service before being accepted for feed manufacturing. The different feed components are stored in the bin silos.

- b) From the bin silos, coarser particles are fed through the hammer mill for grinding. The materials are weighed at different proportions on the weighing machines and loaded directly to the changing hopper of the mixer, spraying evenly the required amount of molasses to the mass. The materials are thoroughly mixed in the mixer for thirty minutes. The mass is then loaded into a drier to attain the desired moisture content of the product.
- c) Samples of the finished products are taken from the driers ten minutes before discharging for chemical analysis at the quality control laboratory. The finished products are then packed in polythylene bags of 50 kg. capacity using an automatic bag closer. The product is stored at room temperature in the finished goods warehouse.

5. Manpower Requirements

	<u>No.</u>	<u>Monthly</u>	<u>Annual</u>
Direct Labor	8	₱ 2,760.00	₱ 33,120.00
Indirect Labor	4	1,450.00	17,400.00
Sales	5	2,100.00	25,200.00
General and Administrative Expenses	<u>8</u>	<u>3,500.00</u>	<u>48,000.00</u>
Total	<u>25</u>	<u>₱ 9,810.00</u>	<u>₱123,720.00</u>

E. Financial Requirements:

1. Total Project Cost

Fixed Capital	₱ 2,101,980.00
Organization and pre-operating expenses	75,000.00
Working Capital	<u>120,000.00</u>
Total Project Cost	<u>₱ 2,296,980.00</u>

2. Sources of Financing

Equity	₱ 574,240.00
Long Term Loan	<u>1,722,740.00</u>
	<u>₱ 2,296,980.00</u>

3. Gross Revenue and Profit

Gross Revenue	₱ 6,303,000.00
Cost of Production	<u>5,866,000.00</u>
Gross Profit	<u>₱437,000.00</u>

As percentage of sales, gross profit for the 1st year is 6.9% rising to 9.6% in the 10th year.

4. Project Profitability

Internal Rate of Return	18.75%
Present Value Payout	10 years
Return of Equity	31.70%
Return of Assets Employed	14.40%
Asset Turn Over	5.37 times

F. Incentives From the Board of Investment:

The feedmill industry has been included in the tenth Investment priorities plan (1977) of the BOI under non-pioneer status. Upon registration with the BOI, the project will enjoy the following:

- a) Net operating loss carry-over;
- b) Deduction of organizational pre-operational expenses;
- c) Accelerated Depreciation;
- d) Tax Exemption on Imported Capital Equipment;
- e) Tax credit on Domestic Capital Equipment.

G. BRBDP Assistance:

- 1) The BRBDP will furnish all information including the final SGV Pre-feasibility report, subject to agreement for donation;^{1/}
- 2) The owner of the study will have an exclusive right to all the benefits that BRBDP will provide during the period of ownership;
- 3) The period of study ownership will depend upon the exhibited seriousness of the investor to undertake the project.
- 4) The BRBDP commits the following to the owner of the study:
 - a) Staff support not to exceed two months on additional data to be generated.
 - b) Assistance in securing financing.
 - c) Assistance in securing growing contracts from planters.
 - d) Assistance in securing registration from the BOI.
 - e) Other forms of assistance can be negotiated on a case to case basis.

^{1/} The original statement on compensation presented to the Bicol OCC was as follows:

"The following policies will be adopted:

1. The Owner of the study shall reimburse all the costs of the study, provided such reimbursement shall not exceed nor be lower than the amount to be determined by the BRBCC."

Date: September 25, 1979

JPIL/IRD-10

Subject: Joint Project Implementation Letter No. 10
Filipino Senior Consultant/Teachers: Advanced Training Course
 for Bicol Region Investment Promotion Specialists

Reference: Bicol Integrated Rural Development Project Grant Agreement
 No. 492-0303, Amendment No. 2 dated December 22, 1978
 (Annex JPIL No. 3, Attachment 1, Table 3, para. B, Item 4)

1. General

This Joint Project Implementation Letter earmarks USAID funds for, outlines^{1/} and authorizes the BRBDPO, through its Acting Program Director, to contract^{2/} with the National Manpower and Youth Council (NMYC) for the preparation and conducting of an advanced training course of approximately 200 hours in the principles and practices of regional promotion and business venture project investment promotion management and operations. The targeted participant trainees for this course include:^{3/}

- a) up to eight on-board staff members of the BRBDPO Agribusiness Development & Industrialization Project (ADIP) and
- b) at least one qualified staff member from each of the following Region V GOP line agencies:
 - Agribusiness Development Center - Ministry of Agriculture
 - Bureau of Fisheries & Aquatic Resources - Ministry of Natural Resources
 - Development Bank of the Philippines
 - Ministry of Local Government & Community Development
 - Ministry of Public Information
 - National Cottage Industry Development Authority
 - National Economic and Development Authority
 - National Manpower and Youth Council
 - National Science Development Board
 - Small Business Advisory Center - Ministry of Industry
 - Trade Assistance Center - Ministry of Trade

The above agencies are presently cooperating in a jointly sponsored program to provide investment promotion services to the Bicol business community. Other possible participants are Region V representatives of the Ministries of Tourism and of Human Settlements ("livelihood projects" sector).

The suggested duration and venue of the specialized training course is approximately four, consecutive six-day weeks, the first of which would be conducted at the NMYC training center in Pili, Camarines Sur, while the

^{1/} See Attachment A.

^{2/} Normally documented as a "Memorandum of Agreement" between two government agencies.

^{3/} See Attachment C.

remainder would take place at NMYC's facilities in Taguig, Metro Manila. Preparation of curriculum and syllabus, administration of the training course, and the selection and recruitment of qualified senior consultants as teachers is the responsibility of the NMYC, assisted by the BRBDPO Officer in Charge of the ADIP. He would be assisted by the USAID Consultant for Agribusiness & Rural Industry Development and Investment Promotion.

USAID funding is to be utilized primarily for consultant/teacher fees at prevailing professional rates or honorario allowance (if GOP), per diem for BRBDPO trainees, and certain qualified expenses of the training course such as teaching materials and supplies. The NMYC, in addition to preparing and administering the course, is to provide the required physical facilities including dormitory style lodging.

All trainees shall be on pay status during their participation in the training course. The participating line agencies and the BRBDPO shall provide for the transportation of their representative trainees to and from their bases of employment and the Pili and Taguig/Manila training program sites. Meals and snacks will be available for purchase at reasonable institutional prices at NMYC training program sites. The BRBDPO shall provide a per diem for BRBDPO staff involved in the training program (₱35/day per participant provided under this JPIL).

A general outline of the type of course desired by the various participating agencies appears as Attachment A to this JPIL.

2. Background

From the outset of the integrated Bicol River Basin Development Program, private sector investment stimulation and agro-industrialization of the regional economy has been recognized as a fundamental and ultimate objective. A primary objective has been the creation of alternative employment opportunities for an underemployed labor force, particularly landless laborers thereby raising real incomes and quality of life. This applies to off-farm employment as well as from more productive farming, itself. The first stage of development inputs in the Bicol concentrated on building basic physical and social infrastructure, thereby to create an environment more conducive to the establishment of private sector investment.

This includes agro-industrial and agro-forestation projects, agribusiness ventures, cottage industries, small and medium scale industries (manufacturing, trading and services), and even large scale industries that can have synergistic impact, be labor intensive, and depend at least partially on locally available resources, human and physical. It has long been recognized by Filipino economic planners that the vast bulk of financing for the latter type of directly productive activities would have to be provided by the private sector of the economy. The major objective of this training program is to enhance the coordination and integration of investment promotion services to the Bicol private business sector. The goal is more effective and efficient government action.

Each of the line agencies expected to participate in the training course currently provides various kinds of technical assistance and services to the private business sector. Although, for some of the agencies, this may

not be their exclusive or even primary function, promotion of investment in the Bicol is a mutual and active concern of all. Promotion refers to collecting and collating data on both the existing and potential business climate, prospecting for potential entrepreneurs and investors, and successfully persuading them to invest. Such persuasion depends on reliable and accurate information. Promotion also means "selling the product" wherein the Bicol, itself, is the product. Its virtues and opportunities must be articulated; its limitations dealt with forthrightly. A common training experience in investment promotion principles and practices for key representative of all of the involved technical assistance agencies should help to achieve the objective of a better integrated and coordinated investment promotion program for the Bicol.

By designing the content of the training program accordingly, agency representatives can become more fully aware of the nature of each other's special services and programs to assist and stimulate the private business sector. This should also contribute to the goal of improving the efficiency and effectiveness of a coordinated Bicol investment promotion effort. The investment Promotion Section expected to be established at the BRBDPO in 1980 will have the responsibility for coordinated and integration of Bicol investment promotion activities. Its staff must fully comprehend the capabilities and action programs of the various involved agencies. The envisaged training program can help achieve that objective.

The training program should help to clarify the advantages of differentiated agency specialization of the different agencies. Some agencies are in a better position to specialize in project feasibility analysis, others in investment financial packaging, others in research and information dissemination, others in publicity and others in training, and so forth. However, it may be expected that the graduates of this training course will be at least "generalists" with an understanding of the areas of specialization of the other participating agencies. This is especially important for BRBDPO representatives since the BRBDPO is, fundamentally, a planning and coordinating organization.

3. Contract Administration

USAID agrees to allocate peso funds (see budget below) to the BRBDPO to contract with the NMYC on a grant basis to perform the general scope of work described in Attachment B to this joint letter. The contract must follow applicable provisions of AID Handbook 11. USAID is willing to release funds directly to NMYC based on a written request by the BRBDPO.

A contract between the BRBDPO and an organization (NMYC), rather than with individual consultants (via personal services contracts) is authorized. However, it is understood and agreed that the organization in this instance, as a direct beneficiary of the training program itself, may not be able to recover overhead costs in meeting its costs of preparing and administering the training program. This is also justified by the fact that by undertaking development of this particular training program which has no precedent in the Philippines, NMYC is developing a special type of training program which will allow it to be responsive to investment promotion training requests from other regions (four such requests having already been received). This possible "multiplier effect" is, in accord with broader GOP development objectives supported by USAID.

The draft contract ("Memo of Agreement" between BRBDPO and NMYC) covering costs of the training program accompanied by appropriate resumes of the proposed Consultant-Teachers (and estimated level of compensation) shall be provided to USAID for review and comment. The executed contract is subject to the approval of USAID. The initial release of 25% of the grant funds may be made based on a written request by the BRBDPO, and notification of USAID approval of the contract. A 50% installment shall be made after completion of the first week of training and upon presentation to the BRBDPO by NMYC of a financial report and a brief review of progress of the training program. The final payment is authorized at the completion of the training course. Specification of the academic and experience qualifications observed in selection of the participant trainees are presented in Attachment C to this JPIL.

The administration of compensation and other benefits shall follow established procedures for grant-in-aid resources.

4. Estimated Budget and Release of Funds

Compensation for approximately 150 hours of teaching/ training services by externally recruited Filipino professional consultants at an average ₱100/hour (Est. 4 hours/day)	₱15,000
Honorarium for approximately 50 hours of teaching/ training services by persons recruited from parti- cipating and related government agencies at an average of ₱50/hour	2,500
Travel of resource persons (reimbursement basis official travel only)	
Transportation (6 round trips, MNL-Naga or Legazpi)	2,000
Per Diem (12 x ₱100)	1,200
Per Diem for eight (8) BRBDPO employees (21 days x ₱35)	5,880
Field trips (transportation and related costs)	3,600
Teaching and training materials and supplies; Reproduction services, etc.	1,500
Other Direct Costs (closing ceremony, banquet, awards, sundries, etc.)	<u>1,170</u>
Total	₱32,850
(₱7.30 = \$1.00)	(\$ 4,500)

Budget line items may be increased up to 15% with corresponding decreases in other items without USAID concurrence. However, the total costs of services to be financed by USAID may not exceed the peso equivalent of \$4,500 unless this implementation letter is otherwise amended.

5. Supervision and Coordination

The activity shall be under the overall direction of the BRBDPO Acting Program Director, or his appointed designee. The Officer-in-Charge of the BRBDPO Agribusiness Development & Industrialization Project shall act as planner, coordinator and supervisor of BRBDPOs interests in the Training Program. Based on prior discussions, it is suggested that the Region V NMYC Manpower Development Chief, acting under the overall direction of the NMYC Region V Director, be the training program Project Manager, responsible for its preparation and administration. USAID's consultant to the BRBDP on Agribusiness/Rural Industry Development and Investment Promotion shall provide such advice and counsel as may be requested.

6. Reports/Output

Upon receipt of a final Evaluation Report on the Training Program from the Project Manager, the OIC of Agribusiness Development and Industrialization of the BRBDP shall add his own assessment concerning continuation, modification, or termination of future related training. All documentation and teaching materials developed for the Training Program shall be available to the BRBDPO and USAID.

At the conclusion of the training, the trainees shall be requested to do an evaluation of the course and its relevance.

7. Other Provisions

Accounts and records shall be maintained by the BRBDPO and NMYC for a period of two years after completion of the activity and will be subject to audit by NEDA and USAID or their duly authorized representatives.

8. Approval

The GOP/BRBDPO and USAID, each acting through duly authorized representatives, hereby agree to the above.

Camilo A. Balisnomo
Acting Program Director, BRBDPO

Date

Don F. Wadley
Chief, Office of Local and Regional
Development, USAID

Date

Bienvenido G. Villavicencio
Director, External Assistance Staff
NEDA

Date

Daniel L. Leaty
Acting Program Officer, USAID

Date

Clearances: USAID CSD _____

USAID CO _____

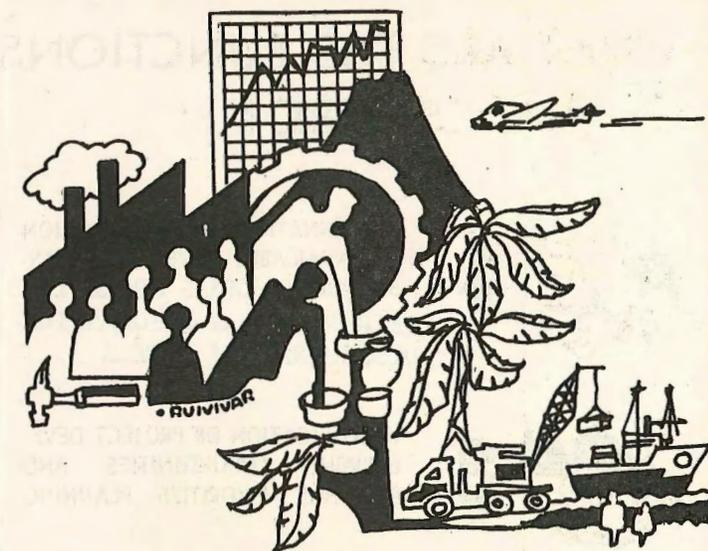
CSMI ASSISTANCE DIRECTORY

A G E N C Y	T Y P E O F A S S I S T A N C E
1. National Economic and Development Authority (NEDA) Arimbay, Legazpi City Tel. No. 2361 2332	Information, technical and consultancy services; research.
2. Ministry of Industry (SBAC, MASICAP) 3rd Floor, Del Rosario Bldg., Rizal Street, Legazpi City Tel. No. 2208	Managerial and technical consultancy services within the scope of general marketing, production and financial management to small and medium industries; preparation of project feasibility study.
3. Ministry of Local Government and Community Development (MLGCD) Legazpi City Tel. No. 4909 4216	Cooperatives development, organization of Provincial and City Coordinating Councils for Small & Medium Industries information.
4. Bureau of Fisheries and Aquatic Resources (BFAR) Naga City Tel. No. 100-10	Technical assistance in the production, processing and marketing of fish and other marine products; research.
5. National Science Development Board (NSDB) Rizal Street, Legazpi City Tel. No. 4513	Technological research consultancy services; skills training; information dissemination; technology transfer.
6. Trade Assistance Centre (TAC) Kentucky Bldg., Rizal Street, Legazpi City Tel. No. 4347	Marketing information services; marketing assistance and consultancy; research; accreditation.
7. Development Bank of the Philippines (DBP) Legazpi City Branch, Tel. No. 2733 Naga City Branch, Tel. No. 100 100-12 Daet Branch, Tel. No. 317 Sorsogon Branch, Tel. No. 608 Masbate Branch, Tel. No. 236	Financing for small and medium industries.
8. National Manpower and Youth Council (NMYC) Mission House, Maria Clara Corner Gov. Locoins Street, Legazpi City Tel. No. 4423	Agricultural, industrial and services skills training; trade testing; accreditation; job placement; guidance and counselling; leasing of production facilities and equipments; manufacture of component parts.
9. National Cottage Industries Development Authority (NACIDA) Rizal Street, Legazpi City Tel. No. 2316	Technical assistance in the production and marketing of cottage industry products; research; registration and accreditation; skills training.
10. University of the Philippines Institute for Small & Medium Industries (UP-ISSI) Virata Hall, E. Jacinto St., U. P. Diliman, Quezon City	Entrepreneurship training and development; research; technical training and consultancy; project feasibility studies.
11. Bicol River Basin Development Program (BRBDP) Agri business Project San Jose, Pili, Cam. Sur	Data generation; Pre feasibility study preparation; investment promotion.
12. Ministry of Public Information (MPI) Legazpi City Tel. No. 2221	Technical and consultancy services in the packaging of information campaigns; production of information materials; information services; research.
13. Ministry of Agriculture Agri Business Task Force (BAEx, BAECON, BAI, BPI) Legazpi City Tel. No. 4274	Technical and consultancy services in the production, processing and marketing of agri based products; research; agricultural information services.

Regional Council V – Bicol

COMMISSION FOR SMALL
AND MEDIUM INDUSTRY**INVESTOR'S GUIDE**

TO TECHNICAL ASSISTANCE AGENCIES



FOR FURTHER INFORMATION,
WRITE OR CONTACT

CSMI REGIONAL COUNCIL
NEDA, REGION V,
ARIMBAY, LEGAZPI CITY
TEL. NOS. 23-61: 2 -32



WHAT IS THE PURPOSE IN ORGANIZING THE CSMI REGIONAL COUNCIL

THE CSMI REGIONAL COUNCIL WAS ORGANIZED BY VIRTUE OF PD 488 (AS AMENDED BY PD 1520) IN ORDER TO:

BRING TOGETHER THE FACILITIES AND RESOURCES OF THE THIRTEEN MEMBER AGENCIES

PROVIDE AN INTEGRATED PACKAGE OF ASSISTANCE TO BICOL'S ENTREPRENEURS IN SMALL AND MEDIUM SCALE INDUSTRIES; and

COORDINATE THE ACTIVITIES OF MEMBER AGENCIES MAKING THEM MORE RESPONSIVE TO THE NEEDS OF SMALL AND MEDIUM SCALE INDUSTRY ENTREPRENEURS OF BICOL

WHAT ARE THE FUNCTIONS OF THE CSMI-RC?



1

DISSEMINATION OF INFORMATION ON AVAILABLE DEVELOPMENT ASSISTANCE PROGRAMS **OPERATIONS OF REFERRAL & INFORMATION DISSEMINATION CENTER**



2

IDENTIFICATION OF PROJECT DEVELOPMENT OPPORTUNITIES AND REGIONAL PRIORITIES **PLANNING**



3

PRE PLAN ASSISTANCE PROGRAMS THAT THE CSMI REGIONAL COUNCIL HAS TO DELIVER



4

COORDINATE WITH THE LOCAL GOVERNMENTS IN THE REGION AND THE PRIVATE SECTOR GROUPS OF SMALL AND MEDIUM INDUSTRIES

WHAT KIND OF SERVICES DOES CSMI-RC OFFER?

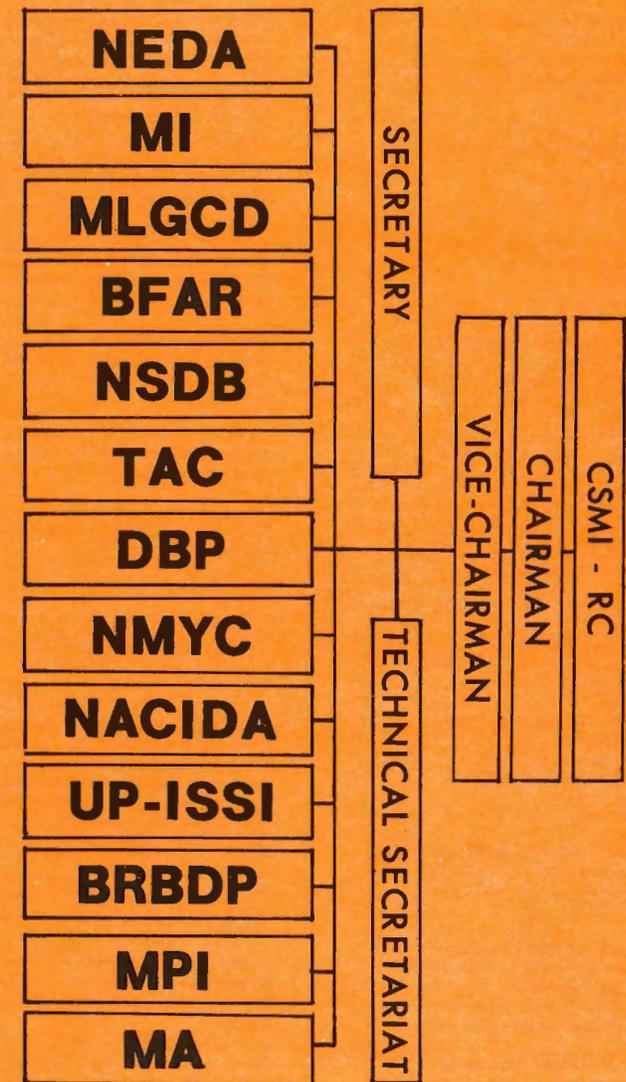
- INFORMATION
- PROJECT DEVELOPMENT; PRE INVESTMENT & FEASIBILITY STUDY
 - * marketing
 - * technical
 - * financial
 - * economic
 - * operational
- PROJECT EVALUATION
- FINANCING
 - * small &
 - * medium scale
- TRAINING
 - * entrepreneurship
 - * skills
- CONSULTANCY
 - * managerial
 - * technical

QUOTATION

"No sector of our economy holds greater promise than the sector made up of small and medium industries and therefore draws from the largest segment of our entrepreneurs, not to mention a cross section of our people.

On that score alone, medium and small industries may well provide one of the answers to economic development. For, certainly, from this small beginning, the bigger achievement will derive."

FERDINAND E. MARCOS



SUB-REGIONAL ACCOUNTS PROJECT

March 1979

Goal:

To provide a continuing comprehensive macroeconomic and demographic framework for planning and evaluating the development thrust of the BRBDP.

Objectives/Activities

1. Set up a system of periodic collection and processing of macro-economic and demographic data for the planning and impact evaluation activities of the program, with emphasis on:
 - a) income and expenditure accounts;
 - b) intra- and interregional commodity and monetary flows; and
 - c) quality of life indicators.
2. Periodically collect, analyze and interpret relevant data to appraise the directions and priorities of BRBDP planning and recommend appropriate redirections of such activities when necessary, using appropriate econometric models.
3. Make available to private sector local and foreign investors selected indicators of business potentials of the program area.
4. Periodically prepare and assess the Macroeconomic and Demographic Framework Projections for the Annual, Quinquennial, Medium-Term and Long-Term rolling plans for the program area.

1979 Scope of Work: Tasks/Outputs

1. Income Accounting System
 - a) Tabulation Layout of Data from 1972 and 1975 Surveys and Censuses.

The development of the sub-regional accounts for the program area will require generation of data at the desired sub-regional dimension. For the non-agricultural sectors, the NCSO will prepare a special provincial run of the censuses and surveys of establishments for 1972 and 1975. Considering that a special EDP Program will have to be developed for this purpose, a tabulation layout should be prepared for the optimum utilization of the data available from the said surveys.

- b) Estimation of Income Accounts at Provincial Level for 1972 and 1975.

With the completion of the tabulation layout, the special EDP Program shall make possible the provincial breakdown of the regional income accounts.

- c) Compilation of Cost of Production Studies/Design of Survey Instrument

A void in the present regional income accounts estimation work of the National Accounting Staff is the data on cost of production in both the agricultural and industrial sectors. The present regional estimates, which will be the basis of the provincial estimates, shall be greatly improved if data from costs of production studies are made available. In the absence of such studies, a survey instrument shall be designed for the purpose.

2. Expenditure Accounting System

- a) Preparation of a Regional Public Sector Account

With the assistance of the NEEDA regional office, a system of monitoring of income and expenditures of the national and local government offices in the region may be set up to serve as the statistical base for a public sector account. The success of this activity hinges a lot on the degree of details available from the government reports. In this regard, a uniform reporting form to be adopted initially by the offices in the region shall be prepared. Depending upon the experience of the project, this form may later on be adopted for all regions.

- b) Sub-regional Expenditure Account Investigatory Activity

An initial feedback was obtained that the setting up of a sub-regional expenditure account is premature at this point of time. An investigation will be conducted whether such feedback is indeed correct

3. Commodity Flow Studies

- a) Land Transportation Commodity Flow Arrangements

The project will complete the activities of the Regional Commodity Flow Project (RCFP) by tackling down the problem of monitoring movements of commodities passing through the road transport system.

The project may at first take a stock of all cargo-carrying vehicles passing through the road network in the region. This will include not only trucks for hire but vans of traders and manufacturers as well. Afterwards, an assessment of the reporting forms used by these agencies should be undertaken to determine the adequacy of the data available from them vis-a-vis the requirements of the system. To ensure that the data requirements are incorporated in the forms and a monitoring system established, the SRAP should exert its influence in instituting a close coordination among the source agencies, the regulating agencies and the project itself.

4. Monetary Flow Study Investigatory Activity

A study of the data needs for a framework of measuring monetary flows shall be made.

5. Demographic Study - Migration Patterns Investigatory Activity

An investigation of the data needs and an investigation of the framework for coming up with interregional, intraregional, interprovincial, and inter-ID migration patterns shall be made. Present data on migration patterns preclude an in-depth demographic analysis of the area.

6. Updating of Sampling Frames

Since the responsibility of redesigning the sampling frames lies in the hands of the Inter-agency Committee on Survey Design, the project will work out a scheme of updating the sampling frames particularly the one for the establishment surveys. The project will coordinate with the Bureau of Employment Services and the offices of the local executives for a tie-up along this line. A common reporting form shall be made to ensure the uniformity of data that will be generated from this activity.

The project will furnish the Inter-agency Committee on Survey Design the required area disaggregation to serve as guide in the redesign of the surveys.

7. Preparation of Annual, Quinquennial, Medium-Term and Long-Term Framework and Projections.

Macroeconomic and demographic projections shall be prepared for the program area using proxy data as an input to the planning activities of the office, and for briefing purposes. These will be revised as the required data become available and shall be used to assess the development of the program area's economy.

Implementation Plan

A project Task Force shall be created to implement the project. This will be composed of the NCSO Region V Regional Director, the NEDA Region V Staff Economist, the head of the Special Accounts Branch of the National Accounts Staff of the NEDA and the head of the Computer Department of the NCSO, who shall be part-time consultants of the project. The Director of the National Accounts Staff of the NEDA and the NCSO Assistant Executive Director shall act as senior consultant. A BRBDP Economic Development Planner shall act as project econometrician. Project staff personnel shall be directly hired to assist the Task Force in the successful implementation of the project.

The Task Force with their corresponding project staff counterpart shall together prepare the operational details provided for in the program of work and shall be responsible for their respective assignments pertaining to the activities specified in the Gantt Chart.

SUB-REGIONAL ACCOUNTS PROJECT
CASH DISBURSEMENT SCHEDULE, 1979

	Q1	Q2	Q3	Q4	TOTAL
01 Personal Services					
Salaries					
Project Officer (1)	4050	4050	4050	4050	16200
Economist (2)	6000	6000	6000	6000	24000
Statistician III (1)	2700	2700	2700	2700	10800
Economic Researcher II (2)	5400	5400	5400	5400	21600
Secretary/Statistical Typist (1)	1995	1995	1995	1995	7980
Accounting Clerk II/Typist (1)	1395	1395	1395	1395	5580
Driver (1)	1305	1305	1305	1305	5220
Total Basic Salaries	22845	22845	22845	22845	91380
Fixed Charges	2400	2400	2400	2400	9600
Provision for Terminal Leaves	1905	1905	1905	1905	7620
Medicare	195	195	195	195	780
Sub-Total	27345	27345	27345	27345	109380
02 Operations and Maintenance					
02-02 Travel	36001	3600	3600	3600	14400
02-06 Sundries					
Incentive Allowances					
Senior Consultants					
NAS-NEDA Director	1800	1800	1800	1800	7200
Assistant Executive					
Director, NCSO	1800	1800	1800	1800	7200
Econometrician - BRBDP					
Econ. Dev. Planner	1800	1800	1800	1800	7200
Part-Time Consultants					
NCSO Regional Director	1200	1200	1200	1200	4800
NEDA Staff Economist C	1200	1200	1200	1200	4800
Head, Special Accounts					
NAS-NEDA	1200	1200	1200	1200	4800
Head, Computer Department, NCSO	1200	1200	1200	1200	4800
Workshops, Seminars, Conferences,	1500	1500	1500	1500	6000
Others	2400	2400	2400	2400	9600
02-07 Supplies and Materials					
Fuel and Lubricants	3000	3000	3000	3000	12000
Office Supplies and Materials	3000	3000	3000	3000	12000
Sub-Total	23700	23700	23700	23700	94800
03 Capital Outlay					
Calculators Casio FX-24 with Adaptor					
(4)	1400	-	-	-	1400
Office Tables (6)	2700	-	-	-	2700
Upholstered Chairs (6)	570	-	-	-	570
Typing Tables (3)	168	-	-	-	168
Sub-Total	4838	-	-	-	4838
T O T A L	55883	51045	51045	51045	209018