

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

PHILIPPINE: Development Training
Project (472-0439)

September 1989

- i -

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
COUNTRY/ENTITY Philippines	3. PROJECT NUMBER 492-0439		
BUREAU/OFFICE Asia and Near East	5. PROJECT TITLE (maximum 40 characters) Development Training Project		
PROJECT ASSISTANCE COMPLETION DATE (FACD) MM DD YY 09 30 94	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>89</u> B. Quarter <u>4</u> C. Final FY <u>91</u>		

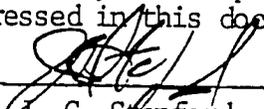
8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	198	252	450	2,622	2,378	5,000
(Grant)	(198)	(252)	(450)	(2,622)	(2,378)	(5,000)
(Loan)	()	()	()	()	()	()
Host Country: GOP		342	342	-	1,782	1,782
Other Donor(s): Private Sector		459	459	-	1,913	1,913
TOTALS	198	1,053	1,251	2,622	6,073	8,695

9. SCHEDULE OF AID FUNDING (\$000)									
APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
EHR	660	X				450		5,000	
TOTALS								5,000	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each) 700 710 721	11. SECONDARY PURPOSE CODE 699
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code TNG B. Amount \$510,000	
13. PROJECT PURPOSE (maximum 480 characters) <div style="border: 1px solid black; padding: 10px; margin-top: 5px;"> To build a core of highly trained employees in the public and private sectors by providing academic and technical training. </div>	

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 08 91 01 92 07 94	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify): _____
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NOTE: The provisions of the payment verification policy regarding methods of implementation and financing, financial capability of recipients, and adequacy of audit coverage have been adequately addressed in this document.


 G. C. Scanford, Controller

17. APPROVED BY	Signature: Malcolm Butler  Title: Director USAID/Philippines	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 09 27 89
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PROJECT AUTHORIZATION

Name of Country: Philippines Name of Project: Development Training Project
Number of Project: 492-0439

1. Pursuant to the Section 105 of the Foreign Assistance Act of 1961, as amended (the "FAA"), I hereby authorize the Development Training Project (the "Project") for the Republic of the Philippines (the "Cooperating Country") involving planned obligations of not to exceed \$5,000,000 in grant funds over a four year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is five years from the date of initial obligation.

2. The purpose of the Project is to strengthen the human resource base in the Philippines through academic, managerial and technical training for mid-level private and public sector employees, particularly in rural areas.

3. The Project Agreement, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Other

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall furnish in form and substance satisfactory to A.I.D., agreement in writing to a

✓

Project Implementation Orders/Technical Services for the long-term services of a general contractor to assist with the implementation of the private-sector component of the Project.

Signature: Malcolm Butler
Malcolm Butler
Mission Director
USAID/Philippines

Date: SEP 27 1989

Clearances:

<u>Name</u>	<u>Initial</u>	<u>Date</u>
PESO:BCornelio	<u>[Signature]</u>	<u>9/25</u>
DRM:G Imhoff	<u>[Signature]</u>	<u>9-27-89</u>
CO:JCStanford	<u>[Signature]</u>	<u>9/26</u>
RLA:LChiles	<u>[Signature]</u>	<u>9/27</u>
OD:RAJohnson	<u>[Signature]</u>	<u>9/27</u>

DEVELOPMENT TRAINING PROJECT
(192-0439)
PROJECT PAPER

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LIST OF ACRONYMS

AA	Advice of Allotment
ADB	Asian Development Bank
ADC	AID-Direct Contractor
AID	United States Agency for International Development
AY	Academic Year
CBD	Commerce Business Daily
CESO	Canadian Executive Services Corporation
CP	Condition Precedent
DBM	Department of Budget and Management
DRM	Development Resources Management Office
DTI	Department of Trade and Industry
DTP	Development Training Project
FSN	Foreign Service National
FX	Foreign Exchange
GDP	Gross Domestic Product
GNP	Gross National Product
GOP	Government of the Philippines
GTZ	German Ministry of Technical Cooperation
HCC	Host Country Contractor
IBRD	International Bank for Reconstruction and Development
IESC	International Executive Service Corporation
ILO	International Labor Organization
JICA	Japan International Cooperation Agency
LC	Local Currency
LDAP	Local Development Assistance Program
LRM	Local Resources Management
NCR	National Capital Region
NEDA	National Economic and Development Authority
NEDA/NRO	NEDA Regional Office
NEDA/SAS	NEDA Scholarship Affairs Secretariat
OIT	Office of International Training
PACD	Project Assistance Completion Date
PD-8	Policy Determination #8-Participant Training
PESO	Private Enterprise Support Office
PID	Project Identification Document
PIL	Project Implementation Letter
PIO/P	Project Implementation Order/Participant
PIO/T	Project Implementation Order/Technical Services
PMO	Project Management Office
RDC	Regional Development Council
RIC	Regional Industrial Center
TDI	Training and Development Issues Project
UNDP	United Nations Development Programme
USAID	United States Agency for International Development/Manila

I. SUMMARY AND RECOMMENDATIONS

Borrower/Grantee : The Republic of the Philippines

Implementing Entity : The National Economic and Development
Authority Scholarship Affairs Secretariat

Grant Amount : \$5.0 million

Funding Source : Development Assistance: Education & Human
Resources Functional Account

Initial Obligation : FY 1989

Project Purpose : To build a core of highly trained employees
in the public and private sectors by
providing academic and technical training

Description : The project will provide training for an
estimated 2208 personnel of public and
private sector entities. The public sector
component will provide academic and
technical training for about 571 officials
at the national, regional and local
government levels in priority fields,
including economic policy and planning,
banking and finance, agriculture, natural
resource conservation, public health,
engineering, and public management
specialties. The component will also
support the government's decentralization
reform and assist with the development of
mechanisms for developing training plans and
selection of participants in Regions V, VI
and XI. The private sector component will
finance training for an estimated 1,637
employees/owners of small- to medium-sized
non-farm enterprises outside the National
Capital Region to address constraints to
productivity and profitability. The
component will fund short-term management
and technical training for employees in the
manufacturing, services and other sectors.
Initial focus will be on Regions III, IV,
VI, VII, X, XI, and Iligan City. Training
for both components will be conducted in the
Philippines, third countries and the United
States.

		<u>\$000</u>
<u>Project Elements</u>	:	
	Public Sector Training	2,425
	Private Sector Training	2,425
	Evaluation and Audit	150
	Total	<u>5,000</u>
<u>Estimated Completion</u>	:	
<u>Date</u>	September 30, 1994	
<u>Statutory Requirements:</u>	All statutory requirements have been met.	
<u>Recommendation</u>	:	
	That a \$5.0 million grant to the Republic of the Philippines be authorized for obligation in FY 1989 based on the terms and conditions described in the draft authorization.	

II. BACKGROUND

A. Project Rationale

The Development Training Project (DTP) will encourage Government of the Philippines (GOP) efforts to support broadly based economic development through the provision of training in needed management and technical areas for selected public and private sector employees. A major goal of the Updated Philippine Development Plan, 1988-1992, is to improve rural living standards and incomes through private-sector led development. DTP will support GOP efforts to accomplish this objective by providing assistance for improving the skills of middle-level personnel of private firms located outside of the National Capital Region (NCR) and of local government organizations and departments involved in development activities. The Philippine economy has experienced a remarkable turnaround since 1986 as a result of the restoration of political legitimacy, policy reforms and improved management. The gross national product (GNP) grew by rates of 1.5 and 6.43 percent in 1986 and 1987, respectively. Increased levels of official donor assistance, which has largely fueled the growth, is challenging the individual and organizational capability of both the public and private sectors to use the increased investment effectively and efficiently to accelerate development in rural areas and to support GOP efforts to decentralize development responsibility and decision-making to local areas.

Various factors have contributed to the increasing need to re-build or expand human resource development in the country. As a result of the deteriorating economy and the tremendous cutbacks in education and training budgets, the quality of education and skills in the Philippines declined during the early 1980s, leaving many Filipinos without opportunities to improve their technical and management skills and learn new technologies available in the Philippines or outside of the country. The increasing outmigration of skilled Filipino workers has further weakened the human resource base. In addition, the economic situation and policies did not encourage Filipinos to improve their enterprise operations. Thus, for various reasons, the Philippines has experienced a shortage of skilled mid-level personnel in both the public and private sectors to undertake expanded development, particularly in areas outside the NCR. Providing appropriate short- and long-term training opportunities for qualified individuals continues to be a GOP priority, but particularly in the targeted rural areas.

1. Public Sector Constraints

USAID has sponsored participant training programs since the 1970s, primarily for public sector officials. DTP is a follow-on to the training component of the 1983-authorized Training and Development Issues (TDI) Project which has been providing U.S. and local training to support institutional objectives of government organizations and contribute to the manpower skill improvement critical to national and regional development. While the TDI Project is to be completed by December 1990, almost all training

funds have been committed. A July 1986 mid-term evaluation of the TDI Project found that training activities improved the quality of analytical work of returned trainees in GOP agencies and recommended continued USAID support for such training programs. Major areas for improvement included: (a) increased participation of officials from organizations other than the National Economic and Development Authority (NEDA), which had been the principal recipient of training grants; (b) provision of operational or management training as well as analytical training which has predominated under the ongoing project; and (c) increased participation of trainees from regional as against central GOP offices. These concerns are being addressed during the latter part of the TDI Project and DTP will continue to address them.

The Aquino administration has targeted 1992 as the deadline for full implementation of its three-phase decentralization program. Decentralization is clearly one of the most pressing challenges facing the government and will place increased decision-making authority and discretionary resources under the responsibility of officials at the regional and lower levels. Implementation of decentralization will require improved skills for local officials, including skills in effective problem analysis, development policy and plan formulation, improved development project management, financial, and contract management skills, among others. Decentralization will also place increased demands on regional and provincial personnel of line agencies to address development efforts.

The increased levels of donor assistance to support the Philippine Assistance Program initiated in mid-1989 will place even greater demands on the existing provincial, regional and national staff to manage resources effectively. Further, accelerated development programs will strain the available skill and experiences of existing staff in rapidly changing or new areas such as environment conservation, communications, transport, banking and finance, macroeconomic policy and planning, engineering, etc. The lack of improved skills and expanded technical know-how will constrain efforts to develop non-NCR areas and use expanded investment resources effectively.

2. Private Sector Constraints

For the private sector, training to relieve constraints to increased productivity and profitability and/or investment in rural, non-farm enterprises is needed. Studies have identified a spectrum of constraints to the growth of Philippine enterprises, including:

- Financial constraints--the lack of access to both long-term and working capital;
- Production constraints--the use of obsolescent production technology, inadequate quality control, inadequate packaging, and inefficient production systems;
- Marketing constraints--inadequate knowledge of and inability to respond to market demands, resulting in unmarketable designs,

quality standards unsuited to the target market, or an inability to make contact with appropriate market channels; and

- Managerial constraints--the lack of managerial expertise to respond to and exploit market opportunities and to administer enterprises in terms of planning, organizing, controlling costs, and motivating people.

The upgrading of the human capital base of a firm can contribute significantly to the amelioration of these constraints to profitability and productivity. Except for the inadequacy of capital, which is a matter of access to resources (although even here training in packaging financial proposals will help), most of the other constraints can be eased by access to information and knowledge coupled with a demonstration of the usefulness of new technology, new design, enhanced managerial techniques, among others.

A recent study* emphasizes the need for training opportunities to non-farm enterprises outside of NCR because of regional disparities in growth rates resulting from the concentration of high value-added activities in the NCR in comparison with other regions. Non-farm activity, including both the industrial and services sectors, accounted for 72 percent of total gross domestic product (GDP) in 1987. Outside NCR, however, the non-farm sectors accounted for only 60 percent, of which industry was 25.3 percent and services was 34.6 percent. The bulk of non-farm activities outside NCR is in manufacturing in the industrial sector and trade in the services sector. The lack of high value-added industrial activity outside of NCR, in particular, contributes to regional per capita GDP disparities. The provision of training opportunities to non-farm enterprises outside NCR thus could contribute to increasing industrial growth rates outside NCR.

The highly concentrated nature of manufacturing is well illustrated by statistics. Based on the 1985 survey of manufacturing establishments (firms employing ten or more), the NCR accounted for 45 percent of the net high-value added manufacturing sector in 1985 (see Table 1, Annex H). Inclusion of Southern Tagalog (Region IV) increases the share to 71 percent. The next most "industrialized" areas of Central Luzon (Region III), Cebu (Region VII), and Northern and Southern Mindanao (Regions X and XI) account for another 19 percent, while the remaining seven regions account for only 10 percent.

A 1986-1988 Department of Trade and Industry (DTI) study on manpower and technical requirements of various priority industries, especially those outside NCR, points to old and outmoded equipment and technology (15 years old or more) and poorly trained manpower as constraints to faster regional development. With these constraints, firm productivity remains low and costs remain high, which lead to poor performance in sales and profits, which in turn contributes to an inability to improve technology and manpower.

* Victoria S. Licuanan, "Development Training Project," August 3, 1989.

Technology can be embodied in new machines or in a trained workforce. Major technology improvement will help to break the vicious cycle of low productivity at the firm level and strengthen the competitiveness of business over the long term. Several Philippine industries suffer from technology constraints, including those of meat and meat products, leather and leathersgoods, and wood processing, among others. (See Annex H for additional details on the level of technology in selected industries.)

By product, the concentration of manufacturing is more striking. NCR and Southern Tagalog combined account for 90 percent of the value added in textiles and chemical products, 84 percent in metal fabrication (including machinery and equipment), 74 percent in basic metal industries, 68 percent in paper, and about 60 percent each in food and non-metallic mineral mineral products (including cement and glass). Only in wood product manufacturing do NCR and Southern Tagalog not dominate, accounting for only 21 percent of net value added.

The paucity of manufacturing outside NCR and its contiguous areas is manifested in output distribution as well. NCR and Southern Tagalog accounted for about 45 percent of total GDP in 1986. The overall 1986 average per capita GDP at constant prices was only 43 percent of NCR, with some regions, notably Bicol (Region V) and Eastern Visayas (Region VIII) being only 20 percent of NCR.

While the greatest opportunities for upgrading human resource skills appear to be in manufacturing, other non-farm sectors which might be considered include mining/quarrying, construction, electricity/gas, transport, storage, recreational, and hotels and restaurants.

DTP will provide training to selected private-sector personnel to address the key technical and managerial constraints identified above. The project will use private sector training to the extent possible as an incentive to encourage increased investment in rural enterprise and agribusiness.

B. Relationship to USAID Strategy and Other Projects

The USAID strategy seeks to support GOP efforts to achieve broadly based, sustainable economic growth. The strategy emphasizes growth in non-NRC areas guided by three cross-cutting themes--policy dialogue, decentralization and the private sector. The project will support the overall strategic goal by addressing critical human resource constraints in both the public and private sectors. The private sector training will focus on the improvement of technical and management skills of non-farm enterprise personnel located outside NRC, thereby contributing to the expansion of business and decentralization of economic activity in the country. The public sector training will support the GOP decentralization program by improving local management capacity as well as upgrade the knowledge and skills of selected officials at all levels in areas such as natural resource conservation,

macroeconomic policy and planning, and transport, among others, which can contribute to sound GOP policy formulation and improved technical effectiveness. Both training components will emphasize training for personnel in areas outside of NRC, with the entire private sector component targeting the non-NRC areas in potential growth regions and at least 60 percent of the public sector training targeting training for local level officials.

The project also addresses three of the five USAID strategy programmatic objectives as follows: (1) achieving more efficient, competitive and dynamic private markets through training of private sector personnel in technical and management skills, thereby permitting them to expand their businesses and become more competitive; (2) addressing institutional constraints that impede growth through improved management and technical training for local government officials in planning, project development planning and implementation, among other areas; and (3) improving social services delivery through the upgrading of and the provision of new skills for local and national officials who will become increasingly responsible for local social infrastructure development as the GOP decentralizes increased functions and resource management for public services to local levels. Overall, the project will contribute to the improvement in human capital needed for an expanded private-sector led development program.

The private sector component will complement other USAID project activities. For example, the Small Enterprise Credit Project to begin in FY 1989 will develop lending capacity in rural areas for small- to medium-sized non-farm businesses; the availability of capital together with improved technical and management skill development cover the most critical constraints facing these businesses outside the NRC. This component will also complement activities of the ongoing Small- and Medium-Enterprise Development Project which provides information and other services for a similar but somewhat smaller business target. The project also supports the development of private sector capacity which complements policy dialogue objectives related to private sector growth under the Support for Development Program.

The public sector training activities will complement various ongoing USAID project efforts by providing training in high priority areas which cut across sectors such as resource conservation policy, macroeconomic planning and policy, public management skills, etc., and will enable the GOP to train individuals in important development-related areas for which financing is not provided under other USAID projects and programs. The training to be provided for local government officials will also complement the Local Development Assistance Program planned for FY 1990 which focuses on GOP decentralization policy reform to increase responsibility and decision-making authority of local officials.

Under the ongoing USAID Participant Training and TDI Projects, 486 trainees (205 in U.S., 281 in country) have participated. Of that total, only 42 or 9 percent have come from private organizations (40 or 99+ percent from private universities).

C. Relationship to Other Donor Training Programs

This project will complement ongoing training activities of other donors. Training opportunities for public sector personnel are available for personnel in a number of specialties. On the other hand, those for private sector personnel are limited. A number of programs are described below:

1. Private Sector Training

Few donors have extensive formal training programs for private sector participants. Japan has an ongoing program for formal business training operating on an ad hoc basis. The Acceptance of Trainees Program (under the Japan-Philippine Technical Cooperation Program) sends engineers, technicians, researchers and managers to attend training courses in Japan to upgrade technical knowledge and skills. These programs are in Japanese, however, and only a few Filipinos have been able to participate fully. The Asian Productivity Organization based in Japan also offers courses on productivity improvement; however, only two-three local participants are accepted in these courses annually.

Various donors such as the European Economic Community, the United Nations Industrial Development Office, the International Labor Organization (ILO), and the Japanese International Cooperation Agency (JICA) sponsor programs or study missions for groups of participants to visit developed countries to observe company operations. The objectives of these programs are to upgrade technology as well as to encourage joint ventures and intercompany linkages. JICA provides various observational training programs on an ad hoc basis, but the thrust is largely on young leaders rather than business persons. For example, the Friendship Programme for the 21st Century brings youth leaders to Japan for programs with themes such as science and technology and the promotion of agriculture and local industry. The German Ministry of Technical Cooperation (GTZ) provides training in cooperation with the Cebu Chamber of Commerce. The GTZ funded the importation of machinery, together with the training of Cebu technicians in Germany.

As part of the Product Specialist Program, the Canadian Executive Services Corporation (CESO) brings retired specialists to the Philippines. JICA also sponsors a senior Expert Dispatch Program and United Nations Development Programme (UNDP) TOKTEN Project brings skilled Filipino expatriates back to the Philippines. Along the same lines are some efforts by the Japan Overseas Cooperation Volunteers.

2. Public Sector Training

Both UNDP and the World Bank are currently implementing public sector training programs that support decentralization through strengthening local capacity to manage and implement projects at the local government level. In particular, the World Bank is funding a \$40 million municipal training program carried out by the Local Government Academy of the Department of Local Government which provides executive management training for selected

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mayors. In addition, NEDA has been administering a substantial number of training grants from the Colombo Plan, the Netherlands, Germany, Israel, Italy, Yugoslavia, Switzerland, Austria, Norway and Canada, ILO, UNDP, World Bank, Asian Development Bank, and United Nations Educational, Scientific and Cultural Organization that have provided training for a total 1,452 grantees in 1988, with the majority coming from the public sector.

D. Relationship to AID Policy

The project supports AID policy to train developing country technicians, managers and administrators as one approach to strengthen institutions, to enhance policy implementation and to reinforce market-oriented development. The project is also in compliance with guidance of the Participant Training Policy Determination (PD-8) on such issues as the participation of women, the limitation of U.S. training to specialties or areas not available in the country, the use of local and short-term training where it is cost effective, the establishment of measures to minimize brain drain and encourage appropriate application of acquired skills, and the inclusion of follow-up and monitoring activities of trainees.

The project also addresses PD-8 supplementary guidance on private sector training. In particular, USAID has engaged a consultant to seek private sector views on the project feasibility and to ascertain priority training needs. Further, the project will contract with an independent non-government organization or a management training institution with strong relationships to the private sector to implement the component. USAID has also considered guidance that private sector employers, the business community or the individual should meet the direct costs of training to the maximum extent possible. The project focuses on small- and medium-sized firms which do not have substantial capacity to finance training costs. However, based on the study conducted, firms appear willing and able to cover salary costs during training and transportation costs. Where a company has substantial assets and could well afford training costs, arrangements either for payment or reimbursement by the firm or individual will be explored. Another option will be for a quid pro quo arrangement whereby a firm may participate in the project at reduced costs in return for serving as a training location for technology transfer or management approaches. Given the competitive and insular environment in which private firms operate in the Philippines, however, it is not expected that a large number of companies will participate in this latter option.

The Private Enterprise Development Policy Paper indicates that AID may use grants to finance direct training for developing country private enterprises, particularly for improving competition in industry or new technology transfer. The training to be undertaken under this project will be directed to improve management and technology of small- to medium-sized firms without substantial assets and ultimately to make these firms more efficient and competitive. Thus, it is not anticipated that targeted firms will likely be able or should shoulder extensive training costs.

The private sector training activities will also be in conformity with the so-called Lautenberg and Bumpers Amendments, enacted in the 1988 appropriations act, which prohibit AID-financing of certain activities in connection with exports that compete with U.S. products. Accordingly, the project will not provide training opportunities for enterprises dealing with textiles/apparel (Lautenberg) or sugar, oil palm and citrus fruit processing for export.

III. PROJECT DESCRIPTION

A. Project Objectives

The goal of the Development Training Project is to strengthen the public and private sector human resource base of the Philippines which will in turn contribute to the promotion of broad-based economic growth and development. Achievement of this goal will contribute to increased opportunities for improved and expanded operations of the private sector and rural enterprises, increased rural incomes and improved physical quality of life.

The purpose of the project is to build a core of highly trained employees in the private and public sectors by providing academic and technical training. Fifty percent of the training funds (\$2.5 million) will be devoted to training public sector personnel; the remaining, to management and technical training for individuals working in non-farm enterprise activities. In all, the project is expected to finance training for about 2,208 employees (571 public and 1,637 private sector). The project will focus public sector training on a limited number of development areas that are of high priority to USAID and the GOP. Technical and management training will be provided under the private sector element. This project supports the GOP Updated Medium-Term Plan, 1988-92, objectives of developing human capital with skills to undertake private sector-led development, particularly in rural areas.

In addition to upgrading the quality of human capital in priority areas, the project will contribute to:

- Establishment of a decentralized public sector screening system and training plans for three to six regions;
- Development of increased management capacity in government units in three to six regions;
- Development of a limited number of specialized training programs for public sector employees that could be replicated for other regions;
- Identification and assessment of both public and private sector training programs that address employee/organizational needs;
- Increased productivity and profitability of rural non-farm enterprise activity in selected regions and possible expansion to other regions; and
- Increased participation of private sector leaders in improving the effectiveness and efficiency of small- and medium-sized firms.

B

B. Project Elements

1. Public Sector Training

a. Overview

Public sector training activities will include training for employees at the national, regional and local levels in priority development areas. About 60 percent of the component funds will finance training for local government personnel to build needed management and technical skills to support GOP decentralization reform. The remaining funds will be provided for national personnel at the central and regional levels to undertake management and analytical skill training. Training activities will take place in the United States, Philippines, and third countries depending upon the specialization and availability of appropriate training programs.

The project will support training in sectors of high priority to the achievement of GOP and USAID strategies, including economic policy and planning, banking and finance, agriculture, natural resource conservation, public health, engineering, and public management specialities. Training in policy analysis and formulation and planning specialties that cut across sectors will also be financed. However, the level of specialization and particular emphasis supported at the national or other levels will depend on the functions, responsibility levels and requirements of the targeted agencies.

The component is expected to provide training for an estimated 571 individuals in academic or technical training programs. Academic training (master's level) and technical training will be supported, but doctoral degree training will not be financed. Nor will the project finance training for which funding is already available from other USAID-financed projects. The NEDA Scholarship Affairs Secretariat (NEDA/SAS) will be the principal implementing agency for this component.

Below is a discussion of training activities for the national and local levels.

b. National Level Training

The purpose of this training is to improve the institutional capacity of various departments at the central and regional levels. Thus, departments, rather than individuals, will submit training requests to improve analytical and management functions in various departments. Management and analytical skill training will be provided for selected officials in sectors identified above in Section III.B.1.a.

Based on an analysis of the training financed under the ongoing TDI Project, it is expected that about 35 participants will receive long-term academic degree training (10 in the U.S. and 25 in the Philippines) and an estimated 93 individuals will receive technical training (43 in the

U.S. and 50 in the Philippines). Training in third countries will be an option but very few participants from the national level are likely to seek such training.

Selection and administrative procedures will be similar to those followed under the TDI Project, with the exception of placement, administrative tasks and monitoring of trainees and training programs. For these exceptional areas, a contractor will provide assistance for in-country training. The AID Office of International Training (OIT) contractor will be responsible for placement, administration and monitoring of U.S. participants and USAID Missions will assist with third-country administration following standard procedures. USAID will review and approve GOP training nomination recommendations. See Section V.B.1 for details on selection, placement, administration and monitoring of trainees.

c. Local Level Training

The objective of training to be financed under this sub-component is to support the GOP decentralization program by building the capacity of local governments to manage increased levels of decision-making authority and responsibility whether in public management or technical fields. As indicated above, about 60 percent of the public sector component funds is to be provided for training officials located at the local government units (primarily provinces and cities). Whereas the TDI Project has provided training mostly for national officials, this project will provide increased opportunities to address the substantial needs at lower levels. Training will be provided in priority areas identified in Section III.B.1.a. for public sector participants. However, human resource constraints at the local levels are expected to be principally in the area of public management--that is, organizational management, financial management, project design and implementation, development planning, leadership training, accounting, budgeting, computer operations, among others. Training in technical areas such as natural resource conservation, engineering, agriculture, public health, public finance, and fiscal policy will also be provided as appropriate to support decentralization, rural development and growth.

Given the experimental nature of this sub-component, projections on the mix of training to be provided are at best rough estimates. Nevertheless, it is expected that most training to be provided will involve in-service, short-term technical training in the Philippines. The project expects that an estimated 397 officials will undertake technical training (10 in the U.S. and 387 in the Philippines). About 40 individuals will receive academic training (master's) (10 in the U.S. and 30 in local institutions). Third-country training will also be made available as appropriate (estimated 5 participants). It is anticipated that both off-the-shelf and, to a more limited extent, specially designed training programs will be undertaken. Training for either individuals or small groups of representatives from various provinces, cities, municipalities, or province-based regional departments may be undertaken.

Training for officials at the local level will be decentralized to the extent possible. Accordingly, provinces and cities will identify training needs, rank proposed training, and submit applications to the NEDA Regional Office. Municipalities and province-based national department personnel nominations can be submitted through the provinces.

A contractor will provide assistance for local level implementation in identifying appropriate training programs, preparing a training plan, placing trainees and administering in-country training, and monitoring and assessing training programs. This same contractor will provide assistance as indicated above for placement and administration of in-country training for the national level. NEDA/SAS will review annual training plans and facilitate processing of U.S. and third-country participants using procedures similar to those outlined above for national level participants.

The decentralization of training will be undertaken on a pilot basis in three regions, with the possibility of expansion to three additional regions as operational mechanisms are established. One region from each of the three major island groupings--Luzon, the Visayas and Mindanao--will be selected for the initial effort. The initiation of the program in in Regions V, VI and XI will facilitate the transfer of approaches and lessons learned to other regions. Where a training requirement is similar for more than one region, the contractor may be able to arrange for such programs cost effectively by subcontracting for services for several regions at the same time. All regions outside the NCR have requirements for human resource strengthening. Other determinants for the selection of participating regions include:

- Regional NEDA interest in participating in the project and willingness to establish mechanisms for project screening;
- Commitment of Regional Executive Director and RDC to decentralization;
- Demonstrated initiative to identify training needs at the local levels as well as training opportunities;
- Regional and local government willingness to provide some counterpart (e.g., salaries, local travel costs); and
- Complementarity with other A.I.D.-financed activities.

Although most of the local training to be financed by the project will be concentrated in the pilot regions for impact and ease of administration, the project will also finance a limited number of priority training programs that include participants from other regions. Such programs might include local executive training to support decentralization, financial management training, public finance, or similar emphases. Prior to the availability of a long-term contractor, training of this type will be

limited to programs that can be easily administered (e.g., fee for services, purchase order, or simple contract arrangement). Once available, the general contractor will administer such programs.

Project activities could expand to up to six regions. A decision on whether to expand the pilot effort to an additional three regions will be made on the basis of an evaluation to be undertaken at the end of Year II of the project and of the availability of funds for regional impact.

2. Private Sector Training

a. General Description

Targeted enterprises. The private sector training component will provide \$2.5 million for in-country, third-country and U.S. technical and managerial training to address selected constraints to productivity and profitability of rural, non-farm enterprises outside of the NCR. Employees and/or owners of enterprises ranging from small- to medium-sized businesses will be the target group for the project. In the Philippines, businesses are categorized as follows:

<u>Size</u>	<u>Total Assets</u>	<u>No. of Employees</u>
Micro	Less than P50,000	Undefined
Cottage	P50,000 - P500,000	Undefined
Small	P500,000 - P5,000,000	Less than 99
Medium	P5,000,000 - P20,000,000	100 - 199
Large	Over P20,000,000	200 and over

Thus, the project will not target the micro- or cottage businesses but will instead address constraints of small- and medium-sized enterprises with assets from about P0.5 million to about P20.0 million and with under 200 employees. While this group will be the target for project activities, flexibility in the selection of firms will be maintained to ensure that those firms most likely to benefit from project training will be eligible to participate. Generally, the project will not finance training for multi-national or very large companies or their subsidiaries. However, exceptions on a case-by-case basis may be considered if the company were to agree to: (1) pay for transportation and other selected costs; and (2) serve as an observation or training site for other enterprises.

Targeted sectors. The project will provide training opportunities for those non-farm enterprises and employees most ready to take advantage of new management and technical skills. The feasibility study for this component suggested that upgrading skills of business personnel from the manufacturing sector outside of NCR has the greatest potential to contribute

to rural economic growth.* Accordingly, the project will emphasize this sector, but not to the exclusion of others. The project will also support GOP priority sectors, among others, including electronics, processed food and beverages, furniture and wood products, metal products and machinery, ceramics, housewares, and computer services.

Selected service sector firms will also be eligible for training if skill requirements are not overly specialized and could be provided cost effectively. Possible services include recreational, hotels and restaurants.** Other sectors such as construction, mining and quarrying, transport, storage and services incidental to transport will be included, depending on the training needs and potential contribution to rural growth.

The project will not provide training which is prohibited by statutory or AID policy restrictions. The following industrial fields will be excluded from project activity:

- Production/processing/marketing of weaponry and materials for explosives;
- Pesticides;
- Abortion or sterilization equipment manufacturing;
- Textile, apparel or footwear; and
- Certain agricultural product processing, including palm oil, citrus fruits, and sugar.

Training specialties. Training opportunities will be made available in a variety of technical and management specialties which address constraints to participating enterprises. Training requests from firms will indicate the type of training required, how such training will address a constraint to the firm's expansion or improved efficiency and effectiveness, and recommend the individual(s) who should be trained. Technology improvements can contribute to increased economic growth. The GOP has identified a number of technical areas for industries that need to be addressed, including:

- Quality control systems and procedures;
- Setting product standards;

* Licuanan, pp. 19-20.

** Ibid. The consultant suggested that educational, medical and health, and financial services such as banking and insurance have very specialized needs which are better met in specially designed programs.

- Technology development (new techniques with higher productivity or efficiency);
- Productivity improvement;
- Skills training and upgrading;
- Technology information; and
- Packaging and labeling.

Many of these can be addressed wholly or in part by training. Management training in areas such as accounting, inventory control, marketing, costing, financial management, operations management, and general supervisory skills will also be available, depending on the needs of targeted firms.

Regional focus. A key GOP policy is to decentralize industrial development, shifting the thrust from the NCR to regional areas. Accordingly, the Department of Trade and Industry launched its Regional Industrial Centers (RICs) in June 1989 as vehicles for rural industrialization. A total of 25 urban centers have been designated.* These centers are not yet fully operational but will potentially serve over time as regional contact points for the identification of firms requiring training.

At the present time, industrial firms outside the NCR tend to cluster in only a few regions and are concentrated in a few industrial sectors, reflecting raw material availability and/or traditional skills. In order to have maximum impact and provide training for those most able to take immediate advantage of it, the project will focus its efforts during the first two-three years on a selected number of regions. Regions designated for initial focus include Regions III and IV in Luzon, Regions VI and VII in the Visayas and Regions X and XI (plus Iligan City) in Mindanao.** The Mission will review this strategy as part of the mid-term evaluation and determine whether other regions should be included.

Cost contributions by firms. Firms and/or trainees will be expected to finance training costs to the extent possible. The project will also explore possibilities for the establishment of mechanisms for the reimbursement of training costs. Private firms interviewed appear willing to shoulder transportation costs and maintaining salaries for up to two months of training.*** However, the project is not likely to finance many, if any, programs that extend beyond that period because private firms will probably be unwilling to agree to release personnel for longer periods. Participating

* Licuanan, pp. 15-16.

** Ibid, p. 22, recommended this approach.

*** Ibid, pp. 18-19.

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firms are not likely to be able or willing to finance costs other than transportation and salaries. As part of the selection process, firms and candidates will be required to demonstrate (through income tax or other means) that they are unable to finance direct training costs.

b. Training Location and Outputs

An estimated 1,637 individuals are expected to be trained under this component. This estimate is based on figures developed through a study which identified training needs and potential participating firms. Training will be in short-term technical or management specialties for durations of about one-eight weeks. The project will not finance long-term academic training since such training is not perceived as a critical need or cost effective for targeted firms.

Training will be conducted in the Philippines, the United States or third countries, depending on the requirements of firms and the availability of appropriate programs. Provided below are additional details on training to be financed by location and expected outputs:

Training in the Philippines. Various types of formal management training programs (marketing, accounting, financial management, operations management, etc.) are available in the Philippines to address constraints of rural non-farm enterprises. Opportunities for technical training (mostly for manufacturing) also exist but are limited in number and of uneven quality. Further, the available technical training tends to be at a basic skill level (e.g., automotive, high-speed sewing machines) with little in the areas of product technology, new and more advanced technology, and application of productivity techniques. Most management and technical training opportunities are available only in the NCR although selected basic technical training is available outside the NCR.

The project will finance three types of in-country training: (1) technical training in basic skills and upgrading of existing skills in formal and observational programs; (2) managerial training in formal or observational programs; and (3) training provided by expatriate or local (where appropriate) product specialists to a firm or group of firms. For the latter, programs such as the International Executive Service Corps and similar programs could be tapped to identify technical specialists. Unlike U.S. or third-country training, in-country training opportunities could be effectively provided to firms outside the selected regions. However, the project will focus its initial efforts on the selected regions for impact and ease of administration. Since Regions III and IV may already have had greater access to this level of training, a larger portion of funds for in-country training will be provided for Regions VI, VII, X, XI, and Iligan City. Exceptions to the selected regional focus may be considered on a case-by-case basis. The bulk of the project-financed private sector training will take place in the Philippines. Accordingly, the estimated number of trainees is 1,400 and the estimated cost is \$1,325,000, including costs for an estimated 13 product specialists.

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U.S. training. Advanced technology training is available in the United States. The Entrepreneurs International training program administered through an AID/Washington contractor provides a good opportunity for short-term, on-the-job training opportunities in cooperation with U.S. private firms. Formal technical training in specialized institutes can also be arranged through AID/Washington contractors.

The project will finance short-term U.S. training to expose firms/employees to new technology and its adaptation--for example, in product development, packaging and handling advances, higher product standards, and quality control. Formal management training in the United States will be financed on an exceptional basis only. The most effective type of training appears to be observational training or training which takes place in a factory or place of business and gives participants the opportunity to learn about or observe directly the operations of a company. However, formal training in specialized institutions (i.e., laboratories, industry training institutes, etc.) would also be beneficial. Training in the United States is expected to benefit employees/firms located in the selected regions where conditions such as adequate infrastructure, markets, etc., already exist. Further, U.S. training in new technologies should not be provided unless there is a reasonable possibility that the firm can and will implement the technology effectively. An estimated 200 individuals will undertake training in the United States at an estimated A.I.D. cost of \$700,000.

Third-country training. Third-country technical training may address the needs of Philippine enterprises in terms of the level and type of technology better than more highly technical U.S. training. For example, technical training in such areas as food processing, metalworking, woodworking and other appropriate areas may be best undertaken in Thailand, India and other neighboring countries.

The project will finance short-term technical training in third countries. However, training will be confined to programs in eligible geographic countries unless a waiver is sought on a case-by-case basis. Technical training in third countries is expected to have the greatest impact on enterprises located in the selected regions. Given language constraints and eligible country limitations, it is expected that only about 37 participants will receive training in third countries. The estimated cost is \$150,000.

c. Host Country Relationships

The principal GOP contact will be NEDA/SAS which is responsible for the public sector training component under the project. However, in order to establish links with the private sector, NEDA's role will be limited to agreeing to the scope of work and receiving contractor and evaluation reports. USAID will contract with an organization having links with private sector entities and experience in training or other assistance for the private sector to handle most implementation tasks. This approach is believed to be important to encourage private sector commitment and involvement. The contractor will work with regional organizations (e.g.,

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chambers of commerce, professional business associations, RICs where operational) to identify on a continuing basis training needs and firms that could most benefit from training. USAID will encourage private sector involvement in the project through the establishment of an advisory board of private entrepreneurs to provide guidance and support for the project. Efforts will be made to publicize training opportunities through the media, brochures, professional business organizations, and technical and management institutes.

Details on implementation arrangements are described in Section V.B.2.

C. Beneficiaries

The principal beneficiaries of the project will be those government and private sector individuals receiving training. As employees in public or private organizations, participants are expected to apply their upgraded skills to improve organization operations. In turn, the general public is expected to benefit from more effective public sector operations and improved services delivery. Private sector firms employing the trained individuals will benefit through increased competitiveness and improved productivity, which can in turn translate into higher sales, lower costs and greater profits. The rural economy will likewise benefit from improved enterprise operations as new technology and better trained human resources lead to expanded levels of economic activity and increased demands for supporting services.

Women are expected to participate equally in training opportunities and will be encouraged to do so. Sixty-two percent of the TDI Project trainees were women, and it is likely that the public sector component will continue to recruit large numbers of women participants. Women actively participate in enterprise activity targeted for this project. Their participation is expected to be high in most technical and management areas. Nevertheless, the responsible contractor will be tasked with exploring ways to involve women and keeping data on individual participation by gender.

IV. FINANCIAL PLAN

A. Cost Estimate and Financial Plan

The total cost of the project is estimated at \$8.695 million. Project funds will be provided by USAID, the participating GCP Agency-NEDA and the private sector.

The estimated life-of-project costs by source of funds are summarized in Table I, Summary Cost Estimates and Financial Plan (All Years) below. Summary Projections of Expenditures by Fiscal Year, Summary Projections of Expenditures of AID Grant Funds by Fiscal Year and Project Element, and Budget Assumptions for USAID, GOP and the Private Sector are in Tables II, III, and IV, respectively, in Annex I.

1. USAID Contribution

USAID will provide \$5.0 million in Development Assistance grant funds. Planned yearly obligations are shown below:

<u>PLANNED YEARLY OBLIGATIONS</u>			
<u>(\$000)</u>			
<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>TOTAL</u>
.45	2.25	2.3	5.0

2. GOP and Private Sector Contributions

The GOP's contribution to the project will primarily be in the form of administrative costs to support the Special Committee on Scholarships, administrative and logistical support to contractors, salaries of participants during the training period, plane fare of participants and other travel support costs for seminars and training activities. The total GOP contribution to the project is estimated at \$1.782 million.

In general, private sector representatives interviewed are agreeable to pay for the plane fare to/from the U.S. or to other venues for training. They are also willing to pay the salary of the employee on training and other travel-related miscellaneous costs. The total Private Sector contribution to the project is estimated at \$1.913 million.

B. Methods of Implementation and Financing

The methods of USAID disbursement to be used may be classified as follows:

- Direct payments: USAID may make direct payments to suppliers or contractors for goods and/or services delivered. As training is a

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major component of this project, AID direct placements by the AID/Washington Contractor is expected to be a major implementation method.

- Reimbursement: Under the reimbursement method of financing, the GOP implementing agency/private sector or contractor disburses its own funds and is then reimbursed by USAID upon submission of appropriate documentation.

- Advance/liquidation: The advance/liquidation method of financing may be used directly with non-profit contractors/GOP agency whenever appropriate. Liquidation will be based on actual costs. This method is designed to ensure that the entity receiving the advance will have adequate cash flow to carry out the activities. The maximum cash advance that USAID can give is for a 90-day cash requirement and is subject to the Controller's approval. The request must show the monthly breakdown by line item as approved in the Implementation Plan or Project Implementation Letter (PIL). The liquidation report must be treated as a separate report from the Request for Cash Advance. However, liquidation of a previous cash advance is not necessary before USAID can grant an advance for the following quarter. But, USAID will not provide a third advance until the next-to-last cash advance has been liquidated.

The following table summarizes the implementation and financing methods for USAID funds:

<u>Input</u>	<u>Implementation Method</u>	<u>Financing Method</u>	<u>Amount (\$000)</u>
Training	AID Direct Placement by OIT AID Direct Contract Host Country Contract	Direct Payment Direct Payment Reimbursement/ Direct Payment	\$4,450
Technical Assistance	AID Direct Contract Host Country Contract	Direct Payment Direct Payment/ Reimbursement; Advance/ Liquidation	400
Evaluation and Audit	AID Direct Contract	Direct Payment	150
		TOTAL	<u>\$5,000</u>

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C. Flow of Funds

1. GOP Implementing Agency - NEDA

Prior to the project's inclusion in the GOP's General Appropriations Act, the project will utilize the advance/liquidation method of financing, using the Automatic Appropriation Provision stipulated under General Provisions Section 7 of the GAA.

Once pesos are appropriated for this project, the following procedures will apply. Initially, NEDA's Work and Financial Plan is reviewed and approved by the Department of Budget and Management (DBM). Once approved, DBM will issue Advices of Allotment (AAs). NEDA will then submit copies of the AAs. An annual Implementation Plan is submitted to USAID. The latter step may be taken even before funds have been appropriated for a given year to allow ample time for both governments to review and discuss. Upon USAID's approval of the Implementation Plan, the GOP may submit requests for cash advances to USAID or finance an activity included in the Implementation Plan out of GOP funds and subsequently request reimbursement from USAID.

2. Private Sector

Contribution from the private sector will be disbursed in accordance with the expenditure timetable (please see Table II of Annex I.

3. USAID

Once funds are obligated for the project, earmarking, commitment and disbursement will follow, depending on the project's pace of activity. Flow of USAID funds will be subject to standard rules and regulations, as indicated in Sections B and C above.

All foreign exchange costs under AID direct contracts or sub-project grants will be paid directly by USAID. At its option, USAID may make direct payments to suppliers/contractors under host country contracting or procurement actions, upon submission of the request to USAID by the implementing agencies.

D. Audits

Primary responsibility for audits of USAID-funded projects lies with the Regional Inspector General's Office (RIG). However, in the event that the RIG is unable to carry out the audit activities, an external auditing firm will be contracted for the purpose. An amount of \$50,000, \$25,000 each for the GOP and the public sector, is budgeted for non-federal audit services for the mid-point and final audit reviews. It is anticipated that the reviews will suffice for compliance with financial and audit requirements.

Table I
Summary Cost Estimates and Financial Plan (All years)
(In US\$ '000)

	<u>A I D</u> <u>FX</u>	<u>G R A N T</u> <u>LC</u>	<u>AID</u> <u>TOTAL</u>	<u>GOP</u> <u>LC/FX</u>	<u>Private</u> <u>Sector</u> <u>LC/FX</u>	<u>Total</u> <u>GOP &</u> <u>Private</u> <u>Sector</u>	<u>AID, GOP &</u> <u>Private</u> <u>Sector</u> <u>Total</u>
A. Public Sector							
1. U.S. Training							
Short-term	371	-	371	148	-	148	519
Long-term	864	-	864	280	-	280	1,144
Sub-total	<u>1,235</u>	<u>-</u>	<u>1,235</u>	<u>428</u>	<u>-</u>	<u>428</u>	<u>1,663</u>
2. Local Training							
Short-term	-	797	797	512	-	512	1,309
Long-term	-	231	231	685	-	685	916
Sub-total	<u>-</u>	<u>1,028</u>	<u>1,028</u>	<u>1,197</u>	<u>-</u>	<u>1,197</u>	<u>2,225</u>
3. Third Country Training	12	-	12	7	-	7	19
4. Technical Assistance	100	50	150	-	-	-	150
5. Audit & Evaluation	-	75	75	-	-	-	75
6. Administrative Expenses	-	-	-	150	-	150	150
Total - Public Sector	<u>1,347</u>	<u>1,153</u>	<u>2,500</u>	<u>1,782</u>	<u>-</u>	<u>1,782</u>	<u>4,282</u>
B. Private Sector							
1. U.S. Training	700	-	700	-	510	510	1,210
2. Local Training							
Management training	-	300	300	-	143	143	443
Technical training	-	625	625	-	1,188	1,188	1,813
Product-Specialists	375	25	400	-	22	22	422
Sub-total	<u>375</u>	<u>950</u>	<u>1,325</u>	<u>-</u>	<u>1,353</u>	<u>1,353</u>	<u>2,678</u>
3. Third Country Training	150	-	150	-	50	50	200
4. Technical Assistance	-	250	250	-	-	-	250
5. Audit & Evaluation	50	25	75	-	-	-	75
Total - Private Sector	<u>1,275</u>	<u>1,225</u>	<u>2,500</u>	<u>-</u>	<u>1,913</u>	<u>1,913</u>	<u>4,413</u>
TOTAL	<u>2,622</u>	<u>2,378</u>	<u>5,000</u>	<u>1,782</u>	<u>1,913</u>	<u>3,695</u>	<u>8,695</u>
Percent Share (%)			58%			42%	100%

V. IMPLEMENTATION ARRANGEMENTS

This section presents the implementing arrangements for the public and private sector components, including the implementing entities, the implementation plan, the procurement plan and the implementation schedule.

A. Implementing Entities

The following entities will be involved in the implementation of the project. More detail on the administrative capability of the GOP entities is provided in Section VI.C and Annex G.

1. GOP

NEDA will be the principal counterpart agency for the project. NEDA/SAS will be designated as the Project Management Office (PMO) for the day-to-day implementation of the public sector component, including, among other tasks, the development of training plans for the national level, screening of national candidates, placement and administration of trainees, and monitoring of training programs. Additionally, NEDA/SAS will oversee the general contractor. That contractor will provide placement and related administrative services for training activities in the Philippines and assistance to the three regions for the development of training plans and screening systems. (See Section V.B.1 and Annex J for contractor tasks.) NEDA/SAS will also coordinate training activities with the NEDA Regional Offices (NROs) as appropriate to ensure timely implementation of project activities at the regional level. The NRO and the contractor will jointly screen training proposals from the provinces and cities included in the particular region.

NEDA/SAS will also serve as the principal GOP contact office for the private sector training component. However, it is expected that successful implementation of this component will depend upon direct participation of the private sector. Thus, major implementation activities for the component will be undertaken by an AID-direct contractor who has direct and extensive relationships with private-for-profit entities. The contractor could be a private-for-profit firm, a management training organization, or other non-government organization that has had appropriate experience for this role. The contractor will provide reports for monitoring purposes to USAID and NEDA/SAS. Evaluation reports will be distributed to NEDA/SAS as well. See Section V.B.2 and Annex J for details on the contractor's role.

NEDA/SAS has had substantial experience in coordinating training activities for public sector employees for USAID and 23 other donors. The three contractual personnel of the current PMO for the training component of the TDI Project will concurrently be the PMO for this project and will handle both projects' activities as the former phases down and activities of this project accelerate. An additional staff member (contractual) will be hired under this project to assist the TDI-PMO in carrying out the implementation activities for public sector activities and in monitoring the contractor's

work as described for the national and local levels. At the completion of the TDI Project, NEDA/SAS staff requirements for this project may need to be reviewed.

2. USAID

A DRM U.S. direct hire project officer will have overall responsibility for project monitoring. The DRM training unit headed by a foreign service national (FSN) has had extensive experience in supporting participant training activities and will be responsible for management and coordination of the public sector component of this project, including processing of Project Implementation Orders/Participants (PIO/Ps) for U.S. and third-country training and coordinating with the AID/Washington contractor for placement and administration of training in the United States.

The Chief of the Private Enterprise Support Office (PESO), a U.S. direct-hire officer, will be responsible for monitoring implementation of the private sector component. An FSN will assist with implementation. PESO staff will also monitor the AID-direct contractor that will have major responsibility for implementing this new endeavor. The DRM training unit will assist with the processing of U.S. and third-country participants for placement and administration.

Other USAID staff offices will assist in project implementation and monitoring as needed, including the Controller Office, the DRM Project Design and Implementation Division, the Contracts Service Division, the Program Economics Office, the Regional Legal Adviser, and the Executive Office.

B. Implementation Plan

Implementation of AID-financed training will be guided by AID Handbook 10 policies and requirements. Implementation procedures are described below for each component:

1. Public Sector Training

a. Selection

NEDA/SAS will handle advertising and screening for national level government officials through the mechanism established for the training component used for the TDI Project. Accordingly, NEDA/SAS will invite nominations for training from appropriate central and regional departments. Nominations in turn will be reviewed by a GOP Scholarships Screening Committee. Since the objective of the project is to improve institutional capacity, departments will request training for individuals based on office needs and functions.

Once applications have been reviewed by the selection panel, NEDA/SAS will forward the original application and justification to USAID for

final approval. To ensure adequate time for placement/processing, NEDA/SAS will submit long-term applicants to USAID at least 90 days prior to the start of training and will submit short-term applications to USAID at least 30 days in advance of the training.

Under NEDA/SAS direction, the contractor will publicize training opportunities in each of the participating regions, screen applications jointly with the NRO using agreed-to criteria, and prepare a training plan for local level training for submission to USAID and NEDA/SAS. The training plans will be prepared annually; however, screening of new applications and additional plans could be submitted either quarterly or every six months as appropriate. Upon USAID review and approval of the training plan, the contractor will place, administer, monitor, and conduct periodic follow-up for training activities in the Philippines. NEDA/SAS will further screen nominations for U.S. and third-country training to ensure compliance with GOP requirements.

Application information, selection criteria and qualification requirements for all trainees are listed in Annex F. The participating regions may identify additional criteria with USAID and NEDA/SAS approval.

The development of annual training plans at for local level personnel will be undertaken during Year 1 of the project, once the contractor is in place. In the interim period, however, a limited number of training activities will be programmed, possibly including participants from a number of regions. For example, USAID has already been approached to finance selected training programs in support of decentralization. Such programs could be financed on a case-by-case basis during this interim period, provided that their administration could be streamlined (fee for services, purchase order or simple contract arrangement). Also in the interim period, the participating regions will be able to submit applications for high priority training needs for a limited number of participants. These activities will be limited to those that NEDA/SAS can easily administer. These arrangements will be followed until the contractor is in place but for no longer than six months. No new training activities will be funded after six months if the contract has not been executed.

b. Placement and Administration

USAID, with assistance from the contractor in describing training program requirements, will prepare and submit Project Implementation Orders/Participants (PIO/Ps) to AID/Washington for contractor placement and administration of U.S. participants. USAID will also be responsible for facilitating visa attainment and providing a funding advance. A similar process using other USAID Missions to place and administer training will be followed for third-country trainees. NEDA/SAS will be responsible for international transportation costs and government formalities.

The contractor under NEDA/SAS will provide administrative services (placement, monitoring, payment) for training to be undertaken in the Philippines for national level personnel. This same contractor will provide placement and administrative services for the regional and local level units in addition to developing a listing and descriptions of available in-country training programs that address regional and local priorities.

c. Monitoring Training Progress

Monitoring activities will take place continuously over the life of the project. NEDA/SAS will be responsible for monitoring the in-country training programs and trainees for the GOP through the submission of trainee and training progress reports by the contractor. For USAID, the DRM project officer will be responsible. AID/Washington's Office of International Training (OIT) programming agent will be responsible for monitoring the progress of individual trainees in the United States and for providing periodic reports to USAID/Philippines to share with NEDA/SAS and other GOP departments. Other USAID Missions will be responsible for monitoring of third-country trainees and for providing progress reports to USAID/Philippines.

2. Private Sector Training

a. Initial Implementation Phase

During the first six months of project implementation, USAID will procure the services of a contractor to provide major implementation services, including the development of a master plan and annual plans, selection of firms/trainees, identification of appropriate training programs, placement of trainees, administration and monitoring of in-country training, and follow-up of trainees. (See Annex J for a listing contractor tasks.) Other USAID activities will include establishing contact with local business and government leaders in the targeted regions to explain project objectives and encourage interest and participation in the activities.

USAID will also identify key business leaders to serve on a voluntary basis as an advisory group for the component. This group will, among other functions, advise on strategy, potential participating firms, selection criteria, and implementation progress. A key criteria for the identification of business leaders will be their active involvement in civic activities to support the development of non-farm small- and medium-sized enterprise in non-NRC areas, especially in component-targeted regions. The group will meet periodically (every four-five months) in a component-targeted region to review component progress. The contractor, once on board, will be responsible for administrative tasks associated with these meetings. A USAID representative will participate in the group's deliberations.

The contractor will prepare a master integrated training plan, including a detailed first year plan and training targets (target sectors for the targeted regions, projected number of participants, etc.). Further, the contractor will develop a detailed implementation strategy and

install systems for implementing the project, including mechanisms to publicize training opportunities (brochures, media, etc.), financial procedures, implementation systems, and monitoring instruments. The contractor will also visit the targeted regions to make contact with business and government organizations, provide information on project implementation procedures and identify potential participants.

b. Recruitment, Screening and Selection

The contractor will work through its own network/contacts and the Chambers of Commerce and Industries, trade and industry associations, the RDCs, Department of Trade and Industry regional offices, and small business institutes and other academic institutions to identify candidates (firms and employees) for training in the Philippines, the United States or third countries. For in-country training, the contractor will draw up a multi-year program, including the types of training to be offered in-country, the areas and potential training institutions, and the schedule of training. Additionally, the contractor will undertake an assessment of available training programs and training institution capability to serve project requirements.

The contractor will be responsible for refining the selection criteria identified in Annex F. The refinement of criteria would include the development of a "means test" to insure that participating candidates and firms qualify as needing external assistance to undertake such training. The contractor will identify candidates with the assistance of business and local leaders and receive applications from interested candidates. The contractor will then screen candidates, ensuring that criteria are met, and recommend candidates to USAID for review and approval.

c. Placement and Administration

Once candidates for U.S. training are approved, USAID will prepare unilaterally issued PIO/Ps based on the training program outlined by contractor and process them as described earlier for public sector trainees. For training in the Philippines, the contractor will make placement arrangements or make special group training arrangements, subcontracting for services if necessary. The contractor will handle all administrative arrangements, including providing trainees with allowances as appropriate, paying for tuition or related fees, informing participants of schedule, etc. The contractor will identify appropriate programs in third countries and make arrangements for placement and administration in cases where a USAID Mission could not handle these.

The contractor will also be responsible for the recruitment of product specialists to serve the training needs of firms. Joint programs with other donors or the Philippines should be explored--for example, where an organization like the Philippine Center for Trade Expositions and Missions can or has arranged for specialists to be in the Philippines, USAID could possibly use these services and pay training costs only. Further, the International Executive Service Corps could be tapped for identification of specialists.

The contractor should also explore the possibility of employing specialists from large firms or possibly institutes in the Philippines that could serve this role. All arrangements for the product specialists will be the responsibility of the contractor, including scheduling, making transportation arrangements, paying for services, etc.

d. Monitoring of Training

Monitoring of U.S. and most, if not all, third country training will follow the procedures outlined for public sector trainees. USAID, however, will pass on progress statements from U.S. institutions to the contractor to share with the respective firm. Further, the contractor will be responsible for debriefing and obtaining a report on training from the participant.

The contractor will be responsible for monitoring training activities in the Philippines to ensure that training takes place on time and is effective. The contractor will also establish an information system for monitoring and assessing training activities. Follow up with trainees on a six-months or more often basis will be important to determine whether new skills have been effectively applied and contributed to firm effectiveness. More details on reports, project monitoring and evaluation are contained in Section VII.

C. Procurement Plan

1. General Guidelines

The authorized source/origin for procurement under the project is U.S. and Philippines for supplies and technical services. Procurement will follow AID Handbook IB, Procurement Policies, for all procurement and AID Handbook 11, Country Contracting, for host country contracting or AID Handbook 14, Procurement Regulations, for AID-direct contracting. AID Handbook 10, Participant Training, regulations will be followed for U.S. and third-country training. Local procurement for office supplies will follow policies in Chapter 18, Local Cost Financing, of Handbook IB. No major commodity procurement is included in the project.

2. Contracting Arrangements

Host country contracting procurement for long-term technical assistance to support the public sector component will begin shortly after the Project Agreement signing, including the refinement of the scopes of work included in this paper, Commerce Business Daily (CBD) advertising, review and ranking of proposals, and selection of organization. NEDA/SAS, with assistance from NEDA legal and administrative offices and USAID, will be responsible for procurement. U.S. and Philippine organizations, or a combination thereof, will be eligible. The principal contractor will where necessary subcontract for Philippine training services.

Until the host country contractor is on board, USAID may contract directly for training services for a limited number of training programs using regular procurement procedures. These procurements are expected to be for specialized programs available in the Philippines and will most likely follow small procurement procedures.

USAID will contract directly with an organization to carry out major implementation tasks under the private sector component for the duration of the project. Procurement will begin shortly after Project Agreement signing, including the refinement of the scope of work, preparation of the Project Implementation Order/Technical Services, CBD advertising, review and ranking of proposals, and selection of organization. The contractor will subcontract for training services as appropriate.

USAID may acquire services through an Indefinite Quantity Contractor or contract directly with an 8(a) or Philippine firm for evaluation services, following regular procedures.

3. Gray Amendment Alert

Technical assistance under the project will be procured competitively for the general contractors for both the public and private sector programs. The project has fully considered the potential involvement of small and/or economically and socially disadvantaged enterprises for these and other procurements and will give consideration to firms submitting proposals that utilize the resources of Gray Amendment qualifying firms which possess the required capabilities. In addition, efforts will be made to award contracts to small and/or disadvantaged firms for project evaluation. The AID/W Office of Training will also give due consideration to the utilization of historically black colleges and universities for the U.S. training requirement.

D. Implementation Schedule

The tentative schedule for the first year of project implementation of follows:

<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
1. <u>PROJECT DOCUMENTATION</u>		
a. PP Authorized	September 89	USAID
b. Project Agreement signed	September 89	USAID/NE DA
2. <u>MEETING CONDITIONS PRECEDENT AND INITIAL ACTIONS (Both Public and Private Sectors)</u>		
a. PMO set up	October 89	NEDA
b. CPs met	November 89	NEDA

<u>ACT ION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
c. Supplemental appropriation for GOP counterpart funds requested	September 89	NEDA
d. Advertised and selected:	Oct. 89-Feb 90	
1. Public Sector Contractor (Host Country Contractor HCC)		USAID/NEDA
2. Private Sector Contractor (AID-Direct Contract)		USAID
e. Host Country Contract (HCC) and AID-Direct Contractor (ADC) begin work	March 90	NEDA/USAID
f. Detailed implementation plans submitted	May 90	HCC/ADC
g. 1991 DTP Budget to DBM submitted	January 90	NEDA
h. Supplemental GOP counterpart funds appropriated	March 90	NEDA
i. DTP Budget included in GOP Proposed 1991 Budget	June 90	NEDA

3. IMPLEMENTATION

3.1. Public Sector Training

a. Availability of U.S. of U.S. and local training/ scholarships publicized	October 89	NEDA
b. Applicants for US and local training selected	November - December 89	NEDA
c. First year training plan prepared	January 90	NEDA
d. Training Plan reviewed and cleared by USAID (US and local academic)	February to March 90	USAID
e. PIO/Ps submitted to AID/W for placement in US Universities	March 90	USAID
f. US participants placed (AY 90)	Mar-May 90	USAID/W OIT
g. Participants processed for study in the US	June-Aug. 90	NEDA/HCC/USAID

	<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
h.	Arrangements for financing international travel for public officials completed	June 90	NEDA
i.	Participants arrive in US	Aug 90	USAID/W-OIT
j.	Short-term local off-the-shelf courses and participants identified for training (prior to HCC)	Oct.-Dec. 89	NEDA
k.	Applicants for local short-term programs selected, cleared and placed	Nov 89 to March 90	NEDA/USAID
l.	Academic scholars placed in local schools for Academic Year (AY) 90	Apr-May 90	NEDA/HCC
m.	Academic scholars begin study in local schools	June 90	HCC
n.	Reports for short-term off-the-shelf local courses received by USAID	Feb. 90	NEDA
o.	First local academic scholars' term reports submitted to USAID	Nov 90	NEDA/HCC
p.	First academic term reports for US participants received by Mission	Feb 91	USAID/W-OIT
q.	Local scholars complete academic year	March 91	HCC
r.	US participants complete academic year.	June 91	USAID/W-OIT
s.	Certificates of Achievement presented to returned participants. Follow-up activities begin.	July 91	USAID/HCC

<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
<u>Group Training</u>		
a. Training programs identified for immediate availment	April 90	HCC
b. Advertised training opportunities region-wide selection system developed	May-June 90	NRO/HCC
c. Applications screened and selected	July-Aug 90	NRO/HCC
d. Annual local training plans prepared based on local training applications, needs assessment at LGUs.	Sept-Oct 90	NRO/HCC
e. Training plans reviewed for compliance to NEDA regulations	Nov. 90	NEDA/HCC
f. Participants placed in group training programs	Starting Dec. 90	HCC
g. Training implementation monitored	Jan 91	HCC
h. Reports for Group Training activities submitted to USAID	March 91	HCC
<u>Third Country Training</u>		
a. Third country training opportunities identified	Mar-Apr 90	HCC
b. Availability of training programs publicized	May 90	HCC
c. Training applications screened, selected and cleared by USAID	June 90	NEDA/HCC
d. Third country PIO/Ps submitted to respective USAID missions	July 90	USAID

	<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
e.	Placement of participants	Aug 90	HCC
f.	Monitoring of training implementation	Oct 90	HCC
g.	Third country training reports received by USAID/NEDA	Nov 90	HCC
h.	First Annual Training Report submitted to NEDA/USAID	March 91	HCC
3.2 <u>Private Sector</u>			
a.	Available US., third country and local short-term management and technical training identified	Mar-Apr. 90	USAID-Direct Contractor (ADC)
b.	Availability of training programs publicized	May 90	ADC
c.	Private industrial advisory board organized	June 90	ADC
d.	Trainees selected for all types of training	Jul-Aug 90	ADC/ Industry board
e.	First year master training plan prepared	Sept. 90	
f.	Training plan reviewed and cleared	October 90	
g.	PIO/Ps submitted to USAID/W for US training and respective AID Mission for third-country training	Jan. 91	AID
h.	Participants processed for departure requirements (medical, visa, etc.)	Jan. 91	ADC/USAID
i.	Placement for local training in the Philippines	Nov-Dec 90	ADC
j.	Placement in the US	Feb-Mar 91	USAID/W-OIT

	<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
k.	Placement in third country	Feb-Mar 91	USAID Missions/ADC
l.	Participants begin study in the Philippines	Jan 91	ADC
m.	Participants begin study in US	April 91	USAID/W-OIT
n.	Participants begin study in Third Country	April 91	USAID Missions/ADC
o.	Training reports received by the Mission	Feb. 91 to July 91	ADC
3.3	<u>Product Specialists</u>		
a.	Participating firms and potential product specialists identified	June-Aug. 90	ADC/USAID
b.	Specialists recruited	September 90	ADC
c.	Travel and related costs for the Product Specialists activities arranged	Oct-Nov. 90	ADC/USAID
d.	Administrative arrangement for Specialists activities made	December 90	ADC
e.	Arrival of Product Specialists	March 91	ADC
f.	Specialists activities monitored, including the implementation of training/consultancy	Mar-April 91	ADC
g.	Reports of Specialists' activities received by Mission	June 91	ADC
h.	First Annual Report submitted to USAID	July 91	ADC

<u>ACTION</u>	<u>DATE</u>	<u>RESPONSIBLE AGENCY</u>
5. <u>SUCCEEDING ACTIONS</u> (both components)		
a. Follow-up activities conducted and status reports submitted to NEDA (for public sector trainees) and to USAID (for private sector trainees) - 6 months after training - 1 year after training - 18 months after training	Continuing	HCC/ADC
b. Mid-Term project evaluation - Public - Private	Aug. 91 Jan. 92	USAID
c. Final Project Evaluation	July 94	USAID
d. PACD	Sept. 94	USAID

The above process will continue over the life of this project, particularly for the degree programs in the U.S. and the Philippines.

The selection and placement processes for short-term group training, third-country training and U.S. training will likewise continue over the life of this Project.

Actions pertaining to degree training in the U.S. in Academic Year 90-91 will be represented in two more annual cycles: 1991-1992 and 1992-1993 with degree training completed by PACD in 1994.

Actions pertaining to local training in 1990-1991 will be repeated also in two more annual cycles similar to the U.S. training above.

Actions pertaining to local short-term and third country training in 1990 will be repeated in four annual cycles from 1991 to 1994.

Actions pertaining to the Product Specialist Program will be repeated in three more annual cycles in 1991-1992, and 1992-1993 and 1993-1994.

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VI. SUMMARIES OF ANALYSES

A. Technical Analysis

The project supports two major development issues that are of high priority to USAID and GOP -- decentralization and private sector-led economic development. This is reflected in the distribution of approximately 2,200 of the target participants over the life of the project: 74% will be from the private sector and 26% from the public sector. The funds, however, will be distributed on a 50-50 basis for the public and private sectors, respectively. In support of decentralization, a minimum of 60% of the public sector funds will be allocated to participants coming from the regions, provinces and municipalities, while a maximum of 40% will be for those from the national agencies. The principal justification for the distribution is that in the next two years, the amount of funds under the control of local governments will increase by a factor of from four to eight times, as provided by the proposed Local Government Code (which has been approved by the Office of the President in May 1989 but needs to be ratified by Congress), Senate Bill 927 and the regionalization of the infrastructure budget beginning in 1990. In addition, President Aquino has set a deadline of January 1, 1992 for the complete implementation of decentralization. This thrust, therefore, creates a critical need to develop the local capacities for local government administration/management in the areas of financial management (including financing planning and control, budgeting, accounting/auditing), project design and development, project management (including planning, implementation, monitoring and evaluation), decision support systems, development/action planning, institution-building, and leadership training, among others.

This strategy counterbalances the ongoing bilateral training/scholarship programs of NEDA where, in 1988 and 1989, most of the grantees were public sector officials from the central level, with minimal participation of local government officials. The same is true for private sector participation which has been on the low scale over the years.

As a corrective measure, the DTP has been designed to focus on a variety of training programs consisting of short- and long-term U.S. training, short- and long-term local training and third country training.

For the private sector component, the DTP will provide training opportunities for skills that are of high priority for rural non-farm enterprise development *. These are identified in a Department of Trade and Industry study as the priority areas where technical assistance is needed: quality control systems and procedures, standardization, setting product standards, technology development, productivity improvement, handling,

* See Licuanan study, August 3, 1989.

labelling and packaging systems, product research and development and technology information.

The project builds upon the success of the Training Component of the TDI Project and continues to support public sector grantees, with NEDA as the overall implementing agency. To be technically supportable in the changing socio-political situation, however, the project requires a different strategy. The conscious shift from a national to regional level and below focus supports decentralization through short-term courses specifically designed for local government units and other technical training for regional and provincial levels; results in a more balanced approach that includes trainees from the private sector; and emphasizes both managerial and analytical skills development (in contrast to TDI's bias for the latter) as well as technical/technology-based skills for those from private business enterprises.

The project is not expected to contribute to "brain drain" from the Philippines since its major thrust will be on short-term technical training. For the private sector component, the courses envisioned will be short-term, in-country, with specific technology focuses for local production or manufacturing for enterprise personnel. The public sector training will likewise emphasize short-term, in-service training in the Philippines. Where training in the U.S. or third countries is appropriate for both private and public sectors, measures will be taken to ensure trainees' return to the Philippines or otherwise compensate employers or the GOP for incurred training costs.

To establish the technical feasibility of the project, potential trainees from the private sector enterprises were interviewed as part of the analytical studies for this Project Paper. They have expressed willingness to contribute counterpart funding to cover travel expenses and the payment of salaries of their employees while on training.

In addition, numerous safeguards have been built into this Project, as evidenced by the set of criteria for selection of training applications, the requirements for individual participants, and the selection criteria for private sector participants listed in Annex F.

B. Economic Analysis

Although a conventional economic cost-benefit analysis is difficult to undertake in terms of quantifying the project's costs and benefits, the project's potential benefits appear large enough to justify the project's estimated costs. Project benefits include improved development-related, decision-making capacity within the government service; improved technological and analytical capability among private non-farm enterprises in the non-metropolitan areas; increased supply of skilled technicians and managers; increased resource value of manpower in the Philippines; increased incomes for the trainees; increased productivity and output of the economy; and overall economic expansion of non-metropolitan areas, among others. The cost of the project may be taken as investment in human capital in the Philippines for

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which the returns are substantial not only in terms of increased value for the individual who receives the training but also in terms of his improved or productive contribution to the development of non-metropolitan areas and to the improved delivery of basic services and infrastructure by the government. This is significant in terms of the effects of investment in education/training on total output or income, consumption, gross capital investment, income distribution and resource allocation.

The following analysis, focusing mainly on the private sector component of the project, demonstrates that the project is likely to achieve sufficient benefits to cover the costs. The private sector component's economic cost is computed as follows:^{1/}

Financial Foreign Exchange (FX) Cost of Project	\$1,275,000.00
FX Shadow Price Adjustment (20 percent) ^{2/}	255,000.00
Financial Local Currency Cost of Project	1,225,000.00
Private Sector Local Counterpart Contribution	1,913,000.00
TOTAL	<u>\$4,668,000.00</u>

Given the economic cost of the project, the social discount rate in the Philippines is used to determine the required economic impact to justify the investment in the project. In order to do this, the following simplifying assumptions are used: (i) project funds are disbursed immediately upon signing of the grant agreement; (ii) economic returns over a five-year period will flow evenly beginning in the first year for each dollar invested; (iii) no new returns are attributed to the project after its completion; and (iv) future income of the project beneficiaries is principally a result of the training which they have acquired from the project.

Using the NEDA estimated social discount rate of 15 percent (capital recovery factor for years one to five = 0.298316), the project must achieve an annual economic benefit of \$1,392,539.00 at 1989 prices beginning in 1990 for five years to cover the total cost of the project. This means that all private sector beneficiaries of the project (approximately 1,637 trainees) should receive a collective increase in annual income over a five-year period of ₱29,939,588 (based on a foreign exchange rate of ₱21.50 = \$1.00) over what they would have earned had they not received the training provided by the project. Hence, to make the investment in the project worthwhile, each private sector trainee, on the average, would have to earn \$851.00 (₱18,296.00) in 1989 prices more per year for a five-year period than he would have earned had he not undergone the training provided by the project.

^{1/} Standard appraisal methodologies require exclusion of cost escalation from financial costs to estimate economic costs but the financial plan available at the time of this analysis does not contain the breakdown to meet this requirement.

^{2/} Shadow foreign exchange rate factor is 1.2 times the official exchange rate.

The likelihood of achieving the required level of annual benefits may be demonstrated by comparing its magnitude to the present average earnings of private sector mid-level employees and to the annual increases in their earnings. Using information on compensation levels of progressive and relatively financially stable companies in Metro Manila (mainly culled from a 1988 Department of State Survey of Companies in Metro Manila), mid-level employees were earning around ₱124,000.00 - ₱230,000.00 per annum. The required minimum increase in average earnings of each private sector trainee represents 8 - 15 percent of the average present earnings per year of a private sector mid-level employee. This indicates the greater likelihood that the increase is going to be met since the required minimum increase is small. Compared to the average annual increase in earnings of mid-level employees in 1987 and 1988 (mainly culled from the 1987 and 1988 Department of State Surveys of Companies in Metro Manila), which was in the range of 20 - 36 percent for increases due to promotion and in the range of 9 - 23 percent for increases due to inflation/cost of living adjustment, the required increase in average earnings of each private sector trainee of 8 - 14 percent appears achievable.

In terms of cost-effectiveness, both the public and private sector training are cost-effective because: (a) both will focus on in-country and other developing country training rather than on U.S. training (which is more expensive); and (b) both will focus on short term technical, managerial and basic skills training rather than on long term academic training (which is more expensive and can be provided for a limited number of beneficiaries).

C. Financial Analysis

The financial analysis assessment of this project shows generally that the training component will be financially beneficial, particularly to the participants. It is also evident that the GOP and private sector enterprises will be able to realize significant financial gains, at least equal to the project cost plus earnings that could be derived if the cost of the project were invested in some interest-bearing financial instrument.

The project cost should be taken as an investment in human capital for which returns are substantial both to the participants, private sector and the government's development efforts. The financial valuation of the project's potential advantages is difficult to quantify since the benefits are not linked directly to measurable financial revenues. Specifically, it is not possible to apply a "return on investment" analysis using costs at current market prices.

From a cost-benefit analysis, it is easier to compute the cost rather than the benefit portion. Costs include expenses for training fees, transportation, per diem and related administrative costs. The benefit side is more complicated since it is difficult to identify the income resulting directly from the training activities.

In spite of the above-mentioned difficulty on a macro level, this project is expected to improve the participant's analytical skills and

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decision-making responsibilities leading to higher overall economic productivity.

In addition, AID, the GOP and the private sector are committed to finance the projected expenditures in accordance with the implementation plan. The GOP and potential private sector participants have indicated willingness to fund transportation costs, salaries of the participants during the training period and other travel-related miscellaneous costs. The GOP will also contribute the administrative costs necessary to the implementation and monitoring of this project. On a case-by-case basis, a waiver may be required for AID to fund the international travel costs of some private sector participants, but no blanket waiver is considered at this time.

D. Administrative Analysis

The administrative analysis assesses the capacity of the GOP implementing agency to manage and implement the Project. The Development Training Project has one principal implementing agency: NEDA. NEDA will have major responsibility for the public sector component; however, a contractor with extensive experience with private enterprise activities will provide major implementing assistance for the private sector component.

Public sector component. NEDA/SAS will be the GOP implementing entity and will oversee participant selection, documentation and other related services for public sector participants in the Philippines. NEDA/SAS will be responsible for ensuring the efficient and effective coordination among the wide range of participating central and local government organizations. In addition, NEDA as the central national development policy and planning agency, has gained considerable experience and capacity in planning and coordinating development activities through its various staffs and regional offices. Over the years, its leadership role as the central planning body of the government has made it the most logical lead agency to implement and promote the project. NEDA is the key organization to facilitate and mobilize support and resources from various national and international agencies and private organizations. NEDA/SAS is currently administering the multilateral and bilateral training/scholarship programs provided by 24 countries to the Philippines.

NEDA/SAS is likewise the most logical unit for the PMO which serves as the primary unit that will provide overall administration and implementation responsibility for the public sector component of the Development Training Project drawing upon other NEDA units for technical and sectoral expertise as necessary.

Organizationally, NEDA/SAS falls under the Central Support Office whose head, the Deputy Director General, also chairs the Special Committee on Scholarships. Because of this arrangement, NEDA/SAS, through its Executive Director, is able to act promptly in obtaining specific approvals on matters like signing contracts and grant documents. NEDA/SAS is also able to draw

upon the internal staff offices of NEDA in support of their legal/contracting, budget and accounting requirements, in addition to the technical support provided by appropriate sectoral staff of NEDA in the evaluation of the relevance of training invitations/offers received from foreign countries in the context of the country's development priorities.

NEDA/SAS is currently administering the training component for the TDI Project. It has assisted with the implementation of USAID training projects for the past seven years and will continue to have a working relationship with USAID in the next five years of this project. The TDI Project's training staff, consisting of two technical and one administrative support personnel, will comprise the PMO. In order to provide adequate counterpart staff for the initial start-up of the project, NEDA/SAS will recruit an additional person under contract.

The present TDI staff, however, although highly knowledgeable of AID's procedures and documentation, have limited experience in country contracting and may have to be assisted by the Mission in some aspects of AID host country contract procedures and approval requirements, particularly in the evaluation and final selection of the host country contractor (HCC).

On the whole, the NEDA/SAS has the administrative capacity to implement the project, given its decades of experience in administering a wide range of training and scholarship programs provided by various countries to the Philippines. In addition, NEDA has internal control systems in place for financial, accounting, personnel, procurement, property and supply, records and communications and physical security that are documented in an operating manual.

Private sector component. The contractor for the private sector component, possibly another management training institution with background and previous experience with the private sector, will have major responsibility for this component under the guidance of USAID's Private Enterprise Support Office.

The Scope of Work for the AID-direct contracting for this component will define the specific responsibilities relating to the over-all planning of the project; the detailed implementation strategies and management control systems; the selection guidelines and placement of participants for U.S. training, third-country, local training and product specialist programs as provided for in the implementation schedule and their specific reporting and monitoring responsibilities.

E. Social Soundness Analysis

The social soundness assessment for the project may be done from two perspectives. One is to focus on the substance, defined by its goal and specific purpose. Another is to assess the form, which in this section refers to the activities, implementation arrangements, and institutional structures expected for project implementation, among others.

One can apply the social soundness criteria to both facets of the project. These are socio-cultural feasibility or the mutual adaptability of project activities and the practices and values of the beneficiaries; spread effects, meaning the potential for project benefits to diffuse across space and time, and beyond its immediate beneficiaries; and, social impact, referring to the potential positive and negative effects on client communities.

Sociocultural feasibility. The goal of the proposed project is to "strengthen the public and private sector human resource base of the Philippines, which will in turn contribute to the promotion of broad-based economic growth and development." Its purpose is to "build a core of highly trained mid-level employees in the private and public sectors by providing academic and technical training." Viewed against results of studies on the Filipino's social mobility and on factors affecting well-being, one can infer that the project goal and purpose are in harmony with Filipino aspirations and needs. The role of education and training in upward mobility and on the perceived quality of life is positive; in fact, Filipinos go through substantial sacrifices to get some education and training either for themselves or their children. Thus, from the perspective of "substance," the project is socioculturally feasible.

From the perspective of "form," a closer look at the implementation arrangements and the institutions expected to oversee, coordinate and implement the activities also indicates high potential for socio-cultural feasibility. As designed, the implementation plan and the project's choice of implementing institutions recognize existing patterns and practices of beneficiaries. We, therefore, expect these design traits to minimize conflict between the project and the project's milieu.

Spread effect. By definition, projects having a decentralized focus are designed to maximize spread of benefits. This project is such. Although it is a follow-on to the training component of the TDI Project, which has centralized Metro Manila based clientele, the proposed project follows a different tack. On the one hand, it allocates the bulk of its resources for training regional participants; on the other, it goes beyond training public sector participants and includes a significant portion for private sector recipients. If successfully implemented, the results of such training will easily spread beyond the geographic and temporal parameters of the project.

The main constraint to proper diffusion of project benefits is favoritism and nepotism. Regional and local officials interviewed believe that it is difficult to eliminate completely favoritism and nepotism in the process of selecting trainees, specially since they believe that those tasked with selecting trainees will invariably view the training funds as a resource for political patronage. Because of this perception, some local and regional officials suggest that to negate the effects of nepotism and favoritism, the project should strictly enforce its selection criteria and allocate resources to all provinces and municipalities.

Social impact. The social impact of education and training-related projects cannot be overstressed. All available studies on the impact of

education on individuals, their households and communities in general yield direct and positive relationships to improved social and economic well-being. This project enhances the potential social impact because of its inclusion of training of individuals who contribute to overall public welfare. The skills they learn will not only serve the individual participants but moreso the general public.

F. Environmental Determination

The project will consist solely of training activities, thus, the project will not have an effect on the natural and physical environment. This analysis is consistent with AID Regulation 16, Section 216.2(c)(2)(i) which categorically excludes training programs from any further environmental action. See Annex G for the AID/Washington-approved Initial Environmental Examination.

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VII. MONITORING AND EVALUATION PLAN

A. Monitoring Plan

Monitoring will take place continuously throughout the project. The following comprises the key monitoring indicators for the life of this project:

- o Number and percentage distribution of participants by:
 - Geographic area (region/province);
 - Field of study, type of training (management areas and technical areas);
 - Private and public sector grants;
 - U.S. training, in-country and third-country; and
 - For public sector grantees, by agency (central and local).
- o Type and number of seminars (with appropriate documentation) conducted by contractor to generate awareness and interest among the private sector and regional and local levels on this project. Information may come in the form of:
 - Consultations with business community/organizations to ensure the relevance of training in building the human resource base needed by business/enterprises; and
 - Seminars/workshops for returning participants, in order to provide them the opportunity to disseminate new technologies, relevant research works to targeted audiences at both the central and regional levels.
- o Use of gender-targeting measures in the participant selection process especially in fields where women's involvement has been more limited, e.g. agriculture, industry, housing, etc.
- o Compliance to screening criteria at both the central and local levels over the life of the project.

Written reports will also be used for monitoring purposes as discussed below:

- o Participants status reports. During training, participants will be required to submit status reports regularly to the contractor and/or NEDA/SAS (for public sector participants), to the contractor (for private sector participants) and to USAID (for third-country participants).

o For those who pursue courses in the U.S. and at Philippine universities, the training institution will be required to submit regular academic performance report.

o Participant post-training report. The participant will be required to submit a report one week after the completion of his/her training providing an overview of what was learned and how it will enhance his/her present work.

o Contractor reports. The contractor will provide NEDA/SAS and USAID with quarterly reports providing information on the relevant monitoring indicators, together with a documentation of selection processes at the regional levels.

The private sector will provide regular (quarterly) reports to USAID and NEDA/SAS, including training conducted, assessment of courses, next quarterly plans, problems and proposed resolutions, etc.

In support of these reports, the contractor will maintain a file of monitoring information on all in-country training programs availed of under this project, the objectives of these courses, costs and potential benefits.

o NEDA reports. NEDA will submit annual reports on the public sector training component to USAID.

B. Evaluation Plan

Two project evaluations for each component will be conducted: (1) a mid-term evaluation to be initiated about August 1991 for the public sector component and about January 1992 for the private sector component; and (2) final evaluations, two months prior to the Project Assistance Completion Date in FY 1993. Independent contractors will undertake the evaluations.

Indicators. The mid-term evaluations will focus on the project operating procedures and will assess the following:

o Local-level participant screening process and their capacity to develop training plans and set priorities (public sector);

o Coordination between the contractor and NEDA/SAS in the development of models for training selection and in-country training programs which may be replicated in other regions (public sector);

o Feedback from the private sector/business community, and the central/local government units on the appropriateness and application of training received by their respective participants; and

o Any impact of training to date, which can provide the basis for a decision on whether to move to other regions (both components).

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The final evaluation, on the other hand, will focus on the following:

- o Observable project impact on the individual participants and their contribution to the public central and local institutions and private business enterprises employing them; and

- o Adequacy of the program from the perspective of the participants, educational/training institutions and organization to which the participant belongs in order to determine whether or not the program is worth replicating elsewhere or continuing.

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VIII. CONDITIONS PRECEDENT AND SPECIAL COVENANTS

In addition to regular Conditions Precedent (CPs), these CPs will be included in the Project Agreement:

- CP to Initial Disbursement of Funds. Prior to the initial disbursement of funds, the Grantee will furnish to A.I.D. agreement in writing for the long-term services of a general contractor to assist with implementation of the private sector training activities.
- CP to Disbursement of Funds for Public Sector Training: Prior to issuance of documentation pursuant to which disbursement will be made for new public sector training activities after six months of project implementation, the Grantee will furnish to A.I.D. an executed contract between NEDA and a general contractor for services in support of public sector training.

Special Covenants will also be included:

- Project Evaluation: The Parties agree to establish an evaluation program as part of the project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the project and at one or more points thereafter:
 - (a) Evaluation of progress toward meeting project objectives;
 - (b) Identification and assessment of constraints to the development and operation of mechanisms to implement public sector training activities in the initial pilot regions and a determination of whether or not to expand the program to additional regions;
 - (c) Identification and assessment of constraints to the implementation of private sector training activities;
 - (d) Recommendations on how evaluative information could be used to improve implementation; and
 - (e) Assessment of overall development impact of project.
- Consultation: The project will provide for consultation on evaluation results with NEDA as needed on the private sector component.

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ANNEXES

ANNEX A
GOP Request for Assistance



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

NEDA sa Pasig, Amber Avenue Pasig, Metro Manila

Cable Address: NEDAPHIL
P.O. Box 419, Greenhills
Tels. 673-50-31 to 50

April 10, 1989

RECEIVED
APR 17 12 35 PM '89
USAID/UCR
4-389

Mr. Malcolm Butler
Director
USAID Mission
Manila

Dear Director Butler:

In behalf of the Philippine Government, we wish to request for USAID assistance to finance the implementation of the proposed Development Training Project.

The proposed five-year project, which will be implemented by the National Economic and Development Authority (NEDA), will finance short and long-term advanced academic and technical training of public and private sector personnel in sectors of high priority to the GOP and USAID. In order to achieve the project's objective, a total of \$5.0 million in grant funds will be required for the period 1989-1994.

We hope that the above request will merit USAID's favorable consideration.

Thank you and regards.

Very truly yours,

SOLITA COLLAS-MONSOOD
Secretary of Socio-Economic Planning

DIV	ACT	INF
AD		<input checked="" type="checkbox"/>
PE		
PLA	<input checked="" type="checkbox"/>	
PRO	<input checked="" type="checkbox"/>	
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EO		
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DVD		
GSO		
TRV		
C&R		
CO		
OOD		
ORAD		
OPHN		
OFFPVC		
RIG/A		
RIG/II		
AR		
DUE DATE		
4-26-89		

ACTION TAKEN	
NAN	Other
Type	No.
Date	Initials
4/18	[Signature]

Received in PO _____
Clearance/Action Log _____
Document No. _____
Assigned to _____

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ANNEX B
PID Approval Message

NOT ENTIRELY MANAGED BY THE PUBLIC SECTOR, NAMELY NEDA. MISSION SHOULD NEGOTIATE THE INCLUSION OF A PRIVATE SECTOR ENTITY, PERHAPS A MANAGEMENT INSTITUTION, THE PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRY OR A STEERING COMMITTEE TO TAKE THE LEAD IN THE SELECTION PROCESS. THE MISSION IS ALSO REQUESTED TO EXPLORE THE POSSIBILITY OF INVOLVING ENTREPRENEURS, INT. (PROJECT MANAGED BY OIT) IN THE-NEW PROJECT.

4. TRAINING COST ANALYSIS SYSTEM: THE MISSION IS REMINDED TO FOLLOW DURING PP DEVELOPMENT NEW GUIDANCE CONCERNING THE TRAINING COST ANALYSIS SYSTEM (TCA) DEVELOPED BY THE OFFICE OF INTERNATIONAL TRAINING (OIT). ANY QUESTIONS ON THE GUIDANCE NOW IN PLACE OR REQUESTS FOR ASSISTANCE SHOULD BE DIRECTED TO OIT.

5. SELECTION OF PARTICIPANTS AND APPROPRIATE TESTING: THE MISSION IS REQUESTED TO ENSURE, TO THE EXTENT POSSIBLE, THAT STANDARD PROCEDURES/MECHANISMS ARE IN PLACE THAT WILL ALLOW THE MISSION TO APPROVE FORMALLY ALL PARTICIPANT NOMINATIONS. THIS WILL HELP ENSURE THAT APPROPRIATE PRIVATE AND PUBLIC SECTOR PARTICIPANTS ARE SELECTED FOR TRAINING AND THAT THEIR FIELDS OF STUDY FALL WITHIN DESIRED PRIORITY AREAS.

6. GENERAL CONCERNS: THE MISSION IS REQUESTED TO ADDRESS THE FOLLOWING CONCERNS DURING PP DEVELOPMENT - (A) TDI WAS TARGETED ON A LIMITED NUMBER OF KEY DEVELOPMENT ISSUES. PRC EXPRESSED CONCERN THAT NEW

PROJECT SHOULD BE SIMILARLY LIMITED IN ITS FOCUS; (B) WHAT ANALYSES WERE UNDERTAKEN TO IDENTIFY HUMAN RESOURCE CONSTRAINTS AND NEEDS FOR MORE HIGHLY TRAINED MANPOWER BY PRIVATE SECTOR IN THE PHILIPPINES?; (C) HOW WILL COST-EFFECTIVENESS OF FUNDING U.S. VERSUS IN-COUNTRY TRAINING BE DETERMINED?; (D) HOW WILL TECHNICAL ASSISTANCE BE USED (IN THIS REGARD PRC NOTED PID CABLE MENTIONED USE OF GRAY AMENDMENT FIRMS FOR TECHNICAL ASSISTANCE, YET THERE ARE NO FUNDS SET ASIDE IN THE BUDGET FOR THIS PURPOSE) AND; (E) THE MISSION IS ENCOURAGED TO CONSIDER DURING THE DESIGN, WAYS TO INSURE THE INCREASED PARTICIPATION OF WOMEN AS BENEFICIARIES OF THE PROJECT. EAGLEBURGER

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IMPORTANT PRIVATE SECTOR OBJECTIVES NOW AND ENCOURAGE YOU TO SEIZE IT AND BUILD ON IT TO THE MAXIMUM EXTENT POSSIBLE. TO THAT END, SEPTTEL WILL OUTLINE AVAILABILITY OF PRE'S PEDS PROJECT TO UNDERTAKE PRIVATE SECTOR TRAINING NEEDS ASSESSMENT. AN AID CONTRACTOR HAS DEVELOPED A UNIQUE METHODOLOGY, SUCCESSFULLY TESTED IN AFRICA AND SOON TO BE OPERATIONAL IN TUNISIA, THAT IF NEEDED IS AVAILABLE FOR MISSION'S USE.

4. WE UNDERSTAND CONCERN IN PARAS. 1 AND 2 OF REF A AND SUGGEST YOU REVISE PROGRAM AS APPROPRIATE TO ACCOMMODATE SUGGESTIONS. HOWEVER, BUREAU DOES NOT ENCOURAGE THE EXTENSION OF THE TDI FACD TO ACCOMMODATE COMMITMENTS FOR LONG-TERM TRAINING. RATHER, BUREAU DOES ENCOURAGE MISSION TO CONSIDER POSSIBILITY OF SPLIT FUNDING LONG-TERM PUBLIC SECTOR PARTICIPANTS BETWEEN THE ONGOING AND NEW PROJECTS AND/OR REPROGRAM FUNDS AVAILABLE IN THE STUDIES COMPONENT OF TDI.

5. PLEASE ADVISE. BAKER
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ANNEX C
LOGICAL FRAMEWORK

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**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Project Title & Number: Development Training Project (492-0439)

1989 1991
 Total U.S. Funding \$5,000,000
 Start Date: August 1989

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS:														
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1) To strengthen the public and private sector human resource base of the Philippines which will in turn contribute to the promotion of broad-based economic growth and development.</p>	<p>Measures of Goal Achievement: (A-2) 1. Increased profitability and productivity in firms whose staff have been trained. 2. Improved operations in local and regional level offices where employees have been trained. 3. Improved management and operations of offices at national level where employees received training.</p>	<p>(A-3) 1. Data on individual firms; value-added data on firms in Annual Survey of Establishments in Manufacturing. 2. Monitoring and evaluation reports of contractors including self reports of participants, their supervisors, etc.</p>	<p>Assumptions for achieving goal targets: (A-4) 1. Economic and political stability in the country. 2. GOP commitment to implement decentralization reform. 3. GOP continues to support private sector-led economic development.</p>														
<p>Project Purpose: (B-1) To build a core of highly trained employees in the private and public sectors by providing academic and technical training.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2) 1. National/regional/local public employees' skills strengthened through technical and academic training. 2. Selected rural non-farm enterprise employees' skills strengthened by technical training.</p>	<p>(B-3) 1. Contractors' reports. 2. Field verification by USAID and external evaluators. 3. Reports from participants 4. Project review/evaluation.</p>	<p>Assumptions for achieving purpose: (B-4) 1. Participants return to their agencies/enterprises after training. 2. Participants are working in the Philippines in fields related to the training received.</p>														
<p>Project Outputs: (C-1) 1. Upgraded skills of public officials at central, regional and below levels. 2. Upgraded skills of private business employees outside MCR in management and technical fields.</p>	<p>Magnitude of outputs: (C-2) 1. About 2,208 participants trained. 2. About 571 public sector employees trained. 3. About 1,637 private sector employees trained.</p>	<p>(C-3) 1. Contractor's reports 2. Reports from participants 3. Project records of NEDA and USAID (PIO/Ps, etc.) 4. Project reviews/evaluation.</p>	<p>Assumptions for achieving outputs: (C-4) 1. Participants succeed in achieving training objectives. 2. There is a good match between training requirements and courses for each participant.</p>														
<p>Project Inputs: (D-1) 1. Contractor services for the public and private sector components, respectively. 2. OIT services for placement of participants in the U.S. 3. USAID services for guidance of private sector contractor, third-country training and coordination with NEDA. 4. Training in the Philippines, U.S., third country.</p>	<p>Implementation Target (Type and Quantity) (D-2)</p> <table border="1"> <tr> <td>USAID:</td> <td></td> </tr> <tr> <td>Training (U.S., Philippines, Third Country)</td> <td>(\$'000)</td> </tr> <tr> <td>- Public Sector</td> <td>2.425M</td> </tr> <tr> <td>- Private Sector</td> <td>2.425M</td> </tr> <tr> <td>Audit/Evaluation</td> <td>.150M</td> </tr> <tr> <td>GOP:</td> <td>5,000M</td> </tr> <tr> <td>Counterpart Contribution</td> <td>3.695M</td> </tr> </table>	USAID:		Training (U.S., Philippines, Third Country)	(\$'000)	- Public Sector	2.425M	- Private Sector	2.425M	Audit/Evaluation	.150M	GOP:	5,000M	Counterpart Contribution	3.695M	<p>(D-3) 1. Contractors' reports. 2. Project records (NEDA and USAID) 3. Evaluation/audit reports.</p>	<p>Assumptions for providing inputs: (D-4) 1. GOP and private sector counterpart contributions can be mobilized. 2. Qualified participants will apply to program in sufficient numbers.</p>
USAID:																	
Training (U.S., Philippines, Third Country)	(\$'000)																
- Public Sector	2.425M																
- Private Sector	2.425M																
Audit/Evaluation	.150M																
GOP:	5,000M																
Counterpart Contribution	3.695M																

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ANNEX D
Statutory Checklist

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT? Yes.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? Congressional Notification for the FY 89 obligation of \$1.2 million expired August 10, 1989.
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? N/A
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A

4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
(a) N/A.
(b) Yes, the project includes training for private sector participants to enhance enterprise productivity.
(c) N/A
(d) N/A.
(e) The project will improve overall academic quality, technical and analytical skills of private and public sector grantees, and may therefore improve the technical efficiency of industry, agriculture and commerce
(f) N/A.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
Some participants will be trained in the U.S. with U.S. firms or private educational institutions. Some private sector training may also be conducted in the Philippines with U.S. private assistance.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. The host-country will contribute currencies for travel and salary costs of participants.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A.
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No.
13. FAA Sec. 119(c)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other (a) Yes to a limited extent. One of the priority areas in which training may be undertaken is natural resources/environment. Such training could contribute to improved biological diversity policies/programs.
(b) No.

- wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (c) No.
(d) No.
14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A.
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A.
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A.
17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A.
18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). These actions will be undertaken upon signing of project agreement, no later than 60 days after its entry into force.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

The Project will:
(a) Ensure a broad regional and provincial participation in both the public and private sector training components.
(b) N/A.

institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

(c) Support ongoing training through overseas enrichment opportunities and in-country training .

(d) Continue the wide and active participation of women as evidenced by the Participant Training Project where more women than men were trained.

(e) N/A.

c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used?

Yes, 105 account funds are appropriate for general training or educational purposes.

d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A.

e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Counterpart funding will account for at least 25% of total project costs.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

This project is not specifically aimed at institutional capability development and research, although this may be strengthened by the presence of highly trained public and private sector grantees, who will be the direct beneficiaries of this project. Follow-up monitoring of trainees will assess the effects of the provision of public services and expanded employment opportunities in rural, poor areas.

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The project will seek applications and award training opportunities based on an assessment of needs of both the public and private sectors. Training in skills relating to management of local government processes and resources will be among the fields supported.
- h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? N/A.
- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? N/A.
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? N/A.
- i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization? N/A.
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? N/A.

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
- k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? None, all U.S. colleges/universities are qualified to participate in this project.
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase (a) Yes, to the extent that the grantees may specialize in natural resources management. (b) N/A. (c) Yes, as one of several options. (d) N/A. (e) N/A.

production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

(f) N/A.
 (g) Yes, to the extent applicable.
 (h) Yes, where appropriate, as part of the academic program.
 (i) N/A.
 (j) N/A.
 (k) Yes, where appropriate for the particular training requirement.

m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A.

- n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? N/A.
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? N/A.
- p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N/A.

(c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

q. FY 1989 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

Yes. A portion of the FY 89 obligation is a result of a deobligation for the Philippines. All deob/reob authority requirements will be followed.

2. Development Assistance Project Criteria
(Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A.

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

Yes, over the long-term through the development of the human resource base in the private (for profit) and government sectors.

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Every effort will be made to identify qualified small firm for U.S.-based technical assistance that may be provided under the Project.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? N/A.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A.

5. FAA Sec. 604(c). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A.
6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A.
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? (1) Yes.
(2) Yes.
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.
9. FY 1989 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

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10. FY 1989 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A.

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A.

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A.

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) Yes.
(1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? (2) Yes.
(3) Yes.
(4) Yes.
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- e. FAA Sec. 662. For CIA activities? Yes.

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- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.
- g. FY 1989 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.
- h. FY 1989 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? Yes.
- i. FY 1989 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes.
- j. FY 1989 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes.
- k. FY 1989 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes.
- l. FY 1989 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? Yes.
5. FY 1989 Appropriations Act Sec. 584. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? N/A.

ANNEX E
Gray Amendment Certification

GRAY AMENDMENT CERTIFICATION

I, MALCOLM BUTLER, Director of the U.S. Agency for International Development in the Philippines, having taken into account the potential involvement of small and/or economically and socially disadvantaged enterprises, do hereby certify that in my judgment the technical assistance required under this program can best be procured through open competition. However, special consideration will be given to firms which submit joint proposals with Gray Amendment-satisfying firms that possess the required capabilities. Furthermore, for the scheduled external evaluations, involvement of both local expertise and Gray Amendment-satisfying organizations are anticipated. My judgment is based on the recommendations of the Project and Mission Review Committees.



MALCOLM BUTLER
Director, USAID/Philippines

SEP 27 1989

Date

ANNEX F
Participant Training Guidelines

ANNEX F

I. APPLICATION INFORMATION (For both Public and Private Sectors)

The following information will be submitted on applications:

- Description of unit's development functions and/or responsibilities;
- Objective of training in terms of addressing identified constraints to effective fulfillment of the unit's functions and/or development responsibilities;
- Recommended training (type, location if known, length of time, etc.);
- Identification of individual to receive training;
- Documented assurance that the person(s) trained will be employed on completion of training in a function that will utilize the skills or knowledge gained; and
- Description of how trainee will extend acquired skills and/or information to other staff.

II. SELECTION CRITERIA FOR PUBLIC SECTOR ACTIVITY

- Philippine citizenship;
- Good health as indicated by a satisfactory medical examination;
- Educational background and professional experience necessary to handle proposed training;
- Adequate English skills for U.S. and third country training;
- Involvement of agency in priority development sector or local government operations;
- Priority field of study;
- Training objective and the potential contribution of the proposed training to improved operations of the sponsoring agency;
- Assurance of nominating agency that the official will serve in a position that will utilize skills or knowledge gained;

- Potential for extension of acquired information and skills to others;
- Cost effectiveness of proposed training;
- Indication that unit will pay trainee salary costs while he/she is in training;
- Assurance that training does not duplicate other training sponsored by other donors and existing USAID projects; and
- Other applicable criteria established by GOP for public sector participants.

III. SELECTION CRITERIA FOR PRIVATE SECTOR ACTIVITY

- Philippine Citizenship;
- Participants should be selected from reputable firms i.e., established firms having been in existence for at least 2 years, recognized as being members in good standing in the business community;
- Participants should be selected from enterprises where the prospective training will directly contribute to specific and identifiable business lines of the firm, whether already existing or, if not yet a business line, must be directly related to the main business of the firm and clearly supportive of that line (e.g., up-stream or down-stream activities, logical extensions of business activity that rationalize production and lead to greater productivity and efficiency of production). Specific strengthening objectives (improve management, research, and development capacity, logistic delivery) must be specified. Training is not meant to be entrepreneurial in nature;
- Participant has a high likelihood of returning to the enterprises which sponsored them;
- Participant has sufficient professional experience and education (both academic and technical) to ensure understanding of training material; and
- For those going for training in the U.S. or third countries, participants must have sufficient ability to communicate in English.

DTP NUMBER OF PARTICIPANTS

	<u>PUBLIC</u>	<u>PRIVATE</u>	<u>TOTAL</u>
1. <u>U.S. Training</u>	<u>73</u>	200	273
1.1 Short Term	53	200	
National	43		
Local	10		
1.2 Long Term	20	0	
National	10		
Local	10		
2. <u>Local Training</u>	<u>492</u>	<u>1,400</u>	1,892
2.1 Short Term	437		
National	50		
Local	387		
2.2 Long-Term	55		
National	25		
Local	30		
2.3 Managerial		150	
2.4 Technical		1,250	
2.5 Product Specialist			
3. <u>Third Country</u>	<u>6</u>	<u>37</u>	43
National	1		
Local	5		
T O T A L	571 (26%)	1,637 (74%)	2,208

ANNEX G
Analyses as Needed

I. TECHNICAL ANALYSIS

The Development Training Project seeks to strengthen the Philippine human resource base, through the capability building of a core of highly-trained officers and staff in both the public and private sectors, estimated at some 2,207 persons over the life of this project, and distributed as follows: 273 for US training, 1,891 for local training and 43 for third-country training.

The project supports two major development issues that are of high priority to USAID and GOP -- decentralization and private sector-led economic development. This is reflected in the distribution of approximately 2,200, of the target participants over the life of the project: 74% will be from the private sector and 26% from the public sector. Funding-wise, however, the distribution is on a 50-50 basis for the public and private sectors respectively. In support of decentralization, a minimum of 60% of the public sector funds will be allocated to participants coming from the regions, provinces and municipalities, while a maximum of 40% will be for those from the national agencies. The principal justification for the distribution is that in the next two years, the amount of funds under the control of local governments will increase by a factor of from four to eight times, as provided by the proposed Local Government Code, (which has been approved by the Office of the President in May 1989 but needs to be ratified by Congress), Senate Bill 927 and the regionalization of the infrastructure budget beginning in 1990. In addition, President Aquino has set a deadline of January 1, 1992 for the complete implementation of decentralization. This thrust, therefore, creates a critical need to develop the local capacities for local government administration/management in the areas of financial management (including financing planning and control, budgeting, accounting/auditing), project design and development, project management (including planning, implementation, monitoring and evaluation), decision support systems, development/action planning, institution-building, and leadership training, among others.

This strategy counterbalances the ongoing bilateral training/scholarship programs of the National Economic and Development Authority (NEDA) where, in 1988 and 1989, most of the grantees were public sector officials, at the central level, with minimal participation of local government officials. The same is true for private sector participation which has been on the low scale over the years.

As a corrective measure, the DTP has been designed to focus on a variety of training programs consisting of short- and long-term US training, short- and long-term local training and third country training. The majority of US training grantees will continue to come from central office staff in sectors of high priority to the GOP and USAID -- e.g., macroeconomic policy and planning, banking and finance, agriculture, national resource conservation, public health, engineering and municipal administration.

However, more than 60 percent of public sector grantees from the regional level and below will participate in short-term local training programs designed to build specific skills in support of decentralization and municipal administration. Ten percent of the grant will be for long-term management training in local universities and/or specialized management institutions. Almost all the third country grantees for observational training/study missions will also come from the local government levels.

For the private sector component, the DTP will provide training opportunities for skills that are of high priority for rural non-farm enterprise development ^{1/}. These are identified in a Department of Trade and Industry (DTI) study as the priority areas where technical assistance is needed: quality control systems and procedures, standardization, setting product standards, technology development, productivity improvement, handling, labelling and packaging systems, product research and development and technology information.

In response to these identified priority requirements, the DTP will primarily focus on the provision of short-term local managerial and technical courses for some 1,400 private sector employees in selected non-farm industrial and service sectors outside Metro Manila; short-term US technology-based training for 200 grantees; and third-country observational training for about 37 grantees from the priority and high-growth centers (Regions III - Central Luzon and IV - Southern Tagalog in Luzon; Regions VI - Iloilo and VII - Cebu in Visayas; and Regions X - Cagayan de Oro and XI - Davao in Mindanao). The private sector training strategy also involves the use of product specialists to expose and advise local firms on more efficient production systems and manufacturing techniques.

The DTP builds upon the success of the Participant Training Component of the TDI Project and continues to support public sector grantees, with NEDA as the overall implementing agency. To be technically supportable in the changing socio-political situation, the DTP however, requires a changed strategy. The conscious shift from a national to regional level and below focus is proposed which would support decentralization through short-term courses specifically designed for local government units, resulting in a more balanced training approach that includes more trainees from the private sector and emphasizes both managerial and analytical skills development (in contrast to TDI's bias for the latter) as well as technical/technology-based skills for those from private business enterprises.

^{1/} For a detailed feasibility analysis for this component, please see Dear Victoria Licuanan's Development Training Project study, August 3, 1989.

The project is not expected to contribute to "brain drain" from the Philippines since its major thrust will be on short-term technical training. For the private sector component, the courses envisioned will be short-term, in-country, with specific technology focuses for local production/manufacturing for enterprise personnel. The public sector training will likewise emphasize short-term, in-service training in the Philippines. Where training in the U.S. or third countries is appropriate for both private and public sectors, measures will be taken to ensure trainees' return to the Philippines or otherwise compensate employers or the GOP for incurred training costs.

To establish the technical feasibility of the Project, potential trainees from the private sector enterprises were interviewed as part of the analytical studies for this Project Paper and they have expressed willingness to contribute counterpart funding to cover travel expenses and the payment of salaries of their employees while on training.

In addition, numerous safeguards have been built into this Project, as evidenced by the set of criteria for selection of training applications, the requirements for individual participants, and the selection criteria for private sector participants listed in Annex F.

II. ECONOMIC ANALYSIS

A. Economic Rationale

Education and training in developing countries like the Philippines are playing major, multi-purpose roles - economic, social and political - reflecting the priority given by nations to the development of its people's capacity to work and to advance economically and socially. Fiscal and other economic constraints facing developing nations are great and severe. Resources for education and training come at sizable opportunity costs in terms of optimal resource use. These constraints underscore the need for careful planning for education and training assistance programs focused on identified goals and purposes.

Investment in education and training is, like investment in physical capital, a process which yields benefits over time in the future and which may also produce costs in the future. The direct cost of education and training are those costs incurred in the provision of education and training such as salaries of teachers and trainers, supplies used, rent for land usage, interest for debt service, etc. The indirect costs are those incurred by the students and trainees in pursuing the education or training, including board and lodging expenses, additional clothing, transportation, personal supplies, the opportunity cost of the student's and trainee's time (employment foregone) while in training.

Educational benefits include benefits to the individual who received the education or training as well as benefits to society and the economy as a whole. The individual benefits are increased earnings, consumption benefits, increased capacity to adjust to new circumstances, jobs and job opportunities, among others. The social benefits include provision of skilled manpower for economic growth, increased productivity for society, benefits of invention and innovation that are generated by increased levels of education and training, better performing citizens (hence, lower crime rates), intergenerational effect (increase in earnings over costs by an individual due to the educational level of parents), discovery and cultivation of talent by the entire educational system, etc.

B. Economic Impact

The Development Training project is expected to strengthen the country's human resource base in both the public and private sectors by building a core of highly-trained mid-level employees through the conduct of short- and long-term advanced academic and technical training. Participants will be provided management and analytical skill training in sectors of high priority to the USAID program.

1. Private Sector Training

Training for the private sector will emphasize the upgrading of the manpower base of private enterprises in non-farm industrial activities and services outside the Metropolitan Manila area. It will consist of both local (bulk) and foreign (U.S. and developing country) training. The type of training in the U.S. which will be most cost-effective to offer local non-farm enterprises are technical training as opposed to managerial training and training in new technology and its adoption rather than in basic skills. For instance, emphasis should be given to training in product development, advances in packaging and handling, higher product standards, quality control, etc.

Training in other developing countries would be advantageous for such fields where there exists a large technology gap between Philippine and U.S. firms.

Local training needs are found in the areas of basic skills, upgrading of existing skills, and managerial training. Local training could also involve bringing technical or product specialists from abroad to expose local firms to more efficient ways of production, better design, new techniques. However, this approach is effective only when new equipment and systems are not needed.

The training opportunities for the private sector in the non-metropolitan areas is envisioned as a means to relieve constraints to higher productivity and investment in rural non-farm activity.

Training for private non-farm enterprises will help enhance their employees' analytical and technological capability which, in turn, will encourage private sector development initiatives, improve overall productivity, and contribute to output expansion in the non-metropolitan areas.

2. Public Sector Training

Training of the public sector will focus primarily on local government staff. This complements other USAID Mission efforts towards decentralization like the Local Resource Management Project (LRM) and provides the training support to a proposed decentralization assistance program called Local Development Assistance Program (LDAP). Training of public local officials supports the decentralization efforts of the GOP by increasing and improving the overall capability of the local government staff in project identification, preparation, planning, evaluation, monitoring and implementation.

Decentralization is necessary for meeting the economic needs of the rural sector, i.e. adequate rural financial resources, infrastructure and basic social services. The ability to satisfy these requirements will affect the economy's capacity to expand the narrow rural development base and mobilize economic development in the rural areas which is the most critical factor for determining the rate and pattern of growth of the Philippine economy. However, the success of decentralization will depend greatly upon local capacity to plan and manage the delivery of basic social services, infrastructure, and other development projects. Accelerated efforts to train and strengthen the capacity of local government officials and staff will facilitate the effective and efficient use of increased authority and additional resources which are expected to flow as a result of decentralization efforts. Better equipped local government staff is expected to result in better planned and managed projects, faster delivery of infrastructure and basic social services requirements of the rural sectors and, hence, more impetus for rural development to take place.

3. Overall Impact

Although a conventional economic cost-benefit analysis is difficult to undertake in terms of quantifying the project's costs and benefits, the project's potential benefits appear large enough to justify the project's estimated costs. Project benefits include improved development-related, decision-making capacity within the government service; improved technological and analytical capability among private non-farm enterprises in the non-metropolitan areas; increased supply of skilled technicians and managers; increased resource value of manpower in the Philippines; increased incomes for the trainees; increased productivity and output of the economy; and overall economic expansion of non-metropolitan areas, among others. The cost of the project may be taken as investment in human capital in the Philippines for which the returns are substantial not only in terms of increased value for the individual who receives the training but also in terms of his improved or

productive contribution to the development of non-metropolitan areas and to the improved delivery of basic services and infrastructure by the government. This is significant in terms of the effects of investment in education/training on total output or income, consumption, gross capital investment, income distribution and resource allocation.

The following analysis, focusing mainly on the private sector component of the project, demonstrates that the project is likely to achieve sufficient benefits to cover the costs. The private sector component's economic cost is computed as follows:^{1/}

Financial Foreign Exchange (FX) Cost of Project	\$1,275,000.00
FX Shadow Price Adjustment (20 percent) ^{2/}	255,000.00
Financial Local Currency Cost of Project	1,225,000.00
Private Sector Local Counterpart Contribution	1,913,000.00
TOTAL	<u>\$4,668,000.00</u>

Given the economic cost of the project, the social discount rate in the Philippines is used to determine the required economic impact to justify the investment in the project. In order to do this, the following simplifying assumptions are used: (i) project funds are disbursed immediately upon signing of the grant agreement; (ii) economic returns over a five-year period will flow evenly beginning in the first year for each dollar invested; (iii) no new returns are attributed to the project after its completion; and (iv) future income of the project beneficiaries is principally a result of the training which they have acquired from the project.

Using the NEDA estimated social discount rate of 15 percent (capital recovery factor for years one to five = 0.298316), the project must achieve an annual economic benefit of \$1,392,539.00 at 1989 prices beginning in 1990 for five years to cover the total cost of the project. This means that all private sector beneficiaries of the project (approximately 1,637 trainees) should receive a collective increase in annual income over a five-year period of ₱29,939,588 (based on a foreign exchange rate of ₱21.50 = \$1.00) over what they would have earned had they not received the training provided by the project. Hence, to make the investment in the project worthwhile, each private sector trainee, on the average, would have to earn \$851.00 (₱18,296.00) in 1989 prices more per year for a five-year period than he would have earned had he not undergone the training provided by the project.

^{1/} Standard appraisal methodologies require exclusion of cost escalation from financial costs to estimate economic costs but the financial plan available at the time of this analysis does not contain the breakdown to meet this requirement.

^{2/} Shadow foreign exchange rate factor is 1.2 times the official exchange rate.

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The likelihood of achieving the required level of annual benefits may be demonstrated by comparing its magnitude to the present average earnings of private sector mid-level employees and to the annual increases in their earnings. Using information on compensation levels of progressive and relatively financially stable companies in Metro Manila (mainly culled from a 1988 Department of State Survey of Companies in Metro Manila), mid-level employees were earning around P124,000.00 - P230,000.00 per annum. The required minimum increase in average earnings of each private sector trainee represents 8 - 15 percent of the average present earnings per year of a private sector mid-level employee. This indicates the greater likelihood that the increase is going to be met since the required minimum increase is small. Compared to the average annual increase in earnings of mid-level employees in 1987 and 1988 (mainly culled from the 1987 and 1988 Department of State Surveys of Companies in Metro Manila), which was the range of 20 - 36 percent for increases due to promotion and in the range of 9 - 23 percent for increases due to inflation/cost of living adjustment, the required increase in average earnings of each private sector trainee of 8 - 15 percent appears achievable.

In terms of cost-effectiveness, both the public and private sector training are cost-effective because: (a) both will focus on in-country and other developing country training rather than on U.S. training (which is more expensive); and (b) both will focus on short term technical, managerial and basic skills training rather than on long term academic training (which is more expensive and can be provided for a limited number of beneficiaries).

III. ADMINISTRATIVE ANALYSIS

The administrative focus of the analysis is to assess the capacity of the GOP implementing agency in managing and implementing this Project. The Development Training Project has one principal implementing agency: the National Economic and Development Authority (NEDA). NEDA will have major responsibility for the public sector component; however, a contractor with extensive experience with private enterprise activities will provide major implementing assistance for the private sector component.

1. Public Sector Component

NEDA's Scholarship Affairs Secretariat (SAS) will be the unit responsible for the public sector component. The SAS provides the technical and secretariat services to the Special Committee on Scholarships which has the authority to approve all applications for scholarships, fellowships and travel grants abroad secured through bilateral and multilateral agreements with GOP.

Organizationally, the SAS falls under the Central Support Office whose head, the Deputy Director General, also chairs the Special Committee on Scholarships. Because of this arrangement, SAS, through its Executive

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Director, is able to act promptly in obtaining specific approvals on matters like signing contracts and grant documents. SAS is also able to draw upon the internal staff offices of NEDA in support of their legal/contracting, budget and accounting requirements, in addition to the technical support provided by appropriate sectoral staff of NEDA in the evaluation of the relevance of training invitations/offers received from foreign countries in the context of the country's development priorities.

Operationally, the SAS is divided into four major programs: Bilateral Programs, Colombo Plan, Special Programs and Project-Related Programs (USAID, UNDP and others). It undertakes the day-to-day operations of the Special Committee on Scholarships with respect to the processing of training/scholarship nominations. It is currently administering the training component of the Training and Development Issues (TDI) Project. It has been assisting in the implementation of USAID training projects for the past seven (7) years and will continue to have a working relationship with USAID in the next five (5) years of this project. The TDI's training staff, consisting of two technical and one administrative support, will comprise the Project Management Office (PMO) for DTP.

In relation to country contracting, the NEDA SAS currently has some experience in managing host country contracting actions, but their experience is limited to an in-country training contract with the University of the Philippines and the Executive Director's previous involvement in contracting training for a UNDP project. The present TDI staff, however, although highly knowledgeable of the AID's procedures and documentation, may have to be assisted by the Mission in some aspects of AID host country contract procedures and approval requirements, particularly in the evaluation and final selection of the host country contractor (HCC).

On the whole, the NEDA/SAS has the administrative capacity to implement the DTP, given its decades of experience in administering a wide range of training and scholarship programs provided by 24 countries to the Philippines. In addition, NEDA has internal control systems in place for financial, accounting, personnel, procurement, property and supply, records and communications and physical security controls that are documented in an operating manual.

To reduce the expected workload described under the Implementation Schedule in the Project Paper, the PMO, with only three (3) contractual staff, will be assisted by a public sector contractor with strong training management background, that will provide technical and administrative assistance to both the PMO and the NEDA Regional Offices in the targeted regions in the following areas: identification of appropriate training programs for the local short-term group training, long-term academic training in Philippine universities, and third country training; development of an annual training plan at the three pilot regions, administration of training, including financial administration for tuition fees, books, per diems and other training

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expenses; implementing training programs; and the monitoring and evaluation of training activities.

The PMO, however, will principally be responsible for the following:

1.1. Overall

- (a) Set up the implementing guidelines and participant selection criteria for public sector participants;
- (b) Direct the activities of the HCC contract and monitor the implementation of the DTP;
- (c) Serve as liaison with the NROs in the pilot regions and monitor their compliance to NEDA participant selection guidelines;
- (d) Ensure the nationwide dissemination of training/scholarship programs for all public sector participants;
- (e) Provide technical and administrative services to the Project, including the financial arrangements for the international travel of public sector participants in the U.S. and third-country programs;
- (f) Actively participate with AID in scheduling, designing and implementing evaluations.

1.2. For the Training at the National Level:

- (a) Advertise and select a contractor with capability to administer all phases of the implementation of training programs at the regional level and the provision of monitoring and administrative services at the national level.
- (b) Prepare annual training plans for in-country, third-country and U.S. training for central office participants;
- (c) Invite training applications from selected national government agencies;
- (d) Evaluate and select individual candidates for training, following Philippine regulations governing scholarships/trainings of government personnel;
- (e) Prepare action papers, including endorsement letters to USAID on the nominations of selected candidates, arrangements for travel of selected participants, and other documentation requirements;
- (f) Coordinate with USAID and the participating national agencies on actual and potential problems related to the training.

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1.3. For Local Training:

(a) Provide guidelines/direction to the contractor in working with the NEDA Regional Offices (NROs) and local government units in setting up the screening process and developing training plans;

(b) Advertise and select a contractor with capability to handle all phases of the implementation of training programs at the regional level and the provision of monitoring and administrative services at the national level.

(c) Review the annual training plans, further screen U.S. and third-country participants, monitor the progress of the training activities and coordinate with USAID on project evaluations.

2. Private Sector Component

The contractor for the private sector component, possibly a private firm or a management training institution with background and previous experience with the private sector, will have major responsibility for this component under the guidance of USAID's Private Enterprise Support Office.

The Scope of Work for the AID-direct contracting for this component will define the specific responsibilities relating to the over-all planning of the project; the detailed implementation strategies and management control systems; the selection guidelines and placement of participants for U.S. training, third-country, local training and product specialist programs as provided for in the implementation of schedule and their specific reporting and monitoring responsibilities.

INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROJECT COUNTRY: Philippines
- (B) ACTIVITY: Development Training Project (492-0439)
- (C) A.I.D. FUNDING: \$5 MILLION
- (D) PERIOD OF FUNDING: FY 1989 - FY 1994
- (E) STATEMENT PREPARED BY: Jean Du Rette
Jean Du Rette, DRM/1401D, USAID/Philippines
- (F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical Exclusion under
A.I.D. Regulation 16, Section
216.2(c)(2)(i)
- (G) ENVIRONMENTAL OFFICER CLEARANCE: [Signature]
Kevin A. Rushing, ORAD,
USAID/Philippines
- (H) DECISION OF USAID/PHILIPPINES ACTING DIRECTOR
APPROVED: [Signature]
DISAPPROVED: _____
DATE: 7 June 89
- (I) DECISION OF ANE ENVIRONMENTAL OFFICER
APPROVED: [Signature]
DISAPPROVED: _____
DATE: 6-16-89

EXAMINATION OF THE NATURE, SCOPE AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT

A. DESCRIPTION OF THE PROJECT:

The purpose of the Development Training Project is to develop a core of highly trained mid-level public and private sector employees through the provision of short- and long-term academic and technical training. Among other areas, the project may undertake training in natural resource conservation, which could contribute to better knowledge about and use of natural resources in the Philippines. However, the project activity will not affect the environment directly.

B. RECOMMENDED ENVIRONMENTAL ACTION:

In view of the project's emphasis on training and its potential for promoting constructive environmental behavior, a categorical exclusion from A.I.D.'s Initial Environmental Examination, Environmental Assessment and Environmental Impact Statement is proposed. This proposal is in accordance with A.I.D. Regulation 16, Section 216.2 (c)(2)(i) which provides for a categorical exclusion for "training programs except to the extent that such programs include activities directly affecting the environment (such as construction of facilities, etc.)."

ANNEX H
Private Sector Training Study Excerpts

Table 1
Development Training Program
(Project Paper)
Large Manufacturing Establishments, Census Value Added
and Numbers Employed By Region 1985

	CENSUS- VALUE ADDED P000	% SHARE	EMPLOYED '000	% SHARE	NUMBER OF EST	% SHARE
PHILIPPINES	79,020	100.00	624	100.00	5369	100.00
NCR	35,800	45.38	334	53.53	2901	52.17
REGION I ILOCOS	1,029	1.30	12	1.92	143	2.66
REGION II CAGAYAN	270	0.34	8	1.29	88	1.64
REGION III CENTRAL LUZON	4,058	5.14	46	7.37	415	7.73
REGION IV SOUTH TAGALOG	20,695	26.19	78	12.50	570	10.67
REGION V BICOL	201	0.25	4	0.64	138	2.57
REGION VI WESTERN VISAYAS	2,013	2.55	24	3.85	212	3.95
REGION VII CENTRAL VISAYAS	4,487	5.68	42	6.73	395	7.36
REGION VIII EASTERN VISAYAS	1,252	1.59	5	0.80	43	0.80
REGION IX WESTERN MINDANAO	602	0.76	6	0.96	72	1.34
REGION X NORTHERN MINDANAO	3,332	4.22	25	4.01	174	3.24
REGION XI SOUTHERN MINDANAO	3,017	3.82	29	4.49	237	4.41
REGION XII CENTRAL MINDANAO	2,210	2.80	14	2.24	78	1.45
	79,020	100.00	626	100.00	5369	100.00

INCLUDING ALL FIRMS WITH 10 OR MORE EMPLOYEES ENGAGED IN
MANUFACTURING, FABRICATING, PROCESSING AND/OR ASSEMBLY

CENSUS VALUE ADDED IS SALES NET OF INPUTS

Source: Annual Survey of Establishment, Manufacturing,
1985, National Statistics Office.

DEVELOPMENT TRAINING PROJECT
(Project Paper)

LEVELS OF TECHNOLOGY IN PHILIPPINE INDUSTRY

[The studies cited here are part of an extensive study of different industrial sectors commissioned by DTI over the past three years. The studies are intended to support DTI's sub-sectoral development plan. Among other areas, the studies covered the current status of the industry in terms of output, manpower, plant and equipment and technology; projected output; investment requirements, infrastructure support and manpower development requirements.]

MEAT AND MEAT PRODUCTS

Government policies to encourage large companies to establish processing plants outside NCR have not been successful. Outside Metro Manila, plants are mostly small or cottage industries.

Regarding production facilities and processes, the DTI study noted that the production facilities and technology used by large fully integrated processors, mostly in NCR, are comparable with those in other countries. These command a dominant position in the domestic market, and export some products as well. Smaller firms, however, rely on crude machineries and processes, using mainly locally-invented or fabricated equipment. They are in need of improved methods for handling and processing meat products.

As a result both of poor facilities/technology and the decline in markets in the early to mid-eighties, the share of meat products in total gross value added of the food manufacturing sector declined by about 7% from 1983 to 1987.

According to the study "modern technology will be a boon to small processors if this is available to them Training and upgrading of skills are done on a 'as needed' basis. There is no regular training or skills development program for workers not only because of financial constraints but also because their present inferior technology does not warrant such intensive training or development. On the other hand, the development and upgrading of skills of workers, supervisors and managers are addressed by the larger firms through regular training programs. This in turn has improved operations in terms of better quality and improved productivity and profitability."

LEATHER AND LEATHERGOODS

In a 1986 study of the leather and leathergoods industries, done for DTI by SGV, the study found that "currently the tanning industry's equipment is capable of producing low to medium quality leather." The major causes cited for these were (1) low level of technical know-how, and (2) poor quality of local hides.

WOOD PROCESSING

According to this study, there are about 207 primary wood processing plants in operation, of which 60% are in Mindanao, 25% in Northeastern Luzon, and the rest scattered over the rest of the country.

In terms of technology, the report states that "Most of the wood processing plants are not in top quality condition. The equipment in most plants are old. They need replacement or retooling ... The technology employed in most of the plants are outdated and less efficient compared with the technologies employed in competitor countries. Philippine plywood mills and sawmills are unable to recover more than 55% of the logs they process."

"Most of the wood processing plants were originally installed in the sixties or seventies. On the average they are between 18 to 20 years old, with only minor changes introduced [over the years] ... As a consequence, there is a large incidence of breakage and wastage, affecting speed and quality of production..."

"Down the processing line, several equipment pose constraints to high recovery, productivity and quality. Most plants require improved equipment, layout and efficient materials handling to improve their competitiveness ... Retooling should cover replacement of wornout and inefficient equipment, replacement of spare parts, and installation of equipment to improve materials handling such as conveyors and stockers."

MACHINERY AND COMPONENTS

According to this study, 70% of all shops are classified as light, i.e. capable of producing parts weighing below 100 kg. each. Only two shops in the country have the capacity to produce parts weighing over 1,000 kg. per part. The majority of shops have facilities and equipment consisting of general purpose machine tools, more than 80% of which are 15 to 20 years old. Sixty percent of the shops are located

in Metro Manila, 15% each are in Luzon (outside NCR) and the Visayas, and 10% in Mindanao.

Among the weaknesses cited in the study were the following:

- The sector is dependent on imported machinery and equipment since machinery is not manufactured locally, and there is a need for state-of-the-art machines to improve productivity and quality.
- The use of dated technology makes locally-manufactured products less competitive with imported ones.
- Product differentiation is not extensively done by local manufacturers. The usual practice is to copy products of others. This is a result of lack of design and engineering capability.
- Philippine product standards are not available for machinery and components.
- There is generally a lack of ancillary and support infrastructure, e.g., materials testing, reliable finishing facilities, etc.

GIFTS AND HOUSEWARES

The DTI report states that "the future viability of the Philippine gifts and housewares industry mainly depends on its ability to be technically efficient and competitive."

- In glasswares, plastics have been substituting glass as raw material.
- In woodcraft, the sector suffers from insufficient drying facilities, dust-free spraying processes, specialized production machines, and packaging methods.
- In basket work, technology needs are in product design, finishing and color.
- Use of laser technology and electronic giftware using integrated circuits is not very prevalent in the christmas decor sector.

DTI identified three areas of training for the gifts and housewares industry:

1. General technical training;
2. Specialized technical training (e.g., handloom weaving, textile design and pattern making using CAD, ceramic firing and glazing techniques); and

3. Managerial training.

COFFEE AND CACAO

More than 60% of coffee production is in Mindanao, and 20% is in the Southern Tagalog region. Processing centers are in NCR and other urban centers.

Production is carried out manually with only large owners utilizing modern machanized machineries. Processing however, is highly modernized and automated, and continuously upgraded. The need in this industry for technology upgrading would be in the area of production techniques for smaller farmers.

FLOUR AND STARCH

Six flour millers are located in Luzon, one in Cebu, and one in Iligan. They process wheat and cassava. These have adopted modern technology with the use of automated machineries, which are constantly upgraded. Activities do not require highly technical skills but sector representatives claim that there is a need to upgrade worker skills as well as supervisors, and management training to improve the quality of production and productivity of workers. Larger firms avail of foreign trainers and send some of their supervisors abroad for specialized training, according to the DTI report.

FRUITS AND VEGETABLES

According to the DTI study, major advances in food processing in the US and Europe have been slow in transferring to the Philippines. For example, tin can packaging, which is prevalent in the local industry is no longer as popular as newer processing methods such as slush freezing and aseptic packaging have been developed. These new methods are more advantageous over the traditional hotpack method "in terms of convenience in handling, transport, storage, not to mention retention of flavor, color, aroma and vitamin content which makes the finished product almost comparable to the fresh form."

ELECTRONICS

A study submitted to DTI recommended an increase of the manpower pool in the industry. Some suggestions were that "transnational computer vendors should ... train raw

recruits, instead of pirating experienced programmers from Filipino firms."

In the non-consumer electronics sub-sector," two kinds of companies operate: subsidiaries of transnationals who either export all or part of their output or sell a portion of their output locally, and the small Filipino owned firms which manufacture specialty products mainly aimed at domestic customers ... both types suffer from lack of support component industries."

"The small Filipino electronic firm ... shuns government incentives. Technical assistance in improving his standards of production is more relevant in meeting the specifications of transnational buyers and in enabling him to make prototypes cheaply and conveniently."

"The long term scenario envisions development of Filipino capability in systems integration, rather than hardware manufacturing per se. This means giving priority to training."

SEMICONDUCTORS

The DTI reported that a major component of labor cost for the semiconductor industry is manpower training and development, primarily technical training to equip workers with on-the-job skills such as operation of precision equipment.

"With developments in product and process technology for semiconductors rapidly taking place, training becomes a continuous effort. Employees undergo inplant trainings and in some cases are sent abroad to attend specialized courses."

"Apart from technical training, the industry also spends heavily on overall employee development programs, covering managerial training and personality development."

CONFECTIONERY SUB-SECTOR

Emulsifying agents are processed into final form abroad in countries that have the necessary technology. The raw materials for these agents, however are locally available.

Packaging materials are a major cost. Manufacturers claim that imported materials are cheaper than local ones. Therefore, the industry can gain from improvements in the packaging materials industry (paper and plastic).

Small scale outfits do not use sophisticated technology. Large confectioners, on the other hand, have highly mechanized or automated facilities. Their technology is at par with those used in other Asian countries except Japan, which is more advanced.

Technology upgrading depends largely on the multinationals or their local franchise holders, who adapt their principal's technology. Many multinationals limit the involvement of Filipinos so that certain technological processes are not fully disclosed. Local manufacturers feel that with the variety of confectionery products being produced abroad, there are still many more advanced technologies to be implemented, particularly if new equipment is commercially available.

PROCESSED SEAWEEDS SUB-SECTOR

There are 26 seaweed processing firms registered with the SEC, with most of the production coming from Mindanao, and some scattered hectarages in Bohol, Cebu and Palawan.

DTI reported that seaweed processing technology in the Philippines is comparable to that of other Asian countries except Japan. Refined carrageenan has been produced and exported since 1986. NIST has developed technology for producing a purified and high quality agar. However, alginate is still not produced in the Philippines. Alginate, used for the production of paper, welding rods and pharmaceuticals, and in the printing and food industries, is the most difficult to manufacture. Chemically, extraction is a simple process but the physical separation of insoluble cellulose from thick solutions and of water from jelly-like solids presents formidable difficulties for the chemical engineer. Various processed used abroad are the Lexivation Process, Green's Cold Process and Le Gloache-Herber Process Methods.

MARINE AND AQUACULTURE SUB-SECTOR

According to DTI, aquaculture is still at the early development stage. Most pond operators still use the extensive system while a few large firms have adopted semi-intensive methods and experimented with intensive growing systems.

Among the factors inhibiting the deployment of more efficient technology are:

- Inadequate dissemination of technology in culturing and post harvest handling techniques;

- Lack of continuous supply of seedstock or prawn fry;
- Poor quality control systems;
- Inadequate supply of reasonably-priced feeds; and
- General apprehension over the comprehensive Agrarian Reform Program.

The fish canning industry uses two types of process: the traditional and the automatic. A third technology being introduced involves the use of geothermal steam instead of electricity or LPG.

Technology transfer between large and small firms has been facilitated by contract growing arrangements wherein big feed manufacturers supply feed and technological aid in exchange for the growers produce.

ETHNIC FOODS SUB-SECTOR

Firms engaged in the processing and marketing of ethnic foods are basically small and medium sized enterprises. Present technology is labor-intensive.

Some processors on their own upgrade the level of production technology. They conceive and design their own equipment. DTI stated: "While there appears to be a glaring need to help the industry improve its production technology in terms of equipment and machinery used, research and development efforts (NIST) are concentrated on such areas as improving existing fermentation techniques which they treat as proprietary information."

The ethnic foods sub-sector also suffers from lack of cheap and attractive packaging. Thus, their products are being gradually eased out of the more established markets instead of being perceived as being better quality-wise.

ANNEX I
Financial Plan and Related Financial Tables

FINANCIAL PLAN AND RELATED FINANCIAL TABLESA. Cost Estimate and Financial Plan

The total cost of the project is estimated at \$8.695 million. Project funds will be provided by USAID, the participating GOP Agency-NEDA and the private sector.

The estimated life-of-project costs by source of funds are summarized in Table I, Summary Cost Estimates and Financial Plan (All Years) below. Summary Projections of Expenditures by Fiscal Year, Summary Projections of Expenditures of AID Grant Funds by Fiscal Year and Project Element, and Budget Assumptions for USAID, GOP and the Private Sector are in Tables II, III, and IV, respectively, in Annex I.

1. USAID Contribution

USAID will provide \$5.0 million in Development Assistance grant funds. Planned yearly obligations are shown below:

<u>PLANNED YEARLY OBLIGATIONS</u>			
<u>(\$000)</u>			
<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>TOTAL</u>
.45	2.25	2.3	5.0

2. GOP and Private Sector Contributions

The GOP's contribution to the project will primarily be in the form of administrative costs to support the Special Committee on Scholarships, administrative and logistical support to contractors; salaries of participants during the training period, plane fare of participants and other travel support costs for seminars and training activities. The total GOP contribution to the project is estimated at \$1.782 million.

In general, private sectors interviewed are agreeable to pay for the plane fare to/from the U.S. or to other venues for training. They are also willing to pay the salary of the employee on training and other travel-related miscellaneous costs. The total Private Sector contribution to the project is estimated at \$1.913 million.

B. Methods of Implementation and Financing

The methods of USAID disbursement to be used may be classified as follows:

- Direct payments: USAID may make direct payments to suppliers or contractors for goods and/or services delivered. As training is a

major component of this project, AID direct placements by AID/Washington Contractor is expected to be a major implementation method.

- Reimbursement: Under the reimbursement method of financing, the GOP implementing agency/private sector or contractor disburses its own funds and is then reimbursed by USAID upon submission of appropriate documentation.

- Advance/liquidation: The advance/liquidation method of financing may be used directly with non-profit contractors/GOP agency whenever appropriate. Liquidation will be based on actual costs. This method is designed to ensure that the entity receiving the advance will have adequate cash flow to carry out the activities. The maximum cash advance that USAID can give is for a 90-day cash requirement and is subject to the Controller's approval. The request must show the monthly breakdown by line item as approved in the Implementation Plan or Project Implementation Letter (PIL). The liquidation report must be treated as a separate report from the Request for Cash Advance. However, liquidation of a previous cash advance is not necessary before USAID can grant an advance for the following quarter. But, USAID will not provide a third advance until the next-to-last cash advance has been liquidated.

The following table summarizes the implementation and financing methods for USAID funds:

<u>Input</u>	<u>Implementation Method</u>	<u>Financing Method</u>	<u>Amount (\$000)</u>
Training	AID Direct Placement by OIT AID Direct Contract Host Country Contract	Direct Payment Direct Payment Reimbursement/ Direct Payment	\$4,450
Technical Assistance	AID Direct Contract Host Country Contract	Direct Payment Direct Payment/ Reimbursement; Advance/ Liquidation	400
Evaluation and Audit	AID Direct Contract	Direct Payment	150
TOTAL			<u>\$5,000</u>

C. Flow of Funds

1. GOP Implementing Agency - NEDA

Prior to the project's inclusion in the GOP's General Appropriations Act, the project will utilize the advance/liquidation method of financing, using the Automatic Appropriation Provision stipulated under General Provisions Section 7 of the GAA.

Once pesos are appropriated for this project, the following procedures will apply. Initially, NEDA's Work and Financial Plan is reviewed and approved by the Department of Budget and Management (DBM). Once approved, DBM will issue Advices of Allotment (AAs). NEDA will then submit copies of the AAs and an annual Implementation Plan to USAID. This specific step may be taken even before funds have been appropriated for a given year. Upon USAID's approval of the Implementation Plan, the GOP may submit requests for cash advances to USAID or finance an activity included in the Implementation Plan out of GOP funds and subsequently request reimbursement from USAID.

2. Private Sector

Contribution from the private sector will be disbursed in accordance with the expenditure timetable (please see Table II of Annex I.

3. USAID

Once funds are obligated for the project, earmarking, commitment and disbursement will follow, depending on the project's pace of activity. Flow of USAID funds will be subject to standard rules and regulations, as indicated in Sections B and C above.

All foreign exchange costs under AID direct contracts or sub-project grants will be paid directly by USAID. At its option, USAID may make direct payments to suppliers/contractors under host country contracting or procurement actions, upon submission of the request to USAID by the implementing agencies.

D. Audits

Primary responsibility for audits of USAID-funded projects lies with the Regional Inspector General's Office (RIG). However, in the event that the RIG is unable to carry out the audit activities, an external auditing firm will be contracted for the purpose. An amount of \$50,000, \$25,000 each for the GOP and the public sector, is budgeted for non-federal audit services for the mid-point and final audit reviews. It is anticipated that the reviews will suffice for compliance with financial and audit requirements.

Table I
Summary Cost Estimates and Financial Plan (All years)
(In US\$ '000)

	<u>A I D</u> <u>FX</u>	<u>G R A N T</u> <u>LC</u>	<u>AID</u> <u>TOTAL</u>	<u>GOP</u> <u>LC/FX</u>	<u>Private</u> <u>Sector</u> <u>LC/FX</u>	<u>Total</u> <u>GOP &</u> <u>Private</u> <u>Sector</u>	<u>AID, GOP &</u> <u>Private</u> <u>Sector</u> <u>Total</u>
A. Public Sector							
1. U.S. Training							
Short-term	371	-	371	148	-	148	519
Long-term	<u>864</u>	-	<u>864</u>	<u>280</u>	-	<u>280</u>	<u>1,144</u>
Sub-total	<u>1,235</u>	-	<u>1,235</u>	<u>428</u>	-	<u>428</u>	<u>1,663</u>
2. Local Training							
Short-term	-	797	797	512	-	512	1,309
Long-term	-	<u>231</u>	<u>231</u>	<u>685</u>	-	<u>685</u>	<u>916</u>
Sub-total	-	<u>1,028</u>	<u>1,028</u>	<u>1,197</u>	-	<u>1,197</u>	<u>2,225</u>
3. Third Country Training	12	-	12	7	-	7	19
4. Technical Assistance	100	50	150	-	-	-	150
5. Audit & Evaluation	-	75	75	-	-	-	75
6. Administrative Expenses	-	-	-	150	-	150	150
Total - Public Sector	<u>1,347</u>	<u>1,153</u>	<u>2,500</u>	<u>1,782</u>	-	<u>1,782</u>	<u>4,282</u>
B. Private Sector							
1. U.S. Training	<u>700</u>	-	<u>700</u>	-	<u>510</u>	<u>510</u>	<u>1,210</u>
2. Local Training							
Management training	-	300	300	-	143	143	443
Technical training	-	625	625	-	1,188	1,188	1,813
Product-Specialists	<u>375</u>	<u>25</u>	<u>400</u>	-	<u>22</u>	<u>22</u>	<u>422</u>
Sub-total	<u>375</u>	<u>950</u>	<u>1,325</u>	-	<u>1,353</u>	<u>1,353</u>	<u>2,678</u>
3. Third Country Training	150	-	150	-	50	50	200
4. Technical Assistance	-	250	250	-	-	-	250
5. Audit & Evaluation	50	25	75	-	-	-	75
Total - Private Sector	<u>1,275</u>	<u>1,225</u>	<u>2,500</u>	-	<u>1,913</u>	<u>1,913</u>	<u>4,413</u>
TOTAL	<u>2,622</u>	<u>2,378</u>	<u>5,000</u>	<u>1,782</u>	<u>1,913</u>	<u>3,695</u>	<u>8,695</u>

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TABLE II
Summary Cost Estimates and Financial Plan (All years)
(in US \$'000)

<u>FISCAL YEAR</u>	<u>AID GRANT</u>	<u>G O P</u>	<u>PRIVATE SECTOR</u>	<u>T O T A L</u>
1990	574	210	213	997
1991	1,070	393	425	1,888
1992	1,146	393	425	1,964
1993	1,070	393	425	1,888
1994	<u>1,140</u>	<u>393</u>	<u>425</u>	<u>1,958</u>
TOTAL	<u>5,000</u>	<u>1,782</u>	<u>1,913</u>	<u>8,695</u>

TABLE III

Summary Cost Estimates and Financial Plan (All years)
(US \$ '000)

<u>ELEMENT</u>	<u>90</u>	<u>91</u>	<u>92</u>	<u>93</u>	<u>94</u>	<u>TOTAL</u>
<u>A. Public Sector</u>						
1. U.S. Training						
Short-Term	43	82	82	82	82	371
Long-Term	96	192	192	192	192	867
Sub-Total	<u>139</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>1,235</u>
2. Local Training						
Short-Term	85	178	178	178	178	797
Long-Term	27	51	51	51	51	231
Sub-Total	<u>112</u>	<u>229</u>	<u>229</u>	<u>229</u>	<u>229</u>	<u>1,028</u>
3. Third Country Training	-	4	4	4	-	12
4. Technical Assistance	30	30	30	30	30	150
5. Audit & Evaluation	-	-	38	-	37	75
Total - Public Sector	<u>281</u>	<u>537</u>	<u>575</u>	<u>537</u>	<u>570</u>	<u>2,500</u>
<u>B. Private Sector</u>						
1. U.S. Training	<u>80</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>700</u>
2. Local Training						
Managerial	32	67	67	67	67	300
Technical	69	139	139	139	139	625
Product-Specialist	<u>44</u>	<u>89</u>	<u>89</u>	<u>89</u>	<u>89</u>	<u>400</u>
Sub-Total	<u>145</u>	<u>295</u>	<u>295</u>	<u>295</u>	<u>295</u>	<u>1,325</u>
3. Third Country Training	18	33	33	33	33	150
4. Technical Assistance	50	50	50	50	50	250
5. Audit & Evaluation	-	-	38	-	37	75
Total Private Sector	<u>293</u>	<u>533</u>	<u>571</u>	<u>533</u>	<u>570</u>	<u>2,500</u>
T O T A L	<u>574</u>	<u>1,070</u>	<u>1,146</u>	<u>1,070</u>	<u>1,140</u>	<u>5,000</u>

Table IV
Budget Assumption - USAID Portion
(In US \$ '000)

A. Public Sector

<u>I T E M</u>	<u>A m o u n t</u>
1. U.S. Training:	
Short-term:	
National - 43 persons x \$3,500/mo x 2 months	\$ 301,000
Local - 10 persons x \$3,500/mo. x 2 months	70,000
Sub-total	<u>371,000</u>
Long-term:	
National - 10 persons x \$1,800/mo. x 24 months	432,000
Local - 10 persons x \$1,800/mo. x 24 months	432,000
Sub-total	<u>864,000</u>
2. Local Training:	
Short-term:	
National - 50 persons x \$1,400 (1-2 months)	70,000
Local - 387 persons x \$940/mo. x 2 months	727,000
Sub-total	<u>797,000</u>
Long-term:	
National - 25 persons x \$175/mo. x 24 months	105,000
Local - 30 x \$175/mo. x 24 months	126,000
Sub-total	<u>231,000</u>
3. Third Country Training:	
National - 1 person x \$2,000 x 1 month	2,000
Local - 5 persons x \$2,000 x 1 month	10,000
	<u>12,000</u>
 T O T A L	 <u>\$2,275,000</u>

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Table V
Budget Assumptions - USAID Portion
(In US \$'000)

A. Private Sector*

<u>I T E M</u>	<u>A m o u n t</u>
1. U.S. Training	
Short-term - 200 persons x \$3,500/mo. x 1 month	<u>\$ 700,000</u>
2. Local Training	
Managerial - 150 persons x \$2,000/training	300,000
Technical - 1,250 persons x \$500/training	625,000
Product Specialists - 13 persons x \$30,000/training (2 months training period)	<u>400,000</u>
Sub-total	<u>1,325,000</u>
3. Third Country Training - 37 persons x \$4,054/training (3 weeks training period)	<u>150,000</u>
T O T A L	<u>\$2,175,000</u>

* Items include administrative costs.

Assumptions on Private Sector Contribution

1. U.S. Training:			
Short-term:			
Plane fare - 200 x \$1,500	\$300,000		
Salaries - 200 x \$750/month	150,000		
Misc. - 200 x \$300	<u>60,000</u>	\$ 510,000	
2. Local Training:			
Managerial:			
Fare - 150 x \$150	\$ 22,500		
Salaries - 150 x \$750/month	112,500		
Misc. - 150 x \$50	<u>7,500</u>	142,500	
Technical:			
Fare - 1,250 x \$150	\$187,500		
Salaries - 1,250 x \$750/month	937,500		
Misc. - 1,250 x \$50	<u>62,500</u>	1,187,500	
Prod. Specialists:			
Fare - 13 x \$150	\$1,950		
Salaries - 13 x \$750 x 2 months	19,500		
Misc. - 13 x \$50	<u>650</u>	22,100	
3. Third Country:			
Fare - 37 x \$500	\$18,500		
Salaries - 37 x \$750	27,750		
Misc. - 37 x \$100	<u>3,700</u>	49,950	
T O T A L			<u>\$1,912,050</u>

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Assumptions on GOP Contribution

1. U.S. Training:			
Short-term (National & Regional)			
Plane fare - 53 x \$1,500	\$ 79,500		
Salaries during training - 53 x \$500 x 2 months	53,000		
Misc. - 53 x \$300	<u>15,900</u>	\$ 148,400	
Long-term (National & Regional)			
Plane fare - 20 x \$1,500	\$ 30,000		
Salaries during training - 20 x \$500 x 24 months	240,000		
Misc. - 20 x \$500	<u>10,000</u>	280,000	
2. Local Training:			
Short-term (National & Regional)			
Transportation - 436 x \$150	\$ 65,400		
Salaries - 436 x \$500 x 2 months	436,000		
Misc. - 436 x \$25	<u>10,900</u>	512,300	
Long-term (National & Regional)			
Transportation - 55 x \$150	\$ 8,250		
Salaries - 55 x \$500 x 24 months	660,000		
Misc. - 55 x \$300	<u>16,500</u>	684,750	
3. Third Country Training:			
National - Transp. - 1 x \$500			
Salary - 1 x \$500	\$ 500		
Misc. - 1 x \$100	500		
	<u>100</u>	1,100	
Regional - Transp. - 5 x \$500			
Salary - 5 x \$500	\$ 2,500		
Misc. - 5 x \$100	2,500		
	<u>500</u>	5,500	
6. Administrative Expenses - \$2,500/mo x 60 mos. (salary of PMO Staff, rent & utilities, office supplies, etc.)			<u>150,000</u>
TOTAL			<u>\$1,782,050</u>

Financial Analysis

The financial analysis assessment of this project shows generally that the training component will be financially beneficial, particularly to the participants. It is also evident that the GOP and private sector enterprises will be able to realize significant financial gains, at least equal to the project cost plus earnings that could be derived if the cost of the project were invested in some interest-bearing financial instrument.

The project cost should be taken as an investment in human capital for which returns are substantial both to the participants, private sector and the government's development efforts. The financial valuation of the project's potential advantages is difficult to quantify since the benefits are not linked directly to measurable financial revenues. Specifically, it is not possible to apply a "return on investment" analysis using costs at current market prices.

From a cost-benefit analysis, it is easier to compute the cost rather than the benefit portion. Costs include expenses for training fees, transportation, per diem and related administrative costs. The benefit side is more complicated since it is difficult to identify the income resulting directly from the training activities.

In spite of the above-mentioned difficulty on a macro level, this project is expected to improve the participant's analytical skills and decision-making responsibilities leading to higher overall economic productivity.

ANNEX J
Contractor Tasks and Qualifications

CONTRACTOR TASKS AND QUALIFICATIONS

I. Public Sector Contractor

During the first six months of the project, the services of a contractor for the public sector component, will be procured under a Host Country Contracting arrangement. The Contractor will be under the NEDA/SAS and will have the responsibilities:

A. General Responsibilities

1. Administer the placement, management and financial arrangements for all in-country training programs.
2. Provide technical assistance to facilitate the establishment of mechanisms for screening and the development of training plans for local level participants; and
3. Provide technical assistance to NEDA to monitor the progress of the trainees/training activities.

B. Specific Responsibilities

1. Prepare a detailed implementation plan in support of NEDA's Training Plan.
2. Identify short and long-term local training programs and short-term U.S. and third country programs and publicize training opportunities at the central level and region-wide (focusing on the three pilot regions).
3. Jointly screen participants with the NROs (local grantees).
4. Place local long-term and short-term grantees in local schools and training institutions and administer the payment of training fees, allowances, books and related training expenses.
5. Develop, with subcontractor help if necessary, a limited number of specially designed training courses to address local level needs.
6. Monitor training progress and trainees' performance on a semestral basis (for academic scholars) and upon completion of training for short-term courses.
7. At the regional level:
 - a. Develop a screening system, ensuring compliance to NEDA criteria/guidelines and use of gender-targeting measures.

b. Prepare an annual training plan based on local training applications and local needs assessment.

c. Develop PIO/P description for training and coordinate with NEDA and USAID on processing for US short-term and third-country participants from the regions.

8. Provide NEDA/SAS and USAID with documentation of the screening processes at the regional level.

9. Assist NEDA/SAS in the processing of participants for study in the US and third country, including testing, medical exam, visa, tickets and pre-departure orientation.

10. Maintain a project database containing the key monitoring indicators for the life of the project:

- Public sector grantees (national and regional/local by agency);
- Geographic area/province;
- Field of study and type of training (management and technical areas);
- US, third-country and in-country training programs, objectives of the courses, costs and expected benefits;
- Follow-up data on returned participants/trainees through project completion, including participants' status reports (while on training), academic performance report and post-training reports.

11. Assist NEDA/SAS in the conduct and documentation of seminars/workshops for returning participants that will provide them with opportunity to disseminate new technologies, relevant research work to targeted audiences in both central and regional/local levels.

12. Provide NEDA/SAS and USAID with semestral and annual reports on the contractor's activities, status information on the key monitoring indicators, analysis of the implementation experience, problems encountered and lessons learned which can be utilized to improve project implementation.

B. Qualifications of the Contractor

The contractor for the public sector component must possess the following minimum qualifications and organizational capabilities:

1. At least five (5) years of experience in Philippine training activities and proven track record in training management and implementation. A management or local government training institution is a possibility.

2. Excellent knowledge of Philippine government policies and operations, particularly of local government administration.

3. Administrative capacity to manage training funds to pay for local training and training-related costs of participants.

4. If a private firm, capacity to provide occasional cash advances to ensure that the project does not suffer from cash flow problems during project implementation.

5. Strong network of central and local government agencies and training institutions that address the needs of the public sector.

6. A full-time team leader with at least five (5) years experience in training management; and available short-term technical and long-term administrative support for the life of the project.

II. Private Sector Contractor

Within the first six months of the Project, USAID will procure the services of an AID-Direct Contract (ADC) for the management and implementation of the private sector component. The ADC will be under the guidance of the USAID Private Enterprise Support Office (PESO). The following are general responsibilities of the Contractor:

A. Responsibilities of Contractor

1. Over-all planning for the project resulting in a master integrated training plan for the private sector, and defining the targets and specific business sectors to be addressed.

2. Design of a detailed implementation strategy and monitoring/evaluation systems, including financial and management control mechanisms.

3. Identification of appropriate training programs.

4. Recruitment, selection, placement, administration of training fund and monitoring and evaluation of training implementation for the life of the project.

The specific responsibilities of the ADC are as follows:

1. Undertake an assessment of available training programs and capability of training institutions to secure project requirements.

2. Prepare a master integrated plan including a detailed first year plan and implementation strategy with training targets (target sectors, number of participants, target regions).

3. Identify short term U.S., third country and in-country management and technical training and publicize training opportunities.
4. Establish contacts with local business, regional organizations and government leaders in the targetted regions to
 - a. create awareness and interest in the project;
 - b. identify on a continuing basis training needs and firms that could most benefit from training;
 - c. provide information on project implementation procedures;
 - d. identify potential participants and receive applications;
5. Establish an advisory board of private entrepreneur to provide guidance and support for the project.
6. Refine selection criteria, including the development of a "means test" to ensure that potential trainees and firms qualify as needing external assistance for training.
7. Screen and select trainees for US, third-country and in-country training and recommend to USAID for review, clearance and processing of PIO/Ps for US and third country training.
8. Placement of trainees in in-country management and technical courses, including special group training arrangements, subcontracting for services if necessary.
9. Provide for all training administrative arrangements, including payment of training fees and allowances; informing trainees of schedule, venues, etc.
10. Placement and administration of third-country training participants, in cases where a USAID Mission is not available.
11. Identify, recruit and provide for travel and administrative arrangements of product specialists activities (training and consultancy with firms in consultation with the Advisory Board).
12. Explore joint product specialist programs with other donors and Philippine public and private trade organizations, particularly large firms and institutes employing product specialists.
13. Maintain a project database containing key monitoring indicators for the life of the project:
 - private sector grantees (sectors, firm)
 - geographic area/province/region

- field of study and type of training (management and technical areas).
- U.S., third-country and in-country training programs, objectives of the courses, costs and expected benefits.
- follow-up data on returned trainees, through project completion, including participants' status reports and post-training reports from the trainees' organization.

14. Provide USAID with semestral and annual reports on the contractor's activities, status information on the key monitoring indicators, analysis of the implementation experience and problems encountered, and lessons learned which can be utilized to improve project implementation.

B. Qualifications of the Contractor

The ADC for the private sector component must possess the following minimum qualifications and organizational capabilities.

1. Preferably a management training institution, with at least ten (10) years experience in Philippine training activities for the private sector.
2. Excellent knowledge and familiarity with the Philippine private sector, including government policies and programs relating to the sector.
3. Administrative capacity to manage training funds to pay for local training and training-related costs of trainees.
4. Strong national and international (U.S. and third-country) network of technical and management institutes and private business organizations e.g., chambers of commerce, professional business associations, regional industrial centers.
5. Financial ability to provide occasional cash advances to ensure that the project does not suffer from cash flow problems during project implementation
6. Strong experience in training design and administration of business training programs.
7. Ability to recruit, screen and select applicants, including the ability to market the project and make contacts with the recommended target private sector beneficiaries.
8. Availability of a full-time Project Director with at least five (5) years experience in training management; and a core of technical and administrative support staff for the life of the project.
9. Prior experience in management of donor programs.
10. Commitment to component objectives.