

PD-ABD-560
74861

**RURAL INFRASTRUCTURE FUND
(RIF) PROJECT
[PROJECT # 492-0420]**

PROCESS EVALUATION

Prepared by

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Phone: 703-978-1876**

under

Contract # 492-0420-C-00-1239-00 with USAID/Philippines

in association with

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under

IQC # PDC--0085-1-00-9060-00.D.O. 40 with AID/Washington

NOVEMBER 1991

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DISCLAIMER

This Process Evaluation was completed through the assistance of the United States Agency for International Development (AID).

The views, expressions and opinions contained in this report are the authors, and are not intended as statements of policy of either AID or the authors parent institutions.

EXECUTIVE SUMMARY

The objective of the Rural Infrastructure Fund (RIF) Project is to develop adequate physical infrastructure -- particularly roads, bridges, seaports and airports -- to support and sustain economic growth in the rural areas of the Philippines. This report is the product of a mid-term "Process-Evaluation" to identify existing administrative, organizational and socio-political constraints impeding RIF implementation.

A process evaluation differs from an audit in that the project officer -- rather than the evaluator -- identifies the areas of interest and issues for examination which are likely to be of most help in future project implementation. To this end, USAID provided the evaluation team with nine specific study questions of priority interest to mission management, USAID's charge to the team was to examine project performance to date and identify administrative and socio-political constraints impeding the efficient implementation of project activities, then recommend practical improvements to strengthen both DPWH's and DOTC's -- as well as USAID's -- capability to meet the project's objectives.

Using USAID's nine key questions as a focal point, the team -- composed of six individuals with different specialties -- worked in a collaborative style, with frequent interaction between the team members, USAID, GOP implementing agency officials and contractors. Initially the team conducted several group interviews, but thereafter individual team members went their separate ways to review and research pertinent documents, interview key individuals and visit organizations and field sites. The team met periodically to share, review and discuss findings and coordinate forays for further information. Several field sub-project sites were visited by one or more team members on a judgment sampling basis, in addition to repeated visits to key offices, and individuals. During the course of the evaluation, periodic meetings were held with USAID and DPWH personnel to apprise them of our progress, obtain their reaction, and seek further guidance.

Findings, Conclusions & Recommendations

The RIF project got off to an exceedingly slow start -- due to a series of unexpected, and largely unforeseeable events. One of the initial Conditions Precedent to funding disbursement was not met until two years after the PROAG was signed -- by which time 40% of the original anticipated life of the project had elapsed. While protracted, this delay was not attributable to management failures by either USAID or the GOP, but largely by a lengthy host country

negotiation with a U.S. contractor which failed to be consummated.

Once the project "really" got underway, however, implementation was (and has continued to be) reasonably satisfactory -- despite some impediments which are invariably encountered in infrastructure projects. Some insurgency problems in one area held up construction activities for several months, but these are currently in abeyance.

Three major road sub-projects (including bridges) are under construction, and a relatively minor fourth spur recently received notice to proceed. Of the six seaports slated for construction, one has been completed, and the other five are nearing completion. The navigational aids equipment has been delivered, installed and tested; technical training has been provided and the equipment is now operational. Designs have been completed on a number of other relatively minor sub-projects -- roads & bridges, and ports -- and have just been given Notices to Proceed (NTP), or are awaiting NTPs subject to availability of funds. However, almost all the available funds have been committed.

With the two year extension of the project to December 1994, it is reasonable to expect that all the sub-projects underway -- and those in the pipeline -- can be completed without any further extension to the PACD.¹

At this stage, it is too late to make any major changes to the way the project is being implemented -- even if it were considered desirable. However, several "process" problems exist which require management attention and, if institutionalized, could improve implementation and possibly also benefit future projects. The most notable of these are

1. Improved GOP/USAID review of contractor selection under Host Country Contracting.
2. Formal definition by the GOP of responsibilities and concomitant authorities to implement the project.
3. Improved procedures by the GOP for accelerating the documentation review process for contractor reimbursement.

¹Note: This comment does not encompass the General Santos and Mt. Pinatubo sub-projects, which was beyond the evaluation team's purview.

4. Prompter resolution of Right-of-Way issues by the GOP to permit contractor access to the job site.
5. Resolution of issues (and compliance with the terms of the PROAG) by the GOP regarding clearance of equipment through Customs.
6. Resolution of issues by the GOP regarding reimbursement for taxes.
7. Establishment of a formal procedure by USAID and the GOP to accelerate the resolution of issues -- particularly those that involve GOP agencies other than the implementing agency (DPWH).

Twenty-two specific recommendations (too numerous to itemize here) have been made by the evaluation team which address these -- and other -- issues, and are detailed in the body of the report.

Lessons Learned

Four major lessons were derived from the RIF experience which are applicable to future projects:

1. Host Country Contracts require almost as much attention from USAID technical project officers as direct USAID Contracts, with less control over the outcome.
2. Greater attention should be paid to developing detailed cost estimates and factoring in cost escalation in future projects. [RIF costs were greatly underestimated.]
3. Additional time should be factored in for "unforeseeable problems" -- particularly during the start-up stage of the project.
4. Commitment rates are a more appropriate indicator of progress in infrastructure projects than actual expenditures.

RECOMMENDATIONS & RESPONSIBILITY FOR ACTION

1. Management I The DPWH formally designate -- in writing -- an Engineer for the project. We recommend Louis Berger International Inc. as the most appropriate organizational entity, and one individual of LBII/TCGI senior staff who will have the duties, responsibilities and authorities as set forth in the FIDIC¹ "Conditions of Contract (International) for Works of Civil Engineering Construction". [If DPWH is the Engineer -- we recommend that responsibility be placed on an individual at a level not higher than the Project Manager of the PMO.] (DPWH)
2. Management II/Organization Request DPWH to exempt the RIF Project from Department Order 55 with regard to supervision by the Regional Director of technical performance, as well as monitoring and approval of expenditures. (USAID & DPWH)
3. Contracting Methodology I Continue with the Host Country contracting mode for RIFP implementation. (USAID)
4. Contracting Methodology II Request the GOP utilize current market prices rather than government-controlled prices, and adjust the formulae for computing Agency Estimates. (USAID & DPWH)
5. Contracting Methodology III Intensify DPWH/PBAC prequalification screening; and conduct joint DPWH/LBII & USAID physical inspection of contractors facilities and equipment prior to final award. (DPWH & USAID)
6. Contracting Methodology IV Bundle small discrete sub-project activities -- such as sections of highways, roads, bridges and ports -- as components of a single invitation-for-bid (IFB) package, for award to a single major contractor, and permit him to sub-contract the components as appropriate. (DPWH)
7. Right-of-Way I Expedite right-of-way clearance for road and port construction. (DPWH)

¹FIDIC -- *Federation Internationale des Ingenieurs-Conseils*

8. Right-of-Way II Issue a Project Implementation Letter advising the DPWH that prior to release of construction funds under new sub-projects, a certification must be provided that the parcellary survey has been completed and funds earmarked to cover the estimated Right-of-Way acquisition costs, together with a time-table and financial schedule for payment, and access. (USAID & DPWH)
9. Right-of-Way III Develop a Condition Precedent to Disbursement of Construction Funds that will assure right-of-way acquisition and guarantee free access by construction contractors, for future Construction Project Agreements, similar to the PIL recommended for ROW II (Recommendation 8) above. (USAID)
10. Project Monitoring Develop a new Life-of-Project expenditure plan against which to monitor progress for the remainder of the project. (USAID)
11. Project Duration Retain the PACD at the current date of 31 December 1994. (USAID)
12. Project Financing Replenish the funds reprogrammed for the General Santos and Pinatubo activities in order to provide adequate funds for the original target sub-projects.
13. Contractor Payments I Formally request DPWH to reduce the level of detail currently required to substantiate contractors billings for cost reimbursement. (USAID & DPWH)
14. Contractor Payments II The requirements, procedure, and schedule for payments to contractors should be reviewed, modified and clearly delineated; then adhered to by all parties. (DPWH & USAID)
15. Contractor Payments III Provide a copy of each contractor's payment form (USAID Form 1034) to the LBII consultant engineer for the PMO records. (USAID)
16. Contractor Payments IV [Alternate] If the RIFP is not exempted from Regional Director supervision for monitoring RIFP expenditures, at a minimum, the document routing should be modified so that the Regional Office reviews and approves billings before forwarding them to LBII and DPWH in Manila, and reasonable time limits for processing vouchers at each stage. (DPWH)

17. Conflict Resolution Establish a Joint Standard Operating Procedure (JSOP) for expeditious processing and resolution of issues between contractors under host country contracts, and the GOP/Engineer. Formalize the JSOP in a Joint Project Implementation Letter (JPIL). (USAID & DPWH)

Current Issues: Duty free importation of equipment; authorization/requirements/exemption and/or imposition of duties and taxes (VAT) on imported equipment; delays in release of equipment from customs; procedures for reimbursement to contractors of VAT and customs duties already paid, as well as brokerage and demurrage fees; slow review and approval of contractors requests for time extensions.

18. RIFP Amendments Administratively segregate responsibility for oversight, management, monitoring (and particularly rectify the current co-mingling of funding/accounting) of the DOTC, Mindanao (General Santos) Development and Pinatubo components -- from core DPWH/PMO RIFP. (USAID)
19. Consultant Monitoring of Construction Sub-project Contractors Initiate administrative action to obtain an A&E contractor for the remaining life of the RIF project, to become effective when the current contract with LBII/TCGI expires at the end of 1992. (USAID & DPWH)
20. Air Navigation Aids Ensure that adequate provision is made in Phase II for continued effective operation of equipment already provided -- through timely testing, technical training, and provision of spare parts. (USAID)
21. RIF Component Replanning Develop a new Implementation Plan based on the current activities already committed and underway in terms of both available and required funding levels and the Project Assistance Completion Date, to ensure that they are adequate in light of the changes to date, and anticipated.
22. USAID Familiarity with GOP Contracting USAID familiarity with GOP laws, rules, regulations and procedures should be reassessed, and upgraded (or supplemented with Philippine legal assistance) as necessary to minimize potential disputes.

ACKNOWLEDGEMENTS

Conducting this process evaluation for the Rural Infrastructure Fund (RIF) project has been a stimulating professional experience for all of us. As is usual on such evaluations, the time constraints to review the available documentation, visit project (and sub-project) sites to contact and interact with appropriate personnel, and then prepare a draft report prior to departure were extremely tight. Nevertheless, our work was facilitated because of the cooperation and openness of all concerned.

Although the evaluation process is intended to be helpful by providing an unbiased assessment, the search for weaknesses in existing operations by outsiders invariably creates some anxiety on the part of the evaluatee, setting the stage for defensiveness and potential recrimination, based on individual perspectives and roles. Despite this predilection, we felt that we were well received, with frank discussions and interactions with the DPWH PMO, Regional and provincial personnel; the A&E supervising contractors LBII/TCGI; principals of construction contractors; DOTC officials, and AID personnel -- all of whom assisted us immeasurably in accomplishing our task. The following individuals were especially helpful in our quest for information and interpretations of past and current events: Dante Soriquez, Pat Tabale, Ernesto Silvela, Dave Wallace, Mike Stern, Henry Osea, Juanito de la Torre, Fred Ocampo, Frank Garcia, Eduardo Rodriguez, Gregg Casten, Frank Malone, Bob Lager, Augusto Santos, Chris Balucating, Sal Umiten, Oscar Vermillio, Stan Heishman, Jim Stanford, Bei Zonaga, Leroy Purifoy and Dennis Zvinakis. Thanks also to the Pragma Corporation and Angie Obmasca who provided an administrative support secretariat, as well as computer equipment for individual team members "homework".

Finally, on a personal note, I commend the Mission in providing a Team Leader position for this study. In similar short term studies -- project designs and evaluations -- administrative/logistical support to team members is relegated a secondary role of the sector specialist. While I also contributed to the technical aspects of the study, this is my first experience where the team leader was freed up to concentrate on providing administrative and logistical support to the other team members, and integrate their efforts into a coherent final product.

We appreciate the time that all concerned were able to set aside to help us given their heavy workload during this busy stage of project implementation. It was a pleasure working with you here in the Philippines, and we look forward to further opportunities to renew acquaintances again in the future.

**PROJECT IDENTIFICATION DATA
SHEET**

1. Country: **The Philippines**
2. Project Title: **Rural Infrastructure Fund Project
[RIFP]**
3. Project Number: **492-0420**
4. Project Dates:
 - a. First Project Agreement: **28 September 1987**
 - b. Final Obligation Date: **30 September 1995**
 - c. Most recent Project Assistance Completion Date (PACD): **31 December 1994**
5. Life-of-Project Funding: [US\$000's]
 - a. AID Bilateral Funding (Grant) **US\$170,000**
 - b. Host Country Counterpart Funds **US\$ 14,500**

TOTAL: US\$184,500
6. Mode of Implementation: **Host Country Contracting**
Major Contractors are:
Louis Berger International, Inc., in joint venture with TCGI Engineering -- A&E Consulting Engineer

Torno America in joint venture with Foundation Specialists -- Roads & Bridges contractor for Quirino & Kalibo Highways

FEMCO in joint venture with LVM -- Roads & Bridges contractor for Estancia-Ajuy Highway
7. Project Designers: **The Government of the Philippines
USAID/Philippines**
8. Responsible Mission Officials:
 - a. Mission Directors:

| | |
|-----------------------------|------------------------------|
| Frederick W. Schieck | Sept 1987 - June 1988 |
| Malcolm H. Butler | July 1988 - Present |
 - b. Project Officers:

| | |
|---------------------------------|-----------------------------|
| Michael DeMetre | Sept 1987 - Feb 1991 |
| Leroy Purifoy | Sept 1987 - Oct 1988 |
| Michael I. Kingery (PSC) | Oct 1988 - Sept 1990 |
| Leroy Purifoy | Oct 1990 - Present |
9. Previous Evaluations: **None**

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TEAM COMPOSITION & STUDY METHODS

The team for this evaluation comprised six individuals -- four Americans and two Filipinos -- with different specialities and backgrounds working together for the first time, for approximately five weeks in the Philippines as outlined in the calendar (Appendix 2).

| | |
|----------------------------|---|
| Dr. Kenneth F. Smith | - Team Leader & Project Management Specialist |
| Mr. James A. Anderson | - Contracts Specialist |
| Mr. Robert F. Fedel | - Civil Engineer |
| Dr. Thomas E. Morgan | - Management Specialist |
| Mr. Joselito P. Supangco | - Transport Planner & Economist |
| Atty. James S. Villafranca | - Legal Consultant |

The purpose of the study was to evaluate the effectiveness of the implementation scheme of the Rural Infrastructure Fund (RIF) project and identify administrative and socio-political constraints impeding the efficient implementation of project activities.

An evaluation differs from an audit in that the project officer -- rather than the evaluator -- identifies the areas of potential concern, and the issues for examination which are likely to be of most help in future project implementation. To this end, USAID provided the team with a list of nine specific study questions in order of importance to USAID management (outlined in the next section) to guide the team. In addition, USAID advised us to concentrate on the DPWH aspects of the project, rather than the DOTC, and not to concern ourselves with the General Santos or Pinatubo amendment activities. Primary responsibility for pursuing the study questions was allocated to different team members -- jointly and severally -- based on their particular specialities and interests, as outlined in Appendix 9. In addition, of course, team members explored other issues and aspects of the project implementation process as they arose, as appropriate from individual perspectives.

The study was conducted in a collaborative style with frequent interaction between the evaluation team members, USAID, the implementing agencies (DPWH & DOTC) and the DPWH RIF-PMO representative A&E consultant (LBII/TCGI), as well

as the contracting organizations performing the construction work. Initially, the team conducted several group interviews with the principals involved in the project. Thereafter, for the most part, individual team members went their separate ways to review and research pertinent documents, interview key individuals and visit organizations and field sites, meeting periodically to share, review and discuss findings, and coordinate further forays for information. Several field sub-project sites were visited by one or more team members, on a judgment sampling basis in addition to repeated visits to key offices, files and follow-up with individuals in USAID, DPWH, DOTC and LBII.

During the course of the evaluation, three periodic progress review meetings were held -- separately -- with USAID and DPWH/LBII personnel:

1. First, an informal discussion of the team's preliminary findings to solicit reactions, correct errors, identify gaps in information, and obtain addition directions for research;
2. Next, a semi-formal presentation of the team's preliminary recommendations and rationale therefor;
3. Finally, a more formal presentation of the team's findings, conclusions and recommendation to key USAID Mission and GOP Department officials, and distribution of the written draft report for review and comments.

This report addresses several additional issues raised during the final presentation, corrects some earlier errors in the draft, adds some pertinent supporting materials, and incorporates comments received from the DPWH, LBII and USAID. The final report has also been substantially reformatted from the draft version for easier comprehension and subsequent reference. As with any jointly prepared document, if left to his own devices, each team member would undoubtedly have produced a document differing in focus, layout, stress or nuance in phrasing, choice of words; and in some instances perhaps even some findings and recommendations which varied from those which survived the joint editing process. Fashioned in this collaborative manner, the report represents the consensus of the team. While individual members were free to indicate dissenting opinions (if indeed they held any), none in fact chose to do so. Needless to say, I could not have prepared the report without the active participation of all team members in a joint effort; and hopefully the end product is better for having endured the team's collaborative scrutiny. Nevertheless as the team leader -- it was ultimately my responsibility to produce and edit the final product. Thus the responsibility for errors of omission and commission lies with me.

PROJECT PURPOSE¹ & STUDY QUESTIONS

The Goal of the Rural Infrastructure Fund Project is to develop adequate physical infrastructure to support and sustain economic growth. Achievement of this goal implies: (a) improved opportunities for the development of rural enterprises, investment and employment; (b) improved agricultural productivity; and (c) increased rural income.

The Purpose of the project is to provide assistance to improve and expand rural infrastructure in the transportation, rural electrification or telecommunication subsectors in order to enhance the flow of commerce, encourage investment and production, and provide further economic expansion and growth of rural areas. The Project will focus on one or more of the transportation, rural electrification or telecommunications subsectors, with the following specific purposes in each subsector:

Transport: To facilitate the movement of goods and services between farming, processing, and manufacturing areas; enhance communications; and improve labor mobility and employment opportunities

Rural Electrification: To strengthen the institutional and selected physical aspects of rural electric power systems in the Philippines.

Rural Telecommunications: To identify possible system interventions and policy changes which would enable outlying areas to communicate with and participate more fully in local and national markets.

The specific study questions -- grouped and enumerated for the evaluation team in order of importance to USAID management -- were as follows:

1. Do the GOP guidelines relating to Host Country contracts with consultants promote timely and effective services for the implementation of sub-projects under RIF, especially with regard to contract negotiations with foreign consultants?
2. Are the procurement procedures covering construction contracts as contained in the implementing rules and regulations of Presidential Decree 1594 unduly cumbersome? Do they promote free and open competition in the bidding process? Does the use of Approved Agency Estimates (AAE) and Allowable Government

¹RIF Project Paper, September 1987, page 9.

Estimates (AGE) promote free and open competition at "reasonable" cost to the government?

3. Are the organizational structures of Host Country implementation agencies suited to the effective management of the RIF project? Do the agencies have the capability to effectively implement their respective sub-projects? Has an effective working relationship been established among DPWH, USAID, the consultants and contractors under the project?
4. Is the use of AID Direct contracting procedures an appropriate and effective alternative to Host Country contracting procedures for sub-projects? Will this expedite project implementation?
5. Are there any "peace and order" concerns and/or other socio-political constraints which hinder field activities associated with sub-projects? How do these impact on project implementation and how can they be resolved?
6. Do actual accomplishments to date compare favorably with projected accomplishments? Is the actual expenditure rate close to the rate projected in the PP? If not, what are the areas for improvement?
7. Is the project operating as planned in the Project Paper and Project Agreement? Are the sub-project selection and approval procedures outlined in the Project Agreement being followed and do they ensure the involvement of local governments? If there are significant deviations from the mechanisms described in the PP and PROAG, have they been clearly justified and documented?
8. What is the overall methodology which DPWH uses for matching donor funds with proposed sub-projects? Does this methodology assure that the more viable sub-projects are being prioritized for implementation? Do accomplishments under RIF compare favorably with the accomplishments of other donor agencies working with the same implementing agencies?
9. Does USAID staff maintain effective working relationships with the implementing agencies with regard to the resolution of problems encountered during the implementation of sub-project activities? Is USAID able to respond in a timely manner to GOP requests under the project?

These questions -- and other issues -- were addressed in the course of the study and are discussed on the following pages.

ECONOMIC, POLITICAL & SOCIAL CONTEXT

Economic Context

Over the past fifteen years, the Philippines has experienced an extended period of economic depression and parallel deterioration of essential socio-economic infrastructure. This condition is particularly severe in the outer islands and rural areas which traditionally receive a smaller share of GOP investments. At the time the RIF project was being formulated -- in 1986 and 1987 -- the Philippines was slowly emerging from its worst economic crisis since independence. The GOP reacted to this crisis by reducing public expenditures by 50 percent. In an effort to stabilize the economy, investments in infrastructure were cut from 7.7 percent of GNP to about 3.6 percent of a reduced GNP, and the bulk of available funds were directed to urban areas, while the deterioration of existing rural infrastructure continued apace.

With more than 35 million Filipinos -- about 70 percent of the labor force -- living in rural areas, sustained economic recovery and employment generation can only be wrought by increases in rural productivity. However, rural economic growth is dependent upon establishment and continuing serviceability of adequate infrastructure. Basic transport services are needed to leverage existing investments and attract new ones to the countryside, as goods and services can only be obtained, distributed and marketed in a timely manner in adequate quantities given well maintained roads, seaports and aviation linkages. Although primary, secondary and tertiary roads, and water and air transport facilities exist in many parts of the Philippines, most are sorely in need of rehabilitation, upgrading and maintenance. Navigation aids are also required to bring the major air and seaports up to international operational and safety standards, while better pier and cargo staging areas are essential to reduce transport cycle costs.

Political Context

The final years of the Marcos regime coupled with the following five years of the Aquino administration have been a period of confusion for domestic politicians, civil servants and ordinary citizens of the Philippines, as well as foreign governments and international financial institutions. The Philippine Government faces massive poverty and unemployment throughout the country, but, in part because of requirements for economic restructuring and budgetary restraint demanded by institutions such as the

IMF, government development programs have progressed more slowly than had been anticipated.

The popular enthusiasm that greeted the arrival of the Aquino administration, the promulgation of a new constitution and sincere efforts at policy reform to stimulate the agricultural sector has waned somewhat. The coalition of administration supporters has dissipated and factionalism has reemerged as various leaders jostle for support for the forthcoming elections in 1992. Uncertainty over the future composition of the government and its commitment to furthering the policy objectives of the Aquino administration will remain a concern of bilateral and multilateral assistance agencies. Conceived in a similarly uncertain and transitional environment, the Rural Infrastructure Fund project was intended to be one of several initiatives that would have an immediate impact on stimulating the economies of rural areas.

Social Context

Of all the countries in the developing world, the Philippines -- with fifty years as a U.S. colony -- is probably the most closely attuned to American ways. An independent Republic since 1946, Filipinos have many personal and cultural ties with the U.S. However, several economic and political irritants carried over from the early 20th Century have produced a relationship of mixed emotions with the U.S. as well as contributing to continuing internal political dissension.

The Philippines is a "melting pot" of Asian, European and American cultures, and has a rich heritage of interaction and social development -- from the gentle, placid Malay, to the aggressive and enterprising Arab and Chinese traders; while in many areas aboriginal tribes still persist in the old ways. Although never able to subjugate the warlike Muslim tribes in Mindanao, Spain unified the Philippines in the late 1500's and for over three hundred years imposed its people, religion and culture upon the *Indios*. Liberated from the Spanish yoke in 1898, the Filipino immediately fell under American political, economic and cultural dominance and began another dependency relationship until the Japanese invasion in 1942. Despite the experience of the "American Era", vast differences remain between Filipino and American perceptions stemming from their history, culture and traditions.

The Philippines is a highly personal society. Extended familial ties, *compadre* loyalties and *palasakan* alliances dominate almost all relationships, rather than objective institutional norms. Although very bureaucratic and legalistic forms exist (a pattern inherited from the US), expediency -- rather than correctness -- prevails, and is

more often used to deal with routine day-to-day issues and to resolve legal conflicts, particularly with "outsiders".

The American espousal of faith and reliance in government as something intrinsically good, equitable and desirable is not generally shared by the Filipino. Attempts to implement government programs are approached with suspicion and cynicism until the target beneficiaries can be convinced that there is something in it for them -- either overtly or covertly. To counterbalance this mistrust, the Filipino looks for support through extended family ties. Nepotism -- though formally forbidden -- is widely practiced at many levels; objected to only by those out of power.

To counter widespread perceptions of graft and corruption in public service, elaborate internal control systems have been promulgated, and innumerable documentation requirements -- receipts, certifications, checking, signatures and counter-signatures are required at every stage for even the smallest transaction. Even relatively high level committees -- such as the PBAC -- almost inevitably refer their deliberations to a higher authority to ensure that the consensus is firm enough to withstand external scrutiny.

The need for harmony, courtesy, respect and politeness, and fear of embarrassment are high on the Filipino's list of social amenities, and they are frequently offended by the typical direct, blunt American approach. To the Filipino, context is usually more important than content. Consequently, there is a tendency to use the indirect approach -- where they don't say what they mean, and don't mean what they say. Thus, in negotiating between USAID and the GOP, it is possible that both parties may develop misperceptions about the other's intent.

Conclusion

The sections above which discuss the economic and political context of the Rural Infrastructure Fund project paint a rather gloomy picture of conditions facing the Philippines, and highlight the arduousness of the developmental path ahead. The path will indeed be difficult. However, it should be noted that the bulk of the rural population has not been held back from achieving substantial economic gains because of its own lethargy or ignorance. Rather, development in the past has been inhibited by inept governmental policies and venal practices which have conspired to stifle initiative and distort natural market forces -- necessary, if not sufficient, conditions for greater productivity and more equitable distribution of economic benefits. Nevertheless, given the opportunity and the seed capital, the Filipino appears to be ready and able to take advantage of new opportunities.

ON EVALUATION

We have to live in the world as it is
and use all the resources and "goodies",
adulterated as they may be. . . .

Different views of the elephant, even
through different sets of ill-fitted
glasses, are helpful.

Hopefully the views are not of different
elephants.

Irving Spergel
Evaluative Research:
Strategies and Methods

PROJECT PERFORMANCE

PROJECT PERFORMANCE

Introduction

The Rural Infrastructure Fund (RIF) project was conceived by USAID/Philippines as an "umbrella" grant funding mechanism to assist the Government of the Philippines (GOP) improve and expand rural infrastructure, in order to support and sustain economic growth. Several sub-sectors were initially targeted -- roads and bridges, ports, airport navigation aids, rural electrification and rural telecommunications.¹

A Project Agreement (PROAG) with an initial US contribution of \$51.2 million² was signed in September 1987 for a five year duration. Subsequent amendments to the project have increased the total amount of US funding to \$170 million and extended the life of the project from five to seven years. The Project Assistance Completion Date (PACD) is now 31 December 1994.

Two separate GOP agencies are directly involved in the RIF -- The Department of Public Works & Highways (DPWH) is implementing the roads, bridges and port improvements; while the Department of Transportation & Communications (DOTC) is responsible for upgrading the air navigation aids component.

A fundamental AID principle is that the countries it assists should undertake the implementation of their own development programs when capable, and a "Host Country" contracting mode is usually deemed more appropriate for the procurement of construction services.³ Prior to the RIF, USAID had had considerable experience implementing rural infrastructure projects in the Philippines over a long period of time under a wide variety of arrangements. The DPWH had been the lead agency for many of these projects and had developed a relatively sophisticated capability for procuring goods and services. In the face of a rapidly mounting Mission workload to support the GOP pursuant to the EDSA "Peoples Revolution", coupled with AID's world-wide direct hire staff reduction policy, a host-country contracting (HCC) mode was regarded as both feasible and opportune to minimize the administrative burden of project management on the Mission.

¹See Appendix 8 for the Project's Logical Framework. Rural electrification was subsequently dropped from the RIF, and provided under a separate Rural Electrification Project, (REP) 492-0429.

²A \$4.5 million Philippine government counterpart contribution was also agreed to.

³AID Handbook 1, Supplement B, 30 December 1990.

Problems in Initial Implementation

The RIF project initially stalled, then got off to an slow start due to a series of unexpected -- mostly unforeseeable -- setbacks.

One of the initial Conditions Precedent (CP) to funding disbursement⁴ was not met until September 1989 -- two years after the PROAG signing, by which time 40% of the original anticipated life of project had elapsed. In the first place, the host country contracting process in selecting a contractor was unduly lengthy. Untimeliness was compounded by a failure to reach agreement on terms with the prime contractor -- Brown & Root International -- during negotiations. This failure necessitated an additional round of negotiations with next proposer -- Louis Berger International, Incorporated (in joint venture with TCGI) -- as well as protracted delay while protests were resolved.

In an effort to partially offset this impediment, USAID resorted to direct contracting in order to undertake some feasibility studies and detailed engineering for a series of pre-identified potential sub-projects, and a short-term Indefinite Quantity Contract (IQC) was issued to Parsons Brinckerhoff, Inc., resulting in additional unforeseen cost to the project. Furthermore, while, generally, the IQC contractor performed an excellent stop-gap service, and produced numerous studies and designs under short deadlines, some existing on-the-shelf studies (previously conducted) were dusted off, and some of the detailed investigatory field-work was deferred. Consequently, once the long term A&E contractor (Louis Berger) was in place, several of these earlier studies had to be modified and or reworked. Some repercussions from this early attempt by USAID to offset the impact of the delay in contract award under the Host Country Contracting process are still being felt, as the need for some changes have continued to be experienced during construction due to inadequate or erroneous design.

As a result of U.S. legislation and interpretations subsequent to the design of the project, some additional environmental analysis work was required as late as 1990 -- i.e. two years after the project should have been underway.⁵

⁴Requiring the DPWH to furnish an executed contract between the DPWH and an Architect & Engineering (A&E) consulting firm to provide engineering design and construction supervision services.

⁵An environmental impact statement was prepared during the project design, but a full-fledged environmental assessment was initially determined to be unnecessary. In 1987, Mission clearance was thus given to proceed. In 1989, AID/Washington's Science & Technology (S&T) Bureau reversed the Mission's position regarding the environmental analysis, based on their interpretation of the current legislation's intent.

AID/Washington then further contributed to the project's untimely initiation by tardy provision of the requisite technical expertise.

The contemporary Philippine socio-political environment -- both anti-government insurgency activity as well as interference by politicians and local officials -- has also contributed to the delay at some sub-project sites. On the Quirino Highway in the Bicol, for instance, a time extension of almost seven months was granted to the contractor because of inability to work due to insurgency problems. In another sub-project, the contractor has had vehicles and equipment appropriated by local officials, while yet another contractor has even delayed mobilizing asphaltting equipment while awaiting the outcome of a local congressman's request to upgrade the road surface to concrete.

Implementation was further delayed when several of the local contractors selected by DPWH to undertake construction work -- as well as the local joint venture partner of the major US contractor (Torno America) and some of Torno's local sub-contractors -- failed to live up to their obligations.⁶ In particular, equipment shortages and equipment deficiencies on site have been significant, impacting on the timely prosecution of the work.

Inordinately slow importation of vehicles and other project construction equipment is a prime reason for lack of equipment on site. This deficiency is largely attributable to intransigence of GOP customs officials to release the equipment without payment of customs duties and taxes. The Bureau of Customs stance is on behalf of the Bureau of Internal Revenue (BIR), and has been reinforced by a general position of indeterminacy on the parts of the Department of Finance and the National Economic & Development Authority to adhere to, and reinforce the terms of the USAID/GOP Project Agreement, which specifically states that "This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee" [emphasis ours].⁷ Despite case-by-case interventions and follow-up efforts by USAID and DPWH, this problem continues as an impediment to timely project implementation.

⁶The US contractor (Torno America) is ostensibly in a joint venture with a Philippine partner (Foundation Specialists) to undertake two of the major highway & bridge sub-projects comprising over \$31 million budget -- 18% of the project funding, and 29% of the construction budget. However, while Torno America continues to maintain this image under the letterhead of TAFSJV and has continued to accept responsibility for completing the work obligated under the contract, in fact, Foundation Specialists is nowhere in evidence. Consequently, Torno has had to shoulder the total burden.

⁷Section B.4 paragraph (a) Taxation.

Compounding the contractors difficulties, in numerous instances access to the job site has been limited by a failure on the part of the GOP -- in particular the DPWH -- to resolve road right-of-way problems.⁸ In theory, there should be few if any problems, as the government already owns the 20 meter right of way for national highways which constitutes the bulk of the road work. However, in dealing with occupants of both publicly and privately owned land, a generally permissive attitude pervades the official GOP stance, and funds have been provided to pay occupants (including encroachers) to leave. In the early stages of construction, access is usually a relatively minor issue, because by exerting some extra effort (and at some additional cost) the contractor can "work around the obstacles". Despite assurances by DPWH that funds are available to recompense owners and occupants, and assertions by District Engineers that there are "no real problems, and everything is being done that is possible", the fact remains that right-of-way problems still persist four years into the project. As more sections of sub-projects are completed, however, jumping segments will become increasingly more difficult, time consuming and costly, thereby incurring justification for contractors requests for additional time extension, as well as the associated costs incurred.

By comparison, the navigational aids aspect of the RIF was relatively trouble-free. Equipment was purchased and technical support services provided in a timely manner under a sole-source procurement through a direct AID contract. Some equipment components were found to be inoperable after installation but were replaced from the spare parts inventory. More than six months delay was encountered later as a result of the GOP's inability to provide an aircraft (originally anticipated) to flight-check the equipment, but this need was eventually met through other means -- on a one-time basis. A problem therefore still exists in the GOP's inability to conduct periodic flight-checks when they will be required. As a result of the equipment operational checks, some electrical utility equipment was discovered to be interfering with full unrestricted functioning of the VOR equipment in at least one airport visited by the team. This is an unforeseen right-of-way issue which has not yet been resolved. Another continuing problem is the GOP's inability to fund the ancillary costs of recurrent training for personnel assigned outside of the greater Manila area. Some question also currently exists as to the completeness of the spare parts for the equipment supplied, as it was received in increments, dispersed nationwide and subsequently utilized by the contractor without consultation, inventory and/or followup by the Air Transportation Office (ATO).

⁸Amounting to as much as 30% on one highway visited by the Evaluation Team -- Kalibo-Estancia, Capiz.

Progress to Date

Despite the foregoing litany of problems, given the major 24 month delay in project startup, as indicated on the following chart, actual construction is generally progressing satisfactorily with only a few delays which are normal in construction projects. Furthermore, most of the clearing and grading has been completed, and surfacing can proceed relatively quickly, once equipment is mobilized on site, and the right-of-way issues resolved.

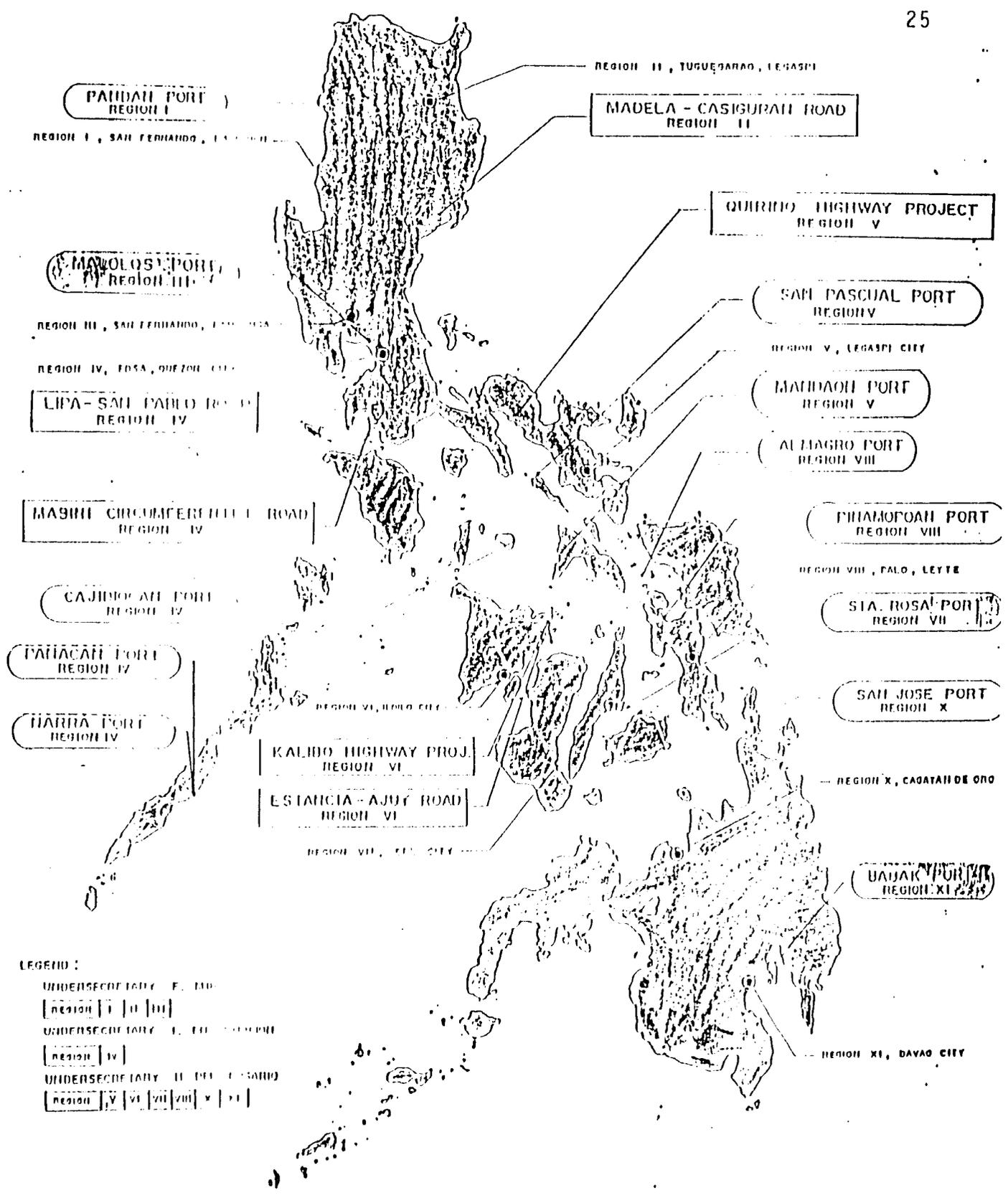
Three major road sub-projects (including bridges) are under construction, and a relatively minor fourth spur recently received notice to proceed. Of the six ports slated for construction, one has been completed, and the other five are nearing completion. In any event, port construction is relatively simple and short term, compared to the more costly and complex roads & bridges sub-projects.

The navigational aids equipment has been delivered, installed, and tested; technical training has been provided, and the equipment is now operational. A second phase is now underway.

Under the "umbrella" concept, six amendments have been made to the original RIF project to address additional infrastructure activities and needs. This includes \$30 million in support of a Special Development Project in South Cotabato in the General Santos City/South Cotabato Demonstration Area, and another \$20 million to support emergency projects in Central Luzon to alleviate the destruction wrought by the volcanic eruption of Mount Pinatubo.

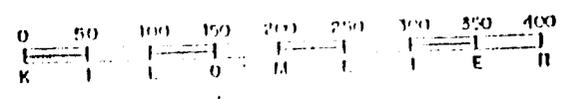
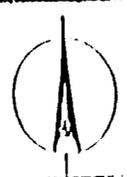
Designs have been completed on a number of other relatively minor sub-projects -- roads & bridges, and ports -- and are awaiting Notice to Proceed, subject to availability of funds.

The prospect is that all the sub-projects under DPWH and the DOTC can be completed without any further extension of the Project Assistance Completion Date.



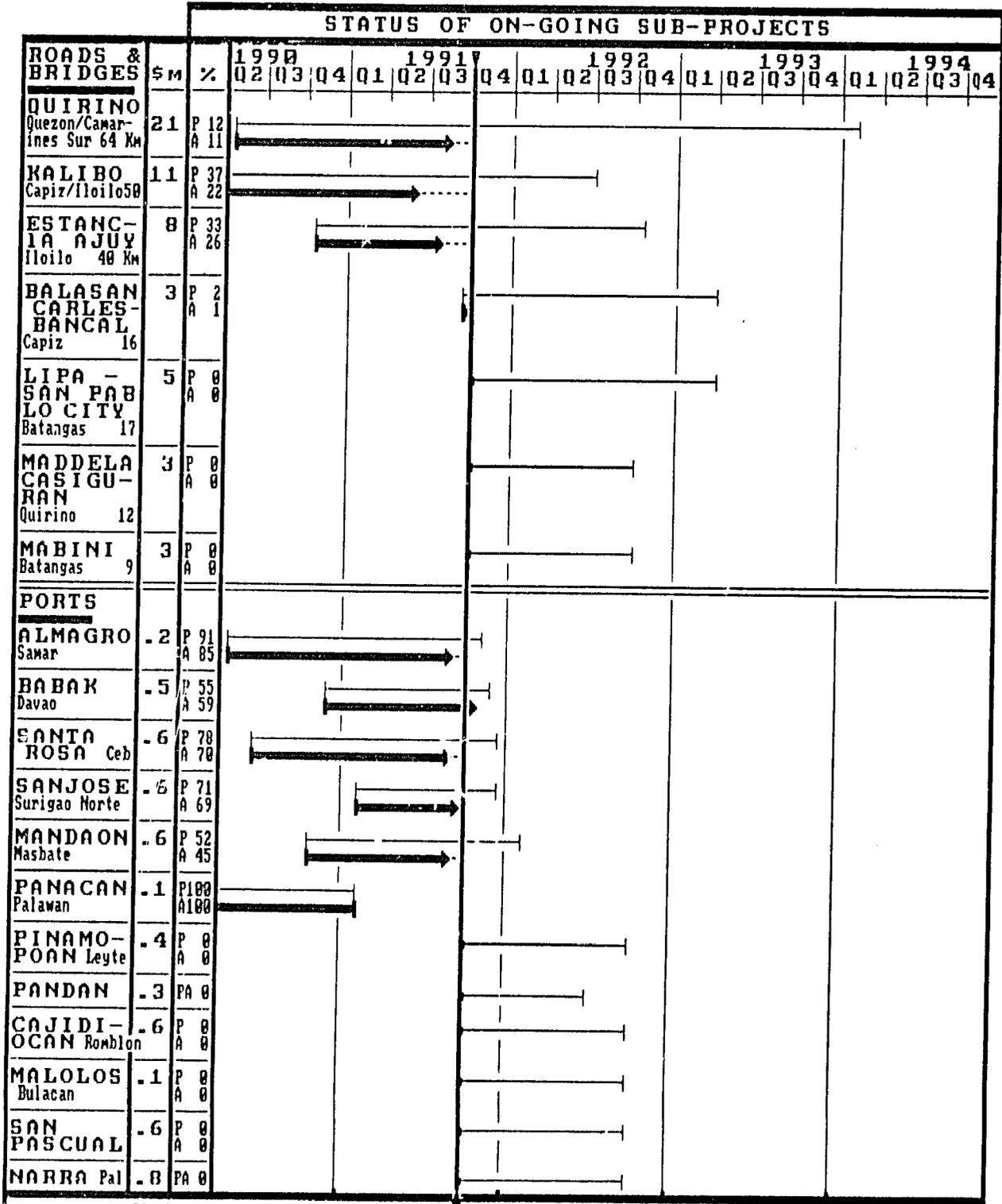
LEGEND :

- UNDERSECRETARY - F. III
- [REGION I | II | III]
- UNDERSECRETARY - E. III
- [REGION IV]
- UNDERSECRETARY - II DE CAGAYAN
- [REGION V | VI | VII | VIII | X | XI]



RURAL INFRASTRUCTURE FUND PROJECT (RIFP) USAID/PHILIPPINES [492-0420]

As of September 1991



KEY

| | |
|-------|------------------------------------|
| \$M | Millions of US Dollars |
| Km | Kilometers of Road |
| Q1 | 1st Quarter (i.e. January - March) |
| % | Percentage of Work completed |
| P | Planned duration of the activity |
| A | Actual duration of the activity |
| | Relative time slippage |

As of
Sep 91

NOTE: The percentage of work completed differs from the percentage of Actual time vs Planned time. Work is performed at varying rates over the life of each sub-project and is usually depicted on an engineering progress chart as a cumulative "S-Curve".

SOURCE: Monthly Progress Reports, RURAL INFRASTRUCTURE FUND PROJECT, Louis Berger International, Inc. in joint venture with ICGI Engineers. September 1991

FINDINGS & CONCLUSIONS
REGARDING
STUDY QUESTIONS

A summary of the evaluation team's findings conclusions with respect to each of the nine study questions is provided on the following pages.

More extensive discussion and supporting material for each topic is contained in Appendix 6.

**GOP GUIDELINES RE
HOST COUNTRY CONTRACTING**

[QUESTION 1]

Q1. Do the GOP guidelines relating to Host Country contracts with consultants promote timely and effective services for the implementation of sub-projects under RIF, especially with regard to contract negotiations with foreign consultants?

Yes. The written GOP guidelines on civil works contracting and procurement of consultants are reasonable, and do not inhibit the solicitation of expatriate (particularly American) technical consultancy services. However, several problems have been encountered under the RIF Project in the application and interpretation of these guidelines. One particular issue -- namely, the notable failure of the GOP to reach agreement with a US expatriate A&E Consulting firm -- effectively stymied RIF project implementation for two years.

While in retrospect it seems likely that the situation would have been resolved more rapidly under a direct AID contract, at this late stage it is irrelevant to speculate about what might have been. In the evaluation team's judgement, however, the failure to award did not occur as a result of inadequate guidelines and procedures or restrictive practices, but was rather the intransigence of both parties in attempting to reach agreement. Indeed, the A&E Consultant (LBII/TCGI) subsequently selected was also an expatriate (US) firm in joint venture with a Filipino company.

GOP PROCUREMENT PROCEDURES

[QUESTION 2]

Q2. Are the procurement procedures covering construction contracts as contained in the implementing rules and regulations of Presidential Decree 1594 unduly cumbersome? Do they promote free and open competition in the bidding process? Does the use of Approved Agency Estimates (AAE) and Allowable Government Estimates (AGE) promote free and open competition at "reasonable" cost to the government?

Unduly Cumberseome? No, but The GOP procedures for construction contracting are modeled on U.S. and other donor procurement guidelines. However, there are widespread perceptions of public corruption and opportunities for abuse in the construction industry which have given rise to an accretion of ever tighter internal controls and administrative procedures. These controls and additive procedures -- while burdensome and time consuming -- simply reflect the GOP's pervasive attitude of distrust.

Promote Free & Open (F&O) Competition? Yes. The process promotes widespread advertising, solicitation and tendering for goods and services.

One aspect that has created some difficulty between USAID and DPWH in the past is the GOP practice of negotiating with the lowest bidder after a failure of competitive bidding procedures. Engaging in negotiations for construction services after a bid failure is contrary to AID's long-standing policy. However, DPWH considers that it is still possible to successfully negotiate fair and reasonable contract terms, conditions, and prices with the lowest bidder, and that this process results in speedier placement of contracts than starting the entire process over and re-advertising. This practice is common in Philippine government agencies, and is in fact "host country contracting".

Do AAEs & AGEs promote F&O Competition at Reasonable Cost? No. The Agency/Government estimates often rely on irrelevant or outdated price data as a basis for estimates, as well as arbitrary (and sometimes inappropriate) "ceilings" in computing indirect costs.

However, RIF contracts are exempted from the AAE/AGE ceiling on contract awards. Nevertheless, it is evident that in practice, the RIF Project has not been entirely free from AAE and AGE influence. While the AAE/AGE ceiling does not apply to foreign funded projects, the AAE is referred to in determining the reasonableness of the bid.

GOP ORGANIZATIONAL STRUCTURES

[QUESTION 3]

Q3. Are the organizational structures of Host Country implementation agencies suited to the effective management of the RIF project? Do the agencies have the capability to effectively implement their respective sub-projects? Has an effective working relationship been established among DPWH, USAID, the consultants and contractors under the project?

Organizational Structures Yes, but The basic centralized organizational management of the Rural Infrastructure Fund (RIF) project under the Department of Public Works & Highways (DPWH) and the Department of Transportation & Communications (DOTC) were (and are) suitable to effective management of the RIF project. However, a recent change in DPWH -- Departmental Order 55 (D.O. 55) -- is now creating some confusion and concern. DO 55 diffuses operational responsibility to the Regional Offices of the DPWH, thereby relegating the formerly centralized RIF-Project Management Office (RIF-PMO) to a supervisory and liaison role.

Furthermore, a transfer of responsibility for port construction -- from the DPWH to the DOTC -- is imminent. Organizational management details -- such as staffing, physical location, coordination and communications; as well as day-to-day responsibilities and authorities for funding, contracting and supervising the construction work -- have not yet been determined.

Capability The RIF-PMO, and the DOTC ATO have effectively managed the RIF for the past two years. However, the Regional Offices of the DPWH (under D.O. 55) are not fully capable of carrying out their responsibilities with respect to the RIF. The capability of the DOTC to handle the ports sub-component cannot be determined at this time.

Effective Working Relationships For the most part, an effective working relationship has been established among DPWH, USAID and LBII/TCGI personnel, and the contractors implementing the project and sub-project activities. Major difficulties persist with the inability of the GOP to resolve some contractual and procedural questions. These issues -- and procedural recommendations for their resolution -- are outlined in the "Outstanding Issues" section of this report.

AID-DIRECT VS HOST COUNTRY CONTRACTING

[QUESTION 4]

Q4. Is the use of AID Direct contracting procedures an appropriate and effective alternative to Host Country contracting procedures for sub-projects? Will this expedite project implementation?

Appropriate & Effective? Yes, but Given the staff support, direct AID contracting provides greater control over contractual issues during implementation and is a workable alternative to Host Country contracting. However, the general perception by the GOP is that direct contracting by the donor implies that the funding agency lacks confidence in the ability or willingness of host country agencies to carry out required tasks as specified in the agreement for foreign assistance. In so far as the RIF project is concerned, it is generally too late to switch from Host Country Contracting to AID Direct Contracting as a means for implementing sub-projects.

Expedite Implementation? Not necessarily. AID-Direct contracting is no panacea. Direct contracting could expedite some aspects, however, difficulties in implementing projects in the Philippine administrative, social and political milieu would continue. Furthermore, such expeditious action could be attained only by shifting the administrative burden of project management from the DPWH RIF-PMO & its A&E Consultant, to a similarly staffed USAID professional contracting and technical engineering office and its A&E Consultant.

**PEACE & ORDER, AND
SOCIO-POLITICAL CONSTRAINTS**

[SOW TASK 7 & QUESTION 5]

- Q5. Are there any "peace and order" concerns and/or other socio-political constraints which hinder field activities associated with sub-projects? How do these impact on project implementation and how can they be resolved?

Peace & Order Concerns Some. Work on some sub-projects was previously affected by insurgent interference. The contractors involved were authorized compensatory time (and cost) extensions. Currently, peace & order is not a major concern. However, since there are many projects in the pipeline awaiting Notices-to-Proceed, and insurgency is endemic in the current Philippine socio-political environment, future difficulties with various anti-government groups cannot be ruled out.

Socio-Political Constraints Some. Right-of-way problems have been experienced -- particularly along the Quirino and Kalibo highways -- and if not resolved could become a serious problem as the construction progresses. There is a distinct possibility of violent confrontation with those who must be required to relocate.

Local politicians have interceded with the DPWH (and with USAID) from time to time to secure changes in certain sub-projects under the RIF. These interventions tend to slow down project implementation.

Resolution Resolution of these interruptions to effective project implementation is beyond AID's capacity.

ACTUAL ACCOMPLISHMENTS

VS PROJECTED

[SOW TASK 4 & QUESTION 6]

T4. Define Project Accomplishments to Date

The evaluation team will define the project accomplishments achieved to date and compare these accomplishments with original projections. This comparison will be against the project inputs proposed in the Project Paper.

Q6. Do actual accomplishments to date compare favorably with projected accomplishments? Is the actual expenditure rate close to the rate projected in the PP? If not, what are the areas for improvement?

ACCOMPLISHMENTS VIS A VIS ORIGINAL PROJECTIONS

The startup and schedule for the RIF project was delayed two years (-40%). Consequently actual expenditure rates are completely out of synchronization with projected rates. However, once the long-term A&E Consultant (LBII/TCGI) was eventually mobilized, the DPWH RIF-PMO (Project Management Office) efficiently performed the necessary preliminaries leading to, and initiating, construction. The chart on the following page indicates the current status of the major sub-project activities.

Physical Targets: The Project Paper (PP) envisaged new construction or upgrading 250 Km of roadway, and at least 9 ports. PP amendment #2 expanded road improvements to 320 Km and also funded 10 additional ports -- bringing the total to 19.

Actual Accomplishments: The DPWH has brought 260 Km of roads (104% of the original plan, and 81% of the revised plan) and 16 ports (178% of the original plan, and 84% of the revised plan) to the construction stage committing most of the RIF funding presently allocated to the Roads, Bridges and Ports subsector.

Costs: The Project Paper's (PP) estimated costs were considerably lower than the actual costs incurred. Road construction costs generally exceeded PP estimates by a factor of two, or more. Port construction estimates in the Project Paper were similarly low -- again almost double the estimate.

**IS THE PROJECT
OPERATING AS PLANNED?**

[QUESTION 7]

Q7. Is the project operating as planned in the Project Paper and Project Agreement? Are the sub-project selection and approval procedures outlined in the Project Agreement being followed and do they ensure the involvement of local governments? If there are significant deviations from the mechanisms described in the PP and PROAG, have they been clearly justified and documented?

Operating As Planned? Yes. The RIF is generally operating as planned in the Project Paper (PP) and the Project Agreement (PROAG).

Selection Procedures Followed? Yes. The GOP has a well-established system for identifying and prioritizing development projects, which takes into consideration a wide variety of factors pertinent to development, and in far greater detail than mentioned in the Project Paper. RIF sub-projects were nominated and selected after screening by this system.

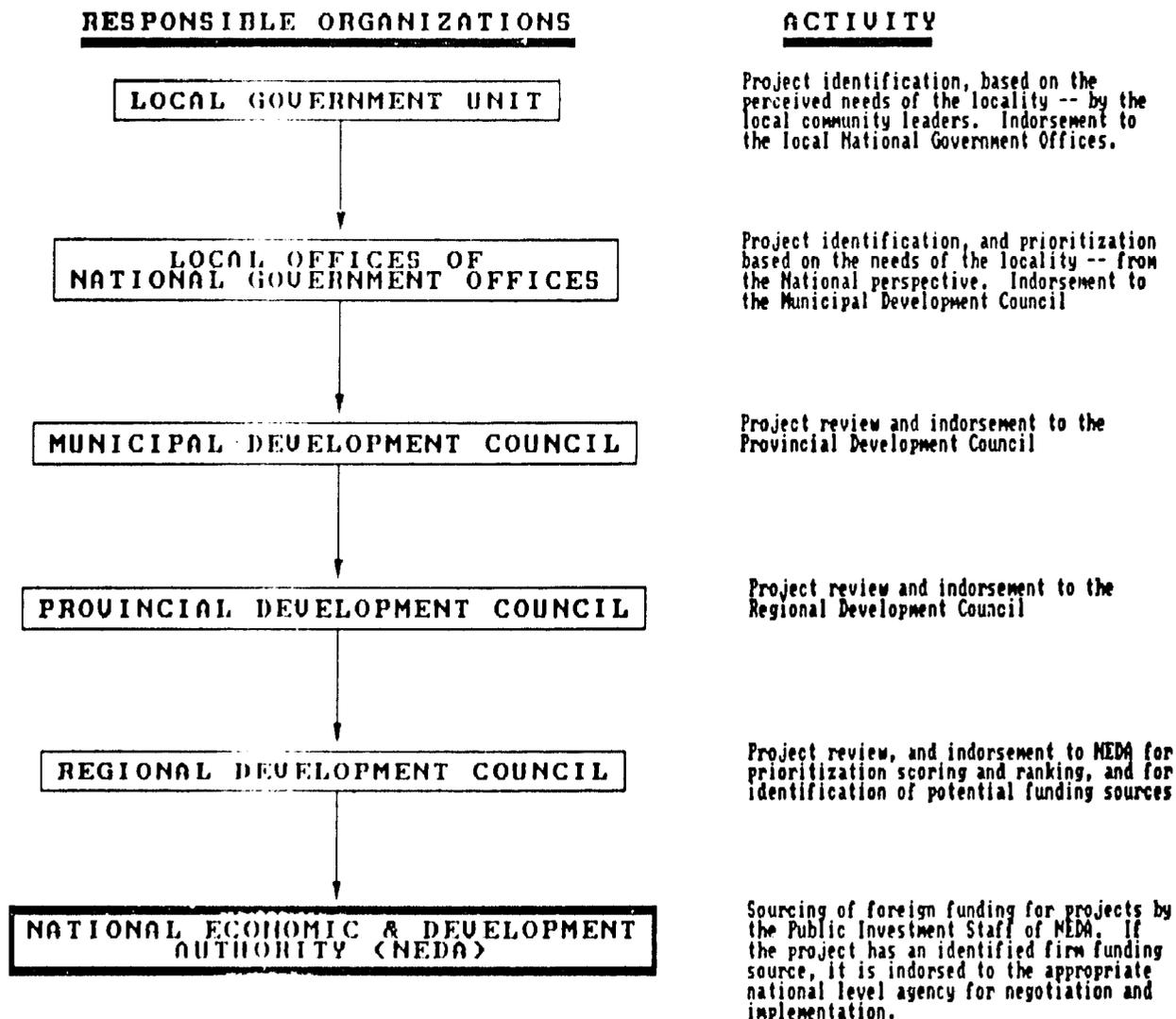
Local Government Involvement? No. Local governments were only involved in the selection of projects in an indirect way -- and this involvement was long before the RIF began. Other than having originated a long-standing "wish list", there is no indication of any subsequent systematic involvement of local government units in the RIF. Furthermore, the RIF has not targeted the local district offices of DPWH for any equipment support or institutional development effort to handle the maintenance aspects that will ensue from the project.

Significant Deviations from the PP & PROAG? Yes. The disbursement mechanisms outlined in the Project Paper and Project Agreement were not followed. A different system -- of direct payment by USAID -- was agreed to in writing as provided by the PROAG. This process appears to be working well.

PHILIPPINE GOVERNMENT

IDENTIFICATION AND PRIORITIZATION PROCEDURES FOR PROJECT SELECTION

35



REPUBLIC OF THE PHILIPPINES
 NATIONAL ECONOMIC & DEVELOPMENT AUTHORITY (NEDA) 36
 CRITERIA FOR PRIORITIZATION OF PROPOSED PROJECTS FOR THE
 MEDIUM TERM PUBLIC INVESTMENT PROGRAM

| ASPECT | WEIGHT | FACTOR | FACTOR WEIGHT | SUB-FACTORS | RANGE OF POINTS POSSIBLE |
|---------------------------------|--------|--|-----------------|-----------------------|---------------------------------|
| A. ECONOMIC DESIRABILITY | 26% | 1. Internal rate of return, or benefit/cost ratio | 17% (12 points) | 10 | 2-12 |
| | | 2. Generation of employment opportunities | 16% (10 points) | a b c | 2-4 1-4 1-4 |
| | | 3. Strengthen & diversify the rural sector | 10% (11 points) | a b | 1-5 1-5 |
| | | 4. Generation of net foreign exchange | 10% 6 options | | 1-10 |
| | | 5. Impact on sectoral targets and objectives (Production level, growth rate, productivity) | 10% (10 points) | a b c | 1-5 1-5 1-5 |
| | | 6. Increase in income levels of target clientele | 13% | 5 | 1-10 |
| | | 7. Relative strength of forward and backward linkage | 7% | 4 | 1-10 |
| | | 8. Judicious use of local resources - i.e., protects the environment and maintains ecological balance | 10% | 4 | 2-10 |
| | | 9. Appropriate technology - low cost/indigenous | 7% | 5 | 1-10 |
| B. PROJECT COST & FINANCING | 17% | 1. Project has revenue generating capability | 20% 6 options | | 2-10 |
| | | 2. Does not require excessive budgetary counterpart | 23% (10 points) | a b c | 1-5 1-5 1-5 |
| | | 3. Project is cost effective | 30% (10 points) | a b c | 3-5 1-5 1-5 |
| | | 4. Project has high potential for grant financing | 19% (10 points) | a b c d | 2-5 2-5 1-5 1-5 |
| C. SOCIAL DESIRABILITY | 24% | 1. Target beneficiaries socio-economically depressed | 16% | 4 | 1-10 |
| | | 2. Promotes active popular grassroots participation | 11% | 6 | 1-10 |
| | | 3. Strengthen/improve local institutional capabilities | 10% | 6 | 1-10 |
| | | 4. Improve level & quality of community services | 11% | 4 | 1-10 |
| | | 5. Develop potentials - health, educ'n, skills/employ't | 12% | 6 | 1-10 |
| | | 6. Promote stable political climate & social environ't | 10% | 7 | 1-10 |
| | | 7. Fulfill target beneficiaries basic needs | 12% | 5 | 1-10 |
| | | 8. Promote equitable distribution of income & wealth | 12% | 4 | 1-10 |
| | | 9. Facilitate transition to stable demographic condition | 6% | 7 | 1-10 |
| D. REGIONAL GROWTH & DISPERSAL | 19% | 1. Impact on regional growth and economic performance | 26% (10 points) | a b c d e | 2-5 1-5 1-5 1-5 1-5 |
| | | 2. Impact on regional dispersal and disparities | 22% | 4 | 1-10 |
| | | 3. Impact in reducing intra-regional disparity | 17% | 4 | 1-10 |
| | | 4. Regional cohesiveness and intra-regional business | 17% | 5 | 2-10 |
| | | 5. Regional absorptive capacity for increased investment | 10% (10 points) | a b c | 4 4 4 |
| E. INSTITUTIONAL CONSIDERATIONS | 14% | 1. Agency absorptive capacity | 20% (10 points) | a b c d | 4 4 4 4 |
| | | 2. Agency mandate/authority to implement project | 25% (10 points) | a b c d | 4 4 4 4 |
| | | 3. Institutional arrangements for implementation and operation are consistent with government policies | 23% (10 points) | a b c d e | 4 4 4 4 4 |
| | | 4. Private sector encouraged to contribute inputs/suggestions to project implementation | 24% (10 points) | a b c d e | 4 4 4 4 4 |

PROJECT SELECTION METHODOLOGY

[QUESTION 8]

Q8. What is the overall methodology which DPWH uses for matching donor funds with proposed sub-projects? Does this methodology assure that the more viable sub-projects are being prioritized for implementation? Do accomplishments under RIF compare favorably with the accomplishments of other donor agencies working with the same implementing agencies?

Selection Methodology As indicated in response to Question 7, the GOP has a well-established system for identifying and prioritizing development projects, which takes into consideration a wide variety of factors pertinent to development. A summary outline of this system is shown on the following page.

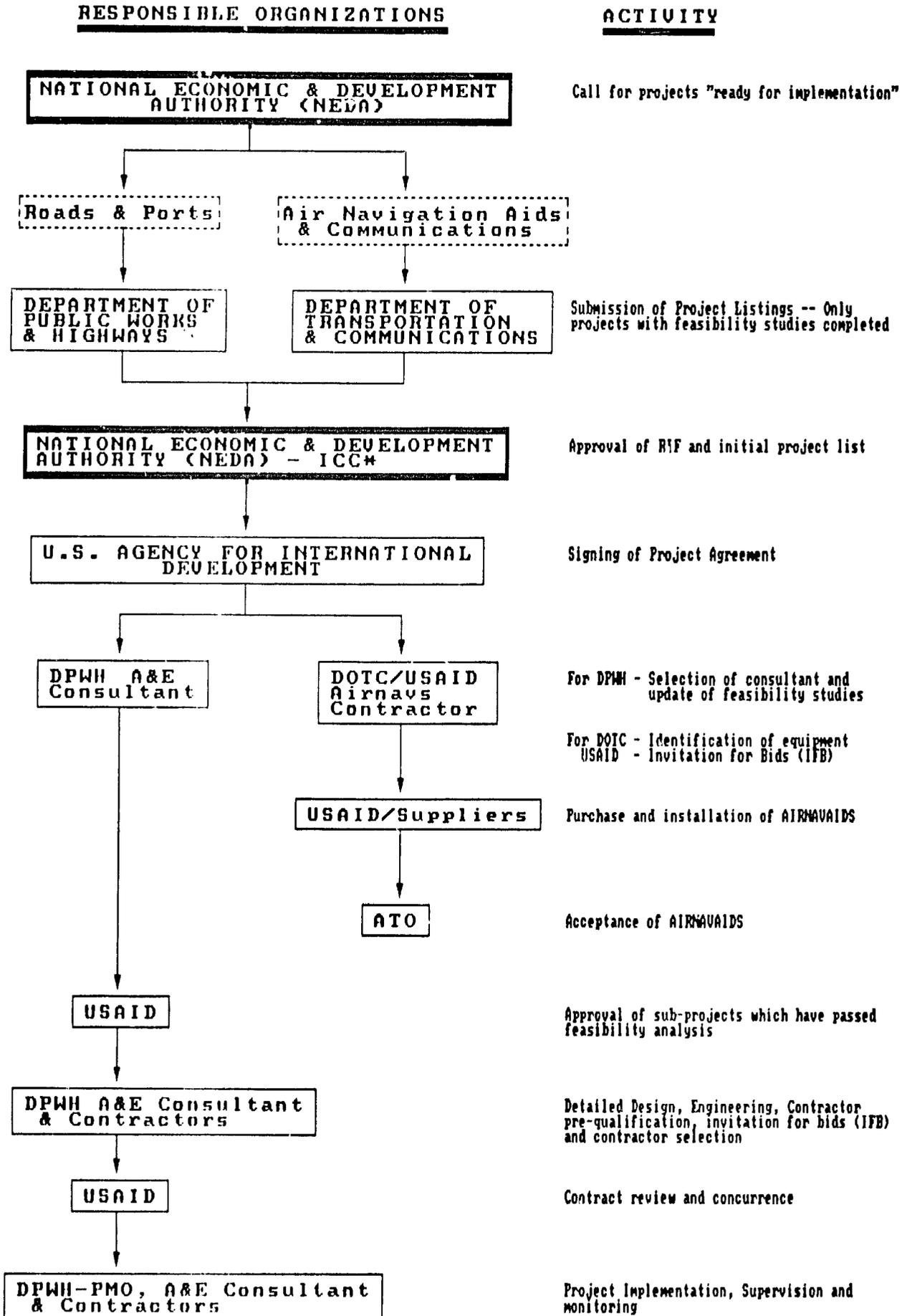
Sub-Project Viability Prioritized? No. Economic viability is an intrinsically important consideration for sub-project selection, but only 4.5% of the total selection criteria addresses economic viability. Given this weighting, there is little or no assurance that the more viable sub-projects are prioritized for implementation. Furthermore, because so many of the initial cost estimates have proven to be unrealistically low, and the time frames for implementation exceeded, once a contract is awarded the economic viability aspects are given little if any further consideration.

Nevertheless, considerable thought and effort has gone into designing an objective system for project selection, to address (and attempt to balance) the various factors involved, and assure that projects which survive this review accord with overall GOP priorities.

RIF vs Other Donor Accomplishments Similar. Accomplishments under RIF are not significantly different from those of other donors. All tend to encounter some negative slippage, and the reasons for slippage are similar -- delays in awarding contracts, slow procurement of equipment, delays in clearing customs, lack of adequate equipment on site, and right-of-way problems on the job.

PHILIPPINE GOVERNMENT

IDENTIFICATION AND PRIORITIZATION PROCEDURES FOR RIF PROJECT SELECTION



WORKING RELATIONSHIPS

[QUESTION 9]

Q9. Does USAID staff maintain effective working relationships with the implementing agencies with regard to the resolution of problems encountered during the implementation of sub-project activities? Is USAID able to respond in a timely manner to GOP requests under the project?

Effective Working Relationships? Yes. The current incumbents enjoy good personal rapport, and have established a sound professional working relationship with the DPWH & DOTC implementing agencies.

Problem Resolution No. The question of whether or not AID has an effective relationship with the GOP is begged by the fact that USAID is not a party to the contracts under which the project is being implemented. Thus the scope of AID's effectiveness in implementing the project and resolving contractor-related difficulties and issues with the GOP is considerably curtailed. Many issues have continued without resolution for a considerable time. Although AID is technically aloof from day-to-day problems, additional USAID intervention is needed -- at the highest DPWH levels -- in the interest of effective project implementation.

USAID Responsiveness Yes. USAID does respond in a timely manner to GOP requests, however since or the most part, the project is being implemented under Host Country Contracts, the DPWH has no reason to turn to USAID for help with RIF problems regarding Roads & Bridges, and Ports.

The NAVAIDS and Telecommunications subsectors are implemented by USAID contracts for commodities and technical assistance. The GOP agencies affected (DOTC and its ATO) appeared satisfied with USAID's handling of the contracts.

OUTSTANDING ISSUES

In addition to the pre-targetted study questions, during the course of the study the evaluation team encountered several issues which still need resolution.

These issues -- and the evaluation team's recommendations -- are outlined on the following pages.

OUTSTANDING ISSUES

**DEPARTMENT OF
PUBLIC WORKS & HIGHWAYS
(DPWH)**

OUTSTANDING ISSUES

RIF PROJECT MANAGEMENT

DESIGNATION OF THE ENGINEER

In order to implement the RIF project more efficiently and effectively, it is essential that someone be formally designated as The Engineer. The present ambiguous situation hampers the Consultant's effective discharge of responsibilities, and is the locus of many issues between the contractor, USAID, LBII, the PMO and the DPWH bureaucracy.

The Evaluation Team wishes to emphasize that resolution of this issue is purely a GOP prerogative.

From the evaluation team's perspective and collective experience, the preferred option would be to designate the Chief of Party of the A&E Consultant (LBII/TCGI) as the Engineer, with the DPWH as the Employer.

If, however, the DPWH decides that it wishes to be the Engineer -- we suggest that management effectiveness will be enhanced if responsibility is placed on an individual with direct operational involvement in the project, at a level not higher than the Project Manager of the PMO, rather than a titular designee at a higher DPWH executive level.

Recommendation

The evaluation team recommends that DPWH formally designate -- in writing -- an Engineer for the project. We recommend Louis Berger International Inc. as the most appropriate organizational entity, and one individual of LBII/TCGI senior staff who will have the duties, responsibilities and authorities as set forth in the FIDIC¹ "Conditions of Contract (International) for Works of Civil Engineering Construction".

¹FIDIC -- *Federation Internationale des Ingenieurs-Conseils*

OUTSTANDING ISSUES
RIF PROJECT MANAGEMENT
& DEPARTMENT ORDER 55
(D.O. 55)

The unitary PMO management style utilized in DPWH functions differently from the diffused decentralized Regional Manager concept. Though both systems are valid management approaches, their objectives are different.

The PMO has a short term responsibility and is primarily concerned with getting the job done right -- i.e. efficiently -- as planned, on time and within cost.

The Regional Director has a longer run responsibility and is primarily concerned with getting the right job done -- i.e. effectively -- and plans, schedules, and even the costs modified if necessary to meet the currently perceived priorities within his geographic area.

These two differing objectives do not co-exist well, especially when the responsibilities are diffused to different individuals with varying levels of authority for administrative, financial and performance management.

The Evaluation Team wishes to emphasize that resolution of relative priorities in this complex issue is purely a GOP prerogative.

As a general policy, USAID actively supports the concept of decentralization. In this particular instance, however, from USAID's perspective, the consequence of continued application of D.O. 55 to the RIF project (or avoidance of the issue) is that additional cost, administrative complexity, and resultant delays are most likely to be incurred, as the project was not designed for implementation under a decentralized mode.

Recommendation

In order to implement the RIF project most efficiently and effectively, the evaluation team recommends that USAID request DPWH to exempt the RIF project from Department Order 55 with regard to supervision by the Regional Director of technical performance, as well as monitoring and approval of expenditures.

OUTSTANDING ISSUES

CONTRACTOR PREQUALIFICATION & SELECTION

The current GOP procedure for prequalifying contractors and awarding contracts is satisfactory, but its implementation is weak, as numerous instances have surfaced where contractors have been selected who did not in fact have the capability (or intent) to complete the job.

Although not a party to Host Country contracts, USAID's role in the review and approval of the contractors selected is ineffectual -- apparently a superficial review of paper qualifications -- which contributes little, if anything, to the review process. Consequently, for the remaining few sub-projects under the RIF -- as well as for subsequent infrastructure projects that USAID may enter -- there is a need to improve the contractor selection and award procedures.

Given the tremendous number of potential contractors scattered throughout the Philippine archipelago, and the ease with which documents can be obtained, doctored and experience and other requirements "inflated", the PBAC is probably doing all it can to screen contractors at the pre-qualification stage. It simply is not feasible to conduct an on-site inspection of every would-be contractor. Emphasis must therefore be focussed on the next stage -- the award.

Physical inspection of the successful contractor selectee's facilities and equipment, and possibly even back-checking on some prior work performed, should be well worth the additional time, effort and cost involved -- by reducing the number of failures on-the job during implementation. Furthermore, the general knowledge in the contracting community that such a procedure would be regularly instituted by DPWH might preclude many frivolous and/or unqualified contractors from submitting bids in the first instance. With a USAID engineering representative as party to such an inspection, the USAID role would also be a meaningful review, rather than simply a paper exercise.

Recommendation

The evaluation team recommends that DPWH/PBAC prequalification screening be intensified, and a joint DPWH/LBII & USAID physical inspection of contractors facilities and equipment be conducted prior to final award of the contract.

OUTSTANDING ISSUES
APPROVED AGENCY ESTIMATES
(AAE)

In planning to contract for construction services, preparing a contract budget is an integral of the process -- for both technical and administrative reasons. The government contracting officers need to have an appreciation for what a "reasonable cost" might be, while the project officer must take appropriate steps to set aside the necessary funding. In the Philippines, these cost estimates -- Approved Agency Estimates (AAEs) -- are developed by DPWH engineers. Allowable Government Estimates (AGEs) are then determined as an acceptable range bracketing the AAEs, to serve as a check on unrealistically high or low bids.

Most countries -- including the US -- use a similar approach to developing reasonable contract costs and competitive ranges. In the Philippines however -- and particularly in the DPWH -- rather than facilitating the contract award process, Approved Agency Estimates (AAE) have become part of the problem because some of the factors used in their preparation are outdated and/or inappropriate. The two major elements contributing to inadequate AAEs are the use of government controlled prices, and determinants of indirect costs.

1. Government controlled prices Real prices in the marketplace are often much higher than the government's "controlled" price which is used in the AAE, resulting in an AAE which is considerably underestimated.

2. Indirect cost rate Some of the factors in calculating the indirect cost rate are unrealistically pegged at certain levels, or ratios, which can result in an AAE that is far too low.

Recommendation

The evaluation team recommends that the GOP utilize current market prices rather than government-controlled prices, and adjust the formulae for computing Agency Estimates.

OUTSTANDING ISSUES

CONTRACTOR PAYMENT PROCEDURES

The present procedures for reimbursing contractors are slow and inefficient, resulting in delayed payments as well as uncertainty as to what items have (and have not) been paid. The procedure differs from that documented in the project paper, and while it has apparently evolved from experience, remains undocumented. Thus, it is not clear to all parties exactly what the actual process is, or reasonable requirements and "normal" time lags are at each stage.

Furthermore, as a consequence of D.O. 55, some additional steps have been injected in the pre-existing process, and physical backtracking of vouchers -- i.e. from the contractor and A&E in the field to Manila, then back to the Regional Office for approval, and back to Manila again, (with additional requirements for supporting documents) -- has occurred.

There is therefore a need to review, modify, clearly delineate, and then document the process and requirements for future reference and adherence by all parties involved.

[If the RIF is not exempted from Regional Director supervision for monitoring RIF expenditures, the evaluation team recommends that at a minimum, the document routing should be modified so that the Regional Office reviews and approves billings before forwarding them to LBII and DPWH in Manila, and reasonable time limits be imposed for processing vouchers at each stage.]

Recommendation

The evaluation team recommends that the requirements, procedure and schedule for payments to contractors be reviewed, modified and clearly delineated; then adhered to by all parties.

OUTSTANDING ISSUES

RIGHT OF WAY (ROW)

Visits to the three largest road projects (amounting to approximately US\$40 million) as well as several ports and airports confirmed that difficulties exist in acquiring access to rights-of-way (ROW).¹ Discussions with the DPWH District Engineers (DEs) responsible for ROW settlements indicate that they have been provided funds to settle with the encroaching parties, but while "working on it", DEs apparently do not view ROW access issues with the same sense of urgency as the PMO. However, the evaluation team holds an opposing view -- that this is a problem which warrants immediate attention, and one which will become more serious with the passage of time.

The simple fact that the rights-of-way are not clear, with the consequence that the contractor does not enjoy unencumbered access to the job site -- whether he currently needs it or not -- provides the contractor a basis for future claims for additional costs, and time extensions. The net effect is a further delay in the project as well as additional unnecessary cost being incurred, which could be avoided by prompt action -- even at this late date.

Recommendations:

The evaluation team recommends that:

1. DPWH expedite right-of-way (ROW) clearance for road and port construction.
2. USAID issue a Project Implementation Letter (PIL) advising the DPWH that prior to release of construction funds under new sub-projects, a certification must be provided that the parcellary survey has been completed and funds earmarked to cover the estimated right-of-way acquisition costs, together with a time-table and financial schedule for payment, and access.
3. USAID develop a Condition Precedent to Disbursement of Construction Funds that will assure right-of-way acquisition and guarantee free access by construction contractors, for future Construction Project Agreements, similar to the PIL recommended above.

¹Sporadic property and utility fixtures on the Quirino project are allegedly inhibiting contiguous construction activity. The Kalibo and Aju segments of the existing 20 meter wide National Highway are encumbered by squatter and/or abutting owner improvements. Even though the property already belongs to the DPWH, they have determined that owners of structures thereon should be reimbursed by the Government. Roadwork within the town of Estancia is -- or will be -- particularly impeded by numerous structures encroaching the right of way.

OUTSTANDING ISSUES

PAYMENT OF DUTIES & TAXES

The Project Agreement between USAID and the GOP is quite explicit regarding exemption from payment of duties and taxes under the RIF project¹ but problems continue to arise. Payment of taxes is a particularly contentious item -- the Bureau of Customs collects Value Added Tax (VAT) on imported equipment on behalf of the Bureau of Internal Revenue (BIR); while contractors are being charged for VAT by suppliers of locally-procured items, although VAT is not always separately identified on their billings. AID does not reimburse contractors for itemized VAT payments and in most -- but not all -- cases, AID deducts 10% (equivalent to the VAT rate) from its payment to most contractors, as such an amount was already considered (and factored in) in determining the contractors indirect costs and overhead rates.²

Where duties and taxes have already been paid by contractors, it is the GOP's responsibility to reimburse the contractor for such items. However, responsibilities and procedures for reimbursement are not clearly defined or consistently followed.

Recommendation

The evaluation team recommends that DPWH, USAID and any other interested parties establish a Joint Standard Operating Procedure (JSOP) for expeditious processing and resolution of issues between contractors under host country contracts, and the GOP/Engineer. Formalize the JSOP in a Joint Project Implementation Letter (JPIL).

¹Section B.4 Taxation paragraph (a) specifically states that "This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee" [emphasis ours]; and paragraph (b) further states that "To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transactions relating to such contracts; and (2) any commodity procurement transaction financed under the Grant are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant." [emphasis ours]. There may also be a more general "umbrella" bi-lateral agreement between the US and Philippine governments regarding this issue. [Brokerage fees are private entity charges, not governmental. Thus they are not reimbursable.]

²Torno's billing are apparently dealt with differently from other contractors.

OUTSTANDING ISSUES

**DEPARTMENT OF
TRANSPORTATION &
COMMUNICATIONS
(DOTC)**

OUTSTANDING ISSUES
AIR NAVIGATION AIDS
TRAINING

Although a number of air navigation aids have been provided nationwide, and a technical training center established in Manila under Phase I of the DOTC aspect of the RIF project, the need for continued in-country training is a current concern.

Because of budgetary constraints, the GOP is no longer able to sustain the desired flow of trainees -- particularly individuals from outside of the Metro Manila area.

Recommendation

The evaluation team recommends that DOTC and USAID ensure that adequate provision is made in Phase II for continued effective operation of equipment already provided -- through timely testing, technical training, and provision of spare parts.

OUTSTANDING ISSUES
AIR NAVIGATION AIDS
SPARE PARTS

Under Phase I of the DOTC aspect of the RIF project, a number of air navigation aids were provided and installed nationwide, and are now operational. A selected two year spare parts inventory was also provided and subsequently dispersed by the contractor to various operating locations.

During the installation process however, in order to expedite the installation and operational testing, some spares were utilized -- i.e. "borrowed" -- by the contractor to replace items which were found to be defective after shipment and testing.

While some of these items have been replenished by the contractor, the DOTC has no comprehensive inventory of the current state of spares vs that required to be provided under the contract.

Since procurement was under an AID Direct Contract, the USAID Project Officer should follow-up with the contractor and appropriate ATO officials to resolve this issue.

Recommendation

The evaluation team recommends that DOTC and USAID ensure that adequate provision is made in Phase II for continued effective operation of equipment already provided -- through timely testing, technical training, and provision of spare parts.

OUTSTANDING ISSUES
AIR NAVIGATION AIDS
FLIGHT CHECK/TESTING

Under Phase I of the DOTC aspect of the RIF project, a number of air navigation aids were provided and installed nationwide, and are now operational. Originally, it was anticipated that the GOP would provide an aircraft suitably equipped to perform this task. However, this did not materialize and eventually an aircraft was rented as an interim solution to conduct the initial testing.

There is a continuing requirement for periodic flight check/testing of this equipment, but the GOP still does not have an aircraft with the capability to conduct such tests, nor the budget to rent one.

Without continual periodic testing, and adjustment, the air navigation aids equipment will not meet international recertification requirements. Since Air Navigation Aids assistance is under an AID Direct Contract, the evaluation team recommends that the USAID Project Officer meet with appropriate DOTC officials to address this issue.

Recommendation

The evaluation team recommends that DOTC and USAID ensure that adequate provision is made in Phase II for continued effective operation of equipment already provided -- through timely testing, technical training, and provision of spare parts.

OUTSTANDING ISSUES

USAID

OUTSTANDING ISSUES CONFLICT RESOLUTION

A number of issues arise during project implementation, many of which are beyond the administrative responsibility or authority of DPWH to resolve. These are followed up by individuals on a case-by-case basis. However, there is no satisfactory authoritative locus for expeditious resolution of these issues. Bureaucratic processes are slow in any organization and inter-agency communication and coordination leaves much to be desired. With the passage of time, issues left unresolved (or apparently neglected) tend to grow into major problems.

Liaison between USAID and the RIF-PMO with the DPWH Central Office -- particularly at the levels of the Undersecretary, Assistant Secretaries and Bureau Directors -- needs to be strengthened.

An interagency committee -- composed of the undersecretaries of the DPWH, NEDA, Department of Finance, Department of Environment and Natural Resources, and other relevant line departments -- already exists for resolving issues incurred on several other foreign assisted projects administered by the DPWH. The members can also be formally organized into a Project Steering Committee as the venue for resolution of problems/issues encountered during project implementation.

This committee meets every other month, or as frequently as issues arise. Committee members are the contact person for issues concerning their department. The donor representative plays an active observer role, but is not bound by the agreements reached by the committee. This Interagency Committee approach utilized on some other donor projects appears to be an appropriate model for the RIF to adopt.

Recommendation

The evaluation team recommends that DPWH, USAID and any other interested parties establish a Joint Standard Operating Procedure (JSOP) for expeditious processing and resolution of issues between contractors under host country contracts, and the GCP/Engineer. Formalize the JSOP in a Joint Project Implementation Letter (JPIL).

OUTSTANDING ISSUES A&E CONTRACTOR RENEWAL

The current Host Country Contract for A&E services with LBII/TCGI will expire in 1992 -- some two years before the construction contracts are scheduled to complete. However, A&E construction supervision services will be required for the life of the project. Furthermore, PMO change orders to LBII/TCGI's A&E services to date have resulted in expenditures at a rate faster than originally planned. Consequently, LBII/TCGI currently estimates that all budgetted funds will be fully committed by the second quarter of Calendar Year 1992 (i.e. March - June).

Whether LBII/TCGI's contract is to be extended, or whether the A&E contract is to be readvertised for competitive bidding is a GOP management decision, as the A&E contract is a Host Country Contract. In any event, in order to avoid a hiatus in supervising construction it is not too early to initiate appropriate administrative steps at this time to provide additional funding for LBII/TCGI under their current contract, as well as to consider future contracting options at the expiration of their contract.

Recommendation

Initiate administrative action to obtain an A&E contractor for the remaining life of the RIF project, to become effective when the current contract with LBII/TCGI expires at the end of 1992.

OUTSTANDING ISSUES
HOST COUNTRY CONTRACTING
LAWS, RULES & PROCEDURES

Continuation of the host country contracting mode is recommended until the Project Assistance Completion Date (PACD). Therefore, USAID personnel (and the LBII as consulting engineers) should have a working familiarity with -- or access to the expertise -- to interpret host country laws, rules and regulations, in order to minimize the potential for future disputes.

In particular -- in addition to a review of GOP infrastructure contracting requirements, procedures and practices -- US expatriate attention should be directed to the Philippine Internal Revenue Code, tariff legislation and the recently passed Local Government Code.

Given a more complete appreciation for GOP requirements, USAID/DPWH consensus on the application and interpretation of rules and regulations -- and the need for modifications/waivers/exemptions thereto -- should be reached faster, and potential conflicts averted, thereby saving much time, effort, frustration and ill-will.

Recommendation

The evaluation team recommends that USAID familiarity with GOP laws, rules, regulations and procedures should be reassessed, and upgraded (or supplemented with Philippine legal assistance) as necessary to minimize potential disputes.

OUTSTANDING ISSUES

RIF FUTURE FUNDING OPTIONS

The evaluation team essentially considered four options for funding the RIF in the future:

1. DE-OBLIGATE Do not commit any more funds under the project -- deobligate existing uncommitted funds, and close out RIF as soon as possible
2. COMMIT CURRENT OBLIGATIONS Continue to commit the funds currently obligated for all on-going activities, but do not take on any new sub-projects, and do not replenish the funds diverted for the General Santos and Pinatubo activities
3. REPLENISH "DIVERTED" FUNDS replenish the funds reprogrammed for the General Santos and Pinatubo activities in order to provide adequate funds for the original target sub-projects
4. RETAIN THE RIF AS AN OPEN-ENDED FUNDING MECHANISM Continue to obligate additional funding as desired by, and available to, the Mission

Recommendation

The evaluation team recommended Option # 3 above -- but this was a simple majority decision rather than unanimous. [For Mission Management guidance, the "pros" and "cons" considered in arriving at this recommendation are outlined in Appendix 6.] Prefatory to taking any action, however, the team urges the Mission to develop a new Implementation Plan based on the current activities already committed and underway in terms of both available and required funding levels and the Project Assistance Completion Date, to ensure that they are adequate in light of the changes below:

1. The original cost estimates were very low
2. The life of the project has been extended
3. Some additional funds been provided
4. Many originally unforeseen costs have been (and will be) incurred
5. Some original activities have been dropped -- i.e. Rural Electrification
6. Some original activities have been scaled down -- i.e. Rural Telecommunications
7. Additional activities -- i.e. General Santos & Pinatubo have been added
8. Cost claims from Torno (and other contractors) should be anticipated by AID, and a "reserve" established for ultimate settlement.

LESSONS LEARNED

LESSONS LEARNED

The evaluation team draws four major lessons from the RIF experience which it commends to USAID for application to future projects.

1. Host Country Contracts

Although USAID is not a party to Host Country Contracts, they still require a considerable amount of technical project officer attention -- almost as much as AID Direct Contracts -- albeit in different aspects, and with considerably less control over the outcome.

2. Cost Estimates

Cost estimating at the Project Design stage is woefully inadequate. Greater attention should be paid to deriving cost data, and factoring-in escalation during the life of project.

3. Scheduling

Project implementation schedules should factor-in time for unforeseeable problems -- particularly at the start-up stage. Greater attention should be paid to "pessimistic" activity time estimates.

4. Expenditures & Commitments

Expenditure rates are not very useful indicators of progress in infrastructure projects. Commitments are a much more appropriate indicator.

APPENDIX 1
SCOPE OF WORK

SCOPE OF WORK

1. Review Project Documents (Task No. 1)

The evaluation team will review available project documents related to project implementation. This task would involve visiting the offices of USAID/Manila, the Department of Public Works and Highways (DPWH), the Department of Transportation and Communications (DOTC), and Louis Berger International, Inc. (LBI) and, as necessary, other consultants and contractors under the project.

2. Interview USAID, Implementation Agencies, Contractors, and Consultants (Task No. 2)

The evaluation team will conduct interviews of pertinent individuals within USAID, DPWH, DOTC, LBI, Torno America, and several local construction contractors of sub-projects for the purpose of gathering information on, among others, the effectiveness and timeliness of sub-projects.

3. Inspect Representative Sub-projects (Task No. 3)

The evaluation team will, based upon data collected from preceding tasks, select and inspect a number of representative sub-project sites for the purpose of investigating implementation problems specific to each of these sub-projects.

4. Define Project Accomplishments to Date (Task No. 4)

The evaluation team will define the project accomplishments achieved to date and compare these accomplishments with original projections. This comparison will be against the project inputs proposed in the Project Paper.

5. Review the Implementation Process Presently In Use (Task No. 5)

The evaluation team will review the entire implementation process presently in use for each category of sub-projects.

6. Identify Administrative Constraints (Task No. 6)

In conjunction with the review of the implementation process, the team will identify administrative constraints within USAID, the GOP implementing agencies, and project consultants with regard to both

the overall management of the RIF Project and the implementation of specific categories of sub-projects.

7. Identify Socio-Political Impediments (Task No. 7)

In conjunction with the review of the implementation process, the team will identify socio-political impediments within the Philippines which hamper the implementation of project activities both in the Philippines as a whole and in specific geographic areas.

8. Develop a Program for Improving/Expediting Sub-project Implementation (Task No. 8)

Based on the data collected as part of the preceding tasks and the findings drawn from same, the team will develop a recommended program to improve the implementation of sub-projects, including the restructuring/redesign of the RIF project if necessary.

9. Prepare an Evaluation Report in Draft Form (Task No. 9)

An evaluation report will be prepared in draft form by the team to present empirical findings responding to the specific study questions, to develop conclusions (interpretations and judgments) drawn from the findings, and to provide recommendations for restructuring project design, if necessary, in order that project implementation can proceed in a timely and effective manner.

10. Present Findings to USAID and Other Interested Parties (Task No. 10)

Prior to its departure from the Philippines, the evaluation team will present its findings at a meeting to be conducted in the Metro Manila area. Representatives of USAID/Manila, the GOP implementing agencies, and the project consultant will all be afforded the opportunity to participate at the oral presentation of the Team's findings.

11. Finalize Evaluation Report (Task No. 11)

The team will review comments received from USAID regarding the draft Evaluation Report and will prepare a final Evaluation Report which addresses all comments received.

12. Abstract and Summary (Task No. 12)

The members of the evaluation team will provide the necessary information and support to the evaluation team leader who will prepare the abstract and summary portions of the AID Evaluation Summary (Form AID 1330-5) in draft form and submit same to the USAID/Manila Project Officer for his/her use in developing the final summary.

APPENDIX 2
TEAM CALENDAR

7 October - 17 November

RIF EVALUATION TEAM SCHEDULE

| MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY | SUNDAY |
|---|---|--|---|---|--|---------------|
| 7 Oct 0900 Team - AID/ OCP Briefing 1400 Team - DPWH Brief 1600 Team - Visit DPWH | 8 Oct 1000 Team - RHP PMO Brief 1400 Team - Assign Responsibilities & Plan Strategy | 9 Oct Team - LBIH Brief Bob - Field Trip - Quirino Highway Lito - Visit DOTC | 10 Oct Ken - AID Eval Off | 11 Oct | 12 Oct 0900 Team - Progress Review Meeting | 13 Oct |
| Team - Review Documents & Conduct Interviews | | | | | | |
| 14 Oct Tom - Interview LBIH Dave Wallace US HOLIDAY - AID CLOSED | 15 Oct 1400 Interview - Feroz Purifoy 1500 Interview - AID Controller Ken, Bob, James, Lito - Kalibo & Estancia Highway | 16 Oct 1330 Interview - AID Contract Officer - Stan Heishman | 17 Oct Lito - Interview NEDA Region VI | 18 Oct Team - Interview PMO DD Team - Interview FEMCO | 19 Oct 0900 Team - Progress Review Meeting | 20 Oct |
| Team - Review Documents & Conduct Interviews | | | | | | |
| 21 Oct Lito - Interview NEDA | 22 Oct Lito - Interview DOTC 1000 Team - Interview Lorno | 23 Oct James - Interview DPWH Legal James - Interview Lorno | 24 Oct Team - Visit ATO Sites Team - Interview NEDA Team - Interview DOTC | 25 Oct 0900 Team - Progress Review 1400 TEAM - BRIEF AID ON FINDINGS | 26 Oct 0900 TEAM - REVIEW FINDINGS WITH DPWH | 27 Oct |
| Team - Review Documents & Conduct Interviews | | | | | | |
| 28 Oct | 29 Oct Bob - Field Trip Santa Rosa Port | 30 Oct 0930 TEAM MEET | 31 Oct 0930 TEAM - REVIEW RECS with DPWH 1400 TEAM - REVIEW RECS with AID | 1 Nov GOP HOLIDAY - DPWH & DOTC CLOSED | 2 Nov | 3 Nov |
| Lito - Field Trip - Gen Santos & Davao | | | Ken - INTEGRATE DRAFTS | | | |
| Team - Review Documents & Conduct Interviews | | | | | | |
| TEAM - WRITE DRAFTS | | | | | | |
| 4 Nov TEAM - WRITE DRAFTS | 5 Nov SECRETARIAT Reproduce & Bind Draft Report | 6 Nov SECRETARIAT - Distribute Draft Report Ken - Prepare Briefing Materials | 7 Nov 1500 TEAM - BRIEF AID | 8 Nov Team - Review Reactions to Briefing & Edit Draft | 9 Nov Checchi Team DEPARTS PHILIPPINES | 10 Nov |
| Ken - INTEGRATE DRAFTS | | Team - Read Draft Report & Check Final Details | | KEN - WRITE FINAL REPORT | | |
| 11 Nov US HOLIDAY - AID CLOSED | 12 Nov | 13 Nov | 14 Nov 1430 TEAM - BRIEF DPWH | 15 Nov | 16 Nov | 17 Nov |
| AID, DPWH & DOTC - Review & Comments on DRAFT REPT | | | | | | |
| KEN - WRITE FINAL REPORT | | | | | | |

APPENDIX 3
ACRONYMS & ABBREVIATIONS

ACRONYMS & ABBREVIATIONS

| | |
|------------|--|
| A&E | -- ARCHITECT & ENGINEERING SERVICES |
| AAE | -- APPROVED AGENCY ESTIMATE |
| ADB | -- ASIAN DEVELOPMENT BANK |
| AFP | -- ARMED FORCES OF THE PHILIPPINES |
| AGE | -- ALLOWABLE GOVERNMENT ESTIMATE |
| AID | -- U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT |
| AID/W | -- U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C. |
| AIRNAVAIDS | -- AIR NAVIGATIONAL AIDS |
| ANPAC | -- AID/WASHINGTON ASIA-NEAR EAST BUREAU'S PROJECT ADVISORY COMMITTEE |
| ATO | -- AIR TRANSPORTATION OFFICE |
| ATTY | -- ATTORNEY |
| BIR | -- BUREAU OF INTERNAL REVENUE |
| BRBDP | -- BICOL RIVER BASIN DEVELOPMENT PROJECT (SECONDARY AND FEEDER ROADS) |
| CBD | -- COMMERCE BUSINESS DAILY |
| CDSS | -- USAID COUNTRY DEVELOPMENT STRATEGY STATEMENT |
| CIDA | -- CANADIAN INTERNATIONAL DEVELOPMENT AGENCY |
| COA | -- COMMISSION ON AUDIT |
| CONS | -- ARGUMENTS AGAINST THE RECOMMENDATION |
| COPMO | -- DPWH CENTRAL OFFICE PROJECT MANAGEMENT OFFICE |
| CP | -- CONDITION PRECEDENT |
| DBM | -- DEPARTMENT OF BUDGET & MANAGEMENT |
| DE | -- DISTRICT ENGINEERS |
| DME | -- DISTANCE MEASURING EQUIPMENT |

DO -- DEPARTMENT ORDER
 DOTC -- DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS
 DPWH -- DEPARTMENT OF PUBLIC WORKS & HIGHWAYS
 DR -- DOCTOR
 DTC -- DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS
 EIRR -- ECONOMIC INTERNAL RATE OF RETURN
 ENG -- ENGINEER
 EO -- EXECUTIVE ORDER
 F&O -- FREE AND OPEN COMPETITION
 FEMCO -- FISHER ENGINEERING MANAGEMENT COMPANY
 FIDIC -- *FEDERATION INTERNATIONALE DES INGENIEURS-CONSEILS*
 FP -- FISHING PORTS
 GIS -- GEOGRAPHIC INFORMATION SYSTEM
 GNP -- GROSS NATIONAL PRODUCT
 GOP -- GOVERNMENT OF THE PHILIPPINES
 HADP -- HIGHLAND AGRICULTURE DEVELOPMENT PROJECT
 HCC -- HOST COUNTRY CONTRACTING
 HYV -- HIGH YIELDING VARIETY
 IA -- IMPLEMENTING AGENCY
 IBRD -- WORLD BANK (INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT)
 IFB -- INVITATION FOR BID
 ILS -- INSTRUMENT LANDING SYSTEM
 IQC -- INDEFINITE QUANTITY CONTRACT
 IRR -- IMPLEMENTING RULES & REGULATIONS
 IRR -- INTERNAL RATE OF RETURN
 JPIL -- JOINT PROJECT IMPLEMENTATION LETTER

JSOP -- JOINT STANDARD OPERATING PROCEDURE

KFAED -- KUWAITI-FUNDED AGRICULTURE & ECONOMIC DEVELOPMENT

KM -- KILOMETER

LBII -- LOUIS BERGER INTERNATIONAL, INCORPORATED

MDP -- MINDANAO DEVELOPMENT PROJECT

MF -- MANGEHAN FLOODWAY

MMINUTE -- METRO MANILA INFRASTRUCTURE UTILITIES & ENGINEERING PROGRAM

MOV -- MEANS OF VERIFICATION

MTPIP -- MEDIUM TERM PUBLIC INVESTMENT PROGRAM

NAIA -- NINYO AQUINO INTERNATIONAL AIRPORT, MANILA

NCR -- NATIONAL CAPITAL REGION

NDB -- NON-DIRECTIONAL BEACON

NEDA -- NATIONAL & ECONOMIC DEVELOPMENT AUTHORITY

NGO -- NON-GOVERNMENTAL ORGANIZATION

NPA -- NEW PEOPLES ARMY

NS -- NARRATIVE SUMMARY

NTP -- NOTICE TO PROCEED

O&M -- OPERATION & MAINTENANCE

OCP -- USAID OFFICE OF CAPITAL PROJECTS

OECF -- JAPANESE OVERSEAS ECONOMIC COOPERATION FUND

OFM -- USAID OFFICE OF FINANCIAL MANAGEMENT

OVI -- OBJECTIVELY VERIFIABLE INDICATOR (MEASURABLE)

PACD -- PROJECT ASSISTANCE COMPLETION DATE

PAS -- USAID PHILIPPINE ASSISTANCE STRATEGY

PBAC -- PROJECT BIDDING & AWARDS COMMITTEE

PD -- PRESIDENTIAL DECREE

PERT/CFM -- PROGRAM EVALUATION & REVIEW TECHNIQUE/
CRITICAL PATH METHOD

PIL -- PROJECT IMPLEMENTATION LETTER

PIO/T -- AID PROJECT IMPLEMENTATION ORDER FOR
TECHNICAL SERVICES

PJHL -- PHILIPPINE-JAPANESE HIGHWAY LOAN

PMO -- PROJECT MANAGEMENT OFFICE

PP -- PROJECT PAPER

PREMIUMED -- PROGRAM FOR ESSENTIAL MUNICIPAL
INFRASTRUCTURE, UTILITIES, MAINTENANCE
AND ENGINEERING

PROAG -- PROJECT AGREEMENT

PROS -- ARGUMENTS FOR THE RECOMMENDATION

PSC -- PERSONAL SERVICES CONTRACTOR

RCDP -- REGIONAL CITIES DEVELOPMENT PROJECT

RDC -- REGIONAL DEVELOPMENT COUNCIL

RE -- RESIDENT ENGINEER

RECS -- RECOMMENDATIONS

RFTP -- REQUEST FOR TECHNICAL PROPOSAL

RIF -- RURAL INFRASTRUCTURE FUND PROJECT

RIF-PMO -- DEPARTMENT OF PUBLIC WORKS & HIGHWAYS
PROJECT MANAGEMENT OFFICE FOR THE
RURAL INFRASTRUCTURE FUND PROJECT

RIFP -- RURAL INFRASTRUCTURE PROJECT

RIG -- REGIONAL INSPECTOR GENERAL (AID)

ROW -- RIGHT-OF-WAY

RPMO -- DPWH REGIONAL PROJECT MANAGEMENT OFFICE

RPTS -- REPORTS

S&T -- AID/WASHINGTON'S SCIENCE & TECHNOLOGY
BUREAU

SIRDP -- SAMAR INTEGRATED AREA DEVELOPMENT PROJECT

SPIADP -- SECOND PALAWAN INTEGRATED AREA
DEVELOPMENT PROJECT

SRRIP -- SECOND RURAL ROADS IMPROVEMENT PROJECT

SWIM -- SMALL WATER IMPOUNDING PROJECT

TAFSJV -- TORNO AMERICA/FOUNDATION SPECIALISTS
JOINT VENTURE

TCGI -- TCGI ENGINEERS -- JOINT VENTURE PARTNER
OF LBII

TCP -- TOTAL PROJECT COST

TDY -- TEMPORARY DUTY

URPO -- URBAN ROADS PROJECT OFFICE

USAID -- U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT, MANILA, PHILIPPINES

VAT -- VALUE ADDED TAX

VOR -- VISUAL OMNI RANGE

APPENDIX 4
DOCUMENTS CONSULTED

DOCUMENTS CONSULTED

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APPENDIX 5
INDIVIDUALS CONTACTED

CONTACTS INTERVIEWED

- ADLAWAN, ELEAZAR - Contractor, Santa Rosa Port
- BALUCATING, CHRISOSTOMO O. - Chief, Air Navigation Service, Department of Transportation & Communication
- BATOBALONOS, EDUARDO - Airport Manager, General Santos Airport, Buayan, General Santos City, South Cotabato
- CAHANDING, DANIEL P. - Senior Soils/Materials Engineer, LBII/TCGI, Babak Port, Samal Island, Davao
- CASTIN GREGG W. - Project Sponsor, Torno America/Foundation Specialists, Joint Venture
- CHIU, ERLINDA B. - Supervising Economic Development Specialist, NEDA Regional Office, Iloilo City
- DAWAY, JOCELYN - Project Management Specialist, Mindanao Development Project
- DE LA TORRE, JUANITO C. - Resident Engineer, Kalibo Highway Project, Louis Berger International, Inc., in Joint Venture with TCGI Engineers
- GARCIA, FRANCISCO M. - Deputy Project Manager, FEMCO-LVM Joint Venture, Estancia-Ajuy Highway Sub-Project
- GOCO, LEOVEGILDO - District Engineer, DPWH, Roxas, Capiz
- HEISHMAN, STANLEY - Contracts Officer, USAID/Manila
- KINGERY, MICHAEL - USAID PSC Engineer, Mindanao Development Project
- LAGER, ROBERT H. - Field Director, Kalibo Highway Torno America/Foundation Specialists, Joint Venture
- LATONIO, TEODORICO - Resident Engineer, Santa Rosa Port, Louis Berger International, Inc., in Joint Venture with TCGI Engineers
- LOVERIA, RICARDO - Project Engineer, FEMCO-LVM Joint Venture, Estancia-Ajuy Highway Sub-Project
- MALONE, FRANK E. - Financial & Administration Manager, Torno America/Foundation Specialists, Joint Venture
- MCKENZIE, JULIAN H. - Construction Manager, Louis Berger International, Inc., in Joint Venture with TCGI Engineers

MERCADO, MARIANO M. - Electronics Shop Supervisor, Air Navigation Service, Air Transportation Office, ATO Building, Manila International Airport Authority, Manila

MIR, EDMUNDO V. - Undersecretary, Foreign Assisted Projects, Department of Public Works & Highways

MISIANO, EMMANUEL R. - Project Assistant, Office of Capital Projects, USAID/Manila

O'DWYER, MICHAEL - Construction Manager, Torno America

OCAMPO, ALFREDO P. - Resident Engineer, Estancia-Ajuy Highway Project, Louis Berger International, Inc., in Joint Venture with TCGI Engineers

OSEA, HENRY T. - Resident Engineer, Quirino Highway Project, Louis Berger International, Inc., in Joint Venture with TCGI Engineers

PANAGUITON, ALFREDO B. - Assistant District Engineer, Iloilo 2nd Engineering District, Sara, Iloilo

PANLILIO, EMILIA - Chief Economic Development Specialist, National Economic & Development Authority (NEDA), NEDA Building, Pasig, Metro Manila

PARAGAS, JOEY - Project Engineer, Torno America, President Roxas, Capiz

PURIFICACION, TIRSO - Deputy Project Manager, Louis Berger International, Inc., in Joint Venture with TCGI Engineers

PURIFOY, LEROY - Chief Engineer, Office of Capital Projects, USAID/Manila

REYES, ELAINE A. - Contractor, Santa Rosa Port

RIVAS, NICHOLAS - Chief Economic Development Specialist, NEDA Regional Office, Iloilo City

ROCO, SULPICIO S. JR. - Evaluation Officer, USAID/Manila

RODRIGUEZ, EDUARDO G. - President, FEMCO-LVM Joint Venture, General Contractor

SANTOS, AUGUSTO - Director, Infrastructure Staff, National Economic & Development Authority (NEDA), NEDA Building, Pasig, Metro Manila

SANTOS, ROMY - Operations Engineer, ALC Construction, Manila

- SILVELA, ERNESTO A. - Regional Director, Department of Public Works & Highways, Region VI, Iloilo
- SOLLESTA, REY JAMES - Resident Engineer I, Region VI, Department of Public Works & Highways
- SORIQUEZ, FLORANTE E. - Project Director & Project Manager, PMO/RIFP, Department of Public Works & Highways
- STANFORD, JAMES C. - Controller, USAID/Manila
- STERN, MICHAEL G. - Director, ADP Division, Louis Berger International, Inc., in Joint Venture with TCGI Engineers
- TABALE, PASTOR - Assistant Project Manager, PMO/RIFP, Department of Public Works & Highways
- UMITEN, SALVIO - Engineer, USAID/Manila
- VALBUENA, CESAR - Assistant Secretary, Department of Transportation and Communications, PHILCOMCEN Building, Pasig, Metro Manila
- VERMILLIO, OSCAR - Engineer, USAID/Manila
- WALLACE, DAVID - Country Manager, Louis Berger International, Inc., in Joint Venture with TCGI Engineers
- ZONAGA, MARIBELLE S. - Development Assistant Specialist, USAID/Manila
- ZVINAKIS, DENNIS C. - Director, Office of Capital Projects, USAID/Manila

APPENDIX 6
BACKUP DATA RE:
FINDINGS & RECOMMENDATIONS

**GOP GUIDELINES RE
HOST' COUNTRY CONTRACTING**

[QUESTION 1]

Q1. Do the GOP guidelines relating to Host Country contracts with consultants promote timely and effective services for the implementation of sub-projects under RIF, especially with regard to contract negotiations with foreign consultants?

The existing GOP guidelines on consultancy are contained in the "Guidelines on the Procurement of Consulting Services for Government Projects" approved by the National Economic & Development Authority (NEDA) on 12 September 1990. These guidelines amended the original ones prepared by the NEDA in December 1987 pursuant to Executive Order (E.O.) 164 signed into law by President Corazon C. Aquino on 5 May 1987.

Consistent with its policy objective to achieve maximum efficiency and economy in the development and implementation of government projects, the guidelines provide for a selection process that promotes timely and effective delivery of consultancy services. The consultancy requirement is advertised in newspapers, and notices are also posted in conspicuous places. Interested consultants are shortlisted based on appropriate experience, qualification of personnel, and job capacity. Shortlisted consultants are then ranked based on experience and corporate capability, plan of approach and methodology, and quality of personnel to be assigned.

To promote the development of Filipino consultancy, the NEDA guidelines provide that Filipino consultants shall be hired whenever the services required are within their expertise and capability. Otherwise -- and in the interest of effecting technology transfer -- foreign consultants may be hired in association with Filipino consultants.

To qualify for hiring, foreign consultants must be registered with the Securities and Exchange Commission, and must also be authorized by the appropriate Philippine professional regulatory body if the consulting services involve the practice of a regulated profession.

The applicability of the NEDA guidelines to foreign funded projects is qualified by the provisions of Section 9.3 thereof which reads:

The above notwithstanding, these guidelines shall not negate any existing and future commitments with respect to the selection of consultants financed partly or wholly with funds from international financial institutions, as well as from bilateral and other similar sources as stipulated in the corresponding agreements with such institutions/sources.

Annex 1, Section IV (C), to the Project Grant Agreement dated 28 September 1987 between the Republic of the Philippines and USAID provides that

. . . the contracting process for host country contracts will be subject to A.I.D. Handbook 11 (Host Country Contracting).

While this section was entirely deleted by Amendment No. 1 dated 28 August 1989 to the Project Grant Agreement, the new section on Contracting and Procurement Plan retained verbatim the above-quoted provision. The NEDA guidelines are therefore subject to A.I.D. Handbook 11.

The evaluation team concludes that the written GOP guidelines on civil works contracting and procurement of consultants are reasonable, and do not inhibit the solicitation of expatriate (particularly American) technical consultancy services. However, the team is also aware of several problems which have been encountered under the RIF Project in the application and interpretation of these guidelines. One particular issue -- namely, the notable failure of the GOP to reach agreement with the Brown & Root consultancy contract -- probably gave rise to this question. The impact of the failure to reach agreement in the foregoing case what that RIF project implementation was effectively stymied for two years. While in retrospect it seems likely that the situation would have been resolved more rapidly under a direct AID contract, at this late stage such speculation is irrelevant. In the evaluation team's judgment, however, the failure to award did not occur as a result of inadequate guidelines and procedures or restrictive practices against American contractors, but was rather the intransigence of both parties in negotiation. Indeed, the Consultant (Louis Berger) subsequently selected was also an expatriate firm.

The following is a summary of the highlights in the Brown & Root case:

USAID sent the Request for Technical Proposals (RFTP) for the RIF to the concerned Undersecretary of DPWH around May 9, 1988. The RFTP was duly publicized shortly afterward. Eight proposals for the RIF were submitted by American firms and the Government of the Philippines reviewed these proposals during the late summer and fall of 1988. The DPWH chose a winning bid from those submitted and informed USAID/Philippines of its decision on December 15, 1988. USAID subsequently concurred in this selection. The elapsed time from the submission of proposals to the selection on a consultant was approximately twenty-three weeks.

At about the same time as this decision was made, allegations of impropriety concerning the bidding process were made against a senior official of the DPWH. When the unsuccessful bidders expressed concern about this situation, the Secretary of the DPWH informed them that their interest was too late. At least one source attributes the delay in the selection process to "unrelenting grumbling" by one of the bidders, rather than to the process itself.

Negotiation between the DPWH and the winning bidder continued from December 15, 1988 through May 22, 1989. During the initial negotiating period, the relations between the DPWH and the first ranked bidder steadily deteriorated and became increasingly acrimonious. Negotiations were terminated in May and on July 11, 1989 the DPWH informed this firm that because of the failure of the negotiations its bid had finally been rejected. At the same time USAID/Philippines concurred in the decision of DPWH to open negotiations with the second ranked bidder. Officially, the negotiations failed because the two parties could not agree on several issues in the draft contract. In fact, the DPWH seems to have become disenchanted with its original choice long before the actual termination of negotiations. This suggests that other factors also may have been at work. One factor seems to have been the change in the top leadership of the DPWH early in 1989. As soon as the new Secretary of DPWH assumed office, relations between the negotiating parties abruptly deteriorated.

There is some indication that the need for communication between the Project Bidding and Awards Committee (PBAC) and the top levels of the DPWH caused some confusion during the negotiations and led the first ranked bidder to suspect that discussions were not conclusive and

perhaps were not carried out in good faith.¹ [It should be kept in mind that the United States is an extremely legalistic society, while the Philippines is a highly personal one, despite the thin veneer of legal norms and institutions derived from its contact with the United States. Thus, in a negotiating process, it is possible that both parties may develop misperceptions about the intentions of the other.]

During the spring of 1989 when the negotiations were experiencing difficulties, the first ranked bidder made numerous appeals to USAID to intercede with the GOP on its behalf. Records indicate that USAID officials at all levels made representations to the GOP to get the negotiations moving again. This may have had an effect contrary to that intended by USAID. The evaluation team found considerable sensitivity to perceptions of external intervention in the affairs of various GOP agencies. Moreover, despite the apparent efforts by USAID to reconcile the parties and get the negotiations back on track, the first ranked bidder took steps under the United States Freedom of Information Act to acquire all USAID records relevant to its negotiations with the DPWH. The Evaluation Team found no evidence of impropriety on the part of any USAID staff member. However, the action by the first ranked bidder indicates that a high level of suspicion had arisen during the course of the negotiations.

There is a perception among some within USAID/Philippines that the GOP has an "ideological" bias against American consulting and construction firms and that it does not want expatriate technical assistance and has "...devised many strategems to stymie its acquisition in the face of our insistence on it." This viewpoint is partially valid, but practically irrelevant. Interviews with various senior GOP officials indicated a preference for the use of local expertise. Nevertheless, the GOP has had to acquiesce in the use of foreign consultants on many occasions because of the requirements of multilateral lending agencies such as the IBRD and the ADB. In fact, all of the principal bidders on the RIF project were American firms or their subsidiaries. So, regardless of any "ideological" bias on the part of the GOP, it was inevitable that they were going to have an American consulting firm, and they knew it.

It should be kept in mind that when the second ranked bidder was called to negotiate with the GOP, the negotiations were completed within about a month, and the

¹It should be noted that in the Philippines, even relatively high level committees such as the PBAC almost inevitably will refer their deliberations to a higher authority to ensure that the consensus is firm enough to withstand external scrutiny.

consultant team was mobilized a month later. This may indicate a greater convergence of views between the second ranked bidder and the GOP, or it may merely mean that the GOP had already made its point with the dismissal of the first ranked bidder and was then ready to get on with the job.

Recommendation

The evaluation team recommends that USAID continue with the Host Country contracting mode for RIF implementation.

GOP PROCUREMENT PROCEDURES

[QUESTION 2]

- Q2. Are the procurement procedures covering construction contracts as contained in the implementing rules and regulations of Presidential Decree 1594 unduly cumbersome? Do they promote free and open competition in the bidding process? Does the use of Approved Agency Estimates (AAE) and Allowable Government Estimates (AGE) promote free and open competition at "reasonable" cost to the government?

Presidential Decree (PD) 1594 entitled "Prescribing policies, Guidelines, Rules and Regulations for Government Infrastructure Contracts" was signed into law by President Ferdinand E. Marcos on 11 June 1978. Since then, its "Implementing Rules and Regulations" (IRR) have been amended several times, the latest of which took effect on 13 April 1991.

Consistent with its policy objective to

bring about maximum efficiency in project implementation and minimize project cost and contract variations through sound practices in contract management

PD 1594 prescribes procurement procedures that promote free and open competition in the bidding process. Bidding for the project is required to be advertised for at least three (3) times in at least two (2) newspapers of general circulation. Bidding is open to qualified contractors, and foreign contractors are also allowed to enter into joint venture agreements in the prosecution of the project. Prospective bidders are prequalified based on their legal, technical and financial fitness to undertake the project.

The GOP standard contracting procedures mandate use of Approved Agency Estimates (AAE) and Allowable Government Estimates (AGE). The Implementing Rules and Regulations (IRR) provide that an Approved Agency Estimate (AAE) be separately developed by the government as a check of reasonableness on the contractors bids. An Allowable Government Estimate (AGE) is also provided for as a ceiling on the award of contracts. The IRR provides that

No award of contracts shall be made to a bidder whose bid price is higher than the allowable government estimate (AGE) or the approved agency estimate (AAE), whichever is higher, or lower than seventy percent (70%) of the AGE.

The IRR also prescribes time frames for the major steps in contract award activities to assure expeditious action of all concerned. The contract then is awarded to the lowest pre-qualified bidder whose bid -- as evaluated -- complies with all the terms and conditions in the call for bid, and is also considered the most advantageous to the government. Finally, appropriate GOP officials approve the award.

Under USAID Host Country Contracting requirements for AID-funded projects, AID concurs in the list of prequalified contractors, the resolution of award, and the construction contract itself.

Objections have been raised by AID and the World Bank regarding the bracketing of the bid as a function of the AAE and AGE, since it raises doubts as to the competitiveness of the bidding process and the reasonableness of the resulting contract cost. It also gives rise to a perception of bid manipulation which can result in complaints from unsuccessful bidders, which ultimately create additional delays in contract award. Consequently, the IRR provisions on bracketing of bids do not apply to foreign funded projects such as the RIF. Paragraph IV Section 2 of the IRR reads:

The above notwithstanding, nothing in these implementing rules and regulations shall negate any existing and future commitments with respect to the bidding and award of contracts financed partly or wholly with funds from international financial institutions, as well as from bilateral and other similar sources.

As discussed earlier (in response to Question 1) regarding a similar provision in the NEDA guidelines, in light of Annex 1 to the Project Grant Agreement dated 28 September 1987, the above quoted IRR provision exempts RIF contracts from the AAE/AGE ceiling on contract awards.

The procedural mechanisms used by DPWH (and other GOP Agencies) for contracting and procurement follow accepted general practice. However, there are widespread perceptions of public corruption and opportunities for abuse in the construction industry which have given rise to an accretion of ever tighter internal control procedures. Many of these controls have been developed because of bad experiences, or have been superimposed by external agencies (such as the Commission on Audit (COA)) over the years. In turn, individual managers create their own bureaucratic defense mechanisms to add to the established system. Detailed documentation, receipts, certifications, signatures, checking and counterchecking of requirements at all stages all add time and extra effort to the review process. These controls and additive procedures -- while undoubtedly burdensome and time consuming -- simply reflect the GOP's pervasive attitude of distrust and will not be dispensed with easily by the GOP

because of a different (i.e. American) cultural perception of what is really necessary.

Use of AAEs and AGEs is well established in DPWH and implementing rules and regulations relating to their use have been revised only infrequently during the last decade. Department Order No. 30, dated 30 January 1991 prescribes DPWH's current requirements for preparing Agency Estimates. DPWH confirmed that the AAE & AGE are not systematically applied to the RIF project, and so are not critical to the decision-making process. Indeed, the evaluation team was informed that in the past, bids 30% higher than the AAE have been allowed for foreign funded projects. In the evaluation team's judgment, the procedures established by the JRR for application to the RIF appear reasonable and not unduly cumbersome.

Nevertheless, from closer examination and further discussions, it is evident that in practice, the RIF Project has not been entirely free from AAE and AGE influence. Though the AAE/AGE ceiling does not apply to foreign funded projects, the AAE is referred to in determining the reasonableness of the bid amount.

One aspect that has created some difficulty between USAID and DPWH in the past -- and where some possible headway in reducing friction could be made -- is the GOP practice of negotiating with the lowest bidder after a failure of competitive bidding procedures. DPWH sometimes fails to award contracts after competitive public bidding because all bids are way above the AAE, in which case the bidding may be declared a failure and the AAE revised.

However, often the AAE -- rather than the contractor's bid -- is the culprit and (as indicated below) some of the factors used in preparing the AAE may be inappropriate or out-of-date.

1. Government controlled prices Government controlled prices for some items are not rigorously enforced. Consequently real prices in the marketplace are often much higher than the government's price which is used in the AAE. For example, if the price of cement is controlled at "X" but the market price is in fact "X plus 50 percent", then the AAE will be considerably underestimated.

2. Government-specified rates Other price guidelines are outdated. For instance, as of January 1991, the DPWH specified that 1989 equipment rental rates be used.

3. Indirect cost rate Another factor that has caused problems is the indirect cost rate used by DPWH in preparing all AAEs. Indirect cost ceilings are a function of the direct cost. "Overhead" is limited to 7%, "Unforeseen Contingencies" to 5%, "Miscellaneous" to 1%, and "Profit Margins" from 10% - 15%. The combined ceiling for "Overhead, Contingencies & Miscellaneous" (OCM) is further limited to a range from 13% - 10% as an inverse function of the direct cost. Although use of these indirect cost rates produces reasonable estimates in some cases, more often than not their application results in AAEs that are far too low.

After failure to award a contract pursuant to competitive bidding, DPWH feels that it could still successfully negotiate fair and reasonable contract terms, conditions, and prices with the lowest bidder. This practice is common in Philippine government agencies. DPWH believes that negotiating with the lowest bidder who is still considered too high (i.e. above the Allowable Government Estimate AGE) would result in speedier placement of contracts than starting the entire process over and re-advertising, and is in fact "host country contracting".

In the long run, DPWH's modification of its criteria and methodology for developing government estimates would be a significant procedural improvement. Having better estimates in the first instance would systematically alleviate the GOP's self-inflicted difficulties, in lieu of the current *ad hoc* and *ad hominem* practice. While the current practice is widespread and expedient, it reduces the strength of internal controls and is thus open to abuse, and subject to contest.

Engaging in negotiations for construction services after a bid failure is contrary to AID's long-standing policy. We therefore cannot recommend that USAID accede to DPWH's wishes as a general rule. However -- in the short run -- until the GOP changes its AAE & AGE methodology, there may well be instances when negotiating for services in this manner might be appropriate. Such requests should therefore be reviewed by USAID technical and management officials, and handled on a case-by-case basis.

The forgotten story of wholesale greed

SUCH was the culture of corruption, the configuration of greed, the gluttony and the crapulence spawned by the dictatorial regime — and the longevity and magnitude



Manuel F. Martinez

of the aggrandizement it bestowed on the corrupt — that the *Kamaganak Inc.* was not inclined to do things differently.

Way back in 1968, President Marcos announced an infrastructure program of P1.2 billion, a super-staggering

amount in those days.

Sen. Benigno S. Aquino Jr. rose in the Senate to make an exposé, revealing that "only two appointed corporations — both newly organized — will carry out this gargantuan infrastructure program."

The first company was the Asian Engineering and Development Corporation, AEDC.

"This company," said Ninoy, "with a paid-up capital of P50,000, and whose undertaking was written in fractured grammar, has had the audacity to bid for monumental infrastructure projects totalling P600 million!"

And he identified two Malacañang officials as the moving spirit behind the AEDC, which before the P1.2 billion program had not built a single kilometer of road, did not have a single grader or bulldozer, and was unknown in construction circles.

Ninoy also said that the AEDC, with the help of officials from the Central Bank and powerful minions, was obtaining US loans totalling \$125 million!

The other company was the Construction and Development Corporation of the Philippines, or the famous — or infamous — CDCP.

Strangely enough, CDCP (now the Phil-

ippine National Construction Corp.) won the contract with the government to undertake, like the AEDC, P600 million worth of projects over 900 working days.

From the contract, Ninoy said, CDCP stood to rake in some P60 million in construction fees alone from the government.

On top of that, the government waived the 3 per cent construction tax, a highly questionable exemption, and loaned — for free — the heavy equipment used by CDCP!

The CDCP boss, of course, was Rodolfo Cuenco, who needed no introduction.

By 1981, CDCP was on the verge of collapse owing to gross mismanagement and voracious overextension around the world from the Middle East to Indonesia.

The Filipino people were outraged when it was bailed out by the Marcos government through the NIDC to the tune of more than a billion pesos!

The CDCP had become the Philippines' biggest business and management debacle, and the people behind it utterly embarrassed — assuming they were sensible of shame — but utterly rich.

It was believed that the bulk of the two companies' equity — the AEDC and the CDCP — belonged to Somebody and his Relatives.

It was *Kamaganak, Inc., Part I.*

Ninoy said that certain corporations in other huge projects had to pull out because Somebody was unsatisfied with the percentage of equity reserved for him, while the masses of Filipinos starved, died without medical attention or lived without education.

Ninoy ended his exposé by saying, "I am a neophyte in this Senate Chamber, but I must say I am repelled and revulsed by all this!"

Unfortunately for the Filipino people, those who replaced the authoritarian order, and are now in power in Cory Aquino's government, had gone hungry for 20 years and when the meat and teats were suddenly within their grasp, snapped at anything that offered profit like long-starving crocodiles.

GOP ORGANIZATIONAL STRUCTURES

[QUESTION 3]

Q3. Are the organizational structures of Host Country implementation agencies suited to the effective management of the RIF project? Do the agencies have the capability to effectively implement their respective sub-projects? Has an effective working relationship been established among DPWH, USAID, the consultants and contractors under the project?

Organizational Structures

The basic organizational designs of the Department of Public Works & Highways (DPWH) and the Department of Transportation & Communications (DOTC) are suitable for managing the RIF project. DPWH manages its foreign assisted projects directly from the central office in Manila, through a series of "clusters", segregated primarily on the basis of the source of funding, but also in terms of the types of projects undertaken. Each Cluster Director oversees several projects managed in turn by Project Managers with a centrally-staffed Project Management Office (PMO).

In the Department of Transportation & Communications, the Chief of the Air Navigation Service under the Air Transportation Office (ATO) manages DOTC's current involvement in the RIF.

The foregoing situation is currently in a state of flux, however, as discussed on the following pages.

Presently, there are twenty-six (26) PMOs in the DPWH, grouped into 10 separate "Clusters" for management purposes, as follows:

1. Asian Development Bank-Assisted Highway Projects
 1. Asian Development Bank (ADB-PMO)
 2. Highland Agriculture Development Project (HADP-PMO)
 3. Kuwaiti-Funded Agriculture & Economic Development (KFAED-PMO)
2. World Bank-Assisted Projects
 1. International Bank for Reconstruction & Development (IBRD-PMO)
 2. Second Rural Roads Improvement Project (SRRIP-PMO)
 3. Road Restoration
3. Philippine-Japanese Highway Loan (PJHL-PMO)
4. Fishing Ports Projects (FP-PMO)

5. **Urban Infrastructure Project**
 1. Urban Roads Project Office (URPO-PMO)
 2. Regional Cities Development Project (RCDP-PMO)
 3. Metro Manila Infrastructure Utilities & Engineering Program (MMINUTE-PMO)
 4. Program for Essential Municipal Infrastructure, Utilities, Maintenance and Engineering Development (PREMIUMED-PMC)
6. Rural Water Supply Projects
7. Flood Control & Drainage Projects
 1. Major Flood Control Projects and Small Water Impounding Project (SWIM-PMO)
 2. Mangahan Floodway (MF-PMO)
 3. Nationwide Dredging & Reclamation Projects
 4. Metro Manila Drainage System Rehabilitation Project
 5. Cotabato-Aguirán River Basin Development Project
8. **Integrated Area Development Projects**
 1. Rural Infrastructure Fund Project (RIF-PMO)
 2. Second Palawan Integrated Area Development Project (SPIADP-PMO)
 3. Samar Integrated Area Development Project (SIRDP-PMO)
 4. Bicol Secondary and Feeder Roads Project (BRBDP-PMO)
9. **Special Projects**
 1. Special Bridges PMO
 2. Special Buildings PMO
 3. Equipment Base Shops PMO
10. Feasibility Studies PMO

Note: The DPWH Project Manager of the USAID-assisted Rural Infrastructure Fund (RIF) Project PMO is also concurrently the Director of the Integrated Area Development Projects Cluster.

Although these PMOs are not permanent entities within the DPWH, some of them have existed for many years and have substantial administrative and technical staffs. The use of project management offices permits the DPWH to take on a large volume of projects without substantially increasing its permanent staff and the attendant long-term commitment of internal government funds. In principle, when the need for a particular PMO ends or its external funding ceases, it will be dissolved, its regular civil service staff reabsorbed into the DPWH, and its hired workforce let go. Staff assignments, therefore, are coterminous with the life of each project. However, given the massive development

needs of the Philippines, the number of PMOs is unlikely to decline. Most PMOs manage several grant and loan projects at a given time, and acquire new ones when old ones are completed.

The staff of the various PMOs differs considerably according to their work load. Staffing patterns for each PMO are approved by the Department of Budget and Management of the Office of the President. Staff salaries and periodic salary adjustments are charged against project funds. Contractual employees of the PMOs receive a twenty percent (20%) premium over the minimum hiring rate given to regular government employees occupying similar positions.

The field administration of the DPWH consists of twelve (12) regional offices and sixty (60) district offices. Unlike the PMOs, the regional and district offices are permanent entities. However, because of budgetary constraints, many of their staff are not permanent civil servants. The duties of the regional offices include the design, construction and maintenance of infrastructure under the responsibility of the DPWH, as well securing rights-of-way and providing materials testing laboratories. Until recently, the regional offices did not have direct responsibility for the implementation of foreign assisted projects.

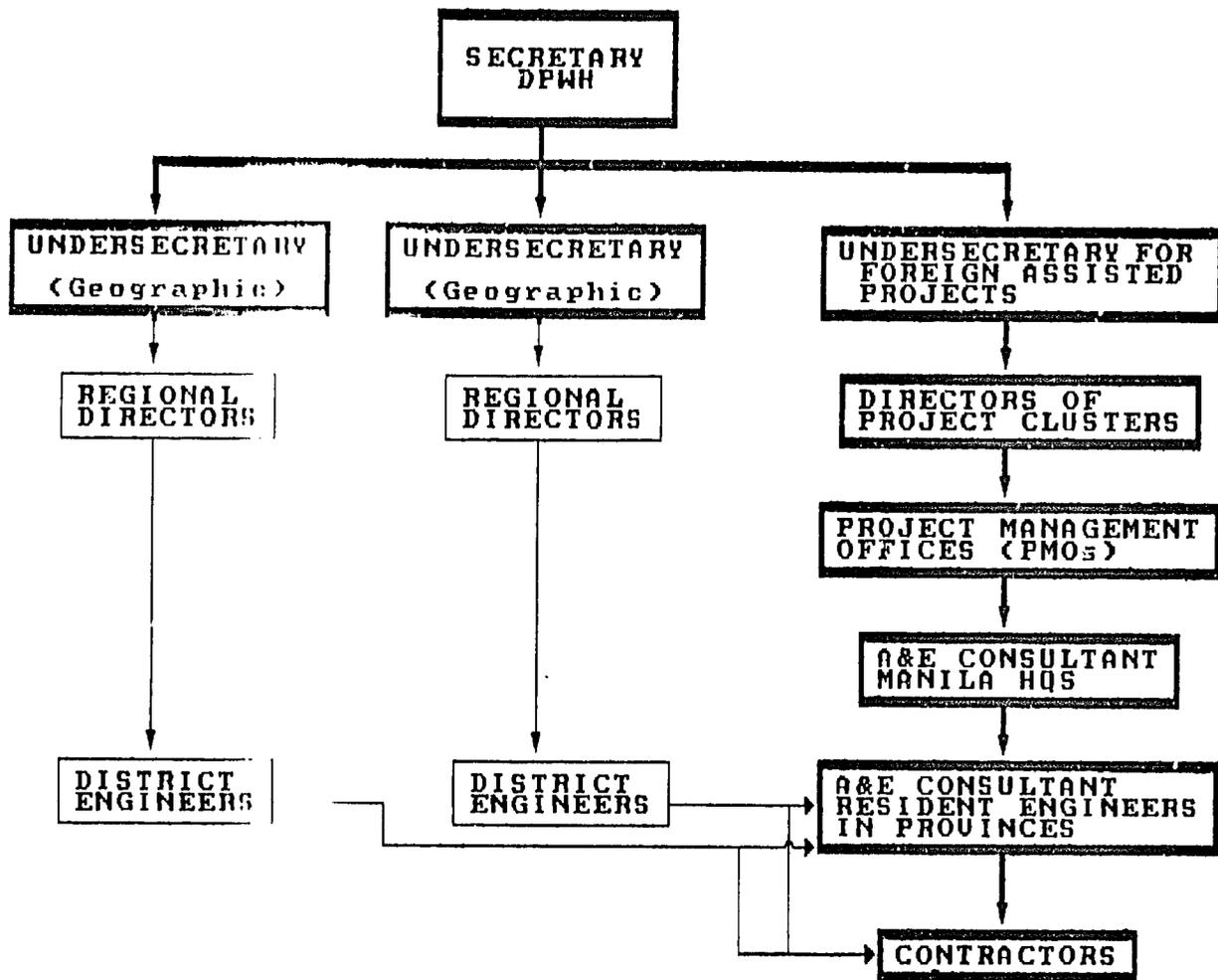
This situation was changed on February 21, 1991 when the new DPWH Secretary issued Departmental Order 55 (D.O. 55). This new order was intended

to make field based officials fully conversant with, and totally responsible for, the implementation of all DPWH programs and projects in their respective operational areas . . . including those presently being implemented under Central Office Project Management Offices (COPMOs). [emphasis added].

The detailed provisions of D.O. 55 appear to assign most operational responsibility for project implementation to the regional offices and relegate the PMOs to a supervisory and liaison role with respect to foreign assisted projects. The intention of D.O. 55 seems to be to demarcate line and staff functions within the department more clearly.

In keeping with their responsibilities under D.O. 55, the regional offices have established Regional Project Management Offices (RPMOs). The position of RPMO Head has been designated at a G-25 level, which is one step higher than the heads of other divisions in the regional office. The RPMOs do not have any permanent technical staff, but instead "borrow" staff from other divisions of the regional office, as needed. The RPMOs have been designated

DEPARTMENT OF PUBLIC WORKS & HIGHWAYS (DPWH)
SUMMARY ORGANIZATION CHART
RIF-PMO MANAGEMENT



responsibility for supervising the projects of the various DPWH Central Office PMOs (COPMOs). However, as yet, they have no operating funds from the Department; nor has any provision been made to transfer operating funds to the RPMOs from the COPMOs. Thus, until the RPMOs are provided adequate funds, they will not be able to carry out their assigned tasks effectively.

USAID and the expatriate contractors think that the involvement of the regional offices in RIF subprojects is not only unnecessary, but indeed detrimental to effective and efficient implementation of the project. In effect, instead of a clear-cut chain-of-command with a single channel for communication between the contractor in the field and the PMO, and direction from a single, authoritative source (the PMO Project Manager), the insertion of the regional directors has multiplied the number of channels, exponentially.

Diffusion of responsibility and authority without concomitant financial and management accountability has the potential for encouraging interventions by DPWH regional managers in technical decisions, with additional administrative requirements imposed on the contractors; and generally weakens the PMO's control by impeding and confusing PMO direction and guidance. With D.O. 55, the unitary PMO concept is also bypassed as the regional directors report to several different undersecretaries in DPWH other than the one to which the PMO is responsible.

From the Consultant's point of view, the change is resulting in considerable (and rapidly growing) additional, unforeseen, administrative burden in terms of time, effort -- and, of course cost -- as they must now staff up to handle the demands and requirements of 12 regional directors and the spinoffs from cross-communication, in addition to the current workload.

The evaluation team confirmed that one regional office had indeed required considerable additional documentation before it would process payment vouchers submitted by a contractor for a major RIF sub-project. The assembly and processing of this documentation, together with the time consuming nature of the overall voucher approval process, has also led to significant document preparation costs, as well as delays in payment to the contractor. The contractor has also been required to report progress to the regional director and justify the negative slippage. Another contractor was also instructed by the Regional Director to reassign his work crews from new construction activities in order to perform some collateral (unplanned, unscheduled and non-reimbursable) maintenance work. While these are all reasonable redirections of effort from the local Regional Director's perspective, the RIF contractors object to what

they view as undue interference by the regional office in undertaking their contractual scope of work.

In another instance, a team member was informed that a regional office had failed to process a change order submitted by another RIF contractor simply because the regional office did not recognize the change order for what it was, was unaware of their "responsibility" for taking action, and subsequently "lost" the documentation. Although the documentation was eventually reassembled, the confusion caused a serious delay in reaching a decision on the change order, as well as differences in the work authorized, accomplished, and reimbursed.

An expatriate (US) contractor made a formal complaint regarding delays in payment and interference in project operations, the RIF Consultant and the Director of the RIF-PMO recently prepared a list of recommendations for consideration by the Secretary of DPWH. In response to some of the problems encountered, the DPWH has taken an interim compromise position that "in principle" for the largest RIF subprojects, the regional offices will no longer have approval authority. However, for the time being, the Secretary's decision is that regional offices will retain their supervisory role over other RIF subprojects.

Although as indicated above, some initial growing pains have been experienced in instituting D.O. 55, and the unitary PMO management concept apparently has not yet been reconciled with DPWH's long run management decentralization objectives, the longer term impact on the RIF has not yet been resolved.

Port Construction Management

During the course of the evaluation, the team learned that a major intra-departmental transfer of responsibility is imminent for managing the construction/upgrading of ports under the RIF project. Under a Memorandum of Agreement between DPWH & DOTC dated 14 August 1991 the following tasks and responsibilities were outlined:

DPWH and DOTC shall immediately effect the transfer to DOTC of Project Management Offices or portions thereof implementing port projects lock, stock and barrel, involving all their functions and such appropriations, funds, records, equipment, facilities, other assets and personnel as may be necessary except for such equipment/ facilities which by the mutual agreement shall be retained by the DPWH.

.

The DPWH will advise NEDA to duly notify the lending institutions regarding this transfer of responsibilities and to effect the corresponding transfer of the funds thereof to DOTC. [Emphasis added.]

In effect, while the DPWH RIF-PMO and A&E (LBII/TCGI) will continue to manage the ports already under construction, the PMO for Fisheries is being transferred from the DPWH to the DOTC and will assume responsibility for any new port construction and/or rehabilitation activity under the RIF.

To date, the actual transfer has not taken place -- it is apparently targeted for 1 January 1991. The incumbents in the DPWH PMO are apparently to be accommodated by -- and accompany -- the transfer. However, such a major change in organizational (and physical) relocation from one government agency to another invariably creates some changes in operational procedures as well as personnel fall-out. Organizational patterns and procedures, as well as personal loyalties and relationships will be redefined as new responsibilities and authorities; rules, regulations, direction and guidance; and reporting channels are established.

Three procedural items are of immediate concern to DOTC with respect to this aspect of the RIF project:

1. Obtain a consultant A&E to supervise the construction work for the PMO, and
2. Start the contracting process for undertaking the construction work
3. Responsibility for incomplete designs and feasibility studies. [Although transferring completed designs and feasibility studies is a relatively simple matter, the question of transferring similar on-going technical work by LBII/TCGI is still open.

Perhaps even more fundamental than these procedural concerns, however, is the issue of future RIF funding for port design, construction supervision and construction activities.

On 5 August 1991, the DPWH RIF-PMO Project Director advised DPWH Undersecretary Mir that "the DPWH has not earmark [sic] an amount for Ports in the 1992 DPWH Program but instead transferred it to DOTC Budget Ceiling". The USAID-Assisted Rural Infrastructure Fund (RIF) Project was included in the listing of projects so affected. For its part, DOTC notified NEDA of the agreement to transfer

responsibility for the Ports from DPWH to DOTC, by letter on 30 October 1991, and requested "the corresponding transfer of funds thereof to DOTC". [Emphasis added.]

From discussions with various officials, the Evaluation Team perceived that several different scenarios and expectations are held. At one end of the spectrum, the expectation is that the PMO responsibilities, personnel and associated funding -- including USAID funding for port construction/rehabilitation -- will transfer from DPWH to DOTC as a complete package. At the other extreme, the perception is that only the functions and personnel will be transferred by DPWH, that DPWH will reprogram any available USAID-RIF funds previously identified for port construction for continued use by the DPWH RIF-PMO for sub-projects which it is implementing, and that it will be DOTC's responsibility to absorb the operating costs of the PMO within its budget, and seek funding for future port construction endeavors from "other sources".

Capability

No specific attention was given in the RIF Project Paper to institutional development of the line agencies responsible for implementing the project. Despite this omission in the project design, the RIF-PMO initiated several measures which enhanced its ability to manage project implementation. When the Consulting A&E firm (LBII/TCGI) was mobilized, the RIF-PMO decided that a "fast-track" process would be necessary to expedite sub-project feasibility studies and design work. The Consultants worked with the PMO staff to introduce PERT/CPM techniques for managing the project, and it has become clear that the RIF-PMO is open to new ideas and management techniques. The Director of the RIF-PMO has recently begun to incorporate a computerized Geographic Information System (GIS) into the planning and monitoring activities of the PMO and this has attracted the attention of other COPMOs, as well as the top management in the department.

The Director of the RIF-PMO is also responsible for overseeing several other major departmental programs, including the Mount Pinatubo disaster relief effort. At first it appeared to the Evaluation Team that the burden of handling these other programs would lessen the ability of the Director to manage the RIF project. After closer examination, this initial observation does not seem to be warranted. Because of the limited number of its senior staff, the DPWH uses a "cluster manager" concept. Under this system, each of the directors of COPMOs under the DPWH is responsible for coordinating several urgent issues for the department. From the standpoint of the DPWH, reducing the workload on the Director of the RIF-PMO solely to benefit RIF operations is not a practical option. Such a

change would simply shift the discarded workload to another cluster leader, thereby impairing the performance of another equally vital (to DPWH) program.

The Regional Offices of the DPWH are not fully capable of carrying out their responsibilities under D.O. 55 for the supervision of sub-projects of all the Central Office PMOs (COPMOs) under the DPWH. While the Regional Offices should be involved in the planning of such projects and in supervising their implementation, it is premature to transfer this responsibility without further clarification of the responsibilities of all parties concerned -- i.e. the COPMOs, the consulting firms attached to the COPMOs, the Regional Offices, and the foreign funding agencies.

In so far as the DOTC is concerned, there is no apparent problem with the Air Navigational Aids component of the RIF. Given the impending transfer of PMO responsibilities from the DPWH to the DOTC however, DOTC's capability for managing port construction/upgrading activities is not so easily determined. Several key issues need to be resolved before DOTC capability can be adequately assessed.

Effective Working Relationships

For the most part, an effective working relationship has been established among DPWH, USAID and LBII/TCGI personnel, and the contractors implementing the project and sub-project activities.

Major difficulties persist with the inability of the GOP to resolve contractual and procedural questions for Torno America --the contractor undertaking the major Quirino and Kalibo highway construction sub-projects. These issues -- and procedural recommendations for their resolution -- are outlined in the "Outstanding Issues" section of this report.

AID-DIRECT VS HOST COUNTRY CONTRACTING

[QUESTION 4]

Q4. Is the use of AID Direct contracting procedures an appropriate and effective alternative to Host Country contracting procedures for sub-projects? Will this expedite project implementation?

Direct AID contracting is a workable alternative to Host Country contracting as a means for implementing subprojects. However, in general, the use of direct contracting implies that the funding agency lacks confidence in the ability or willingness of host country agencies to carry out required tasks as specified in the agreement for foreign assistance.¹

For many years AID had an explicitly stated policy, that favored the use of host country contracts and required mission directors to make a written justification for the use of direct contracts. This is no longer the case. AID's current policy with respect to contracting procedures pertinent to this question, outlined in AID Handbook 1, Supplement B, 30 December 1990, is as follows:

There is no longer a stated Agency preference between AID-direct and host country contracting.

Mission directors are responsible for assuring that project design assigns procurement responsibility in a manner which best fits the particular circumstances.

AID is principally a planning, financing and monitoring organization rather than a procurement agency.

A fundamental principle of AID is that the countries it assists should themselves undertake the implementation of their own development programs.

Use of a host country contract is usually more appropriate for the procurement of construction services.

Statements one and two above remove the preference for host country contracting and give Mission Directors a free hand in selecting contracting agencies. The last two

¹The use of direct contracting to expedite feasibility studies and design work early in the RIF project did not convey this impression, because it was a stopgap measure, and did not suggest a rejection of the host country responsibility for securing the services of a consulting firm.

statements however, favor host country agencies -- particularly in the procurement of construction services, and by implication, also procurement of architect and engineering services associated with construction.

By the time the RIF Project Paper was finished in September, 1987, USAID/Philippines had been involved over a long period in rural infrastructure projects that were similar in many respects to the RIF Project. Host country contracts had been used extensively to procure goods and services for these earlier projects and DPWH had been the lead GOP agency in several instances. AID and other donor agencies in Manila had positive experience with DPWH.

Logically then, the Project Paper contained a procurement plan that anticipated extensive use of host country contracting -- much of which would be undertaken by DPWH, as the lead agency in many of the envisioned sub-projects.

In fact, Host country contracts have been used to obtain all construction services and most of the Architect & Engineering (A&E) services procured to date. A Condition Precedent (CP) to disbursement for construction sub-projects required DPWH to furnish USAID with an executed contract between DPWH and an A&E consulting firm.

As indicated in response to Question 1, the contract between DPWH and Louis Berger International, Inc. (LBII), which satisfied the CP was not signed by both parties until September, 1989 -- some 24 months after the Project Agreement was executed. The evaluation team wishes to emphasize that this failure to enter into a contract in a reasonable time was not caused by inadequacies or shortcomings in the GOP's written rules and procedures. The Government has had detailed written rules and regulations in place for years, and the formal procedures relating to contracting are well understood by the key people involved in the RIF Project.

By the time Amendment No. 2 to the RIF Project Paper was completed (in May, 1990), USAID had decided to turn away from almost complete reliance on host country contracting and had opted instead for a combination of direct-AID contracts and Host Country agreements.

Amendment No. 2 added a component -- South Cotabato Roads -- and stipulated that direct US Government contracting would be the method used to obtain most goods and services under the component.

The Mindanao Development Project (MDP) (Project # 492-0456) was later developed for further development of infrastructure in Southern Mindanao. The MDP Project Paper, dated September, 1990, stipulates a grant of \$75 million and its procurement plan stated that almost all acquisition would

be through the use of direct-AID agreements. To date, a cursory review of the MDP indicates that contracting activities under the MDP have suffered fewer delays and difficulties than have been encountered under the RIF Project.

There is no succinct, simple answer that can be given regarding future USAID contracting activities. The evaluation team considers that the policy guidance set out in Handbook 1, Supplement B is adequate. Adhering to such guidance -- based on local experience and an awareness of prevailing conditions -- should result in rational decisions regarding the most appropriate entity to do the buying of goods and services. The options should be carefully reviewed during project design and recommendations made at that time. Of course, as circumstances change, such decisions should be reviewed and revised over the course of multi-year projects.

In this regard, we find no fault with the decision to use the Host Country Contracting mode -- a decision which was made during RIF Project design. Despite the fact that contracting activities were exceedingly slow during the initial stages, at the time the project was designed, it was impossible to foresee (and thus avoid -- through a change of procurement method) the events which actually unfolded. Whatever the reason for the failure to reach agreement with Brown & Root, the very fact that provisions exist for negotiating with a second bidder in the event of such failure, indicates that such an occurrence is possible, even if not usual or expected. From a review of the files, the only retrospective critique we can offer is that the initial negotiation was permitted to drag on too long before a decision was made to terminate.

Although AID-Direct contracting could be an effective alternate mode for contracting, it is no panacea. Direct contracting by AID could undoubtedly expedite project implementation in some aspects; for instance by lessening the areas of disagreement between American Contractors and various GOP entities by perhaps providing more expeditious clarification of Conditions Precedent, entitlements and exemptions regarding importation of equipment, duties and taxes; and accelerating/assuring payment/reimbursement for costs incurred. However, difficulties in implementing projects in the Philippine administrative, social and political milieu would continue. Furthermore, such expeditious action could be attained only by shifting the administrative burden of project management from the GOP DPWH/PMO² & its Consultant, to a similarly staffed USAID professional contracting and technical engineering office & its Consultant.

²Which consists of approximately sixty full-time professional, technical, administrative personnel and support staff.

Is it appropriate to take such a step? This is not an inconsequential consideration, for the following reasons:

1. USAID does not currently have the in-house capacity to handle the additional technical and administrative workload.
2. Acquiring such capability is diametrically opposed to the trends in AID staff reductions over the past few years, and prospects for the future.
3. There are in-country limitations on direct-hire American staff.
4. Individuals working under Personal Service Contracts (PSCs) -- while able to support a direct hire project officer in handling some of the workload -- cannot exercise the full authority of a USAID direct hire official.

Determining whether the use of AID direct contracting procedures is an appropriate and effective alternative to Host Country contracting procedures for subprojects requires an answer to two questions: what was the assistance provided by USAID intended to accomplish, and is the host country capable of accomplishing the objectives of the assisted project.

At the time the Rural Infrastructure Fund (RIF) Project Paper was prepared in 1987, institutional development was a mission priority. The 1987 Country Development Strategy Statement (CDSS) outlined several objectives for the Mission to help the GOP meet some of its critical development needs -- including rural infrastructure, decentralization and devolution of authority. However, the Mission's emphasis was focused on macro-level governmental reform through policy dialogue for devolution of responsibility to local government units for initiating, implementing and maintaining basic infrastructure, and providing basic social services. No specific attention was envisaged by AID for institutional development of the line agencies responsible for implementing the RIF. These aspects were reinforced in July 1990 in the subsequent Philippine Assistance Strategy (PAS) which superseded the CDSS.

AID's rationale regarding host country contracting is that this process will contribute to the institutional development of host country implementing agencies so that they are more capable of carrying out similar developmental efforts in the future. However, "institution building" *per se* -- at least with respect to contracting/procurement -- is really no longer a meaningful objective insofar as DPWH is concerned. In the Philippines, the DPWH had already shown itself capable of contracting for off-shore construction services and equipment procurement. While the DPWH may perceive, and do

things differently from USAID, and their creativeness in working around issues gives the US some uneasiness, at this stage of development in the Philippines, there is little (if anything) new that AID could teach the DPWH in contracting and procurement methodology.

RIF implementation has further demonstrated DPWH capacity to contract for the design, supervision and implementation of subprojects, with the assistance of the consultants provided under the grant funding. This is not to imply that the implementation has been trouble free. There are quite a few examples of disruptions, delays, disagreements among GOP agencies, disputes with contractors, failures of contractors to perform, interference by insurgents and irate citizens, petitions by local elected officials, and less than adequate performance by some regional and district officials of DPWH. Nevertheless, there is every indication that all of the work planned under the RIF project will be completed within the PACD.

The use of AID direct contracting procedures would not help to resolve any of the problems cited above. There has been some suggestion that direct contracting might improve the flow of payments to the prime construction engineer, but even that is not assured if subcontractors run into serious problems. Finally, while contracting arrangements in the future are still subject to negotiation, the DPWH would probably take exception to any attempt by USAID to change the terms of the current RIF contracts, as an affront to their capabilities and/or performance.

PEACE & ORDER, AND SOCIO-POLITICAL CONSTRAINTS

[SOW TASK 7 & QUESTION 5]

- Q5. Are there any "peace and order" concerns and/or other socio-political constraints which hinder field activities associated with sub-projects? How do these impact on project implementation and how can they be resolved?

Peace & Order

At the time the RIF was being designed, USAID's Country Development Strategy Statement (CDSS) Action Plan for FY 1988 (27 April 1987, P. 36) stated with respect to areas affected by NPA operations that

In most of these areas the security risks are too great for civilian contractors to operate.

Through 1988, 1989, and particularly during 1990 -- when the RIF field construction activities commenced -- NPA insurgency activity intensified. Much of the NPA propaganda activity was directed at Americans as a by-product of the US Bases issues in the Philippines, and bombings became an almost daily occurrence in Metro Manila, coupled with numerous death threats. USAID employees were authorized a "Danger Pay" allowance, and US Peace Corps volunteers were evacuated from throughout the Philippine countryside, and returned to the U.S. NPA assassinations were (and are) still regularly reported in the provinces, and travel warnings and restrictions are in force.

The work of the principal construction contractor on the Quirino and Kalibo highways -- Torno America, Inc., -- was also adversely affected by interference from insurgents, and eventually received compensatory time for the delay incurred. However, work has now resumed and -- with allowance for the delay -- can still be completed within the overall revised RIF schedule.

The Armed Forces of the Philippines (AFP) are now providing basic security for the contractor's workforce. In addition, the AFP have provided practical advice to the contractor on how to lessen the likelihood of serious disturbances by the insurgents. Among the most successful approaches has been for the contractor to hire labor from the area where construction work is being done. This infuses money into the local economy and meets one of the major welfare demands of the insurgents.

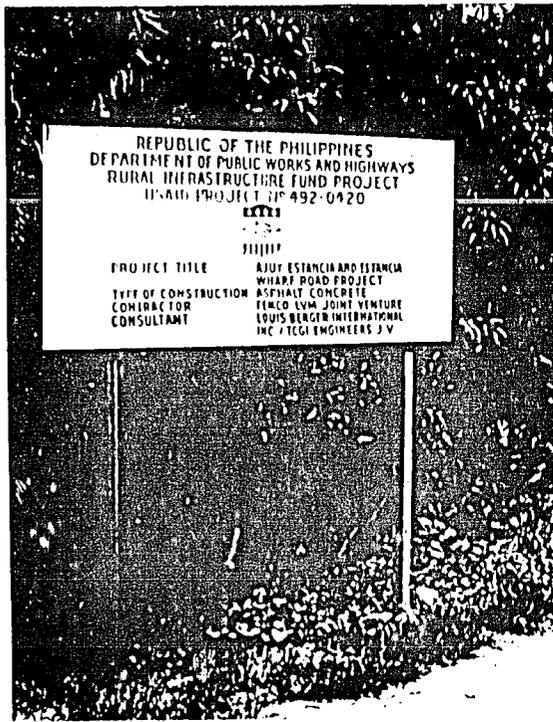
Peace and order problems have not impeded work on other RIF subprojects. However, since there are many projects now in the pipeline waiting for implementation, future difficulties with various anti-government groups cannot be entirely ruled out.

Socio-Political Constraints

Securing the right-of-way along the Quirino and Kalibo highways may grow into a serious problem as the construction progresses. At the present time, the contractor can work on stretches of highway where right-of-way issues are not serious impediments. However, as these stretches are completed, the contractor will have to contend with the removal of squatters in order to continue with construction. There is a distinct possibility of violent confrontation with those who must be required to relocate.

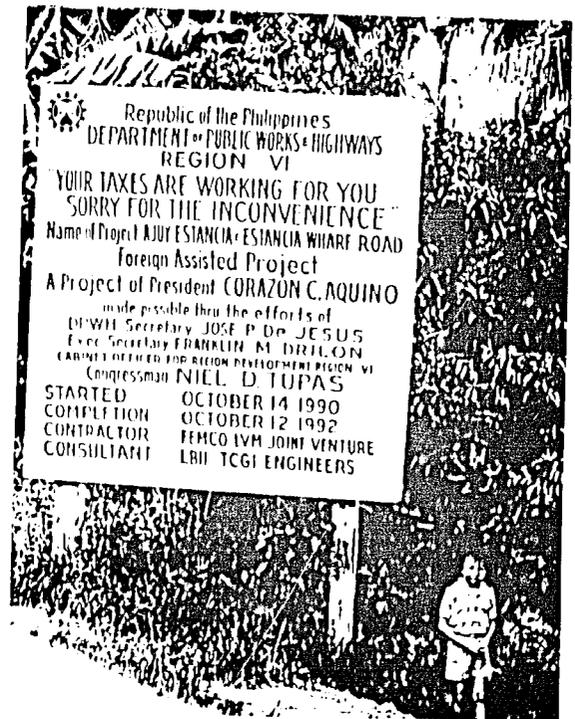
Both local and national politicians, and government officials have intervened in the RIF project on a number of occasions, attempting to secure changes (from both the DPWH and USAID) in certain sub-projects. Without attempting to assess the merits of the proposed changes, the team notes that in several instances these efforts have had the effect of halting construction.

While frustrating in terms of getting the job done, such interventions are not necessarily bad. For instance, in at least one case -- the Babak Port sub-project -- recommendations by the local municipality for changes in the design of an access road resulted in a project design more suited to maximizing the economic benefits of the project. Furthermore, socio-political interests are not always constraints -- the sub-projects are also apparently highly desired in the rural areas. This is evidenced by the fact that on one sub-project visited by the evaluation team, the Regional Director had seen fit to erect a separate Regional project billboard -- in addition to the RIF-PMO's -- attributing the road construction project to the efforts of both National and Regional political Leaders.



REPUBLIC OF THE PHILIPPINES
 DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
 RURAL INFRASTRUCTURE FUND PROJECT
 II-AMR PROJECT NO. 492-0420
 LXXXI
 - 13 -
 3111111

PROJECT TITLE AJUY ESTANCIA AND ESTANCIA WHARF ROAD PROJECT
 TYPE OF CONSTRUCTION ASPHALT CONCRETE
 CONTRACTOR PEMCO IVM JOINT VENTURE
 CONSULTANT LOUIS BERGER INTERNATIONAL INC / TCGI ENGINEERS JV



Republic of the Philippines
 DEPARTMENT OF PUBLIC WORKS & HIGHWAYS
 REGION VI

YOUR TAXES ARE WORKING FOR YOU
 SORRY FOR THE INCONVENIENCE

Name of Project AJUY ESTANCIA - ESTANCIA WHARF ROAD
 Foreign Assisted Project
 A Project of President CORAZON C. AQUINO
 made possible thru the efforts of
 DepWH Secretary JOSE P. DE JESUS
 Exec. Secretary FRANKLIN M. DRILON
 CABINET OFFICER FOR REGION DEVELOPMENT REGION VI
 Congressman NIEL D. TUPAS

STARTED OCTOBER 14 1990
 COMPLETION OCTOBER 12 1992
 CONTRACTOR PEMCO IVM JOINT VENTURE
 CONSULTANT LBII TCGI ENGINEERS

ACTUAL ACCOMPLISHMENTS VS PROJECTED

[SOW TASK 4 & QUESTION 6]

T4. Define Project Accomplishments to Date

The evaluation team will define the project accomplishments achieved to date and compare these accomplishments with original projections. This comparison will be against the project inputs proposed in the Project Paper.

- Q6. Do actual accomplishments to date compare favorably with projected accomplishments? Is the actual expenditure rate close to the rate projected in the PP? If not, what are the areas for improvement?

The RIF implementation schedule for Roads, Bridges and Ports was delayed. However, despite this two year delay in project startup, once the long-term consultant was eventually mobilized, the DPWH/RIF-PMO (Project Management Office) efficiently performed the necessary preliminaries leading to, and initiating, construction. Immediately following mobilization, the long-term consultant (LBII/TCGI) promptly carried out the necessary feasibility studies, designs, environmental assessments, prequalification and bidding, and construction supervision services.

The Project Paper (PP) envisaged the construction or upgrading of 250 Km of road and at least 9 ports. PP amendment #2 expanded road improvements to 320 Km and also funded 10 additional ports -- bringing the total to 19.

The DPWH, through the RIF-PMO -- with the technical support of the engineering joint venture of LBII and TCGI -- has brought 260 Km of roads and 16 ports to the construction stage committing most of the RIF funding presently allocated to the Roads, Bridges and Ports subsector.

The entire infrastructure program consists of 1307 Km of road improvements and 43 ports. Engineering services included feasibility studies, environmental assessments and construction services. The geographic dispersal of these sub-projects -- together with some technical and economic data and construction progress to date -- is shown on the following pages.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF PUBLIC WORKS
AND HIGHWAYS

ROAD SUBPROJECTS

0 50 100 150 200
KILOMETERS

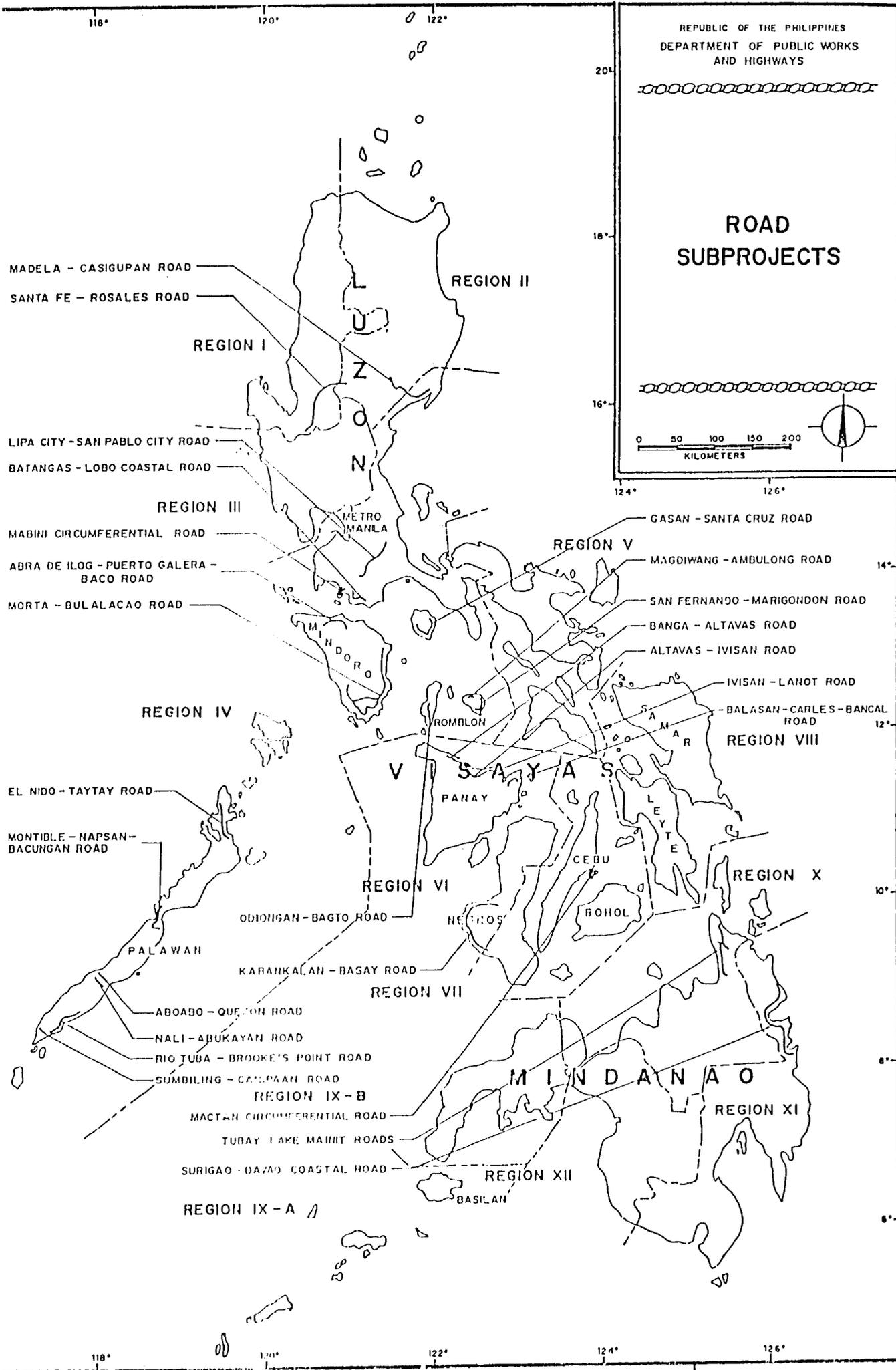
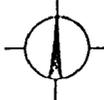


Table 1-1

Summary and Recommendations for the National Road Improvement Project

| Road Number | Road Name | Island | Total Length (Km) | For the Feasible Sections Only | | | | | | | |
|-------------|----------------------------|------------|-------------------|--------------------------------|----------------------------------|---------------------------------------|-------|--|-------|---------------------------------|---|
| | | | | Number of Feasible Sections | Length of Feasible Sections (Km) | 1993 AADT (1) without 2 or 3 wheelers | | Range of Base Case All Benefits IRRs (2) | | Project Cost in (million Pesos) | Unit Cost per Kilometer (million Pesos) |
| | | | | | | Low | High | Low | High | | |
| 1 | Baco-P. Galera-Abra | Mindoro | 70.5 | 3 | 47.5 | 257 | 363 | 13.3% | 31.2% | 277.2 | 4.64 |
| 2a | Mabini Circumferential | Luzon | 24.5 | 5 | 18.1 | 251 | 934 | 13.2% | 29.5% | 103.8 | 5.07 |
| 2b | Batangas-Lobo Coastal Road | Luzon | 40.0 | 4 | 40.0 | 295 | 3465 | 25.5% | 43.5% | 196.0 | 4.90 |
| 3 | Lipa City-San Pablo | Luzon | 19.8 | 2 | 19.8 | 341 | 491 | 15.1% | 25.7% | 83.4 | 4.20 |
| 4a | Taytay to El Nido | Palawan | 67.0 | 1 | 67.0 | 25 | 25 | 15.5% | 15.5% | 142.0 | 2.12 |
| 4b | Montible-Napsan-Bacungan | Palawan | 74.0 | 0 | 0.0 | - | - | - | - | - | - |
| 4c | Abukayan-Nali | Palawan | 25.0 | 0 | 0.0 | - | - | - | - | - | - |
| 4d | Quezon-Aboabo | Palawan | 18.1 | 1 | 18.1 | 221 | 221 | 23.2% | 23.2% | 42.6 | 2.35 |
| 4e | Sumbiling to Canipaan | Palawan | 10.0 | 0 | 0.0 | - | - | - | - | - | - |
| 4f | Brooke's Pt-Rio Tuba | Palawan | 58.2 | 2 | 58.2 | 240 | 246 | 15.0% | 15.9% | 182.4 | 3.13 |
| 5a | San Fernando-Marigondon | Sibuyan | 29.7 | 2 | 25.7 | 183 | 325 | 25.4% | 53.4% | 89.5 | 3.07 |
| 5b | Magdiwang-Ambulong | Sibuyan | 3.0 | 1 | 3.0 | 165 | 165 | 24.4% | 24.4% | 5.6 | 1.93 |
| 5c | Odiongan-Bagto | Tablas | 27.3 | 0 | 0.0 | - | - | - | - | - | - |
| 6 | Sta. Fe-Rosales | Luzon | 76.0 | 6 | 34.4 | 111 | 3914 | 31.5% | 31.5% | 160.5 | 4.66 |
| 7 | Madela-Casiguran | Luzon | 113.3 | 1 | 12.8 | 550 | 550 | 33.9% | 35.9% | 54.9 | 4.29 |
| 8 | Gasan-Santa Cruz | Marinduque | 75.1 | 2 | 44.4 | 276 | 474 | 15.6% | 25.5% | 87.0 | 1.96 |
| 9 | Mactan Circumferential | Cebu | 27.0 | 0 | 0.0 | - | - | - | - | - | - |
| 10a | Altavas-Ivisan | Panay | 28.8 | 3 | 25.8 | 481 | 513 | 16.1% | 21.6% | 97.3 | 3.38 |
| 10b | Balasan-Carles-Barcal | Panay | 16.3 | 1 | 16.3 | 316 | 316 | 23.3% | 25.3% | 41.5 | 2.55 |
| 10c | Banga-Altavas | Panay | 31.3 | 2 | 31.3 | 537 | 734 | 16.1% | 20.1% | 167.0 | 5.37 |
| 10d | Ivisan-Lanot | Panay | 8.0 | 1 | 8.0 | 3,191 | 3,191 | 18.5% | 18.5% | 57.6 | 7.19 |
| 11 | Kabankalan-Basay | Negros | 132.2 | 0 | 0.0 | - | - | - | - | - | - |
| 12 | Morta-Bulalacao | Mindoro | 108.2 | 7 | 35.5 | 252 | 976 | 16.3% | 56.2% | 120.3 | 3.33 |
| 13 | Surigao-Davao Coastal | Mindanao | 143.7 | 7 | 104.7 | 316 | 1017 | 15.7% | 32.6% | 497.9 | 4.76 |
| 14 | Tubay-Lake Mainit | Mindanao | 79.9 | 3 | 18.0 | 185 | 313 | 15.6% | 17.2% | 40.3 | 2.24 |
| TOTAL | | | 1,307.0 | 54 | 635.9 | - | - | - | - | 2,410.0 | 3.79 |

Note: 1. If there is only one section feasible, high and low AADTs are equal.

2. If there are more than one section feasible the "low" represents the lowest IRR for all the sections.

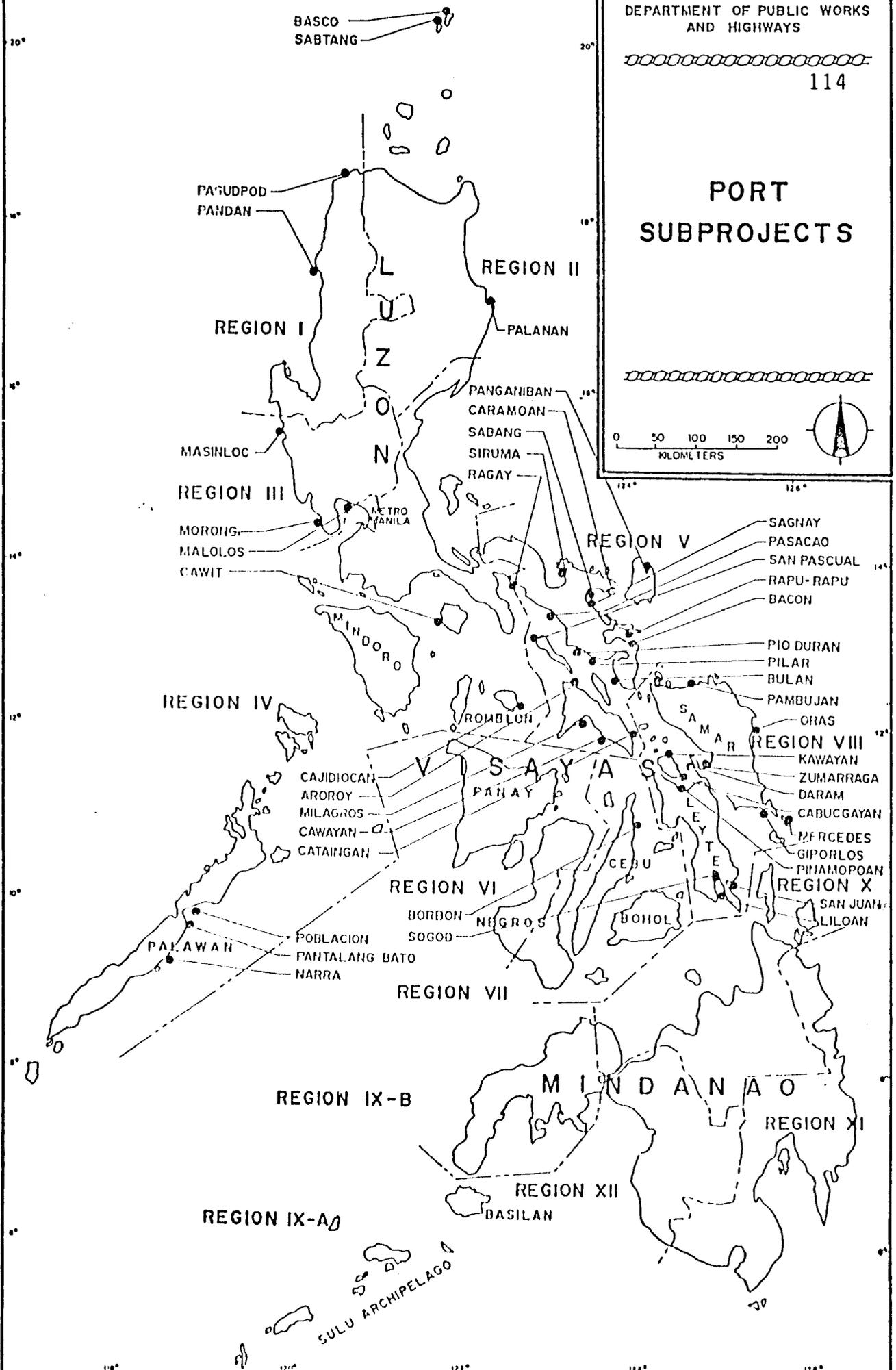
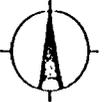
"High" IRR represents the highest IRR of all the feasible sections on the road.

3. " - " = not appropriate

Source: Consultant's estimates

PORT SUBPROJECTS

0 50 100 150 200
KILOMETERS



RIF PROJECT PORT FEASIBILITY STUDIES

115

| PORT | FS=FEASIBILITY DD=DETAILED DESIGN | INTERNAL RATE OF RETURN | ECONOMICALLY FEASIBLE? | CONSTRUCTION COST OF UPGRADE (PESOS) | REMARKS |
|-----------------------------------|---|-------------------------------|---------------------------|---|---|
| Pan | FS | 31.56% | Yes | 5,434,000 | PPA Jurisdiction, dropped |
| | FS | -0.00% | No | 8,387,000 | |
| | FS | N/A | N/A | N/A | |
| | FS/DD | 24.48% | Yes | 30,181,000 | |
| | FS/DD | 22.69% | Yes | 11,938,000 | |
| Magayan | FS | 28.32% | Yes | 2,998,000 | |
| | FS/DD | 17.49% | Yes | 12,143,000 | |
| Moan | FS/DD | 16.16% | Yes | 8,536,000 | |
| | FS | 23.59% | Yes | 12,194,000 | |
| Pan | FS | 0.52% | No | 15,843,000 | |
| | FS/DD | 15.74% | Yes | 9,735,000 | |
| Pas | FS | 44.61% | Yes | 2,172,000 | |
| | FS | 1.76% | No | 5,355,000 | |
| | FS | -0.00% | No | 8,002,000 | |
| | FS | 12.81% | No | 7,384,000 | |
| Pas | FS/DD | 54.37% | Yes | 3,670,000 | |
| | FS | -11.76% | No | 12,755,000 | |
| Pas | FS | 39.90% | Yes | 1,522,000 | Recommended new building only P 628,000 |
| | FS | 10.85% | No | 5,904,000 | |
| Pan | FS/DD | 26.93% | Yes | 9,546,000 | Incorporated with port of Panacan |
| | FS/DD | 17.81% | Yes | 14,255,000 | |
| Pan | FS/DD | 20.22% | Yes | 8,955,000 | |
| | FS | 10.46% | No | 1,070,000 | |
| Pan | FS | 18.65% | Yes | 1,474,000 | |
| | FS | -0.00% | No | 16,656,000 | |
| Pan | FS/DD | 16.49% | Yes | 4,308,000 | Another site recommended |
| | FS/DD | 22.28% | Yes | 2,896,000 | |
| | FS | 14.77% | No | 9,925,000 | |
| | FS/DD | 27.89% | Yes | 15,178,000 | |
| | FS | 3.60% | No | 21,071,000 | |
| Pan | FS/DD | 28.39% | Yes | 10,247,000 | |
| | FS/DD | 26.54% | Yes | 13,202,000 | |
| Pan | FS | 23.87% | Yes | 5,436,000 | Another site recommended |
| | FS | -0.00% | No | 26,003,000 | |
| Pan | FS | 11.16% | No | 4,803,000 | |
| | FS/DD | 24.46% | Yes | 5,917,000 | |
| Pan | FS | -0.00% | Yes | 12,419,000 | Recommended due to isolation of area River wharf and inter-island facility |
| | FS/DD | 18.13% | Yes | 19,528,000 | |
| Pan | FS | 15.90% | Yes | 8,732,000 | |
| | FS/DD | 25.84% | Yes | 12,922,000 | |
| Pan | FS | 10.10% | No | 3,261,000 | Pier extension only |
| | FS/DD | 20.39% | Yes | 5,002,000 | |
| Pan | FS | 29.77% | Yes | 759,000 | Beach improvement only |
| | FS | 52.13% | Yes | 945,000 | |
| Total cost for all projects = | | | | 399,356,000 | Pesos |
| Total cost of feasible projects = | | | | 251,485,000 | Pesos |

The Project Paper's (PP) estimated costs were considerably lower than the actual costs incurred.¹ The consequence of underestimating at the design stage is that in order to stay within budget, the number of kilometers of road and ports to be constructed have had to be reduced from those originally planned.

Road construction costs have generally exceeded PP estimates by a factor of 2 or more, as shown in the sample table:

| <u>Road</u> | <u>PP</u> <u>Km</u> | <u>ESTIMATES</u> <u>US\$m</u> | <u>\$/Km</u> | <u>ACTUAL</u> <u>Km</u> | <u>LOW BIDS</u> <u>US\$m</u> | <u>\$/Km</u> | <u>\$/Km Ratio</u> <u>Increase</u> |
|-------------|------------------------|----------------------------------|--------------|----------------------------|---------------------------------|--------------|---------------------------------------|
| Quirino | 72 | \$13m | .18m | 64 | \$21m | .33m | 1.83 |
| Kalibo | 96 | 9.4 | .1 | 50 | 10.9 | .22 | 2.2 |
| ----- | | | | | | | |
| PP | 1,515 | 135.1 | .089 | | | | |
| 8 Contracts | | | | 236 | 60.8 | .258 | 2.9 |

Port construction estimates in the Project Paper were similarly low -- as illustrated by the costs for MANDAON, SANTA ROSA and BABAK ports which were estimated at \$773,000. The actual bid prices for these ports totaled \$1,533,096 -- again almost double the estimate.

Established DPWH guidelines, procedures and regulations are used to prepare Approved Agency Estimates (AAE) which fix the limits in considering construction bids. In the foregoing instances, unrealistically low estimates resulted. Since only two American firms -- each joint venturing with local firms -- together with six local construction contractors were involved in the cost analysis, the increased cost cannot be attributed to the higher cost of construction by US firms working overseas.

For future projects, more research into current local construction costs should be undertaken by engineers on USAID's Project Paper Design Team. Comparison of these estimates with DPWH AAE's could result in the preparation of more realistic construction estimates.

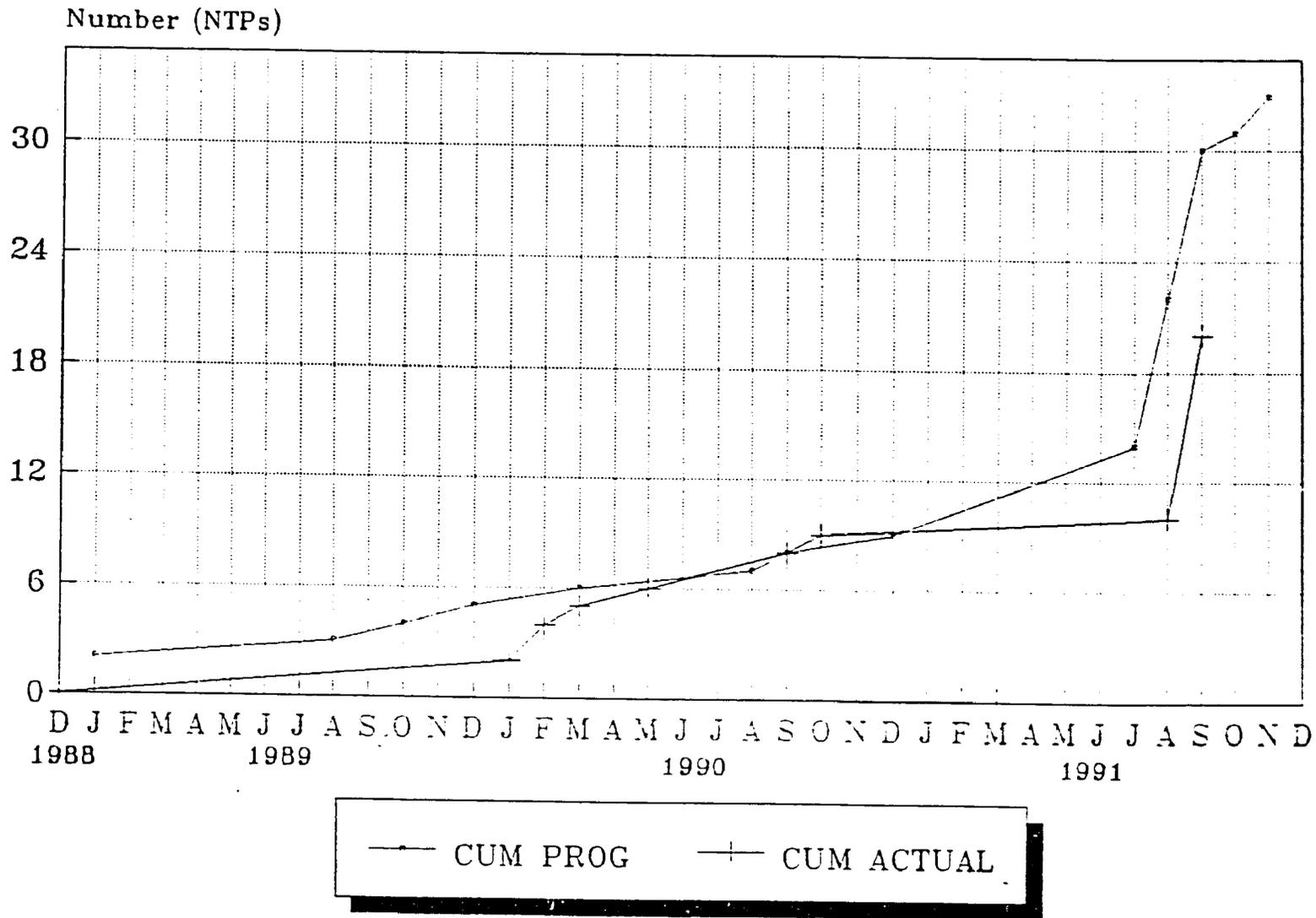
Other factors contributing to the escalation of construction costs include:

1. A 3-4 year period of annual cost escalation.
2. A devaluation of the PESO of 25 to 30%

¹The data contributing to these comparative cost analysis are derived from the September 1987 PP and figures 5 and 6.

RURAL INFRASTRUCTURE FUND PROJECT

Cumulative & Actual Monthly Notices to Proceed



As of September 30, 1991

PROJECT FUNDING

The September 1987 Project Paper identified \$90 million for "Life of Project Funding" in the following subsectors:

| | | |
|--------------------------|----|---------------|
| ROADS & BRIDGES | \$ | 40.2 million |
| PORTS | | 8. |
| AIR NAVAIDS | | 3.8 |
| RURAL ELECTRIFICATION | | 36.27 |
| RURAL TELECOMMUNICATIONS | | <u>1.73</u> |
| | \$ | 90.00 million |

Project Paper Amendment #1 dated August 1989 was issued to delete assistance to the Rural Electrification subsector and expand assistance to the NAVAID subsector and Roads, Bridges and Ports subsectors as follows :

| | | |
|--------------------------|----|---------------|
| ROADS & BRIDGES | \$ | 61.87 million |
| PORTS | | 10.8 |
| AIR NAVAIDS | | 16.2 |
| RURAL TELECOMMUNICATIONS | | <u>1.13</u> |
| | \$ | 90.00 million |

Project Paper Amendment #2 dated May 1990 increased "Life of Project Funding" by \$80 million (to a total of \$170.0 million) of which \$30 million was attributed to General Santos City and \$50 million to expand the Roads, Ports and Bridges subsectors as follows :

| | | |
|---|----|-----------------|
| ROADS, PORTS & BRIDGES | \$ | 122.185 million |
| AIR NAVAIDS | | 16.18 |
| GEN. SANTOS CITY | | 30.00 |
| TELECOMMUNICATIONS & OTHER TECHNICAL SERVICE | | <u>1.635</u> |
| | \$ | 170.000 million |

PROJECT EXPENDITURES - ACTUAL vs PP

| | FY 88 | FY 89 | FY 90 | FY 91 | TOTAL |
|--|--------------------|--------|--------|--------|--------|
| | (In US\$ Millions) | | | | |
| PLANNED | | | | | |
| PER PP | 13.989 | 23.504 | 25.504 | 16.725 | 79.722 |
| PER PP Amend#2 | | | 18.370 | 51.997 | 70.367 |
| ACTUAL | | | | | |
| PER STATUS RPTS | | 1.034 | 4.259 | 8.668 | - |
| PER Oct. 23, '91, USAID EARMK & COMM. STATUS RPT | | | | | 21.811 |

As noted above actual expenditures were about 30% of the projected expenditures in PP Amendment 2. The most probable reason for such an over estimation of expenditures was USAID optimism in assessing the capabilities of the GOP (DPWH) -- and to a lesser extent, the Mission -- to procure engineering services, qualify contractors, and carry out construction bidding and awards.

Committed funds for roads, bridges and ports as well as other subsectors were roughly calculated by breaking down the \$ 100,076,937.57 total committed funds shown in the Mission's mid-October "Earmark and Commitment Status Report" acquired by

the evaluation team. The findings, compared to the breakdown of the \$ 170 million "Life of Project" funds are as follows :

| PP AMEND. #2 | ASSIGNED | COMMITTED |
|--------------------------------|-----------------------|------------------|
| ROADS & PORTS ENGINEERING | \$ 13.280 million | 11.031 |
| ROADS & PORTS CONSTRUCTED | 108.245 | 54.655 |
| ROADS & PORTS SERV.COMM. & TNG | .660 | .175 |
| NAVAIDS | 16.130 | 4.356 |
| GEN. SANTOS | 30.000 | 28.411 |
| TELECOM & OTHER | 1.635 | .433 |
| MT. PINATUBO ENGR. | <u>INCL. IN ENGR.</u> | <u>.997</u> |
| TOTAL | \$ 170.000 million | |
| | | \$100.58 (Calc.) |
| | | \$100.076 (Act.) |

Illustrations of delays in bureaucratic processes are shown below. They have been particularly singled out for comment because road, bridges and port construction constitute the bulk (70%) of project finding. The following implementation actions and dates were gleaned from the Mission's Quarterly Progress Reports.

SELECTION OF LONG-TERM ENGINEERING CONSULTANT

| | |
|---------------------|--|
| September 1987 | Execution of Pro-Ag. |
| January 1988 | CBD advertisement published |
| June 1988 | Proposals to DPWH |
| December 1988 | Selection finalized |
| January to May 1989 | Extended negotiations -- resulting in failure |
| August 1989 | 48 month LBII contract approved. PACD extended to December 1993. |

The long-term consultant mobilized during October and November 1989.

Meanwhile, in an attempt to expedite project implementation, USAID/Philippines processed an Indefinite Quantity Contract (IQC) for some short-term consultants to

conduct feasibility studies and design updates on selected ports and two major roads -- Quirino and Kalibo. However, the record shows that although AID Project Implementation Orders for Technical Services (PIO/T's) were first issued in November 1987, they were not approved by AID/Washington until almost a year and a half later -- in March 1989.

Implementation for construction was undertaken by AID with CBD advertising for interested US and/or Philippine firms in June 1988. Prequalification was carried out in August and September by the DPWH but inadequate response to Quirino prequalification necessitated its being readvertized. A pre-bid conference for prospective bidders on both Quirino and Kalibo subprojects was held in April 1989. Low bids on both projects were approved and contracts for both roads were awarded to a Torno/Foundation Specialists Joint Venture in January 1990.

Although the contractor continued mobilizing and constructing camp facilities further unexpected construction delays occurred on both projects throughout 1990. Delays up to six months were incurred through AID/W approval of Environmental Assessments one of which necessitated some redesign of Quirino highway. Customs release of construction equipment also slowed active work. The greatest delay was encountered at the Quirino site. The contractor received a 203 day time extension in the contract for a combination of no-fault delays on his part -- resulting from late releases of equipment by Customs, and insurgent activities at the project site.

When reviewing the low rate of disbursements during FY 88 thru FY 90 the foregoing incidents, when taken in total, were the primary factors contributing to delayed implementation and, since most of them involved bureaucratic actions of both AID and the DPWH, the only recommended action to preclude such future occurrences would be serious consideration of pessimistic implementation assessments frequently expressed by experienced USAID technical staff. A closer examination and review of past host country and USAID implementation experience could result in a more realistic, but pessimistic preparation of cash flow in Project Papers.

It might also be more appropriate to assess project financial progress by giving greater credence to the extent of funds committed since these figures represent both contracts for short term procurements and the more costly long-term contracts for construction, engineering services and technical assistance.

With respect to the RIF there is little that can done to rectify past delays.

List of RIF Projects *

* Subject to upgrading based on DFWH-planned updated program.

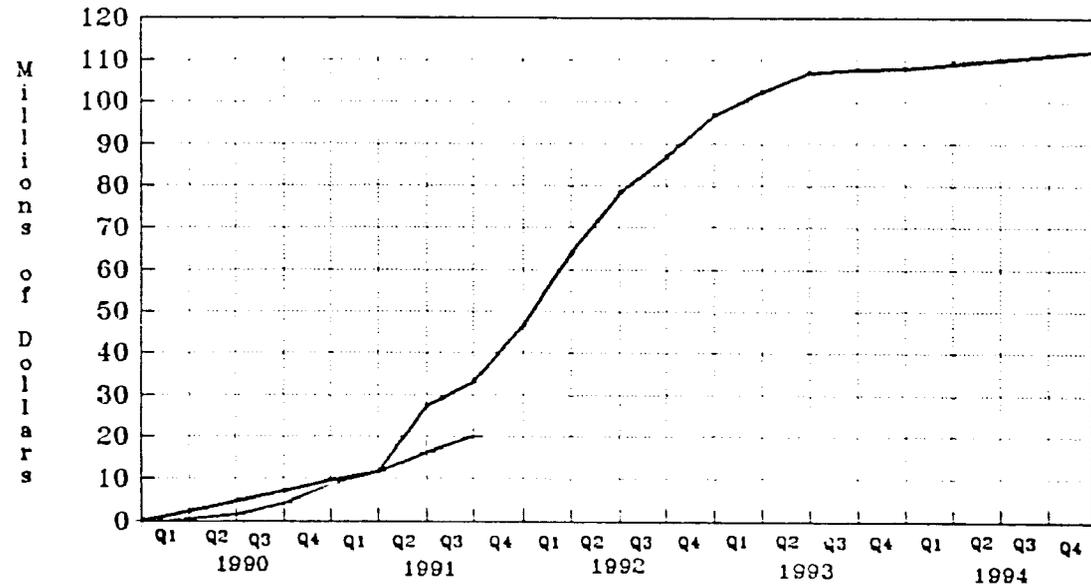
* Ongoing

| Subproject & Location | Cost Estimate |
|------------------------------------|------------------|
| 1. Quirino Highway, Quezon & Cam S | \$ 20.896 |
| 2. Kalibo Highway, Capiz & Dollo | 10.943 |
| 3. Estancia-Ajny Rd, Dollo | 6.250 |
| 4. Balasan-Tarica Rd, Illoilo | 2.840 |
| 5. Mabini Circum Rd, Batangas | 3.453 |
| 6. Lipa-San Fabro Rd, Bat & Laguna | 5.296 |
| 7. Baco-Fto Galera Rd, Or. Misamis | 10.734 |
| 8. Magat Bridge, Isabela | 8.779 |
| 9. Sta. Fe-Rosales Rd, Pangasinan | 6.540 |
| 10. Maddela-Tasiguran Rd, Quirino | 3.193 |
| 11. AboAbo-Quezon Rd, Palawan | 3.894 |
| 12. Tubay-Lake Mainit Rd, Agusan N | 2.303 |
| * 13. Panacan Port, Palawan | 0.083 |
| * 14. Almagro Port, Western Samar | 0.165 |
| * 15. Sta. Rosa Port, Cebu | 0.530 |
| * 16. Mandaon Port, Masbate | 0.665 |
| * 17. Babak Port, Davao del Norte | 0.438 |
| 18. San Jose Port, Surigao del N | 0.562 |
| 19. Sogod Port, Southern Leyte | 0.408 |
| 20. Buisan Port, Sorsogon | 0.436 |
| 21. Pinamopoan Port, Leyte | 0.430 |
| 22. Pandan Port, Bocos Sur | 0.254 |
| 23. Sabang Port, Camarines Sur | 0.219 |
| 24. Cawit Port, Marinduque | 0.464 |
| 25. Cajidiocan Port, Romblon | 0.638 |
| 26. San Pascual Port, Masbate | 0.568 |
| 27. Maiolos Port, Bulacan | 0.140 |
| 28. Narra Port, Palawan | 0.780 |
| 29. Sagnay Port, Camarines Sur | 0.903 |
| 30. Oras Port, Samar | 0.593 |
| 31. Morong Port, Eataan | 0.628 |
| 32. Pio Duran Port, Albay | 0.833 |
| Consultancy | 16.278 |
| TOTAL | \$113.0 M |

RURAL INFRASTRUCTURE FUND

\$170 Million Authorization
 - 30 Million SAI
 \$140 (ESF)
 - 10 Million (Mt. Pinatubo)
 \$130 Million
 - 17 Million (Nav. Aids)
 \$113 Million (32 Roads & Ports Subprojects)

RURAL INFRASTRUCTURE FUND PROJECT Programmed vs Actual Disbursements



— PROJECTED — ACTUAL

As of September 30, 1991

NAVIGATIONAL AIDS SUBSECTOR

The 1987 Project Paper (PP) provided \$3.8 million for upgrading air navigational aids at 13 provincial airports and Manila's Ninoy Aquino International Airport (NAIA). Funding included \$2.9 million for equipment, \$0.8 million for construction, and the remainder for training, technical assistance etc. Provincial airport equipment consisted generally of VOR (visual omni range); NDB (non-directional beacon); DME (distance measuring equipment) and the larger airports, ILS (instrument landing systems).

PP Amendment #1, August 1989, reallocated funds made available through deletion of the Rural Electrification sector. Since implementation of the Navaid funding was exceptionally efficient (expending \$3.4 million over a 15 month period) and a further need for equipment was demonstrated - an additional \$12 million was authorized to upgrade facilities at 11 additional provincial airports and expand facilities at 3 of the airports in the current program.

About one year later the technical specifications and bid documents had been developed, and the Invitation for Bid (IFB) for Phase 2 was issued in June 1991. As of this writing (October 1991), bids have been received and analyzed but a protest has been registered and the procurement is now "on hold", pending resolution of the protest.

The implementation of this subsector -- both physical and financial -- has been exceptionally efficient and rapid compared to the Roads, Bridges and Ports subsector. However, such a comparison is unwarranted because the circumstances were so different. Factors contributing to its success include the following:

- a. Only one contractor was needed to procure, install and provide training.
- b. Only one office (ATO) of the Department of Transportation and Communications was involved. They apparently were able to control implementation and had jurisdiction over the airports involved.
- c. The major contracting method was a direct contract with USAID.

Except for consideration of AID direct contracting, none of the above merits of this subsector implementation can be replicated for the Roads and Ports subsector. Roads & Bridges implementation incorporates a larger GOP bureaucratic structure and a potentially unlimited pool of contractual participants.

TELECOMMUNICATIONS SUBSECTOR

Assistance to the telecommunications subsector was ill defined in 1987 in terms of identifying a particular discrete "project" for USAID implementation. Other international lenders (ADB, IBRD, CIDA, etc.) as well as private and public utilities were likewise seeking to identify viable projects and investments. The DOTC (Department of Transportation and Communications) was concerned with assessing, organizing and managing the GOP telecommunications sector. Under these circumstances, the Mission's 1987 Project Paper provided \$1.73 million to provide "... top level consulting assistance to define subsector issues ..." which required refinement before "project" type assistance could be initiated.

During the twenty month period following the 1987 project authorization, the Mission and AID/W continued to encourage US public and private involvement in DOTC's telecommunications development. USAID repeatedly reminded DOTC to avail itself of the high level technical assistance already authorized by USAID. By June 1989 a PIO/T was forwarded to DOTC and the duties and responsibilities of the advisor were advertised to solicit candidates. A final candidate was placed under contract in January 1990 following interviews in U.S. and trial TDY's to Manila and several withdrawals of prospective candidates.

The PP Implementation Schedule was about 3 or 4 months behind the actual contracting. Delays were mostly by the DOTC and their efforts to get the best advisor possible once their needs were clearly defined. The AID-financed advisor is now in his second year and is apparently providing satisfactory technical advisory services to his GOP counterparts. However, a recent progress report indicates that he too is still encountering some administrative difficulties in attempting to resolve issues concerning contractual Terms of Reference.

Of the \$1.73 million \$433,091.01 has been committed and \$260,906.17 disbursed. In addition to the long-term advisor contract (\$265,404.01 committed) the remaining funds (about \$172,000) have been disbursed for short term TDY's and observation tours.

In summary, the expenditures and accomplishments have been consistent with those envisioned in the PP. At this time (October) the utilization of the funds remaining in the subsector have not been finalized.

IS THE PROJECT OPERATING AS PLANNED?

[QUESTION 7]

Q7. Is the project operating as planned in the Project Paper and Project Agreement? Are the sub-project selection and approval procedures outlined in the Project Agreement being followed and do they ensure the involvement of local governments? If there are significant deviations from the mechanisms described in the PP and PROAG, have they been clearly justified and documented?

The RIF is operating generally as planned in the Project Paper (PP) and the Project Agreement (PROAG), with the exception of local government involvement. The project as described in the PP was based on an "umbrella" concept, including a variety of components expected to have an immediate impact on the improvement of economic productivity in rural areas, yet lay the foundation for sustained improvement in productivity and employment.

In keeping with the Country Development Strategy Statement (CDSS) of 1987, the project was intended to provide USAID and the GOP with a degree of flexibility in addressing the question of rural development. The core of the project consisted of a roads component and a municipal ports component. The project also included components for improving air navigational aids, rural electrification and rural telecommunications. However, implementation of the latter components was predicated on ensuing assessments of their potential contribution by USAID and the GOP. Subsequent amendments to the project paper removed rural electrification from the project.

Selection Procedures

As outlined in the next major section -- in response to Question 8 -- the GOP has a well-established system for identifying and prioritizing development projects, which takes into consideration a wide variety of factors pertinent to development and in far greater detail than mentioned in the Project Paper.

RIF sub-projects were nominated and selected after screening by this system. Unfortunately, in order to meet economic viability tests, sub-projects sometimes tend to be fragmented and uneconomic portions deleted. The end result is thus not always a completed stretch of highway from point A to point B as envisaged, but rather several intermittent segments along the route.

Local Government Involvement

The Project Paper and the Project Agreement called for the involvement of local government units in the selection and maintenance of sub-projects to be implemented under the project. The Project Paper notes that many of the sub-projects being considered for financing under the RIF were already included in the 1987 GOP Budget and Appropriations Act. It also called for technical support to local management and engineering units of the Department of Public Works & Highways (DPWH). However, the project paper did not indicate clearly how local government units would be involved or what kind of technical support was intended for the local units of DPWH.

Local governments were involved in the selection of projects in an indirect way -- but this involvement was long before the RIF began. Road and port projects that had been identified in provincial and regional development plans and on which the DPWH had completed internal feasibility studies (as far back as 1974) were reviewed by the National Economic & Development Authority (NEDA). NEDA then selected a subset of these projects for inclusion in the RIF. DPWH then forwarded the approved list to USAID/Philippines as proposed sub-projects for review and inclusion in the RIF project.

Other than having originated this long-standing "wish list", there is no indication of any subsequent systematic involvement of local government units in the RIF. The local district offices of DPWH are periodically involved during the construction phase of RIF sub-projects, because they are responsible for securing the rights-of-way for roads, and when the roads are completed, will eventually assume the responsibility for their maintenance. However, district offices are branches of the national DPWH rather than agencies of the local government. Furthermore, the RIF has not targeted these offices for any equipment support or institutional development effort to handle the maintenance aspects that will ensue from the project.

Local politicians regularly interact with the RIF project -- through various channels, direct and indirect -- with requests (and initiatives) to modify sub-projects. These efforts are usually viewed by the parties directly involved with the RIF (i.e. the contractors, consultants, RIF-PMO, and USAID) as unwanted intrusions, which tend to delay the implementation of on-going sub-project construction efforts. However, there are instances where the involvement of these local leaders have resulted in making the subprojects more suitable to local needs.

Disputes between the RIF and local residents over rights-of-way are expected to become more serious as sub-projects' construction progresses. In some cases, disputes

involve questions of legal ownership and appropriate levels of compensation. In other cases, the issue will be how to remove persons encroaching on rights-of-way (ROW) already secured by the DPWH in light of the Aquino Administration's prevailing sentiment that alternate shelter and/or resettlement areas be provided to persons so displaced. Although the DPWH can establish the legal ROW for the contractor, forcible removal and relocation of persons is not a DPWH responsibility. Furthermore, DPWH contractors -- particularly American contractors -- are not prepared to bulldoze their way to the job site when confronted by angry (often armed) local citizens in such situations. [Numerous violent encounters and recriminations have already occurred in other areas of the country where similar problems of access have been experienced.] In one sub-project area, the DPWH District Engineer has urged the formulation of a local citizens' committee to validate ROW claims. However, there is no evidence of any coordinated approach by the DPWH and other concerned and involved agencies -- such as the Philippine National Police, the Department of Social Welfare & Development, and the Commission on Human Rights -- to resolve these disputes in cooperation with the local government units in which the sub-projects are being constructed.

The absence of specific plans in the Project Paper (PP) for the institutional development of local management and engineering units seems to stem from the opinion in USAID that road projects are already well understood by both USAID and the implementing agencies. Advice to the mission from the AID/Washington Asia-Near East Bureau's Project Advisory Committee (ANPAC) predicated construction in subsectors of the RIF on agreements between the mission and GOP implementing agencies defining how and when key policy and institutional changes would be implemented. ANPAC anticipated serious policy and institutional problems with the rural electrification and telecommunications subsectors and recommended that assistance to these subsectors be limited to studies until the issues involved could be made clearer. However, the institutional constraints associated with road construction were seen as less burdensome and more easily removed.

The ANPAC guidance stressed the need for infrastructure investments to be economically viable and contributory to sustainable recovery of the local economy. It also urged the RIF to deal with institutional issues and ensure that they were not driven out by more immediate day-to-day concerns with construction. However, in the design and implementation of the RIF, institutional issues were apparently not foreseen, and have not been addressed in a systematic way.

PROJECT SELECTION METHODOLOGY

[QUESTION 8]

Q8. What is the overall methodology which DPWH uses for matching donor funds with proposed sub-projects? Does this methodology assure that the more viable sub-projects are being prioritized for implementation? Do accomplishments under RIF compare favorably with the accomplishments of other donor agencies working with the same implementing agencies?

Under normal project identification and prioritization procedures being followed by GOP, it is presumed that the line-up of RIF projects have been thoroughly screened by the National Economic & Development Authority (NEDA) and are contained in the Medium Term Public Investment Program (MTPIP) of the GOP. Currently, this procedure requires that projects proposed to be included in the MTPIP follow the steps outlined in Illustration A on the following page -- the so-called "bottom-to-top" approach in project planning.

While various political/social forces may attempt to bypass and/or influence any of the steps outlined, the indorsement of the Regional Development Council (RDC) has become the focal point in project prioritization. RDC approval is considered essential prior to indorsement of the project to any funding institution or its inclusion in the MTPIP. Thus, any project proposal that finds its way to NEDA without the necessary RDC indorsement is now referred back to the appropriate local Development Council for review and indorsement.

Once the project has been indorsed to NEDA, it is again subjected to evaluation based on the comprehensive grading system for project ranking/prioritization outlined on the chart on the page following Illustration A, and detailed in Appendix 6. The project listings are then submitted to the Investment Coordinating Committee for approval as the Official MTPIP of the GOP.

In the case of RIF projects, NEDA made a call to the Regional Development Councils (RDCs) for project proposals to be included in the RIF, with the primary requirement that such projects either be ready for implementation or already have feasibility studies attesting to their viability. In response, the RDCs prepared project listings by type (for example -- road projects) culled from projects which had already been included in various earlier feasibility studies prepared for other purposes. Many of these studies had been undertaken for other donors -- such as the World Bank (IBRD), the Asian Development Bank (ADB) and the Japanese Overseas

Economic Cooperation Fund (OECF) -- but had not been selected for implementation funding institutions due a combination of funding constraints and/or relatively low priority.

The procedure for RIF project selection was then conducted, as shown in Chart B on the following page.

Once the set of potential projects had been selected (about 1,000 kilometers of discrete projects), updating of the feasibility studies were undertaken by the RIF-PMO Consultant to determine their present economic viability. As the technical feasibility of these projects was updated, if they still passed the economic feasibility criterion, they were indorsed to USAID for review and approval. No new NEDA approval was required since NEDA had already approved the initial listing of projects proposed for implementation under the RIF in the first instance.

Consultants were hired -- first by USAID under IQC, and later by DPWH -- to update the feasibility studies of selected road/port projects and eventually, the detailed design and engineering of the approved projects.

Sub-Project Viability

As the NEDA prioritization system indicates, the process of selecting a project includes a wide variety of Economic, Organizational and Social factors and sub-factors of importance to GOP national development. While an intrinsically important consideration, Economic Desirability only constitutes 26% of this comprehensive weighting. In turn, Economic Feasibility *per se* is weighted as only 17% of Economic Desirability. In other words, only 17% of 26% -- or approximately 4.5% of the total selection criteria addresses economic viability. Given this weighting, there is no assurance that the more viable sub-projects are prioritized for implementation -- only that economic viability was a consideration. Furthermore, because so many of the initial cost estimates have proven to be unrealistically low, and the time frames for implementation exceeded, once a contract is awarded the economic viability aspects are given little if any further consideration. However, the other "economic desirability", "social desirability" and "regional growth & dispersal" factors tend to be much more persistent and stable indicators for assessing national development needs.

Considerable thought and effort has gone into designing an objective system to address and attempt to balance various factors, and assure that projects which survive this review accord with overall GOP priorities. Nevertheless, selecting individual sub-projects from a national "wish list" ultimately tends to scatter implementation activities over a wide area, shattering any concept of a coherent "integrated area" transportation network.

REPUBLIC OF THE PHILIPPINES
 NATIONAL ECONOMIC & DEVELOPMENT AUTHORITY (NEDA)
 CRITERIA FOR PRIORITIZATION OF PROPOSED PROJECTS FOR THE
 MEDIUM TERM PUBLIC INVESTMENT PROGRAM

| ASPECT | WEIGHT | FACTOR | FACTOR WEIGHT | SUB-FACTORS | RANGE OF POINTS POSSIBLE |
|---|------------|--|------------------|-------------|--------------------------|
| A. ECONOMIC DESIRABILITY | 26% | 1. Internal rate of return, or benefit/cost ratio | 1.7% (12 points) | 10 | 2-12 |
| | | 2. Generation of employment opportunities | 1.6% (10 points) | a b c | 2-3 1-4 |
| | | 3. Strengthen & diversify the rural sector | 1.6% (11 points) | a b | 1-5 |
| | | 4. Generation of net foreign exchange | 1.6% (6 options) | | 1-10 |
| | | 5. Impact on sectoral targets and objectives (Production level, growth rate, productivity) | 1.6% (10 points) | a b c | 1-4 1-5 |
| | | 6. Increase in income levels of target clientele | 1.3% | 5 | 1-10 |
| | | 7. Relative strength of forward and backward linkage | 7% | 4 | 1-10 |
| | | 8. Judicious use of local resources - i.e. protects the environment and maintains ecological balance | 1.6% | 4 | 2-10 |
| | | 9. Appropriate technology - low cost/indigenous | 7% | 5 | 1-10 |
| B. PROJECT COST & FINANCING | 17% | 1. Project has revenue generating capability | 2.0% (6 options) | | 2-10 |
| | | 2. Does not require excessive budgetary counterpart | 2.0% (10 points) | a b c | 1-5 |
| | | 3. Project is cost effective | 3.0% (10 points) | a b c | 1-5 |
| | | 4. Project has high potential for grant financing | 3.0% (10 points) | a b c | 2-5 |
| C. SOCIAL DESIRABILITY | 24% | 1. Target beneficiaries socio economically depressed | 1.6% | 4 | 1-10 |
| | | 2. Promotes active popular grassroots participation | 1.1% | 6 | 1-10 |
| | | 3. Strengthen/improve local institutional capabilities | 1.6% | 6 | 1-10 |
| | | 4. Improve level & quality of community services | 1.1% | 4 | 1-10 |
| | | 5. Develop potentials - health, educ'n, skills/training | 1.2% | 6 | 1-10 |
| | | 6. Promote stable political climate & social environment | 1.6% | 7 | 1-10 |
| | | 7. Fulfill target beneficiaries basic needs | 1.2% | 5 | 1-10 |
| | | 8. Promote equitable distribution of income & wealth | 1.2% | 4 | 1-10 |
| | | 9. Facilitate transition to stable demographic condition | 6% | 7 | 1-10 |
| D. REGIONAL GROWTH & DISPERSAL | 19% | 1. Impact on regional growth and economic performance | 2.6% (10 points) | a b c | 2-5 2-4 |
| | | 2. Impact on regional dispersal and disparities | 2.2% | 4 | 1-10 |
| | | 3. Impact in reducing intra regional disparity | 1.7% | 4 | 1-10 |
| | | 4. Regional cohesiveness and intra regional business | 1.7% | 5 | 2-10 |
| | | 5. Regional absorptive capacity for increased investment | 3.0% (10 points) | a b c | 2-5 |
| E. INSTITUTIONAL CONSIDERATIONS | 14% | 1. Agency absorptive capacity | 2.0% (10 points) | a b c | 2-5 |
| | | 2. Agency mandate/authority to implement project | 2.0% (10 points) | a b c | 2-5 |
| | | 3. Institutional arrangements for implementation and operation are consistent with government policies | 2.0% (10 points) | a b c | 2-5 |
| | | 4. Private sector encouraged to contribute inputs/suggestions to project implementation | 2.0% (10 points) | a b c | 2-5 |

RIF vs Other Donor Accomplishments

From what the team has been able to discern from discussions with NEDA program/project monitoring officers, various PMOs and project officials of other donors, accomplishments under RIF are not significantly different from those of other donors.

All tend to encounter some slippage, and the reasons for slippage are similar -- delays in awarding contracts, slow procurement of equipment, delays in clearing customs, lack of adequate equipment on site, and right-of-way problems on the job.

In several conversations with various officials it was implied (but not substantiated) that projects by French and Japanese bilateral donor agencies tend to be more self-contained direct-contracted turn-key operations, and encounter fewer constraints and time delays than those of other bilateral donors (such as USAID), or multilateral donor agencies.

FOREX RATE

\$1: P27.00

Business Times

Editor: Ray Eñano

35 big projects suffer delays

Creditors place projects with foreign funding under a watchlist

By ROEL LANDINGIN

THIRTY five infrastructure projects, with a combined costs of more than \$2 billion, have been placed on a watchlist by the government and foreign creditors because of considerable delays.

A report provided by the Coordinating Council on the Philippine Assistance Program (CCPAP) showed that cumulative disbursements of funds for 27 projects are behind scheduled by between 15 per cent to 99.59 per cent as of end-July 1991.

An additional eight projects are under close monitoring by the Asian Development Bank (ADB) for suffering physical slippages by

16 per cent and as high as 97 per cent.

Five National Power Corp. (Napocor) projects, with a combined cost of \$739.6 million, accounted for close to one-half of the total cost of projects included in the watch list.

Of these, the biggest is the 300-megawatt (MW) Calaca II coal-fired power plant in Batangas. Costing \$308 million and to be funded by a 40.4 billion yen loan from the Overseas Economic Cooperation Fund (OECF) of Japan, the project is 83.33 per cent behind scheduled disbursements.

Other power projects included in the watchlist are the \$120-mil-

lion 14th Power Sector project, the \$59-million Bacon-Manito geothermal power plant, the \$75.5 million Extra-High Voltage project and the \$17.5 million Negros-Cebu interconnection.

The report explained that most of the power projects are behind schedule because of delayed procurement of equipment. At least one project, the Extra-High Voltage II, was delayed because of right of way (ROW) problems.

Another energy-related project, the \$30.9-million Palimpinon II geothermal project in Negros Oriental, which is administered by the Philippine National Oil Co. (PNOC), is also delayed by 98.21

per cent, because of problems in the awarding of the steam-gathering contract.

The delayed approval and release of the 1991 budget also contributed to the slowing down of fund disbursements and project implementation, the report stated.

At least four projects have been affected by the delay in the approval of this year's budget. These include the \$57.9-million Second Palawan Integrated Project, the \$58.2 million First and a Second Communal Irrigation Project of the National Irrigation Administration (NIA), and the \$150-million Housing Sector Loan of the National Home Mortgage and Financing Corp. (NHMFC).

In a meeting with DPWH senior officials and regional directors, Secretary de Jesus said that as of last Sept. 30, only about 6,013 of the total of 42,653 projects nationwide had been completed. He Jesus threatened to terminate contracts for projects with intolerable "negative slippages."
In this world, nothing is certain except death, taxes and "delays in construction."

To the extent that institutional issues have arisen during the course of the project, they have been dealt with only on a case-by-case basis as unique obstacles to be overcome or minor irritants to be circumvented or endured -- rather than endemic impediments to be resolved. The evaluation team considers that a *priori* certification of capacity of the District Engineer (and/or Provincial government entity) to absorb/sustain the proposed highway/port maintenance operations should play a larger role (i.e. a major prerequisite) in the project nomination/selection process.

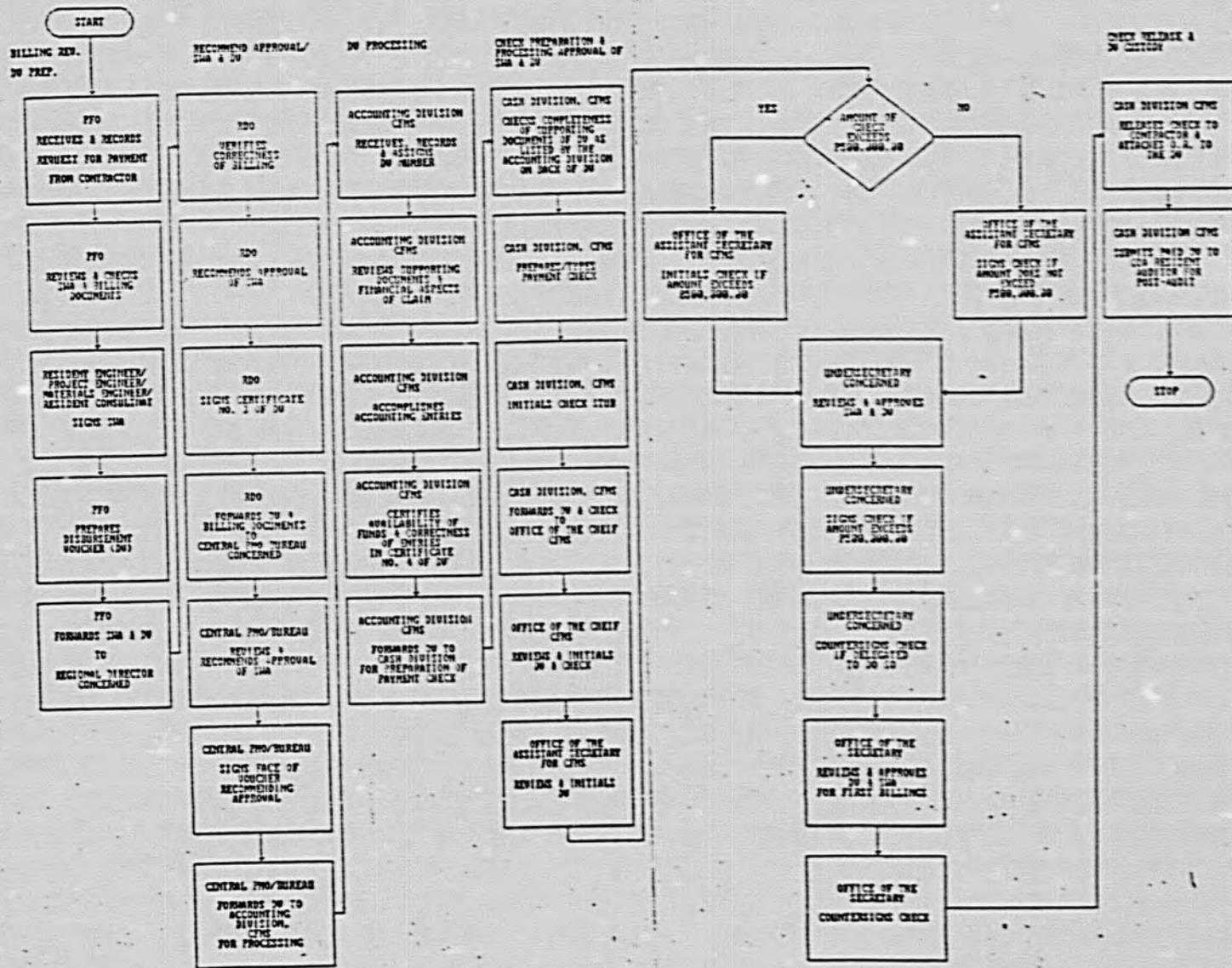
Significant Deviations from the PP & PROAG

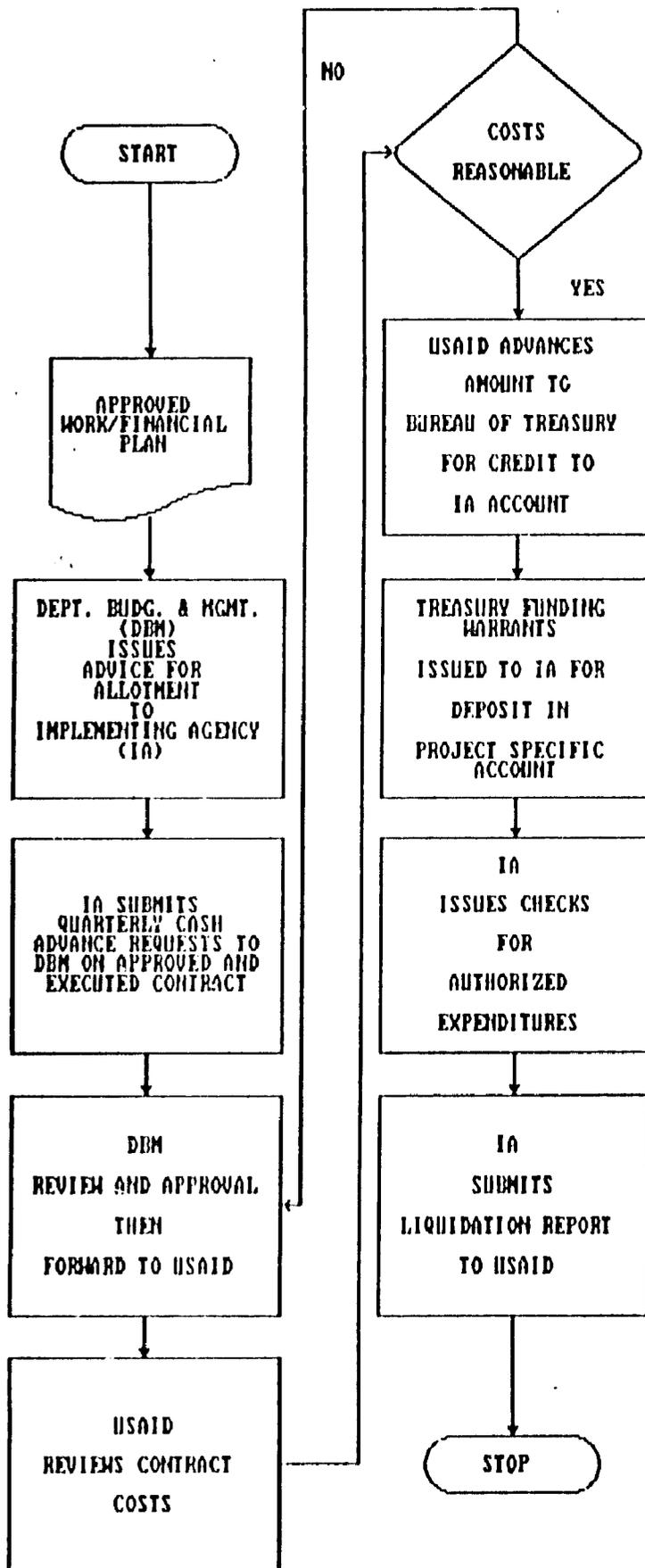
The disbursement mechanisms outlined in detail in the Project Paper (PP) and the Project Agreement (PROAG) were not followed. Instead Section 7.3 of the PROAG "Other Forms of Disbursement" was invoked. This states that

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing. [Emphasis ours.]

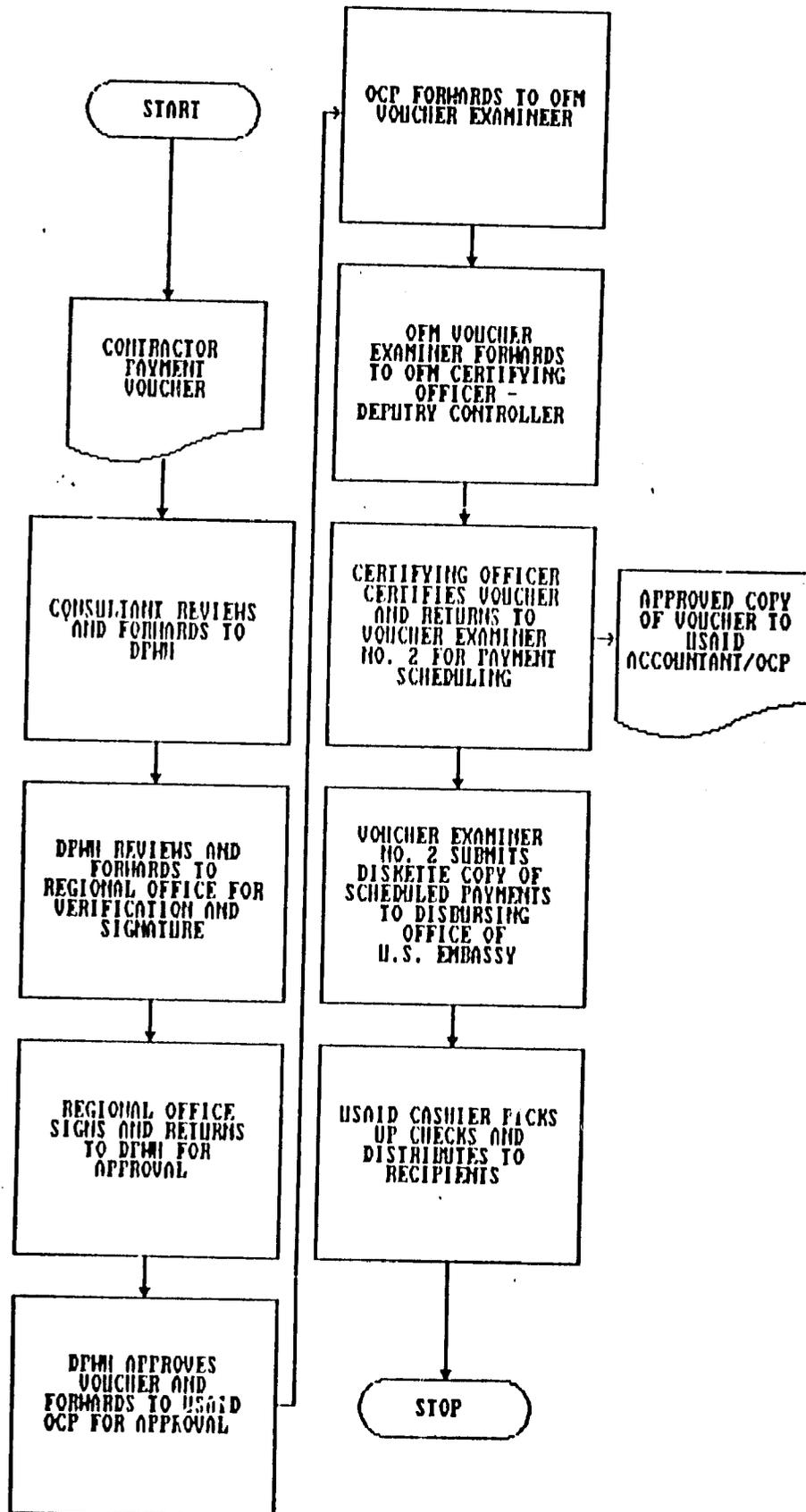
The "other means" -- of direct payment by USAID to the contractors involved, after certification by the DPWH -- is much simpler than the procedure outlined in the PP & PROAG system, and appears to be working well. This process was tentatively agreed to by USAID in November 1989 under Project Implementation Letter # 25, and reconfirmed by USAID letter to the PMO in January 1991.

DPW - SIMPLIFIED PROCEDURES IN THE PROCESSING OF CONTRACTOR'S BILLINGS FOR CIVIL WORKS PAID IN THE CENTRAL OFFICE. DATED: 4/18/91





RIFP PROCESS FOR PAYMENT OF CONTRACTOR VOUCHERS



WORKING RELATIONSHIPS

[QUESTION 9]

Q9. Does USAID staff maintain effective working relationships with the implementing agencies with regard to the resolution of problems encountered during the implementation of sub-project activities? Is USAID able to respond in a timely manner to GOP requests under the project?

Perusal of the RIF files indicates that USAID and the DPWH have experienced a number of official disagreements (as well as some personality conflicts) in the past. However, the current incumbents appear to enjoy good personal rapport, and to have established a sound professional working relationship.

The DPWH is implementing the RIF Project through a PMO (Project Management Office) structure which is also used to manage other international lending projects as well as other USAID projects. A separate "RIF-PMO" has been established to handle the RIF project. The DPWH has promulgated extensive guidelines, rules and regulations to properly manage all infrastructure projects i.e. roads, bridges, ports, schools, markets and slaughter houses, etc. Their manuals and guidelines, etc. are comprehensive and are very similar to those issued by USAID. Thus, in general, the DPWH manages the RIF project in a manner consistent with AID requirements, and familiar to USAID personnel.

Meetings between USAID and the PMO and its consultant are now held at regular intervals where macro issues are discussed, and agreement can usually be reached. However, the micro issues -- i.e. those of direct concern to the construction contractors -- are apparently, not as easily disposed of. In particular, these tend to revolve around the interpretation of contractual terms and conditions. This responsibility rests with the DPWH and, in most cases, their decision is final. Since the consultant engineer (LBII/TGCI) is also under contract to the DPWH, the neutrality of their role in reviewing such issues -- and their ability to make objective decisions -- is possibly influenced by such an arrangement. Presently, however, LBII/TGCI is only in a position to recommend and offer advice -- not to make final and binding decisions on behalf of DPWH.

The evaluation team visited and discussed problems with several construction contractors -- both US and Filipino -- and three prime issues were identified as in urgent need of resolution by someone; be it the engineer, the PMO, the DPWH or USAID.

These issues are:

1. Right-of-Way Free access to all construction rights-of-way is not available, due to squatters encroachments and improvements erected by abutting property owners. Utility poles also need to be cleared from the rights-of-way.
2. Contractor Reimbursement The billing process usually takes 60 - 90 days from initial submission to receipt of a USAID check.
3. Taxes Since USAID cannot reimburse contractors for payment of taxes, the amounts added to imported equipment and supplies by the GOP, as well as taxes paid on selected goods and services procured locally by the contractor, are not reimbursable. USAID refusal to reimburse identifiable taxes is accepted by contractors; however frequently the VAT tax is imposed by the supplier on all local purchases -- without any identification or evidence. In most cases, the contractors and USAID "estimate" and subtract 10% from the item to reflect the VAT -- particularly as a 10% factor for VAT had been included in estimating most contractors indirect costs. In some cases however, only the amount specifically identified as VAT is deducted. Since USAID does not pay the VAT it is assumed that the DPWH does -- or will, eventually. However, the precise mechanism and timing for such reimbursement is not clear.

In practice, USAID's response to contractor concerns over these issues is that the contractor is under a host country contract and it is the Gop's responsibility to resolve the issue, rather than USAID's. even if not in accordance with USAID definition or interpretation of contract terms. Similarly, problems brought to the attention of the A&E Consultant (LBII/TCGI) are met with understanding. However, as indicated earlier, LBII/TCGI is not currently authorized to give interpretations or make decisions on this issue.

A possible solution has been recommended by the Evaluation Team and is apparently being seriously considered by the PMO and at higher levels in the Department of Public Works & Highways. The gist of this proposal, and possibly the solution to most problems raised by the contractors is as follows:

The "Conditions of Contract (International) for Works of Civil Engineering Construction" under the *Federation Internationale des Ingenieurs-Conseils* (FIDIC)¹ define the "Engineer", and throughout the contract his duties are noted. The "Conditions of Particular Application" in the FIDIC defines the "Engineer" as "the consultant duly appointed by the employer to act as his representative". Thus it would imply that LBII/TCGI is the designated engineer. However there appear to be some unresolved questions between the consultant (LBII/TCGI) and the employer (DPWH) as to which LBII/TCGI individual is appointed by the DPWH to act on behalf of the employer in contractual matters.

Discussions with DPWH, PMO and LBII/TCGI are now presumably leading to the designation of an "Engineer" -- and the authorities and responsibilities associated with that role. USAID recognizes the need for such action by the DPWH but since LBII/TCGI is under a host country contract, the matter can only be resolved by DPWH.

Regarding right-of-way, USAID, LBII/TCGI and the RIF-PMO are all acutely aware of the problem and the consequences of future contractor claims, if the issue is not resolved in the near future. In this instance, the responsibility for right-of-way procurement and settlement lies with the DPWH District Engineer. Because PMOs are separate line entities established solely to implement externally-funded projects, the RIF-PMO has no responsibility regarding resolution of ROW issues, or authority over the DPWH District Engineers. The PMOs only recourse is to refer the issue for action "through DPWH channels" to the appropriate Under-Secretary, and periodically follow-up until positive action is taken. To date, this process has not been very fruitful. Under these circumstances it is recommended that USAID circumvent the regular bureaucratic channels within the DPWH and discuss the right-of-way issue directly with the DPWH at the Secretary level.

VAT reimbursement is another issue which is beyond AID's ability to resolve. As a host country contract concern, it is DPWH's responsibility to establish an appropriate procedure for reimbursing contractors VAT costs. However, although not an AID responsibility, VAT reimbursement is of concern to AID. Contractors financial problems directly relate to efficient construction progress, and their host country contracts are funded with US dollars.

¹The Executive Secretary, *Federation Internationale des Ingenieurs-Conseils*, Carel van Bylandtlaan 9, The Hague, The Netherlands; &/or The General Secretary, *Federation Internationale Europeene de la Construction*, 9 Rue la Perouse, 75116, Paris, France, March 1977.

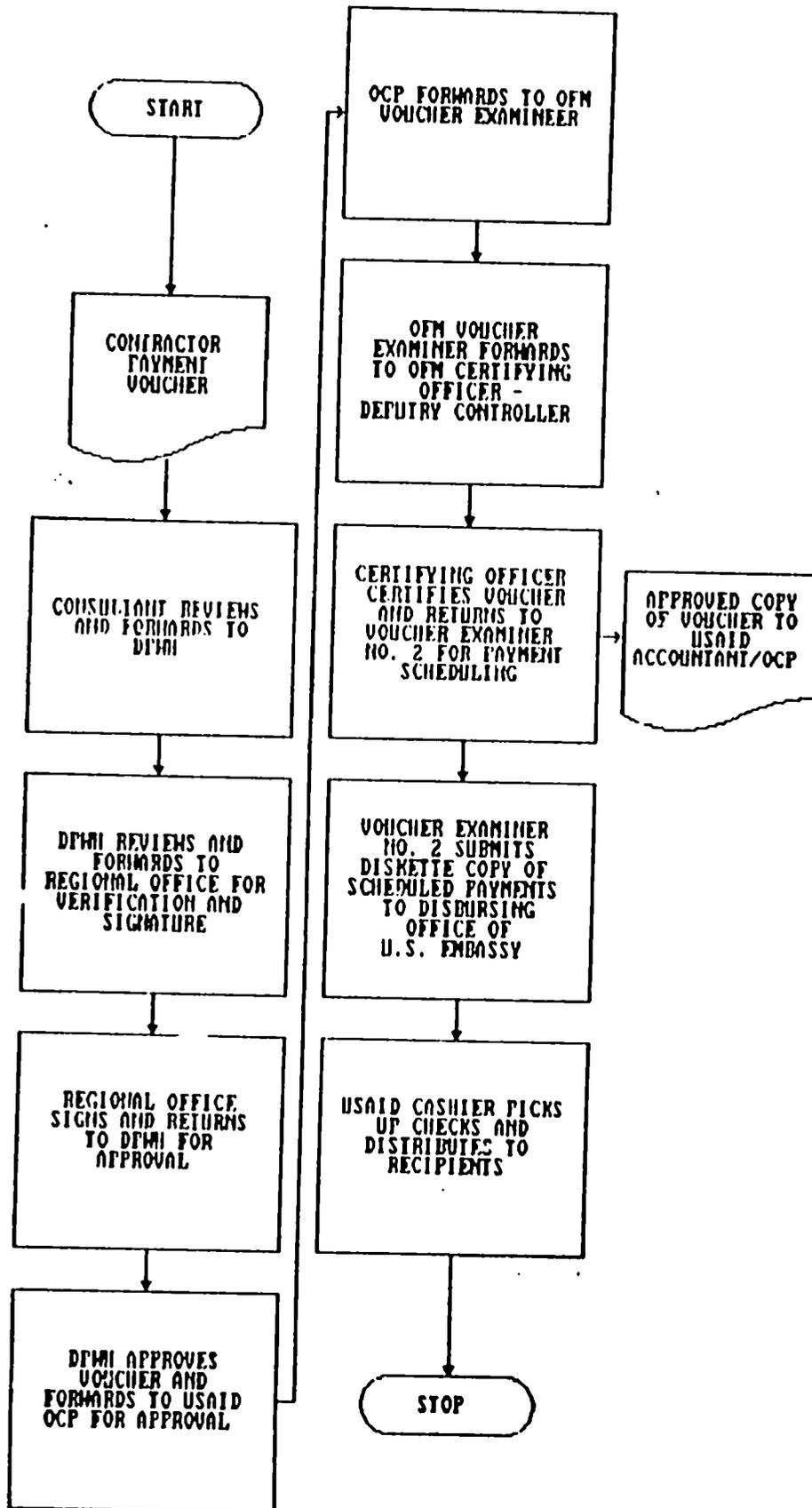
Thus it behooves the Mission to exercise its good offices to the fullest extent, in order to assure smoother project implementation.

With respect to delays in receipt of payments, the reimbursement process follows the GOP procedures. This involves review and approval by both LBII/TCGI and several other offices within the DPWH. A chart showing the routing of documentation in order for the contractor to get paid is shown on the following page. Once the billing passes through the DPWH system it usually takes 3 - 4 weeks for the contractor to be paid by USAID.

The recent DEPARTMENT ORDER 55 issued by the DPWH places greater responsibility on the Regional DPWH Directors. The team met with one Regional Director (RD) who evidently takes his responsibility and authority seriously. However, in order to be assured that billings are correct, he has requested voluminous backup material -- including detailed estimates as well as numerous cross section drawings -- from the LBII/TCGI Resident Engineers to support monthly billings. Further, the Regional Director has also assigned a junior engineer to the RIF project staff to monitor activity. It was obvious from a recent billing that the 2+ kilos of backup material requested for a single bill will contribute further to the already long billing approval progress.

Again, this is an internal GOP issue under a Host Country contract, and AID has no direct say in the matter. As an interested observer, however, USAID should again exercise its good offices to try to alleviate this new delaying factor. In this regard, the evaluation team suggests that the PMO initiate such action necessary within the DPWH to modify Regional Director involvement in the RIF -- particularly with respect to RIF billings.

RIFP PROCESS FOR PAYMENT OF CONTRACTOR VOUCHERS



Conclusion & Recommendations

USAID personnel do have a good working relationship with their counterparts in the DPWH. However, the question of whether or not AID has an effective relationship with the GOP is begged by the fact that USAID is not a party to the contracts under which the project is being implemented. Thus the scope of AID's effectiveness in implementing the project and resolving contractor-related difficulties and issues with the GOP is considerably curtailed. In the examples noted above, many of these issues have continued without resolution for a considerable time. Although AID is technically removed from day-to-day problems, since their resolution is beyond the PMO's authority, additional USAID intervention is needed -- at the highest DPWH levels -- in the interest of effective project implementation.

USAID does respond in a timely manner to GOP requests, however for the most part, the DPWH has no reason to turn to USAID for help with RIF problems. The major bones of contention between the two entities are differing interpretations of contracts as seen by contractors. Through (and together with) LBII/TCGI, the DPWH keeps USAID up-to-date on all projects and problems with regular RIF meetings and extensive, voluminous monthly status reports.

The NAVAIDS and Telecommunications subsectors are implemented by USAID contracts for commodities and technical assistance. The GOP agencies affected (DOTC and its ATO) appeared satisfied with USAID's handling of the contracts. Some reluctance was observed however on the part of the ATO to seek USAID assistance in confronting the NAVAID contractor on the issue of spare parts. In the recent protest by a bidder on a follow-up contract, the joint constructive involvement of both USAID and ATO staff appeared effective and cooperative.

FINANCING OPTION # 3

REPLENISH "DIVERTED" FUNDS

Replenish the funds reprogrammed for the General Santos and Pinatubo activities in order to provide adequate funds for the original target sub-projects

"PROS"

1. The GOP is expecting the items which were designed and found feasible, to be completed -- as "implied" by the project agreement.

2. The funding transfer was a reprogramming expediency for AID, and the GOP had little choice in the matter. Although the GOP may have "understood" that there was no guarantee of the funds being replenished, this is always the language of such agreements -- but does not reflect "good faith best efforts". The GOP would regard AID as guileful if they reneged on this implied commitment. The US does not need this "Bad Image".

"CONS"

1. Money is tight. Therefore USAID should minimize further expenditures under the project. Project estimates were low, thus the costs-per-item have exceeded the amount planned. AID committed funding to accomplish work "up to" a particular level -- not to complete all activities regardless of cost. Therefore, honor the obligation to complete the existing sub-projects already under construction, but do not fund the ports and roads & bridges where the design work has been completed, but where the sub-projects are still awaiting Notices-to-Proceed.

2. The GOP was aware of the possibility that when funds were diverted from the basic RIF concept to General Santos, and Pinatubo, there was no guarantee the funding would be replenished.

"PROS"

3. The GOP is expecting the items which were designed and found feasible, to be completed -- as "implied" by the project agreement. Likewise, the DOTC will expect the funds to accompany the transfer of PMO responsibility.

4. Honor the terms of the US Commitment. This is what was intended by the US, and expected by the GOP at the time the agreement was made. Don't renege now simply because some aspects are more difficult to implement than anticipated.

a. DO 55 may not apply to the RIF. DPWH is already re-reviewing its position on this, and has made a tentative policy decision re: Quirino and Kalibo -- the two biggest sub-projects. With additional AID representations, the entire RIF project could be exempted from DO 55 under a "Grandfathering" rationale.

"CONS"

3. The PMO to construct new ports is being transferred from DPWH to DOTC. This is an ideal time to terminate further support. Continuation of RIF funding will entail USAID dealing with a different organizational structure, and possibly a new A&E contractor to oversee the construction. (Berger's contract is with DPWH).

4. The project is beginning to experience a number of management difficulties (items "a-f" below). These problems are likely to increase exponentially in the near future, slowing down the rate of project implementation, while at the same time operating expenses will increase.

a. Department Order 55 -- giving Regional Directors responsibility and authority for RIF implementation in their areas -- conflicts with the centralized direction provided by PMO management.

"PROS"

b. Rights-of-Way issues are "normal" problems faced in construction projects and are not unique to the Philippines. Although the GOP bureaucracy is moving very slowly, expecting ROW clearance and unobstructed access to job sites before undertaking construction is unrealistic. If this approach were adopted, there would never be any construction projects -- even in the USA.

c. Such problems are merely symptoms of institutional under-development. That is why USAID is here -- to help overcome such continuing administrative difficulties. These issues are not reasons to quit. AID needs to find creative ways to resolve such issues on a continuing comprehensive basis, rather than dealing with them case-by-case.

"CONS"

b. The DPWH has accomplished little or nothing about the Rights-of-Way in the past four years, and given the traditional GOP stance towards squatters and the apparent unwillingness to enforce property rights can probably do very little in the future. This inability is evidenced by encroachments on sidewalks, roads and esteros in various areas in and around Manila. Indeed, electricity connections and water are being provided by the government to squatter areas, which only compounds the problem. Recent violent confrontations erupted in Cebu and Quezon City when eviction and demolition was attempted. This is a deep social problem which will get increasingly difficult.

c. The GOP has done little or nothing to resolve Customs clearances, duties, taxes or other miscellaneous "Issues". This indicates a low priority and concern for the RIF project.

"PROS"

d. While USAID's "Paper Purpose" may no longer be attained due to the delays, the RIF project is still desired by -- and eventually will be an incremental benefit to -- the inhabitants of the areas where the sub-projects are being implemented.

e. Don't chase ambulances. The RIF is development-oriented. Disaster relief can be funded under another program appropriation. A great deal of time, effort and cost has already been sunk into developing this project, to meet a long-term need. The rationale is still valid. Allow the project time to run its course, rather than reprogramming to accommodate the latest felt need.

f. It is already too late to start over on this project. The major sub-projects are already well underway. "Winding down" current contract commitments -- with Torno for instance -- will take another couple of years. It is unrealistic to attempt a "fresh start" on this project. However, it is not unreasonable to start planning for a follow-on infrastructure project incorporating the lessons learned on this project.

"CONS"

d. The RIF "Purpose" will not be attained. Due to the long delay, the original objective of moving money rapidly to the rural areas to stimulate the economy did not occur, and cannot be achieved. Thus, this is no long an economic development project -- it is "just another construction" project. Don't continue to throw good money after bad.

e. Present and Future Fund Shortages. With a Congressional "Continuing Resolution" for AID, new programs in Eastern Europe, and elsewhere, the funding available for the Philippine AID program in the future is (or will be) very limited. These funds might be put to better use (i.e. higher priorities) within the Mission -- particularly in light of recently emerging natural disasters.

f. Make a "Fresh Start". AID has "lost control" of the RIF through the Host Country Contracting mechanism and it is too late to change to Direct Contracting at this stage. Therefore wind the project down as rapidly as possible. Then, if desired, regain control under a Direct Contract with new ground rules.

"PROS"

5. RIF is not a "Project" *per se*; it is a funding mechanism. That mechanism is already in place and is accomplishing its objectives for funding and contracting for infrastructure projects and sub-projects. It takes a long time to develop a new project or put a system in place and get it working effectively. It is better to go with the system you have and know, and work to improve it, rather than to start over, and incur both delays as well as new (i.e. unforeseen) problems.

"CONS"

5. USAID does not have adequate "Control" over the Host Country Contracting mechanism, and this situation will not change. Funding for future infrastructure projects and sub-project activities should utilize mechanisms predicated on lessons learned to date -- not simply perpetuate the existing inadequate system.

CRITERIA FOR PRIORITIZATION

NATIONAL ECONOMIC & DEVELOPMENT AUTHORITY
CRITERIA FOR PRIORITIZATION
 OF PROPOSED
 TECHNICAL ASSISTANCE PROJECTS
 IN THE MEDIUM-TERM INVESTMENT PROGRAM

| CRITERIA/SUB-CRITERIA | WEIGHTS (%) |
|---|----------------------|
| A. <u>ECONOMIC DESIRABILITY</u> | 26% |
| 1. Economic profitability (internal rate of return or benefit-cost ratio) | 17 |
| 2. Generation of employment opportunities | 16 |
| 3. Strengthening and diversification of the rural sector | 10 |
| 4. Generation of net foreign exchange | 10 |
| 5. Impact on sectoral targets and objectives (production level, growth rate, productivity) | 10 |
| 6. Increase in income levels of target clientele | 13 |
| 7. Relative strength of forward and backward linkage | 7 |
| 8. Judicious use of local resources; i.e., that which protects the environment and maintains ecological balance | 10 |
| 9. Promote appropriate technology (i.e., low-cost and indigenous) | 7 |
| TOTAL (for Criterion A) | 100% ===== |

| | |
|---|-----------------------------|
| B. <u>PROJECT COST AND FINANCING</u> | 17% |
| 1. Project has revenue generating capability | 28% |
| 2. Project does not require excessive budgetary counterpart | 23 |
| 3. Project is cost effective | 30 |
| 4. Project has high potential for grant financing | 19 |
| TOTAL (for Criterion B) | 100% ===== |

| | |
|---|----------------------|
| C. <u>SOCIAL DESIRABILITY</u> | 24% |
| 1. Target beneficiaries are the socio-economically depressed and priority groups | 16% |
| 2. Promotion of active popular grassroots participation in order to: -strengthen local capabilities -encourage self-reliance | 11 |
| 3. Strengthening/improvement of institutional capabilities especially at the local levels in support of decentralization and linkages at the community level | 10 |
| 4. Improvement in the level and quality of community services | 11 |
| 5. Development of the full potential of human resources in terms of health, education, and skills, and its effective harnessing thru productive employment | 12 |
| 6. Promotion of a healthy political climate and a stable social environment (peace and order, industrial peace and harmony, discipline, etc.) | 10 |
| 7. Fulfillment of the basic needs of target beneficiaries | 12 |
| 8. Promotion of a more equitable distribution of income and wealth | 12 |
| 9. Facilitate transition to stable demographic conditions, i.e. trends in level and age composition of population that could be supported and sustained by available resources. | 6 |
| TOTAL (for Criterion C) | 100% ===== |

| | |
|---|----------------------|
| D. <u>REGIONAL GROWTH AND DISPERSAL</u> | 19% |
| 1. Relative impact on regional growth and overall economic performance, i.e., consistency and support to regional thrusts and strategies | 26% |
| 2. Relative impact on regional dispersal and inter-regional disparity through improvement in the distribution of scare resources | 22 |
| 3. Relative impact in reducing intra-regional disparity | 17 |
| 4. Promotion of regional cohesiveness and intra-regional business linkages (regional integration) | 17 |
| 5. Relative absorptive capacity of the region to benefit from increased investment. | 18 |
| TOTAL (for Criterion D) | 100% ===== |
| | |
| E. <u>INSTITUTIONAL CONSIDERATIONS</u> | 14% |
| 1. Agency has absorptive capacity financial, manpower, organizational/institutional capability, resource mobilization. | 28% |
| 2. Agency has appropriate mandate/authority to carry out the project | 25 |
| 3. Institutional arrangements for implementation and operation are appropriate and consistent with government policies | 23 |
| 4. Provision of arrangements/linkages to encourage the private sector to contribute inputs/suggestions (i.e., innovative arrangements) to project implementation. | 24 |
| TOTAL (for Criterion E) | 100% ===== |

Points for each of the above categories are awarded as indicated on the following pages.

**CRITERIA AND POINT SYSTEM
FOR RANKING PROPOSED PROJECTS**

ECONOMIC DESIRABILITY **POINT SCORE**

1. Economic Profitability

Economic Profitability (EIRR, B/C)

EIRR > 50% 10

EIRR = 40 - 49% 9

EIRR = 30 - 39% 8

EIRR = 20 - 29% 7

EIRR = 15% - 19% 6

EIRR = 10% - 14% 4

No estimate of EIRR (GOOD POTENTIAL) 4

No estimate of EIRR (FAIR POTENTIAL) 3

No estimate of EIRR (POOR POTENTIAL) 1

POSITIVE EXTERNALITIES + 2

2. Generation of employment Opportunities

- | | |
|---|---|
| a. Labor component > 50% of total project cost | 4 |
| Labor component = 40% - 49% of TPC | 3 |
| Labor component = 30% - 39% of TPC | 2 |
| b. Project utilizes labor-based Techniques and construction resource/labor-intensive production methods | 2 |
| c. Project directly Supports and Promotes employment generation and marketing facilities | 4 |
| Project indirectly supports employment generation | 3 |
| Project has little impact on employment generation | 1 |

Scoring

Add point in case project meets more than one of above categories a, b, and c.

3. Strengthening and Diversification of the Rural Sector

- | | |
|---|---|
| a. Project is Located in a Rural area or directly benefits rural residents in | |
| - less developed areas (provinces) | 5 |
| - the poorest 1/3 of the regions | 3 |
| - rest of regions except NCR | 1 |
| b. Project engaged in agro based or agro-processing activities work. | |
| - strong linkages among rural economic activities | 5 |
| - indirectly but positively influences rural economic activities | 3 |
| - marginally affects rural economic activities of adjacent rural areas | 1 |

Scoring

Add points in case project meets both of the above categories a and b.

4. Generation of net foreign exchange
- a. Export revenues generating project
 - short generating 10
 - long generating 8
 - b. Import substituting/saving project
 - short gestating 8
 - long gestating 6
 - c. Indirectly generating foreign exchange revenues 5
 - d. Indirectly promoting foreign exchange savings 4
 - e. Indirectly supportive of (a) and (b) 4
 - f. Marginal foreign exchange earnings/saving 1

Scoring

Projects are scored based on only one of the above categories

5. Impact on Sectoral Targets and Objectives

- a. Increases output/production level of the priority sector (s) as well as related sectors similarly in the priority less for a certain areas, region or province
- significantly increases output 4
 - fairly 3
 - marginally 1
- b. Enhances the growth rate of priority and related sectors in a certain area
- Increase in growth is significant sustainable 3
 - + Growth rate of output is only maintained 1
- c. Enhances the productivity levels and growth of priority and related sectors in a certain area
- Improved and sustained productivity 3
 - Productivity levels maintained, no growth 1

6. Increase in Income Levels of Target Clientele

- a. Provides additional employment opportunities that augments incomes of project beneficiaries in both urban and rural areas
- b. Promote rural-based (agro-based, agro-processing) off-farm economic activities that increase farm incomes
- c. Facilitates transfer of appropriate technology to beneficiaries, that will enhance their future income potential.
- d. Provides for increase demand for indigenous material and human resources through their utilization and harnessing, thereby raising incomes to localities owning/controlling said resources
- e. Makes available cheap and useful public and community services (parks, artesian wells, health centers, etc.) that will reduce drain on family budgets of beneficiaries.

Scoring

Give 2 points for each yes answer to the above.

7. Relative strength of forward and backward linkage

- a. Project operates along the major/dominant economic activity in the area. 3
- b. Projects will be dependent on indigenous inputs that will be supplied by identified strong and priority sectors. 3
- c. Project will provide material or input support to identified priority sector 2
- d. Project will encourage adoption of technology that enhances indigenization of sectors and local inter-sectoral dependence. 2

Scoring

Add points in case project meets more than one of above categories a, b, c, and d.

8. Judicious use of local resources
- a. Project objectives will be to restore ecological balance among resources degraded by relentless exploitation and/or install an effective environmental management system 10
 - b. Local inputs or resources to be harnessed/utilized/exploited by the project will be a relatively small portion of total resources, thus posing no ecological danger 8
 - c. Project while exploiting resources contains a plan to either minimize adverse environmental effects, or restore possible imbalances to be created by the project. 6
 - d. Moderate risk of environmental degradation from the project. 2

Scoring

Projects are scored based on only one of above descriptive categories.

9. Promote appropriate technology

- a. Promotes transfer and dissemination of indigenous locally developed technology
- b. Promotes transfer and dissemination of simple adoptable technology appropriate to local development needs
- c. Promotes transfer of advanced and sophisticated technology that is sustainable and within the country's technological transformation capacity
- d. Promotes technology that optimizes the use of abundant indigenous resources (labor, minerals, crops, etc.)
- e. Promotes technology which is tailored to human resource capability and in which the country has a strong potential competitive edge.

Scoring

| | |
|---------------------------------------|----|
| Fulfillment of any 3 conditions above | 10 |
| any 2 | 8 |
| any 1 | 5 |
| Indirectly fulfills any one | 3 |
| Marginally fulfills any | 1 |

B. PROJECT COST AND FINANCING

| | Point Score |
|--|------------------------|
| 1. Project has revenue generating capability | |
| a. Potential for attainment of financial surplus/profits | 10 |
| b. Potential for full recovery of investment and O & M cost | 8 |
| c. Potential for full recovery of investment cost only | 6 |
| d. Potential for full recovery of O & M cost only | 5 |
| e. Potential for Partial recovery of investment on O & M cost only | 4 |
| f. No revenue generating potential | 2 |

Scoring

Projects are scored based on only one of the above descriptive categories

| | |
|--|---|
| 2. Project does not require excessive budgetary counterpart | |
| a. Project is not likely to experience local cost overruns which have to be financed through additional government appropriation | 5 |
| b. O & M cost of the project | |
| - does not exceed 10% of investment cost | 2 |
| - does not exceed 20% of investment cost | 1 |
| c. Percentage of government budgetary counterpart to total project cost | |
| less than 10% of total project cost | 3 |
| less than 20% of total project cost | 2 |
| less than 40% of total project cost | 1 |

Scoring

Add points in case project meets more than one of the above categories a,b, & c.

3. Project is cost effective

- | | | |
|----|---|---|
| a. | Project can be considered as less expensive than two or more investments alternative that will essentially realize the same benefits or 50% less expensive than a similar alternative | 5 |
| | Project can be considered as less expensive than another (1) alternative that will essentially realize the same benefits or 20% less expensive than a similar alternative | 3 |
| b. | Project cost is not sensitive to foreign exchange fluctuations | |
| | - short gestating (less than 2 years) and imported components less than 10% | 3 |
| | - investment phase less than 3 years, and imported components less than 20% | 1 |
| c. | Project depends heavily on locally sourced inputs that are abundant and inexpensive | 2 |

Scoring

Add points in case project meets more than one of the categories a, b, and c.

4. Project has high potential for grant financing
- a. Projects of this nature were previously financed
 - completely through grants 3
 - partially through grants 2
 - b. Projects of this nature are currently being financed thru grants in other countries (at similar levels of development) 2
 - c. Favorable indications from donors, about possible grant financing of the project
 - indications obtained from official/formal government contacts with donors 3
 - indications obtained thru informal contacts of proponents with donors/implementors of similar projects 2
 - d. Strong probability for donor's grant approval based on:
 - donor's identifying the project to be within current or future priority areas 2
 - donor's strong track record to provide the necessary technology/expertise to project execution 1

Scoring

Add points in case project meets more than one of the above categories a,b,c and d.

C. SOCIAL DESIRABILITY**Points**

1. Target beneficiaries are the socio-economically depressed and priority groups
- a. Target beneficiaries belong to the lowest 30% of income earners **10**

- b. Direct beneficiaries are categorized/classified under the following groups: urban poor, industrial laborer, urban homeless, cultural communities, rural poor, landless farmers, farm laborers, sustenance fishermen, rebel returnees, women and children

Scoring

- any 3 classified groups **10**
 - any 2 groups **8**
 - any one group **5**
- c. Project only indirectly supportive of target beneficiaries **3**
- d. Project marginally supportive of identified depressed and priority groups **1**

Scoring

Projects are scored based on only one of above descriptive categories

2. Promotion of active popular grassroots participation in order to:
- strengthen local capabilities
 - encourage self-reliance
- a. Project effectively involves local citizens in the identification and assessment of needs and on the planning, management and monitoring of project implementation
- Extensive citizen participation 10
 - Moderate citizen participation 8
- b. High incidence of citizen participation in the project
- participation by 50% or more of total population in project influence area 10
 - participation by 20%-50% of total population in project influence area 8
- c. The potential for local beneficiaries to effectively continue, manage and thereby prosper with the project, is high/lower 8,3
- d. The response rate to awareness programs/information campaigns re-project is high/low 7/3
- e. Project only indirectly encourages participation 5
- f. project offers marginal/limited participation of beneficiaries 1

Scoring

Projects are scored based on only one of above descriptive categories

3. Strengthening/improvement of institutional capabilities especially at the local levels in support of decentralization and linkages at the community level
- a. project positively influence nascent capacity of local units (re local

- government units, NGO's and civic and other groups) to conceptualize, design and implement programs at the local level
- b. Increase the rate at which local units are consulted about matters affecting their constituencies
 - c. Facilitate dialogues and consultations between national and local units concerning local, specific and broad national developments
 - d. Increase public awareness of the functions of local government and other local units
 - e. Project increases local units' potential for participatory planning and decision making processes
 - f. Project has strong potential to improve local units' turn-around time and the quality of their outputs

Scoring

| | |
|--|----|
| Attainment of any 4 of above indicators | 10 |
| any 3 | 8 |
| any 2 | 5 |
| any 1 | 3 |
| Project marginally supportive of capability-building efforts | 1 |

4. Improvement in the level and quality of community services
- a. Increase in the number of people served by public markets, public artesian wells, clinic/dispensary/health center, parks, playgrounds and other social and recreational facilities in the project influence area
 - By > 50% more 10
 - By 30%-49% more 8
 - By less than 30% 6
 - b. Project facilities access to above mentioned public facilities 5
 - c. Project indirectly upgrades the level and to a certain extent, quality of community services 5
 - d. Project marginally supports goal/objective 1

Scoring

Projects are scored based on only one of the above descriptive categories

5. Development of the full potential of human resources in terms of health, education, and skills, and its effective harnessing thru productive employment.
 - a. Project contributes to better health thru improvement in environmental sanitation (waste management, water treatment, etc.).
 - b. Project contributes to better health thru improved personal hygiene and effective health care and disease prevention practices.
 - c. If project will result in the reduction of proportion of children who are under weight and undernourished.
 - d. Positive change in literacy rate due to project; improved functional literacy of populace.
 - e. Project contributes to formulation of programs for education and training responsive to development needs of the influence area.
 - f. Project provides new knowledge and skills specific/relevant to local livelihood requirements (e.g., proper HYV use of farmers).

Scoring

| | |
|--|----|
| Any 3 of the following indicators/ measures across sub-sectors | 10 |
| any 2 | 7 |
| any 1 | 5 |
| Where project indirectly (at best positively) influences the goal | 3 |
| Where project marginally supports goal | 1 |

6. Promotion of a healthy political climate and a stable social environment (peace and order, industrial peace and harmony discipline, etc.).
- a. Project will contribute to reduction in the incidence of crime
 - b. Project will contribute to the reduction in accident incidence
 - c. Enhances peoples' confidence in the judicial system
 - d. Reduction/decrease in incidence of strikes
 - e. Perceived reduction in the degree of influence/infiltration of subversive groups/elements
 - f. Perceived increased feeling of well-being and public confidence in law enforcement agencies
 - g. Enhances people's respect for law, leading to greater public discipline and order

Scoring

| | |
|--|----|
| Attainment of any 4 | 10 |
| any 3 | 7 |
| any 2 | 5 |
| any 1 | 3 |
| Project indirectly contributes to goal | 1 |

7. Fulfillment of the basic needs of target beneficiaries

Scoring

(Measurement of degree of achievement/fulfillment of basic needs)

| | |
|---|----|
| a. All basic needs fulfilled | 10 |
| b. Most basic needs fulfilled | 8 |
| c. Some basic needs fulfilled | 5 |
| d. At least one identified basic need fulfilled | 3 |
| e. Project indirectly fulfills/paves way for fulfillment of basic needs | 1 |

9. Facilities transition to stable demographic conditions, i.e. trends in level and age composition of population that could be supported and sustained by available resources
- a. Potential for providing employment opportunities to women
 - b. Potential for educating/informing couples regarding responsible parenthood, including family planning methods
 - c. Potential for enhancing employment opportunities in rural areas
 - d. Potential for enhancing the status of women that leads to increased independence in women's decisions re childbearing and career
 - e. Potential for providing opportunities for families to spend resources in improving the quality of life of each child, rather than investing on more children (i.e. more health/education expenditures per child)
 - f. Potential for upgrading material and career aspirations of both husband and wife
 - g. Potential for providing security at old age despite having less children

Scoring

| | |
|---|----|
| Attainment of any 4 | 10 |
| any 3 | 8 |
| any 2 | 6 |
| any 1 | 4 |
| Project indirectly supports achievement of goal | 3 |
| Project marginally supports achievement of goal | 1 |

D. REGIONAL GROWTH AND DISPERSAL

1. Relative Impact on regional growth and overall economic performance, i.e. consistency and support to regional thrusts and strategies
 - a. Project has direct and immediate positive impact on production levels and output growth of any of the following:
 - rural based agro-processing industries
 - off-farm activities
 - other regional priority sectors/areas

Scoring

Any one

3

- b. Project triggers an increase in average productivity through the following:
 - technological breakthrough along regions major economic activities
 - technology transfer at the grassroots
 - improvements in production and management arrangement along region's priority (major sectors)

Scoring

Any one

3

- c. Project contributes to creation of overall economic conditions favorable to regional growth and development through the following:
- direct public services to low income groups
 - improving infrastructure support to priority areas/sectors
 - helping in the broad counter-insurgency insurgency program

Scoring

- | | |
|--|---|
| | 3 |
| Any one | 3 |
| If any of above is met only indirectly | 2 |
2. Relative Impact on regional dispersal and Inter-regional disparity through improvement in the distribution of scarce resources
- a. Project involves infrastructure support to logging regions bottom 30% of regions in terms of per capita RGDP) and/or less developed provinces
 - b. Project promotes investment and/or provides investment incentives to logging regions and/or less developed provinces
 - c. Project promotes or facilitates decentralization of policy formulation and program/project implementation to the regional units
 - d. Project involves the upgrading of social infrastructure and basic services delivery to logging regions and/or less developed provinces.

Scoring

- | | |
|-----------------------------------|----|
| If any 3 of the above met | 10 |
| any 2 | 8 |
| any 1 | 5 |
| Indirectly any of the above met | 3 |
| Marginally meets any of the above | 1 |

3. Relative impact in reducing intra-regional disparity
- a. Project involves infrastructure support to relatively less developed areas in the region (i.e. far-flung rural areas, urban areas other than regional capital or provincial centers, and/or 4th - 5th class towns in the region).
 - b. Project promotes investment and/or provides investment incentives to relatively less developed areas in the region.
 - c. Project involves upgrading of basic services delivery to relatively less developed areas in the region.
 - d. Project helps attain basic minimum development for a lagging sector in a region, thus helping actual sectoral balance within, and across regions.

Scoring

- | | |
|-----------------------------------|----|
| Any 3 of the above | 10 |
| Any 2 | 8 |
| Any 1 | 5 |
| Indirect meets any of the above | 3 |
| Marginally meets any of the above | 1 |
4. Promotion of a regional cohesiveness and intra-regional business linkages (regional integration)
- a. Project facilitates resources and commodities transfer among provinces in the region 2
 - b. Project facilitates resources and commodities transfer among neighboring regions 2
 - c. Project has inter-provincial coverage 2
 - d. Project has inter-regional coverage 2
 - e. Project has no cultural-linguistic group bias 2

5. Relative absorptive capacity of the region to benefit from increased investment
- a. Project builds up on existing agricultural and industrial capacity in the region 4
 - b. Project will tap available manpower, will require skills currently potentially available and will enhance employability of beneficiaries 3
 - c. Project does not strongly require installing new or complex organizational structures and management arrangements. 3

Scoring

Add points if project meets more than one of the above categories.

E. INSTITUTIONAL CONSIDERATIONS

1. Agency absorptive capacity
 - a. Agency has good track record in terms of low slippage rate in previous projects
 - b. Agency has good track record on funds disbursements (no delays, no anomalies, etc.)
 - c. Agency has enough skilled technical personnel to handle technical aspect of project
 - d. Agency has enough trained managers/administrators to ensure efficient project management

Scoring

Evaluate agency's past performance in implementing projects on the following scale

| | | |
|------------------------|----|-------|
| | NO | 0 |
| If answer is yes to a. | | 1 - 4 |
| | b. | 1 - 2 |
| | c. | 1 - 2 |
| | d. | 1 - 2 |

2. Agency has appropriate mandate/authority to carry out the project
 - a. Specific provision(s) on the agency's enabling act explicitly mandating the conduct of the proposed project
 - b. Specific government policy (Cabinet, NEDA Board directives, legislation, Plan Statement) vesting agency with authority to carry out the project.
 - c. Scope/objective of the proposed project is in line with the proponents' sectors/areas of responsibility, and/or functional objection
 - d. The agency has previously undertaken similar projects

Scoring

If answer is Yes to item

| | |
|---|---|
| a | 3 |
| b | 3 |
| c | 2 |
| d | 2 |

3. Institutional arrangement for implementation and operation are appropriate and consistent with government policies.
- a. There is fair amount of grassroots participation in the formulation, planning, implementation and monitoring of the proposed projects.
 - b. Encourages substantial and effective utilization of resources (manpower, technical, and physical) at the sub-national levels consistent with decentralization
 - c. Encourages capability building at the sub-national levels consistent with decentralization
 - d. Coordination/linkages between the national, regional and sub-regional bodies that will lead to more effective project planning and monitoring
 - e. Specific organizational set-up for project execution and monitoring unit that are consistent with recent policies and laws of government.

Scoring

For each yes answer 2

4. Provision of arrangements/linkages to encourage the private sector to contribute inputs/suggestions to project implementations
- a. Establishes channels for private sector participation (including NGO's) to the implementation and monitoring of proposed projects
 - b. Helps in establishing an environment conducive to enhancing private sector economic activities
 - c. Lessens the role of government in business (privatization)
 - d. Increases private sector participation in MTPIP and MTTAP
 - e. Encourages the ventilation of private sector views on issues affecting project formulation, planning, and implementation

Scoring

For each yes answer 2

APPENDIX 7
LETTERS OF INTRODUCTION

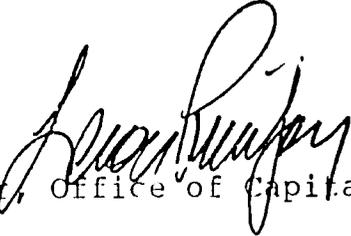
UNITED STATES GOVERNMENT

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Memorandum

OCT 03 1991

TO : All Concerned

FROM : Leroy Purifoy 
Chief Engineer, Office of Capital Projects

SUBJECT : Rural Infrastructure Proj. (RIF)
Project No. 492-0420
Mid-Term Project Evaluation

In accordance with the terms of the Project Agreement between the Government of the Philippines and the U.S. Agency for International Development, the subject project will be evaluated by a joint American/Filipino Team during the months of October and November 1991. The Team Members are as follows:

| | |
|----------------------------|---|
| Dr. Kenneth F. Smith | - Team Leader & Project Management Specialist |
| Mr. James A. Anderson | - Contracts Specialist |
| Eng. Robert F. Fedel | - Civil Engineer |
| Dr. Thomas E. Morgan | - Management Specialist |
| Mr. Joselito P. Supangco | - Transport Planner & Economist |
| Atty. James S. Villafranca | - Legal Consultant |

The objective of the study is to identify administrative and socio-political constraints impeding the efficient implementation of project activities. To this end, the team will review project documents, conduct interviews with involved parties, and inspect representative subproject sites.

- 2 -

The evaluation team has been contracted to provide an "outside, unbiased" assessment of the project, to identify weaknesses in the existing set-up, and recommend practical improvements that can strengthen both DPWH's and DOTC's as well as USAID's capability to meet the project's objectives.

While the evaluation is a standard requirement under all USAID projects, this study is extremely important and USAID would appreciate if all personnel involved would cooperate fully with the team members in providing them with any information and/or assistance required in conducting their study.



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
MANILA

180

07 October 1991

MEMORANDUM

TO : Undersecretaries, Assistant Secretaries,
Bureau Directors, Regional Directors,
Service Chiefs, District Engineers,
and all others concerned

RE : RURAL INFRASTRUCTURE FUND (RIF) PROJECT
(492-0420)

SUBJECT : Mid-Term Project Evaluation

In accordance with the terms of the Project Agreement between the Government of the Philippines and the U.S. Agency for International Development, experience in implementing the project to date will be evaluated by a joint American/Filipino Team during the months of October and November 1991. The Team Members are as follows:

| | |
|----------------------------|--|
| Dr. Kenneth F. Smith | - Team Leader & Project Management Specialist |
| Mr. James A. Anderson | - Contracts Specialist |
| Engr. Robert F. Fedel | - Civil Engineer |
| Dr. Thomas E. Morgan | - Management Specialist |
| Mr. Joselito P. Supangco | - Transport Planner & Economist |
| Atty. James S. Villafranca | - Legal Consultant |

The Team is located at the PIADP-PMO, DPWH Compound, Second Street, Port Area, Manila, with phone numbers 498221 and 408371 local 265.

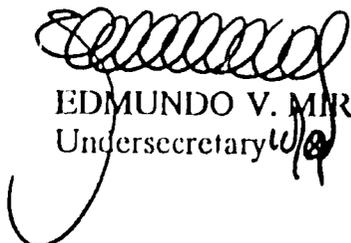
The objective of the study is to identify administrative and socio-political constraints impeding the efficient implementation of project activities. To this end, the team will review project documents, conduct interviews with involved parties, and inspect representative subproject sites in order to identify weaknesses in the current process.

The following topics are priorities for the Team to review:

1. GOP guidelines for host country contracts with consultants
2. Procurement procedures for construction contracts
3. Organization and management of implementing agency (DPWH), consultants, and contractors
4. USAID direct contracting procedures
5. "Peace and Order" and/or other socio-political constraints affecting implementation
6. Actual implementation and expenditures compared to plans/targets
7. Compliance with established procedures
8. Subproject identification, prioritization, selection and funding
9. RIF accomplishments and experience compared to other donor agency funded projects
10. USAID working relationships with -- and responsiveness to Department requests under the project

The evaluation team has been contracted to provide an "outside, unbiased" assessment of the project, to identify weaknesses in the existing set-up, and recommend practical improvements that can strengthen our capability to meet the project's objectives. We intend to use their evaluation report as a management tool to decide on changes in implementation procedures or arrangements, including restructuring project design if necessary, to facilitate future implementation.

This study is extremely important to our Department in improving implementation procedures with USAID-assisted (as well as other donor agency-funded) projects, and it is requested that all DPWH officials and personnel cooperate fully with the team members in providing them with any information and/or assistance required in conducting their study.


EDMUNDO V. MIR
Undersecretary

APPENDIX 8
RIF PROJECT
LOGICAL FRAMEWORK

. Completion : DEC 1992

3 of Revision:

ign Team : USAID/Philippines & GOP

| ative Summary (NS) | Measureable Indicators (OVI) | Means of Verification (MOV) | Important Assumptions |
|---|---|---|--|
| <p>1. Timely expansion of economic activity in rural areas, including increased - opportunity for the development of rural enterprises & employment - agricultural productivity, and - rural incomes</p> | <p>1.1 During the project, and within 3 years after the PACD</p> <ul style="list-style-type: none"> - Rural employment levels - Rural household income changes in provinces where subprojects are implemented - Agricultural yields and gross output - Reductions in producer-processor costs and input/production ratios | <p>1.1 NATIONAL STATISTICS: Data reflecting incomes; agricultural and commerce at regional and national levels.</p> | <p>1.1 GOP Priorities of income redistribution, employment generation, and poverty alleviation remain unchanged.</p> <p>Continued political/social stability.</p> <p>Macro-economic factors and demand for agricultural products remain positive.</p> |
| <p>purpose: To upgrade and expand rural infrastructure facilities in order to enhance the flow of commerce, attract investment and provide for further rural economic expansion. Specific project purposes are:</p> | <p>1.1</p> | <p>1.1 Record of trade/commerce taken place in impacted project areas; traffic and drogage statistics; reports on rural coops power deliveries, revenue flows and financial viability, port and shipping statistics</p> | <p>1.1 Investment in rural enterprise development will be made when adequate infrastructure exists. Commercial and overall economic activity will increase thus creating employment opportunities for the rural population. Pricing regulations and other GOP interventions are not disincentives to agricultural and rural commercial investment. Planned inputs can be delivered and outputs generated in a timely manner.</p> |
| <p>TRANSPORT: To facilitate the movement of goods from farm and manufacturing areas to market & processing areas</p> | <p>2.1 TRANSPORT: Improvement of selected rural roads & bridges and the rehabilitation &/or construction of small ports. Small islands and remote agricultural areas will be better linked to market towns and transport networks.</p> | <p>2.1</p> | <p>2.1</p> |
| <p>RURAL ELECTRIFICATION: To upgrade and strengthen the institutional and physical rural electrification infrastructure in the Philippines</p> | <p>3.1 RURAL ELECTRIFICATION: A financially viable and operationally efficient national rural electrification system in place.</p> | <p>3.1</p> | <p>3.1</p> |
| <p>RURAL TELECOMMUNICATIONS: To study interventions and policy concerns which could enable rural communities to join the modern economy and begin to correct the extreme overconcentration of telecommunications</p> | <p>4.1 RURAL TELECOMMUNICATIONS: GOP studies & decisions to improve inter-island communications facilities & associated intra island telephone systems. Potential inter-island connections will be studied.</p> | <p>4.1</p> | <p>4.1</p> |

| | | | | | | | | | | | | | | | | | | | |
|--|--|---|---|--------------|--------|----------------------|-------|-------------|--------|----------|-------|-------|-----|--|-------|--------|--------|--|---|
| <p>services in Metro Manila</p> | | | | | | | | | | | | | | | | | | | |
| <p>Outputs: 1 ROADS & BRIDGES: Upgraded rural roads and bridges.</p> | <p>1.1 Approximately 250 kms of rural roads, bridges & highways completed.</p> | <p>1.1 GOP department and consultant's project reports. Project officer monitoring reports. Disbursement records. USAID Evaluations.</p> | <p>1.1 Weather, natural disasters and area security conditions will have minimal effects in project areas. Delays in securing rights-of-way contracting and procurement are minimized. Funding mechanisms and payments flow smoothly.</p> | | | | | | | | | | | | | | | | |
| <p>Inputs: 1.1 Engineering Services</p> | <p>Inputs/Resources: USAID ESF FUNDS: \$000s</p> <table border="0"> <tr> <td>Engineering</td> <td>6,950</td> </tr> <tr> <td>Construction</td> <td>46,450</td> </tr> <tr> <td>Technical Assistance</td> <td>5,220</td> </tr> <tr> <td>Commodities</td> <td>39,650</td> </tr> <tr> <td>Training</td> <td>1,210</td> </tr> <tr> <td>Other</td> <td>570</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td>TOTAL:</td> <td>90,050</td> </tr> </table> | Engineering | 6,950 | Construction | 46,450 | Technical Assistance | 5,220 | Commodities | 39,650 | Training | 1,210 | Other | 570 | | ----- | TOTAL: | 90,050 | <p>1.1 Payment vouchers; GOP department and consultant's reports; project officer monitoring records and Procurement Services Agent's reports.</p> | <p>1.1 Conditions presents are not on schedule Contractor selection, procurement and staffing proceed on schedule. Commodities are procured and moved to subproject sites expeditiously Funding is adequate and released in a timely manner.</p> |
| Engineering | 6,950 | | | | | | | | | | | | | | | | | | |
| Construction | 46,450 | | | | | | | | | | | | | | | | | | |
| Technical Assistance | 5,220 | | | | | | | | | | | | | | | | | | |
| Commodities | 39,650 | | | | | | | | | | | | | | | | | | |
| Training | 1,210 | | | | | | | | | | | | | | | | | | |
| Other | 570 | | | | | | | | | | | | | | | | | | |
| | ----- | | | | | | | | | | | | | | | | | | |
| TOTAL: | 90,050 | | | | | | | | | | | | | | | | | | |

Est. Completion : DEC 1994

Date of Revision: NOV 1991

Design Team : Ken Smith & Checchi Eval Team

| Narrative Summary (NS) | Measureable Indicators (OVI) | Means of Verification (MOV) | Important Assumptions |
|--|---|--|--|
| <p>Goal: 1 Expanded rural economy</p> | <p>1.1 Within 3 years after the PACE, a "significant increase" in modal: - Rural employment levels, and - Rural household income in areas where sub-projects are implemented as compared to similar (but unassisted) areas, due to - Increased Agricultural yields and gross output - Reduced producer-processor costs and input/production ratios</p> | <p>1.1 NATIONAL STATISTICS: Data reflecting incomes; agricultural and commerce at regional and national levels.</p> | <p>1.1 GOP Priorities of income redistribution, employment generation, and poverty alleviation remain unchanged. Continued political/social stability. Macro-economic factors and demand for agricultural products remain positive.</p> |
| <p>Purpose: 1 Upgraded and expanded rural infrastructure facilities. Specific project purposes are: 2 TRANSPORT: Movement of goods from farm and manufacturing areas on small islands and remote agricultural areas, to processing areas and market centers facilitated 3 RURAL TELECOMMUNICATIONS: Interventions and policy concerns which would begin to correct the extreme over-concentration of telecommunications services in Metro Manila studied</p> | <p>1.1 2.1 TRANSPORT: Selected rural roads & bridges; and small seaports upgraded or constructed, and airports upgraded to international flight navigation & safety standards. 3.1 RURAL TELECOMMUNICATIONS GOP studies & decisions to improve inter-island communications facilities & associated intra island telephone systems Potential inter-island connections will be studied.</p> | <p>1.1 SPECIAL CONTRACTED STUDY of records of trade/commerce in impacted project areas, using indicators such as production and marketing of agricultural products; traffic and drorage statistics; revenue flows and financial viability, port and shipping statistics. 2.1 3.1</p> | <p>1.1 Investment in rural enterprise development will be made when adequate infrastructure exists. Increased commercial and overall economic activity will increase employment opportunities for the rural population. Pricing regulations and other GOP interventions are not disincentives to agricultural and rural commercial investment. 2.1 Planned inputs can be delivered and outputs generated in a timely manner. 3.1</p> |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|--------------------|--|-------------|-------|--------------|--------|----------------------|-------|-------------|--------|----------|-------|-------|-----|--|-------|--------|--------|-----------------|--|-------------|--------|--------------|--------|----------------------|-------|-------------|--------|----------|-----|-----------------------|-----|---------------------|-------|---------------------|--------|-----------------------|-----|--|-------|-------|---------|--|--|
| <p>Outputs:</p> <p>1 ROADS & BRIDGES: Upgraded rural roads and bridges.</p> | <p>1.1 250 kms of rural roads, bridges & highway construction and/or rehabilitation completed.</p> | <p>1.1 DPWH RIF-PHO and LBII/TCGI A&E consultant's project reports.</p> <p>USAID QPSR Project officer monitoring reports.</p> <p>USAID & GOP Disbursement records.</p> <p>USAID Evaluation.</p> | <p>1.1 Weather, natural disasters and area security conditions will have minimal effects in project areas.</p> <p>Delays in securing rights-of-way contracting and procurement are minimized.</p> <p>Funding mechanisms and payments flow smoothly.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Inputs:</p> <p>1.1 Engineering Services</p> | <p>Inputs/Resources:</p> <table border="0"> <tr> <td>USAID ESF FUNDS:</td> <td>\$000s</td> </tr> <tr> <td>ORIGINALLY PLANNED</td> <td></td> </tr> <tr> <td>Engineering</td> <td>6,950</td> </tr> <tr> <td>Construction</td> <td>46,450</td> </tr> <tr> <td>Technical Assistance</td> <td>5,220</td> </tr> <tr> <td>Commodities</td> <td>29,650</td> </tr> <tr> <td>Training</td> <td>1,210</td> </tr> <tr> <td>Other</td> <td>570</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td>TOTAL:</td> <td>90,050</td> </tr> <tr> <td>AS OF 30 JUN 91</td> <td></td> </tr> <tr> <td>Engineering</td> <td>12,000</td> </tr> <tr> <td>Construction</td> <td>82,605</td> </tr> <tr> <td>Technical Assistance</td> <td>2,150</td> </tr> <tr> <td>Commodities</td> <td>12,000</td> </tr> <tr> <td>Training</td> <td>720</td> </tr> <tr> <td>Other (Audit, M&Eval)</td> <td>525</td> </tr> <tr> <td>Engineer/SAI/GSC-SC</td> <td>5,750</td> </tr> <tr> <td>Construc/SAI/GSC-SC</td> <td>23,950</td> </tr> <tr> <td>Other (Audit, M&Eval)</td> <td>300</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td>TOTAL</td> <td>140,000</td> </tr> </table> | USAID ESF FUNDS: | \$000s | ORIGINALLY PLANNED | | Engineering | 6,950 | Construction | 46,450 | Technical Assistance | 5,220 | Commodities | 29,650 | Training | 1,210 | Other | 570 | | ----- | TOTAL: | 90,050 | AS OF 30 JUN 91 | | Engineering | 12,000 | Construction | 82,605 | Technical Assistance | 2,150 | Commodities | 12,000 | Training | 720 | Other (Audit, M&Eval) | 525 | Engineer/SAI/GSC-SC | 5,750 | Construc/SAI/GSC-SC | 23,950 | Other (Audit, M&Eval) | 300 | | ----- | TOTAL | 140,000 | <p>1.1 USAID Payment vouchers; DPWH PHO, LBII/TCGI A&E consultant's reports; DOTC/ATO reports and records; USAID project officer monitoring records.</p> | <p>1.1 Conditions Precedent are met on schedule</p> <p>Contractor selection, procurement and staffing proceed on schedule.</p> <p>Commodities are procured and moved to subproject sites expeditiously</p> <p>Funding is adequate and released in a timely manner.</p> |
| USAID ESF FUNDS: | \$000s | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ORIGINALLY PLANNED | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Engineering | 6,950 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction | 46,450 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Technical Assistance | 5,220 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Commodities | 29,650 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Training | 1,210 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 570 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ----- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL: | 90,050 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AS OF 30 JUN 91 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Engineering | 12,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction | 82,605 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Technical Assistance | 2,150 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Commodities | 12,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Training | 720 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other (Audit, M&Eval) | 525 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Engineer/SAI/GSC-SC | 5,750 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construc/SAI/GSC-SC | 23,950 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other (Audit, M&Eval) | 300 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ----- | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 140,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

APPENDIX 9
EVALUATION TEAM
ORGANIZATIONAL RESPONSIBILITY
CHART

MID-PROJECT PROCESS EVALUATION OF RURAL INFRASTRUCTURE FUND PROJECT (RIFP) (492-0420)
 USAID/PHILIPPINES -- DEPARTMENT OF PUBLIC WORKS & HIGHWAYS (DPWH) and DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS (DOTC)
 7 OCTOBER - 8 NOVEMBER | 22 NOVEMBER 1991

ORGANIZATIONAL RESPONSIBILITY CHART
 /// P /// = PRIME Responsibility for Draft
 S = Technical Support

AID PROJECT OFFICER Phone 521-7116
 Office of Capital Projects (OCR)
 Leroy Purifoy x 2414 / 2474
 Maribelle (Be) Zonaga
 Manny Misiano

| TASK | QUESTION/ISSUE | Ken KENNETH SMITH Team Ldr M Midtown Rm 1713 521-7001 | Temporary Secretary & office support PRAGMA 521-5477 | Jim JAMES ANDERSON Contracts M Midtown Rm 1614 521-7001 | Bob ROBERT FEDEL Engineer M Midtown Rm 1631 521-7001 | Tom THOMAS MORGAN Management M Midtown Rm 1615 521-7001 | Lito JOSELITO SUPANGCO Economist Q City 991-984 | James JAMES VILAFRANCA Attorney Q City 978-705 |
|------|--|---|---|---|--|---|--|---|
| | Computer disk & WP System used, or Typing Support Needed :- | 3.5 disk MS Word | Provide T Support | Need T spt or Computer | Need Typing Support | 3.5 disk MS Word | 3.5 disk Wordstar | 5.25 disk Wordstar |
| 1 | GOP GUIDELINES FOR HOST COUNTRY CONTRACTS | S | to Jim Anderson | /// P /// | | | | S |
| 2 | PROCUREMENT PROCEDURES FOR CONSTRUCTION CONTRACTS | S | | S | S | S | | /// P /// |
| 3 | ORGANIZATIONAL STRUCTURES | S | | S - AID Contracts | S - AID Engineers | /// P /// | S DOTC | |
| 4 | AID DIRECT CONTRACTING | S | T Support to Jim Anderson | /// P /// | S | S | S | S |
| 5 | PEACE & ORDER PROBLEMS SOCIO-POLITICAL CONSTRAINTS | S | | | | /// P /// | S | S |
| 6 | ACCOMPLISHMENTS VS PLAN EXPENDITURES VS PLAN | S | T Support to Bob Fedel | S | /// P /// | S Planning Process | | |
| 7 | USE OF PP & PROAG PROCEDURES & DEVIATIONS -- JUSTIFIED? | S | | | | /// P /// | | |
| 8 | DPWH METHODOLOGY FOR MATCHING DONOR FUNDS & PROPOSED PROJECTS | S | | | | | /// P /// | S |
| 9 | USAID STAFF WORKING REL'NS & RESPONSIVENESS TO GOP | S | T Support to Bob Fedel | | /// P /// | | /// P /// | /// P /// |

APPENDIX 10
ABSTRACT & SUMMARY

ABSTRACT

II. Evaluation Abstract (Do not exceed the space provided)

A mid-term process evaluation of the USAID/Philippine Rural Infrastructure Fund (RIF) Project (492-0420) to improve rural roads & bridges, ports and airports in order to stimulate economic expansion and growth of rural areas.

RIF was authorized in 1987 as a sectoral funding mechanism -- for construction services primarily through host country contracting (HCC) by the Government of the Philippines (GOP) Department of Public Works & Highways (DPWH); and procurement of airport navigational aids and ancillary training through AID-direct contracting for the Department of Transportation & Communications (DOTC).

A six person multidisciplinary team reviewed project documentation, visited sub-project sites and discussed issues and aspects with USAID, GOP and contractor personnel to investigate nine USAID concerns -- regarding contracting and procurement methods; organizational/management & administrative processes and procedures; and socio-political factors -- to identify past and continuing constraints, and recommend where improvements could be effected. Major findings and recommendations:

FINDINGS:

- The DOTC aspect went essentially as planned. The DPWH component was initially delayed for two years -- first due to extended negotiations and failure to reach agreement between the GOP and the bidder for A & E Services; and subsequently by a requirement to conduct additional environmental assessments. The PACD was subsequently extended, and the project is expected to be completed within the new schedule.

RECOMMENDATIONS:

- Time and cost estimating procedures should be more rigorous during project design, and contracting stages.
- Host Country Contracting requires almost as much USAID involvement as direct contracting -- with less control.
- Mechanisms for resolving interagency issues beyond the immediate project manager level need to be established.

COSTS

I. Evaluation Costs

| 1. Evaluation Team | | Contract Number OR TDY Person Days | Contract Cost OR TDY Cost (U.S. \$) | Source of Funds |
|--|--------------|--|--|-----------------|
| Name | Affiliation | | | |
| Kenneth F. Smith | N/A | 192-0120-C-00-1239-00 | \$20,000 | Project Funded |
| James A. Anderson | Checci & Co. | 1QC PXC-0085-1-00-9060-00 D.O. 40 | \$84,393 | Project Funded |
| Robert F. Fedel | Checci & Co. | 1QC PXC-0085-1-00-9060-00 D.O. 40 | \$84,393 | Project Funded |
| Thomas E. Morgan | Checci & Co. | 1QC PXC-0085-1-00-9060-00 D.O. 40 | \$84,393 | Project Funded |
| Joselito P. Supangco | Checci & Co. | same as above | \$84,393 | Project Funded |
| James S. Villafranca | Checci & Co. | same as above | \$84,393 | Project Funded |
| 2. Mission/Office Professional Staff Person-Days (Estimate) _____ | | 3. Borrower/Grantee Professional Staff Person-Days (Estimate) _____ | | |

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

| | | |
|---|--|--|
| Mission or Office: USAID/Philippines | Date This Summary Prepared: November 1991 | Title And Date Of Full Evaluation Report: Rural Infrastructure Fund (RIF) Project Process Evaluation - November 1991 |
|---|--|--|

Purpose of Activity

The objective of the Rural Infrastructure Fund (RIF) Project is to develop adequate physical infrastructure -- particularly roads, bridges, seaports and airports -- to support and sustain economic growth in the rural areas of the Philippines.

Purpose of Evaluation & Methodology Used:

This was a mid-term "Process-Evaluation" to identify existing administrative, organizational and socio-political constraints impeding RIF implementation. USAID asked the evaluation team to study nine specific issues of priority interest to mission management, examine project performance to date and identify administrative and socio-political constraints impeding the efficient implementation of project activities, then recommend practical improvements to strengthen GOP and USAID capability to meet the project's objectives.

The team -- six individuals with different specialties -- initially conducted several group interviews, but thereafter individual team members separately reviewed and researched pertinent documents, interviewed key individuals, and visited major organizations and several field sub-project sites on a judgement sampling basis. During the course of the evaluation, periodic meetings were held with USAID and DPWH personnel.

Findings & Conclusions

The RIF project got off to an exceedingly slow start -- due to a series of unexpected, and largely unforeseeable events. While protracted, this delay was not attributable to management failures by either USAID or the GOP, but largely by a lengthy host country negotiation with a U.S. contractor which failed to be consummated.

Once the project "really" got underway, implementation has been reasonably satisfactory, and almost all available funds have been committed.

Three major road sub-projects (including bridges) are under construction, and a relatively minor fourth spur recently received notice to proceed. Of the six seaports slated for construction, one has been completed, and the other five are nearing completion. The navigational aids equipment has been delivered, installed and tested; technical training has been provided and the equipment is now operational. Designs have been completed on a number of other relatively minor sub-projects -- roads & bridges, and ports -- and have just been given Notices to Proceed (NTP), or are awaiting NTPs subject to availability of funds.

With the two year extension of the project to December 1994, it is reasonable to expect that all the sub-projects underway -- and those in the pipeline -- can be completed without any further extension to the PACD.

RECOMMENDATIONS

Several "process" problems exist which requires management attention and, if institutionalized, could improve implementation and possibly also benefit future projects. The most notable of these are :

1. Improved GOP/USAID review of contractor selection under Host Country Contracting.
2. Formal definition by the GOP of responsibilities and concomitant authorities to implement the project.
3. Improved procedures by the GOP for accelerating the documentation review process for contractor reimbursement.
4. Prompter resolution of Right-of-Way issues by the GOP to permit contractor access to the job site.
5. Resolution of issues (and compliance with the terms of the PROAG) by the GOP regarding clearance of equipment through Customs.
6. Resolution of issues by the GOP regarding reimbursement for taxes.
7. Establishment of a formal procedure by USAID and the GOP to accelerate the resolution of issues -- particularly those that involve GOP agencies other than the implementing agency (DPWH).

Twenty-two specific recommendations were made addressing these -- and other -- issues.

LESSONS LEARNED

Four major lessons were derived from the RIF experience which are applicable to future projects :

1. Host Country Contracts require almost as much attention from USAID technical project officers as direct USAID contracts, with less control over the outcome.
2. Greater attention should be paid to developing detailed cost estimates and factoring in cost escalation in future projects. [RIF costs were greatly underestimated.]
3. Additional time should be factored in for "unforeseeable problems" -- particularly during the start-up stage of the project.
4. Commitment rates are a more appropriate indicator of progress in infrastructure projects than actual expenditures.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report