- PD-ABJ-153
89753

A.I.D. EVALUATION SUMMARY - ...

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:
Mission or AID/W Office USAID/MANILA
(ES#)

B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY ___ Q ___

C. Evaluation Timing
Interim [ ] Final [X] Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
492-0458	Philippine Capital Infrastructure Support (PCIS) Project	9/28/90	9/30/97	$85,000	$30,000

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
NOTE: PCIS' financing of infrastructure projects was terminated in August 1992 in accordance with the Helsinki Agreement of 1991. The Agreement restricted the use of mixed credits in middle income countries, which includes the Philippines. By the time of the evaluation, the ten sub-projects PCIS financed were nearing completion and USAID's implementation responsibilities were nearing completion. Therefore, the evaluation focused principally on "lessons learned" from PCIS and mixed credits financing. Only two recommendations were warranted concerning project monitoring and close-out. They are as follows:		
- Future monitoring should be restricted to the status of ongoing projects, i.e., Bac-Man Geothermal, PHILSAT (DOTC and CAPWIRE) and Camarines Sur Telecommunications.	Earl W. Gast	Immediately
- For completed sub-projects, a two to three page completion report should be prepared for the files, ending USAID monitoring of these projects, i.e., closing them out.	Earl W. Gast	Immediately

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) June (Day) 8 (Year) 1994

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Earl W. Gast	Augusto Santos	Sulpicio S. Roco	Thomas W. Stukel
Signature	[signature]	[signature]	[signature]	[signature]
Date	6/10/94	7/6/94	6/10/94	7/11/94

ABSTRACT

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

(See attached Executive Summary of the Impact and Project Evaluation Report)

COSTS

I. Evaluation Costs

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Chris Hermann - Team Leader Luis Caalim - Finance Specialist, SGV & Co.		492-0458-0-00-4046	$11,158.00	PCIS
Con, ad Dejeres - Engineer & Telecommunications Specialist, SGV & Co.		492-0419-1-00-00136	$12,453.52	PCIS

2. Mission/Office Professional Staff Person-Days (Estimate) 20 W.D

3. Borrower/Grantee Professional Staff Person-Days (Estimate) None

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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: OCP, USAID/MANILA	Date This Summary Prepared: June 9, 1994	Title And Date Of Full Evaluation Report: Philippine Capital Infrastructure Support Project - Impact & Project Evaluation

(See attached Executive Summary of the Impact and Project Evaluation Report)

EXECUTIVE SUMMARY

The Philippine Capital Infrastructure Support Project (PCIS) established a Concessional Financing Facility (CFF) for priority capital projects in the power, telecommunications, transportation and capital equipment sectors. The CFF constituted an innovative financing mechanism that blended grant funds from USAID and the Export Import Bank of the United States (EXIM) with commercial loans made by Citicorp which were guaranteed by EXIM. The stated purpose of PCIS is to mobilize public and private sector resources to meet priority infrastructure needs that constrain broad-based private sector-led growth. In actual practice, PCIS promoted the sale of U.S. capital products and related services through the use of concessional financing targeted against competitor countries using similar financing arrangements in the Philippines. Equally important, the selected sub-projects PCIS financed had to have a clear development impact in the four specified sectors consistent with GOP and USAID programmatic objectives. These two objectives constitute a much more accurate definition of PCIS' purpose which it clearly accomplished through the sub-projects it financed.

PCIS was authorized as a seven year project with concessional financing to be offered during the first five years. USAID and EXIM grant funds combined with EXIM loan guarantees were expected to reach $481 million. However, changes in OECD guidelines, specifically, the Helsinki Agreement of 1991, substantially limited future use of mixed credits in middle income countries, which includes the Philippines. Consequently, the CFF was terminated in August 15, 1992. By that date, PCIS financed eight public sector and two private sector sub-projects totalling $134,489,448 (including local costs).

In light of the early termination of PCIS sub-project financing, the evaluation focuses on what can be learned from PCIS as an innovative approach to infrastructure financing in a development program. Experience with the design and implementation of PCIS including the sub-project approval process provide useful lessons. The evaluation also assesses the results of the ten sub-projects with respect to PCIS' objectives of promoting U.S. sales while meeting priority infrastructure needs of the country.

- Project Design and Implementation: PCIS resulted directly from the interests of the U.S. Government to counter other countries using concessional financing to promote sales for their manufacturers of capital goods and related services. Political interests, therefore, were a driving factor behind the design of PCIS. Following AID/Washington's instructions, the Mission had less than three months to submit the PCIS project paper. All involved recognized that PCIS constituted a complex, innovative activity requiring resolution of numerous design and policy issues. The resulting Project Paper was fundamentally flawed.

NEDA, the implementing agency, had virtually no input into the process. Numerous assumptions made in the Project Paper proved unfounded, particularly the estimated pace of implementation. The design provided little practical guidance for project start-up and implementation.

Due to seemingly endless procedural issues overlooked during the initial design, PCIS implementation proved to be far more difficult than anticipated. Sub-project identification and approval lagged far behind expectations. The basic agreement between EXIM and the DOF for the Concessional Financing Facility took almost a year to conclude due to protracted discussions. USAID's efforts to expedite the NEDA approval process proved unsuccessful and in retrospect, were probably misguided, albeit well intentioned.

Compounding the difficulties USAID and the GOP were experiencing, a lack of agreement on basic aspects of PCIS between USAID and EXIM soon emerged. Poor communication between the two agencies plagued the project. The locus of decision making, financing for private sector projects and equal USAID and EXIM grant contributions to PCIS were recurrent issues. USAID's major concern focused on the development soundness and impact of the sub-projects selected for PCIS financing. EXIM was concerned about the slow pace of sub-project approval would have on its obligation schedule as well as meeting its mandate of assisting medium and small U.S. suppliers to make overseas sales.

AID/Washington's insistence on approving environmental assessments and plans for the sub-projects did not contribute to improving this work, nor to expediting project implementation.

The pace of implementation quickened after the hiring of a PSC to market PCIS to potential participants (line agencies, the private sector) and to accelerate sub-project identification, packaging and approval. The DOF, NEDA, DBP and line agencies gained experience with the PCIS financing mechanism which also hastened the process. By the termination of the CFF in August 1992, a substantial pipeline amounting to several $100 million worth of projects were potential candidates for PCIS financing.

<u>Key lessons learned from PCIS's design and implementation are:</u>

- The "old chestnuts" USAID knows perfectly well about the design process, e.g., working closely with counterparts and implementing agencies in designing the project, apply as much to new innovative projects as they do to more traditional activities - name one and PCIS's design process probably violated it.
- Surrendering to political imperatives corrupts the analysis function of project planning. Insufficient time for planning virtually assures that the design will not provide even minimally useful direction for project start-up.

- Conceptualizing and designing projects largely from Washington defeats the purpose and advantage of having a field presence.
- Do not expect the host country to change its established administrative systems to accommodate one particular project.
- Activities involving two U.S. government agencies are best managed when one or the other is clearly responsible for the overall administration and results of the project, as opposed to sharing responsibilities between the two agencies as in PCIS.
- Washington should delegate authority to Missions which have qualified Environmental Officers to approve analyses of environmental impact as well as to exercise the necessary oversight for meeting A.I.D. environmental requirements.

<u>- Sub-project Approval Process:</u> The evaluation assessed the approval process followed by each sub-project financed by PCIS. All sub-projects were approved in a accordance with established GOP procedures. Overall, the average amount of time required for NEDA approval and the opening of the LC was 14 months. Factors which contributed to slowing the process include: a) proponents failed to submit required documents on a timely basis; b) the GOP lacked local currency needed for civil works; c) proponent agencies lacked funding in their appropriated budgets; d) the number of institutions involved with the process multiplied the documentation requirements for approval; e) EXIM documentation requirements exceed those for regular commercial loan; f) no GOP or project unit was responsible for monitoring or following-up on the flow of documentation through the system; g) the NEDA had to reconfirm its approval in several cases; and h) it took the DOF up to two months to approve the SLAs after their release by EXIM.

The evaluation concludes that the entire process could have been accelerated to roughly six months if: a) there were better coordination between NEDA and the proponent agencies and b) a monitoring unit was designated to keep the documents moving through the system to avoid unnecessary delays. In fact, NEDA reduced its approval process to two to three months in three cases to meet deadlines. Lessons learned from this experience include the following:

- Specify the roles and responsibilities of the various agencies and offices involved in the project implementation.
- Clarify the approval process so that each of the entities involved understands what is required of it and what the time frames and deadlines are for action.
- Explain to project proponents the requirements for preparing project proposals, such as with a primer or manual giving step-by-step instructions and examples to interested parties.
- Create or designate a unit which would be responsible for monitoring and following-up the sub-projects documents, i.e., a unit responsible for keeping the papers moving through the system.

- Place implementation responsibility within an organization, such as the Coordinating Committee of the Philippines Assistance Program (CCPAP), which is "implementation oriented" and not in a planning and analysis organization such as NEDA.

- Sub-project Analysis: PCIS financing was distributed among the four priority areas as follows: power - 61.9%, telecommunications - 25.6%, construction equipment - 7.6% and transportation - 4.9%. Given the country's critical need for power, it made good development sense to direct two-thirds of project resources to this area. Private sector sub-projects constitutes 17% of PCIS financing which is a major accomplishment given the policy and operational issues involved with such financing at that time.

The evaluation found that: a) planning for all sub-projects commenced prior to PCIS; b) PCIS accelerated financing for these projects; c) U.S. sources had been selected prior to PCIS, suggesting price competitiveness and high quality technology from U.S. suppliers; d) six out of ten sub-projects are likely to generate follow-on sales; e) all sub-projects addressed an important development constraint and/or introduced new technology; and f) only three out of ten sub-projects advanced the GOP's privatization efforts.

The evaluation concludes that A.I.D. should not be reducing its involvement in capital projects, such as PCIS, because this will weaken or eliminate support for A.I.D.'s funding by a large and influential constituency - U.S. manufacturers. PCIS demonstrates that promotion of U.S. capital goods sales can be managed to address the development needs of A.I.D.'s client countries. The evaluation recommends that A.I.D. develop strategies to establish better linkages with U.S. industry.

XD-ABJ-153-A
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EVALUATION OF THE PHILIPPINES CAPITAL INFRASTRUCTURE SUPPORT PROJECT: EXPERIENCE WITH MIXED CREDITS FINANCING

June 10, 1994

Prepared by: Chris Hermann, Team leader
Luis Caalim, Project Finance Specialist, SGV & Co.
Conrad Dejeres, Engineer and Telecommunications Specialist, SGV & Co.

Under Contract No. 492-0432-0-00-3121
with USAID/Philippines

This evaluation was completed through the assistance of the United States Agency for International Development (AID). The views and opinions contained in the report are the authors' and are not intended as statements of AID.

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EXECUTIVE SUMMARY

The Philippine Capital Infrastructure Support Project (PCIS) established a Concessional Financing Facility (CFF) for priority capital projects in the power, telecommunications, transportation and capital equipment sectors. The CFF constituted an innovative financing mechanism that blended grant funds from USAID and the Export Import Bank of the United States (EXIM) with commercial loans made by Citicorp which were guaranteed by EXIM. The stated purpose of PCIS is to mobilize public and private sector resources to meet priority infrastructure needs that constrain broad-based private sector-led growth. In actual practice, PCIS promoted the sale of U.S. capital products and related services through the use of concessional financing targeted against competitor countries using similar financing arrangements in the Philippines. Equally important, the selected sub-projects PCIS financed had to have a clear development impact in the four specified sectors consistent with GOP and USAID programmatic objectives. These two objectives constitute a much more accurate definition of PCIS' purpose which it clearly accomplished through the sub-projects it financed.

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TABLE OF CONTENTS

ACRONYMS

AA	- Advicé of Allotment
ADB	- The Asian Development Bank
A.I.D	- United States Agency for International Development
AID/W	- A.I.D. Washington
ANE	- Asia/Near East Bureau of A.I.D.
ATO	- Air Transportation Office of DOTC
CAPWIRE	- Capital Wireless, Inc.
CFF	- Concessional Finance Facility
ECC	- Environmental Compliance Certificate
DAA	- Deputy Assistant Administrator
DBM	- Department of Budget and Management
DBP	- Development Bank of the Philippines
DENR	- Department of Natural Resources
DOE	- Department of Energy
DOF	- Department of Finance
DOTC	- Department of Transportation and Communications
DPWH	- Department of Public Works and Highways
DSM/IRM	- Demand-Side Management/Integrated Resouce Management
EXIM	- The Export - Import Bank of the United States
FY	- Fiscal Year
GCMCC	- Government Corporate Monitoring and Coordination Committee
GOCC	- Government Owned or Controlled Corporations
GOP	- The Government of the Republic of the Philippines
ICC	- Investment Coordinating Council
LC	- Letter of Credit
MAI	- Multilateral Assistance Initiative
MNLF	- Moro National Liberation Front
MTPO	- Municipal Telephone Program Office
NPA	- New Peoples Army
NEDA	- National Economic and Development Agency
NPC	- The National Power Corporation
O/CP	- USAID/Philippines Office of Capital Projects
ODA	- Official Development Assistance
PCIS	- Philippine Capital Infrastructure Support Project
PSC	- Personal Services Contract
SLA	- Subsidiary Loan Agreement
USAID	- A.I.D.'s Mission in the Philippines

1. INTRODUCTION

1.1 Project Description

The Philippine Capital Infrastructure Support Project (PCIS) established a Concessional Financing Facility (CFF) for priority capital projects in the power, telecommunications, transportation and capital equipment sectors. Through PCIS, the public and private sectors of the Philippines were offered attractive terms for financing capital equipment and related technical services sourced from U.S. suppliers. PCIS' stated purpose is to mobilize public and private sector resources to meet priority infrastructure needs that constrain broad-based private sector-led growth. In fact, PCIS promoted the sale of U.S. capital products and related services through the use of concessional financing targeted against competitor countries using similar financing arrangements in the Philippines. Equally important, the selected sub-projects PCIS financed had to have a clear development impact in the four specified sectors consistent with GOP and USAID programmatic objectives. These two objectives better define PCIS's actual purpose which it clearly acheived through the sub-projects it financed.

The CFF constituted an innovative financing mechanism that blended grant funds from USAID and the Export Import Bank of the United States (EXIM) with commercial loans made by Citicorp which were guaranteed by EXIM. The ratio of grant to loan funds for each project financed by PCIS was 35 percent grant financing and 65 percent loan funding. A total of ten sub-projects were financed using the mixed credits PCIS offered.

PCIS was authorized on September 26, 1990 not by the Mission Director USAID/Philippines (as is usually the case), but by the Deputy Assistant Administrator of the former Asia/Near East Bureau. The Project Agreement was signed immediately thereafter on September 28, two days before the end of USAID's 1990 fiscal year. The signatory for the GOP was the Department of Finance (DOF) with the National Economic and Development Agency (NEDA) designated as the implementing agency. An Interagency Agreement between USAID and the EXIM Bank was signed in November 1990. The Concessional Financing Agreement involving EXIM, Citicorp, DOF and the Development Bank of the Philippines (DBP) was not signed until August 1991 due to protracted discussions.

USAID initially planned to contribute a total of $85 million in funding from its Multilateral Assistance Initiative account. EXIM Bank was expected to provide a matching $84 million in grant financing from its "War Chest" plus $183 million in loan guarantees. This was later modified when the 35/65 ratio of grant to loan financing was clarified, raising the loan guarantees to $312 million with total project funding expected to reach $481 million.

PCIS was authorized as a seven year project with concessional financing offered during the first five years. However, changes in OECD guidelines, specifically, the Helsinki Agreement of 1991, curtailed the use of mixed credits in middle income countries, which includes the Philippines. Consequently, the CFF was terminated in August 15, 1992 because the U.S. Government wanted to comply with the new guidelines (it was the leading advocate for this agreement). Eight public sector and two private sector sub-projects had received approval for financing by that date. Table 1 presents the list of sub-projects financed through PCIS, the cost and current implementation status. (Annex 4 provides a detailed description of each sub-project.)

TABLE 1

SUB-PROJECT	TOTAL COST	STATUS
Public Sector:		
DOTC: Philippines Satellite Equipment	$16,807,861	On-going
DOTC: Camarines Sur Telecommunications	$1,816,471	On-going
DOTC: Mt. Pinatubo Emergency Telecom.	$4,238,309	Completed
DOTC/ATO: Flight Inspection Equipment	$6,472,625	Completed
DPWH: Mt. Pinatubo Emergency Equipment	$9,993,000	Completed
NPC: Mak Ban Geothermal	$32,591,716	Near Completion
NPC: Bac Man Geothermal	$32,591,716	On-going
NPC: Limay-Hermosa Transmission Line (*)	$6,937,124	Completed
Private Sector:		
Capital Wireless Inc. Philippine Satellite	$12,040,626	On-going
CEPALCO Mindanao Energy System	$11,000,000	Completed
TOTAL SUB-PROJECT COSTS	$134,489,448	

DOTC - Department of Transportation and Communications
DPWH - Department of Public Works and Highways
NPC - National Power Corporation
(*) - PCIS financed the procurement of cable only, not the installation of the line.

The project costs stated in Table 1 combine USAID, EXIM Bank and local currency costs. The latter were largely for civil works associated with the project paid for by the project proponent, i.e., GOP agencies and private sector participants. In short, by the end of the CFF in August 1992, total funding for the PCIS activities reached the following levels:

USAID:	Grant	$27,164,237
	Technical Assistance	2,636,000
	Monitoring/Evaluation	175,000
	Audit	25,000
EXIM	Grant	12,450,275
	Guarantees and Exposure Fees	77,601,430
Total USAID and EXIM Funding		$120,051,942
Local Currency Costs		$17,273,506
TOTAL PCIS FUNDING		$137,325,448

1.2 Project Context

1.2.1 Domestic Economic and Political Conditions

By the end of the 1980's, the Philippines economy had recovered from its period of decline earlier in the decade. Annual GNP growth rates were around four percent. However, this was far too little growth to absorb the rapidly expanding labor force of the country, estimated at approximately one million new entrants to the work force annually. Significant increases in private sector investment in the country were clearly needed, but investor confidence was lagging.

A major constraint to increased domestic and foreign investment was the worsening crisis in infrastructure the Philippines confronted. The most visible manifestation of the problem was power shortages. Euphemistically referred to as "brownouts", power failures started occurring regularly in the late 1980's. The situation deteriorated year by year as the Aquino Administration seemed unable to take appropriate action. By the early 1990's, 8 to 10 hour power outages in the Metro Manila area during the summer months was an almost daily occurrence. Many provinces experienced an even worse situation with daily power supply being rotated in 12 hour intervals (i.e., 12 hours with power, 12 hours without). The power shortages had a devastating effect on the economy. Manufacturing in the Metro Manila area was crippled, factory workers were being told not to report to work, and others were laid off.

Other essential infrastructure was also critically lacking. Telecommunications did not exist in many parts of the country. Where systems did exist, obtaining service could takes years. Even in Metro Manila, a waiting period of a decade or more was not uncommon. (The Far Eastern Economic Review recently reported that within the Asia region, the time required to get telephone service in the Philippines is only exceeded by Viet Nam.) Port facilities were equally inadequate in a country where sea transport is essential. Shipping rates were exorbitant and port monopolies prevented more competitive services. Roads and bridges throughout were in woeful condition.

None of these conditions were lost on investors. Though the comparatively high educational level of the Philippine work force, combined with relatively low labor costs, were highly attractive, the infrastructure problems of the country proved daunting to many investors.

Compounding the disincentives to investment created by poor infrastructure, the Philippines suffered from a number of security and political stability related problems. Though never a real threat to overthrowing the government, the activities of the New Peoples Army (NPA) challenged government control in many parts of the country, including areas in Luzon. For example, the operation of NPA "Sparrow Units" in Metro Manila brought the problem very close to home for the government. The Muslim separatist movement in Mindanao, the Moro National Liberation Front (MNLF), was also a continuing drain on the government. The Aquino Administration itself suffered a series of direct assaults from right wing military units which took the form of failed coup attempts, the most serious of which occurred in December 1989. Kidnapping of prominent Philippino and foreign businessmen or their family members added to security concerns. Quite predictably, foreign investors were highly concerned about the "peace and order" problems of the Philippines. Though many made investments in the country, others postponed or re-directed investments to more secure countries in the region during this period.

1.2.2 The USAID/Philippines Program

It is important to view PCIS in the context of the USAID program during the 1986-1992 period. USAID funding levels literally skyrocketed in response to the election of Cory Aquino. The U.S. Government was eager to provide the maximum amount of assistance to support the first freely elected administration in the post-Marcos era and to bolster the re-introduction of democratic systems in the Philippines.

USAID funding quickly rose to over $200 million annually and then quickly to $400 million with the establishment of the Multilateral Assistance Initiative (MAI), described as a "Mini-

Marshall Plan" for the Philippines. The U.S. pledged $200 million per year over five years which was to be additional to Development Assistance and Economic Support Funds the Philippines was already receiving (though, in fact, USAID was unable to hold to this pledge, particularly after the negative outcome of the U.S. Military Bases Agreement). Moreover, MAI funds were to be "fast tracked" and targeted on stimulating private sector development and investment.

For the Mission in the late 1980's and early 1990's, simply finding enough new development projects and programs of sufficient scale absorb more than $400 million annually was a priority concern. Finding quick disbursing mechanisms was equally important. With a tight ceiling on the number of U.S. staff permitted in-country due to security concerns, the relative staff-intensity of standard projects placed a definite limit on "projectizing" USAID funding.

Given the rapid increase in funding, the Mission had no reason to believe its levels would be reduced and if the outcome of the U.S. Bases Negotiations were positive, funding levels were very likely to increase to even higher levels. The Mission moved quickly to policy based sector assistance programs which could transfer large amounts of funding in return for policy changes. Funding through sector assistance had the added benefit of providing foreign exchange needed to pay the country's foreign debt. However, the opportunities for such sector assistance were limited and these programs also confronted a number of critics both within and outside of the Agency who contended "buying policy" was a poor use of development funds.

In this context, PCIS offered the Mission a potential new mechanism to move substantial amounts of USAID funds for development activities consistent with its overall program and MAI strategies, as well as with the GOP's development plans. Moreover, PCIS would meet a number of objectives simultaneously, including: a) leveraging additional funds (i.e., from the EXIM Bank) for the country, b) using such funding to stimulate private sector investment consistent with MAI development objectives, c) addressing the critical need for infrastructure development in priority sectors, d) disbursing such funds relatively quickly, and e) lessening USAID management and monitoring requirements for such funds by transferring these responsibilities to the EXIM. In short, if all went well, PCIS had the potential to be a "magic bullet" for the Mission.

Its within this context that PCIS enters the field of play in September 1990.

2. EVALUATION PURPOSE AND METHODOLOGY

2.1 Evaluation Purpose

This evaluation was conducted over a five week period beginning May 2, 1994 by a team of three external consultants (see Annex 1 for the evaluation scope of work). The purpose of the evaluation was to assess PCIS operations from the perspective of lessons learned and to estimate in qualitative terms the impact of PCIS. It was recognized at the outset that impact assessment would be very limited due to a lack of necessary data, time limitations of the evaluation and the complex nature of assessing impact of the sub-projects (e.g., measuring the social and economic impact of procuring aluminum cable for power transmission, may be theoretically possible but practically speaking, difficult and time consuming to do).

The evaluation is based on information from interviews with sub-project proponents, in country suppliers, GOP and USAID officials involved with PCIS, Citicorp staff, PCIS files and selected site visits. The evaluation benefitted from the fact that several individuals involved with the initial design and implementation of PCIS from 1990 through 1992 were available and could be interviewed by the team. Coding schedules were developed for systematic appraisal of the sub-project approval process and characteristics of the sub-projects with respect to their objectives, i.e., Sections 5 and 6 of the report.

This report differs from more routine evaluations because it focuses more on lessons learned than actionable recommendations. This is largely because the financing mechanism PCIS established, the Concessional Finance Facility, was terminated early due to new OECD guidelines on mixed credits in middle income countries. At the time of this evaluation, most of the sub-projects which received financing were completed or nearing completion. Therefore, the evaluation identifies lessons learned about interagency cooperation and about project design and implementation which are hardly new to USAID, but for various reasons, seem to have been ignored in PCIS.

The evaluation had neither the data nor resources to estimate the economic and social impact of the sub-projects, such as employment generated or improved quality of life. The evaluation's assessment of impact, therefore, is limited to broad questions, such as whether PCIS accelerated financing, promoted sales of U.S. suppliers, created opportunities for future sales addressed important development constraints and/or introduced new technology and forwarded GOP privatization efforts.

3. THE PCIS DESIGN PROCESS

3.1 Findings

3.1.1 The Washington Origins of PCIS

The U.S. Government decided in 1990 to create a $500 million program of mixed credits, blending A.I.D. grants funds with EXIM Bank "War Chest" grant funds and loan guarantees. The mixed credit program would be used to compete with other countries using concessional financing to promote the export of manufactured goods. "Spoiled markets" - i.e., countries which had become accustomed to receiving such concessional financing - would be targeted.

Four countries in Asia were selected: Pakistan, Indonesia, Thailand and the Philippines. Underlying this decision was a longer term effort by the Reagan and Bush Administrations to persuade OECD members to agree to restricting the use of mixed credits. Price and quality competitiveness of manufacturers and suppliers should be the basis for international market competition, not who could offer the best concessional financing package to assure the sale of their products. This was an important element of having "a level playing field" for international trade.

Persuasion was not proving to be particularly effective; direct action which demonstrated U.S. resolve by using similar financing arrangements might be more convincing. The mixed credit program was also consistent with the Reagan and Bush Administration's view that government should do more to promote U.S. exports and help U.S. business re-gain its competitive edge.

With the increasing unpopularity for foreign assistance in the U.S. Congress and among the American public, A.I.D. faced a number of years of continuing resolutions which resulted in no budget increases. When appropriations were made, A.I.D.'s budget was not significantly increased. Thinking within the Agency at the political level began to evolve into the following position. A.I.D.'s budget was declining over time because it had no effective constituency. Certainly foreign aid was an anathema to the majority of Americans. A common perception was (and continues to be) that foreign aid sends U.S. taxpayers money overseas for wasteful or corrupt activities while Americans at home were losing their jobs and facing the end of unemployment benefits.

In line with the Bush Administration's position on promoting U.S. exports, A.I.D.'s political leadership argued that the Agency needed to support this directive through its development activities. The nature of some A.I.D. activities, of course, would change, in some cases, making A.I.D. projects resemble the

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programs of the U.S. Department of Commerce. But in time, A.I.D.'s promotion of U.S. exports was expected to create the constituency the Agency needed to defend its budget. Clearly, mixed credits and PCIS filled the bill in this regard.

3.1.2 Design Process

Discussions in June 1990 with Congressional staff about the acceptability of the A.I.D. - EXIM Bank mixed credit signaled the go-ahead for developing PCIS. The mission was cabled that the A.I.D.-EXIM Program would "finance developmentally sound capital projects in 'spoiled' Asian markets where other governments are providing extensive trade-distorting tied-aid finance." (1990 State 188933) The Philippines was selected as one of those "spoiled" Asian markets. The evaluation team was informed that from the very outset, the EXIM apparently had reservations about working in the Philippines because of concerns about the country's credit worthiness. EXIM support for the Philippines was described to the evaluation team as "blowing hot then cold" over time, suggesting that the Philippines may not have been a good choice from the EXIM Bank's perspective in 1990.

PCIS design work on the Project Paper (no preliminary plan was required) was initiated in July 1990 with the project authorization planned for FY 90 (i.e., no later than September 30, 1990). It was understood that MAI funds would be used as USAID grant component of the project. Therefore, MAI strategic objectives, from the Mission's perspective, would be applicable to PCIS.

Senior level management staff involved with conceptualizing the mixed credits program - Clifford Lewis, then Deputy Assistant Administrator for the former ANE Bureau, and Raymond Albright, Vice President for Asia from the EXIM Bank - would visit USAID/Philippines during this design period to provide guidance to the Mission.

Mission staff reported that from the beginning, the design process was burdened by differing objectives between the two organizations. EXIM Bank's objectives was to promote U.S. sales abroad with opportunities for medium and small suppliers to benefit from its program. Assisting small and medium suppliers was for the EXIM Bank a strong selling point of its programs to Congress. This meant that EXIM Bank was interested in seeing a larger number of smaller transaction occur through PCIS.

Though very interested in promoting U.S. sales, USAID/Philippines emphasized the importance of selecting projects which had a clear development benefit for the Philippines and would maximize development impact. The development underpinnings of PCIS was

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peculiarly emphasized by the Mission. The development emphasis and concern for maximizing impact led USAID toward favoring fewer transactions and larger in scale than the EXIM perspective. Such differences in perspective did not end with the design process, but continued through PCIS implementation, ending only when the CFF terminated on August 10, 1992.

Needless to say, senior level input into the design of PCIS provided only the broadest of strokes to the package that would be needed to authorize a project. It was reported to the evaluation team that neither side really seemed to appreciate the other's perspective. From July until the end of September, Mission and ANE Bureau staff worked on drafts of Project Paper, trying to factor in instructions they received from Bureau management. Ultimately, the burden fell on the Mission to submit a final Project Paper.

From the outset, the design was complicated by the interagency nature of the project. USAID/Philippines was to review sub-projects presented to it by the implementing agency, NEDA, after the project had undergone NEDA's review and DOF approval. Sub-projects then approved by USAID would be forwarded to EXIM Bank for review. EXIM Bank's approval in the form of a Preliminary Commitment would move the sub-project forward toward finalizing the financing arrangements. USAID would then transfer grant funds to EXIM bank for its administration of the sub-project. However, sub-projects would have to meet A.I.D. environmental requirements; whereas, contracting and procurement rules of the U.S. implementing Agency, EXIM, would apply. Similarly, audit, monitoring and reporting requirements would be largely EXIM's responsibility, but A.I.D. would retain additional audit rights and monitor on a "as needed" basis the sub-projects (as well as conduct this evaluation). Mission staff reported that these and other administrative issues were difficult and time consuming to sort out between USAID and EXIM.

The design process extended into August with inputs coming from the EXIM on such matters as requirements for a sovereign guarantee on loans to the private sector and the operation of financing agreements. AID/Washington was particularly interested in developing a prototype project for mixed credits, assuming such financing would continue in the foreseeable future. Much to its credit, the Mission submitted the PCIS Project Paper to Washington as instructed in September.

It is important to note that PCIS was authorized by Clifford Lewis, then DAA, in AID/Washington, not by USAID/Philippines Director Malcolm Butler. The Washington authorization of PCIS is not merely symbolic. By all accounts of the design process provided to the evaluation team, PCIS was a Washington priority and a Washington driven activity to which the Mission was trying to be responsive. Apparently, the Mission had sufficient reservations about the soundness of the final Project Paper that it preferred the authorization to be done by Washington. Unfortunately, the Mission would have to deal with the consequences of this "design from afar" approach during the implementation of PCIS.

The evaluation team also learned that there was virtually no meaningful input from the GOP into the project's planning. Communication about PCIS to the GOP was reported to have been inadequate and confusing. It is insightful to consider the perspective of NEDA staff on the design of PCIS since NEDA was to be the GOP implementing agency for PCIS. According to a spokesman for the Public Investment Staff of NEDA, PCIS was seen as a purely donor-driven activity. They were not even clear on what the purpose of PCIS was, let alone on how it would operate. They had virtually no input into decisions being made about PCIS and were presented with the project as a fait accompli with the request to sign the project agreement because of the approaching USAID budget deadline (the agreement was signed September 28).

NEDA was concerned about the U.S. intention of using MAI funds for an activity like PCIS. Was blending grant and loan funds to be a new approach to meeting MAI and Bases payment levels? Or was this simply a reflection of U.S. trade problems in the Region, particularly with Japan? (Ironically, in the end, PCIS probably affected European sales more than Japanese). NEDA staff reported that the lack of information from the U.S. side fostered mistrust and confusion which better communication about U.S. intentions would have prevented. In short, the almost total lack of input from the implementing agency into the PCIS design process, predictably, produced serious problems when USAID tried to implement this project.

As for the Project Paper itself, Washington reported:

> "...Mission is commended for its excellent work in helping to develop and negotiate this innovative and complex, prototype project especially in view (of) the many policy and design issues which needed to be worked out, and for completing a comprehensive and well-written Project Paper despite an extremely short timeframe." (1990 State 328690)

The Mission, indeed, had an extraordinarily short timeframe to produce a complex prototype plan for an innovate interagency project involving many policy issues - less than three months. Admittedly, all Project Papers are approximate guides to the course of actual implementation. But in the case of PCIS, the Project Paper failed to provide even approximately useful implementation guidance to the Mission. The evaluation team's review of the Project Paper in comparison to the course of actual implementation showed numerous inaccuracies, oversights, misstatements and unrealistic assumptions about the ease and pace of project implementation.

For example, the stated purpose of PCIS is:

> "To mobilize public- and private-sector resources to meet priority infrastructure needs, the unfulfillment of which constrains broad-based, private sector led growth."

This statement is clearly inaccurate. The purpose of PCIS is to promote the sale of U.S. manufactured goods and related services in the Philippines which address priority infrastructure requirements, thereby facilitating domestic and foreign private sector investment, in turn creating broad-based private sector led growth. Eliminating any reference to U.S. sales is simply misleading and unnecessary.

The Project Paper states that in addition to criteria USAID and the GOP would develop for selecting sub-projects (eight were finally formulated), USAID would also consider criteria consistent with its MAI and Program strategies and general economic considerations. This constituted some twenty-three additional criteria; the evaluation team found no evidence of these criteria actually serving a useful purpose or that they were ever actually used.

The Project Paper's discussion of Project Participants under Implementation Arrangements implies a degree of understanding and consensus between them and USAID and among GOP agencies which was simply contrary to the actual situation the Mission confronted in implementing PCIS. The sub-project selection and review process outlined by the Project Paper implies a flow of proposals from the GOP to USAID and then on to EXIM. In practice, sub-project identification was painfully slow, a threat to meeting EXIM deadlines and ultimately required USAID intervention in forwarding such proposals to NEDA.

Consultant services envisioned in the Project Paper never materialized in the form described. Monitoring arrangements described in the Project Paper bear no resemblance to the confusion that surrounded sub-project monitoring. The Implementation Schedule projects such actions as final approval of sub-projects by DOF, DBP and EXIM and opening of Letters of Credit by May 1991 when, in fact, the CFF was not even signed by the DOF until August 1991. Perhaps most misleading was an extended discussion of the generic benefits and impacts infrastructure development produces in the four areas PCIS targeted. The Project Paper states such effects shall be measured, but no activity has been undertaken, nor is any planned, to conduct this analysis. The ICC review considered many of these effects in its appraisal, but no subsequently measurement of such effects was ever done. In retrospect, this task is probably best left undone.

Mission management arrangements were described as largely reviewing projects for development soundness, requiring minimal direct Mission involvement. In fact, significant effort was required by the Mission to make PCIS operational. Even the level of EXIM grant financing was misstated by the Project Paper. USAID/Philippines expected 1:1 grant financing with EXIM in the Philippines. EXIM expected to provided approximately 1:1 financing across the set of four countries in the mixed credit program, not country by country.

Yet AID/Washington and the former ANE Bureau described this planning document as "excellent...comprehensive...well-written". One statement that is totally accurate in Washington's appraisal is its reference to the exceedingly short timeframe given the Mission. In short, the principal use of the Project Paper was to authorize PCIS and commit FY 90 funds before the end of the fiscal year. Beyond this bureaucratic expedient, the Project Paper offered little utility for PCIS implementation.

3.2 Conclusions

There is no reason why the political and foreign policy interests driving the development of PCIS were necessarily at loggerheads with the development mandate of USAID. The Mission was clearly striking an intelligent and practical balance between such interests and its responsibilities for using U.S. Government resources for developmentally sound activities. What is particularly disturbing about the PCIS design process is that AID/Washington senior ANE Bureau managers simply failed to give USAID/Philippines sufficient time to work through the basic requirements for designing and implementable activity.

As a consequence, the Mission was forced to violate basic design principles and assorted "lessons learned" about the design process, such as the critical role of working collaboratively with counterparts in the implementing agency. Too little time was allotted for establishing common understandings between the Mission and the EXIM about operational matters regarding project approval, a problem that the next section will show plagued PCIS implementation. This is not to say that projects ought to be planned ad nauseam, but nor should they be so rushed by insistent political objectives that they merely satisfy documentation requirements for committing funds before the end of the fiscal year.

3.3 Lessons Learned

- The "old chestnuts" A.I.D. knows perfectly well about the design process apply as much to new innovative projects as they do to more traditional activities, e.g., collaboration with counterparts throughout the design process, developing mutual understandings about roles and responsibilities among project participants, creating some semblance of ownership over the process on the part of counterpart implementing agencies, etc. Clearly, this requires adequate time, something USAID/Philippines was not allowed by Washington.

- Surrendering to political imperatives, no matter how well intentioned, at the expense of minimally reasonable planning is the kiss-of-death for the design process. It corrupts the analysis function of planning process and virtually assures the failure of the design to provide even minimally useful direction for project start-up.

- Conceptualizing and designing projects largely from Washington defeats the purpose and advantage of having a field presence.

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SECTION 4: PCIS IMPLEMENTATION ARRANGEMENTS

4.1 Findings

4.1.1 FY 1991: Project Start-up

Interviews conducted with individuals involved with the start-up of PCIS implementation and USAID project files paint a very grim picture of making this project operational. As one USAID staffer bluntly described his experience with this period of PCIS, "it was a mess". Because of the insufficient time given the Mission to develop the PCIS Project Paper, actual design work occurred during the six to eight months following project authorization. Apparently, the difficulties encountered in trying to start-up PCIS were not fully anticipated. For example, USAID had designated the head of the Office for Capital Projects as the Project Officer. This implied that considerably less than full time attention would be required for USAID's role in PCIS.

Because NEDA, the GOP counterpart implementing agency, had not participated in the design process, the initial obstacle to be overcome was their lack of understanding and agreement about what PCIS would do and how it would operate. Some within NEDA were clearly opposed to the blending of grant funds with loans. PCIS was funded with MAI funds which NEDA viewed as related to the Bases Agreement. USAID consistently denied this association, but when a new Bases Agreement was not approved, MAI funding quickly dried up. Some in NEDA considered PCIS as reflecting heavy-handed direction by USAID about how the GOP would use grant funds from Bases payments.

PCIS also forced NEDA to confront a major policy position on giving access to ODA funds to the private sector. Though in the long run this was an important contribution of PCIS and actually aided the GOP to focus on the issue, initially it complicated PCIS implementation. Reaching consensus within NEDA on this issue required considerable discussion and debate.

USAID invested a significant amount of time and effort in trying to establish a rapid approval process for PCIS sub-projects. USAID argued that PCIS was part of the MAI program which was intended to provide quick disbursing assistance to meet infrastructure requirements that would stimulate private sector investment. Therefore, USAID argued, approval of PCIS sub-projects should be completed more quickly than normal through some streamlined system. It is important to note that most of the U.S. project staff had been only recently assigned to the Mission and were not familiar with the NEDA project approval process (including senior Mission management). Therefore, their expectations of how quickly they could make the process operate may have been unrealistic.

NEDA responded that PCIS was simply ODA funding and that the sub-projects were subject to the established procedures of the GOP. This meant an approval process of about one year in duration. USAID demanded that the process take no more than six months. Back and forth the discussions went. Drafts of how the process would operate were prepared and revised over and over. USAID developed Project Implementation Letter Number 4 which was intended to formalize the process. It was never signed by NEDA. At one point, USAID believed that agreement had been reached that an attenuated approval process would apply to sub-projects costing less than $10 million. In the end, all sub-projects, public sector as well as private sector, went through the standard GOP approval process. However, EXIM deadlines for obligating funds to approved projects served as an incentive to expedite the process via special PCIS review meetings.

Further slowing the process was a lack of awareness or understanding about PCIS by GOP line agencies. Despite efforts to explain and advertise PCIS financing, GOP agencies were either not aware of the project or did not understand how the financing mechanism worked. NEDA reaffirmed this, saying that proponent agencies clearly did not understand the requirements of PCIS. It was not until USAID hired a PSC to facilitate sub-project identification and packaging proposals that GOP agencies became responsive to PCIS financing.

As the NEDA - USAID discussions dragged on, it became increasingly clear that expectations of rapid implementation and low management demands on the part of USAID staff were unfounded. EXIM Bank soon became very concerned about the lack of approved projects. EXIM obligates funds on a project-by-project basis within one fiscal year. Therefore, it needed a set of approved projects before the end of fiscal year to which it could obligate its grant funds. By March 1991, only one project had been approved and EXIM was forced to extend its deadline for sub-project financing until June 15, 1991. Even then EXIM was not confident that a sufficient number of projects would be approved given the glacial pace it had witnessed thus far. Moreover, finalizing the CFF Agreement with the DOF was taking considerably more time than the EXIM and A.I.D. had anticipated.

From the outset, the project had simply gotten bogged down in seemingly endless procedural issues, in part due to the "newness" of the PCIS approach, but also reflecting the serious flaws in the PCIS design process. About the only satisfaction to be taken from this situation was that AID/Washington was also suffering from the burden of resolving PCIS bottlenecks.

While USAID was dealing with NEDA on the one hand, it was soon apparent to the Mission that they did not have a common understanding with EXIM on several important procedural matters. Very poor lines of communication between the Mission and EXIM

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became a fundamental problem. The Mission made repeated requests for basic documents, such as a copy of the CFF while it was still in draft. The Mission was concerned that the CFF would contradict USAID regulations or requirements. EXIM responded that a copy would be provided when it was close to final. The Mission requested information about the status of proposals forwarded to EXIM, but would receive no answer or a response would be sent to the Foreign Commercial Service (FCS represents EXIM in the field) instead of to USAID. At one point, the flow of information from EXIM was so poor that the Mission requested the DOF to please send it copies of all future communications it had with EXIM.

USAID had difficulty even getting the basic forms needed to transfer its funds to EXIM. After months of delay, the USAID Controller gave notice to EXIM that if the Mission did not receive the necessary forms in sixty days, USAID would de-obligate its funds from PCIS. In short, the Mission's perspective was that it was providing EXIM with the field information it needed, but was getting precious little in return. EXIM apparently did not recognize the problem.

A major breakdown in communication occurred over a large power project involving General Electric. At a cost of $160 million, this project could have absorbed all of PCIS available financing for the first year. USAID and FCS continued to tell the GOP that PCIS financing was available until EXIM contradicted them. Unknown to FCS and USAID, EXIM had established a "common line" with European export credit agencies that concessional financing would not be offered in this case. This "common line" had been agreed to months earlier but never revealed until PCIS was proposed by USAID and FCS. Apparently, the Swiss were not part of this "common line" because Asea Brown Boveri was awarded the project, offering concessional financing as part of the deal.

In a cable to EXIM drafted by the Embassy concerning how EXIM could improve its operations, the following was included concerning PCIS:

> "(PCIS)...was a case study in the lack of communication and miscommunication between two financing agencies. USAID Manila, which was tasked with handling the facility for USAID, frequently complained that it was not sufficiently involved in final financing decisions even though they were putting up part of the funds. Faxes from USAID and FCS Manila went unanswered and USAID felt its recommendations were not given sufficient weight." (1993 Manila 015945)

The lack of communication from EXIM, rightly or wrongly, reinforced the view that EXIM was not really in agreement with USAID on the administration of PCIS. The impression was that the EXIM Bank did not welcome USAID involvement in its financing

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decisions, irrespective of USAID contribution of grant funding to the project. In contrast, USAID's position was that Manila - the DOF, DBP, NEDA, line agencies, FCS and USAID - should be focus of decision making. This issue came to the fore in April 1991 through a pointed exchange between the Mission and EXIM about EXIM's informing the DOF about which types of sub-projects would be acceptable for PCIS financing without first discussing this with USAID. EXIM believed it was operating within the agreement it had with USAID; the Mission believed it was being cut out of the decision making process.

Joint grant financing by USAID and EXIM was also a point of contention. The Mission's understanding was that EXIM would match USAID grant funding dollar for dollar. USAID obligated $30 million in FY 91 to PCIS; EXIM obligated $13.75 million. USAID expected EXIM to make up the balance in FY 92 when USAID planned another $40 million obligation. As it came to pass, EXIM never obligated additional funds to PCIS and actually reduced its grant funding slightly to $12.5 million. The Mission ultimately learned that EXIM viewed the 1:1 financing agreement across all four countries in the mixed credit program (no USAID grant funds were provided in Indonesia and Thailand), not on a country-by-country basis.

Another issue that caused friction between USAID and EXIM concerned PCIS financing for private sector projects, including Build-Operate-Transfer (BOT) projects. USAID had been advocating greater use of BOT approaches for infrastructure projects to the GOP for a number of months and saw no reason why BOT projects should not receive PCIS financing. EXIM viewed BOT from a more conservative perspective. They were "limited recourse activities", meaning recovery of funds in case of default was at higher risk than lending to government agencies. EXIM was concerned that BOTs would require policy guidelines on subsidies to borrowers as well as legal and technical agreements among BOT parties that would further slow the PCIS approval process. But EXIM was also opposed to using PCIS grant funds for BOT projects which should be able to repay commercial loans without grants or concessional financing. Moreover, EXIM insisted on a sovereign guarantee for all loans, including loans to the private sector, made through PCIS.

This presented the GOP with another policy issue - should the government guarantee loans to the private sector? The DOF decided this was possible for loans made through DBP. That should have settled the issue quickly, but project files indicate that this issue persisted for many months. The Mission informed the ANE Bureau at one point that EXIM was opposed to financing any private sector project. The Mission's view was that when the two agencies agreed to merge funds, they also agreed to merge objectives. That did not seem to USAID to be EXIM's perspective.

How much of this problem was due to more miscommunication and how much to a real divergence in objectives remains to be seen. More importantly, the problem illustrates what had become symptomatic of the USAID -- EXIM relationship under PCIS. Ironically, in the end both Agencies got some of what it wanted: for the EXIM, no BOTs and more and smaller sub-projects; for USAID, two private sector projects and a set of developmentally sound sub-projects.

4.1.2 Making the System Work

The clearest indication of PCIS's implementation difficulties was the lack of approved projects from the NEDA approval process. This was troublesome for both USAID and EXIM,; however, USAID bore the brunt of the responsibility for making the system work. Additional effort was needed to accelerate the process. Through a Personal Services Contract, USAID was fortunate enough to obtain assistance from Richard Dangler, who had long experience with capital projects and project financing, as well as extensive experience in the Philippines. Beginning in late July 1991, Dangler quickly generated a list of potential projects for PCIS financing. This list was periodically updated, as projects were approved and others identified for future financing. In addition to working on project identification and proposal development, Dangler also helped to "push" the proposals through the system.

In principle, this was not how the process was supposed to work, but after months of virtual gridlock, USAID recognized that it would have to take more initiative in assuring proposals reached NEDA. The strong intervention by USAID caused a certain amount of tension with NEDA. The latter felt that its role was undercut by receiving proposals that already had the tacit approval of USAID. As one NEDA staffer reported, they were told at one point by USAID representatives regarding new sub-project proposals, that if they did not approve the process, then they could explain why to their people (i.e., the proponent line agency). On the other hand, NEDA is not an implementing agency staffed to do the kind of marketing, packaging and deal arranging that was needed to make PCIS operate reasonably quickly. All concede that it was to Mr. Dangler's credit that at least two private sector projects received financing before the termination of the CFF.

In November 1992, O/CP assigned a full time USDH Project Officer to PCIS. By that time, all but one of the final set of ten sub-projects PCIS would finance had been approved. An important requirement for all sub-projects was meeting USAID environmental standards, which was a major task for the Project Officer. AID/Washington had not delegated authority to the Mission to meet these requirements, the environmental impact assessments for each sub-project had to be approved by Bureau Environmental Officer. In no instance did this approval process alter the Mission's own assessment or the ultimate outcome of the sub-project. It did consume additional time and effort by the Mission simply dealing

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with people in Washington unfamiliar with the sub-projects.

In one case, Caterpillar tractors for the Mt. Pinatubo Emergency, Washington's requirements for an environmental master plan covering the entire Mt.Pinatubo drainage area was excessive to the point that it could have delayed providing essential equipment to deal with the disaster. There was simply no indigenous environment to protect in the area around Mt.Pinatubo, it was buried meters deep in lahar. Fortunately, the Rural Infrastructure Fund was already funding such a plan by the U.S. Army Corps of Engineers, at a cost of $6 million, which ultimately satisfied Washington.

In time, project proposals began reaching NEDA for its review (Section 5 analyses the project selection and approval process). EXIM was able to obligate its funds against the initial set of approved projects and a pipeline of projects soon developed which absorbed the balance of PCIS financing prior to the CFF's termination in August 1992. A system for identification, approval and financing was emerging. The GOP became increasingly interested in BOT projects and adopted policies more favorable to private sector investment in meeting public infrastructure requirements. DOF, DBP and NEDA had gained some experience with PCIS and the project was not so alien as it had been. These factors, plus continued facilitation of the process by Mr Dangler, actually began to make the system work all too well given the CFF would be terminated in August 1992. The pipeline of public and private sector projects grew as people came to learn about PCIS. Interest from the private sector was apparent from the inquires DBP was receiving from interested parties. When the CFF was terminated, it was estimated that several $100 million worth of projects had been identified that were potential candidates for PCIS financing.

4.2 Conclusions

Admittedly, project start-up is a period where various aspects of project operations have to be developed, tested and revised. But the number of fundamental policy and procedural problems encountered with PCIS' start-up suggests something far out of the ordinary. This was, after all, intended to be an activity which disbursed quickly and would be substantially less staff intensive for USAID. Given how far this proved to be from actual practice, either the requirements to make PCIS work were not anticipated or at least not accurately estimated.

The Mission was certainly aware that PCIS would require new modes of operation in several areas for the GOP. The role of implementing agency was not typically a NEDA function. GOP agencies would have to first understand PCIS and then develop projects for submission to NEDA with less assistance than usual.

Getting this part of the process to work took much more time and effort than the Mission had apparently expected. In part, this may be due to new ,USAID staff taking over PCIS. But such problems more clearly relate to the serious inadequacy of the PCIS design process.

The lack of communication and apparent divergence in objectives between USAID and the Exim Bank only complicated matters further. USAID seems to have had expectations about Exim's role in the project which may have been unrealistic. To a certain extent (borne out in USAID's communications to Exim), USAID expected EXIM to go beyond its standard operating procedures to accommodate the interagency nature of PCIS, i.e., the idea of blending USAID and EXIM objectives. This was clearest in the case of funding for BOT and private sector projects. One can attribute the causes for USAID/EXIM problems to such things as differing internal organizational cultures, conflicting responsibilities, differing objectives in participating in the mixed credit program, field versus Washington perspectives and simple old-fashioned rivalry about "who's in charge here".

To a certain extent, each of these factors probably contributed something to the situation. Perhaps if PCIS had involved closer collaboration between the Mission and EXIM from the outset, some of these problems could have been anticipated. But that was not the case; rather, the project resulted from discussions between AID/Washington and the EXIM at the political level.

In retrospect, the most compelling factor affecting implementation is who really was responsible for project implementation and for the results of PCIS. In the case of PCIS, no one seemed to be consistently responsible throughout. Rather, various responsibilities fell to the different actors depending on the stage of the process: DOF, NEDA, USAID, EXIM, Citicorp, DBP and the line agencies or private sector proponents. As the saying goes, when everyone is in charge, no one is charge. Though PCIS is referred to as "a USAID Project", the Mission was trying to minimize its involvement and not treat PCIS as a standard USAID project. But when the project did not move quickly enough, the Mission was ultimately responsible, almost by default rather than by plan. Again, many of PCIS' implementation problems relate back to its sorely inadequate design process.

Regarding environmental clearances for the sub-projects, Washington needs to re-think its management of these requirements. Forcing Missions which have qualified Environmental Officers (in the PCIS case, a Ph.D. in environmental engineering) to clear each sub-project with Washington is counterproductive and does little to expedite project implementation. The presumption that Washington staff are better qualified to judge the soundness of environmental assessments and plans should be carefully re-examined.

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4.3 Lessons Learned and Recommendations

- Regarding implementation problems involving USAID and the GOP, the most important lesson is one USAID knows perfectly well: clarify roles and responsibilities with counterparts for project implementation during the planning process.

- Do not expect the host country to change its established administrative systems to accommodate one particular project.

- For innovative and complex prototype projects that involve many policy and design issues (AID/W's description of PCIS), multiply the number of usual problems any new project has by at least a factor of five. That will provide a more realistic time frame for implementation during the first year or more.

- Activities involving two U.S. government agencies are best managed when one or the other is clearly responsible for the overall administration and results of the project, as opposed to sharing responsibilities between the two agencies as in PCIS.

- Washington should delegate to Missions with qualified Environmental Officers approval authrotiy for envirnmental analyses as well as the responsibility for exercising the necessary oversight for meeting A.I.D. environmental requirements. For "umbrella" projects, like PCIS which fund a number of sub-projects, one initial review focusing on the process the Mission will use to assure sub-project compliance with environmental standards and subsequent monitoring should be instituted.

SECTION 5 THE PROJECT APPROVAL PROCESS

5.1 Findings

5.1.1 Sub-project Approval Process

On August 16, 1990 representatives of the DOF, NEDA, USAID and EXIM met to discuss basic issues about the Capital Infrastructure Support Project (PCIS). It was agreed that the selection and approval process for PCIS sub-projects would follow GOP established procedures. USAID and EXIM could propose sub-projects for consideration by the GOP as well as assure that the selection and approval process is consistent with U.S. laws and regulations. To the extent possible, the process would move expeditiously to facilitate processing of sub-project proposals. However, as Section 4 discussed, on learning that the process typically required twelve months, USAID attempted to accelerate the approval process to 6 months. The effort proved unsuccessful.

NEDA had designed three procedures for processing and approving sub-projects, and these were for the following:

- Department of Finance (DOF) procedures- for projects of government line agencies;
- Government-owned and controlled corporations (GOCC) procedures- for projects of government-owned and controlled corporations, such the National Power Corporation (NPC); and
- Development Bank of the Philippine (DBP) procedures- for projects of the private sector.

The three sets of procedures generally follow the framework of activities for processing of Official Development Assistance (ODA) loans. The general flow of activities for the three procedures follow:

1. Project proponents generate project studies (project profile, feasibility study, etc.);
2. Project proponents submit proposals to NEDA and USAID;
3. USAID submits copy of each proposal to EXIM;
4. NEDA and USAID conduct summary examinations to determine initial eligibility of sub-projects;
5. USAID endorse eligible sub-projects to EXIM
6. EXIM issues Preliminary Commitments for sub-projects which were approved in the summary examinations;
7. NEDA ranks all proposals based on the eligibility criteria;

8. Once eligibility of the sub-projects has been demonstrated, the following detailed evaluations will be conducted:

   - NEDA conducts detailed evaluation for proposals from line agencies and GOCC,
   - GCMCC conducts independent evaluation for GOCC proposals in addition to the evaluation conducted by NEDA, and
   - DBP conducts financial evaluation for private sector proposals (DBP's evaluations should however be approved by Investment Coordinating Council (ICC/NEDA Board);

9. After the detailed examinations have been conducted, the following activities will be carried out:
   - NEDA endorse sub-projects to USAID,
   - Monetary Board approves sub-projects,
   - DBM issues budget allotments (for government line agencies sub-projects only),
   - DOF issues Annex C to EXIM,
   - EXIM issues Annex D (Subloan Agreement);

10a. DOF signs Subsidiary Loan Agreements (SLAs) (for government line agencies loans and private sector loans and DBP co-signs SLAs for private sector loans);
10b. DOF and GOCC (NPC) sign SLAs (for GOCC sub-projects);
11a. Project proponents open LCs with Citibank after receiving clearances from DOF (for GOP line agencies sub-projects) and DBP (for Private Sector sub-projects);
11b. GOCC (NPC) opens LCs; and
12. EXIM issues LCs approval.

5.1.2 Sub-project Selection

As of March 27, 1992, there were 26 sub-projects proposed to NEDA and USAID for funding under the PCIS Concessional Financing Facility, out of which only 10 were finally approved. One approved sub-project, Clavecilia Telecommunications, was eventually dropped because its foreign equity increased from 30% to 40%, making it ineligible for PCIS financing. The others were either rejected by EXIM, dropped out of consideration or discontinued because of the early termination of the PCIS financing.

The selection of sub-projects went through the GOP standard approval process as stated above. These sub-projects also met the criteria to qualify for PCIS' Concessional Financing Facility established by EXIM with the DOF.

Project proponents who submitted proposals to USAID were directed to submit their proposals to NEDA, the GOP implementing agency for the PCIS Project. All sub-projects had to be reviewed by

NEDA, evaluated by the ICC and approved by the NEDA Board before their endorsement by NEDA to USAID for funding under PCIS.

Environmental assessments for each sub-project were part of NEDA's documentation requirements, i.e., DENR's issuance of an Environmental Compliance Certificate (ECC). USAID/Philippines also conducted an independent environmental study for each sub-project. These environmental assessments were forwarded to AID/Washington for approval. All environmental assessments submitted for the sub-projects were approved by AID/Washington.

The evaluation team found no extraordinary institutional, legal and procedural problems that interfered with the sub-project approval process, since the standard GOP process for issuing ECCs for ODA loans was followed.

5.1.3 Processing Time

DOF officials reported that it would only take about two months to process sub-project proposals, if all the requirements of NEDA are complied with (NEDA, however, claimed that the normal processing time is about four months). An analysis of the approval process (Annexes 3-1 to 3-10) shows that it took four to five months for NEDA to complete the evaluation of each sub-project. It also took an additional eleven months after NEDA's approval to obtain clearances from the various government agencies, such as the Central Bank's Monetary Board (approval in principle), the Department of Budget and Management (local currency budget allotment), including issuance of a Final Commitment (Annex D) from EXIM and the opening of letter of credits (LCs).

On the average, it took 14 months for the entire approval process to reach the point of opening the LC. This is attributable to the following:

1. Project proponents failed to submit complete project documents, environmental clearances, etc. to NEDA.
2. The GOP lacked funding for the local currency costs of civil works of the sub-projects. As a result, it took time for the DBM to issue the budget allotments corresponding to the costs of civil works of each sub-project.
3. Certain government line agencies did not have readily available cash to pay the commitment fee, resulting in delays in the opening of LCs.
4. The number of institutions involved, including NEDA, USAID, DOF, DBP, DBM, Monetary Board, Citicorp and EXIM, each imposed their respective administrative requirements. It took time to comply with all these requirements.
5. Compared with regular commercial loans, PCIS involved

greater documentation as required by EXIM.

6. No assigned office/unit was assigned to monitor and follow-up on the movement of project documents.
7. NEDA Board, in certain cases, had to reconfirm approval of sub-projects upon compliance of requirements by the project proponents.
8. It took from one to two months for DOF to approve the SLAs after they have been released by EXIM.

5.1.4 Sub-project Findings

Discussed below are the findings on the approval process for each individual sub-project:

DOTC-Earth Satellite Stations Sub-project (PHILSAT)

This sub-project was developed with the joint effort of the Department of Transportation and Communications (DOTC) and Capitol Wireless, Inc. (CAPWIRE), a private company. A Memorandum of Agreement was entered into between the two entities to undertake the sub-project. DOTC and CAPWIRE made separate loan applications with EXIM under the PCIS.

As indicated in Annex 3-1, the approval process for government line agencies was complied with. However, it took about sixteen months to go through the various steps of the approval process. This can be explained as follows:

- It took about seven months for NEDA to complete the evaluation of the sub-project proposal (it appears here that DOTC did not submit complete documents).
- The DBM could not immediately issue the Advice of Allotment (AA) because of budgetary constraint. DBM was only able to issue the AA on June 3, 1992, which was about eight months after NEDA's approval of the sub-project.
- The letter of credit for the importation of the equipment for the DOTC portion could not immediately be opened because of the disagreement between DOTC and CAPWIRE as to which office would pay the letter of credit fee of P6 million.
- The LC was not prepared correctly, which required corrections by DOTC.
- The NEDA Board reconfirmed approval three times because the earlier approvals were conditional pending compliance of certain requirements by the DOTC.
- It took about two months for DOF to approve the SLA from the date of authorization.

DOTC-Camarines Sur Telephone Sub-project

On May 15, 1991, DOTC forwarded to USAID a project profile for the Camarines Sur Telephone Project, a project under the Municipal Telephone Act of 1989. On the basis of this project proposal and discussions held with representatives of DOTC, USAID approved the proposal and indicated that it would endorse the project to EXIM for financing under PCIS. However, USAID suggested to DOTC that although the MTPO is exempt from NEDA's evaluation, a copy of the project proposal should be submitted to NEDA for approval for funding under PCIS.

The sub-project proposal was evaluated by the ICC and approved by the NEDA Board on October 29, 1991. DBM issued the Advice on Allotment on June 3, 1992 and the LC was opened on August 11, 1992. The date of authorization of the SLA was July 30, 1992. As tabulated in Annex 3-2, the procedures for approving GOP line agency sub-projects were generally followed. However, it took nineteen months from the time the sub-project proposal was submitted to USAID to the opening of LC. This was due to the following:

- It took about five months for NEDA to complete the evaluation of the sub-project proposal.
- The DBM could not immediately issue the Advice of Allotment (AA) because of budgetary constraint. DBM was only able to issue the AA on June 3, 1992, which was about eight months later from NEDA's approval of the sub-project.
- It took about a month for DOF to approve the SLA from the time it was authorized by EXIM.

DOTC-Mt. Pinatubo Emergency Telecommunications Sub-project

In the aftermath of the eruption of Mt. Pinatubo, telecommunications equipment was required to establish a special emergency communication network between the various government agencies involved in the early warning, evacuation, relief, and rehabilitation efforts of the Government. An advance request was made by the GOP to Motorola and GTE Spacenet to ship three trunked-radio systems and 100 radios against a pending application by DOTC with NEDA (letter undated) for a nationwide telecommunication network. NEDA endorsed the sub-project to USAID on December 23, 1991 for funding under the PCIS.

This is a case in which the supplier was paid directly by the U.S. private lender, Citicorp. However, it took about a year for the supplier to collect since the process of approving sub-projects to be funded under the PCIS had to be complied with. As shown in Annex 3-3, the GOP standard approval process was carried out.

DOTC/ATO-Flight Inspection System Equipment Sub-project

This sub-project was already in place before the PCIS project was approved. The Air Transportation Office (ATO) had earlier proposed to procure flight inspection system equipment under a different funding scheme. On learning about PCIS, ATO submitted a proposal to NEDA on December 5, 1990. The proposal was subsequently endorsed to USAID on May 31, 1991, about 6 months later. The LC was opened on July 10, 1992. The equipment arrived in Manila on January 17, 1994.

As can be seen from the aforementioned dates, the flow of activities was very slow. It took NEDA about 6 months to evaluate the project proposal, and another year to obtain the different clearances before the LC could be opened. We were also informed that ATO had some problems in raising the funds required to open the LC. The sub-project proposal went through the selection and approval process as indicated in Annex 3-4. The overall time frame of the sub-project was about 20 months, which can be explained as follows.

- It took about six months for NEDA to evaluate and approve the sub-project proposal.
- ATO had some problems in raising the funds required for opening the LC. As a result, the LC was opened a year after the sub-project was endorsed by NEDA.
- It took about 12 months for DBM to issue the budget allotment from the time the sub-project was endorsed by NEDA.
- It took about three months for DOF to approve the SLA.

DPWH-Mt. Pinatubo Emergency Equipment Sub-project

On February 19, 1992, DPWH submitted a proposal to NEDA to procure fifteen units of earth moving equipment: ten scrappers and five tractors under the PCIS. After its evaluation, NEDA endorsed the sub-project proposal to USAID on May 18, 1992. This equipment would be used for the removal of lahar and other deposits in critical river systems affected by the Mt. Pinatubo eruption. The LC method was not used for this sub-project because the project proponent paid the cost of the equipment directly to the supplier and later obtained reimbursement from EXIM.

In this case, the evaluation and approval process at NEDA took only about three months since the GOP considered the sub-project a top priority. As indicated in Annex 3-5, the standard GOP approval process was followed.

NAPOCOR-Mak Ban Binary Cycle Geothermal Power Sub-project

The Mak Ban Geothermal sub-project had initially been approved as a BOT by the Inter-agency III - Mother Committee. On learning that BOTs were not eligible for financing through PCIS, NAPOCOR informed NEDA on June 4, 1991 that it was open to using alternative financing arrangement for the project. NAPOCAR reiterated its interest to avail of the CFF under PCIS. The sub-project proposal was reviewed and later endorsed by NEDA to USAID on October 29, 1991, or about 5 months later. The LC of this project was opened on June 29, 1992. As shown in Annex 3-6, the various steps for approving GOCC sub-projects under the PCIS were followed.

It took more than a year for processing the various required documents up to the time the LC was opened. This can be attributed to the following:

- It took about five months for NEDA to evaluate and approve the sub-project proposal.
- It took about five months for the GCMCC to review and evaluate the sub-project proposal from the time the sub-project was approved by NEDA.
- It took another four months for DOF to approve the SLA from the date it was issued by EXIM.
- It took an additional two months for NAPOCOR to open the LC from the time the SLA was approved by DOF.

NAPOCOR-Bac Man Geothermal Sub-project

On June 23, 1992 NAPOCOR requested NEDA to approve the transfer of funding for the Palinpinon and Tiwi Binary Cycle projects (which were awarded on a BTO scheme to Ormat, Inc. of U.S.A.) to this sub-project. The proposal was approved by the ICC and subsequently endorsed by NEDA to USAID on August 7, 1992.

Since this sub-project operations is a replication of the Mak Ban sub-project, NAPOCOR requested NEDA to exempt it from submitting the standard project documents and, if possible, to fast track the evaluation process since funding under PCIS was about to be terminated. NEDA responded to NAPOCOR's request and the evaluation took only about two months to complete.

This sub-project went through the GOP standard approval process, as shown in Annex 3-7. However, the total approval processing time was about nine months. It appears that NAPOCOR had encountered some difficulty in raising the funds required for opening of the LC since it was only opened on March 25, 1993, about seven months from the date the sub-project proposal was approved by NEDA.

NAPOCOR-Limay-Hermosa Transmission & Substations Sub-project

On May 20, 1992, NAPOCOR submitted a proposal, furnishing a copy to USAID, for funding the sub-project under the PCIS. NAPOCOR stated that this sub-project is associated with the transmission line and substation of the 300 MW Bataan Combined Cycle Plant which had already been approved by the NEDA Board on September 25, 1991. In July 1991, NAPOCOR proposed this sub-project to USAID for funding under PCIS. NEDA subsequently endorsed the sub-project to USAID on August 7, 1992. The LC for this sub-project was opened on March 25, 1993. The environmental assessment of this sub-project was approved by USAID/Washington on October 1, 1992.

As shown in Annex 3-8, this sub-project went through the designed approval process for GOCC, which took about nine months. This can be explained as follows:

- It took NEDA almost two months to approve the sub-proposal.
- It appears that NAPOCOR had difficulty in raising the necessary funds to open the LC.

CAPWIRE-Earth Satellite Stations

In 1989, CAPWIRE conducted a study funded by CIDA to construct a nationwide domestic satellite communications network in the country. After attending a DOTC/USAID presentation on PCIS's CFF for telephone companies and private telecommunications carriers, CAPWIRE agreed to undertake jointly with DOTC the development of a nationwide satellite telecommunications network.

The sub-project proposal was endorsed by DOTC to NEDA on April 4, 1991. NEDA subsequently endorsed it to USAID on October 29, 1991. The Subloan Agreement No. 2 - Capital Wireless Inc. between the GOP and EXIM became effective on March 11, 1992, which was about a year after the sub-project proposal had been submitted to NEDA.

Following the DBP procedures designed for private sector, this sub-project went through the selection and approval process as shown in Annex 3-9. It took about sixteen months to complete the various approval activities, which is attributed to the following:

- It took about seven months for NEDA to approve the sub-project;
- In view of a pending lawsuit which CAPWIRE was facing during the implementation of the sub-project, the opening of the LC was delayed for about six months.
- CAPWIRE had to comply with certain requirements set by DBP before signing the SLA.

CEPALCO-MINDANAO ENERGY SYSTEM

Cagayan Electric Power and Light Co. (CEPALCO) had submitted an application for this sub-project to NEDA's Regional Office in Northern Mindanao prior to PCIS. In April 1992, CEPALCO contacted NEDA again about obtaining financing under PCIS. NEDA then submitted a copy of CEPALCO's proposal to USAID. In response, USAID expressed its strong support for the sub-project, but was concerned about how late the proposal came to its attention (the CFF was to be terminated in August 1992).

The sub-project was approved by NEDA, subject to the proponents compliance with the ICC requirements, and was endorsed to USAID for funding under the PCIS on August 7, 1992. USAID/Washington approved the environmental assessment of this sub-project on December 4, 1992.

As shown in Annex A-10, the sub-project went through the approval process following the private sector procedures. The time frame for the entire approval process was about thirteen months, which can be explained as follows:

- It took about three months for NEDA to complete the evaluation of the sub-project.
- It took almost a year to obtain clearances from DOF, DBP and EXIM before the LC was opened.

Table 3 shows the number of months required to obtain NEDA's approval and the months required until the LC was opened after NEDA's approval for each PCIS sub-project. (see Table 3)

5.2 Conclusions

The GOP's established approval process could not be easily changed to accommodate the USAID's requests for a more rapid, streamlined approach. Existing GOP policies, administrative procedures and various regulatory and legal requirements prevented making PCIS a "special case". For example, NEDA is mandated to conduct a comprehensive appraisal of each sub-project prior to submitting proposals to the NEDA Board for its approval. Clearances from the Monetary Board, DOF, Department of Budget and Management and other concerned offices are also prerequisites for loan approval and negotiations.

However, based on the analysis of PCIS sub-projects, it appears that the entire approval process could have been accelerated and reduced to five or six months. It appears from the preceding analyses that the process could be accelerated significantly when it was necessary. The Mt. Pinatubo Emergency Equipment, Bak Man and Limay Transmission sub-projects illustrates this.

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Table 3
(No. of Months)

SUB-PROJECT:	NEDA Approval(*)	Opening LC after NEDA Approval	Total No. of Months Required
DOTC Earth Satellite Stations - PHILSAT	7	9	16
Camerines Sur Telecom.	5	14	19
Mt. Pinatubo Emergency Telecommunications	6	No LC used	Not applic-able
Flight Inspection Equipment	6	14	20
Mt. Pinatubo Emergency Equipment	3	No LC used	Not applic-able
Mak Ban Geothermal	5	8	13
Bak Man Geothermal	2	7	9
Limay-Hermosa Trans-mission Line	2	7	9
CAPWIRE Earth Satel-lite Stations	7	16	23
Mindanao Energy Sys-tems - MINERGY	3	11	14
AVERAGE NUMBER OF MONTHS REQUIRED:	4.5	11	14

(*) Includes ICC and NEDA Board Approval

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What appears to have been lacking in many cases is good coordination between line agency proponents of sub-projects and NEDA. Several sub-project files suggest that line agencies did not understand NEDA's requirements or were slow in meeting those requirements. Moreover, no special unit focused exclusively on PCIS sub-project approval was created nor was one designated to monitor and follow-up on the movement of documents through the approval process. This appears to account for the long delays between actions, slowing approval for several sub-projects.

In retrospect, USAID's efforts to establish a special system of approval for PCIS sub-projects was the wrong tact. Instead, USAID might have been more successful at pushing for more rapid action within the existing system which was indeed feasible.

5.3. Lessons Learned

In the future, to facilitate the project approval process, the following lessons learned should be kept in mind:

- Specify the roles and responsibilities of the various agencies and offices involved in the project implementation.

- Clarify the sub-project approval process so that each of the implementing agencies understand what is required of it, and what the time frames or deadlines for action are.

- Explain to the project proponents the requirements for preparing project proposals, such as with a primer or manual giving step-by-step instructions and examples to interested parties.

- Create or designate a unit to be responsible for monitoring and following-up the sub-projects documents, i.e., a unit responsible for keeping the papers moving through the system.

- Place implementation responsibility within an organization, such as the Combined Commission on the Philippines Assistance Program (CCPAP), which has a clear mandate for expediting the implementation of capital projects, as opposed to a planning, analysis and coordination organization such as NEDA.

SECTION 6. SUB-PROJECT ANALYSIS

6.1 Findings:

The ten sub-projects financed by PCIS included at least one project in each of the four priority categories of infrastructure: power, telecommunications, construction equipment and transportation. Based on project costs reported previously in Table 1, the percentage of PCIS financing was divided among these categories as follows:

Power - 61.9%
Telecommunications - 25.6%
Construction Equipment - 7.6%
Transportation - 4.9%

Given the critical power shortages the Philippines was experiencing by 1990, directing almost two-thirds of PCIS financing to power-related sub-projects was indisputably a sound decision. With respect to public versus private sector financing, 17% of project financing was directed to private sector projects versus 83% for public sector projects. The relatively smaller amount of private sector financing is, in fact, more significant than the numbers suggest. PCIS involved two major policy changes by the GOP: a) ODA was made available for private sector projects and b) the Government would guarantee the loans for private sector sub-projects. Moreover, the GOP's current policies toward encouraging BOT projects and other private sector investment in infrastructure were just emerging when PCIS was implemented. The evaluation team learned that the public sector projects PCIS financed were further developed than proposals from the private sector. The fact that two out of PCIS's ten sub-projects are in the private sector must be viewed as an accomplishment of the project.

Table 2 summarizes the overall results of the ten sub-projects with respect to PCIS' purpose of promoting U.S. sales of capital products and related services which address priority infrastructure needs of the Philippines. (see Table 2)

Table 2 shows that planning of the sub-projects preceded PCIS. The degree to which each of the projects had been developed varied, from pre-feasibility studies to full approval by NEDA. However, the evaluation team learned that in all cases, PCIS accelerated the actual financing for the sub-projects. In 1991 and into 1992, the credit-worthiness of the Philippines was still being re-established by the GOP. Foreign investment was just beginning to recover at that time. Hard currency needed for major infrastructure projects was in tight supply, constraining private sector projects in particular. An important contribution of PCIS, therefore, was to make foreign exchange available during this period. Furthermore, the fact that sub-project decisions had been made prior to PCIS financing indicate that the project did not distort investment decisions which was a principal concern underlying the inital sub-project selection criteria.

TABLE 2

SUB-PROJECT:	1	2	3	4	5	6	7	8	9	10
- Did the sub-project exist before PCIS?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
- Did PCIS accelerate sub-project financing?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
- Did PCIS financing influence U.S. supplier selection?	N	N	N	N	N	N	N	N	N	N
- Is the sub-project likely to generate follow-on sales?	Y	Y	N	Y	?	Y	Y	Y	N	N
- Does the sub-project overcome an important constraint and/or introduce new technology?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
- Did the sub-project contribute to GOP privatization efforts?	Y	Y	N	N	N	N	N	N	N	Y

Sub-projects:

1. Philippine Satellite Equipment - DOTC
2. Philippine Satellite Equipment - CAPWIRE
3. Camarines Sur Telecommunications
4. Mt. Pinatubo Emergency Telecommunications
5. Flight Inspection Equipment
6. Mt. Pinatubo Emergency Equipment
7. Mak Ban Geothermal
8. Bac Man Geothermal
9. Limay - Hermosa Transmission Line
10. Mindanao Energy Systems (MINERGY)

Y - Yes
N - No
? - Uncertain at this time

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An important finding of the evaluation is that in all ten sub-projects, a U.S. supplier had been selected by the proponent prior to contact with PCIS and subsequent financing. In other words, the concessional financing offered by PCIS did not distort decisions about the source of capital goods nor distort investment decisions. This implies that the U.S. suppliers were offering top quality technology as well as offering it at reasonable or acceptable prices in comparison to their competitors. (A direct assessment of cost competitiveness was not possible for the evaluation due to the complexity of comparing prices among comparable but not identical equipment produced by different manufacturers.) In six out of the ten sub-projects, project proponents considered U.S. technology to be considerably superior to its competitors; this includes Hughes/GTE for PHILSAT, Motorola for Mt. Pinatubo Telecommunications, Caterpillar for Mt. Pinatubo equipment and Ormat for the two geothermal plants.

In six out of the ten sub-projects it appears that the initial sales made by U.S. suppliers will lead to follow-on business. The most notable example is Ormat. The first geothermal sub-project at Mak Ban quickly led to a second project involving the same technology at Bac Man. NAPOCOR officials explained that the potential cost savings and increased efficiency of the Ormat technology needed to be tested under different conditions, thus, the need for two different projects. Ormat officials subsequently informed the evaluation team that these two projects were directly responsible for a third project in Leyte for a 125 MW power plant which Ormat will construct and California Electric will operate. This new project constitutes $225 million for two U.S. firms which ORMAT officials stated would not have happened without PCIS's earlier assistance. Without any qualifications, this is a run-away success for PCIS.

Without exception, each of the ten sub-projects clearly addresses important development constraints in the Philippines and, in some cases, introduces state-of-the-art technology, e.g., Ormat's binary cycle geothermal technology. USAID's and NEDA's efforts to assure the developmental soundness of PCIS sub-projects clearly were successful.

However, the sub-projects were far less effective in forwarding GOP privatization efforts. The two private sector projects - PHILSAT/CAPWIRE and MINERGY - definitely expanded private sector investment in meeting the country's infrastructure needs. If ownership of assets is taken as a determining criterion in defining privatization, the other eight sub-projects do not further the privatization process. The geothermal plants are essentially turn-key operations where NPC owns the facilities and subsequently contracts for plant operations from the private sector. Similarly, CAPWIRE's construction, operation and maintenance of the DOTC stations opens the door for greater

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these assets.

These results have not come easily in all cases. As with any set of projects, these sub-projects have experienced problems with their implementation. The PHILSAT sub-project was delayed almost a year because of a law suit filed by CAPWIRE's competitors challenging the award of a national franchise. CAPWIRE prevailed in this case. The Camarines Sur sub-project has been plagued by stolen equipment, causing a major delay in project completion (now scheduled for June 1994). Mt. Pinatubo Telecommunications was also set back by the misappropriation of radio handsets and allegations that the supplier failed to provide the number specified in the contract (found to be untrue). The Flight Inspection sub-project has been held-up not because of problems with the contract. Present ATO officials insist the aircraft be equipped with emergency fire extinguisher equipment before being put into service (a unilateral decision of ATO unrelated to the sub-project per se).

Final commissioning of the Mak Ban facility has been delayed due to local peace and order problems, beyond the control of either NPC or Ormat. A dispute between NPC and PNOC over the price of the energy source has delayed construction of Bac Man. The worse case is MINERGY where the U.S. supplier walked off the job over a dispute concerning the costs of foundation construction. MINERGY ultimately sued the supplier and was awarded the $1.5 million performance bond posted for the project.

In short, the problems affecting sub-project implementation have been resolved, or appear likely to be resolved shortly. None of PCIS's sub-projects have failed thus far and there is every reason to believe that the remaining sub-projects will be fully implemented.

6.2 Conclusions

Based on the findings of the evaluation, it is clear that PCIS has been an unqualified success in accomplishing its true purposes. These results more than justify the excruciating difficulty encountered with implementing PCIS.

The project further demonstrates that promotion of U.S. manufactured capital goods can be managed in a way wholly consistent with the development needs of the assisted country. A.I.D.'s current Administration needs to consider these results carefully in light of its apparent 180 degree turn from support for capital projects to social services and micro-level, "grass roots" interventions.

A.I.D.'s current Administration needs to recognize why it is that the Agency's budget is so unpopular. The fact that A.I.D has at best a weak constituency among the PVO and academic communities

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should be a signal fact guiding the future of the Agency. PCIS demonstrates that a large constituency, far more influential with Congress than PVOs and universities, could exist for A.I.D. - U.S. manufacturers of capital goods needed for the economic development of A.I.D. client countries. Rather than turning away from this potential constituency, A.I.D. should be looking for ways to work with U.S. businesses. In turn, U.S. businesses should be pressuring Congress to allocate increased funds for programs such as PCIS which promote their sales overseas while addressing important development constraints.

The argument that capital projects do not benefit the poor is an absolute canard - the results of numerous capital projects worldwide attest to the contrary. There have been failed capital projects, but far more money in the aggregate has been wasted on impotent policy reforms, ineffective technical assistance, pointless training, unsustainable PVO/NGO efforts and numerous other failures in every other area of development assistance.

Regarding the OECD guidelines for mixed credits in middle income countries, the U.S. Government is simply deluding itself that by being "the good scout" and abiding by these guidelines, other countries follow suit. This evaluation alone uncovered a number of mixed credit projects financed by other countries in the Philippines using precisely the same grant to loan mix as PCIS.

Equally lame is the rationalization those opposed to capital projects offer - that A.I.D. can no longer afford the costs of capital projects. There is a reason why this is so - because A.I.D. has shunned the very constituency it needs to defend and argue for an increased budget. Targeting assistance on the poorest of the poor through NGO activities and supporting environmental protection, population services and health improvement are all well and good. The U.S. public has time and again shown its support for humanitarian assistance overseas. But this need not be an either/or proposition and until an A.I.D. Administration recognizes this, they can expect to see their budgets consistently erode, year-by-year, as the Agency's activities become less and less germane to the interests of U.S tax payers and their elected officials.

6.3 Recommendation

- A.I.D. should re-examine its experience with capital projects as basis for developing a new strategy for working more cooperatively with U.S. manufacturers of capital goods which meet the infrastructure needs of A.I.D.'s client countries. The objective should be to establish a joint campaign between A.I.D. and U.S. industry to petition Congress for increasing A.I.D.'s budget in support of this alliance.

SECTION 7: REMAINING PCIS ACTIVITIES

7.1 Sub-Project Monitoring

7.1.1 Findings

A certain amount of confusion has surrounded monitoring responsibilities, particularly in respect to sub-project implementation. The various documents which refer to PCIS monitoring responsibilities do contain somewhat conflicting statements about whose responsibility it is to monitor the progress of the sub-projects.

The PCIS Project Paper states that monitoring responsibilities will be split between USAID and EXIM. The latter will obtain quarterly physical work progress reports from the GOP and semi-annual technical operations reports presumably from the GOP or the line agency implementing the project. No reference is made to such reports for private sector projects. Exactly who within the GOP will provide these reports is not specified. USAID will "...make only limited monitoring visits...given the limited role USAID would play in actual subproject implementation" (p. 19). The Project Paper is confident that:

> "(r)equirements for reports to Ex-Im should fulfill most if not all requirements for reporting to AID...Site visits will be undertaken by AID, as deemed necessary, but will be generally limited to specific circumstances which warrant on-site review." (p. 20)

Neither the physical work progress reports nor technical operations reports were available to the evaluation team and apparently are not in PCIS project files, suggesting such reports were not submitted to USAID by the GOP or EXIM.

Interviews with USAID revealed that what was actually meant by the foregoing is that the Mission was unsure exactly what degree of monitoring would be required. If all went well, monitoring should be minimal. They were reasonably sure that when problems arose, they would have to increase their monitoring in some way. The PSC working on PCIS (Mr. Dangler) was aware of sub-project status in general terms, but this was not presented in any routine report. He recently followed up on two sub-projects which experienced major implementation problems, but this was well after the problems arose.

While the Mission was trying to minimize its monitoring function, the Project Paper committed it to a level of evaluation of sub-project impact which would have been a major undertaking, far beyond USAID's standard practice, if it had actually been done, which it was not.

The Project Agreement further specifies that the DOF will provide copies to USAID of all reports it submits to EXIM. Sub-project will be subject to EXIM's "review and monitoring of subproject activities in accordance with its normal practice." (p. 5) Project files also suggest that NEDA is responsible for sub-project monitoring. NEDA has a monitoring unit, but it relies on reports submitted to it. It has neither the mandate nor resources to collect data for sub-project monitoring.

DBP and Citicorp also reported that, as the lenders to the sub-projects, they also monitor progress, but their focus is on financial monitoring as opposed to periodic site visits to observe physical progress. In the course of the evaluation, the team did see a very thorough physical progress report submitted by CAPWIRE to DBP which USAID received only because it requested a copy from CAPWIRE. Comparable reports were not made available to the evaluation team, suggesting they do not exist.

Former project staff reported that they began to hear about implementation problems with certain sub-projects and realized they lack current information on the status of sub-projects. To correct this, a FSN engineer was assigned part-time to obtain such information and her participation in the evaluation has added this monitoring.

7.1.2 Conclusions

It appears that monitoring has been largely limited to financial and individual loan monitoring, which is "in accordance with (EXIM) normal practice." The assumption that basic monitoring reports would be generated and shared with the Mission was unfounded. Limited monitoring needed for semi-annual status reports on the progress of the sub-projects would not have contradicted USAID's view that its monitoring responsibilities were minimal once funds were transferred to EXIM. Recent efforts to obtain basic monitoring information on sub-project status have been effective. Seven of the sub-projects can be considered completed; therefore, monitoring can be reduced.

7.1.3 Recommendations

- Future monitoring should be restricted to on-going projects, i.e., Bac Man Geothermal, PHILSAT (DOTC and CAPWIRE) and Camarines Sur Telecommunications.

- For completed sub-projects, a two to three page completion report should be prepared for the files, ending USAID monitoring of these projects, i.e., closing them out.

7.2 Training and Technical Assistance

7.2.1 Findings

PCIS has spent $45,120 on GOP staff training concerning BOT/BOO project finance and private sector participation in the power sector. The evaluation team has no means for assessing the utility of this training. PCIS spent $41,399 for assistance to DOTC to develop a national policy on Domestic Satellite Telecommunications. A policy framework was developed which encourages privatization and competition in the telecommunications sector and establishment of a domestic satellite segment within the sector. The framework assisted the DOTC to formulate appropriate regulations for this. The DOTC used the results of the assistance to formulate a Domestic Satellite Policy which free entry into the market, full interconnection of systems and government use of commercial communication services.

PCIS spent $256,949 for technical assistance from Bechtel to assist NPC with its private power program. The assistance: a) developed an improved framework for NPC to evaluate and, if feasible, implement private power projects; b) recommended ways to allow for transmission access for private power projects; c) developed a methodology to review bid proposals; and d) devised a framework for privatizing assets. NPC was very receptive and largely implemented the results of Bechtel's assistance in its private power program. An important result of the assistance was an expanded commitment to BOT projects in the energy sector and greater encouragement of private sector investment in power generation.

Recently, when the Ramos Administration established the Department of Energy, PCIS had an excellent opportunity to assist the new Department to develop important policy positions on development of the energy sector. A $874,000 buy-in was made to the centrally funded Energy Efficiency Project for technical assistance from RCG/Haigler Bailley. Beginning in December 1993, their work has focused on assisting the DOE develop and implement an Energy Sector Action Plan. Assistance has focused on privatization in the sector, particularly privatization of NPC. Other areas of assistance are Demand-Side Management/Integrated Resource Management (DSM/IRM), mini-hydro technology training and the development of data base access within the DOE. The current assistance from RCG is a "bridging" activity which will end in September 1994. It is intended to initiate work in these areas until a long-term technical assistance team is in place. Though further work on privatization is planned, the results of this effort could make a major contribution to expanding private sector investment in the sector.

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Regarding the current technical assistance from RCG, DOE staff were appreciative of the quality of the assistance provided and, in particular, the calibre of consultants which have been involved to date. However, it was not possible to recruit a long-term advisor for the assistance because initially the assignment was only for six months. DOE staff would prefer having closer interaction with the technical advisors, especially the team leader. The advisors have been responsive to DOE interests and have made constructive suggestions about how best to use the assistance. However, DOE staff reported that they needed an interim report on the DSM/IRM work to assist them in on-going discussions with the ADB on a future loan project in this area. The advisor has been constrained by the very tight deadline for this assignment, but delivered the requested interim report to DOE on June 3, 1994.

7.2.2 Conclusions

PCIS's technical assistance has been very useful to date, particularly with respect to privatization in the telecommunications and power sectors. Bechtel's assistance to NPC clearly guided the formulation of NPC's private power program which encourages BOT power generation projects. By all accounts, RCG/Haigler Bailley's advisors have provide high quality assistance and have been responsive to DOE's interests. However, it is not possible for the evaluation to determine precisely what the longer-term impact of this assistance will be given that only six months of assistance has thus far been provided.

7.2.3 Recommendation

- No recommendations applicable.

Attachment 1

Scope of Work

I. Title

Evaluation of the Philippine Infrastructure Support (PCIS) Project.

II. Objective

The purpose of this contract is to produce an evaluation report on the PCIS-financed subprojects that shall include an assessment of systems and procedures of approvals and implementation under the project.

III. Statement of Work

Project Purpose

The Philippine Capital Infrastructure Support (PCIS) Project is designed to finance U.S. goods and services for priority capital development projects in the Philippines, thereby contributing to sustained economic growth. The project's objective is to mobilize private and public sector investment to create new employment opportunities. Activities funded under the project are selected from the telecommunications, power construction, and transportation sectors as well as environmental management activities related to those sectors.

Project Description

The PCIS is a mixed-credit facility composed of 35% grant funds from USAID and 65% concessional financing and tied-aid credit from the U.S. Eximbank. It is designed to finance projects in power, telecommunications, transport and construction and as a crosscutting theme, may include environmental protection and management activities related to these sectors. USAID will also provide $2,636,000 grant for technical assistance. All equipment, commodities and services funded under the project will be of U.S. source and origin except for limited local technical assistance. The project is being implemented by the National Economic and Development Authority (NEDA), Development Bank of the Philippines (DBP), and the Department of Finance (DOF). Participating GOP implementing agencies include the Department of Transportation and Communications (DOTC), Department of Public Works and Highways (DPWH), Air Transportation Office (ATO) of DOTC and the National Power

Corporation (NPC.) The U.S. Government responsibility for monitoring of the project is with the U.S. Eximbank.

Project Status

The Government of the Philippines (GOP), USAID, and U.S. Eximbank have approved for funding implementation of ten subprojects under the PCIS program amounting to approximately $117,215,942. Of that amount $27,164,237 is in AID grant funds. The ten subprojects constitute the final list of approved projects for implementation under the mixed-credit program after the August 15, 1992 deadline set by the U.S. Eximbank. Mixed-credit will be prohibited thereafter for middle income countries including the Philippines according to the Organization for Economic Cooperation and Development (OECD) Helsinki Accord reached in December, 1991. This Accord terminated the PCIS life of project earlier than what is stated in the Project Agreement. The ten subprojects include the (i) $29.5 million Mak-Ban Geothermal Power Plant, the (ii) $6.5 million Flight Inspection Equipment Project, the (iii) $3.3 million Mt. Pinatubo Volcano Emergency Telecommunication Project, the (iv) $14.1 million Philippine Satellite Project by DOTC, the (v) $9.4 million Philippine Satellite Project by CAPWIRE, the (vi) $9.2 million Mt. Pinatubo Emergency Equipment Project, the (vii) $1.5 million Camarines Sur Telecommunication Project, the (viii) $6.8 million Limay-Hermosa Bataan Transmission Line Project, the (ix) $7.4 million Mindanao Energy Systems, Inc. Project, and the (x) $29.5 million Bacon-Manito Geothermal Power Plant Project. Attachment "A" provides the status report of each subproject as of December 1, 1993.

III. Purpose

Since most projects are still under construction, and no additional funding is expected for the PCIS project, impact assessment will be limited to areas that are perceived as measurable, like the equipment (Caterpillar and Motorola/GTE) provided for the Mount Pinatubo Relief efforts. The purpose of this Scope of Work is to conduct an evaluation of PCIS-financed subprojects and also an assessment of systems and procedures of approvals and implementation under the project. Given the shortened life of project (LOP) and the lesser than expected funding allocation (almost one third) to the project, the evaluation will also serve as a major input to the PCIS final evaluation. As outlined in the PCIS project paper, the work will focus on, but will not be limited to, several indicators which include:

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A. Impact of the Project

Extent to which subprojects selected for PCIS implementation will improve services in telecommunications, power, transportation, construction and environment sectors at the national or regional levels.

Selection of activities where U.S. technology is highly competitive.

Generation of additional Philippine and other private sector resources to finance Philippine infrastructure projects in power, telecommunications, construction and environmental sectors.

B. Systems and Procedures

Effectiveness of the subproject generation mechanism in defining, developing, approvals and operating procedures to screen subproject proposals for PCIS funding.

Problems encountered in the selection, administration, funding, approvals and implementation (including voucher approvals and Letter of Commitment payments of the subprojects identified under PCIS.

Effectiveness of the project in meeting the PCIS goals/objectives

The USAID Mission intends to use the evaluation report as a managerial tool to learn lessons which can be used in financing design of future projects and to identify possible areas for enhancing project implementation of similar nature.

IV. Methodology

The Contractor shall serve as the Team Leader. He shall be assisted by two evaluation specialists from SGV Consulting (contracted separately through its existing IQC with USAID). The specialists will work under the direction of the Team Leader, providing inputs and analyses on their respective areas of expertise as directed by the Team Leader. The Team Leader will serve for a full five weeks, while the specialists will serve for four weeks each. The Team Leader will be responsible for preparing the draft and final report, with the specialists supplying some technical inputs as necessary and/or preparing sections of the report as directed by the Team

Leader. [NOTE: It is expected that the Team Leader will work on his own, finalizing the evaluation report on the fifth week.]

The Evaluation Team (Contractor and the two specialists), shall review project documents/outputs, interview involved parties and research GOP agencies and the private sector to assess the project's impact in terms of the identified indicators and the systems/procedures in subproject development and implementation. The following specific questions maybe used as a guide for the contractor in conducting the study.

Process Evaluation

A. Within its shortened LOP, did the project proceed as planned in the Project Paper and the Project Agreement? Was the subproject selection and approval procedure followed during the PCIS implementation?

B. Were there institutional, legal and procedural problems encountered in the project approval and implementation process? Were these problems anticipated in the project design?

C. Were the roles and responsibilities in the GOP financial system well-defined for PCIS implementation? What were the bottlenecks experienced during the project/subproject implementation and what were the recommendations for their removal?

D. Was there an effective GOP inter-agency coordination to effectively implement the project? Were the proposed subprojects thoroughly evaluated using the proposed criteria outlined in the project paper? What changes, if any, could have been made to improve PCIS implementation.

E. Was there an effective working procedure and communications between NEDA, DBP, DOF and other participating agencies in the implementation of PCIS? Were there adequate lines of communication between these parties? Were their respective roles clearly delineated and understood?

F. Should the Mission have anticipated some of the procedural and communications problems and provided corrected mechanisms to prevent them?

G. Determine why the approved PCIS Clavecilla project to finance $3.8 million of Very Small Aperture Terminal (VSAT) was cancelled by the proponent - Globe Telecom.

H. Determine why the approved Mindanao Energy Systems, Inc. (MINERGY) power project declined to avail of the remaining $828,872.06 loan from U.S. Eximbank.

Impact Evaluation

I. Did the GOP identify an adequate number of subprojects for PCIS funding during the 23-month life-of-the project?

J. What is the impact of the completed Motorola/GTE and the Caterpillar subprojects on their targetted beneficiaries?

K. How would one assess the U.S. contractors' price and technology competitiveness to undertake the PCIS subprojects relative to likely alternative sources of equipment in the world market? Did the PCIS project funds make a difference in the contractor choosing U.S. equipment and/or technology?

L. Will the selected PCIS subprojects and/or the technical assistance provided by the PCIS project promote GOP's policy on privatization and decentralization? If so, to what extent?

M. How would one assess technical assistance and the subprojects' impact on or contribution to Philippine power generation, availability of improved telecommunications services, better transport service, protection of the environment and private sector promotion based on the projects financed under PCIS, and the PCIS process of project identification.

V. Specific Tasks to be Performed

The contractor shall perform the following tasks in order to address the specific questions above:

A. The contractor shall review available project documents. This will involve visiting the offices of USAID/Manila, NEDA Secretariat, DBP, DOF and other GOP and private sector participating agencies under the project.

B. The contractor shall conduct interviews of pertinent individuals within the various offices involved in the Project, i.e., USAID, NEDA Secretariat, DBP, DOF and proponent agencies such as DPWH, DOTC, NPC, ATO and others.

C. From data collected through document reviews, interviews and research, the contractor shall define project accomplishments and PCIS subprojects impact evaluation. The contractor shall also review the systems and procedures and how these procedures were applied. If necessary, the contractor may make visits to proposed project sites.

D. Based on his findings, the contractor shall prepare a draft impact and evaluation report.

E. The contractor shall present his draft findings at a meeting with USAID and NEDA Secretariat, DBP, DOF, other government and private sector representatives. Comments on the draft report and presentation will be solicited and then addressed by the contractor in the Final Report. The contractor will prepare the USAID Evaluation Summary in draft and submit same to the USAID PCIS Project Officer for review and approval before inclusion in the Final Report.

VI. Required Submission

The Contractor shall prepare and submit to USAID/Manila a draft Impact and Project Evaluation Report for review and distribution after five weeks from the contractor's inception of work. Within five (5) calendar work days of receipt from USAID of comments on the draft, the contractor shall submit 10 copies of a final version of the report to USAID for approval and distribution.

The report will conform to the following format unless otherwise approved in writing by the USAID Project Officer.

ANNEX 2 INDIVIDUALS INTERVIEWED

USAID/Philippines:

Richard Johnson
Kenneth LuePhang
Earl Gast
Bruno Cornelio
Richard Dangler

Foreign Commercial Service:

August Maffry

Department of Finance:

Rosalia de Leon
Cecille Salvador

Development Bank of the Philippines:

Marietta Fondevilla
Myrna Reinoso

Department of Transportation and Communication:

Rosauro Sibal
Antolin Alonte
Romauldo Cervantes
Panfilo Villaruel
Tanny Fernandez
Cesar Lagro

Department of Public Works and Highways:

Florante Soriquez
Pat Tabale

National Economic and Development Agency:

Eugenio Inocentes
Violeta Corpus

National Power Corporation:

Rodrigo Falcon
Rey Tioco
Lourdes Alzona
Pio Benavidez
Tom Agtarap

Department of Energy:

Florideliza Andres
Jesus Tamang

Citibank, Manila:

Jose Dimayuga
Lara Arcellana
Raymond Reyes

World Bank, Manila:

Pons Naanep

Ormat Inc.:

Nessim Forte
Jacob Manahem
Aharon Choresh
Anacleto Adviento

CEPALCO - MINERGY:

Isagani Lubag

CAPWIRE:

Epitacio Marquez
John Lawengco
Sherwin Sabolar

Telemobile, Philippines:

Rodrigo Silverio
Manuel Medina

ANNEX 3: Sub-Project Approval Process

		ANNEX 3-1
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF		
GOVERNMENT LINE AGENCY SUBPROJECTS		
PROJECT PROPONENT-DOTC		
NAME OF PROJECT- PHILIPPINE SATELLITE SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA	April 4, 1991
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment	
	of the proposed subproject?	Yes; June18, 1991
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations?	Yes
2	Did ICC endorse the subproject to the NEDA Board?	Yes
3	Did NEDA Board approve this subproject?	Yes.
4	Did NEDA endorse this subproject to USAID?	Yes; October 29, 1991
5	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes
6	Did EXIMBANK issue the Preliminary Commitment?	Y es
7	Did DBM issue the FOA/AA for this subproject?	Yes; June 3, 1992
8	Did the Monetary Board approve this subproject?	Yes
9	When did EXIMBANK issue Annex D for this subproject?	
10	When did GOP approve Annex D?	May 14, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	March 13, 1992
2	When was the purchase-contract with supplier entered into?	Jan. 7, 1992
3	When was the LC opened for this subproject?	August 11, 1992
4	Were all items received by the project proponent?	Yes
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	June 15, 1994

		ANNEX 3-2
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF		
GOVERNMENT LINE AGENCY SUBPROJECTS		
PROJECT PROPONENT-DOTC		
NAME OF PROJECT-CAMARINES SUR TELECOMMUNICATIONS		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NED	
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes; May 15, 1991
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment	
	of the proposed subproject?	Yes; January 10, 1992
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations?	Yes
2	Did ICC endorse the subproject to the NEDA Board?	Yes
3	Did NEDA Board approve this subproject?	Yes
4	Did NEDA endorse this subproject to USAID?	Yes; October 29, 1991
5	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes
6	Did EXIMBANK issue the Preliminary Commitment?	Y es
7	Did DBM issue the FOA/AA for this subproject?	Yes; June 3, 1992
8	Did the Monetary Board approve this subproject?	Yes
9	When did EXIMBANK issue Annex D for this subproject?	
10	When did GOP approve Annex D?	Sept. 11, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	July 30, 1992
2	When was the purchase-contract with supplier entered into?	
3	When was the LC opened for this subproject?	January 13,1993
4	Were all items received by the project proponent?	No
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	June 15, 1993

		ANNEX 3-3
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF GOVERNMENT LINE AGENCY SUBPROJECTS		
PROJECT PROPONENT-DOTC		
NAME OF PROJECT- MT. PINATUBO EMERGENCY TELECOMMUNICATIONS SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA	June 27, 1991
2	Did project proponent submit copies of the subproject proposal to USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment of the proposed subproject?	Yes; Jan. 10, 1992
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical evaluations ?	Yes
2	Did ICC endorse the subproject to the NEDA Board?	Yes
3	Did NEDA Board approve this subproject?	Yes
4	Did NEDA endorse this subproject to USAID?	Yes; Dec. 23, 1991
5	Did the DOF request for Preliminary Commitment from EXIMBANK to provide funding to the project?	Yes
6	Did EXIMBANK issue the Preliminary Commitment?	Y es
7	Did DBM issue the FOA/AA for this subproject?	Yes; April 6 1992
8	Did the Monetary Board approve this subproject?	Yes
9	When did EXIMBANK issue Annex D for this subproject?	Yes; April 16, 1992
10	When did GOP approve Annex D?	May 19, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	April 14, 1992
2	When was the purchase-contract with supplier entered into?	
3	When was the LC opened for this subproject?	Direct Payment
4	Were all items received by the project proponent?	No
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	Dec. 15, 1992

		ANNEX 3-4
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF		
GOVERNMENT LINE AGENCY SUBPROJECTS		
PROJECT PROPONENT-DOTC		
NAME OF PROJECT- FLIGHT INSPECTION SUBPROJECT		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA	December 5, 1990
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment	
	of the proposed subproject?	Yes; June 18, 1991
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations ?	Yes
2	Did ICC endorse the subproject to the NEDA Board?	Yes
3	Did NEDA Board approve this subproject?	Yes
4	Did NEDA endorse this subproject to USAID?	Yes; May 31, 1991
5	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes; June 20, 1991
6	Did EXIMBANK issue the Preliminary Commitment?	Y es
7	Did DBM issue the FOA/AA for this subproject?	Yes;April 6, 1992
8	Did the Monetary Board approve this subproject?	Yes; May 22, 1992
9	When did EXIMBANK issue Annex D for this subproject?	Yes; April 6, 1992
10	When did GOP approve Annex D?	April 3, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorizaion of the SLA for this subproject?	Dec. 20, 1991
2	When was the purchase-contract with supplier entered into?	Nov. 26, 1991
3	When was the LC opened for this subproject?	July 10,92(Flight aircraft)
		Oct. 8, 1992(Ins.Equip)
4	Were all items received by the project proponent?	Yes
5	Has subloan/LC been fully withdrawn?	Yes
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	Dec. 15, 1993

		ANNEX 3-5
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF		
GOVERNMENT LINE AGENCY SUBPROJECTS		
PROJECT PROPONENT-DPWH		
NAME OF PROJECT- MT. PINATUBO EMERGENCY EQUIPMENT		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA	Feb. 19, 1992
2	Did project proponent submit copies of the subproject proposal to	Yes; Feb. 7, 1992
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment	
	of the proposed subproject?	Yes; June 17, 1992
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations ?	Yes
2	Did ICC endorse the subproject to the NEDA Board?	Yes; April 2, 1992
3	Did NEDA Board approve this subproject?	Yes; April 25, 1992
4	Did NEDA endorse this subproject to USAID?	Yes; May 28, 1992
5	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes
6	Did EXIMBANK issue the Preliminary Commitment?	Y es; May 19, 1992
7	Did DBM issue the FOA/AA for this subproject?	Yes
8	Did the Monetary Board approve this subproject?	Yes
9	When did EXIMBANK issue Annex D for this subproject?	Yes; June 8, 1992
10	When did GOP approve Annex D?	June 8, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	May 13, 1992
2	When was the purchase-contract with supplier entered into?	Jan. 29, 1992
3	When was the LC opened for this subproject?	
4	Were all items received by the project proponent?	Yes
5	Has subloan/LC been fully withdrawn?	
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	Dec. 15, 1993

		ANNEX 3-6
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS		
OF GOVERNMENT-OWNED AND CONTROLLED CORPORATION PROJECTS		
PROJECT PROPONENT-NATIONAL POWER CORPORATION		
NAME OF PROJECT-MAK- BAN BINARY CYCLE GEOTHERMAL POWER		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit project proposal to NEDA?	June 4, 1991
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	Yes
	proposal?	
4	Did USAID conduct a preliminary assessment of the subproject	Yes
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/W approve the enviromental assessment	
	of the proposed subproject?	Yes; Jan. 10, 1992
7	Was this project included in the list of priority subprojects ?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations of the project?	Yes
2	Did GCMCC review and approve the subproject?	Yes; April 8, 1992
3	Did ICC endorse this subproject to the NEDA Board?	Yes
4	Did NEDA Board approve the subproject?	Yes
5	Did NEDA endorse this subproject to USAID?	Yes; Oct. 29, 1991
6	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes
7	Did EXIMBANK issue the Preliminary Commitment?	Yes
8	Did DBM issue the FOA/AA for this subproject?	Yes
9	Did the Monetary Board approve this subproject?	Yes
10	When did EXIMBANK issue Annex D for this subproject?	
11	When did GOP approve Annex D?	Yes; April 30, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	Dec. 20, 1991
2	When was the purchase-contract entered into with supplier?	
3	When was the LC opened for this subproject?	June 29,1992
4	Were all items received by the project proponent?	
5	Has subloan/LC been fully withdrawn?	Yes
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	Dec. 15, 1993

		ANNEX 3-7
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS		
OF GOVERNMENT-OWNED AND CONTROLLED CORPORATION SUBPROJECTS		
PROJECT PROPONENT-NATIONAL POWER CORPORATION		
NAME OF PROJECT- BACON MANITO BINARY GEOTHERMAL		
POWER SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit project proposal to NEDA?	June 23, 1992
2	Did project proponent submit copies of the project proposal to	
	USAID?	Yes; July 2, 1992
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/W approve the enviromental assessment	
	of the proposed subproject?	Yes; Sept. 29, 1992
7	Was this project included in the list of priority projects ?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations ?	Yes
2	Did GCMCC review and approve the subproject?	Yes
3	Did ICC endorse this subproject to the NEDA Board?	Yes
4	Did NEDA Board approve the subproject?	Yes
5	Did NEDA endorse this subproject to USAID?	Yes; Aug. 7, 1992
6	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes; Aug. 6, 1992
6	Did EXIMBANK issue the Preliminary Commitment?	Yes
7	Did DBM issue the FOA/AA for this subproject?	
8	Did the Monetary Board approve this subproject?	Yes;
9	When did EXIMBANK issue Annex D for this subproject?	
10	When did GOP approve Annex D?	September 15, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	August 18, 1992
2	When was the purchase-contract entered into with supplier?	
3	When was the LC opened for this subproject?	Mar. 25, 1993
4	Were all items received by the project proponent?	
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	June. 15, 1994

		ANNEX 3-8
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS		
OF GOVERNMENT-OWNED AND CONTROLLED CORPORATION SUBPROJECTS		
PROJECT PROPONENT-NATIONAL POWER CORPORATION		
NAME OF PROJECT-LIMAY -HERMOSA BATAAN TRANSMISSION LINE		
AND SUBSTATION SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit project proposal to NEDA?	May 20. 1992
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/W approve the enviromental assessment	
	of the proposed subproject?	Yes; Oct. 1, 1992
7	Was this project included in the list of priority of subprojects ?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations ?	Yes
2	Did GCMCC review and approve the subproject?	Yes
3	Did ICC endorse this subproject to the NEDA Board?	Yes
4	Did NEDA Board approve the subproject?	Yes
5	Did NEDA endorse this subproject to USAID?	Yes; Aug. 7, 1992
6	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the subproject?	Yes
7	Did EXIMBANK issue the Preliminary Commitment?	Yes
8	Did DBM issue the FOA/AA for this subproject?	
9	Did the Monetary Board approve this subproject?	Yes
10	When did EXIMBANK issue Annex D for this subproject?	
11	When did GOP approved Annex D?	Oct. 14, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	August 3, 1992
2	When was the purchase-contract entered into with supplier?	
3	When was the LC opened for this subproject?	Mar. 25, 1993
4	Were all items received by the project proponent?	
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	December 15,1993

		ANNEX 3-9
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS OF		
PRIVATE SECTOR SUBPROJECTS		
PROJECT PROPONENT-CAPTAL WIRELESS INC.		
NAME OF PROJECT- EARTH SATELLITE STATIONS-CAPWIRE		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA	April 4, 1991
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/w approve the environmental assessment	
	of the proposed subproject?	Yes; June18, 1991
7	Was this project included in the list of priority subprojects?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations?	Yes
2	Did DBP evaluate and approve the financial viability of the project	Yes
3	Did ICC endorse the subproject to the NEDA Board?	Yes
4	Did NEDA Board approve this subproject?	Yes
5	Did NEDA endorse this subproject to USAID?	Yes; October 29, 1991
6	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes
7	Did EXIMBANK issue the Preliminary Commitment?	Y es
8	Did DBM issue the FOA/AA for this subproject?	
9	Did the Monetary Board approve this subproject?	Yes
10	When did EXIMBANK issue Annex D for this subproject?	
11	When did GOP approve Annex D?	August 10, 1992
12	When was the loan agreement between DBP and the project	
	proponent signed?	April 20, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of the SLA for this subproject?	March 11, 1992
2	When was the purchase-contract with supplier entered into?	
3	When was the LC opened for this subproject?	Mar. 2/93/Aug.19/93
4	Were all items received by the project proponent?	Yes
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	June 15, 1994

		ANNEX 3-10
QUESTIONNAIRE FOR EVALUATING APPROVAL PROCESS		
OF PRIVATE SECTOR PROJECTS		
PROJECT PROPONENT-MINDANAO ENERGY SYSTEMS, INC.		
NAME OF PROJECT-MINDANAO ENERGY SYSTEMS, INC. (CEPALCO)		
SUBPROJECT		
		Yes/No(Date)
Selection and Preliminary Assessments		
1	When did project proponent submit subproject proposal to NEDA?	April 22,1992
2	Did project proponent submit copies of the subproject proposal to	
	USAID?	Yes
3	Did NEDA conduct a preliminary assessment of the subproject	
	proposal?	Yes
4	Did USAID conduct a preliminary assessment of the subproject	
	proposal?	Yes
5	Did USAID endorse subproject to EXIMBANK?	Yes
6	Did USAID/W approve the enviromental assessment of	
	of the proposed subproject?	Yes; Dec 4, 1992
7	Was this project included in the list of priority projects ?	Yes
Detailed Evaluations and Approval of Subproject		
1	Did NEDA conduct a detailed economic and technical	
	evaluations ?	Yes
2	Did DBP review and approve the financial viability of the	
	subproject?	Yes
3	Did ICC endorse this subproject to NEDA Board?	Yes
4	Did NEDA Board approve the subproject?	Yes
5	Did NEDA endorse this subproject to USAID?	Yes; Aug. 7, 1992
6	Did the DOF request for Preliminary Commitment from EXIMBANK	
	to provide funding to the project?	Yes; Aug. 6, 1992
7	Did EXIMBANK issue the Preliminary Commitment?	Yes
8	Did DBM issue the FOA/AA for this subproject?	
9	Did the Monetary Board approve this subproject?	Yes
10	Did EXIMBANK issue Annex D for this subproject?	Yes
11	When was the loan agreement between DBP and the project	
	proponent signed?	Sept. 2, 1992
12	When did GOP approve Annex D?	October 10, 1992
Loan Negotiation and procurement of equipment, etc.		
1	What is the date of authorization of the SLA for this subproject?	August 19, 1992
2	When was the purchase-contract entered into with supplier?	
3	When was the LC opened for this subproject?	July 26,1993
4	Were all items received by the project proponent?	
5	Has subloan/LC been fully withdrawn?	No
Repayment of Loan		
1	When is the first semi-annual installment of principal due?	December 15, 1993

ANNEX 4: Description of Sub-projects

1. Mak-Ban Geothermal Power Plant

The objective of this sub-project is to maximize the use of renewable energy available at the Mak-Ban geothermal complex where three power plant stations, operated by the Philippine Geothermal, Inc. (PGI) are already in operation. The new plant utilizes the waste steam from PGI (that would otherwise be un-useable for power generation through conventional means) and, therefore, avoid the necessity of digging a new geothermal well. This is also in line with the Technical Assistance (TA) being prepared for the Department of Energy which is funded under PCIS.

The contract for supply and construction of the additional plant was awarded to Ormat, Inc. under a turnkey and Build-Transfer-Operate (BTO) arrangement. The Ormat binary cycle power plant makes use of the used brine (waste heat) to generate 15.73 Megawatts of additional electric power for the Luzon power grid.

The original target for start of work was in July 1992 with a completion date in August 1993. However, the actual construction started in May 1993.

The Ormat plant consists of three stations. The two stations located at BULALO-45 and BULALO-51 are undergoing commissioning tests and are due for turn-over to the National Power Corporation by the end of May 1994 for acceptance. They will generate a combined capacity of 9.73 Megawatts additional power for the Luzon power grid. The installation works at BULALO-2 have not been completed because of security problem.

The PCIS funding arrangement made the acquisition cost of the Mak Ban project very attractive and it gave Ormat, Inc. an opportunity to enter the geothermal plant market in the Philippines to demonstrate their binary-cycle technology. NPC received several proposals from various sources but Ormat was chosen on the basis of technology, cost and financing package. Barely one month after the Mak Ban signing, Ormat again signed another contract with NPC for the Bac Man power project in Sorsogon. Ormat has recently signed a $225 million contract for the construction of a 120 MW power plant in Leyte.

2. Flight Inspection Equipment

The objective of this sub-project is to provide the Air Transportation Office (ATO) with an Automatic Flight Inspection System that will be used for calibrating ground Instrument Landing Systems (ILS) that are operating at the country's airports in order to ensure the safety of air travel in the country.

The Air Transportation Office (ATO) of DOTC had already planned the purchase of a Flight Inspection Equipment long before the implementation of PCIS. PCIS provided the necessary funding.

In early 1990, the ATO obtained several proposals for the supply of an aircraft and flight inspection equipment. Flightcraft and Sierra Technologies were chosen to supply the Beechcraft and Flight Inspection Equipment based on technology development, performance and track record in system integration. The supply contracts were signed on 26 November 1991 with the delivery of the equipment in May 1993. Installation work of the Flight Inspection Equipment on the Beechcraft was performed in the United States. The aircraft was eventually flown to the Philippines in January 1994.

ATO complained that the aircraft lacked a fire extinguisher so that ATO refused to fly the plane without the facility. This had to be sourced separately as it was an optional item and was not a part of the contract.

The Beechcraft, with the already installed flight inspection equipment is presently parked inside a hangar at the airport. Flight test of the Beechcraft has been scheduled third week of May 1994 and the blessing of the Aircraft in late June. ATO plans to acquire a second Flight inspection Equipment they indicated using either a Lear Jet or Citation as the platform so that flight inspection can be performed much quicker.

For staff training, ATO will hire qualified trainers to conduct personnel hands-on training for the pilots and operators.

As an interim measure, ATO had been hiring an Australian Flight Check equipment for performing calibration tests on the ILS Navigational Aids located in the country's 85 airports in order to see if any of the ILS are misaligned. The calibration tests are to be conducted twice a year and hiring a Flight Check Equipment is a very expensive exercise.

The acquisition of the new Flight Inspection Equipment will ensure that calibration tests on all the country's airport Navigational Aid equipment are carried out regularly without having to hire an expensive Flight Check equipment. The availability of the equipment will also give the pilots a feeling of safety, confident that the landing instruments are in good working order. With enhanced air travel, people will be able to move faster and merchandise will be transported quicker. The tourism industry will also be promoted.

3. Camarines Sur Telecommunications Project

This telecommunications project of the Municipal Telephone Project Office (MTPO) under the DOTC was aimed at providing at least one telephone for every municipality in the province of Camarines Sur. The project entails the construction of thirty two Public Calling Offices (PCO) that are linked by radio to a Central Multi-Access Rural Telephone System.

The former governor of Camarines Sur had approached DOTC with a proposal under the Municipal Telephone Program. Funding for the project was already lined up through PCIS. To ensure compatibility with Telemobile equipment that have previously been delivered to the province, the proposal had already selected Telemobile Inc. to supply the equipment (on a non-competitive, negotiated basis) and to construct the whole telecommunications project under a turnkey arrangement, in collaboration with its local subsidiary, Telemobile, Philippines. The proposal indicated that Telemobile would complete the project in six months despite the fact that other similar systems took 12 to 18 months. The contract was signed on 11 June 1992.

The delay in the implementation of the project was largely due to un-availability of PCO space (that should have been allocated in advance), and aggravated by the effects of the 1993/94 typhoons that have prevented work to be done at the CONSOCEP relay station.

The radio shipment, while temporarily stored in a warehouse near the airport, was pilfered. Twenty five PCO radios were missing. Telemobile Philippines is trying to obtain replacements from the mother company but this could take some time to deliver.

With the project still un-finished, Telemobile U.S. was able to collect 90% of his bill from Citicorp on the basis of the Certificate of Acceptance signed by the supplier, although the L/C stated that DOTC should have certified. Two technicians from Telemobile, U.S.A. did the radio installations. They left the country without completing the work because four PCO's had yet to be allocated by the local governments and to be renovated by the local Telemobile. However, Telemobile Philippines reports that the completion date of the project is 15 June 1994. This is possible with only four pending PCO renovations, one small relay station building under construction and re-installation/commissioning of the radio network. Telemobile Phil. had suggested that, while awaiting replacements for the missing PCO radio units, the telephone system could be made operational by equipping some PCOs with redundant radio equipment and with the rest operating without back-up. However, the MTPO head expects full compliance with contract before issuing provisional acceptance of the project.

At present, the main telecommunications facility in Camarines Sur is a Telegram Service provided by the Telecommunications Office (TELOF) of the DOTC. TELOF makes use of ICOM radio equipment to provide each municipality with telegram service by means of the ancient Morse Code. In the whole province of Camarines Sur, only Naga City, Iriga City and the Municipality of Baao have telephone service provided by private telephone companies. Therefore, the telecom project will greatly improve communication among the people of Camarines Sur. At present, one has to take the rough road or even cross rivers to gain access to the nearest telephone facility so that he could communicate with a relative or business associate in Manila.

4. Mt. Pinatubo Emergency Equipment

The eruption of Mt. Pinatubo in 1991 resulted in the accumulation of large amount of pyroclastic material onto the surrounding highland slopes and countryside of Central Luzon. Typhoon and monsoon rain washed lahar and other volcanic debris into the river channels which resulted to flooding of municipalities and barangays in Tarlac, Pampanga and Zambales. The Department of Public Works and Highways (DPWH) required necessary equipment to unclog the rivers and waterways to prevent flooding during the rainy season.

In February 1992, the DPWH Sec. advised USAID that they were negotiating with Caterpillar for the supply of bulldozers and scrapers and asked for USAID funding. An agreement was executed on 27 February 1992 by the Department of Public Works and Highways and Caterpillar Far East for the delivery of Caterpillar equipment consisting of 15 units 631E Wheel Tractor Scrapers and 5 units of D9N Track-Type tractors (dozers) and spare parts under a negotiated contract with Caterpillar.

The equipment arrived in July 1992. The Operation and Maintenance of the equipment was contracted with F.F. Cruz, Inc. (FFCI). The equipment was put into full operation by the FFCI engineers in Tarlac and other MT. Pinatubo-affected areas. The work accomplishment of FFCI is being measured in terms of volume of lahar removed from the river bed. According to the latest report from DPWH to USAID, the total volume of lahar removed, from 26 July 1992 to 15 May 1994, was 7,100,000 cubic meters which was made possible with the use of the Caterpillar equipment. The Caterpillar equipment is presently deployed at the Pasig-Potrero river.

DPWH staff reported that the Caterpillar equipment is being utilized for the purpose intended - to unclog the rivers of lahar and prevent the flooding of towns at the Mt. Pinatubo area. DPWH is very happy with the Caterpillar equipment. Moreover, no Japanese equipment manufacturer produces comparable machinery.

5. Mt. Pinatubo Emergency Telecom

The Mt. Pinatubo Emergency Telecommunications Project was intended to provide a reliable communications facility for all the agencies of the government concerned with the ongoing relief, disaster mitigation and other emergency operations related to the Mt. Pinatubo eruptions.

At the request of GOP, both Motorola and Hughes/GTE Spacenet shipped in telecommunications equipment worth $3.2 million to establish a special emergency network. Motorola shipped in five repeater stations, 100 portable radio and 10 mobile radio telephone units in June 1991, seventy two (72) hours from receipt of request and before a Supply Contract was signed.

The Repeater stations were installed at Sto. Tomas Baguio, San Felipe Zambales, San Fernando Pampanga and Central Bank Building Manila. A spare repeater was intended for installation in Tagaytay. The portable and mobile radio telephone units were distributed to various officers and agencies in the government.

According to a report from the DOTC Project Officer, the earth stations are not in use because there is no satellite transponder available and it is not economically feasible to operate because of the large, un-used capacity in a transponder. The recent report to USAID indicated that with the installation of a repeater at Mt. Arayat, the earth stations were un-necessary and could be used elsewhere.

DOTC officials reported that Motorola was the best choice of supplier and that the Department would purchase more Motorola equipment in the future.

The Japanese are providing funds (through a JICA grant) of about $70 million for a similar communications project called Government Emergency Telecom. System (GETS) to complement the Mt. Pinatubo Emergency project initiated by USAID.

6. Mindanao Energy System

The severe power shortages in Mindanao in 1991 forced factories to be shut down, resulting to loss in productivity and the lay-off of thousands of workers. In response to this severe problem, the Mindanao Energy System project involves the supply and installation of a diesel engine power plant in Cagayan de Oro. The energy generated by Mindanao Energy System, a consortium of project investors, would be sold to the Cagayan Electric Power and Light Company (CEPALCO) for distribution to its franchised area.

A contract was signed with Electrical Systems, Inc. (ESI) on 24 July 1992 to undertake the construction of the power plant on a turnkey basis. The plant consists of 3 x 6.3 MW diesel engine/generators with auxiliary equipment and facilities. The original schedule for completion of the project was March 1993.

The Canadian personnel of ESI who were working on the project left the country without notice in November 1993, apparently due to communication problems between ESI and Mindanao Energy System caused by a dispute on the $1 million cost of foundation works. Mindanao Energy System has taken over the construction and installation including the handling of the imported equipment and accessories that have been left by ESI at the Cagayan de Oro pier.

By December 1993, most of the major components of the power plant had been delivered except for the three SULZER diesel engine/generating sets (not funded under PCIS). ESI had difficulty acquiring them.

As a result, Mindanao Energy System retained Singleton, Urquhart, Macdonald Law firm to sue ESI for summary judgment caused by ESI's failure to deliver the diesel engine/generators and to complete the project which is under a turnkey arrangement.

Mindanao Energy System indicated that they will acquire the diesel power units and alternators from other sources and will secure the necessary funding from PCIB. Mindanao Energy System expects to complete the project but will be delayed by one year.

CEPALCO/ Mindanao Energy System had informed DBP that they will no longer avail of the remaining loan funds amounting to $828,872, which is a 10% performance bond which would have been released upon full completion of the project.

7. and 8. Philippine Satellite Project by DOTC and CAPWIRE

Two sub-projects funded under PCIS are actually one PHILSAT project which is a joint venture of the DOTC and CAPWIRE. It involves the establishment of 86 earth stations for the provision of voice, data and TV services.

The project is in line with the Domestic Satellite Technical Assistance which the USAID provided to the DOTC that encourages Private-Sector participation in the domestic satellite service.

The project was actually spearheaded by CAPWIRE. They received a CIDA grant in 1989 to look into the satellite needs of the country and finished the study in 1990. They identified 20 viable stations and they started planning the project over the next two years. They ended up planning for 30 stations until DOTC got interested to join them with the additional 56 stations.

The arrangement between DOTC and CAPWIRE is such that CAPWIRE will construct, operate and maintain the DOTC stations and retain 70% of the revenue from those stations. The DOTC obtained funds for the 56 stations while CAPWIRE obtained funds for its thirty stations, both under PCIS.

The DOTC stations are aimed at supporting the Municipal Telephone Project to serve the less viable areas (including the rural areas), while the CAPWIRE stations are aimed at serving the more viable areas (including commercial centers).

CAPWIRE estimates that it will complete 70 earth stations in 1994 finish the remaining 16 stations in 1995. The project was delayed for about a year because of a lawsuit challenging CAPWIRE's franchise to operate satellite earth stations.

As of 23 May 1994, four earth stations (Lipa, Zamboanga, Tacurong and Mabinay) have undergone commissioning/test procedures and are now ready for live traffic. One earth station (Mactan) is undergoing commissioning/testing and installation work is ongoing at the earth station in Jolo. Construction/renovation works are ongoing in the other locations.

Capwire looked at the alternatives for suppliers but decided that Hughes Network Systems/GTE Spacenet was clearly the best choice.

For CAPWIRE, PCIS provided an opportunity to obtain project funding that would otherwise be difficult to obtain through normal commercial arrangements. In this way, PCIS was able to

All the materials were already delivered to the NPC but NPC is still negotiating with land owners for the construction of the steel towers that will traverse rice fields and other private properties. Meanwhile, wooden poles have been installed temporarily to fast-track the power delivery.

Bidding for Civil works/installation of the steel towers has been scheduled in May 1994. According to NPC officials, the target completion date for the construction of the NPC project is in December 1994.

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