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Pre-Award Survey Of

CHILDREN'S AID INTERNATIONAL

Performed By Sycip, Gorres, Velayo & Co.

Audit Report No. 2-492-87-02-N  
December 10, 1986

UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. Frederick W. Schieck  
Director, USAID/Philippines

DATE: December 10, 1986

FROM : Leo L. LaMotte *Leo LaMotte*  
RIG/A/Manila

RIG/EA-87-052

SUBJECT: Pre-Award Survey of Children's Aid International  
Performed by Sycip, Gorres, Velayo & Co., Non-Federal  
Audit Report No. 2-492-87-02-N

Attached is a copy of Audit Report No. 2-492-87-02-N, entitled "Review on the Commodity Distribution Capability of Children's Aid International - Nutrition Center of the Philippines". This report, dated November 27, 1986, was prepared by Sycip, Gorres, Velayo & Co., a certified public accounting firm associated with Arthur Anderson, Inc., under an indefinite quantity contract with the Regional Inspector General for Audit, Manila. Included in this memorandum is a recommendation which must be implemented to ensure that any resources provided to Children's Aid International by AID can be properly accounted for and managed. The recommendation will be included in the Regional Inspector General's audit recommendation follow-up system.

## Background and Scope

Children's Aid International submitted a proposal to distribute Section 416 wheat flour and dairy products to needy children in the Philippines through nutrition programs administered by the Nutrition Center of the Philippines. USAID/Philippines requested a pre-award survey of the proposal by a non-Federal auditor. The survey was conducted in October and November 1986 to evaluate the commodity distribution capability of Children's Aid International through its implementing arm, the Nutrition Center of the Philippines.

## Summary of Report Findings

Sycip, Gorres, Velayo & Co., concluded that the monitoring procedures used by Asiatici Corporate Consultants, Inc., who represent Children's Aid International in the Philippines, are adequate with respect to receipt of commodities. However, due to insufficient staff and inconsistent oversight and reporting procedures, monitoring of the commodities through the warehousing and distribution stages is inadequate (See pages 7 to 9). Although requested several times by the auditors, some documents were not made available by Asiatici; therefore a full evaluation of the firm's capability to monitor the food distribution program on behalf of Children's Aid International was not possible (See pages 9 to 10). Also noted by the auditors was the fact that Asiatici is unaware of AID Regulation 10 requiring labeling of repackaged U.S. commodities.

The auditors found that the Nutrition Center of the Philippines' organizational structure and logistics management procedures are adequate though they recommend improvements in reporting and monitoring procedures. The Nutrition Center's financial resources are capable of handling its current programs over at least the three years covered in the proposal (see pages 17 to 18, 26, 30, 37, 38 and 44).

The auditors did not make recommendations regarding potential AID actions. Therefore the Regional Inspector General for Audit, Manila, is making a recommendation to ensure that the grant to Children's Aid International, if awarded by AID, is implemented efficiently and for its intended purpose.

Recommendation No. 1

We recommend that, before any grant is awarded to Children's Aid International, AID/Washington

- a. request and analyze documents (itemized on page 6 of the report) not provided to the auditors, particularly the agreement between Asiatici and Children's Aid International, to determine whether the documents would preclude AID from awarding the grant;
- b. require Children's Aid International to provide assurances that both Asiatici Corporate Consultants and Nutrition Center of the Philippines have implemented the improvements recommended by the auditors as listed on pages 1 through 9 of the Annex to their report and that these requirements be incorporated into the grant agreement; and
- c. assure compliance with AID Regulation No. 10 by incorporating such requirement into any Section 416 grant agreement with Children's Aid International.

USAID/Philippines in coordination with AID/Washington should advise the Regional Inspector General for Audit in Manila within 30 days of the plan of action and estimated completion date for the recommendations contained in this memorandum.

Enclosure: a/s



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November 27, 1986

U.S. Agency for International  
Development (USAID)  
Ramon Magsaysay Center  
1680 Roxas Boulevard  
Manila

Subject: IQC Contract 398-0249-I-00-00

Sirs:

We are pleased to submit our final report on the results of the review conducted on the Children's Aid International (CAI) and the Nutrition Center of the Philippines (NCP). The review aims to determine the:

- o monitoring procedures applied by Asiatic Corporate Consultants Inc. (ACCI), representative of CAI, to NCP, and
- o organizational, logistics management, and financial capability of NCP as CAI's implementing arm.

This report outlines the objectives, scope, approach, and methodology as well as our findings, conclusions, and recommendations.

We have discussed our findings with the officers concerned of ACCI and NCP and have considered their comments accordingly.

We will be glad to discuss any questions you may have on this report.

Very truly yours,

*Sy Corp. Gomez Velasco SCS*

PTR No. 8743299 J  
January 23, 1986  
Makati, Metro Manila

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<u>Number</u>	<u>Title</u>
1	Dairy Product Donation Agreement
2	List of Reports Prepared by ACCI
3	List of Major Projects of the Nutrition Center of the Philippines
4	Implementing Agencies for the Supplementary Feeding
5	Statement of Assets, Liabilities, and Fund Equity
6	Statement of Changes in Fund Equity
7	Letter Proposal of CAI to USAID

## EXECUTIVE SUMMARY

Children's Aid International (CAI), a US-based nonprofit corporation, has been one of the cooperating sponsors of the dairy donation program of the United States Government since 1984. With the Nutrition Center of the Philippines (NCP) as its implementing arm in the Philippines, CAI distributes commodities donated under Section 416 of the U.S. Agricultural Act of 1949. Commodities distributed to alleviate malnutrition in recipient countries consist of wheat flour, fortified nonfat dry milk, whole milk (UHT), and canned processed cheese. CAI's agreement with NCP to undertake commodity distribution started in 1984. CAI is represented in the Philippines by the Asiatic Corporate Consultants, Inc. (ACCI), which has been given the responsibility to monitor NCP's activities in commodity distribution. NCP receives financial support from CAI of about P540,000 a year.

NCP is a private foundation organized on July 2, 1974. It is one of the many private organizations and foundations that support the Philippine Nutrition Program (now called the Food and Nutrition Program, or FNP) of the National Nutrition Council of the Government of the Philippines. NCP's work consists mainly of the development and application of food and nutrition program concepts. The activities of the NCP have been pursued along the main concerns of the FNP, particularly on food assistance, health protection, and nutrition education intervention schemes. During the past 12 years, NCP has developed program concepts and applied these with the participation of the private sector and the government.

NCP's food and nutrition activities are conducted nationwide. Their focus is on the alleviation of malnutrition of infants from zero to six years old and lactating mothers.

Since its establishment, NCP has been a recipient of donations from international organizations such as United Nations Children's Fund (UNICEF), World Health Organization (WHO), United States Agency for International Development (USAID) and other foreign and local organizations such as Cornell University, Krause Milling, and Roche Laboratories, and national or local government units both in the Philippines and abroad. Donations range from materials support, financial, training, equipment, facilities, books, and other items.

The results of the review of ACCI's monitoring procedures and NCP's capability to undertake commodity distribution are discussed briefly in the succeeding paragraphs.

Our review of ACCI showed that it subjects NCP to adequate monitoring procedures upon NCP's receipt of the commodity. ACCI representatives observe unloading and counting of commodities, and ensure that quantities of commodity contained in the shipping documents tally with what is actually received and warehoused by NCP. In terms of monitoring the commodity after receipt, we found that ACCI has not been able to regularly

validate the use and actual distribution of commodities. Spot checks during reprocessing have seldom been conducted to establish that agreed quantities for reprocessing are being actually used. Although ACCI visits some distribution centers/areas, no step has been taken to confirm whether commodity recipients are the qualified beneficiaries, and whether quantities presented as received by beneficiaries in the distribution report were actually received by beneficiaries. Some reports submitted to CAI by ACCI lack data on spillages, product application, damage to and extent of damage of commodity shipped, and other information which, we believe, should be included to make the report more informative and meaningful to CAI. Improvements on ACCI's monitoring procedures and reports should be made for ACCI to effectively represent CAI in evaluating NCP's performance in commodity distribution.

NCP's organizational structure particularly in its field operations, during which commodities are distributed was found effective. The structure limits the number of field staff to only two communicators and one driver technician with specific functions and duties. NCP has also set a standard for the number of barangays/centers to be visited by the field staff daily, considering the various activities of counseling, such as weighing and visual showing, and distance or travel time between the barangays or centers. More important, NCP has established linkages with private, civic, and religious organizations, and governmental units which supplement the services of NCP personnel. The linkage is very helpful particularly in Negros, which has a large number of beneficiaries located in widely dispersed areas, some of which may be physically impossible for NCP to reach. There were barangay nutrition scholars, provincial and municipal nutritionists, and mother volunteers who are all working in close cooperation with NCP in implementing the programs. The effectiveness of the NCP linkage with other organizations and agencies is also evident in the support being extended to it by way of facilities offered for use such as warehouses, transport, plant building, office space, etc.

The ongoing reorganization will not adversely affect the structure in the field operations as this field setup has already shown its effectiveness in service delivery. Based on implementation indicators of NCP, actual performance of field operations has always exceeded targets set.

In terms of logistics management which includes receipt, warehousing, processing, packaging, and actual distribution, NCP has shown its capability to handle about 794 m.t. of milk in the past year. Any volume which may be equal, or a little more or less than this volume will also be easily handled by them on the basis of the following:

1. Its personnel has the experience and technical know-how in managing and handling the logistics management activities.
2. NCP has the necessary warehousing, transporting, and packaging facilities and will be able to resort to networking with other agencies in case of additional requirement for these facilities. About 19 nutri-buses are available for use for additional projects stationed at the NCP Central Office complex.

3. Reporting and monitoring systems in logistics management, although deficient, are being implemented in all distribution centers.

The distribution centers in the provinces of Camarines Sur and Negros Occidental which we have observed also, have logistics management capability. In NCP-Naga, milkpaks are distributed to over 76 barangays through one nutri-bus, while NCP-Negros performs the educational component through eight nutri-buses province-wide. Actual commodity distribution is not performed by NCP-Negros because various cooperating implementing agencies carry out and support this function. The weakness in logistics management which we have noted is in the area of monitoring actual commodity distribution. This weakness is particularly true in Negros where feeding reports and actual consumption of commodities by beneficiaries are not furnished to NCP. While the functions of NCP-Negros do not include commodity distribution, it is highly recommended that NCP be provided with such reports, and that spot checks be conducted periodically. The reports on commodity use and distribution are submitted by NCP to CAI to conform to the USAID requirements; however, we suggest that details of our recommendations on additional monitoring reports and records discussed in the succeeding sections of this report be considered to strengthen the logistics management capability of NCP.

Based on our analysis of financial records, the present financial resources of NCP are capable of handling the distribution of 795 m.t. of milk a year, a volume the NCP currently handles. As of April 1986, NCP showed total assets of about ₱69.5 million, ₱55 million of which are in time deposits and current and savings deposits. Unrestricted fund equity which may be used for operations is ₱31.7 million. These figures indicate the high liquidity position of NCP. Despite the financial pressure brought about by the withdrawal of government donations coming from the Tourist Duty Free Shops, Inc. (TDFS) in 1986 of about ₱14 million annually, NCP can still handle, over the short run, the distribution of commodities at the same 1985 level. The financial resources will be provided by NCP's unrestricted fund equity of about ₱31.7 million. Using the present amount of expenses incurred for the operations of about ₱10 million a year and assuming similar quantity levels, and cost and expense levels, the unrestricted fund equity of ₱31.7 million can only provide for at least three years' fund requirement without any additional donation. This estimate further assumes that NCP will not handle any more additional projects.

By and large, our analysis shows that despite some deficiencies, NCP has the organizational, logistics management, and financial capabilities for at least a three-year period to handle the commodity distribution being proposed by CAI.

A list of our detailed recommendations to strengthen the management of commodity distribution by ACCI and NCP are shown in the Annex of this report.

## INTRODUCTION

### BACKGROUND OF THE STUDY

The USAID Inspector General for Audit, Manila has requested SGV & Co. to review private volunteer organizations (PVOs) to determine their capability to undertake commodity distribution for USAID. One of the PVOs that have signified their availability to undertake commodity distribution is CAI. The CAI does not directly involve itself in commodity distribution in the Philippines; instead, it has entered into a Memorandum of Agreement with the NCP in 1984 to handle actual commodity distribution. In charge of monitoring NCP's activities in commodity distribution as CAI representative is another Philippine firm, the Asiatic Corporate Consultants Inc. (ACCI). Based on these relationships, this study focused on CAI's monitoring procedures of NCP through ACCI and on NCP's capability for commodity distribution.

### OBJECTIVES AND SCOPE OF THE STUDY

Our review aims to evaluate the capability of CAI -- through its implementing arm, the NCP -- in handling commodity distribution for USAID. To achieve the objectives of the study, we covered the following areas of concern:

1. Review of monitoring procedures being followed in evaluating the commodity distribution being performed by NCP for CAI;
2. Extent to which the NCP can handle commodity distribution in terms of organizational capability, logistics management (receiving, warehousing, processing, packaging, and actual distribution), and financial capability.

### APPROACH AND METHODOLOGY

The study was conducted during the period October 27, 1986 to November 8, 1986. The audit was made in accordance with generally accepted U.S. Government auditing standards. It involved interviews with various officers and other key personnel of CAI's representative, ACCI, NCP-Manila, and NCP branches in Naga and Bacolod. Interviews were also conducted with civic and religious organizations involved in the NCP program, village based volunteers called Barangay Nutrition Scholars, mother volunteers, and representatives of government agencies and units supporting the various food and nutrition programs. We also reviewed available reports, contracts, policies and procedures, and other documents to validate information gathered. Actual distribution and processing operations in Naga and Bacolod were also observed and documented.

An analysis of all information gathered from interviews, documents, and observations was undertaken to determine the extent of CAI's monitoring procedures of NCP distribution activities, and NCP's capability to handle commodity distribution. Findings were discussed with concerned officers and staff to further validate data and to elicit their comments and suggestions. Conclusions and recommendations were formulated on the basis of the analysis of our findings and submitted to ACCI and NCP for their implementation.

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MONITORING OF NCP BY CHILDREN'S AID INTERNATIONAL

BACKGROUND

Our study covers an assessment of the review and monitoring procedures being undertaken by the CAI through ACCI. These procedures pertain to the evaluation of the commodity distribution being performed by the NCP for CAI. NCP has agreed with CAI to participate and assist in the implementation of the distribution of fortified nonfat dry milk in the Philippines. Commodity distribution has been handled by NCP for CAI since 1984. The latest agreement between CAI and NCP, the Dairy Product Donation Agreement, was executed on July 29, 1985 and it covers 1,100 metric tons of fortified nonfat dry milk (Exhibit 1).

Our assessment of CAI's monitoring procedures on NCP distribution is limited to the review and analysis of the following items:

- o Information obtained from interviews conducted with NCP, and the Managing Director and some personnel of ACCI, the representative auditor of CAI. ACCI is tasked with monitoring the commodity distribution handled by NCP.
- o Available reports prepared and submitted by ACCI to CAI (refer to Exhibit 2).

We requested for the following documents from ACCI, but these were not provided to us:

- o Contract between CAI and ACCI to establish the coverage or extent and nature of the monitoring work required by CAI from ACCI
- o Documents supporting the review and monitoring procedures adopted, and the reports prepared by ACCI for CAI
- o Organization structure
- o Financial statements
- o Monitoring system and operating plan

In the absence of the above documents, our findings are based largely on interviews and other documents which were made available to us.

We were shown two reports being prepared by ACCI for CAI on NCP. One is the initial report; and the other, the final report. The initial report contains basically the following information: dates of arrival of the milk shipment at the Manila Port and at the NCP compound, as well as the dates of inspection and counting by ACCI; persons present during the inspection and counting of the goods; and the total number of milk bags

received including container van numbers and physical condition of the shipment. The final report, on the other hand, contains an accounting of the total use and distribution of the milk bags received by NCP, the total quantity of which tallies with the ACCI's initial report, and the auditor's comments on the movement of the milk shipment and its subsequent distribution.

FINDINGS

1. ACCI's reports on the three shipments, which are covered by the Dairy Product Donation Agreement dated July 29, 1985, indicated a total of 142 busted milk bags out of 48,514 bags (first shipment - 31 bags, second shipment - 34 bags, and third shipment - 77 bags), representing 0.3 percent of total shipment. However, the reports did not specify the effect of the busted milk bags on the milk contents, if any, and the actual disposition of the milk contents. Because of the lack of such information, the donor is not apprised of the:
  - o Damage and extent of damage to the commodity transported to NCP.
  - o Actual quantity of commodity which can be used by NCP.
2. Data on the number of milk bags used for the food supplement called nutri-pak could not be derived from ACCI's final reports dated April 21, 1986 and August 18, 1986:

Distribution of Milk Shipment

	<u>No. of Bags</u>	
	<u>1st Shipment</u>	<u>2nd Shipment</u>
I Philippine Nutri-Foods Corporation Products (PNFC)		
Nutri-noodles	1,930	2,067
Gro biscuits	1,158	1,240
Krunchy creme	771	827
Sotanghon plus	1,545	2,067
Supersnack	<u>2,315</u>	<u>2,067</u>
	<u>7,719</u> (50%)	<u>8,268</u> (50%)

	No. of Bags	
	<u>1st Shipment</u>	<u>2nd Shipment</u>
II Nutrition Operations Division		
Nutri-bus Project	3,643	2,562
Mental Feeding Program	484	81
Feeding Centers of Private Agencies	2,390	2,744
Barangay Intensive Nutrition and Health Intervention Project	319	51
Emergency Food Assistance	883	1,045
Negros Feeding Program	-	1,785
	<u>7,719</u>	(50%) <u>8,268</u> (50%)
Total	<u>15,438</u>	<u>16,536</u>

Nutri-pak is one of NCP's popular product types that contain fortified non-fat dry milk. From the foregoing information, we cannot determine which item included the nutri-pak products. The absence of the reports on nutri-pak products is critical as the CAI-NCP contract explicitly requires the use of approximately 50 percent of milk shipment to be added to nutri-products including Nutri-pak which will then be either distributed for free or sold at subsidized prices. Other documents to further support the report on the use and distribution of milk which will enable us to verify the quantity of nutri-paks produced, were not available to us at the time of review.

3. Spillages which normally occur in the repacking and reprocessing of milk were not indicated in the report of ACCI. Since there is no indication of spillage, the final reports on milk distribution do not reflect the actual use and distribution of milk shipment.
4. The ACCI report on distribution dated October 8, 1986 includes the areas of Bukidnon, Camarines Sur, and Iloilo, which are not covered by the Dairy Product Donation Agreement dated July 29, 1985. However, the contract also states that other locations may be mutually agreed upon by NCP and CAI. The Personnel and Administration Division (PAD) Chief of NCP explained that a letter was sent to CAI regarding these additional locations covered. However, the letter on the additional locations could not be found. We are therefore not in a position to determine whether the addition of locations to distribute the repackaged commodities is a deviation from the original CAI-NCP contract with regard to area coverage.

5. From the interview with ACCI's Managing Director and Field Auditor, which were confirmed by the NCP Chief of PAD, we gathered that the following monitoring procedures are being undertaken by ACCI in monitoring the implementation of the commodity distribution program by NCP:
- o Validation of the individual container number and the total number of the container vans against the Bill of Lading for a particular shipment;
  - o Witness of the inspection done by the representatives from the Bureau of Customs at the Manila Port;
  - o Conduct of 100% physical count of the total milk bags to be stored at the NCP designated warehouse;
  - o Verification of the total number of milk bags counted against the Bill of Lading;
  - o Confirmation of the release of milk bags from NCP to the NCP Food Plant and to the subcontracted manufacturers' plant of the Philippine Nutri-Foods Corporation (PNFC) on a test-check basis.
  - o For the period 1986, one time observation of the actual distribution in Bacolod City, Iloilo City, Cebu City, Legaspi City, Naga City, Cagayan de Oro, Bukidnon, and Camarines Sur.

The procedures mentioned above appear to be sufficient in ensuring that the commodities are properly received and accounted for at the time of receipt.

6. ACCI is not aware of the labelling requirement prescribed under Regulation No. 10 of USAID. ACCI is not aware of Regulation No. 10 of USAID and all its other requirements.

#### CONCLUSION

The documents requested from ACCI, such as the documents supporting the monitoring procedures and the reports of ACCI to CAI, were not provided to us. Hence, we were not able to evaluate fully the effectiveness of the review and monitoring procedures being performed by the ACCI for CAI. Our findings, based on information gathered from the ACCI and NCP personnel, indicate the adequacy of the monitoring procedures for the commodity at point of receipt. The personnel of ACCI also conduct a physical count of commodity at the time of receipt in the NCP warehouse,

and observe actual commodity distribution in certain areas. Documents on monitoring procedures, however, were not available to us to enable us to assess the effectiveness of, and deviations to, the monitoring procedures agreed upon. In the reporting aspect of commodity monitoring, ACCI should consider our suggestions to report on the following: action taken on the contents of busted milk bags; NCP's total accountability; spillages; utilization; and distribution of the milk based on the established accountability and agreement.

## ORGANIZATIONAL CAPABILITY OF NCP

### BACKGROUND

The NCP organization is governed by a Board of Trustees which provides overall direction to the Center. The Executive Director and the Deputy Executive Director manage the affairs and the properties of NCP. NCP has two subsidiary corporations: Philippine Nutri-Foods Corporation which promotes and markets food formulations, and the NCP Publishing Corporation which prints children's books and other publications on food and nutrition, which are distributed free. From a very small group in 1974 the organization grew in size. Personnel complement was about 18 in 1974, 300 in 1980 but which was decreased to about 160 in early 1986 to adopt to a decrease on donations, particularly from the Tourist Duty Free Shops, Inc. (TDFS).

### FINDINGS

#### Overall Organization Structure

1. As a result of changed conditions, particularly, in the financial support NCP previously obtained, in particular, the TDFS, the Center has started the process of reorganization. For the latter part of 1986, the thrusts of NCP's programs have remained the same (i.e., training, information, education, communication, research, and service delivery); however, the area coverage of some of its programs has been reduced because of financial constraints.

Before the withdrawal of the support from the Tourist Duty Free Shops, Inc. in early 1986, NCP had about 81 cost centers/projects and some 230 people in the organization. After the withdrawal of the financial support, about 40 projects (19 of which are major projects, Exhibit 3) and a workforce of about 160 remained, including the staff of NCP subsidiaries. Ten of these 40 projects will be completed by December 1986. Even with the reorganization, divisions that were originally established in response to a variety of needs and goals have remained. The staffing of the divisions was however decreased to the minimum level required to carry out the operations. A temporary officer-in-charge (OIC) was assigned to the following divisions: Food and Nutrition Research (FNR), United Nations University-Nutrition Center of the Philippines (UNU-NCP) International Training, and Library and Information Services (LIS). The designated OIC for FNR is also the concurrent Division Chief of the Social Science Research, while the OIC for LIS is also the Division Chief of Program Planning Services.

From the top management's end, the Executive Director has been helping out in program concerns, while the Deputy Executive Director helps in the administrative and information-education-communication components and manages some projects on a part-time basis. These

functions used to be discharged wholly by the divisions. But since these divisions have been given additional functions after the reorganization, top management has had to help carry out these functions.

2. We noted from the functional statement that the Program Planning Services Division and the EDP/Statistical Unit perform similar functions. That is, both divisions develop and maintain computer based information system

#### Commodity Distribution Operations

1. Commodity distribution is currently handled by the Executive Office and three divisions in the NCP: Personnel and Administration (PAD); Finance; and Nutrition Operations Division (NOD). PAD handles logistics management, and liaison. The Finance Division handles commodity accounting, while NOD handles the distribution of milk and other nutri-products. The NCP Food Plant under the Executive Office handles food processing. The NOD delivers the dairy products through its nutri-bus program. This program is a comprehensive system which aims to improve the nutrition status of preschoolers and to increase the participation of target families in health and nutrition activities through the supervision of and greater logistical and communication support to barangay-based workers. Besides the promotion and delivery of food supplements, the other services delivered through the nutri-bus are: VTR showing on nutrition and health care; conduct of mother's classes; follow-ups on second-degree malnourished children; and the reinforcement training for the barangay-based workers.

At present, the NOD has a total of 45 personnel, which is less than half of the number of personnel employed in 1985. About 90% of these personnel are involved in the nutri-bus program. Data for 1985 and the third quarter data for 1986 on the number and composition of NOD personnel directly involved in the program (as shown on page 13) indicates that, except for the NOD Chief, the Field Supervisor, and the Field Assistant, 50% of the NOD personnel directly manning the nutrition operations were laid off in 1986. The implementation indicators also show that targeted and actual program coverage also decreased.

Nutrition Operations Division  
Personnel and Implementation Indicators

Personnel

	<u>For Year 1985</u>	<u>For 3rd Quarter 1986</u>
NOD Chief	1	1
Field Supervisor	1	1
Operations Assistant (Field)	1	-
Monitoring Assistant	2	1
Engineering Assistant	1	-
Area Coordinator	6	3
Communicator	48	24
Driver-Technician	26	12
Trainor	1	1
Area Engineer	4	1
Maintenance Technician	-	<u>1</u>
Total	<u>91</u>	<u>45</u>

Implementation Indicators

	<u>1985</u>			<u>3rd Quarter 1986</u>		
	<u>Target</u>	<u>Actual</u>	<u>% Ac- tual to Target</u>	<u>Target</u>	<u>Actual</u>	<u>% Ac- tual to Target</u>
No. of nutri-bus maintained	27	26	96	12	11	92
Area coverage						
o No. of regions	10	10	100	4	3	75
o No. of provinces	17	17	100	4	4	100
o No. of cities	10	8	100	8	8	100
o No. of municipalities	-	215		3	-	
o No. of barangays	1,894	1,678	89	960	880	92
Delivery of food supplement						
o No. of nutri-pak sold/distributed	450,000	309,895	69	32,000	Not Available	
o No. of milk-pak distributed	820,000	1,002,679	122	116,480	Not Available	

The key personnel in the nutri-bus program are those in the field, such as the Communicator and the Driver-Technician. On the basis of the job requirements and their past experiences, NOD has established a standard staffing pattern for each nutri-bus as follows:

No. of Communicator	:	2
No. of Driver-Technician	:	1
No. of Barangays to be covered by Communicator	:	2 barangays per day
	:	40 barangays per month
By Driver-Technician	:	4 barangays per day
	:	80 barangays per month

Our review of the tasks done by the Communicator and the Driver-Technician showed that the functions of each are well defined. Considering the widely dispersed location of the barangays to be visited, the vehicle is fully used during the day with the four barangays to be covered.

With the reduction in the barangays covered in 1986, the number of Area Coordinators (ACs) who supervise field operations was likewise reduced. The number of nutri-buses assigned to the AC, however, has remained at four nutri-buses per AC. At the end of the month, an AC is expected to cover 16 barangays or four barangays a week. Based on our analysis of the tasks being performed and the location of the barangays, this monthly coverage is feasible.

The assignments of one Area Engineer and one Maintenance Technician have been found sufficient because both only attend to major nutri-bus repairs. Driver-Technicians carry out minor repairs.

As a whole, and despite the reorganization, performance was good for the third quarter of 1986, compared with 1985 in terms of area covered and/or milk-pak distributed. In 1985, actual milk-pak distributed exceeded the target set.

What is lacking in the nutri-bus program is the strengthening of the audit of milk and other commodity distribution. The validation of actual distribution of milk and other commodities up to the household level is not specifically included among the tasks of the Area Coordinator, and no other person in the NCP organization is presently assigned to do this activity. The reports of the Communicators who are primarily responsible for service delivery are not adequately verified. Although the Area Coordinators may have actually interviewed milk recipients or beneficiaries during weekly field visits, there is no document that will support the audit, samples obtained, and the evaluation

of the effectiveness of the milk distribution program in the various areas where NCP operates. The primary objective of the Area Coordinator is to check the activities of the Communicator, and not to validate actual distribution of commodities up to the household level.

We were informed that prior to the reorganization, an Operations Assistant was assigned to monitor milk-pak and nutri-pak distribution. However, the staff assigned to this position resigned in mid-1986 and the position has been left vacant since then. As discussed, NCP intends to hire an Operations Assistant in 1987 to ensure that the required monitoring tasks are met.

2. The commodity distribution tasks (logistics management) assigned to the PAD Chief are not normal personnel and administration functions. Other tasks assigned to the department that are not directly related to its normal functions are the following:
  - o Supervision and management of PNFC which handles the 50 percent milk allocation for conversion to nutri-products
  - o Planning and implementation of income-generating projects/ special projects such as the Orchid Farm, Seminar House, and the Swine Project.

In addition to the above functions, he is also a member of three task forces: Reorganization, Management Operations, and Planning which deal with the more immediate administrative problems of the organization.

The foregoing highly diverse functions may not be handled effectively by the PAD Chief in the long run when the projects are undertaken on a large scale to supplement the fund resources of the Center. First, some functions are operational in nature and the tasks required may conflict in terms of priority, most especially at present when the organization is being closely reviewed. Second, the management of NCP's income-generating projects may eventually require a full-time manager who should review the objectives and strategies set and ensure that these are attained. At present, the operations of some of the income generating projects are subcontracted to third parties and do not require close supervision and management. Since the PAD Chief has various assignments, he may neglect one of his functions. However, considering the size of the organization, the PAD Chief had to carry out these functions.

3. The job description of the Chief of the Finance Division has not been updated to include the tasks required for the accounting of donated commodities received, processed, and distributed. The PAD

Chief disclosed that NCP started to design a formal system of accounting for the commodities. He also said that the following tasks may not have been adequately defined:

- o Reconciliation of the quantities of milk bags received and issued
- o Accounting for the total repackaged and reprocessed commodities
- o Reconciliation of the quantities produced, delivered, and distributed
- o Consolidation and reporting of receipts and final distribution on a per-shipment basis.

We requested for the expected outputs from the performance of the foregoing tasks, however, these were not available during the course of our review.

Without the proper definition of the required activities, it is possible that there is no integration of all inputs needed as basis for the accounting of the commodities. As a result, the information obtained through the present accounting procedure may not be effective for review and monitoring purposes.

4. Following the reorganization, tasks being performed by personnel who were terminated in the processing, warehousing and issuance of inventory and control areas were assigned to other personnel who have other job assignments. At present, about 22 personnel are involved in these areas of operation, of which about 82% or 18 personnel consist of the Food Plant workers. The weaknesses noted follow:

- o No one authorizes the approval of the deliveries of processed commodities from the Food Plant to the (Nutrition Operations Division) nutri-bus areas. Prior to the reorganization, the deliveries were authorized by the NOD Chief.
- o Monitoring and reporting of spillages within the repacking area of the Food Plant (Manila) and consolidation and reporting of monthly production and total deliveries of the repackaged milk commodity from the Food Plant are not presently done by the Plant Supervisor.

We were informed that these were previously done, however, the newly assigned staff have not performed them yet. The transfers were made only in September 1986.

### Non-Nutri-bus Operations

At present, the NOD is providing milk-pak and nutri-products to non-nutri-bus areas through the religious groups, civic and lay organizations, government agencies, and other entities that take care of the distribution of these commodities. However, the structure for the non-nutri-bus operations, which was started in early 1985 for the CAI- donated commodities, is not yet properly organized. The monitoring procedures are still inadequate, and tasks required have not been defined and incorporated in the job descriptions of the staff involved in the operations. With the respite in training, we were informed that the NOD trainor has been assigned to formulate procedures and draft job descriptions for this operation. She has likewise been tasked with the design of the plans and intervention schemes for the delivery of health and nutrition education in the non-nutri-bus areas. Management is thinking of implementing this program on a wider scale, as it is proving to be an effective tool in harnessing the resources and participation of private and government agencies.

### CONCLUSION

The organizational setup of NCP can ably handle the distribution of donated milk commodities under the existing agreement with CAI, as evidenced by the following conditions:

- o The distribution of commodities (food assistance) complements the nutrition and health education package delivered by the NCP through its Nutri-bus Program.
- o There is already an established administrative and distribution machinery and manpower qualified for service delivery, which is the defined key activity of the NCP. Considering the recent financial crisis of NCP, it was still able to continue the projected operations for the year under the Nutri-bus Program.
- o Linkages with the barangay network and other civic and religious organizations have been established, tried, and tested on a large scale. There is therefore no doubt that NCP can handle a smaller Nutri-bus Program.
- o The NCP has started to prepare an alternative program -- the non-nutri-bus operations -- to supplement the nutri-bus operations. Coordination and linkages with the various government agencies that they have established in their previous programs will play a crucial role in beneficiary selection and monitoring of the non-nutri-bus operations.

The NCP, however, should beef up the organization on the accounting and control of commodities as these functions are basic requirements for the effective monitoring of donated commodities. A functioning and effective organization structure will ensure that the commodities reach the target beneficiaries. More important, management must reassess NCP's objectives and strategies for 1987 and the coming years because these will determine the necessary changes in the entire NCP organization.

The extent to which NCP -- as the implementing arm of CAI in commodity distribution -- can adequately organize itself for future requirements, will depend largely on the strategies, programs, and projected output, as well as the available and expected financial resources.

LOGISTICS MANAGEMENT CAPABILITY  
OF NCP

BACKGROUND

NCP has been a recipient of fortified nonfat dry milk donations from the US Government through the CAI. At present, CAI has a pending application with the USAID for an allocation of 1,600 m. t. of nonfat dry milk and other commodities like processed cheese, wheat flour, and UHT (whole) milk. If approved, these commodities will be turned over to NCP for distribution in the Philippines through NCP's programs under its service delivery component.

The review of NCP's logistics management capability was intended to:

- o Evaluate NCP's reports on commodity distribution in relation to the reporting requirements of USAID; and
- o Evaluate whether the control measures being implemented ensure adequate protection of assets from theft, pilferage, and decrease or loss of value from physical or natural circumstances.

Our assessment of NCP's capability in the area of logistics management includes a review of the systems and procedures followed in planning, handling, implementation, and monitoring of the distribution and use of commodities. The review focused on the following key activities:

- o Receipt of commodities at the port and at the NCP warehouse;
- o Inventory movement from the port to the warehouse, to the processing plants, and to the distribution sites;
- o Warehousing and inventory control; and
- o Monitoring and reporting commodity utilization and distribution.

Our review was conducted through discussions with key officers and staff of NCP's NOD, Finance Division, and PAD, and those of the PNFC; inspection of the NCP warehouse and other storage facilities, transport facilities, food plant operations, and repacked and reprocessed milk products; and review and analysis of available records and documents.

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## FINDINGS

### Storage Facilities

NCP's warehouse facilities are located at the NCP Complex at the Nichols Interchange in Makati, Metro Manila. The main warehouse's floor area is 540 sq. m. (15 m x 36 m) and has a ceiling height of 12 m. It can accommodate approximately 1,100 metric tons of milk or about 48,568 units of 22.68 kilogram-bags of milk at full storage capacity. The warehouse also contains the finished products of PNFC awaiting delivery.

The capacity of the warehouse facility is sufficiently large to hold the Center's average annual distribution requirements of 794 metric tons of milk. Moreover, NCP's records of the CAI commodities indicate that the biggest one-time shipment received by NCP and stored in this warehouse was only 375 metric tons or 16,534 bags of milk.

The main warehouse is kept under lock and key. Two NCP personnel, specifically the Chief of PAD and the Warehouse Custodian, hold the keys to the warehouse to ensure against unauthorized entry and theft of the commodities stored. In addition, a security guard is on detail 24-hours in the warehouse premises.

We also inspected the storage areas at the NCP food plant, where finished products and raw materials to be used in the production of supersnack, nutri-pak, and milk-pak are kept. The keys to the storage areas are in the custody of the Plant Supervisor.

In all the storage areas inspected, the goods are placed on 6-inch high wooden pallets to prevent moisturization, promote air circulation, guard against minor flooding, and facilitate the conduct of pest control procedures. We noted however that the milk bags are not properly stockpiled such that it is possible that the milk bags may fall off.

The NCP also employs the following measures to protect and ensure the commodities from hazards that could result in losses:

- o Fencing the warehouse's concrete walls with tin sheets around its perimeter to prevent the entry of rats;
- o Monthly infestation control for protection against other pests; and
- o Having a fire and theft insurance.

### Transport Facilities

When NCP issues out milk bags for processing or repacking, or finished products for sale or distribution in the provinces, it engages the services of private transport contractors to deliver the goods to their places of destination. We were informed that NCP has not experienced any major delays or losses in the delivery of the goods through the private transport companies.

On the other hand, NCP's own fleet of nutri-buses is used to transport the commodities from the local NCP offices to the final distribution sites. A nutri-bus can either be a Toyota Land Cruiser or a Ford Fierra. A Land Cruiser has a capacity to transport a maximum of 25 milk-pak or nutri-pak boxes at any one time, while a Ford Fierra can carry 30 boxes.

NCP has 26 Land Cruisers and 6 Ford Fierras at present. All 12 nutri-buses currently operating under the nutri-bus program are Land Cruisers: eight are assigned in Negros, one in Camarines Sur, one in Iloilo, one in Bukidnon, and one on call for Metro Manila operations.

The remaining 19 vehicles are in good working condition and are parked in the NCP complex. Only one Ford Fierra is not in good working condition. To ensure that the nutri-buses are in good working condition, area engineers are assigned to the field to check on the condition of the buses, and to perform preventive maintenance procedures.

### Monitoring Systems and Procedures

#### 1. Shipping Documentation

Commodity monitoring begins with the receipt by NCP of shipping documents (Bill of Lading) from CAI-Washington. Upon arrival of the shipping document, NCP arranges to obtain the necessary endorsements and clearances from the different government agencies concerned, as follows:

<u>Endorsement/Clearance</u>	<u>Agency Concerned</u>
Tax and duty-free exemption endorsement	Ministry of Social Services and Development
Tax clearance	Ministry of Finance
Customs clearance	Bureau of Customs

NCP monitors the movement of the shipping documents to ensure that the commodities are immediately released from the port upon a vessel's arrival; otherwise, NCP will incur demurrage costs.

#### 2. Receipt of Commodities at the Port and at the NCP Warehouse

NCP representatives perform the following procedures at the port upon notification by a shipping company that commodities have arrived and are ready for inspection:

- o Checking of the vans containing the commodities to ensure that the seals of the container vans have not been broken or tampered with, and that the vans' serial numbers correspond with those indicated on the Bill of Lading;

- o Inspection of the contents of the van in case the seal is broken and filing of formal claims against the Bureau of Customs for shortages noted in the inspection. We were informed that since NCP started accepting commodities from CAI, it has not filed any claim for shortages or damages.

The inspection procedures are performed in the presence of representatives from the USAID, Bureau of Customs, and ACCI and the insurance adjusters. New seals are affixed to the container vans after inspection.

The commodities are transported from the pier to the NCP warehouse upon NCP's payment of arrastre and wharfage fees. The NCP staff are assigned to accompany the convoy of trucks that transport the commodities to the NCP warehouse.

At the NCP warehouse, the Warehouse Custodian also ensures that container vans are sealed before any counting is conducted. Unloading and counting of the milk bags are done in the presence of representatives from ACCI, the insurance adjuster -- who both make independent counts -- and the NCP security unit. Tally sheets, which are used to facilitate counting, are reconciled with the quantities in the Bill of Lading. All witnesses to the count attest to the accuracy of the count by signing the tally sheets.

Vans whose seals are broken upon arrival at the NCP are noted down so that proper claims may be made against the forwarder for any shortage. So far, NCP has not received any van with a broken seal.

After the unloading and counting, the Warehouse Custodian records the number of bags received in his logbook. The PAD Chief also takes note of the quantity received so he could account for all the issuances of milk bags that he authorizes from the shipment received.

The existence of these control procedures indicates that NCP provides the proper safeguards for commodity handling. They ensure that goods received reach the NCP premises intact and that responsibility for any shortage can be immediately established.

### 3. Warehouse Inventory Control

The NCP food plant, the PNFC, and the two processing plants in Negros withdraw milk bags from the warehouse.

The NCP food plant repacks the milk into 100-gram milk-paks, and 15-gram packs. The 15-gram packs are combined with oil and with ground rice and powdered chocolate or ground mongo. This mixture is then packaged in nutri-paks. The food plant also processes the milk into supersnack to supplement the supersnack production of the two Negros plants.

The NCP food plant in Manila is located in the NCP Complex. It employs 22 contractual workers who work in two shifts at an average of 6 days a week. In the plant are two ovens used for sterilization, one grinding machine, 12 weighing scales of varying sizes, six dispensers, and 20 sealers. All these equipment are used to produce the milk-paks, nutri-paks, and supersnacks. With these machines, the plant has the capacity to produce 36,800 milk-paks; 8,000 nutri-paks; and 6,400 supersnacks a shift, using an estimated 245 bags of milk. At present, its capacity utilization is 75%.

The milk bag requirements of the food plant are based on requisitions made by the Nurse-Communicators assigned to the various areas of operation, and those made by the agencies and civic groups included in the nonnutri-bus commodity distribution operations. Requisitions for commodities undergo the review and approval of the NOD, Finance Division, PAD, and the Deputy Executive Director.

On the basis of the production schedule prepared by the PNFC General Manager, PNFC withdraws the required milk bags from the warehouse. These milk bags are shipped or delivered to the subcontracted manufacturers, which will produce PNFC's products.

Withdrawals of the required milk bags are authorized through a withdrawal memorandum signed by the PAD Chief. An up-to-date record of all the issuances of milk bags are kept by the PAD Chief.

At the NCP warehouse, the custodian maintains a milk logbook to keep track of the movement and balance of warehouse stocks. He also keeps files of the Bill of Lading and the Milk Withdrawal Slips supporting the entries to the logbook for future reference.

A review of the Warehouse Logbook showed that the record maintained is adequate and that entries to this record have been kept up to date.

As custodian of PNFC's finished goods, the NCP Warehouse Custodian also maintains separate ledger cards for each PNFC product. These ledger cards serve as stock records of inventory on hand. They show stock movement as well as balances. Entries to these ledger cards have also been kept up to date.

Our examination of the warehouse records disclosed that, although the records of quantities of the milk commodity at the warehouse are kept up to date, no physical inventory is taken to check the reliability of the inventory records. Our visit to the warehouse further revealed that the physical arrangement or stockpiling of the stock does not allow for an accurate physical count.

Also, the equal allocation scheme between the production of milk-paks and of nutri-paks and other products as called for by NCP's memorandum of agreement with CAI is not being closely monitored. The lack of monitoring could result in a violation of the agreement. We

learned that, in the past, milk-paks distributed were sometimes less than 50% of the shipment received. The reasons for this occurrence were cited in NCP's reports to CAI. Moreover, we noted that while milk-paks for free distribution should be produced out of 50% of the shipment, this fifty percent is now being used to produce both milk-paks and nutri-paks. In the 1985 milk distribution and utilization report submitted to CAI, only 276 tons or 38% of the 725 tons of milk were used to produce milk-paks. We were informed that NCP, in 1984, already got the permission from Mr. Arthur Ulin, Consultant for Overseas Operations of CAI, to use part of the milk-pak allocation to produce nutri-paks. This development, however, was not reflected in the 1985 memorandum of agreement between NCP and CAI. In the meantime, CAI has not issued any order or instruction for NCP to strictly comply with the original terms of agreement.

#### 4. Controls during Processing

At the NCP food plant, the Plant Supervisor keeps updated records of inventories of raw materials and finished products. Issuances of raw materials to the production area are properly recorded and records of daily production are likewise maintained. However, because of the reorganization being currently undertaken at NCP, a staff from the Executive Office was designated as officer in charge of the plant. Her duties and responsibilities however, in so far as the plant is concerned, has not yet been fixed or formalized.

Test weighing of the milk-paks indicated that the weights of the milk-paks meet the production standards of 100 grams per pack. On the three occasions when we visited the food plant, we noted that spillages in the production area are kept to a minimum.

Once the requisition of a Communicator has been processed, the plant ships the commodities to the place of destination with the Communicator as consignee. Before approving the shipper's bill for payment, the NOD ensures that the quantity of commodities delivered by the shipper, as evidenced by the shipper's bill of lading tallies with the plant's delivery receipt (both documents should be duly signed by the consignee).

For products subcontracted by PNFC, a PNFC staff member oversees the mixing of ingredients to ensure that the use of milk during production is in accordance with standards set by NCP.

The subcontractor's bill for payment is checked against PNFC's orders and the delivery receipt before any payment is approved.

#### 5. Controls at the Distribution Sites

The commodities are distributed to the recipients either through the nutri-buses or through the various cooperating government agencies, institutions, and organizations.

Before the distribution of commodities by the nutri-bus in a barangay, residents are screened and beneficiaries are identified by barangay based volunteers with whom the Communicator coordinates. During actual distribution, report forms are accomplished by the Communicator to document the receipt of commodities by the beneficiaries. The distribution report forms contain the names and signatures of the beneficiaries as well as the quantities of commodity received. These report forms are submitted monthly by the Communicator to the NOD, together with summary reports of inventories and of nutri-pak sales, including reports of any loss.

In the non-nutri-bus operations, the implementing agencies in charge of distribution withdraw commodities from the processing plant monthly, as authorized by the provincial planning and development office (PPDO). These implementing agencies also prepare and submit distribution reports every month. However, these distribution reports are forwarded only to the PPDO and not to NCP. We were likewise informed that no NCP staff is present during the actual distribution of the commodities.

While internal auditors from the Finance Division perform the necessary audit procedures to validate distribution and the stock and financial records at the distribution sites, the NOD looks forward to fielding additional staff who will confirm on a test basis whether the beneficiaries actually received the commodity allocation, as shown in the distribution reports received by NCP.

#### 6. Overall Monitoring of Commodity Movement

Adequate controls are in place in each stage of the commodity movement. Also proper documentation and reporting are done in each individual operating unit. However, there is no system for monitoring and establishing the status of any given commodity shipment. To know the status of a shipment as of a given date, one has to examine the records maintained in each operating unit. We were informed that the consolidation of reports on the commodity status is done only when reports to CAI are about to be prepared, or every six months.

#### 7. Reports of Milk Distribution and Use

NCP prepares and submits a report of milk distribution and use to CAI-Washington. This report summarizes the NCP's distribution and use of a particular shipment. It is prepared when all the stocks from a particular shipment have been distributed. The report presents the total NCP accountability for the commodities received on a particular shipment and summarizes the use by program. It also shows total amounts and percentages to highlight the commodity distribution and use made. We learned, however, that, there are instances when the stocks have not yet been depleted at the time the required semiannual report to CAI is prepared. In this case, NCP submits a report based on estimated usages. A report on actual status and details of the distribution of commodities is then attached to the report based on estimated usages. The report based on estimated usages however, has no qualification that its figures are mere approximates. Hence, when

the report on actual status and details and the report based on estimated usages are attached together, the reader will not know which report contains the actual distribution figures.

Another difficulty a reader of these two reports may have concerns the contents of these reports. The reports on actual status cover specific periods when commodities are distributed, but does not mention the shipment from which the distributed commodities were obtained. The reports of estimated usages contain only the dates of shipment, quantities received, and the projected figures on usage. Without the qualification as to which report is based on estimates only, a reader will not know which figures pertain to actual distribution. Also, the quantities of milk issued to the food plant are not reconciled with the equivalent quantity of milk used for the repacking of milk-paks and the production of supersnacks and nutri-paks. In addition, no reports are prepared to reconcile the issuance of commodities with the nutri-bus program, and to the implementing agency in charge with actual distribution.

#### CONCLUSION

On the basis of our review of available records and reports, observation of the procedures for logistics management, and interviews with key officers and staff of NCP, we conclude that satisfactory controls are implemented to safeguard the commodities and monitor the movement of the donated commodities, in each individual operating unit.

At the present level of commodity handling and distribution operations, the measures for controlling inventories being implemented by NCP within its units are adequate. Although a formal overall monitoring system that will generate commodity status at any given time is not yet operational, all NCP operating units involved in the warehousing, processing, transporting, and distribution of commodities are implementing procedures that enable them to account for the commodities handled by their units.

In the area of monitoring and reporting the actual distribution and use of commodities, the procedures being implemented by NCP are substantially adequate to meet the records and reporting requirements of the USAID, specifically Section 416 of the 1949 Agricultural Act of the US Congress. This section requires the cooperating sponsor -- in this case, CAI through NCP -- to maintain for three years, records and documents reflecting the receipt, transportation, storage and distribution of commodities. The cooperating sponsor is also required to submit a semi-annual report detailing the receipt and distribution of commodities. These reports are being prepared by NCP and submitted to CAI. Although NCP substantially complies with this requirement, we believe that the reports being prepared and submitted by NCP to CAI need some improvement. A simple system that will allow for the consolidation of all the monitoring records and reports being maintained and prepared in the individual operating units should be designed and implemented at this point. When in place, the system will allow NCP to submit to CAI at any time the report on the status of the commodity per shipment.

LOGISTICS MANAGEMENT CAPABILITY  
OF NCP, NAGA CITY

BACKGROUND

NCP-Naga, which started its operations in 1986 aims to improve the nutrition of Filipino children in the province of Camarines Sur, whose ages range from zero to six years old. It implements the Nutri-bus Program which integrates the programs of nutrition education, family planning and parasite control to fulfill its objective. To carry out its nutri-bus programs, various government agencies and private institutions have been tapped to provide NCP-Naga financial and technical support. Some of these agencies and institutions are the Office of the Governor of Camarines Sur, City of Naga, Ministry of Health, the Integrated Program-Family Planning, Parasite Control and Nutrition, (IP-FAPPCAN), and Family Planning Organization of the Philippines.

NCP-Naga reaches about 3,000 beneficiaries in 76 pilot barangays in Camarines Sur. To determine the capability of NCP-Naga for distributing milk-paks and nutri-paks to these beneficiaries, we reviewed the following areas related to its commodity distribution functions:

- o Organization structure and personnel
- o Major distribution facilities and equipment
- o Reporting system
- o System of identifying the beneficiary at the distribution site
- o Procedure for receiving commodities, warehousing, and distribution.

We visited the barangays of Carolina and Sabang in Naga City to observe the actual distribution of the commodities and we interviewed the Communicators, Driver-Technician, and Barangay Nutrition Scholar on their individual duties and responsibilities and other areas relevant to the commodity distribution function.

FINDINGS

Personnel

NCP-Naga's manpower complement consists of two Communicators (the more senior is also the custodian of the commodities) and one Driver-Technician. They compose a team which implements the Nutri-bus Program in Camarines Sur. The routine activity of the team is to visit the pilot barangays once a month. During each scheduled visit, the Communicator undertakes the following: weighing of pilot undernourished children; counseling of mothers on proper nutrition, family planning, and parasite control; showing of a VTR (videotape recording); distributing free milk-paks to beneficiaries; and selling nutri-paks. The team visits four barangays daily, two in the morning and two in the afternoon. The Communicators coordinate with the designated Barangay Nutrition Scholar in each pilot barangay in the distribution of the commodities, as well as with the various government agencies and private institutions that have previously agreed to provide financial and technical support to the Nutri-bus Program.

### Facilities

The personnel of NCP-Naga have been allowed free use of two modestly furnished rooms in the Naga Municipal Hall. Temporarily, NCP-Naga also enjoys free use of a stockroom which can accommodate at least 500 cartons of milk-paks and nutri-paks. This stockroom is located in the private clinic of the Project Director of IP-FAPPCAN, which is about 15 minutes' drive from the City Hall. At present, the NCP-Naga personnel are looking for a suitable space to be rented for storage of food commodities because the current warehouse facilities will soon be used by the IP-FAPPCAN.

A nutri-bus (Toyota Land Cruiser) equipped with a VTR, tv monitor, and other accessories used in the educational component of the Nutri-bus Program is used to transport the commodities for distribution. At any one trip, the nutri-bus can load 25 boxes of commodities of 100 packs each.

### Receipt of Commodities

Commodities are delivered directly to the stockroom by the freight forwarder. Deliveries are checked against the details of a telegram and duplicate copies of a Delivery Receipt (DR) which are received from the NCP Main Office through the forwarder. Any discrepancy is noted on the DR. Copies of the DR are acknowledged by the Communicator upon receipt of the commodities. The original copy of the DR is sent back to NCP Manila while the duplicate is filed in the local office. All deliveries received are posted on the bin card maintained in the stock room.

### Warehousing

Milk-paks and nutri-paks are properly arranged by expiry date and stored separately. The Communicator, who is accountable for the items, keeps the key to the stockroom. Only the NCP team, in the presence of the Communicator, has access to the stockroom. Stock position is monitored daily by the Communicator through the bin card.

### Distribution

Commodities are withdrawn from the stockroom every time the team visits the barangays. Items withdrawn are recorded by the Communicator on the bin card.

At the barangay distribution center, the beneficiaries are required to sign on the Milk-Pak Distribution Report upon receipt of the milk-paks which are distributed only at the end of the VTR session. Thus, the distribution of commodities is the last activity of the team for the day. Only those beneficiaries who attended all the activities from start to finish are entitled to receive four free milk-paks. The names of beneficiaries are announced publicly as they appear in the attendance sheet. These proceedings are witnessed by the Barangay Captain, Barangay

Nutrition Scholar (BNS) and other interested individuals. During our observation of the milk distribution, some milk-paks that were distributed to beneficiaries were not properly sealed. Thus, some milk was spilled and wasted.

The Communicator consigns nutri-paks to the BNS if there is any left over from the distribution for subsequent sale to interested individuals. The consignment of the nutri-pak is documented on a Record of Nutri-pak Deliveries, Remittances and Commissions, in which the BNS acknowledges the receipt of the items.

#### Records/Reports

1. Activities and accomplishments of NCP-Naga are reported monthly to the main office through the Monthly Summary of Field Activities. The Communicators prepare inventory reports and submit these together with the supporting documents on receipts and issuances. The Area Coordinator who visits NCP-Naga monthly, reviews these reports before they are finally submitted to the Chief of the NOD.
2. The Communicators do not receive the master list or roster of beneficiaries and consequently, the information on the actual number of beneficiaries and the quantity of milk-paks and nutri-paks for distribution in each barangay before their scheduled monthly visit to the respective pilot barangays. In the absence of these information, the nutri-bus personnel load into the vehicle all the commodities that the vehicle can accommodate for a scheduled visit. Thus, the quantity that they bring may either be more or less than the commodity required for a barangay. If the commodities are inadequate, those beneficiaries who do not receive the commodities will have to wait for the next monthly visit. Moreover, without receiving prior information on commodity requirements, the Communicator will find it difficult to plan and to maintain adequate inventory levels.

The foregoing situation is understandable at this time because the number of beneficiaries has not yet stabilized since the start of NCP-Naga operations in September.

3. The Communicators individually prepare a monthly Summary of Milk-Pak Distribution Report. This report shows the balances of commodities consigned to them at the end of the month. For a Communicator to determine the total ending inventory of milk-paks, the balances in the individual reports have to be totaled. Since the milk-paks are not stored separately for each Communicator in charge for the period, the foregoing inventory reports can be presented as a consolidated report. However, the NCP feels that the separate reports will facilitate pinpointing of accountability.

Others

We have learned from our interviews with the Communicator that ACCI, which represents CAI, has not conducted any of the following procedures:

- o Random checking of the beneficiaries to determine if they meet the selection criteria and whether they actually received the milk-paks;
- o Checking of inventory records against the actual physical count of the commodities.

In the absence of a third party who will confirm the foregoing monitoring procedures, there is no assurance that only qualified individuals are included in the roster of beneficiaries, and that only the registered beneficiaries actually receive the commodities. There is also no independent check on whether the balance of commodities based on inventory records tallies with the actual physical count. This check is needed to determine any discrepancy and its causes.

CONCLUSION

Under the present setup and operating levels, the Nutri-Bus Program serves 76 barangays, with an average beneficiary level of 40 to 50 for each barangay. We believe that NCP-Naga is capable of distributing to these barangays the commodities it receives from NCP's main office for the following reasons:

1. Manpower is adequate for area coverage;
2. Facilities and equipment necessary to carry out objectives are in place;
3. Adequate systems and procedures and internal control in the handling and distribution of the commodities are being implemented;
4. Activities related to the distribution of the commodities can be monitored through the reporting system which is being implemented;
5. NCP-Naga has the Nutri-bus which from our observation, is an excellent means through which these commodities could be distributed. Visuals and other publications on food and nutrition are available for distribution and can be supplemented with the Communicator's lecture.

LOGISTICS MANAGEMENT CAPABILITY  
OF NCP-NEGROS OCCIDENTAL

BACKGROUND

The main thrust of NCP's present operations in Negros Occidental is the implementation of the educational component of the Health and Nutrition Action Program. NCP carries out this objective through the eight nutri-buses assigned to the province. Through the Communicators, NCP conducts mothers' classes on health care and nutrition, shows video tape recordings (VTR) on the subject, and provides counseling services to targeted mothers of malnourished children in Negros Occidental. The actual distribution of supersnacks is coordinated by the Provincial Planning and Development Office (PPDO) with the various governmental units and religious and civic organizations throughout Negros (Exhibit 4).

In Negros Occidental, we visited three feeding centers, two in Silay City and one in Talisay. We observed the nutri-bus operations in two centers located in Barangay Granada, Hacienda Consolacion-Limjap in Bacolod City. We also observed the operation of the supersnack repacking plant located in Talisay. This repacking plant is supported by the First Farmers Human Development Foundation, Inc. (FFHDFI).

Aside from the NCP personnel in Negros Occidental, we also interviewed the key officers of the various agencies implementing the feeding program in the province. The Health and Nutrition Action Program for Negros Occidental is under the overall coordination of the Provincial Government. The head of the PPDO coordinates the distribution of supersnacks throughout the province.

We also interviewed the following key officers of implementing agencies cooperating in the program:

1. Head of CONCERN (Children of Occidental Negros Care Education Rehabilitation and Nutrition Foundation, Inc.), a private foundation funded and supported by UNICEF to monitor the feeding program
2. Community Development Officers of Victorias Milling Company
3. Manager of Special Projects, FFHDFI
4. Nutritionist of the Ministry of Social Services and Development (MSSD) in Negros Occidental.

We likewise talked with municipal level representatives of the MSSD, the Ministry of Health (MOH), and the Population Commission. In Talisay, we also talked with the Mayor and representatives from the Municipal Nutrition Council and the Municipal Action Team.

In the visits to the barangays, we interviewed some of the mother volunteers, Barangay Nutrition Scholars, and Barangay Health Officers. According to the nutritionist under the MOH in Silay City, there are 14 Barangay Nutrition Scholars, 99 mother volunteers, 99 feeding centers, and 2,498 beneficiaries (second- and third-degree malnourished children) in Silay City alone.

To observe the milk-pak and nutri-pak distribution system, we visited the NCP offices in Iloilo. We observed the mass weighing, VTR showing, and milk-pak/nutri-pak sales and distribution of the nutri-bus in Pavia, Iloilo. For every child (0 to 6 years old) weighed, four packs of milk-pak are given. The nutri-paks are sold for ₱1.50 each with one free milk-pak. A nutri-pak plant is located in Janiuay, Iloilo, but the plant was closed and not operating at the time of our visit.

#### FINDINGS

While we recognize that the NCP's role in Negros Occidental is only in the processing of supersnacks, some of our findings below point to weaknesses in NCP's program procedures and weak handling of the UNICEF program by the PPDO, and we feel that these concerns should be brought to the attention of the right parties.

#### Personnel

NCP in Negros Occidental has 28 personnel. It has two Area Coordinators supervising the activities of eight nutri-buses, and two Social Preparation/Training Coordinators who are employed on a contractual basis by NCP. Each nutri-bus is manned by 2 Communicators and one Driver-Technician, or a total of 24 personnel. The Communicators are also on a six-month employment contract under NCP. The nutri-bus operation is supervised by the two Area Coordinators (4 nutri-buses each), while the education and training program is supervised by the Social Preparation/Training Coordinator.

The main thrust of the nutri-bus operation is the implementation of the educational component of the Health and Nutrition Action Program for Negros Occidental. In carrying out this objective, each nutri-bus is required to visit 4 centers a day for 20 working days every month. Each Communicator visits two centers a day, one in the morning and one in the afternoon every month for six months. Thus, a total of 80 centers are visited once a month for six months. A monthly planner for each nutri-bus is prepared by the Communicators and approved by the Area Coordinators. Because of the distance of the centers and to economize on fuel and maintenance cost, each nutri-bus (except the one based in Bacolod City) leaves on Monday and comes back on Friday each week for a five-day trip per week.

The main activities of the nutri-bus for each visit include the following: (1) conduct of mothers' classes about malnutrition; (2) VTR showing; (3) counseling of identified mother participants; and (4) weighing of identified malnourished children. The nutri-bus does not distribute supersnacks, milk-paks, or nutri-paks in Negros Occidental.

The nutri-bus is equipped with a VTR equipment and a tv monitor which are necessary for the educational component of the nutrition program for Negros.

NCP also supervises the operation of two repacking plants in Negros Occidental. One is located in Talisay and the other is in La Carlota. The plant in Talisay is supported by the FFHDFI by way of land and building facilities being used by the Talisay plant for free. The plant in La Carlota is supported by the Kabalaka Human Development Foundation. A Plant Supervisor from NCP Manila oversees the operation of the two plants, including the handling of inventories and payment of raw material suppliers and contract laborers. He reports directly to the NCP Central Office.

The La Carlota plant has about 23 workers, while the Talisay plant has about 20 workers who are paid by NCP on a piece-rate basis.

#### Facilities

NCP in Negros Occidental does not have warehouse facilities for supersnacks since it does not handle mass distribution. The provincial government provides the warehouse facilities for the supersnacks. This warehouse is under the responsibility of the PPDO.

NCP has eight nutri-buses in Negros Occidental, which are mainly used to implement the educational component of the program and not to effect mass distribution of commodities. Assuming that the nutri-bus will carry milk-paks, the most it can carry is about 25 boxes of 100 packs per box, with each pack weighing 100 grams.

In its present counseling program, the 2,500-pack capacity of each nutri-bus per trip per week can only service the milk-pak requirements of 416 beneficiaries, considering that 6 packs are given per beneficiary. With 8 nutri-buses, NCP can service 13,312 beneficiaries in one month. Since the beneficiary is visited once every month for six months, NCP can handle only 26,624 beneficiaries per year, which is only 30% of the total 90,000 identified beneficiaries in Negros Occidental. The plant in Talisay has a capacity of 6,000 packs of supersnacks per day. Its 20 workers are on 24-hour operation divided into two shifts. The La Carlota plant has about the same capacity as the Talisay Plant with its 23 workers. The workers are paid 20 centavos per pack, which they divide among themselves. Rice and green mongo are purchased from FFHDFI on a seven-day credit term. The milk, cocoa, labels, and packaging materials are delivered to the plant from NCP-Manila by a forwarding agent.

The plants in Talisay and La Carlota have their own grinder, oven, sealers, and weighing equipments. The grinders are used to grind rice and mongo before mixing them with the milk and cocoa for supersnack preparation. The plant in Talisay supplies the supersnack requirement of implementing agencies located in northern Negros, while the La Carlota

plant supplies the supersnack requirements of southern Negros. The plant capacities of Talisay and La Carlota can ably supply the supersnack requirements of Negros. However, because of problems on raw materials, brownouts, and other operational factors, the plants are not able to supply the supersnacks requirements of Negros Occidental. NCP Manila has to supplement the requirements of the program.

### Procedures

#### 1. Receipt

- a. Supersnacks are sent by the NCP Central Office and delivered directly to the PPDO in Bacolod by a local forwarding agent. There is no NCP personnel at the time of receipt of the commodities. Receipt is acknowledged by the PPDO in the waybill, a copy of which is furnished by the forwarder to NCP-Manila.
- b. Supersnacks produced by the Talisay and the La Carlota plants are delivered to or picked up directly by the implementing agencies with the approval of the PPDO. Supersnacks are no longer sent to Bacolod City by the local food plants as the NCP Central Office takes charge of supplying Bacolod. Receipt is acknowledged by the implementing agency on the provincial invoice receipt issued and filed by the PPDO. No copy of the acknowledged invoice receipt is furnished to NCP.
- c. Material inputs for supersnack production, such as milk and cocoa, are sent by NCP-Manila and delivered directly to the plant by a forwarding agent. Receipt is acknowledged by the Plant Supervisor in the waybill, a copy of which is sent back to NCP-Manila.

#### 2. Warehousing

- a. The warehouse for raw materials at the Talisay Repacking Plant is small -- about 7.5 sq. m. -- and is freely accessible to operating personnel. The warehouse is not separate nor enclosed to prevent access of unauthorized persons.
- b. The PPDO, which coordinates for the Program, does not have adequate warehouse facilities for the supersnacks received from NCP-Manila. What it uses as warehouse is an open shed at the back of the office, which has no wooden pallets or any protective covering. According to the PPDO Officer, this location is much better than the other warehouse owned by the provincial government, which is infested. Also, this other warehouse is prone to looting as it is located near the fence, unlike the present warehouse which, although exposed, is guarded 24 hours a day.
- c. At the municipal level, stock cards are not used to monitor the level of inventory. Since the supersnacks are for immediate disposition to the beneficiaries, the implementing agencies at the

municipal level -- whether government or private agencies -- just prepare a summary of the disposition of the supersnacks received. Stock cards are no longer maintained since the supersnacks are supposed to be distributed in a matter of days. Temporary warehousing of supersnacks is provided by the municipal government. The warehouse can either be the office of the municipal health or nutrition officer, or the residence of the mayor as in the case of Silay City.

### 3. Processing

- a. At the Talisay Plant, the supersnacks are prepared in batches of 20 packs to maintain the right formulation per pack. However, no report or record is maintained to ascertain and monitor the output on the basis of a precalculated mixture of various inputs. Batching is done to maintain consistent formulation but not for accounting of inputs and outputs. Inputs of milk, rice, mongo are issued to the processing operations daily without regard to actual expected output. No batch slips or records, however, support the issuances of material.
- b. Accountability for supersnacks produced are transferred to the custody of the PPDO every week. After disposing of last week's stock and clearing the warehouse located beside the plant, the plant starts filling the warehouse with the daily output for the week. By the end of the week, the inventory is counted by a representative of the PPDO. Custody for this inventory is transferred to the PPDO representative. Afterwards, no further monitoring of the stocks is done by the NCP Plant Supervisor as responsibility for the stocks has been transferred to the PPDO.

### 4. Distribution

- a. The PPDO, using provincial dump trucks, delivers the supersnacks to the Municipal Action Team for the requirements of government implementing agencies at the municipal level every 15 days. Considering the size of Negros Occidental, this is a very tedious and costly operation. For example, it takes three days to deliver the supersnacks to the towns of Ilog, Cauayan, Sipalay, Candoni, and Hinoba-an, which are all located in the south of Negros Occidental.
- b. The private voluntary implementing agencies of the feeding program have to get their commodities directly from Bacolod or the two repacking plants in Talisay for northern towns, and La Carlota for southern towns, which is time consuming. The agencies get their commodities after receiving an advice of the availability of their allocation.

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- c. For both government and private implementing agencies, the mother volunteers get their supplies from the municipal offices or private implementing agencies/offices every 15 days. This entails transportation cost to the mother volunteers who sometimes have to ask for transportation money from the other mothers in their respective barangays to be able to get their commodities. Some haciendas provide transportation, while some municipalities deliver the supersnacks to the barangays when transportation facilities are available. In general, there is no fixed mode of delivery for each feeding center. The mother-volunteers are expected to get their supplies from the warehouse/office of the implementing agency every 15 days.
- d. While it is a policy that certain costs, such as those for kitchen utensils, fuel, transportation and chairs will be the counterpart contribution of the mothers, some barangays do not have the resources to provide for the facilities needed. Even for sugar, some mothers cannot give 15 centavos per day for the sugar that they may want to add to the supersnacks.
- e. Some mother volunteers cook the supersnacks without following the prescribed formulation for feeding which is one cup per beneficiary. This mode of feeding deprives beneficiaries of much needed nutrients.

## 5. Monitoring

Different implementing agencies have different reporting requirements to monitor the feeding program. Some require monthly reports on consumption and attendance sheets signed by the mother volunteers. Some even require the signature of the mother who cooked the supersnack on a daily basis. In all cases, however, the accountability of the PPDO ends upon the receipt of the supersnacks by the implementing private agency or the municipal action team. Responsibility for monitoring the actual consumption at the various feeding centers is the responsibility of the different implementing agencies concerned. None of those reports are provided to the NCP.

## 6. Others

- a. NCP uses a local freight forwarder in sending supersnacks and milk-paks/nutri-pak from Manila to Bacolod and Iloilo on a door-to-door basis. This mode of delivery, however is quite costly.
- b. The transport cost incurred in distribution may be decreased by looking at other means of distribution. According to a provincial employee, the trucks they use deliver about 350 to 400 boxes of supersnacks per trip at a cost of about ₱1,000 per trip for a town located 200 km. from Bacolod City. It would also take the delivery truck about three days to bring 375 boxes of supersnacks to the towns of Ilog, Cauayan, Sipalay, Candoni, and

Hinoba-an in Southern Negros. While this delivery may be a cost shouldered by the provincial government counterpart, and not NCP, it is still a substantial cost in the system. Similar operating costs will be incurred by NCP if a similar program will be completely handled by them.

- c. The mother volunteers and barangay nutrition scholars/or barangay health workers do not receive any incentive for the services they extend to the program, except for the ₱10 per month which they sometimes receive from the local government. In getting their supply of supersnacks, the mother volunteers usually pay for their own transportation, or they ask for donations of 50 centavos from each mother as discussed previously. If she has no transportation money or does not obtain transport facilities (for example, from some haciendas), then the mother volunteer is forced to delay her trip to get the supply until she is able to raise enough money for transportation.

#### 7. Milk-pak/Nutri-pak Distribution

- a. The distribution of milk-paks in Iloilo is done by one nutri-bus. However, having only one nutri-bus limits the number of milk-paks that can be distributed because of its limited loading capacity. The nutri-bus can carry only 25 boxes of milk-paks/nutri-paks. Thus, the NCP in Iloilo can only service the milk-pak requirements of 416 beneficiaries per week, or 1,664 beneficiaries per month for six months. Aside from the six milk-paks per beneficiary per month given to targeted beneficiaries, the nutri-bus program also gives one free milk-pak for every nutri-pak sold and four milk-paks per beneficiary during mass weighing. The nutribus in Iloilo services only those towns within a 40-kilometer radius from Iloilo City because of budgetary constraints. This constraint further limits the capacity of the NCP to distribute milk-paks in Iloilo.
- b. The two Communicators who share responsibility for the custody and distribution of milk-paks do not maintain stock cards. Instead, they just submit a monthly summary of milk-pak distribution for the month, together with the milk-pak distribution report duly signed by the mother recipients.

#### CONCLUSION

In assessing the logistics management capability of NCP in Negros Occidental, consideration should be given to the type of program being undertaken and the objectives of the program. NCP does not have any milk-pak distribution in Negros Occidental as the feeding program in Negros is a nutrition rehabilitation program funded by UNICEF. To

appraise NCP's logistics management capability in terms of the distribution aspect of this program will not be fair to NCP as the distribution aspect is not part of its undertaking as shown in the program agreement. Its participation is only confined to the implementation of the educational component of the program.

NCP, however, is not able to reach the identified beneficiaries of about 90,000 because of limited funding of the program. At present, NCP, with its 8 nutri-buses and 16 Communicators in Negros, has not reached all of the barangays and haciendas in Negros, even with its schedule of once-a-month visits. At most, each nutri-bus can visit only 80 centers in one month, that is, 4 per day for 20 days per month shared equally by the two Communicators. For a total of 40 beneficiaries per center and under the six-month UNICEF program, the present manpower and facilities in Negros can service only 51,200 beneficiaries per year (640 centers x 40 beneficiaries/center x 2 six-month periods per year). This total of 51,200 beneficiaries is about 57% of the identified 90,000 beneficiaries in Negros. Additional funding should be obtained from the UNICEF to reach more beneficiaries in Negros for the educational program alone.

Assuming NCP will undertake the distribution of milk-paks under the USAID program instead of the present educational component under the UNICEF program, NCP will be able to reach about 26,624 beneficiaries annually, or about 30% of the targeted beneficiaries. The 26,624 is derived by looking at the milk-pak capacity of each nutri-bus and the requirement of each beneficiary. To illustrate:  $2,500 \text{ packs} / 6 \text{ packs/beneficiary} = 416 \text{ beneficiaries}$ .  $416 \text{ beneficiaries/bus/week} \times 4 \text{ weeks} \times 8 \text{ buses} \times 2 \text{ periods} = 26,624 \text{ beneficiaries}$ . This means that under the milk-pak distribution, the number of beneficiaries which may be reached by NCP is even less than what is being serviced by NCP under the educational component program of the UNICEF.

To enable the NCP to service the 51,200 beneficiaries being serviced under the educational component program, additional 7 nutri-buses will have to be fielded, together with about 2 Communicators and one Driver-Technician for each nutri-bus, or a total of 14 Communicators and 7 Driver-Technicians. The large outlay required may have to be carefully evaluated against the other programs of NCP. Aside from the large outlay, the milk-pak distribution will also involve establishment and/or upgrading of warehouse facilities.

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## FINANCIAL CAPABILITY OF NCP

### BACKGROUND

Since NCP's establishment in 1974, its activities have focused mainly on the development and application of program concepts designed to boost the Philippines' food and nutrition program, particularly in food and social science research, information and education, and local and international training. As a lead agency in the mobilization of private sector resources, the NCP has tapped the assistance of various private organizations, both local and foreign, in the implementation of its programs and projects. Assistance from these organizations come in the form of cash, basic commodities, equipment, and services. Various provincial and local government units have also extended financial assistance to projects implemented in their localities.

At present, NCP is engaged in the distribution of nonfat dry milk donated by the United States Government through CAI. The milk distribution operations form an integral part of a number of NCP's projects under its Nutrition Operations Division's service delivery component. Among these projects are the Nutri-bus program, mental feeding program, disaster food and relief assistance program, and the Barangay Intensive Nutrition and Health Intervention (BINHI) program.

The review of NCP's financial capability was conducted to:

- o Evaluate the sufficiency of its financial resources for current and projected levels of operations;
- o Assess the financial requirements of NCP for a desired projected level of operations in relation to its present financial resources; and
- o Determine the cost-effectiveness of NCP in implementing its commodity distribution projects by comparing plans with actual results.

Our analysis is based on available records and on interviews with key NCP officers and staff who were available at the time of the study. Moreover, our review of NCP's financial position and resources against its activity levels was quite limited because activity levels are projected and measured on a calendar basis. On the other hand, financial statements are prepared on a fiscal year basis ending in April 30. Thus available statistics were not readily comparable.

## FINDINGS

### 1. NCP's Financial Position

From NCP's audited statements of assets, liabilities, and fund equity for the fiscal year ending April 30, 1986 (Exhibit 5), total assets amounted to ₱69.5 million, of which ₱28.4 million or 41% is in other assets in various time deposit accounts for trust funds. Among its current assets are ₱2.5 million worth of short-term investments in treasury bills, CB bills, and other government securities, ₱19.4 million in time deposits for current operating purposes, and ₱7.0 million in current and savings accounts. Total investments in time deposits, securities, and current and savings accounts total ₱57.4 million or 83% of total assets.

Over the last three years, NCP has maintained minimum balances of liabilities, all of which are current. These liabilities range from ₱0.55 million in April 1984 to ₱0.88 million in April 1986 or only about 1.2% of total assets.

Ninety-nine percent of NCP's fund sources is composed of fund equities totaling ₱68.6 million in April 1986 -- an increase of ₱16.1 million over equities of ₱52.5 million in 1985. Of the ₱68.6 million equity, ₱32.2 million is in the trust fund equity. The remaining ₱36.4 million consists of ₱4.7 million in restricted funds and ₱31.7 million in general funds. Restricted funds consist of funds held for the various projects of the foundation assisted by the United Nations Children's Fund (UNICEF), U.S. Agency for International Development (USAID), National Nutrition Council (NNC) and other projects related to nutrition education, food assistance and production, and health protection, as well as the implementation of the Philippine Nutrition Program. On the other hand, NCP's unrestricted equity funds consist of donations for non-specific projects, earnings from investments, and such other funds which NCP uses to finance its day to day operations.

From April 30, 1985 to June 30, 1986, NCP's books showed that the total fund equity has decreased by ₱1.5 million. This decrease resulted from a drop of ₱0.6 million in restricted funds and ₱0.9 million in the trust fund equity. The ₱0.9 million decrease in the trust fund equity resulted from the payouts from the Employee's Benefit Fund to employees who volunteered to resign from NCP during the reorganization. We also learned that since the February revolution, some donors, particularly local government units, have withdrawn their support for the year.

### 2. NCP's Results of Operations

Based on NCP's audited statement of changes in the unrestricted fund equity (Exhibit 6), its operations for fiscal year 1985/1986 resulted in an ₱8.5 million increase in the fund equity.

Among NCP's receipts in FY 1985/86 was ₱18.8 million worth of grants from various sources, which accounted for 77% of the ₱24.5 million receipts. The remaining ₱5.7 is accounted for as NCP's income from investments and foreign exchange income. NCP's expenses totaled ₱16 million, of which ₱5.7 million was spent for salaries and wages and employees' welfare and benefits. No amount was appropriated to the trust fund equity during the year, whereas ₱2 million was appropriated to the trust fund in the fiscal year ending April 1985.

The ₱8.5 million excess of receipts over NCP's expenses is available for use in future operations and further boosts NCP's financial capability to operate its projects.

On the basis of its 1985 budget, NCP forecasted a fund requirement of ₱30 million to finance its operations for the year. Of this amount, ₱19.8 million was to have been provided from general fund sources, with the remainder to be sourced from donors to specific programs and projects. As shown in NCP's statement of changes in fund equity, the unrestricted fund equity was able to cover its general fund requirements for 1985. Data to show whether or not the desired ₱10.2 million funds from restricted sources were generated are confidential data and could not be made available to the consultants.

### 3. Accomplishments against Performance Indicators

Only the 1985 accomplishment report was available for analysis because NCP measures performance on a calendar basis. For projects related to commodity distribution, the NCP aimed at a distribution of 820,000 milk-paks (100 grams each) and sales of 450,000 nutri-paks through the Nutri-bus program. In 1985, actual distribution of milk-paks totaled 1,002,679 packs (122% of the target) and sales of 309,895 (69% of the target) of nutri-paks. The PAD Chief explained that, while NCP wanted to increase its sales of nutri-paks and maintain the 1:1 ratio of milk-pak-nutri-pak distribution, the Center cannot do so because even at ₱1.50 per pack, the target market still cannot afford to buy nutri-paks. On the other hand, the demand for free-milk supplement is overwhelming. In addition to the nutri-bus program, NCP was also able to distribute about 45,000 milk-paks (with 40,000 packs at 1 kg. per pack) and other milk products through the disaster food and relief assistance program. NCP distributed milk through the BINHI program and mental feeding program and through other institutions. However, data on total distribution are still being updated.

As a result of the withdrawal of financial support by the national government and some local government units in the middle of 1986, NCP had to stop the operation of some 15 nutri-buses, leaving only 12 in operation. From six plants at the end of 1985, only three nutri-pak/supersnack plants now operate in Iloilo and Negros Occidental.

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The changes which occurred in the Philippines' political environment has precipitated a redirection in NCP's program thrusts, particularly in its service delivery programs, primarily because of financial reasons. For 1987, NCP still intends to fulfill its commitments to supply milk and other milk supplements in Negros Occidental, Iloilo, and Camarines Sur. However, it plans to deliver more food assistance to Metro Manila beneficiaries since malnutrition has been identified to be a pressing problem in Metro Manila also. NCP's executives are optimistic that the Center will be able to field all of its nutri-buses in 1987 because some of the new officers-in-charge of local government units have signified their intention to renew their support to the NCP. Correspondingly, NCP expects to be able to reach its old distribution levels for milk-paks and nutri-paks at a lower cost, Metro Manila being the main target of operations.

#### 4. Monetization of a Portion of the Donation

On the average, NCP spent approximately ₱650,000 to transport, store, repack, and distribute 35,000 bags or 850 tons of milk for one year. Assuming cost levels will not change, NCP will incur about ₱1.3 million in expenses if CAI's request for 1,600 metric tons of milk for distribution in the Philippines is granted by the US Government.

In NCP's proposal to CAI, which formed the basis for the preparation of CAI's pending proposal to the US Agency for International Development in 1986 (Exhibit 7), NCP requested for the monetization of at least 5% of the market value of the commodity donation. NCP Plans to use the proceeds of the monetization for future expenses in storing, hauling, packaging, and distributing the commodities to its recipients.

In the past, NCP has used a portion of its general fund equity and donations from various local government units and CAI-sourced funds to pay for commodity-distribution-related expenses. For future commodity donations, however, NCP's executives believe that the permission from a donor to monetize a portion of the commodity donation is a necessary precondition for NCP's acceptance to distribute the commodity donated. While NCP's present financial resources may be sufficient to cover in the short run, the expected costs related to the donated commodities, such costs will still cause depletion of financial resources. As has been mentioned, commodity distribution constitutes only a small portion of NCP's operations; thus, expenses for the program should not unduly cause NCP financial constraints. Moreover, NCP is currently undertaking other equally important projects that draw financing from the general fund equities.

#### 5. Fund Sources

Over the past years, the Tourist Duty-Free Shops, Inc. (TDFS) has been NCP's biggest source of unrestricted fund equity. By virtue of Presidential Decree No. 1193, TDFS was mandated to remit 5% of its net

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sales to NCP and other similar projects in lieu of payment of business and income taxes. After the February revolution, however, NCP has not received any amount from TDFS. In fact, the last remittance made by TDFS was on February 5, 1986. This remittance amounted to ₱1.86 million, representing the cost of franchise tax for October 1985. As a result, NCP has resorted to drawing heavily from its time deposit accounts despite the reduction in the scope of its operations. Between May to July 1986, NCP withdrew a total of ₱500,000 from its time deposits, and its cash balance of ₱3.4 million in current and savings deposits decreased by ₱367,000.

Because of the presence of funding commitments to NCP by agencies like the UNICEF and CAI, NCP is confident that it will be able to sustain its operations next year, including its projects under the research, training and nutrition education components. Moreover, NCP has received offers of support from some of the new officers of the local government units. We gathered that the arrangements with these local officials will be finalized before the end of 1986 or early in 1987.

In 1985, NCP handled an estimated 35,000 bags of milk or 794 tons through its various service delivery programs. While milk-related costs can be identified, we noted that the bigger costs related to the other programs must necessarily be incurred because these projects go hand in hand with milk distribution. NCP perceives these other programs as having a stronger impact on the beneficiaries. Hence, about ₱10 million pesos (one-third of the total budget requirements for 1985) was budgeted for the implementation of the service delivery programs consisting of the nutri-bus program, BINHI, mental feeding program, disaster food and relief assistance program, in 1985. Of the ₱10 million, ₱6 was earmarked for the nutri-bus program, the single biggest program through which the commodities are distributed. On the other hand, milk-related costs of storage, transport, packaging, and distribution, which amounted to about ₱650,000 annually, constitutes about 7% of the ₱10 million service delivery budget. Funding for all these projects was projected by NCP to have come from both general and restricted fund sources.

As mentioned earlier, NCP's major source of general funds was the TDFS, which contributed an average of ₱14 million annually for the years 1984 and 1985. On the other hand, the USAID, UNICEF, local government units and CAI were the major sources of restricted funds.

Assuming that the volume of commodities of milk to be distributed in 1987 will be the same as that in 1985, NCP would still incur about the same amount of expenses of ₱10 million for the implementation of programs where the distribution of 35,000 bags of milk is integrated. The certainty of the resumption of TDFS remittances cannot yet be established. According to the NCP Deputy Executive Director, however, there is a possibility of getting some financial support (amount not known) from the national government. Thus, NCP has decided to redirect its thrusts toward delivering the NCP services to its target

beneficiaries in Regions 5, 6, 10, and Metro Manila only to reduce service delivery cost. Emphasis will be focused on Metro Manila operations and on increasing the participation of the government agencies, institutions, and other organizations in the distribution of commodities. Meanwhile, NCP will just have to rely on its financial resources, which they have accumulated during its past years of operations, to sustain future activities. With its present unrestricted equity of ₱31.7 million and assuming a ₱10 million normal expense for its programs, NCP can fund their operations for only three years without additional assistance and additional projects.

## 6. Budget Monitoring

For organizations like NCP, the timely availability of funds is critical to the successful implementation of projects. The funding is even more critical when resources are scarce; thus maximum and effective use of funds must be emphasized. For NCP, the use of funds can be measured through budget monitoring, by which the budgets of projects can be compared with the actual costs incurred to implement these projects. Budget monitoring highlights areas where NCP may need to cut costs, as well as those that contribute to the efficient use of resources.

While we realize that NCP monitors its budget status quarterly, we noted that monitoring for NCP's cost centers is not completely done. In 1985, however, only 10 out of the more than 20 centers of NCP's NOD has budget status reports. These reports covered only the first three quarters of 1985. The lack of reports is particularly critical to NOD because this division is in charge of NCP's service delivery component, considered by NCP's officers as the most important component of NCP. If NCP were to measure the financial efficiency of this component, its budget-monitoring system must be able to generate budget status reports for the NOD's quarterly accomplishment reviews. The failure of the budget monitoring system to generate the reports however, is largely due to the reorganization program undertaken by NCP in mid-1986 as a result of a reduction in fund sources, specifically TDFS, after the February revolution.

## CONCLUSION

On the basis of our review of NCP's financial statements and other pertinent records, as well as our interviews with key NCP executives, we believe that NCP has the financial capability to implement a commodity distribution program. Long-term implementation of such a program without external financial support, however, may cause an accelerated depletion of its financial resources at the expense of its other equally relevant and beneficial projects. Thus, NCP's long term capability to engage in a commodity distribution program hinges largely on its ability to tap alternative sources of financing either locally or from abroad and/or its ability to reduce implementation costs.

ANNEXES, ATTACHMENTS, EXHIBITS AND APPENDICES

LIST OF RECOMMENDATIONS

Monitoring of NCP by ACCI

1. For a more accurate reporting of the condition of the commodities received as well as for the number of milk bags received and used as shown in their initial report on shipments, the disposition or action taken regarding the busted bags and the decrease in contents should be included in the ACCI report to CAI.
2. The exclusion of nutri-pak from the reports should be cleared by ACCI with NCP. In addition, the monitoring of the 50-50 milk use compliance requirement in the CAI-NCP contract should be strengthened.
3. The monitoring procedures should include a checking for, and reporting spillages of the milk, which is experienced more particularly in the repackaging and reprocessing centers. ACCI should advise NCP, where appropriate to establish a simple system of accounting for the use of milk, which will include all aspects of milk use and distribution.
4. The monitoring procedures should include monitoring after point of receipt of commodity. ACCI should conduct more frequent spot checks of actual distribution.
5. To ensure that only qualified beneficiaries actually receive the milk-paks, ACCI should at least conduct quarterly visits to the beneficiary's residence to determine whether the individual is really a qualified beneficiary, and that the individual actually received the milk-paks. A representative from ACCI should also observe at least quarterly, a physical count of the commodities to verify independently any discrepancies between the count and the balance per inventory records.
6. ACCI should clarify with CAI as to whether ACCI is covered by USAID's Regulation No. 10.

Organizational Capability of NCP

Overall Organization

NCP should plan and reassess its objectives and strategies for 1987 and the coming years. Any change in objectives and strategies will largely determine the change in the size of the organization structure, the activities, and assignments of individuals in the organization. Based on these changes, job descriptions should be reviewed and updated accordingly.

We understand that because of financial constraints, NCP is reviewing the objectives, strategies, and organization structure for 1987. We suggest that the findings we have noted on the duplication of functions in

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so far as the development of computer-based systems and the various functions of the PAD Chief be considered in the light of the changes that will be made by NCP.

#### Commodity Distribution Operations

1. At present, the organizational setup of the NOD particularly for the Nutri-bus Program through which the distribution of commodities is principally carried out--is adequate. The machinery and manpower required for the present level of distribution operations are in place. NOD's activities, however, can be improved by having a stronger monitoring system for milk distribution. The audit of this activity can be assigned temporarily to the Area Coordinators who are required to conduct periodic field visits. As discussed with NCP personnel, the Coordinator should document all home visits or interview results, as well as surprise inventory count for evaluation purposes. The documentation of the audit will ensure that the verification work is being done by the Area Coordinators. NCP has plans of hiring an Operations Assistant for this audit. In view however of financial constraints, the Area Coordinator could be assigned to do this audit in the meantime.

The extent to which NCP -- as the implementing arm of CAI in commodity distribution -- can handle future requirements, hinges largely on the adequacy of monitoring systems and personnel of NCP.

2. As far as the other aspects of commodity distribution operations are concerned, NCP should consider to undertake the following procedures:
  - a. Review of the role played by the PAD Chief in logistics management and in other operations-related tasks. We suggest that the PAD Chief be allowed to concentrate now on the review of the organization and on other priorities directly related to his principal functions as PAD Chief. Management should review its plans regarding PNFC and the income generating projects of NCP and determine, based on the significance of the projects and the tasks required, the assignment of managing PNFC and the other projects.
  - b. Review of the accounting work required to control the receipt and distribution of commodities so that tasks and outputs could be defined clearly, and the corresponding job descriptions of the Finance personnel are updated. For effective management of the program, the recording and reporting of information on the receipt and distribution of commodities should be properly provided for.
  - c. The processing aspects of commodity distribution may be improved by the performance of the following:
    - o Approving Food Plant deliveries
    - o Monitoring and reporting Food Plant transactions

### Non-Nutri-bus Operations

The objectives of and plans for the non-nutri-bus operations, particularly those in Metro Manila, should be documented at this stage to determine the gaps in the structure required to implement this project. The important activities that should be considered in the non-nutri-bus operations are:

- o Criteria setting
- o Logistics (including scheduling of releases)
- o Liaison/networking with private institutions and other government agencies
- o Audit of distribution to target beneficiaries
- o Commodity accounting.

Logistics Management Capability of NCP

### Warehouse Inventory Control

1. Commodities at the warehouse should be properly stockpiled to avoid falling off and damage to commodities and to facilitate an accurate physical count.
2. A quarterly or semiannual physical count of donated commodities at the warehouse should be conducted to ensure accuracy of inventory records and to allow for prompt detection of any loss of commodities.
3. Stock and inventory records in the warehouse and in the Finance Division that will indicate running balances of milk bags, milk-paks, nutri-paks, supersnacks and all PNFC products should be maintained. Before any authorization to withdraw milk bags or any inventory is issued, verification of the availability of these items can be made with the use of these records. The stock/inventory cards will also be an effective tool for controlling receipts and issuances of inventories.

### Processing

The NCP Food Plant Supervisor should be required to forward to the NOD Chief the documents of commodities to be shipped to the distribution sites so that quantities of these commodities can be checked against requisition documents before actual shipment. The checking by NOD will eliminate errors in deliveries and prevent stockouts at the distribution sites.

### Overall Monitoring of Commodity Movement

Since adequate monitoring procedures are implemented and reports are prepared in each stage of commodity movement, we suggest that NCP provide for a system to enable consolidation of the procedures and reports of the commodity status. Should NCP accept other commodity donations from other donors, the specific use of these commodities can also be monitored through such a system.

Likewise, we recommend that NCP adopt the preparation of the Monthly Distribution and Utilization Report. The Monthly Report should show current month's and the year-to-date quantities of consumption/use, as well as budget figures for the period. This report will assist management in monitoring commodity distribution.

Logistics Management Capability of NCP, Naga City

#### Distribution

For milk spillage and wastage to be minimized, milk being repacked at the NCP Main Office should be properly weighed, sealed, and double sealed, and carefully inspected before they are placed in cartons.

#### Records/Reports

For Communicators to have the information on the commodity requirements of each barangay before their scheduled monthly visit, they should request the Barangay Nutrition Scholar (BNS) designated to the respective barangays to submit the names and number of beneficiaries, and the quantity of milk-paks these beneficiaries are entitled to receive, including the quantity of nutri-paks they will buy. This information should be submitted to the Communicators at least two weeks before the scheduled visit to provide them sufficient time to plan their visits. This procedure will also help avoid situations in which the beneficiaries do not receive the commodities they are entitled to because of stockout. By obtaining information on commodity requirements of each barangay weeks before the visit, the Communicators will have a better basis for planning the inventory levels required. Communication between the BNS and the Communicators maybe effected through radio messages, passenger jeepneys, etc.

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## Logistics Management Capability of NCP, Negros Occidental

### o NCP

#### Personnel

The present manpower complement of NCP for the nutri-bus operations to implement the educational component of the program in Negros Occidental is adequate. However, if NCP will also handle the monitoring of the distribution of milk-paks, additional personnel should be hired to handle the record keeping and monitoring, receiving, and issuances of milk-paks.

#### Procedures

##### 1. Receipt

NCP should be informed beforehand of commodities to be received in the provincial office so that an NCP representative can be present at the time of this receipt. If this representative cannot be present at the time of this receipt, then the NCP office should be advised immediately after receipt of the commodities so that a representative can check the quantity and conditions of the commodities within one or two days after this receipt.

##### 2. Warehousing

The warehouse for raw materials should be properly enclosed to separate the area from the processing operations. The door should be locked at all times to prevent unauthorized persons from entering the area. The enclosure will also provide protection for the commodities stored in the warehouse from the elements.

##### 3. Processing

Batch slips should be prepared to support issuances of inputs for processing. An expected output based on standard formulation should also be indicated on the batch slip. This procedure will ensure that all material inputs are accounted for and the expected output correspondingly monitored as well.

##### 4. Distribution

The NCP should consider establishing reprocessing plants in other areas of Negros Occidental, particularly in the Southern and Northern areas or in other areas nearer to the implementing agency. Suggested areas include Kabankalan in the south and Victorias in the north. Instead of the present practice of delivering supersnacks from the Provincial Planning and Development Office (PPDO) in Bacolod to the implementing agency, supersnacks will now be delivered from the identified processing plant to the implementing agency. This will not only lessen the delivery cost as the processing plant will be near the implementing agency. It will also serve as incentive for local

producers of rice and mongo as the plant is a ready market for their products. The Victorias Milling Company (VMC) is interested in having their own reprocessing plant similar to the one located in Talisay. VMC is willing to provide the building and some of the equipment. The proposed VMC plant can then supply the needs of about 4,500 beneficiaries in their area and the neighboring towns like Manapla and Cadiz City. VMC does not have to pick up its supplies from Talisay or even Bacolod City.

5. Others

- a. The manner of delivery in sending supersnacks from Manila to Bacolod and Iloilo may be costly but considering the limited facilities and personnel of NCP in the province, the high cost may be justified in terms of the fast and efficient service received.
- b. The high cost of transporting materials being incurred further justifies the tapping of local sources of food supplements near the target beneficiaries rather than relying on goods shipped from Manila or Bacolod to the outlying provinces.

6. Milk-pak/Nutri-pak Distribution

- a. If program funds warrant, additional nutri-buses should be fielded in Iloilo in order to reach other areas of the province. This will enable NCP to distribute more milk-paks and nutri-paks as a supplement to its counseling and educational campaign on nutrition and health care.
- b. For NCP-Iloilo to pinpoint responsibility for the custody of the milk-pak stocks, we suggest that one of the Communicators be assigned as custodian of the milk-pak for the first three months, and the other for the next three months. This recommendation is similar to the present scheme for custodianship of the petty cash fund. As much as possible, stock cards should also be maintained for all milk-paks received and issued by the Communicators.

o PPDO

Facilities

In order to adequately handle the monitoring of the distribution of milk-paks all over Negros Occidental, NCP should have additional warehouses in the South (i.e., in Kabankalan and Sipalay) and in the East (i.e., in San Carlos City) or even in temporary drop centers where the implementing agencies located in nearby towns can get their supplies regularly.

Procedures

1. Receipt

A copy of the provincial invoice receipt as well as a distribution receipt acknowledged by mother-volunteers should be forwarded to NCP for all supersnacks delivered to or picked up by the implementing agencies.

2. Warehousing

a. Inasmuch as supersnacks are delivered within a few days after receipt by PPDO to the implementing agency the use of arrangements for temporary warehousing may be made pending the provision of adequate warehouse facilities. Accountabilities for the commodities, however, should be properly cleared and established with the implementing agency.

b. A uniform document for distribution of supersnacks to beneficiaries should be used by all implementing agencies, a copy of which should be forwarded to the NCP, UNICEF through CONCERN, and the PPDO. In addition, even if the supersnacks received will be disposed of in a matter of days and a zero balance will be reflected in the records, it would be advisable to maintain stock cards to show a historical record of the receipts and dispositions of supersnacks to beneficiaries.

3. Distribution

a. Aside from establishing additional repacking plants, intermediate temporary-warehouses can be established by implementing agencies in certain strategic towns near the implementing agency where they can get their regular supply of supersnacks. Regular schedules can also be established for the pickup of the supersnacks from these temporary warehouses. For example, if a temporary warehouse or drop-off point can be established within the municipal hall of Kabankalan, private implementing agencies with feeding centers in the southern towns of Negros Occidental can just pick up their supplies from Kabankalan, instead of going to La Carlota or even Bacolod City. Thus on the 5th and 20th of the month, deliveries will be made by the PPDO to Kabankalan and the implementing agencies can pick up their supersnacks on that date or one to two days later.

b. It would be best if the supersnacks will be delivered directly by the implementing agencies to the feeding centers in the barangays, particularly those centers whose location are very far from the present pickup points. At present the implementing agency was able to save on transport cost by asking the mother-volunteers to pick up their supplies. However, the burden of the transport cost

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has been shifted from the implementing agency to the mother-volunteers. At times, the lack of transportation money has delayed the pickup of the commodities and consequently the feeding schedule.

- c. Provision should be included in the program to provide cooking facilities for certain very needy and depressed barangays. The amount to be spent for cooking facilities may be minimal to NCP, but would seem big for the needy recipients who do not even have the money to buy food for themselves.
- d. The Barangay Nutrition Scholars should ensure that the supersnacks served are in accordance with the prescribed formulation so as not to deprive the beneficiaries of the nutrients and calories needed daily. Second servings for some kids may even be allowed since five extra servings are allowed per month. Thus, two servings (one in the morning and one in the afternoon) may be given to the beneficiaries at least once a week.

#### 4. Monitoring

It would be better if some form of feedback or monitoring report would be submitted by the implementing agency to the PPDO and the NCP on the disposition of supersnacks at the feeding center level or at least at the barangay level. As of now, monitoring is being performed only by CONCERN, a private foundation founded by UNICEF. CONCERN monitors the number of children enrolled in the program by batch, and the date when a beneficiary is supposed to start and end his feeding. It does not, however, monitor actual disposition of supersnacks at the barangay or the feeding center level.

#### 5. Others

The mother-volunteers should be given some incentive in cash or in kind for the services they render to the program to ensure continuing involvement in the program. The incentive will also help in augmenting the ways by which mother-volunteers meet their families needs.

#### Financial Management Capability of NCP

Considering the present financial position of NCP and the uncertainty of future funds flow, we suggest that NCP:

- o Pursue its current efforts to reduce costs, whenever possible;
- o Report regularly and promptly the budget status, particularly on the nutri-bus operations.

- o Prepare and analyze monthly financial statements (balance sheets, statements of changes in fund equity) to keep management informed of the organization's financial position; and
- o Explore possibilities of additional funding from previously tapped and untapped sources. One example would be for NCP to venture to other small income generating projects.

DAIRY PRODUCT DONATION AGREEMENT

- I. THIS AGREEMENT Is made by and between Children's Aid International, Inc. (hereinafter referred to as CAI) and the Nutrition Center of the Philippines (hereinafter referred to as NCP) with regard to the supplying and distribution of fortified nonfat dry milk and pursuant to the following facts:
  - A. CAI has been selected as a cooperating sponsor by the United States Department of Agriculture (hereinafter USDA) in its dairy donation program under Section 416 of the Agriculture Act of 1949 (as amended).
  - B. CAI amended its contract of June 17, 1983 with the Commodity Credit Corporation (an entity of USDA) on June 21, 1985 for the receipt and free distribution of 1,100 metric tons of fortified nonfat dry milk in The Philippines (see copy of this amendment).
  - C. NCP desires to participate and assist in implementing the distribution of this product to needy persons in the Philippines. With the assistance of CAI representatives, has obtained funds in addition to its own resources to accomplish the storage and distribution of such products in The Philippines.
- II. NOW THEREFORE, the parties hereto commit themselves and agree as follows:
  - A. CAI obligations:
    1. CAI shall take title to and ownership of the commodity at the United States port of export in July 1985, October 1985, and March, 1986.
    2. CAI shall assure the shipment of such commodities to the Port of Manila.
    3. CAI shall have its properly authorized representative at the Port of Manila upon arrival of the product to inspect, inventory, and account for the amount and condition of the product on board.
    4. CAI shall have its properly authorized representative at the Port of Manila transfer ownership and title to the product, by proper documentation, to the authorized representatives of NCP on board the vessel.
    5. CAI shall have its representative in Manila, assist, monitor, and consult with NCP representatives in the unloading, storage, transfer, repackaging, distribution, and reporting as to the disposition of the product.

B. NCP obligations:

1. NCP agrees to take ownership and title to the product upon its arrival in the Port of Manila.
2. NCP agrees to unload, store, repackage, properly describe the origin of the product by poster, and distribute the product at NCP's expense.
3. NCP agrees to repackage approximately 50% of the product in small packages for free distribution as raw milk, and approximately 50% will be added to including Nutri-Pack nutri-products which will then be either distributed for free or sold at subsidized prices (i.e., without costing the milk added).
4. NCP agrees to distribute such repackaged commodity to needy families and children in the cities of Tacloban, Cebu, Metro Manila, Davao, and Bacolod; and in the provinces of Tarlac, Southern Leyte, Negros Occidental, Bataan, and Nueva Ecija; and such other locations as are mutually agreeable to NCP and CAI.
5. NCP agrees to coordinate with and permit CAI representatives to inspect, monitor, and report as to the storage, transportation, packaging, and distribution. NCP agrees to assume primary responsibility for the monitoring to assure free distribution, and shall hold CAI harmless from any lack of such monitoring by CAI.
6. NCP agrees to maintain records reflecting all transactions pertaining to the receipt, transportation, storage and distribution of dairy products, and to permit inspection at reasonable times by CAI representatives of such records.
7. NCP agrees to report semi-annually to CAI as to the receipt and distribution of the product.
8. NCP warrants that it has not employed any person to solicit or secure this Agreement upon any agreement for a commission, percentage, brokerage, or contingent fee and that no consideration or payment has been or will be made.
9. NCP will arrange for exemption from any and all government duties, tolls, or taxes which might otherwise be imposed on such commodities if they were to be used for commercial purposes.

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IN WITNESS WHEREOF, CAI and NCP have caused this Agreement to be duly executed in duplicate by their respective officers.

CHILDREN'S AID INTERNATIONAL, INC.

NUTRITION CENTER OF THE PHILIPPINES

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

5/014  
6/014  
OGSM/416 DDP' (Amendment 3)  
Country: PHILIPPINES

UNITED STATES GOVERNMENT  
DAIRY PRODUCT FOREIGN DONATION AGREEMENT  
(SECTION 416)

Agreement No. 3014 between the Agency for International Development (A.I.D.), the Commodity Credit Corporation (CCC) and Children's Aid International, Inc. (Cooperating Sponsor) dated June 17, 1983 as amended, is amended as follows:

1. Section 2 is amended by adding the following:

<u>Product</u>	<u>Package</u>	<u>Quantity MTs (Lbs/000)</u>	<u>Month</u>	<u>Foreign Port</u>
Non-Fat Dry Milk (Fortified with Vitamins A & D)	50. Lb. sacks	350 ( 771)	July 1985	Manila
		375 ( 826)	Oct. 1985	
		<u>375 ( 826)</u>	March 1986	
Total		<u>1,100 (2,423)</u>		

2. With regard to the dairy products furnished pursuant to this Amendment the terms and conditions set forth in A.I.D. Regulation 10 are incorporated into and made a part of this Agreement and will apply in the event of any inconsistency with the provisions of this Agreement.
3. All other provisions of the original Agreement remain the same.

IN WITNESS WHEREOF, A.I.D., CCC, and the Cooperating Sponsor have caused this Amendment to be duly executed by their respective officers.

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AGENCY FOR INTERNATIONAL  
DEVELOPMENT:

COOPERATING SPONSOR:

CHILDREN'S AID INTERNATIONAL

BY: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

COMMODITY CREDIT CORPORATION

By: \_\_\_\_\_

Title: General Sales Manager, FAS  
and Vice President,  
Commodity Credit Cooperation

Date: \_\_\_\_\_

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NON-FAT DRY MILK

This commodity is a good supplement in programs where there is need for additional protein in the diet. Because energy to protein ratio is extremely low, this commodity is only suitable for child feeding if it is mixed with other commodities, preferably concentrated sources of energy, such as oil or sugar.

Nutritive Values (per 100g)

<u>Energy and Nutrients</u>	<u>Amount</u>	<u>Unit</u>
Food Energy	363	Kcal
Protein	35.9	g
Crude Fat	0.8	g
Carbohydrates	52	g
Calcium	1,308	mg
Iron	0.6	mg
Phosphorus	1,016	mg
Potassium	1,745	mg
Sodium	532	mg
Thiamin	0.4	mg
Niacin	8.0	NE
Riboflavin	1.8	mg
Vitamin A (fortified only)	2,200	IU
Vitamin C	7	mg
Vitamin D (fortified only)	440	IU

Ingredients and Processes

- Nonfortified      Fat and water removed from pasteurized, fresh, sweet milk through the spray process. Contains lactose, milk proteins, and milk minerals in the same relative proportions as the fresh milk from which it is made. Fat content does not exceed 1-1/2% by weight.
- Fortified          Same as nonfortified, but includes not less than 2,200 I.U. of Vitamin A and 440 I.U. of Vitamin D. Stabilized and blended in a dry, edible and soluble carrier.
- Packaging        1. Packaging Description: 50-pound sacks (22.4 kg) suitable for exportation (approximately 1.22 cubic feet per sack) constructed of 3 layers of kraft paper, with inside linings of polyethylene. Sacks may be sealed by sewing horizontally along upper

bb

edge, without sewing the polyethylene linings, or the sacks may be sealed with heat. If bags are sewn, exposed threads will be covered with paper to prevent insect and dust penetration into the powder. Each sack contains a loose 4-mil polyethylene lining insert, gathered in the form of a goose neck and tied.

Inspection and Testing

1. Nonfat dry milk is Extra Grade, and shall meet the United States Standards for Grades of Nonfat Dry milk (spray process), in effect on April 1, 1973.
2. Inspection and testing procedures for the purpose of determining the grade and weight will be done in accordance with the following USDA procedures:
  - a. USDA General Instructions for Sampling Nonfat Dry Milk dated July 13, 1970, as revised (DA Instruction No. 918-30);
  - b. USDA Methods of Laboratory Analysis for Dry Whole Milk and Nonfat Dry Milk dated November 30, 1972 (DA Instruction No. 918-103-1).

Storage

Requires Dry Storage

EXHIBIT B

OGSM/416 DDP 3014 (Amend .1)  
Country: PHILIPPINES

UNITED STATES GOVERNMENT  
DAIRY PRODUCT DONATION AGREEMENT  
(Section 416)

The purpose of this amendment is to provide an additional 200 MT to Children's Aid International (CAI) according to the following schedule of shipments for the period April 1, 1984 to September 30, 1984:

<u>Delivery Month</u> <u>(to U.S. Port)</u>	<u>Nonfat Dry Milk (50 lb Bags)</u>	<u>Total Quantity</u>
<u>MAY 84</u>	<u>200</u>	<u>200</u>
Totals (MT)	200	200

All other provisions of the original agreement remain the same.

IN WITNESS WHEREOF, AID, CCC, and the Cooperating Sponsor have caused this Amendment to be duly executed by their respective officers.

AGENCY FOR INTERNATIONAL DEVELOPMENT

COOPERATING SPONSOR

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

COMMODITY CREDIT CORPORATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

Title: General Sales Manager and  
Vice President, CCC

LIST OF REPORTS PREPARED  
BY ASIACITI CORPORATE CONSULTANTS, INC.

1. Initial report on the first milk shipment, dated September 30, 1985
2. Final report on the distribution of the first milk shipment, dated April 21, 1986
3. Initial report on the second milk shipment, dated December 13, 1985
4. Final report on the distribution of the second milk shipment, dated August 19, 1986
5. Initial report on the third milk shipment, dated July 1, 1986
6. Report on the observation trip of Asiaciti Corporate Consultants, Inc. (ACCI) to the Southern part of Luzon, Visayas, and Bukidnon, dated October 8, 1986

Source:

Except for No. 4, all ACCI reports to Children's Aid International (CAI) CAI on the Nutrition Center of the Philippines (NCP) were furnished to the consultants by NCP.

LIST OF MAJOR PROJECTS OF THE  
NUTRITION CENTER OF THE PHILIPPINES

1. Nutribus Program
2. Strengthening the teacher-child-parent approach in the school health nutrition program
3. Strengthening community based organization on nutrition
4. Trainings for the private sector
5. Nutrition orientation
6. Breastfeeding in the medical curriculum
7. Advanced training program in food and nutrition planning and management for community development
8. Short-term training on food and nutrition planning and management for community development
9. Breastfeeding primer
10. Nutrition factbook
11. Vitamin A deficiency, anemia and goiter (VADAG) control
12. VTR production
13. Library support services
14. Iron and food supplement delivery for pregnant women
15. Infant feeding study
16. Water, sanitation and diarrhea studies
17. Documentation of completed food and nutrition researches
18. Integrated project in family planning, parasite control and nutrition (IP-FAPPCAN)
19. Evaluation of the effectiveness of the VADAG Control Self-instructional Course

NUTRITION CENTER OF THE PHILIPPINES  
IMPLEMENTING AGENCIES FOR THE SUPPLEMENTARY FEEDING

HEALTH AND NUTRITION ACTION PROGRAM  
FOR NEGROS OCCIDENTAL

Acronym	Type	Official Name
AM	NGO*	Ananda Marga
Balikatan	NGO	Balikatan sa Kaunlaran
Bayan	NGO	Bayan
BCC	NGO	Basic Christian Communities
BCHD	GO**	Bacolod City Health Department
BCHP	NGO	Bulig Community Health Program (BULIG)
BMAP	NGO	Baptist Missionary Association Philippines
CAT	GO	City Action Team
CDS-VMC	NGO	Community Development Section-Victorias Milling Co.
CDS-MAT	GO	Community Development Staff-Municipal Action Team
CHO	GO	City Health Office
CIBC	NGO	Circuit Isiah Baptist Church
C. The King	NGO	Christ the King
CONCERN	NGO	Children of Occidental Negros Care Education Rehabilitation & Nutrition Foundation Inc.
DSSD	GO	Department of Social Services & Development
FFHDFI	NGO	First Farmers Human Development Foundation Inc.
HBC	NGO	Himamaylan Baptist Church
HKM	NGO	Halad Kay Maria
JAYCEES	NGO	Jaycees
KABALAKA	NGO	Kabalaka Human Development Foundation
L. OF MARY	NGO	Legion of Mary
LODEFI	NGO	Lopez Development Foundation Inc.
MAA	NGO	Maryknoll Alumni Association
MAF	GO	Ministry of Agriculture and Food
MAT	GO	Municipal Action Team
MECS	GO	Ministry of Education, Culture and Sports
MNC	GO	Municipal Nutrition Council
MOH	GO	Ministry of Health
MSSD	GO	Ministry of Social Services and Development
NBLC	NGO	Negros Balintawak Lions Club
NEDF	NGO	Negros Economic Development Foundation
MFSW	NGO	National Federation of Sugarcane Workers
NKBC	NGO	Negros Kasapulan Baptist Church
NNDF	NGO	Northern Negros Development Foundation
NOAF	NGO	Negros Occidental Auxiliary Foundation
POLC	NGO	Parish of La Castellana

\* NGO - Nongovernment organization

\*\* GO - Government organization

<u>Acronym</u>	<u>Type</u>	<u>Official Name</u>
POPCOM	GO	Population Commission
RCS	NGO	Rotary Club of Sagay
RIC	GO	Rural Improvement Club
SONEDCO	NGO	Southern Negros Development Company Planters Association
VMC	NGO	Victorias Milling Company

Source: CONCERN-UNICEF Monitoring Team

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\* NGO - Non-Government Organization  
 \*\* GO - Government Organization

NUTRITION CENTER OF THE PHILIPPINES, INC.  
STATEMENTS OF ASSETS, LIABILITIES AND FUND EQUITY  
AS OF APRIL 30, 1986 AND 1985

A S S E T S	1986	1985	LIABILITIES AND FUND EQUITY	1986	1985
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash (including time deposits of ₱19,421,346 in 1986 and ₱12,194,262 in 1985)	₱26,485,895	₱14,386,617	Accounts payable	₱ 77,052	₱ 14,427
Short-term investments	2,501,993	3,384,452	Accrued expenses	774,125	680,527
Receivables (net of allowance for bad debts of ₱111,853 in 1986 and ₱35,176 in 1985)	1,932,765	2,149,217	Withholding tax and SSS payables	16,542	13,251
Advances to officers and employees	441,921	271,805	Other payables	<u>11,587</u>	<u>11,745</u>
Inventories, at cost	229,005	191,552			
Prepayments	<u>101,790</u>	<u>45,717</u>	<b>Total Current Liabilities</b>	<u>879,306</u>	<u>719,950</u>
<b>Total Current Assets</b>	<u>31,693,369</u>	<u>20,429,360</u>			
<b>ADVANCES TO AFFILIATES</b>	<u>1,680,353</u>	<u>2,290,936</u>	<b>FUNDS HELD FOR SPECIFIC PURPOSES</b>	<u>4,747,343</u>	<u>1,831,218</u>
<b>INVESTMENTS</b>	<u>1,828,496</u>	<u>1,828,496</u>	<b>FUND EQUITY - Unrestricted</b>	<u>31,684,348</u>	<u>23,135,738</u>
<b>PROPERTY AND EQUIPMENT, Net</b>	<u>5,895,093</u>	<u>1,127,667</u>	<b>FUND EQUITY - Trust fund</b>	<u>32,161,825</u>	<u>26,576,860</u>
<b>OTHER ASSETS (including time deposits for trust funds of ₱28,352,200 in 1986 and ₱27,576,860 in 1985)</b>	<u>28,375,511</u>	<u>27,587,307</u>			
<b>TOTAL ASSETS</b>	<u>₱69,472,822</u>	<u>₱53,263,766</u>	<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>₱69,472,822</u>	<u>₱53,263,766</u>

NUTRITION CENTER OF THE PHILIPPINES, INC.  
STATEMENT OF CHANGES IN FUND EQUITY  
FOR THE PERIODS ENDED APRIL 30, 1986 AND 1985

	<u>1986</u>	<u>1985</u>
FUND EQUITY, Beginning	₱23,135,738	₱ 16,664,008
ADD RECEIPTS:		
Grants received	18,771,651	14,282,250
Other income	4,522,861	8,061,311
Foreign exchange income	<u>1,212,083</u>	<u>2,764,167</u>
Total	<u>24,506,595</u>	<u>25,107,728</u>
DEDUCT EXPENSES:		
Salaries and Wages	3,694,416	3,546,531
Employees' welfare and benefits	2,018,080	1,669,563
Supplies and materials	1,898,601	1,486,071
Transportation and travel	1,602,221	1,319,388
Rent, light and water	1,589,093	1,127,935
Contractual services	1,317,437	1,238,638
Representation	748,799	590,843
Repairs and maintenance	653,057	473,451
Security and janitorial services	418,759	326,459
Depreciation	372,683	457,530
SSS and HDMF contributions	280,518	254,127
Freight charges	261,492	364,114
Communication	225,058	197,434
Honorarium and allowances	180,884	137,133
Insurance	167,010	165,748
Taxes and licenses	125,888	900,323
Computer cost	112,221	16,892
Bad debts	77,521	112,445
Professional and other fees	60,047	60,825
Interest and bank charges	25,808	21,004
Subscription and periodicals	21,046	10,785
Grants for research and development	15,887	12,134
Food production cost	-	1,098,708
Miscellaneous	<u>91,459</u>	<u>47,917</u>
Total	<u>15,957,985</u>	<u>15,635,998</u>
EXCESS OF RECEIPTS OVER EXPENSES	8,548,610	9,471,730
APPROPRIATION TO TRUST FUND	-	( 2,000,000)
APPROPRIATION TO EMPLOYEES' BENEFIT FUND	<u>-</u>	<u>( 1,000,000)</u>
FUND EQUITY, End	<u>₱31,684,348</u>	<u>₱23, 135,738</u>

LETTER PROPOSAL OF CAI TO USAID

CHILDREN'S AID INTERNATIONAL  
901 N. WASHINGTON STREET  
ALEXANDRIA, VIRGINIA 22314  
(703) 549-2233

June 30, 1986

Mr. Arthur Braunstein  
USAID  
Room 314  
1400 Wilson Boulevard  
Rosslyn, Va. 22201

Re: Program Proposal of Children's Aid International, Inc. (CAI)  
under Section 416, Contract No. 3014 (as amended)

Dear Mr. Braunstein:

Pursuant to the recognition by the Foreign Agricultural Service that CAI is eligible to receive commodities donated under section 416 of the Agricultural Act of 1949, CAI is pleased to submit the following proposal for your consideration. As to wheat flour, this proposal replaces and supercedes that of CAI submitted to USAID on October 3, 1985. The content of this proposal follows the numerical format originally suggested by USDA, and the information presented is in response to the questions and requests for information set forth in that format. It constitutes the program plan of operations. The complete proposal is as follows:

1. The applicant is Children's Aid International, Inc. (CAI), a District of Columbia non-profit corporation whose principal address is 901 North Washington St., Alexandria, Va. 22314, and which has been a cooperating sponsor in the dairy donation program since 1984.
2. For Use In: The Philippines
3. Product Requested:

Wheat	Fortified Nonfat	UHT	Canned
<u>Flour</u>	<u>Dry Milk</u>	<u>Milk</u>	<u>Processed Cheese</u>
4. Quantities:

375 MT (metric tons)	1,600 MT	800 MT	75 MT
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75

5. Delivery Month: Oct. Four shipments Two Jan., 1987  
1986 of 400 MT each ship-  
in Oct., 1986; ments  
Jan., 1987; of 400  
April, 1987; MT each  
and July, 1987 in Jan.,  
1987 and  
July, 1987

(The quantities and schedule of shipment are subject to mutual agreement.)

6. Port of Destination: Manila, The Philippines.
7. The products will be used in CAI nutrition programs administered with the assistance of the Nutrition Center of the Philippines (NCP).
- a.(1) Forty-seven and one-half (47.5%) of the nonfat dry milk will be repacked in small packages for free distribution as raw milk to targeted needy people.
- (2) Forty-seven and one-half (47.5%) per cent will be added to nutri-paks or nutri-products to be distributed free or without cost of the nonfat dry milk added.
- (3) The UHT milk and the canned processed cheese will be distributed free to targeted needy people.
- (4) The wheat flour will be used in the manufacture of nutribiscuits and other nutri products to be distributed free, or without the cost of the flour added.

The severely malnourished child needs immediate food assistance to survive. An intervention plan of the Philippines National Nutrition Program, food assistance, seeks to improve the nutritional status of severely malnourished children by giving them the food supplements they need. In support of the intervention plan, the Nutrition Center of the Philippines developed nutripak. Nutripak is a high calorie, high protein ready to cook food supplement designed for children aged six months to six years. A package of Nutripak contains packets of ground rice, vegetable oil, skim milk (nonfat dry milk), and a protein food which may be either mongo, powdered or textured vegetable protein (PVT), or fish protein.

The various nutriproducts have been described in previous reports of CAI and NCP to USAID and USDA. They are designed to encourage parents to provide highly nutritious foods for their children as opposed to "junk foods" and to provide important food supplements for malnourished children.

The nutri-paks and nutri-products are formulated and manufactured by NCP and its subsidiary, Nutri-Foods Corporation (NFC). These two entities will assume the cost of processing the nonfat dry milk requested.

- b. Nutrition remains a major national problem in the Philippines. The objective of the Nutripak program is to rehabilitate severely malnourished children (third degree) and to increase his/her weight by at least 50%. The objective of the food commodity program is to make available nutritious food commodities to overcome and prevent malnutrition in a non-dairy country.
  - c. The distribution will be country wide, principally in the cities of Tacloban, Cebu, Metro Manila, Davao, and Bacolod; and in the provinces of Tarlac, Southern Leyte, Negros Occidental, Bataan, Nueva Ecija, Pampanga, and Bulacan.
  - d. Nutripaks are distributed by the Nutripak plants and Nutribuses. Nutripaks are also distributed by the Ministry of Social Service and Development, and by government-run feeding centers.
8. The program will involve participation by the Nutrition Center of the Philippines, the Philippine Nutri-Food Corporation, processing plants of NFC at NCP warehouses, FTI Compound, Taguig, Metro Manila, local nutrition committees, the Ministry of Social Services and Development, and the government-run feeding centers. The processing plants are within ten kilometers of the port. The participation by these entities will range from the receipt of the products at port of entry, transportation to storage, formulation of the product in small packages or quantities, or into nutripaks with other commodities, and the actual free distribution to target families and children. The product will move from port to plant within two weeks of its arrival in Manila, from the plants to NCP distribution centers within another two weeks, and to direct recipients in one to three weeks (depending on distances).
  9. Nonfat dry milk has been previously made available to CAI and NCP for use in this program.
  10. CAI anticipates that title to the commodities will be transferred to it at the port of export from the United States. Records governing and controlling the transport of the products overseas will consist of freight forwarder's reports (Walford Transworld), shipping documents, freight manifests, and similar documents pertaining to the commodities en route to the Philippines. Upon arrival of the commodities in Manila, a CAI representative (Asiaciti) will be

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present to cross check the appropriate documents and confirm the inventory in conjunction with representatives of the NCP. Thereafter, NCP records will reflect the transportation, storage, reprocessing and packaging, and actual distribution of the products to the ultimate recipients. The CAI representative will be in a position to observe, monitor, and concurrently report as to the disposition of the products.

11. The port facility through which the dairy and other products will be received will be Manila, a major international port.
12. CAI anticipates that NCP will have actual, physical control of the products during transportation from the port and any storage which may follow. However, CAI and its representatives will work with NCP representatives at all stages so as to assure proper control, monitoring, and reporting as to movement of the products. From the port, the products will move to warehouses or processing plants by rail or truck. After formulation into nutripaks or other foods, the products will be distributed from government feeding centers or by nutribus to the countryside.
13. The fortified nonfat dry milk and wheat flour will either be repackaged in nutripaks, small packets, or reprocessed for use in the making of GRO biscuits, nutriflakes, or wafers. NCP will perform these tasks with its subsidiary, the Philippine Nutri-Foods Corporation.
14. Such administrative costs as CAI will bear, either in the United States or in the Philippines, will be financed by it through the general donations and revenues to CAI. These include the cost of coordinating with NCP and submitting this proposal to date, finalizing an agreement with USAID, the use of a CAI representative at the U.S. port of export and in Manila upon entry, in monitoring the processing and distribution by NCP, and in reporting and accounting to USAID as it may require. Recipients will receive appropriate notice that the commodities are a gift from the people of the United States. CAI does not at this time contemplate the use of special labels or the issuance of informative materials, although CAI may, at its expense, inform its donors of its participation in this program.

A major cost of this program will be the shipping cost from the U.S. to the Philippines, and CAI asks that USAID bear this cost pursuant to the authority in the enabling legislation. CAI does not have the funds currently, nor are they anticipated in the near future, to bear the cost of this shipping. CAI has designated Walford Transworld as its freight forwarding agent and they are fully cognizant of the requirements for shipment by U.S. vessels.

15. The methods of educating recipients in the preparation and use of the products are already in place through the NCP. NCP has been fully advised of the program requirements, and will be fully informed as to the source of the products and it may independently publicize the program. CAI does not anticipate a specific, independent publicity program other than to apprise its donors of CAI's participation in the program. To CAI's knowledge, the United States is not presently a major exporter of dairy products in these forms to that part of the world.
16. The financial contributions to the program would be made by CAI, USAID, the NCP, and the NFC along the lines set forth in previous paragraphs. In addition, time will be devoted to assuring that the program works effectively on a donated basis. CAI will assume the responsibility that NCP utilize these products only by distribution without charge, or in a manner that reflects only the cost of the other ingredients and the manufacturing.
17. The monitoring of the distribution of the products will be done at all times by the NCP and a CAI representative. CAI, since its formation, has been a donor or joint participant in charitable projects with the NCP and has contributed sums to the NCP over the years. USAID has received previous reports of CAI with regard to the dairy donation program.
18. The NCP is a private foundation. NCP can and will arrange for necessary exemptions from any governmental duties, tolls, or taxes which might otherwise be imposed on commodities intended for commercial use.

We look forward to your response to this proposal; and should it be approved, to cooperating and coordinating with your office in the actual implementation of the program.

Sincerely,

DONALD L. MILLER,  
President  
Children's Aid International, Inc.  
(by Charles W. Bills, Counsel)

cc: NCP  
USAID Manila (Mr. Bryant George)  
Mr. Peter Downs

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