

**A.I.D. EVALUATION SUMMARY - PART I**

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

**IDENTIFICATION DATA**

<b>A. Reporting A.I.D. Unit:</b> <b>USAID/Manila</b> Mission or AID/W Office <b>PESO</b> (ES# _____)	<b>B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?</b> Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <b>93</b> <b>Q1st</b>	<b>C. Evaluation Timing</b> Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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**D. Activity or Activities Evaluated** (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
492-0449	Private Investment & Trade Opportunities-Philippines	9-17-90	9.16.94	10,000	3,949.7

**ACTIONS**

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Amend log frame in the PP to incorporate changes suggested in the report.	PESO/DRM	2nd Qtr. 93
2. Amend Cooperative Agreement to reflect more realistic performance indicators.	PESO/CSO	2nd Qtr. 93
3. Engage services of a contractor to establish information/reporting system.	P E S O	Apr - May 93
4. Amend Cooperative Agreement to reflect an expansion in the eligible area of grant to include cities in Mindanao where Philexport has chapter offices and to effect a budget re-alignment.	PESO/CSO	2nd Qtr. 93

(Attach extra sheet if necessary)

**APPROVALS**

**F. Date Of Mission Or AID/W Office Review Of Evaluation:** \_\_\_\_\_ (Month) \_\_\_\_\_ (Day) \_\_\_\_\_ (Year)

**G. Approvals of Evaluation Summary And Action Decisions:**

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Brad P. Wallach	Sergio Ortiz-Luis	Sulpicio Roco	Thomas W. Stukel
Signature				
Date	1/25/93	1-25-93	1/25/93	Thomas W. Stukel

ABSTRACT

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

USAID/Philippines approved the Private Investment and Trade Opportunities-Philippines (PITO-P) Project in 1990 to promote Philippine economic development by increasing exports. The project's design encompassed three major components: trade and investment promotion; policy analysis and problem resolution; and training and technical assistance. Trade and investment promotion was further separated into general promotion, operation of a computerized trade information system, and supporting three trade transaction brokerages.

Implementation has been undertaken through a four-year \$9.6 million Cooperative Agreement with the Philippine Exporters Confederation, Inc. (PHILEXPORT), signed September 17, 1990. PHILEXPORT is an established membership organization which generates revenue from membership dues and from the operation of bonded warehouses.

Evaluation methodology included archival research and interviews with nearly 100 individuals in Washington, Manila, Cebu and Davao.

The evaluation found that while generally appropriate to the situation in the Philippines the design overemphasized attaining financial self-sufficiency for the implementing agency. Nevertheless, the project's technical assistance and trade brokerage components have proven themselves to be sound interventions for directly increasing Philippine non-traditional exports. Other evaluation conclusions were as follows:

- The trade brokerages have been an effective mechanism to promote exports since their activity is inherently product- and firm- specific and it is in their financial interest to find markets and to enhance the capacity of producers to satisfy market demands.
- Without exception, the organizations which have received technical assistance praised the project and said the grants had enabled them to undertake important activities which they otherwise could not have afforded. And, many of the firms which have received technical assistance have already significantly increased their export sales as a direct result of project assistance.
- By a large margin, the project is exceeding its target of providing training to 150 entrepreneurs annually. In Cebu, where the project's technical assistance component has been most active, over a thousand persons have benefitted from project-supported training or technical assistance.

COSTS

1. Evaluation Costs

Name	1. Evaluation Team Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Wesley Boles, Team Leader	Management System Int'l. (MSI)	492-0449-C-00-2178-0	\$86,600	Project-funded
David Callihan	-do-			
Florecita Flores	Private Consultant			
Nezam Motabar	Management Systems Int'l. (MSI)			

2. Mission/Office Professional Staff  
 Person-Days (Estimate) 10

3. Borrower/Grantee Professional  
 Staff Person-Days (Estimate) 10

## A.I.D. EVALUATION SUMMARY - PART II

### SUMMARY

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

Address the following items:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Purpose of evaluation and methodology used</li> <li>• Purpose of activity(ies) evaluated</li> <li>• Findings and conclusions (relate to questions)</li> </ul> | <ul style="list-style-type: none"> <li>• Principal recommendations</li> <li>• Lessons learned</li> </ul> |
|--|--|

Mission or Office:  
USAID/Philippines  
PESO

Date This Summary Prepared:  
December 1992

Title And Date Of Full Evaluation Report:  
PITO-P Mid-Term Evaluation Nov. 1992

#### **Background and Description**

USAID/Philippines approved the Private Investment and Trade Opportunities-Philippines (PITO-P) Project in 1990 to promote Philippine economic development by increasing exports. The project's design encompassed three major components: trade and investment promotion; policy analysis and problem resolution; and training and technical assistance. Trade and investment promotion was further separated into general promotion, operation of a computerized trade information system, and supporting three trade transaction brokerages. No design distinction was made between export and investment promotion.

Implementation has been undertaken through a four-year \$9.6 million Cooperative Agreement with the Philippine Exporters Confederation, Inc. (PHILEXPORT), signed September 17, 1990. PHILEXPORT is an established membership organization which generates revenue from membership dues and from the operation of bonded warehouses.

The project's design envisaged that the computerized trade information system, the technical assistance and training component, and the three trade brokerage operations would become financially self-sustaining by the project's 1994 PACD.

This evaluation complied with a project requirements that mid-term progress be assessed and recommendations for possible modifications be provided to USAID. Evaluation methodology included archival research and interviews with nearly 100 individuals in Washington, Manila, Cebu and Davao.

The evaluation found that while generally appropriate to the situation in the Philippines the design overemphasized attaining financial self-sufficiency for the implementing agency. Nevertheless, the project's technical assistance and trade brokerage components have proven themselves to be sound interventions for directly increasing Philippine non-traditional exports.

#### **Implementation and General Performance**

The project has been implemented through a regional approach with offices being established in Manila, Cebu and Davao. The Manila office houses the project's overall management and support staff in addition to the regional staff charged with directing technical assistance in the Metro-Manila area. Project direction and oversight has been provided by a Project Implementation Committee (PIC) composed of representatives from PHILEXPORT, the Philippine Chamber of Commerce & Industry, the GOP's Department of Trade & Industry, PITO-ASEAN and the U.S. and Foreign Commercial Service. The PIC's monthly meetings rotate among the three regional offices and have garnered strong interest and involvement from the Committee's membership.

### Project Performance by Component

**General Promotion:** PITO-P's investment promotion activities have largely comprised the publication and distribution of materials which have been of high quality and useful to the cooperating institutions and the GOP. The materials provide a needed source of general investment information about the Philippines and are a necessary step in the process of attracting international investment. In Davao, PITO-P's efforts have concentrated almost exclusively on investment promotion.

**Computerized Trade and Information System:** The project's design called for PITO-P to acquire and operate a Department of Trade and Industry computerized trade information system. However, a thorough review of the system's cost and capabilities led project management to the conclusion that to acquire the system would have been an unwise investment of project resources. The evaluators concur in PITO-P's decision not to acquire the DTI system despite the resulting delay in developing a trade information system. PHILEXPORT is now pursuing a plan to seek a private sector joint venture partner for development of a commercially viable system. This evaluation recommends that the joint venture be conditioned on substantial cost-sharing by the venture's private sector partner.

**Trade Brokerage:** To implement the trade transaction brokerage component, PHILEXPORT entered into contracts in September 1991 with three private sector firms. Contracts for Manila and Davao went to U.S. firms with Filipino sub-contractors and the contract for Cebu was let to a Philippine firm. In exchange for one million dollars each over a three year period the contractors agreed to meet individually negotiated annual performance targets. The targets included indicators for volume of trade transactions, number of transactions, and transactions involving small and medium enterprises, women-managed firms and first-time exporters. It was expected that the brokers would generate trade transaction fees sufficient to sustain their operations following three years of USAID support.

In general, the use of private firms for trade brokering should be continued since the mechanism has proven its ability to increase Philippine exports. Efforts have been company-specific, something difficult for government or membership-based institutions to undertake. However, nontraditional export development tends to be a lengthy process and is unlikely to generate significant short-term revenues. High-volume performance targets have encouraged the Manila and Davao brokerage firms to concentrate a notable portion of their efforts on transactions of high-value commodities, particularly seafood.

Despite impressive results in Cebu, and a significant start in Manila, none of the three firms completely met their self-imposed first year targets and none generated significant fee-for-service revenues. The Cebu brokerage's performance is noteworthy for its impressive accomplishments in increasing non-traditional exports and for conducting a greater than expected number of trade transactions-- full renewal of its brokerage contract is recommended. In the case of the other two brokerage contracts (Manila and Davao), it is recommended that PHILEXPORT either cancel the contracts or reconfigure contract awards among the various brokerage partners relative to their first-year performances.

**Policy Analysis:** PITO-P has done well in defining areas in which the project can be an effective policy reform advocate. Assessing that the project's initial reactive posture was not effective in generating policy studies, substantial management effort has gone into designing a three track policy analysis system in which PHILEXPORT will respond quickly to trade or regulatory issues affecting its membership while PITO-P will: a) undertake major policy studies and, b) fund appropriate studies to be managed by

PHILEXPORT or its constituents. It is recommended that responsibility for policy advocacy studies be increasingly transferred from PITO-P to PHILEXPORT, with PITO-P providing technical assistance to PHILEXPORT to bolster its capabilities in this area.

**Training/Technical Assistance:** Over forty grants for training and technical assistance have been made with the greatest number and impact recorded in the Cebu area. Activities in Cebu have involved four manufacturers' associations which operate in the following sectors: furniture, fashion accessories, stonecraft furniture, and metalworking. In Cebu, technical assistance grants have enabled recipient firms to increase the quality of their products and the quantity of their exports. This has been accomplished through providing support for activities such as participation in trade fairs and teaching firms improved production technologies.

The evaluation agrees with the value of requiring beneficiaries to share in the costs of training, however, the income generated will not be sufficient to sustain the operation of PITO-P's regional offices. Therefore, it is recommended that PITO-P should concentrate on improving the sustainability prospects of its grantees through enabling them to retain and manage some portion of fee income.

#### **Lessons Learned**

1. Accepting that a financial self-sufficiency requirement is not appropriate for trade and investment promotion organizations, the rationale for housing a project implementation unit within an existing private sector membership organization loses much of its rationale. For a fixed duration project, either a stand alone institution or an institutional contract would appear to be a cleaner and more easily managed approach.
2. Where a major project objective is nontraditional export development, imposition of short-term unrealistic export sales targets is not appropriate given the long-term nature of export development. When sales targets are the sole or principal measure by which a project's success is judged, attention may be diverted away from export development towards sales transactions of high-value commodities.
3. Use of private sector firms as agencies to promote trade development offers substantial promise owing to their ability to work on a firm- and product- specific basis.
4. Services which this project has successfully provided through support to trade brokers have included marketing assistance and transactional financing.
5. The project has met with substantial success in helping established small and medium exporters to expand sales by identifying new customers, often in countries where the producers had not previously done business. Helping firms which have not before exported requires a higher level of assistance with a much lower prospect of success than does working with firms that have a demonstrated capability to export.

**ATTACHMENTS**

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

**Mid-Term Evaluation Report**

**COMMENTS**

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

The USAID Project team members met last December 1992 to discuss the evaluation team recommendations. Attached is a Summary of required actions agreed upon during the meeting.

Philexport-comments on the evaluation report are attached.

# PITO - P PROJECT

Evaluation Team Recommendations	Action (s) Needed/Taken	Party Responsible For Action	Time Frame For Action	
<b>Project Design</b>	1) PESO/USAID, together with PITO-P management to revise the project's logical framework to reflect the realities of the project and incorporate modifications suggested in the report.	Small group to amend log frame in PP	PESO/DRM	2nd Quarter 1993
	2) Realistic performance indicators should be defined and actual data sources identified.	Amend Cooperative Agreement reflecting revised performance indicators	PESO/CSO	2nd Quarter 1993
	3) Based on 2), the project performance information system can be established and will serve as basis for Philexport performance appraisal.	Engage Chris Herman to do info/reporting system	PESO	April-May 1993
<b>Role of Philexport</b>	Continue and accelerate efforts to integrate PITO-P and Philexport activities.	On-going efforts include: housing trade information system within Philexport, having NCR manager spend half-time on Philexport, strengthening Philexport's capacity to manage project's policy advocacy.	PITO-P/PESO	Continuing
<b>Project Components:</b>				
<b>Investment</b>	1) PITO-P management to review its general export promotion and investment activities to set guidelines for type of activity and level of efforts for remaining LOP.	Long range planning workshops; keyed with performance indicators	PESO, Philexport, PITO-P	Around April

Evaluation Team Recommendations	Action (s) Needed/Taken	Party Responsible For Action	Time Frame For Action
2) PITO-P management to assess impact of Davao promo effort to determine appropriate follow-on activities, or whether resources earmarked for Davao should be transferred to other project activities or to other geographic areas.	Made the determination: environment is not ripe for trade expansion; what is needed is investment; PIC approved Invest in Davao	PITO-P, PESO	Continuing
CTIS	1) The prospective private sector partner of Philexport/PITO-P to develop CTIS must be required to match the value of Philexport's equity contribution and computer hardware with upfront cash investment, and cover some portion of operating costs during start up period.	No difficulty meeting recommendations	
	2) If the joint venture partners are not willing to provide a substantial equity contribution, a non-high tech information brokering system be put in operation.	No difficulty meeting recommendations	
Trade Brokering	1) Genuine export development, with emphasis on firm-specific support, should be considered the primary objective of USAID's support to trade brokers.		
	2) Conditions for continuation of brokers contract should be set in accordance with each contractor's performance achievements.		
	a. Pragma. In view of the failure to meet the performance requirements, it is recommended that Philexport	Philexport to terminate contract; competition for new contract	Philexport

**Evaluation Team  
Recommendations**

**Action (s)  
Needed/Taken**

**Party Responsible  
For Action**

**Time Frame  
For Action**

terminate the contract. In order to retain the momentum established to date, it is recommended that Philexport enter into a fixed export development activities at a level of expenditures equivalent to \$84,000 (which is Pragma's expenditures during its past year's contract).

b. Shemberg. In recognition of its impressive performance, it is recommended that Philexport extend the contract for up to two months without additional payment to two months without additional payment to enable first year's target to be met.

Assuming that it is accomplished, the second year contract should include mutually agreed targets under a weighted performance scheme.

In recognition of the Shemberg's superior performance, the project should continue to grant Shemberg greater latitude in its implementation of project activities.

c. CBI/INSTRADE. Since both the evaluation and audit team found performance conditions were not met, Philexport may wish to enter into a fixed fee services contract with INSTRADE for specified export and investment development activities at a level of expenditure equivalent to \$10,000, or the territory of Mindanao be given to Shemberg, along with some modest increase in resources.

Done

Second year contract to incorporate language changes, etc.

Brokerage closed; refocusing on investment

Evaluation Team Recommendations	Action(s) Needed/Taken	Party Responsible For Action	Time Frame For Action
Policy	1) Management of policy advocacy should be increasingly transferred from PITO-P to Philexport.	Being done	
	2) PITO-P should consider contracting outside consultants for a limited period to work with Philexport to develop the perceived lack of staff capacity.	Do not agree; new EVP has been hired; Gerry Anigan has been absorbed also	
Training and Technical Assistance	1) TA activities should continue to be promoted as per current procedures in Cebu, since quality and volume of activity is high, and the level of activity is within the management capacity of PITO-P Cebu staff.	Yes	
	2(a) In the case of Davao, the project might consider expanding the eligible area of grants to all of Region XI.	Amend Cooperative Agreement to reflect changes; budget re-alignment	PESO/CSO 2nd Qtr 1993
	(b) The project should consider providing a project development specialist to the region to assist potential grantees with project proposal development.		
	(c) As has been done in Cebu, Davao office might consider replacing the CTIS position with a full-time project development specialist since staff requirements and activity mix of CTIS will not be known for several months.	For discussion with Davao	PITO-P

**Evaluation Team  
Recommendations**

**Action (s)  
Needed/Taken**

**Party Responsible  
For Action**

**Time Frame  
For Action**

(d) Or, if the Davao office continues to have a need for the CTIS position, then allocations for one of the Manila-based CTIS positions might be used to cover project development staff needs.

For discussion with Davao

PITO-P

3(a) Since Manila is behind in its technical assistance outreach, "rules of eligibility" for grants should be written and dispersed, possibly through Philexport's network.

For PIC discussion;

(b) Projects should be actively sought and NCR staffing levels maintained in relation to level of activity generated.

For discussion

(c) In order to manage providing assistance to potentially large pool of grant recipients, the project may wish to consider reclassifying one or more of its six Manila-based CTIS positions to assist with proposed development and grant disbursement and monitoring.

Once joint venture arrangement is completed, manpower requirements will be revalidated.

Philexport/Joint Venture partner

(d) It may also wish to target certain export sectors so as not to be overwhelmed by requests for assistance.

Being done

4(a) The consensus approach for project approval should be replaced by a simple but numerically objective rating system.

No; rating system raises expectations

(b) If such a system seems unnecessary to the PIC, at a minimum a system should be employed whereby each proposal presented to is documented, along with PIC's rationale for approving or denying funding.

Yes

**Evaluation Team  
Recommendations**

**Action (s)  
Needed/Taken**

**Party Responsible  
For Action**

**Time Frame  
For Action**

(c) Criteria should be developed by the PIC and regional managers and could include such conditions as: ability of an organization to manage funds, potential to increase efforts, financial plan for management and use of recovered funds, number of potential beneficiaries and potential for employment creation.

Related to (B)

(d) The project may wish to reconsider its prohibition against funding the capital costs of beneficiary projects, particularly if the activity has the potential to generate revenues over the longer term as well as to increase exports.

Avoid (E) by not doing (D)

(e) Careful criteria for such activities would need to be developed in order to prevent PITO-P from becoming a commodity-dumping project.

No; stick to training, T.A.

(f) To maintain the project integrity and avoid the appearance of conflict of interest, PIC members should be ineligible to vote on potential grants to organizations they represent or have recently worked for

Yes

5) A fixed cost-sharing ratio should be considered; perhaps in the range of 33-50% to be covered by the beneficiaries. Any revenues generated above that level should be retained by the recipient organizations thus providing incentives for them to set fees which are both affordable for their members but still provide incentives for organizational revenues to be generated.

No to retain flexibility

	Evaluation Team Recommendations	Action(s) Needed/Taken	Party Responsible For Action	Time Frame For Action
	<p>6) Each office should be given greater autonomy in running its own operation. This should include the authority of regional managers to approve any project considered as modest, perhaps those under Pesos:100,000 ... such project would only require the regional approval and could be swiftly and decisively approved to enable managers to move on to other tasks.</p> <p>(b) Regional managers should be encouraged work closely with their area's trade brokerage office in order to develop technical assistance activities which could overcome export constraints faced by clients of the brokerage firms.</p> <p>(c) In order to avoid the perceptions among the regions that the project is dominated by Manila-based interest, project might consider having regional representation on the PIC. The PIC could possibly be restructured, or additional members could be added.</p>	<p>Needs discussion with managers</p> <p>Only pertains to Cebu</p> <p>Not appropriate and necessary</p>	<p>PESO/PITO-P</p>	
<p>Program Management</p>	<p>1) PITO-P Manila should establish a project information system to report all activities, objectives, and impacts per the project's revised logical framework. The Manila office should develop reporting requirements and formats and ensure information is collected and reported in compatible formats by each of the project's regional offices.</p> <p>2) Given the reconfigured implementation of the CTIS, PITO-P should reassess the staffing needs of the project's information component.</p>	<p>Chris Herman contract</p> <p>Yes. It will be addressed</p>		
<p>Financial Management</p>	<p>1) The approval and payment procedures should be simplified further as follows:</p>			

**Evaluation Team  
Recommendations**

**Action (s)  
Needed/Taken**

**Party Responsible  
For Action**

**Time Frame  
For Action**

a) The procedure for authorization be streamlined by authorizing expenditures by fax. The region should provide an outline of the expenditure which the National Office can approve. The full documentation could then either be: provided to the national office on a monthly basis and upon completion of the transactions; or retained in the regional offices so as to be available for audit reviews.

Yes; for negotiation with grantee

USAID/Philexport

(b) The revolving fund limit for the regions be substantially increased.

Yes; for negotiation with grantee

USAID/Philexport

(c) The limit of authority for expenditures and approval of payments by the regions be increased. The authority for approval of expenditures and its limits can be separated from approval for payment.

Yes; for negotiation with grantee

USAID/Philexport

(d) The regions should not have to obtain approval for expenditures already approved by the PIC.

Yes; for negotiation with grantee

USAID/Philexport

(e) The regions should only be required to report amounts of funds received and their disbursements. Accounting functions should be left to the national office staff.

Yes; for negotiation with grantee

USAID/Philexport

(f) Regional offices should be provided on an annual approved budget which breakdowns project component authorizations.

Yes; for negotiation with grantee

USAID/Philexport

2) It is recommended that a simple financial management information system be jointly developed by the national and regional offices. This system should provide an analysis of the financial information in a manner that can be useful to the national office and the PIC to gauge activities undertaken in relation to funds expended.

Develop MIS

Chris Herman

April-May 1993

100-ABF-4126-A

81151

**FINAL REPORT**

**PRIVATE INVESTMENT AND TRADE  
OPPORTUNITIES - PHILIPPINES**

**USAID PROJECT 492-0449**

**Mid-Term Evaluation**

*November 1992*

**Presented To:**

Erud P. Wallach, Deputy Chief  
Private Enterprise Support Office  
USAID/Philippines

**Prepared By:**

Wesley Boles (Team Leader)  
David Callihan  
Florecita Flores  
Nezar Motabar

This mid-term evaluation was completed through the assistance of the United States Agency for International Development (A.I.D.). The views, expressions and opinions contained in this report are the authors' and are not intended as statements of A.I.D. policy.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>i</b>
<b>1. INTRODUCTION AND BACKGROUND</b> .....	<b>1</b>
1.1 Project Background .....	1
1.2 Project Description .....	2
Project Logical Framework .....	2
Trade and Investment Promotion .....	2
Policy Analysis and Problem Resolution .....	2
Training and Technical Assistance .....	2
1.3 Project Implementation .....	4
1.4 Purpose of Evaluation .....	4
1.5 Evaluation Methodology .....	6
<b>2. GENERAL PROJECT OVERVIEW</b> .....	<b>7</b>
2.1 Project Design .....	7
2.2 Implementing Agency .....	10
<b>3. THE PROJECT'S OVERALL PERFORMANCE</b> .....	<b>12</b>
3.1 Project Inputs .....	12
3.2 Achievements versus Objectives .....	14
3.3 Analysis of Project Components .....	19
3.3.1 Trade and Investment Promotion .....	19
General Promotion .....	19
Computerized Trade Information System .....	22
3.3.2 Trade Brokerages .....	25
Overall Results .....	28
Cost-Effectiveness and Sustainability .....	34
3.3.3 The Project's Policy Component .....	38
3.3.4 The Project's Training and Technical Assistance Component .....	43
Project Development Process .....	46
Grant Approval Process .....	47
Sustainability of Technical Assistance .....	48
Effectiveness of Technical Assistance .....	49
<b>4. PROJECT MANAGEMENT</b> .....	<b>57</b>
4.1 Staffing .....	57
4.2 Philippine Sector Contribution .....	58
4.3 Management Information System .....	58
4.4 Women in Development .....	60
4.5 Financial Management .....	61

5. LESSONS LEARNED .....	64
6. AN OVERVIEW OF PROJECT ACCOMPLISHMENTS .....	66
7. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS .....	68

**ANNEXES:**

1. Statement of Work
2. Persons Contacted
3. Qualifications of the Evaluation Team
4. Summary of Export Transactions
5. Prawns versus Non-Prawn Transactions
6. Summary of Technical Assistance Grants
7. PITO-P Organizational Chart
8. Selected Bibliography

## ACRONYMS

AID	Agency for International Development/US
AMCHAM	American Chamber of Commerce of the Philippines
ASEAN	Association of Southeast Asian Nations
BETP	Bureau of Export Trade Promotion, GOP, DTI
BOI	Board of Investments, DTI
CCCI	Cebu Chamber of Commerce and Industry
CFIP	Chamber of Furniture Industries of the Philippines
CTIS	Computerized Trade Information System
DCCCII	Davao City Chamber of Commerce and Industry Incorporated
DTI	Department of Trade and Industry, GOP
EOPS	End of project status
EPZ	Export Processing Zone
GOP	Government of the Philippines
JICA	Japanese International Cooperation Agency
FAME	Fashion Accessories Manufacturers and Exporters
GOP	Government of the Philippines
GTZ	German Technical Assistance Agency
LC	Letter of Credit
LOP	Life of Project
MEPZ	Mactan Export Processing Zone
MIAP	Metalworkers Industry Association of the Philippines
NCR	National Capital Region (Metro-Manila)

NEDA	National Economic Development Authority
NMDB	Northern Mindanao Development Bank
PACD	Project Authorization Completion Date
PHILEXPORT	Philippine Exporters Foundation
PCSII	Philippine Chamber of Stonecraft Industries
PIC	Project Implementation Committee
PITO-P	Private Investments and Trade Opportunities - Philippines
PITO-ASEAN	Private Investments and Trade Opportunities - ASEAN
SMEs	Small and Medium Enterprises
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development/Philippines
USFCS	U.S. and Foreign Commercial Service

## **EXECUTIVE SUMMARY**

### **Background and Description**

USAID/Philippines approved the Private Investment and Trade Opportunities-Philippines (PITO-P) Project in 1990 to promote Philippine economic development by increasing exports. Philippine economic performance has been poor since the early 1970s but recent economic liberalizations have led to hope that effective export promotion efforts will now yield tangible results.

The project's design encompassed three major components: trade and investment promotion; policy analysis and problem resolution; and training and technical assistance. Trade and investment promotion was further separated into general promotion, operation of a computerized trade information system, and supporting three trade transaction brokerages. No design distinction was made between export and investment promotion.

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This evaluation complied with a project requirement that mid-term progress be assessed and recommendations for possible modifications be provided to USAID. Evaluation methodology included archival research and interviews with nearly 100 individuals in Washington, Manila, Cebu and Davao.

The evaluation found that while generally appropriate to the situation in the Philippines the design overemphasized attaining financial self-sufficiency for the implementing agency. The evaluators also questioned the apparent assumption that weaknesses in Philippine export performance related more to demand rather than supply factors. Nevertheless, the project's technical assistance and trade brokerage components have proven themselves to be sound interventions for directly increasing Philippine non-traditional exports.

### **Implementation and General Performance**

The project has been implemented through a regional approach with offices being established in Manila, Cebu and Davao. The Manila office houses the project's overall management and support staff in addition to the regional staff charged with directing technical assistance in the metro-Manila area. Project direction and oversight has been provided by a Project Implementation Committee (PIC) composed of representatives from PHILEXPORT, the

Philippine Chamber of Commerce & Industry, the GOP's Department of Trade & Industry, PITO-ASEAN and the U.S. and Foreign Commercial Service. The PIC's monthly meetings rotate among the three regional offices and have garnered strong interest and involvement from the Committee's membership.

During the project's first two years PITO-P received little support from PHILEXPORT and has functioned as a stand-alone operation. However, recent changes in PHILEXPORT's Board of Trustees have led to closer linkages between PITO-P and PHILEXPORT and it is now both feasible and desirable for some of the project's functions to be integrated into PHILEXPORT prior to the PACD, as earlier envisioned.

At the project's midway point, expenditures have been somewhat less than expected due to the normal lag associated with project start-ups combined with delays resulting from implementation modifications in the project's policy reform and computerized trade information components. The evaluation team expects that for the remainder of the project its rate of expenditure should be substantially higher.

### **Project Performance by Component**

**General Promotion:** PITO-P's investment promotion activities have largely comprised the publication and distribution of materials which have been of high quality and useful to the cooperating institutions and the GOP. The materials provide a needed source of general investment information about the Philippines and are a necessary step in the process of attracting international investment. In Davao, PITO-P's efforts have concentrated almost exclusively on investment promotion.

**Computerized Trade Information System:** The project's design called for PITO-P to acquire and operate a Department of Trade and Industry computerized trade information system. However, a thorough review of the system's cost and capabilities led project management to the conclusion that to acquire the system would have been an unwise investment of project resources. The evaluators concur in PITO-P's decision not to acquire the DTI system despite the resulting delay in developing a trade information system. PHILEXPORT is now pursuing a plan to seek a private sector joint venture partner for development of a commercially viable system. This evaluation recommends that the joint venture be conditioned on substantial cost-sharing by the venture's private sector partner. If this condition cannot be met, development of a modest trade information system within PHILEXPORT is recommended.

**Trade Brokerage:** To implement the trade transaction brokerage component, PHILEXPORT entered into contracts in September 1991 with three firms: Pragma Corporation (Manila), CBI Inc. (Davao), and Shemburg Marketing Corporation (Cebu). In exchange for one million dollars each over a three year period the contractors agreed to meet individually negotiated annual performance targets. The targets included indicators for volume of trade transactions, number of transactions, and transactions involving small and medium enterprises, women-

managed firms and first-time exporters. It was expected that the brokers would generate trade transaction fees sufficient to sustain their operations following three years of USAID support. The two American firms, Pragma and CBI, sub-contracted Philippine concerns to assist their efforts.

In general, the use of private firms for trade brokering should be continued since it offers a useful "promoter" capability and has proven its ability to increase Philippine exports. Efforts have been company-specific, something difficult for government or membership-based institutions to undertake. However, nontraditional export development tends to be a lengthy process and is unlikely to generate significant short-term revenues. High-volume performance targets have encouraged the Manila and Davao brokerage firms to concentrate a notable portion of their efforts on transactions of high-value commodities, particularly seafood.

Despite impressive results in Cebu, and a significant start in Manila, none of the three firms completely met their self-imposed first year targets and none generated significant fee-for-service revenues. The Cebu brokerage's performance is noteworthy for its impressive accomplishments in increasing non-traditional exports and for conducting a greater than expected number of trade transactions--full renewal of its brokerage contract is recommended. In the case of the other two brokerage contracts (Manila and Davao), it is recommended that PHILEXPORT either cancel the contracts or reconfigure contract awards among the various brokerage partners relative to their first-year performances. A substantial amount of trade has been brokered by the Manila-based Pragma-PIL, however, performance of the U.S.-based brokerage partners has lagged behind their Filipino counterparts and calls into question the cost-effectiveness of continuing to support the U.S.-based operations. In Davao, it is not clear that the area contains a number of export firms sufficient to justify continued USAID support for a brokerage office.

**Policy Analysis:** PITO-P has done a credible job in defining areas in which the project can be an effective policy reform advocate. Assessing that the project's initial reactive posture was not effective in generating policy studies, substantial management effort has gone into designing a three track policy analysis system in which PHILEXPORT will respond quickly to trade or regulatory issues affecting its membership while PITO-P will: a) undertake major policy studies and, b) fund appropriate studies to be managed by PHILEXPORT or its constituents. It is recommended that responsibility for policy advocacy studies be increasingly transferred from PITO-P to PHILEXPORT, with PITO-P providing technical assistance to PHILEXPORT to bolster its capabilities in this area.

**Training/Technical Assistance:** Over forty grants for training and technical assistance have been made with the greatest number and impact recorded in the Cebu area. Activities in Cebu have involved four manufacturers' associations which operate in the following sectors: furniture, fashion accessories, stonecraft furniture, and metalworking. In Cebu, technical assistance grants have enabled recipient firms to increase the quality of their products and the quantity of their exports. This has been accomplished through providing support for activities such as participation in trade fairs and teaching firms improved production technologies. The

uneven level of activity between the three regions reflects the absence of established exporters in Davao, and the vacancy in the metro-Manila regional manager position.

An upswing in training and technical assistance activity in the Manila area should result from the recent staffing of the regional manager's position and from a more aggressive and systematic PITO-P outreach campaign, e.g. strategic distribution of promotional materials among potential grantees--as is recommended by this evaluation. The evaluation agrees with the value of requiring beneficiaries to share in the costs of training, however, the income generated will not be sufficient to sustain the operation of PITO-P's regional offices. Therefore, it is recommended that PITO-P should concentrate on improving the sustainability prospects of its grantees through enabling them to retain and manage some portion of fee income.

### **Project Management**

The Project Implementation Committee, together with the close support provided by USAID's Project Office, has worked well in setting policy and providing management oversight. It is suggested the process be continued with consideration given to increasing the authorities of the regional offices and possibly providing regional representation on the PIC. Staffing needs should be re-evaluated in light of the recent decision to implement the computerized trade information system through a joint venture with a private sector firm. In accordance with recommendations suggested in this report USAID and PHILEXPORT should revise the project's objectives and expected outputs. To reflect the revised objectives, PHILEXPORT should design and implement a project management information system to capture activities and accomplishments. The project's management information system should be designed to collect gender disaggregated data on project beneficiaries, which has not been done to date.

As a result of financial audits early in 1992, project financial management has been simplified and improved. To carry this a step further, PITO-P should establish a simple financial management information system, improve procedures for authorizing regional office expenditures, and develop budgets for each of the project's regional offices.

## Chapter 1. INTRODUCTION AND BACKGROUND

### 1.1 Project Background

Since the early 1960s, Philippine economic performance has lagged behind that of its East Asian neighbors. Where it once was second only to Japan, in terms of economic development and trade, it now has fallen behind all except the Indochinese states. This lagging performance is largely due to a policy regime characterized by government intervention and trade restrictions in support of import substitution and protection of domestic markets. The consequences have been biases towards capital-intensive industry, urbanization and debt-financed growth, accompanied by wide-spread corruption during the early 1980s. Inflation, up to this year, has been in double digits, the country suffers from prolonged electrical power shortages and it faces prospects of a serious balance of payments crisis. Further blows to the economy include natural disasters, particularly the eruption of Mt. Pinatubo, and the termination of the U.S.-Philippine Bases Agreement which removed a significant source of foreign exchange earnings.

Over the past few years the Philippine's economic and political environment has considerably improved. The government has undertaken a degree of economic and trade liberalization, including substantially easing foreign exchange controls. There would appear to be recognition of the need to further open the economy and to rely on private enterprise for future economic development. The Philippine's is cautiously optimistic that the administration of newly-elected President Ramos will achieve further progress in the realization of needed economic reforms.

With this background, USAID/Philippines in 1990 approved the Private Investment and Trade Opportunities - Philippines Project (PITO-P) which has as its goal contributing to sustainable long-term growth through the stimulation of private sector trade and investment in the Philippines.

The project's purpose is:

to increase the level of trade and investment activities in the Philippines through: a) provision of trade and investment promotion services; b) policy analysis and problem resolution studies; and, c) provision of training and technical assistance. A majority of the project's beneficiaries are expected to be small and medium enterprises.

## 1.2 Project Description

The Project comprises three interrelated, mutually-supportive components:

- trade and investment promotion;
- policy analysis and problem resolution; and
- training and technical assistance.

Each of these three project components are described below. A project logframe from the 1990 Project Paper is presented on the following page and a description of each project component follows.

**Trade and Investment Promotion:** The core activity of the Project is the establishment of a regional network, using existing institutions, to carry out proven techniques for promoting private trade and investment. The sectoral focus is on increased export of nontraditional goods, such as labor-intensive light manufactured goods, finished agricultural products and resource-intensive manufactured goods. This component is expected to contribute to an improved climate for private investment by local and U.S. enterprises.

Trade and investment promotion activities were divided into three components: general promotion; information collection and dissemination; and trade transaction brokering.

**Policy Analysis and Problem Resolution:** This component involves the preparation and dissemination of a series of studies aimed at overcoming specific policy constraints faced by traders and investors as well as issues of market access in both the U.S and the Philippines. The studies are to identify appropriate reforms and implementation strategies, including plans for outreach and advocacy activities. Research undertaken is expected to be "applied" not "basic."

**Training and Technical Assistance:** This component offers targeted training and technical assistance to small and medium enterprises in each regional project area on topics directly related to initiating or improving trade and investment ventures. A U.S. perspective was to be given with respect to U.S. import requirements, accessing U.S. technology, product standardization, quality control, competitive product design, and packaging. This component was expected to become self-sustaining within the life of the project through fee income.

## PROJECT DESIGN SUMMARY LOGICAL FRAMEWORK

Life of Project:  
From FY 90 to FY 93  
Total U.S. Funding \$10,000,000  
Date Prepared: May 25, 1990

Project Title & Number: Private Investment & Trade Opportunities - Philippines (492 04499)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																
<p>Program or Sector Goal: The broader objective to which this point contributes (A-1)</p> <p>To contribute to long term economic growth in the Philippines through the development of private sector trade and investment.</p>	<p>Measures of Goal Achievement:</p> <ul style="list-style-type: none"> <li>* 10% increase export levels in sectors/regions of project focus.</li> <li>** 12 new foreign investments approved and recorded.</li> <li>*** 3,000 new jobs created.</li> </ul>	<p>(A-3)</p> <ul style="list-style-type: none"> <li>** PHILEXPORT records.</li> <li>** Other GOP economic reports.</li> <li>** U.S. Foreign Commercial Service records.</li> </ul>	<p>Assumptions for achieving goal targets: (A-4)</p> <ul style="list-style-type: none"> <li>** GOP policies favoring an active private sector role in national economic growth will continue.</li> <li>** Political environment and peace and order conditions remain stable.</li> <li>** Private sector efforts will continue after USAID project has ended.</li> </ul>																																																
<p>Project Purposes: (B-1)</p> <p>To establish a mechanism to increase and investment activity in the Philippines through promotional services and assistance, training and TA, and policy analysis and reform.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. End-of-Project status, (B-2)</p> <ul style="list-style-type: none"> <li>** Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.</li> <li>** U.S. Philippine trade increases in project areas over 1986-87 average: Manila 7 Cebu - 10-20%; Davao - 5 - 10%.</li> <li>** U.S. investment up 10% in project areas. 12 policy recommendations forwarded to GOP.</li> <li>** Training and TA service institutionalized in PHILEXPORT.</li> </ul>	<p>(B-3)</p> <ul style="list-style-type: none"> <li>** Monitoring of government policy reforms.</li> <li>** Periodic projects reports.</li> <li>** Trade and investment statistics from project areas.</li> </ul>	<p>Assumptions for achieving purposes: (B-4)</p> <ul style="list-style-type: none"> <li>** GOP will act on trade and investment policy recommendations.</li> <li>** Regional service centers are able to become self-sustaining.</li> </ul>																																																
<p>Project Outputs: (C-1)</p> <ol style="list-style-type: none"> <li>1. Three regional trade and investments centers are operating on a sustainable basis and providing services to private sector entrepreneurs.</li> <li>2. A series of trade and investment promotion activities in the areas of general promotion, investor/trade assistance, T&amp;I brokering services, and information collection and dissemination.</li> <li>3. Economic/commercial policy analyses, recommendations for appropriate reforms, and implementation strategies.</li> <li>4. Traders and investors trained or receive TA in areas such as marketing, quality control, accessing technology, and product design and packaging.</li> </ol>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> <li>1. 100 percent of Regional Service Center budget generated by fees for service.</li> <li>2. 12 joint ventures facilitated.</li> <li>3. 900 trade transactions facilitated.</li> <li>4. 12 policy studies completed and recommendations forwarded to GOP.</li> <li>5. 300 client firms receive TA or training.</li> </ol>	<p>(C-3)</p> <ul style="list-style-type: none"> <li>** Reports of three ASEAN grantees.</li> <li>** Records and progress reports of PTO-P grantees.</li> <li>** Ongoing project monitoring.</li> <li>** PCCI records.</li> </ul>	<p>Assumptions for achieving outputs: (C-4)</p> <ul style="list-style-type: none"> <li>** Grantee will be able to recruit and/or train qualified staff.</li> <li>** Grantee will develop an equitable, sustainable fee-for-service structure.</li> <li>** Demand exists among traders and business in project areas for the expertise and services to be provided by grantees.</li> </ul>																																																
<p>Project Inputs: (D-1)</p> <ol style="list-style-type: none"> <li>1. Trade and Investment Promotion             <ol style="list-style-type: none"> <li>a. Marketing</li> <li>b. Brokering</li> <li>c. Information</li> </ol> </li> <li>2. Policy Analysis</li> <li>3. Training and Tech. Asst.</li> <li>4. Project Management Services</li> <li>5. Evaluation, Audit and Monitoring</li> <li>6. Contingency</li> </ol>	<p style="text-align: center;">Implementation Target (Type and Quantity)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">(US \$000)</th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">AID</th> <th style="text-align: center;">PHILIPPINES</th> <th style="text-align: center;">TOTAL</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">4,400</td> <td style="text-align: right;">1,350</td> <td style="text-align: right;">5,950</td> </tr> <tr> <td>a. Marketing</td> <td style="text-align: right;">1,600</td> <td style="text-align: right;">500</td> <td style="text-align: right;">2,100</td> </tr> <tr> <td>b. Brokering</td> <td style="text-align: right;">1,800</td> <td style="text-align: right;">550</td> <td style="text-align: right;">2,330</td> </tr> <tr> <td>c. Information</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">1,250</td> <td style="text-align: right;">2,250</td> </tr> <tr> <td>2. Policy Analysis</td> <td style="text-align: right;">1,500</td> <td style="text-align: right;">200</td> <td style="text-align: right;">1,700</td> </tr> <tr> <td>3. Training and Tech. Asst.</td> <td style="text-align: right;">2,000</td> <td style="text-align: right;">400</td> <td style="text-align: right;">2,400</td> </tr> <tr> <td>4. Project Management Services</td> <td style="text-align: right;">850</td> <td style="text-align: right;">100</td> <td style="text-align: right;">930</td> </tr> <tr> <td>5. Evaluation, Audit and Monitoring</td> <td style="text-align: right;">250</td> <td style="text-align: right;">-</td> <td style="text-align: right;">250</td> </tr> <tr> <td>6. Contingency</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td></td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">3,800</td> <td style="text-align: right;">10,000</td> </tr> </tbody> </table>		(US \$000)				AID	PHILIPPINES	TOTAL		4,400	1,350	5,950	a. Marketing	1,600	500	2,100	b. Brokering	1,800	550	2,330	c. Information	1,000	1,250	2,250	2. Policy Analysis	1,500	200	1,700	3. Training and Tech. Asst.	2,000	400	2,400	4. Project Management Services	850	100	930	5. Evaluation, Audit and Monitoring	250	-	250	6. Contingency	1,000	-	1,000		10,000	3,800	10,000	<p>(D-3)</p> <ul style="list-style-type: none"> <li>** Financial Records</li> <li>** Periodic grantee reports.</li> <li>** Independent audits.</li> </ul>	<p>Assumptions for providing inputs (D-4)</p> <ul style="list-style-type: none"> <li>** Availability of AID funds over the life of the project.</li> </ul>
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### 1.3 Project Implementation

The project assigned the implementation of the above activities to a Philippine private sector institution, the Philippine Export Confederation, Inc. (PHILEXPORT), by means of a four-year Cooperative Agreement signed September 17, 1990. Responsibility for project direction falls to a five-member Project Implementation Committee (PIC) comprising members from PHILEXPORT, the Philippine Chamber of Commerce and Industry (PCCI), the Philippine Government's Department of Trade and Industry (DTI), PITO-ASEAN and the U.S. Foreign and Commercial Service. USAID, as part of its substantial involvement in implementation of the Cooperative Agreement, serves as an ex-officio PIC member. The project's original design called for the creation of three regional offices which were to fall under the direction of respective regional PICs.

The following page contains a graphic of PITO-P's management structure which displays the implementation organization of the project's various components.

### 1.4 Purpose of Evaluation

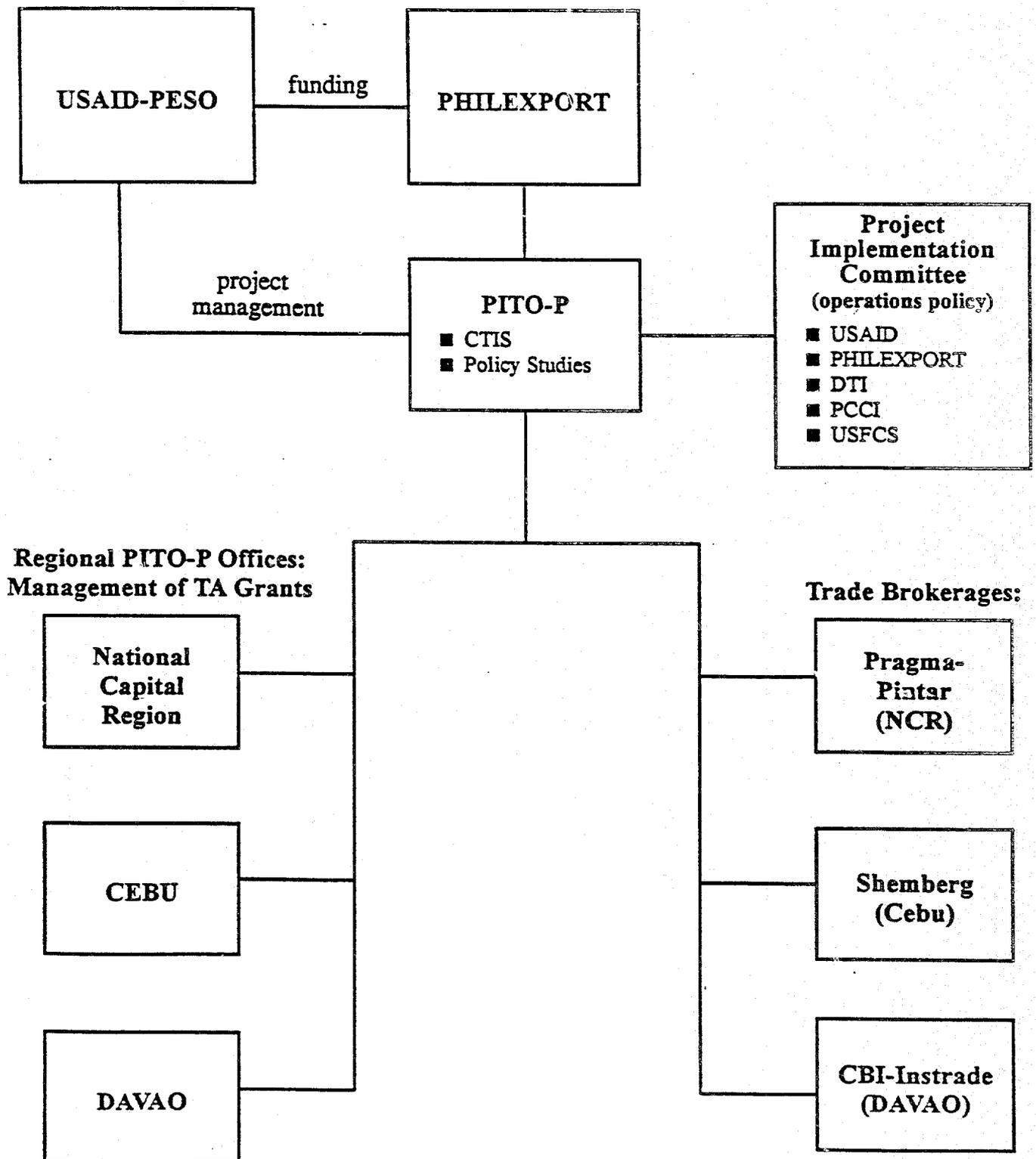
The purpose of the evaluation is to assess the status of the PITO-P Project implementation after two years of operation. The evaluation's findings are expected:

- to determine the effectiveness of the implementation approach generally, and on a component-specific basis;
- to assess project impacts;
- to assess progress toward the achievement of purpose-level indicators;
- to determine the adequacy of grantee and USAID project management and oversight;
- to assess and document factors which account for the project's relative successes or failures to date;
- to recommend mid-course corrections, where appropriate; and
- to document lessons learned for the design of future trade and investment promotion activities in the Philippines and elsewhere.

The evaluation Statement of Work is included as Annex 1.

Table 1

PITO-P's Management Structure



Note: Solid lines indicate the project's principal operational relationships. Also, the PIC is responsible for approving technical assistance requests.

## 1.5 Evaluation Methodology

The MSI team undertook the following activities in carrying out the evaluation:

- reviewed the existing body of literature concerning A.I.D. and other donor's efforts at promoting trade and investment in developing countries.
- reviewed all available project documentation including the 1990 Project Paper, the USAID Cooperative Agreement with PHILEXPORT, PIC meeting minutes, and operational and financial reports.
- interviewed nearly a hundred individuals involved directly with PITO-P or in activities relevant to the project, including a wide-range of USAID personnel, all members of the PIC, all PITO-P project managers, representatives from a majority of firms which received project-funded technical assistance, staff from all three Philippine-based brokerage firms as well as Pragma-US staff in Falls Church, Va., representatives from a firm which had conducted an audit of PITO-P's brokerage operations, GOP representatives from the Department of Trade and Industry, and PHILEXPORT executives and members of their Board of Directors. The team conducted interviews in Washington, D.C., the Metro-Manila area, Cebu, and Davao.
- visited all three of the project's regional offices as well as over a dozen of the firms which had received project assistance.

A complete list of persons contacted appears as Annex 2.

Following completion of four weeks of field work in the Philippines, the team submitted a draft report to USAID's PESO Office. This report was widely distributed by USAID among project implementors and cooperating institutions, public and private, and all comments received were carefully considered for inclusion into this final report.

The evaluation was conducted by a four-person team from Management Systems International. The team was composed of the following specialists: Team Leader/Trade and Investment Promotion Specialist - Wesley Boles; Organizational/Administrative Specialist - David Callihan; Financial Analyst - Nezam Motabar; and a Local Advisor - Attorney Florecita Flores. A brief description of the team members and their qualifications and experience is presented as Annex 3.

## Chapter 2. GENERAL PROJECT OVERVIEW

Chapters three, four, and five of this report are organized according to findings, conclusions, and recommendations for each sub-section. In sub-sections which exclusively comment on activities already completed (rather than ongoing), such as the selection of the project's implementing organization, no recommendations are presented. An abbreviated summary of all recommendations and conclusions appears as Chapter 7.

### 2.1 Project Design

The project was designed in early 1990 and reflected the "state of the art" in trade and investment promotion activities at that time. Within that context, the trade brokerage sub-component was an innovative extension of a mechanism that had been used only sparingly in previous USAID projects. The evaluation team, during its project review, enjoyed the advantage of recent evaluations and assessments carried out by USAID, some which have been published as recently as June 1992, such as CDIE's study "Export and Investment Promotion: Sustainability and Effective Service Delivery."

**Findings:** The PITO-P project design represents a mix of "transmitter", "facilitator" and "promoter" elements as defined in recent USAID literature regarding the effectiveness of trade and investment promotion activities.

- **Transmitter services** are defined as those relating to the general business environment and to providing market information. PITO-P's policy advocacy and trade information sub-components are "transmitter" services.
- **Facilitator services** are those involving export and investment promotion. PITO-P's promotional and trade brokering sub-components and its technical assistance and training component are primarily "facilitator" services.
- **Promoter services** are defined as those which are enterprise specific and are generally targeted toward a limited number of firms or specific types of industry. A significant portion of the trade brokerage activity has been firm specific. The technical assistance and training component potentially could provide "promoter" services but so far its activities have been limited to general training or industry-specific, rather than firm-specific, technical assistance.

The project design did not make a distinction within its component structure between export development and investment promotion activities. Each component was established with the capacity to do either or both depending upon the judgement of the implementing agency.

By specifying that a majority of the beneficiaries should be small and medium enterprises (SMEs), rather than only SMEs, the project sought a balance between goals of equity and growth, realizing that growth more likely flows from assistance to firms able to expand on an

established domestic market or export base rather than those which have limited productive capacity and no export experience. The project has been designed to support exports of manufactured goods or processed food rather than agricultural commodities or semi-processed materials. It is clear that the project expected to generate incremental exports and that bilateral U.S. - Philippine trade and investment was preferred.

It is also clear that the project has operated within a constrained trade environment. While there has been progress in liberalizing the trade and investment regime, e.g. foreign exchange liberalization and some tariff reform, protectionist mechanisms remain in place along with regulatory and bureaucratic barriers, capital shortages, and high domestic interest rates. The Philippines also suffers from natural disasters, deficiencies in civil peace and order, and serious infrastructure shortages, especially the supply of electric power. Although the country has been able to steadily increase its exports over the past four years, the Philippine's export performance still lags behind that of its ASEAN neighbors.

The project was designed to be implemented through a regional approach which called for an office to be established in each of its three operational regions: the National Capital Region (Metro Manila), Cebu, and Davao. The project's resources were roughly evenly distributed between the three regional offices despite the fact that three-fourths of the approximately 6,400 Philippine firms active in export are found in Luzon, eleven percent in Cebu and only three percent in Mindanao.<sup>1</sup> The team, during its visit to Davao, confirmed that the area has virtually no manufactured products export base. Thus, the potential for the regions to contribute to achievement of project goals is imbalanced.

In its assignment of relative levels of effort to the components, the project design placed major emphasis on a perceived lack of information on the part of potential exporters and investors. In other words, identifying and attracting buyers and investors was viewed as the key to stimulating export growth. In fact, the Philippines' relatively poor export performance in recent years reflects serious problems much less on the demand side than that of supply. A 1985 DTI survey of Letters of Credit opened for Philippine exports during the year revealed that actual export transactions amounted to only between 40 and 60% of the value of the L/Cs. Philippine exporters have problems in pricing competitively, maintaining consistent quality, and meeting delivery commitments. Individuals interviewed by the evaluation team were nearly unanimous in the view that the Philippines is deficient in the *capability* to export. While new buyers and new markets are desirable, finding buyers of Philippine products does not seem to be the major constraint limiting Philippine trade.

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<sup>1</sup> The statistic that only 3% of exporting firms are located in Mindanao is not fully reflective of the amount of export-oriented production in Mindanao because some Manila-based exporters have production operations in Mindanao and many firms source materials from Mindanao.

Finally, the project design clearly placed a high priority on attaining financial self-sufficiency for a number of its components, including the trade brokerage firms, the computerized trade information system, and the technical assistance and training components.

### Conclusions (Project Design)

1. The project's design follows the "Christmas tree" approach with multiple elements addressing numerous objectives. While all of the activities are intended to promote trade and investment, the design does not segregate the investment and export development functions within each component. In the project's implementation, the trade and investment promotion sub-component and the technical assistance and training component have been combined into a single budget category and are managed as one component. Implementation follows design in not setting up separate management structures within PITO-P for export development and investment promotion with the functional separation reflected in the design of specific projects.
2. The design assumption that the key restraint to Philippine export development is the lack of information has understandably been reflected in the relative weight given to project components, as illustrated by the structure of the trade brokerage component and the original budget allocations for trade and investment promotion and information services. Since the evaluation team believes that the key constraint is deficient export capability, that is, limited ability to produce and sell effectively, relatively more resources should have been allocated to capability enhancement utilizing the technical assistance and training component, as well as structuring the trade brokerages to concentrate on export development.
3. The design requirement that several of the project components become self-sustaining has placed a burden on project implementation. Recent evaluations of USAID trade and investment projects elsewhere have led to a growing realization that financial sustainability of project implementation institutions should not be a required outcome of export and investment promotion programs. The economic justification for a project like PITO-P is the long-term benefit to the host country from an expanded universe of exporting firms, an enhanced technical base, and strengthened intermediary institutions. In other words, PITO-P need not be self-sustaining as an entity; if successful, the benefits which have been conveyed to local firms and institutions will remain.

The major negative consequence of insistence on financial self-sufficiency within the usually short life of a project is that it diverts effort and resources of the implementing agencies from issues of development to making money. For example, PITO-P clearly doesn't expect its investment promotion efforts to be self-sustaining: effective, targeted promotion is expensive and prospective investors will not pay the costs. For a PITO-P manager looking for cost recovery or sustainable activities, or for PHILEXPORT, an obvious temptation is to move away from investment promotion to a fee generating

activity--regardless of which activity will provide the most desirable long-term benefits to the host country. (The sustainability requirement's impact on the project's trade brokerage and technical assistance components is covered in detail in later sections of this evaluation.) Incidentally, the evaluation team is unaware of any instance when a USAID-funded trade or investment promotion institution has achieved financial self-sufficiency despite numerous efforts in this direction.

The evaluation team's recommendations are found in section four of this evaluation--the Project's Overall Performance--which analyzes the effectiveness of the project's operational components.

## 2.2 Implementing Agency

**Findings:** The project design called for a private-sector membership-based organization, the Philippine Export Confederation, to act as the implementing agency rather than establish a new institution or support an existing public sector agency. Membership-based organizations have generally proven adept at "transmitter" services, such as information services, public-private sector coordination and policy analysis/reform. They have proven less adept at trade brokering services and find the provision of firm-specific assistance difficult owing to their need to balance the interests of all members.

PHILEXPORT, a membership organization representing over 600 Philippine exporters, was selected to implement the project. PHILEXPORT has been in existence since 1981 and receives the majority of its operations budget from managing bonded warehouses and, to a lesser extent, from membership dues. While the selection of PHILEXPORT from among several possible candidates appears to have been sound, nevertheless, for the project's first two years, PHILEXPORT appears not to have had the staff availability nor the interest of the Board of Trustees necessary to play a key role in project implementation. For all practical purposes, PITO-P has operated as a stand-alone institution with only indirect management participation from PHILEXPORT. (PITO-P offices are separate from PHILEXPORT and located in a different section of Manila.)

It is also interesting to note that the key professional staff for PITO-P, including the regional office managers, were recruited from the GOP's Department of Trade and Industry. The rationale given has been that DTI staff had the background necessary to start up a quasi-governmental institution such as PITO-P. Given that PITO-P's present activities were to one degree or another part of the DTI program before recent cutbacks in staff and funds, it is not surprising that the transition for the individuals involved has been relatively smooth. It has also helped that the project's managers appear highly qualified and strongly committed to PITO-P's goals.

The evaluation team did not find a wide-spread understanding of PITO-P outside of its direct beneficiaries and promotional project "briefs" either do not exist or have not been distributed.

Even where benefits have been received, there appears little understanding of the breadth of the program and its potential utility. In the case of PHILEXPORT, recent membership changes at the Chairman and Board of Trustees level have resulted in a renewed interest in the project and a desire to integrate PITO-P more fully into PHILEXPORT. Currently, however, PHILEXPORT does not seem to have any clear plan as to how this can best be achieved.

### **Conclusions**

1. During the first two years of this project there was much less support and interaction between PHILEXPORT and PITO-P than had been envisaged in the Project Paper making both essential and inevitable the development of PITO-P as a stand alone organization. The situation has recently changed with PHILEXPORT now looking for closer identification with PITO-P and actively seeking to incorporate PITO-P functions within PHILEXPORT.
2. Despite the current interest of PHILEXPORT, it is not established that the organization will be able or willing to undertake the continuation of the PITO-P regional office structure, large scale policy advocacy studies, or extensive investment and trade promotion activities beyond the PACD. The challenge to PITO-P management is to see to what degree it can strengthen PHILEXPORT and what in the menu of PITO-P activities will remain as the project's legacy to PHILEXPORT.

### **Recommendations**

1. Efforts underway to integrate PITO-P and PHILEXPORT activities should be continued and, if possible, accelerated. Activities under consideration include housing the trade information system within PHILEXPORT, having the NCR regional manager spend half-time at PHILEXPORT and strengthening PHILEXPORT's capacity to manage the project's policy advocacy component.

## **Chapter 3. THE PROJECT'S OVERALL PERFORMANCE**

The project's level of planned inputs, as per the project's budget, and its overall achievements versus objectives, as stated in the PITO-P Project Paper of September 1990, is documented in this section. A project Logical Framework is included on page 3 of this report. This section provides only a retrospective look at activities and outputs; detailed performance analyses of each component are presented in section 4.3 - Analysis of Project Components.

### **3.1 Project Inputs**

The following table presents the project's original and current budget authorizations and compares each line item to actual expenditures to date.

**Evolution of Budget and Comparison to Actual Expenditures  
as of September 30, 1992<sup>2</sup>**

Project Components	Initial Budget	Current Budget	Expenditures as of 9-30-92	% of Expenses
Brokering Services	2,400,000	3,000,000	661,940	22.1%
Information Services	2,098,410	1,500,000	482,784	32.2%
Policy Analysis	1,200,000	1,500,000	76,928	5.1%
Train & Tech Assistance	2,157,500	2,000,000	259,027	13.0%
Salaries	383,180	545,000	192,256	35.3%
Maintenance & Operations	423,030	699,000	246,097	35.2%
Furniture, & Office Equipment	87,880	131,000	149,639	114.2%
Monitoring, Evaluation & Audit	0	250,000	N/Avail	Not Relevant
<b>Total</b>	<b>8,750,000</b>	<b>9,625,000</b>	<b>2,068,672</b>	<b>22.1%</b>

**Conclusions**

The project has underspent available resources. Some reporting of project expenses may not have yet "caught-up" with the project's elapsed time and therefore one should not assume lower-than-planned levels of activity in areas which do not show especially large deviations between percentage of expenditures versus percent of time elapsed. This is particularly true for PITO-P since much of the project's first year effort went towards setting up offices, hiring staff, soliciting and evaluating offers from trade brokerages, and establishing operational

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<sup>2</sup> The expenditures are calculated as of September 30, 1992, and represent 50 percent of the project's elapsed duration; however, for the brokering services, only 33 percent of life-of-project time has elapsed, since those activities, by design, were not begun until the project's second year.

procedures. Nevertheless, levels of activity for training and technical assistance, and for policy studies, are substantially below project design projections.

### 3.2 Achievements Versus Objectives

The Cooperative Agreement between USAID and PHILEXPORT does not contain performance indicators but does state as its purpose "...to support the objectives of the Private Investment and Trade Opportunities Project-Philippines."

Following the statement of project objectives and indicators listed below (taken from the project's Logical Framework), a simple quantitative assessment is presented of the project's accomplishments to date in meeting its performance indicators. A more detailed effectiveness and management analysis of each of the project's components follows in later sections.

**Project Purpose:** To establish a mechanism to increase trade and investment activity in the Philippines through promotional services and assistance, training and technical assistance, and policy analysis and reform.

#### **EOPS Indicators:**

1. Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.
2. U.S.-Philippine trade increases in project areas over 1986-89 averages; Manila and Cebu 10-20%; Davao 5-10%.
3. U.S. investment up 10% in project areas, 12 policy recommendations forwarded to the GOP.
4. Training and technical service institutionalized in PHILEXPORT.

#### **Findings:**

1. Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.

The project's three regional service centers have, as of August 31, 1992, managed to generate a total reflow of \$47,232 (15,586 from NCR; 31,647 from Cebu; 0 from Davao). In terms of the number of entrepreneurs assisted annually, specific numbers are not available. However, in Cebu alone, in the project's first two years, an estimated 1,088 business persons have directly benefitted from the PITO-P project through participation in grant supported programs.

The three trade brokerages supported by the project, in their first year of operation, have generated combined revenues of about \$35,000 against expenditures of approximately one million dollars.

2. U.S.-Philippine trade increases in project areas over 1986-89 averages; Manila and Cebu 10-20%; Davao 5-10%.

The project does not track trade by region. However, according to the most recent Asian Development Bank statistics, trade figures for the Philippines are as follows:

Exports - in millions of \$US	1987	1988	1989	1990
Overall	5,720	7,074	7,821	8,186
Basic Manufacturers	758	954	1,197	1,341
Misc. manufactured goods	474	690	743	764
Total exports to U.S.	1,539	1,823	2,133	2,541

Somewhat less than \$5 million in trade has been generated by the project's trade brokers during their first year of operation. This volume of trade, even if all incremental, is--in a macro sense--not of major consequence to an economy which had 1990 exports to the U.S. valued at \$2.5 billion dollars and an overall level of exports of \$8.1 billion. The trend regarding exports to the U.S. is that they have been increasing from 1987-90 at an average rate of 17%--that achievement of increasing trade from Manila and Cebu, by an average of 10-20%, could be attributed to project activities seems implausible, as is one of the project's of EOPS objectives. (See Annex 4 for a summary of export transactions brokered by the project.)

3. U.S. investment up 10% in project areas, 12 policy recommendations forwarded to the GOP.

To the best of the team's knowledge, the project has yet to generate any investment in any of its three project areas, although numerous promotional documents and audio-visual presentations have been produced and distributed over the past year. Regarding policy recommendations, the project lists four studies as having been completed to date: Public Consultation on Implementing the Foreign Investments Act of 1991; Study on Comparative Trade Regimes in Southeast Asia; Summary Proceedings of the Second Philippine Exporters' Congress; and a workshop on Doing Business in the Philippines. In addition, three additional policy studies were approved in 1992 and are in-process: Deregulation of the Airways; a Plan for the Philippine Packaging Industry; and a study on Constraints to Technology Transfer. The study on Comparative trade regimes was undertaken in support of USAID's \$39.5 million

ESF-funded macro-economic policy objectives which complements PITO-P's objectives of increasing trade. PITO-P has plans to undertake six major policy studies in 1993.

4. Training and technical service institutionalized in PHILEXPORT.

Of a four year life the project has targeted to allocate \$2 million for undertaking training and technical assistance. After two years, the project has approved (expenditures are somewhat less) 40 separate activities for a total of approximately \$425,657; the project has actually expended about 13% of available funds for such activities. The project has two years left to be "institutionalized" in PHILEXPORT; it is unclear what performance indicator USAID will use to assess this achievement, although, to date, PHILEXPORT's only involvement with the project's technical assistance component has been its slot on the PIC. (The PIC has been responsible for approving a majority of the project's technical assistance activities.)

### **Conclusion**

Based on progress to date, the project seems to be meeting its quantitative target for number of policy studies conducted, is exceeding by a large margin its objective of providing training to entrepreneurs, but seems unlikely to achieve its objective of having three self-sufficient regional service centers or trade brokerage operations.

### **Project Outputs:**

1. Three regional trade and investment centers are operating on a sustainable basis and providing services to private sector entrepreneurs.
2. A series of trade and investment promotion activities in the areas of general promotion, investor/trader assistance, trade and investment brokering and information collection and dissemination.
3. Economic/commercial policy analyses, recommendations for appropriate reforms, and implementation strategies.
4. Traders or investors trained or receive technical assistance in areas such as marketing, quality control, accessing technology, and product design and packaging.

### **Project Output Indicators:**

1. 100 percent of regional service center budgets generated from fees for service.
2. Twelve joint ventures facilitated.

3. 900 trade transactions facilitated.
4. Twelve policy studies completed and recommendations forwarded to GOP.
5. Three hundred client firms receive technical assistance or training.

**Findings (for each project output indicator):**

1. 100 percent of regional service center budgets generated from fees for service.

This indicator is redundant with one of the project's purpose-level EOPS indicators. See comment one under findings section of EOPS indicators.

2. Twelve joint ventures facilitated.

To the best of the team's knowledge, no joint ventures have yet been facilitated, however, Pragma-Pil has entertained discussions with several overseas investors about joint venture possibilities, although deals have yet to be finalized. Also, several investment promotional materials have been published by the project over the past twelve months.

3. 900 trade transactions facilitated.

The number of trade transactions facilitated by the project's trade brokers over the project's first two years has been approximately 145. Although not tracked by the project, the evaluation team optimistically estimates a few dozen additional transactions have been facilitated as a result of the project's technical assistance component (e.g., the Cebu Furniture Fair). Thus, as many as 200 transaction may have been facilitated during the project's first two years and the vast majority of these have been achieved through the project's trade brokerage component, which has been in operation just one year.

4. Twelve policy studies completed and recommendations forwarded to GOP.

This indicator is redundant with one of the project's purpose-level EOPS indicators. See comments under EOPS indicator number three.

5. Three hundred client firms receive technical assistance or training.

The project has not tracked the number of firms which have thus far benefitted from technical assistance although, as stated above, in Cebu, where the project's technical assistance component has been most active, over a thousand persons have benefitted from project-supported training or technical assistance. In Cebu alone, a conservative estimate would be that upwards of sixty firms have benefitted from project-supported technical assistance. Thus,

although precise figures are not available, the project output indicator for firms assisted seems likely to be exceeded.

### **Conclusion**

The project has already exceeded, by a large margin, its output objective of number of persons trained. With regard to transactions conducted, given that the brokerage firms have only been in operation one year, it seems plausible that the level of transactions conducted to date could continue to gain momentum to achieve the stated level of 900 transactions by the end of the project. It also seems probable the project will achieve, or exceed, its output level indicator of twelve policy studies conducted. (Note: numbers of persons trained and studies conducted are more reflective of activities than development results and are therefore not good indications of the project's impact.)

### **Overall Conclusion**

1. The project's Logical Framework design is poorly constructed: it has redundancies between hierarchical objective levels; places activities (inputs) at the output level, e.g. series of trade promotion activities conducted; does not identify data sources which are actually capable of providing information on stated indicators; and mixes means and ends in its purpose statement. The current Logical Framework is not useful as a tool to guide the implementation decisions of project managers or to serve as a framework for performance monitoring and reporting.

### **Overall Recommendation**

1. That the PESO Office, together with PITO-P management, revise the project's Logical Framework to reflect the realities of the project and incorporate modifications suggested in this evaluation report, as USAID deems useful. In order to avoid the final evaluation assessing progress against the same redundant or inappropriate standards, realistic performance indicators should be defined and actual data sources identified. Once performance indicators and data sources have been identified, this should form the basis of the project performance information reporting system and be the basis upon which to judge PHILEXPORT's performance. It is suggested that someone not involved with the project facilitate this process.

### 3.3 Analysis of Project Components

The Project Paper calls for Trade and Investment Promotion activities and Technical Assistance activities to be implemented as distinct activities--and each component was given a separate budget line item. However, the project's implementation has not made a distinction between the two activities and funds them both out of the same Technical Assistance line item. For purposes of analysis, the evaluation team has examined each component separately in terms of activities undertaken, but has looked at them in a combined manner with regard to the grant approval process and the levels of activities funded.

#### 3.3.1 Trade and Investment Promotion

The Project Paper established Trade and Investment Promotion as a major project component. Within this component, three sub-components were delineated: general promotion, information collection and dissemination and trade transaction brokering. The structure of this report follows the organizational outline of the Project Paper in its analysis of project components.

##### General Promotion

The general promotion sub-component was to support private sector-operated promotional activities aimed at stimulating new or expanded trade and investment ventures, such as promotional materials, a referral system, promotion linkages, trade and investment seminars/missions, individual meetings, trade/investor assistance and such other activities as opportunities arose. In practice, the administration of this sub-component has been combined with the technical assistance and training component. For this reason the evaluation team has reviewed financial and specific project data for general promotion activities as part of its evaluation of the technical assistance and training component.

**Findings:** PITO-P's implementation of this sub-component has been significant with action undertaken in all of the activities listed above. With respect to promotional materials, output includes publication of several Board of Investment (BOI) developed materials, thereby supplementing BOI's limited investment promotion budget. PITO-P has also funded the production of a high quality video designed to promote the Philippines as a promising site for investment. PHILEXPORT will be supplied with 350 copies for distribution to government and not-for-profit institutions with additional copies available for sale as promotional activities.

In Davao, PITO-P collaborated with the Davao Chamber of Commerce to publish a trade directory. Investment promotion activities have been strongly supported in Davao by PITO-P's regional office. In conjunction with the local Chamber of Commerce and Industry, the 1991 Davao Investment Manual was published as was the Davao Trade Directory. The major activity in 1992 has been the joint DCCCII-PITO-P development and promotion of the World Trade Convention (WTC), scheduled for 1994, to bring together exporters and importers from all over the Philippines with buyers, investors, and consultants from actual or potential trading

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**FINAL REPORT**

**PRIVATE INVESTMENT AND TRADE  
OPPORTUNITIES - PHILIPPINES**

**USAID PROJECT 492-0449**

**Mid-Term Evaluation**

*November 1992*

**Presented To:**

Erud P. Wallach, Deputy Chief  
Private Enterprise Support Office  
USAID/Philippines

**Prepared By:**

Wesley Boles (Team Leader)  
David Callihan  
Florecita Flores  
Nezar Motabar

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## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>i</b>
<b>1. INTRODUCTION AND BACKGROUND</b> .....	<b>1</b>
1.1 Project Background .....	1
1.2 Project Description .....	2
Project Logical Framework .....	2
Trade and Investment Promotion .....	2
Policy Analysis and Problem Resolution .....	2
Training and Technical Assistance .....	2
1.3 Project Implementation .....	4
1.4 Purpose of Evaluation .....	4
1.5 Evaluation Methodology .....	6
<b>2. GENERAL PROJECT OVERVIEW</b> .....	<b>7</b>
2.1 Project Design .....	7
2.2 Implementing Agency .....	10
<b>3. THE PROJECT'S OVERALL PERFORMANCE</b> .....	<b>12</b>
3.1 Project Inputs .....	12
3.2 Achievements versus Objectives .....	14
3.3 Analysis of Project Components .....	19
3.3.1 Trade and Investment Promotion .....	19
General Promotion .....	19
Computerized Trade Information System .....	22
3.3.2 Trade Brokerages .....	25
Overall Results .....	28
Cost-Effectiveness and Sustainability .....	34
3.3.3 The Project's Policy Component .....	38
3.3.4 The Project's Training and Technical Assistance Component .....	43
Project Development Process .....	46
Grant Approval Process .....	47
Sustainability of Technical Assistance .....	48
Effectiveness of Technical Assistance .....	49
<b>4. PROJECT MANAGEMENT</b> .....	<b>57</b>
4.1 Staffing .....	57
4.2 Philippine Sector Contribution .....	58
4.3 Management Information System .....	58
4.4 Women in Development .....	60
4.5 Financial Management .....	61

5. LESSONS LEARNED .....	64
6. AN OVERVIEW OF PROJECT ACCOMPLISHMENTS .....	66
7. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS .....	68

**ANNEXES:**

1. Statement of Work
2. Persons Contacted
3. Qualifications of the Evaluation Team
4. Summary of Export Transactions
5. Prawns versus Non-Prawn Transactions
6. Summary of Technical Assistance Grants
7. PITO-P Organizational Chart
8. Selected Bibliography

## ACRONYMS

AID	Agency for International Development/US
AMCHAM	American Chamber of Commerce of the Philippines
ASEAN	Association of Southeast Asian Nations
BETP	Bureau of Export Trade Promotion, GOP, DTI
BOI	Board of Investments, DTI
CCCI	Cebu Chamber of Commerce and Industry
CFIP	Chamber of Furniture Industries of the Philippines
CTIS	Computerized Trade Information System
DCCCII	Davao City Chamber of Commerce and Industry Incorporated
DTI	Department of Trade and Industry, GOP
EOPS	End of project status
EPZ	Export Processing Zone
GOP	Government of the Philippines
JICA	Japanese International Cooperation Agency
FAME	Fashion Accessories Manufacturers and Exporters
GOP	Government of the Philippines
GTZ	German Technical Assistance Agency
LC	Letter of Credit
LOP	Life of Project
MEPZ	Mactan Export Processing Zone
MIAP	Metalworkers Industry Association of the Philippines
NCR	National Capital Region (Metro-Manila)

NEDA	National Economic Development Authority
NMDB	Northern Mindanao Development Bank
PACD	Project Authorization Completion Date
PHILEXPORT	Philippine Exporters Foundation
PCSII	Philippine Chamber of Stonecraft Industries
PIC	Project Implementation Committee
PITO-P	Private Investments and Trade Opportunities - Philippines
PITO-ASEAN	Private Investments and Trade Opportunities - ASEAN
SMEs	Small and Medium Enterprises
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development/Philippines
USFCS	U.S. and Foreign Commercial Service

## **EXECUTIVE SUMMARY**

### **Background and Description**

USAID/Philippines approved the Private Investment and Trade Opportunities-Philippines (PITO-P) Project in 1990 to promote Philippine economic development by increasing exports. Philippine economic performance has been poor since the early 1970s but recent economic liberalizations have led to hope that effective export promotion efforts will now yield tangible results.

The project's design encompassed three major components: trade and investment promotion; policy analysis and problem resolution; and training and technical assistance. Trade and investment promotion was further separated into general promotion, operation of a computerized trade information system, and supporting three trade transaction brokerages. No design distinction was made between export and investment promotion.

Implementation has been undertaken through a four-year \$9.6 million Cooperative Agreement with the Philippine Exporters Confederation, Inc. (PHILEXPORT), signed September 17, 1990. PHILEXPORT is an established membership organization which generates revenue from membership dues and from the operation of bonded warehouses.

The project's design envisaged that the computerized trade information system, the technical assistance and training component, and the three trade brokerage operations would become financially self-sustaining by the project's 1994 PACD.

This evaluation complied with a project requirement that mid-term progress be assessed and recommendations for possible modifications be provided to USAID. Evaluation methodology included archival research and interviews with nearly 100 individuals in Washington, Manila, Cebu and Davao.

The evaluation found that while generally appropriate to the situation in the Philippines the design overemphasized attaining financial self-sufficiency for the implementing agency. The evaluators also questioned the apparent assumption that weaknesses in Philippine export performance related more to demand rather than supply factors. Nevertheless, the project's technical assistance and trade brokerage components have proven themselves to be sound interventions for directly increasing Philippine non-traditional exports.

### **Implementation and General Performance**

The project has been implemented through a regional approach with offices being established in Manila, Cebu and Davao. The Manila office houses the project's overall management and support staff in addition to the regional staff charged with directing technical assistance in the metro-Manila area. Project direction and oversight has been provided by a Project Implementation Committee (PIC) composed of representatives from PHILEXPORT, the

Philippine Chamber of Commerce & Industry, the GOP's Department of Trade & Industry, PITO-ASEAN and the U.S. and Foreign Commercial Service. The PIC's monthly meetings rotate among the three regional offices and have garnered strong interest and involvement from the Committee's membership.

During the project's first two years PITO-P received little support from PHILEXPORT and has functioned as a stand-alone operation. However, recent changes in PHILEXPORT's Board of Trustees have led to closer linkages between PITO-P and PHILEXPORT and it is now both feasible and desirable for some of the project's functions to be integrated into PHILEXPORT prior to the PACD, as earlier envisioned.

At the project's midway point, expenditures have been somewhat less than expected due to the normal lag associated with project start-ups combined with delays resulting from implementation modifications in the project's policy reform and computerized trade information components. The evaluation team expects that for the remainder of the project its rate of expenditure should be substantially higher.

### **Project Performance by Component**

**General Promotion:** PITO-P's investment promotion activities have largely comprised the publication and distribution of materials which have been of high quality and useful to the cooperating institutions and the GOP. The materials provide a needed source of general investment information about the Philippines and are a necessary step in the process of attracting international investment. In Davao, PITO-P's efforts have concentrated almost exclusively on investment promotion.

**Computerized Trade Information System:** The project's design called for PITO-P to acquire and operate a Department of Trade and Industry computerized trade information system. However, a thorough review of the system's cost and capabilities led project management to the conclusion that to acquire the system would have been an unwise investment of project resources. The evaluators concur in PITO-P's decision not to acquire the DTI system despite the resulting delay in developing a trade information system. PHILEXPORT is now pursuing a plan to seek a private sector joint venture partner for development of a commercially viable system. This evaluation recommends that the joint venture be conditioned on substantial cost-sharing by the venture's private sector partner. If this condition cannot be met, development of a modest trade information system within PHILEXPORT is recommended.

**Trade Brokerage:** To implement the trade transaction brokerage component, PHILEXPORT entered into contracts in September 1991 with three firms: Pragma Corporation (Manila), CBI Inc. (Davao), and Shemburg Marketing Corporation (Cebu). In exchange for one million dollars each over a three year period the contractors agreed to meet individually negotiated annual performance targets. The targets included indicators for volume of trade transactions, number of transactions, and transactions involving small and medium enterprises, women-

managed firms and first-time exporters. It was expected that the brokers would generate trade transaction fees sufficient to sustain their operations following three years of USAID support. The two American firms, Pragma and CBI, sub-contracted Philippine concerns to assist their efforts.

In general, the use of private firms for trade brokering should be continued since it offers a useful "promoter" capability and has proven its ability to increase Philippine exports. Efforts have been company-specific, something difficult for government or membership-based institutions to undertake. However, nontraditional export development tends to be a lengthy process and is unlikely to generate significant short-term revenues. High-volume performance targets have encouraged the Manila and Davao brokerage firms to concentrate a notable portion of their efforts on transactions of high-value commodities, particularly seafood.

Despite impressive results in Cebu, and a significant start in Manila, none of the three firms completely met their self-imposed first year targets and none generated significant fee-for-service revenues. The Cebu brokerage's performance is noteworthy for its impressive accomplishments in increasing non-traditional exports and for conducting a greater than expected number of trade transactions--full renewal of its brokerage contract is recommended. In the case of the other two brokerage contracts (Manila and Davao), it is recommended that PHILEXPORT either cancel the contracts or reconfigure contract awards among the various brokerage partners relative to their first-year performances. A substantial amount of trade has been brokered by the Manila-based Pragma-PIL, however, performance of the U.S.-based brokerage partners has lagged behind their Filipino counterparts and calls into question the cost-effectiveness of continuing to support the U.S.-based operations. In Davao, it is not clear that the area contains a number of export firms sufficient to justify continued USAID support for a brokerage office.

**Policy Analysis:** PITO-P has done a credible job in defining areas in which the project can be an effective policy reform advocate. Assessing that the project's initial reactive posture was not effective in generating policy studies, substantial management effort has gone into designing a three track policy analysis system in which PHILEXPORT will respond quickly to trade or regulatory issues affecting its membership while PITO-P will: a) undertake major policy studies and, b) fund appropriate studies to be managed by PHILEXPORT or its constituents. It is recommended that responsibility for policy advocacy studies be increasingly transferred from PITO-P to PHILEXPORT, with PITO-P providing technical assistance to PHILEXPORT to bolster its capabilities in this area.

**Training/Technical Assistance:** Over forty grants for training and technical assistance have been made with the greatest number and impact recorded in the Cebu area. Activities in Cebu have involved four manufacturers' associations which operate in the following sectors: furniture, fashion accessories, stonecraft furniture, and metalworking. In Cebu, technical assistance grants have enabled recipient firms to increase the quality of their products and the quantity of their exports. This has been accomplished through providing support for activities such as participation in trade fairs and teaching firms improved production technologies. The

uneven level of activity between the three regions reflects the absence of established exporters in Davao, and the vacancy in the metro-Manila regional manager position.

An upswing in training and technical assistance activity in the Manila area should result from the recent staffing of the regional manager's position and from a more aggressive and systematic PITO-P outreach campaign, e.g. strategic distribution of promotional materials among potential grantees--as is recommended by this evaluation. The evaluation agrees with the value of requiring beneficiaries to share in the costs of training, however, the income generated will not be sufficient to sustain the operation of PITO-P's regional offices. Therefore, it is recommended that PITO-P should concentrate on improving the sustainability prospects of its grantees through enabling them to retain and manage some portion of fee income.

### **Project Management**

The Project Implementation Committee, together with the close support provided by USAID's Project Office, has worked well in setting policy and providing management oversight. It is suggested the process be continued with consideration given to increasing the authorities of the regional offices and possibly providing regional representation on the PIC. Staffing needs should be re-evaluated in light of the recent decision to implement the computerized trade information system through a joint venture with a private sector firm. In accordance with recommendations suggested in this report USAID and PHILEXPORT should revise the project's objectives and expected outputs. To reflect the revised objectives, PHILEXPORT should design and implement a project management information system to capture activities and accomplishments. The project's management information system should be designed to collect gender disaggregated data on project beneficiaries, which has not been done to date.

As a result of financial audits early in 1992, project financial management has been simplified and improved. To carry this a step further, PITO-P should establish a simple financial management information system, improve procedures for authorizing regional office expenditures, and develop budgets for each of the project's regional offices.

## Chapter 1. INTRODUCTION AND BACKGROUND

### 1.1 Project Background

Since the early 1960s, Philippine economic performance has lagged behind that of its East Asian neighbors. Where it once was second only to Japan, in terms of economic development and trade, it now has fallen behind all except the Indochinese states. This lagging performance is largely due to a policy regime characterized by government intervention and trade restrictions in support of import substitution and protection of domestic markets. The consequences have been biases towards capital-intensive industry, urbanization and debt-financed growth, accompanied by wide-spread corruption during the early 1980s. Inflation, up to this year, has been in double digits, the country suffers from prolonged electrical power shortages and it faces prospects of a serious balance of payments crisis. Further blows to the economy include natural disasters, particularly the eruption of Mt. Pinatubo, and the termination of the U.S.-Philippine Bases Agreement which removed a significant source of foreign exchange earnings.

Over the past few years the Philippine's economic and political environment has considerably improved. The government has undertaken a degree of economic and trade liberalization, including substantially easing foreign exchange controls. There would appear to be recognition of the need to further open the economy and to rely on private enterprise for future economic development. The Philippine's is cautiously optimistic that the administration of newly-elected President Ramos will achieve further progress in the realization of needed economic reforms.

With this background, USAID/Philippines in 1990 approved the Private Investment and Trade Opportunities - Philippines Project (PITO-P) which has as its goal contributing to sustainable long-term growth through the stimulation of private sector trade and investment in the Philippines.

The project's purpose is:

to increase the level of trade and investment activities in the Philippines through: a) provision of trade and investment promotion services; b) policy analysis and problem resolution studies; and, c) provision of training and technical assistance. A majority of the project's beneficiaries are expected to be small and medium enterprises.

## 1.2 Project Description

The Project comprises three interrelated, mutually-supportive components:

- trade and investment promotion;
- policy analysis and problem resolution; and
- training and technical assistance.

Each of these three project components are described below. A project logframe from the 1990 Project Paper is presented on the following page and a description of each project component follows.

**Trade and Investment Promotion:** The core activity of the Project is the establishment of a regional network, using existing institutions, to carry out proven techniques for promoting private trade and investment. The sectoral focus is on increased export of nontraditional goods, such as labor-intensive light manufactured goods, finished agricultural products and resource-intensive manufactured goods. This component is expected to contribute to an improved climate for private investment by local and U.S. enterprises.

Trade and investment promotion activities were divided into three components: general promotion; information collection and dissemination; and trade transaction brokering.

**Policy Analysis and Problem Resolution:** This component involves the preparation and dissemination of a series of studies aimed at overcoming specific policy constraints faced by traders and investors as well as issues of market access in both the U.S and the Philippines. The studies are to identify appropriate reforms and implementation strategies, including plans for outreach and advocacy activities. Research undertaken is expected to be "applied" not "basic."

**Training and Technical Assistance:** This component offers targeted training and technical assistance to small and medium enterprises in each regional project area on topics directly related to initiating or improving trade and investment ventures. A U.S. perspective was to be given with respect to U.S. import requirements, accessing U.S. technology, product standardization, quality control, competitive product design, and packaging. This component was expected to become self-sustaining within the life of the project through fee income.

## PROJECT DESIGN SUMMARY LOGICAL FRAMEWORK

Life of Project:  
From FY 90 to FY 93  
Total U.S. Funding \$10,000,000  
Date Prepared: May 25, 1990

Project Title & Number: Private Investment & Trade Opportunities - Philippines (492 04499)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																												
<p>Program or Sector Goal: The broader objective to which this point contributes (A-1)</p> <p>To contribute to long term economic growth in the Philippines through the development of private sector trade and investment.</p>	<p>Measures of Goal Achievement:</p> <ul style="list-style-type: none"> <li>* 10% increase export levels in sectors/regions of project focus.</li> <li>** 12 new foreign investments approved and recorded.</li> <li>*** 3,000 new jobs created.</li> </ul>	<p>(A-3)</p> <ul style="list-style-type: none"> <li>** PHILEXPORT records.</li> <li>** Other GOP economic reports.</li> <li>** U.S. Foreign Commercial Service records.</li> </ul>	<p>Assumptions for achieving goal targets: (A-4)</p> <ul style="list-style-type: none"> <li>** GOP policies favoring an active private sector role in national economic growth will continue.</li> <li>** Political environment and peace and order conditions remain stable.</li> <li>** Private sector efforts will continue after USAID project has ended.</li> </ul>																																												
<p>Project Purposes: (B-1)</p> <p>To establish a mechanism to increase and investment activity in the Philippines through promotional services and assistance, training and TA, and policy analysis and reform.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. End-of-Project status, (B-2)</p> <ul style="list-style-type: none"> <li>** Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.</li> <li>** U.S. Philippine trade increases in project areas over 1986-87 average: Manila 7 Cebu - 10-20%; Davao - 5 - 10%.</li> <li>** U.S. investment up 10% in project areas. 12 policy recommendations forwarded to GOP.</li> <li>** Training and TA service institutionalized in PHILEXPORT.</li> </ul>	<p>(B-3)</p> <ul style="list-style-type: none"> <li>** Monitoring of government policy reforms.</li> <li>** Periodic projects reports.</li> <li>** Trade and investment statistics from project areas.</li> </ul>	<p>Assumptions for achieving purposes: (B-4)</p> <ul style="list-style-type: none"> <li>** GOP will act on trade and investment policy recommendations.</li> <li>** Regional service centers are able to become self-sustaining.</li> </ul>																																												
<p>Project Outputs: (C-1)</p> <ol style="list-style-type: none"> <li>1. Three regional trade and investments centers are operating on a sustainable basis and providing services to private sector entrepreneurs.</li> <li>2. A series of trade and investment promotion activities in the areas of general promotion, investor/trade assistance, T&amp;I brokering services, and information collection and dissemination.</li> <li>3. Economic/commercial policy analyses, recommendations for appropriate reforms, and implementation strategies.</li> <li>4. Traders and investors trained or receive TA in areas such as marketing, quality control, accessing technology, and product design and packaging.</li> </ol>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> <li>1. 100 percent of Regional Service Center budget generated by fees for service.</li> <li>2. 12 joint ventures facilitated.</li> <li>3. 900 trade transactions facilitated.</li> <li>4. 12 policy studies completed and recommendations forwarded to GOP.</li> <li>5. 300 client firms receive TA or training.</li> </ol>	<p>(C-3)</p> <ul style="list-style-type: none"> <li>** Reports of three ASEAN grantees.</li> <li>** Records and progress reports of PTO-P grantees.</li> <li>** Ongoing project monitoring.</li> <li>** PCCI records.</li> </ul>	<p>Assumptions for achieving outputs: (C-4)</p> <ul style="list-style-type: none"> <li>** Grantee will be able to recruit and/or train qualified staff.</li> <li>** Grantee will develop an equitable, sustainable fee-for-service structure.</li> <li>** Demand exists among traders and business in project areas for the expertise and services to be provided by grantees.</li> </ul>																																												
<p>Project Inputs: (D-1)</p> <ol style="list-style-type: none"> <li>1. Trade and Investment Promotion               <ol style="list-style-type: none"> <li>a. Marketing</li> <li>b. Brokering</li> <li>c. Information</li> </ol> </li> <li>2. Policy Analysis</li> <li>3. Training and Tech. Asst.</li> <li>4. Project Management Services</li> <li>5. Evaluation, Audit and Monitoring</li> <li>6. Contingency</li> </ol>	<p style="text-align: center;">Implementation Target (Type and Quantity)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">AID</th> <th style="text-align: center;">(US \$000) PHILIPPINES</th> <th style="text-align: center;">TOTAL</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">4,400</td> <td style="text-align: right;">1,350</td> <td style="text-align: right;">5,950</td> </tr> <tr> <td></td> <td style="text-align: right;">1,600</td> <td style="text-align: right;">500</td> <td style="text-align: right;">2,100</td> </tr> <tr> <td></td> <td style="text-align: right;">1,800</td> <td style="text-align: right;">550</td> <td style="text-align: right;">2,330</td> </tr> <tr> <td></td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">1,250</td> <td style="text-align: right;">2,250</td> </tr> <tr> <td></td> <td style="text-align: right;">1,500</td> <td style="text-align: right;">200</td> <td style="text-align: right;">1,700</td> </tr> <tr> <td></td> <td style="text-align: right;">2,000</td> <td style="text-align: right;">400</td> <td style="text-align: right;">2,400</td> </tr> <tr> <td></td> <td style="text-align: right;">850</td> <td style="text-align: right;">100</td> <td style="text-align: right;">930</td> </tr> <tr> <td></td> <td style="text-align: right;">250</td> <td style="text-align: right;">-</td> <td style="text-align: right;">250</td> </tr> <tr> <td></td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td></td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">3,800</td> <td style="text-align: right;">10,000</td> </tr> </tbody> </table>		AID	(US \$000) PHILIPPINES	TOTAL		4,400	1,350	5,950		1,600	500	2,100		1,800	550	2,330		1,000	1,250	2,250		1,500	200	1,700		2,000	400	2,400		850	100	930		250	-	250		1,000	-	1,000		10,000	3,800	10,000	<p>(D-3)</p> <ul style="list-style-type: none"> <li>** Financial Records</li> <li>** Periodic grantee reports.</li> <li>** Independent audits.</li> </ul>	<p>Assumptions for providing inputs (D-4)</p> <ul style="list-style-type: none"> <li>** Availability of AID funds over the life of the project.</li> </ul>
	AID	(US \$000) PHILIPPINES	TOTAL																																												
	4,400	1,350	5,950																																												
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	250	-	250																																												
	1,000	-	1,000																																												
	10,000	3,800	10,000																																												

### 1.3 Project Implementation

The project assigned the implementation of the above activities to a Philippine private sector institution, the Philippine Export Confederation, Inc. (PHILEXPORT), by means of a four-year Cooperative Agreement signed September 17, 1990. Responsibility for project direction falls to a five-member Project Implementation Committee (PIC) comprising members from PHILEXPORT, the Philippine Chamber of Commerce and Industry (PCCI), the Philippine Government's Department of Trade and Industry (DTI), PITO-ASEAN and the U.S. Foreign and Commercial Service. USAID, as part of its substantial involvement in implementation of the Cooperative Agreement, serves as an ex-officio PIC member. The project's original design called for the creation of three regional offices which were to fall under the direction of respective regional PICs.

The following page contains a graphic of PITO-P's management structure which displays the implementation organization of the project's various components.

### 1.4 Purpose of Evaluation

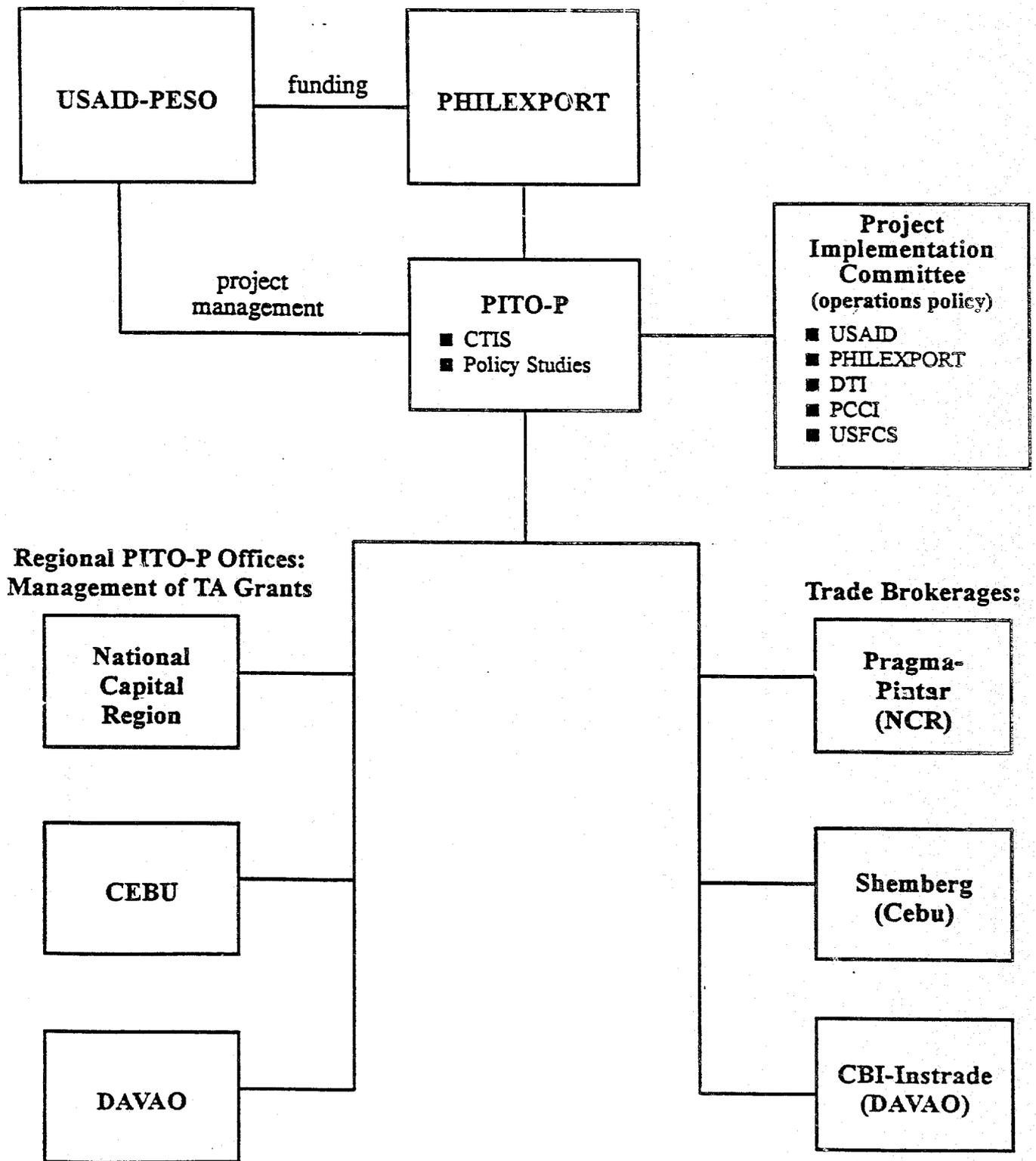
The purpose of the evaluation is to assess the status of the PITO-P Project implementation after two years of operation. The evaluation's findings are expected:

- to determine the effectiveness of the implementation approach generally, and on a component-specific basis;
- to assess project impacts;
- to assess progress toward the achievement of purpose-level indicators;
- to determine the adequacy of grantee and USAID project management and oversight;
- to assess and document factors which account for the project's relative successes or failures to date;
- to recommend mid-course corrections, where appropriate; and
- to document lessons learned for the design of future trade and investment promotion activities in the Philippines and elsewhere.

The evaluation Statement of Work is included as Annex 1.

Table 1

PITO-P's Management Structure



Note: Solid lines indicate the project's principal operational relationships. Also, the PIC is responsible for approving technical assistance requests.

## 1.5 Evaluation Methodology

The MSI team undertook the following activities in carrying out the evaluation:

- reviewed the existing body of literature concerning A.I.D. and other donor's efforts at promoting trade and investment in developing countries.
- reviewed all available project documentation including the 1990 Project Paper, the USAID Cooperative Agreement with PHILEXPORT, PIC meeting minutes, and operational and financial reports.
- interviewed nearly a hundred individuals involved directly with PITO-P or in activities relevant to the project, including a wide-range of USAID personnel, all members of the PIC, all PITO-P project managers, representatives from a majority of firms which received project-funded technical assistance, staff from all three Philippine-based brokerage firms as well as Pragma-US staff in Falls Church, Va., representatives from a firm which had conducted an audit of PITO-P's brokerage operations, GOP representatives from the Department of Trade and Industry, and PHILEXPORT executives and members of their Board of Directors. The team conducted interviews in Washington, D.C., the Metro-Manila area, Cebu, and Davao.
- visited all three of the project's regional offices as well as over a dozen of the firms which had received project assistance.

A complete list of persons contacted appears as Annex 2.

Following completion of four weeks of field work in the Philippines, the team submitted a draft report to USAID's PESO Office. This report was widely distributed by USAID among project implementors and cooperating institutions, public and private, and all comments received were carefully considered for inclusion into this final report.

The evaluation was conducted by a four-person team from Management Systems International. The team was composed of the following specialists: Team Leader/Trade and Investment Promotion Specialist - Wesley Boles; Organizational/Administrative Specialist - David Callihan; Financial Analyst - Nezam Motabar; and a Local Advisor - Attorney Florecita Flores. A brief description of the team members and their qualifications and experience is presented as Annex 3.

## Chapter 2. GENERAL PROJECT OVERVIEW

Chapters three, four, and five of this report are organized according to findings, conclusions, and recommendations for each sub-section. In sub-sections which exclusively comment on activities already completed (rather than ongoing), such as the selection of the project's implementing organization, no recommendations are presented. An abbreviated summary of all recommendations and conclusions appears as Chapter 7.

### 2.1 Project Design

The project was designed in early 1990 and reflected the "state of the art" in trade and investment promotion activities at that time. Within that context, the trade brokerage sub-component was an innovative extension of a mechanism that had been used only sparingly in previous USAID projects. The evaluation team, during its project review, enjoyed the advantage of recent evaluations and assessments carried out by USAID, some which have been published as recently as June 1992, such as CDIE's study "Export and Investment Promotion: Sustainability and Effective Service Delivery."

**Findings:** The PITO-P project design represents a mix of "transmitter", "facilitator" and "promoter" elements as defined in recent USAID literature regarding the effectiveness of trade and investment promotion activities.

- **Transmitter services** are defined as those relating to the general business environment and to providing market information. PITO-P's policy advocacy and trade information sub-components are "transmitter" services.
- **Facilitator services** are those involving export and investment promotion. PITO-P's promotional and trade brokering sub-components and its technical assistance and training component are primarily "facilitator" services.
- **Promoter services** are defined as those which are enterprise specific and are generally targeted toward a limited number of firms or specific types of industry. A significant portion of the trade brokerage activity has been firm specific. The technical assistance and training component potentially could provide "promoter" services but so far its activities have been limited to general training or industry-specific, rather than firm-specific, technical assistance.

The project design did not make a distinction within its component structure between export development and investment promotion activities. Each component was established with the capacity to do either or both depending upon the judgement of the implementing agency.

By specifying that a majority of the beneficiaries should be small and medium enterprises (SMEs), rather than only SMEs, the project sought a balance between goals of equity and growth, realizing that growth more likely flows from assistance to firms able to expand on an

established domestic market or export base rather than those which have limited productive capacity and no export experience. The project has been designed to support exports of manufactured goods or processed food rather than agricultural commodities or semi-processed materials. It is clear that the project expected to generate incremental exports and that bilateral U.S. - Philippine trade and investment was preferred.

It is also clear that the project has operated within a constrained trade environment. While there has been progress in liberalizing the trade and investment regime, e.g. foreign exchange liberalization and some tariff reform, protectionist mechanisms remain in place along with regulatory and bureaucratic barriers, capital shortages, and high domestic interest rates. The Philippines also suffers from natural disasters, deficiencies in civil peace and order, and serious infrastructure shortages, especially the supply of electric power. Although the country has been able to steadily increase its exports over the past four years, the Philippine's export performance still lags behind that of its ASEAN neighbors.

The project was designed to be implemented through a regional approach which called for an office to be established in each of its three operational regions: the National Capital Region (Metro Manila), Cebu, and Davao. The project's resources were roughly evenly distributed between the three regional offices despite the fact that three-fourths of the approximately 6,400 Philippine firms active in export are found in Luzon, eleven percent in Cebu and only three percent in Mindanao.<sup>1</sup> The team, during its visit to Davao, confirmed that the area has virtually no manufactured products export base. Thus, the potential for the regions to contribute to achievement of project goals is imbalanced.

In its assignment of relative levels of effort to the components, the project design placed major emphasis on a perceived lack of information on the part of potential exporters and investors. In other words, identifying and attracting buyers and investors was viewed as the key to stimulating export growth. In fact, the Philippines' relatively poor export performance in recent years reflects serious problems much less on the demand side than that of supply. A 1985 DTI survey of Letters of Credit opened for Philippine exports during the year revealed that actual export transactions amounted to only between 40 and 60% of the value of the L/Cs. Philippine exporters have problems in pricing competitively, maintaining consistent quality, and meeting delivery commitments. Individuals interviewed by the evaluation team were nearly unanimous in the view that the Philippines is deficient in the *capability* to export. While new buyers and new markets are desirable, finding buyers of Philippine products does not seem to be the major constraint limiting Philippine trade.

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<sup>1</sup> The statistic that only 3% of exporting firms are located in Mindanao is not fully reflective of the amount of export-oriented production in Mindanao because some Manila-based exporters have production operations in Mindanao and many firms source materials from Mindanao.

Finally, the project design clearly placed a high priority on attaining financial self-sufficiency for a number of its components, including the trade brokerage firms, the computerized trade information system, and the technical assistance and training components.

### **Conclusions (Project Design)**

1. The project's design follows the "Christmas tree" approach with multiple elements addressing numerous objectives. While all of the activities are intended to promote trade and investment, the design does not segregate the investment and export development functions within each component. In the project's implementation, the trade and investment promotion sub-component and the technical assistance and training component have been combined into a single budget category and are managed as one component. Implementation follows design in not setting up separate management structures within PITO-P for export development and investment promotion with the functional separation reflected in the design of specific projects.
2. The design assumption that the key restraint to Philippine export development is the lack of information has understandably been reflected in the relative weight given to project components, as illustrated by the structure of the trade brokerage component and the original budget allocations for trade and investment promotion and information services. Since the evaluation team believes that the key constraint is deficient export capability, that is, limited ability to produce and sell effectively, relatively more resources should have been allocated to capability enhancement utilizing the technical assistance and training component, as well as structuring the trade brokerages to concentrate on export development.
3. The design requirement that several of the project components become self-sustaining has placed a burden on project implementation. Recent evaluations of USAID trade and investment projects elsewhere have led to a growing realization that financial sustainability of project implementation institutions should not be a required outcome of export and investment promotion programs. The economic justification for a project like PITO-P is the long-term benefit to the host country from an expanded universe of exporting firms, an enhanced technical base, and strengthened intermediary institutions. In other words, PITO-P need not be self-sustaining as an entity; if successful, the benefits which have been conveyed to local firms and institutions will remain.

The major negative consequence of insistence on financial self-sufficiency within the usually short life of a project is that it diverts effort and resources of the implementing agencies from issues of development to making money. For example, PITO-P clearly doesn't expect its investment promotion efforts to be self-sustaining: effective, targeted promotion is expensive and prospective investors will not pay the costs. For a PITO-P manager looking for cost recovery or sustainable activities, or for PHILEXPORT, an obvious temptation is to move away from investment promotion to a fee generating

activity--regardless of which activity will provide the most desirable long-term benefits to the host country. (The sustainability requirement's impact on the project's trade brokerage and technical assistance components is covered in detail in later sections of this evaluation.) Incidentally, the evaluation team is unaware of any instance when a USAID-funded trade or investment promotion institution has achieved financial self-sufficiency despite numerous efforts in this direction.

The evaluation team's recommendations are found in section four of this evaluation--the Project's Overall Performance--which analyzes the effectiveness of the project's operational components.

## 2.2 Implementing Agency

**Findings:** The project design called for a private-sector membership-based organization, the Philippine Export Confederation, to act as the implementing agency rather than establish a new institution or support an existing public sector agency. Membership-based organizations have generally proven adept at "transmitter" services, such as information services, public-private sector coordination and policy analysis/reform. They have proven less adept at trade brokering services and find the provision of firm-specific assistance difficult owing to their need to balance the interests of all members.

PHILEXPORT, a membership organization representing over 600 Philippine exporters, was selected to implement the project. PHILEXPORT has been in existence since 1981 and receives the majority of its operations budget from managing bonded warehouses and, to a lesser extent, from membership dues. While the selection of PHILEXPORT from among several possible candidates appears to have been sound, nevertheless, for the project's first two years, PHILEXPORT appears not to have had the staff availability nor the interest of the Board of Trustees necessary to play a key role in project implementation. For all practical purposes, PITO-P has operated as a stand-alone institution with only indirect management participation from PHILEXPORT. (PITO-P offices are separate from PHILEXPORT and located in a different section of Manila.)

It is also interesting to note that the key professional staff for PITO-P, including the regional office managers, were recruited from the GOP's Department of Trade and Industry. The rationale given has been that DTI staff had the background necessary to start up a quasi-governmental institution such as PITO-P. Given that PITO-P's present activities were to one degree or another part of the DTI program before recent cutbacks in staff and funds, it is not surprising that the transition for the individuals involved has been relatively smooth. It has also helped that the project's managers appear highly qualified and strongly committed to PITO-P's goals.

The evaluation team did not find a wide-spread understanding of PITO-P outside of its direct beneficiaries and promotional project "briefs" either do not exist or have not been distributed.

Even where benefits have been received, there appears little understanding of the breadth of the program and its potential utility. In the case of PHILEXPORT, recent membership changes at the Chairman and Board of Trustees level have resulted in a renewed interest in the project and a desire to integrate PITO-P more fully into PHILEXPORT. Currently, however, PHILEXPORT does not seem to have any clear plan as to how this can best be achieved.

### **Conclusions**

1. During the first two years of this project there was much less support and interaction between PHILEXPORT and PITO-P than had been envisaged in the Project Paper making both essential and inevitable the development of PITO-P as a stand alone organization. The situation has recently changed with PHILEXPORT now looking for closer identification with PITO-P and actively seeking to incorporate PITO-P functions within PHILEXPORT.
2. Despite the current interest of PHILEXPORT, it is not established that the organization will be able or willing to undertake the continuation of the PITO-P regional office structure, large scale policy advocacy studies, or extensive investment and trade promotion activities beyond the PACD. The challenge to PITO-P management is to see to what degree it can strengthen PHILEXPORT and what in the menu of PITO-P activities will remain as the project's legacy to PHILEXPORT.

### **Recommendations**

1. Efforts underway to integrate PITO-P and PHILEXPORT activities should be continued and, if possible, accelerated. Activities under consideration include housing the trade information system within PHILEXPORT, having the NCR regional manager spend half-time at PHILEXPORT and strengthening PHILEXPORT's capacity to manage the project's policy advocacy component.

## **Chapter 3. THE PROJECT'S OVERALL PERFORMANCE**

The project's level of planned inputs, as per the project's budget, and its overall achievements versus objectives, as stated in the PITO-P Project Paper of September 1990, is documented in this section. A project Logical Framework is included on page 3 of this report. This section provides only a retrospective look at activities and outputs; detailed performance analyses of each component are presented in section 4.3 - Analysis of Project Components.

### **3.1 Project Inputs**

The following table presents the project's original and current budget authorizations and compares each line item to actual expenditures to date.

**Evolution of Budget and Comparison to Actual Expenditures  
as of September 30, 1992<sup>2</sup>**

Project Components	Initial Budget	Current Budget	Expenditures as of 9-30-92	% of Expenses
Brokering Services	2,400,000	3,000,000	661,940	22.1%
Information Services	2,098,410	1,500,000	482,784	32.2%
Policy Analysis	1,200,000	1,500,000	76,928	5.1%
Train & Tech Assistance	2,157,500	2,000,000	259,027	13.0%
Salaries	383,180	545,000	192,256	35.3%
Maintenance & Operations	423,030	699,000	246,097	35.2%
Furniture, & Office Equipment	87,880	131,000	149,639	114.2%
Monitoring, Evaluation & Audit	0	250,000	N/Avail	Not Relevant
<b>Total</b>	<b>8,750,000</b>	<b>9,625,000</b>	<b>2,068,672</b>	<b>22.1%</b>

**Conclusions**

The project has underspent available resources. Some reporting of project expenses may not have yet "caught-up" with the project's elapsed time and therefore one should not assume lower-than-planned levels of activity in areas which do not show especially large deviations between percentage of expenditures versus percent of time elapsed. This is particularly true for PITO-P since much of the project's first year effort went towards setting up offices, hiring staff, soliciting and evaluating offers from trade brokerages, and establishing operational

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<sup>2</sup> The expenditures are calculated as of September 30, 1992, and represent 50 percent of the project's elapsed duration; however, for the brokering services, only 33 percent of life-of-project time has elapsed, since those activities, by design, were not begun until the project's second year.

procedures. Nevertheless, levels of activity for training and technical assistance, and for policy studies, are substantially below project design projections.

### 3.2 Achievements Versus Objectives

The Cooperative Agreement between USAID and PHILEXPORT does not contain performance indicators but does state as its purpose "...to support the objectives of the Private Investment and Trade Opportunities Project-Philippines."

Following the statement of project objectives and indicators listed below (taken from the project's Logical Framework), a simple quantitative assessment is presented of the project's accomplishments to date in meeting its performance indicators. A more detailed effectiveness and management analysis of each of the project's components follows in later sections.

**Project Purpose:** To establish a mechanism to increase trade and investment activity in the Philippines through promotional services and assistance, training and technical assistance, and policy analysis and reform.

#### **EOPS Indicators:**

1. Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.
2. U.S.-Philippine trade increases in project areas over 1986-89 averages; Manila and Cebu 10-20%; Davao 5-10%.
3. U.S. investment up 10% in project areas, 12 policy recommendations forwarded to the GOP.
4. Training and technical service institutionalized in PHILEXPORT.

#### **Findings:**

1. Three regional service centers will be financially self-sufficient and providing trade and investment promotion services to 150 private entrepreneurs annually.

The project's three regional service centers have, as of August 31, 1992, managed to generate a total reflow of \$47,232 (15,586 from NCR; 31,647 from Cebu; 0 from Davao). In terms of the number of entrepreneurs assisted annually, specific numbers are not available. However, in Cebu alone, in the project's first two years, an estimated 1,088 business persons have directly benefitted from the PITO-P project through participation in grant supported programs.

The three trade brokerages supported by the project, in their first year of operation, have generated combined revenues of about \$35,000 against expenditures of approximately one million dollars.

2. U.S.-Philippine trade increases in project areas over 1986-89 averages; Manila and Cebu 10-20%; Davao 5-10%.

The project does not track trade by region. However, according to the most recent Asian Development Bank statistics, trade figures for the Philippines are as follows:

Exports - in millions of \$US	1987	1988	1989	1990
Overall	5,720	7,074	7,821	8,186
Basic Manufacturers	758	954	1,197	1,341
Misc. manufactured goods	474	690	743	764
Total exports to U.S.	1,539	1,823	2,133	2,541

Somewhat less than \$5 million in trade has been generated by the project's trade brokers during their first year of operation. This volume of trade, even if all incremental, is--in a macro sense--not of major consequence to an economy which had 1990 exports to the U.S. valued at \$2.5 billion dollars and an overall level of exports of \$8.1 billion. The trend regarding exports to the U.S. is that they have been increasing from 1987-90 at an average rate of 17%--that achievement of increasing trade from Manila and Cebu, by an average of 10-20%, could be attributed to project activities seems implausible, as is one of the project's of EOPS objectives. (See Annex 4 for a summary of export transactions brokered by the project.)

3. U.S. investment up 10% in project areas, 12 policy recommendations forwarded to the GOP.

To the best of the team's knowledge, the project has yet to generate any investment in any of its three project areas, although numerous promotional documents and audio-visual presentations have been produced and distributed over the past year. Regarding policy recommendations, the project lists four studies as having been completed to date: Public Consultation on Implementing the Foreign Investments Act of 1991; Study on Comparative Trade Regimes in Southeast Asia; Summary Proceedings of the Second Philippine Exporters' Congress; and a workshop on Doing Business in the Philippines. In addition, three additional policy studies were approved in 1992 and are in-process: Deregulation of the Airways; a Plan for the Philippine Packaging Industry; and a study on Constraints to Technology Transfer. The study on Comparative trade regimes was undertaken in support of USAID's \$39.5 million

ESF-funded macro-economic policy objectives which complements PITO-P's objectives of increasing trade. PITO-P has plans to undertake six major policy studies in 1993.

4. Training and technical service institutionalized in PHILEXPORT.

Of a four year life the project has targeted to allocate \$2 million for undertaking training and technical assistance. After two years, the project has approved (expenditures are somewhat less) 40 separate activities for a total of approximately \$425,657; the project has actually expended about 13% of available funds for such activities. The project has two years left to be "institutionalized" in PHILEXPORT; it is unclear what performance indicator USAID will use to assess this achievement, although, to date, PHILEXPORT's only involvement with the project's technical assistance component has been its slot on the PIC. (The PIC has been responsible for approving a majority of the project's technical assistance activities.)

### **Conclusion**

Based on progress to date, the project seems to be meeting its quantitative target for number of policy studies conducted, is exceeding by a large margin its objective of providing training to entrepreneurs, but seems unlikely to achieve its objective of having three self-sufficient regional service centers or trade brokerage operations.

### **Project Outputs:**

1. Three regional trade and investment centers are operating on a sustainable basis and providing services to private sector entrepreneurs.
2. A series of trade and investment promotion activities in the areas of general promotion, investor/trader assistance, trade and investment brokering and information collection and dissemination.
3. Economic/commercial policy analyses, recommendations for appropriate reforms, and implementation strategies.
4. Traders or investors trained or receive technical assistance in areas such as marketing, quality control, accessing technology, and product design and packaging.

### **Project Output Indicators:**

1. 100 percent of regional service center budgets generated from fees for service.
2. Twelve joint ventures facilitated.

3. 900 trade transactions facilitated.
4. Twelve policy studies completed and recommendations forwarded to GOP.
5. Three hundred client firms receive technical assistance or training.

**Findings (for each project output indicator):**

1. 100 percent of regional service center budgets generated from fees for service.

This indicator is redundant with one of the project's purpose-level EOPS indicators. See comment one under findings section of EOPS indicators.

2. Twelve joint ventures facilitated.

To the best of the team's knowledge, no joint ventures have yet been facilitated, however, Pragma-Pil has entertained discussions with several overseas investors about joint venture possibilities, although deals have yet to be finalized. Also, several investment promotional materials have been published by the project over the past twelve months.

3. 900 trade transactions facilitated.

The number of trade transactions facilitated by the project's trade brokers over the project's first two years has been approximately 145. Although not tracked by the project, the evaluation team optimistically estimates a few dozen additional transactions have been facilitated as a result of the project's technical assistance component (e.g., the Cebu Furniture Fair). Thus, as many as 200 transaction may have been facilitated during the project's first two years and the vast majority of these have been achieved through the project's trade brokerage component, which has been in operation just one year.

4. Twelve policy studies completed and recommendations forwarded to GOP.

This indicator is redundant with one of the project's purpose-level EOPS indicators. See comments under EOPS indicator number three.

5. Three hundred client firms receive technical assistance or training.

The project has not tracked the number of firms which have thus far benefitted from technical assistance although, as stated above, in Cebu, where the project's technical assistance component has been most active, over a thousand persons have benefitted from project-supported training or technical assistance. In Cebu alone, a conservative estimate would be that upwards of sixty firms have benefitted from project-supported technical assistance. Thus,

although precise figures are not available, the project output indicator for firms assisted seems likely to be exceeded.

### **Conclusion**

The project has already exceeded, by a large margin, its output objective of number of persons trained. With regard to transactions conducted, given that the brokerage firms have only been in operation one year, it seems plausible that the level of transactions conducted to date could continue to gain momentum to achieve the stated level of 900 transactions by the end of the project. It also seems probable the project will achieve, or exceed, its output level indicator of twelve policy studies conducted. (Note: numbers of persons trained and studies conducted are more reflective of activities than development results and are therefore not good indications of the project's impact.)

### **Overall Conclusion**

1. The project's Logical Framework design is poorly constructed: it has redundancies between hierarchical objective levels; places activities (inputs) at the output level, e.g. series of trade promotion activities conducted; does not identify data sources which are actually capable of providing information on stated indicators; and mixes means and ends in its purpose statement. The current Logical Framework is not useful as a tool to guide the implementation decisions of project managers or to serve as a framework for performance monitoring and reporting.

### **Overall Recommendation**

1. That the PESO Office, together with PITO-P management, revise the project's Logical Framework to reflect the realities of the project and incorporate modifications suggested in this evaluation report, as USAID deems useful. In order to avoid the final evaluation assessing progress against the same redundant or inappropriate standards, realistic performance indicators should be defined and actual data sources identified. Once performance indicators and data sources have been identified, this should form the basis of the project performance information reporting system and be the basis upon which to judge PHILEXPORT's performance. It is suggested that someone not involved with the project facilitate this process.

### 3.3 Analysis of Project Components

The Project Paper calls for Trade and Investment Promotion activities and Technical Assistance activities to be implemented as distinct activities--and each component was given a separate budget line item. However, the project's implementation has not made a distinction between the two activities and funds them both out of the same Technical Assistance line item. For purposes of analysis, the evaluation team has examined each component separately in terms of activities undertaken, but has looked at them in a combined manner with regard to the grant approval process and the levels of activities funded.

#### 3.3.1 Trade and Investment Promotion

The Project Paper established Trade and Investment Promotion as a major project component. Within this component, three sub-components were delineated: general promotion, information collection and dissemination and trade transaction brokering. The structure of this report follows the organizational outline of the Project Paper in its analysis of project components.

##### General Promotion

The general promotion sub-component was to support private sector-operated promotional activities aimed at stimulating new or expanded trade and investment ventures, such as promotional materials, a referral system, promotion linkages, trade and investment seminars/missions, individual meetings, trade/investor assistance and such other activities as opportunities arose. In practice, the administration of this sub-component has been combined with the technical assistance and training component. For this reason the evaluation team has reviewed financial and specific project data for general promotion activities as part of its evaluation of the technical assistance and training component.

**Findings:** PITO-P's implementation of this sub-component has been significant with action undertaken in all of the activities listed above. With respect to promotional materials, output includes publication of several Board of Investment (BOI) developed materials, thereby supplementing BOI's limited investment promotion budget. PITO-P has also funded the production of a high quality video designed to promote the Philippines as a promising site for investment. PHILEXPORT will be supplied with 350 copies for distribution to government and not-for-profit institutions with additional copies available for sale as promotional activities.

In Davao, PITO-P collaborated with the Davao Chamber of Commerce to publish a trade directory. Investment promotion activities have been strongly supported in Davao by PITO-P's regional office. In conjunction with the local Chamber of Commerce and Industry, the 1991 Davao Investment Manual was published as was the Davao Trade Directory. The major activity in 1992 has been the joint DCCCII-PITO-P development and promotion of the World Trade Convention (WTC), scheduled for 1994, to bring together exporters and importers from all over the Philippines with buyers, investors, and consultants from actual or potential trading

partners throughout the world. In preparation for the Congress, workshops were held in the principal cities of Mindanao to garner support and to assist local firms to participate. The WTC will be preceded by a Mindanao Exporters Congress in Davao to provide a forum for Mindanao exporters and importers to endorse resolution of issues affecting the development of Mindanao.

PITO-P's Cebu office has actively supported promotional efforts of the Cebu Chamber of Commerce and Industry as well as engaging in industry specific export development as described in the Technical Assistance and Training section. Promotional materials, such as slide-tape presentations, magazines, and folio inserts, have been produced and used in Cebu and abroad with potential foreign investors. PITO-P Cebu has also co-sponsored several investment fora. The Cebu office is assessing its efforts and, together with the private and public sectors, is in the process of planning and undertaking a focused investment promotion program to start in 1993.

As to referral activities, PITO-P responds to requests for specific trade or investment information by providing referrals to such institutions as the BOI, DTI or relevant trade and industry associations. In conjunction with a leading local accounting firm, PITO-P Cebu participated in the publication of the "Make it Cebu" investment promotion magazine.

With respect to linkages with other promotional organizations, PITO-P maintains close working relationships with PITC ASEAN, the AMCHAM, the PCCI and PHILEXPORT as well as government agencies such as BOI and the export development offices in the DTI and the U.S. Foreign Commercial Service. In fact, PITO-P is collaborating with PITO-ASEAN to produce profiles on several Philippine export industries.

The regional offices in Cebu and Davao have especially close relationships with local chambers of commerce, the government's regional development councils and trade and industry associations. Unlike metro Manila, Cebu and Davao private sector groups maintain harmonious relationships with their respective government development offices and participate in the regional development councils in efforts to formulate effective economic development programs in which investment and export promotion figure prominently. The local PITO-P regional offices are fully engaged in this process.

PITO-P became involved in supporting the first annual Philippine Exporters Congress held in Manila November 8, 1990 as well as the second congress, held October 30, 1991, primarily through funding the publication of the "Summary of Proceedings" for each Congress. These Congresses have become an annual event sponsored by PHILEXPORT with PITO-P's initial support helping to assure the program's success.

Other seminars and meetings sponsored by PITO-P are discussed in the sections on policy advocacy and technical assistance. Trader/investor assistance and individual meetings have largely been carried out by the trade brokerages and as part of the technical assistance and

training component and a significant number of people have been reached through these activities.

There has been no PITO-P activity targeted specifically at attracting investors or promoting joint ventures between Philippine and U.S. firms. This partly reflects PITO-P views that prior to the inauguration of President Ramos in June 1992, uncertainties as to political stability, the status of U.S. bases and the likely election results made the investment climate less than propitious for attracting foreign, and especially American, investors. But it also reflects the decision, quite valid in the Philippine context, not to promote Export Processing Zones. Principal interest in Philippine EPZs presently comes from Japan, Korea and Taiwan and promotion seems to be adequately supplied by existing institutions. This is in sharp distinction to Central America and the Caribbean where the principal investment promotion activity of USAID-supported institutions has been in behalf of EPZ's or enclave industries. In addition, through another investment program USAID is funding an "American Desk" at the BOI which works with the American Chamber of Commerce of the Philippines to assist prospective American investors. USAID-funded PITO-ASEAN also actively promotes U.S. investment.

PITO-P is not supporting EPZs nor firms located within EPZs but PITO-P Cebu has made efforts to strengthen the backward linkages between the Mactan EPZ and Cebu's metal working sector. This effort has involved providing assistance to strengthen the ability of Cebu's metalworking industry association (MIAP) to supply metal, plastic and packaging components to foreign-owned export industries located in the Mactan EPZ, a form of indirect export--or import substitution--which generates greater Philippine value added to the finished export goods and contributes to Philippine industrial development.

PITO-P's current investment strategy is to concentrate on investment promotion in Davao and, to a lesser degree, in Cebu. Davao has a substantial resource base, particularly in agricultural products, but lacks a developed industrial base and has very little non-traditional export capacity. It would appear to offer an attractive field for investment. Cebu's attempts to attract investment are targeted at industries which are not resource intensive but rely on human skills such as data processing and other services.

### Conclusions

1. PITO-P's investment and promotional activities to date have been carried out in cooperation with existing Philippine institutions representing both the public and private sectors. This effort has been primarily to produce, or support the production and distribution of, basic investment promotion materials. The quality of the materials produced has been impressive and the supplemental effort has been useful to the institutions involved.
2. To increase non-traditional trade in Davao the PITO-P regional office has chosen to attempt to attract outside investment in order to add value to Mindanao raw materials

through local processing. The decision is conceptually sound and the promotional effort a necessary condition to attracting the investment needed to promote local economic development as well as exports. Since the World Trade Congress will not take place until November 1992, there is no way to judge the potential impact at this time. As an effort to call attention to the need for a coordinated and well planned effort to present Mindanao's potential to the outside world, PITO-P's involvement has been of value.

### **Recommendations**

1. PITO-P management review its general export promotion and investment activities to set guidelines for the type of activity and level of effort for the remaining LOP.
2. PITO-P management carefully assess the impact of the Davao promotional effort to determine what follow-on activities are appropriate or whether the resources earmarked for Davao should be transferred to other project activities, such as product- or enterprise-specific investment and export development, or transferred to other geographic areas.

### **Computerized Trade Information System**

This project sub-component was intended to address the need for pertinent, up-to-date information on trade and investment conditions and opportunities. The major element was to be the operation and enhancement of a DTI UNDP-supported computer database system to provide private sector entrepreneurs, on a fee-for-service basis, market information necessary to increase trade. The system was supposed to be donated to the project as the GOP's in-kind contribution to the project.

**Findings:** The project's design assumed that PHILEXPORT would take over the operation of the Computerized Trade Information System (CTIS) which is currently housed in DTI and was developed with UNDP assistance. However, this plan was abandoned following considerable discussions with DTI and a careful review of the system's capabilities. The PIC decided to abandon its plan to acquire the system because of administrative difficulties, e.g. UNDP/DTI objections to selling information that has been provided free of charge, as well as technical deficiencies--the system would have required substantial enhancements to be useful for the project's intended purpose and therefore the acquisition did not seem cost effective. Although negotiations have been terminated, DTI's CTIS (PRODEX) continues to function, offering what information it has available on a no fee basis. The system's operation is supported by UNDP financing which is expected to remain available through 1993.

The net result has been that only a limited computerized information system is available at PITO-P. Subsequent to abandoning its plan to take over the DTI computer system, the PIC

decided its best option would to develop a new CTIS system through supporting a joint venture with a private sector firm(s). In pursuit of this revised strategy, a marketing survey was commissioned from a leading Manila-based consulting firm. The study set forth an array of assumptions with regard to the market for trade information and details a series of strategies whereby a system could be become not only self-sustaining, but profitable. At the time of this evaluation, PITO-P had invited proposals from numerous interested firms which are due to be presented by October 31. PHILEXPORT would like to have the CTIS housed in its facilities and appears to view the program as one which would enhance its value to its membership and provide a future source of income; this is because the USAID-funded portion of the joint venture, up to \$1.2 million, would become PHILEXPORT's equity contribution to the venture.

One of the low-end options set out in the 1992 CTIS marketing study, which the project is not currently pursuing, was that of information brokering. As envisaged, this activity would require a staff of eleven people in 1992, growing to thirteen in 1994, and fifteen by 1996. It would not offer on-line computer information but would subscribe to several world-wide trade information services and would secure access to pertinent Philippine statistical data. Information would be provided to drop-in visitors or in response to telephone and telefax inquiries. Fees for information would be modest, within reach of small to medium enterprises. Additional costs starting from the current base were projected at an additional 4.6 million Pesos, or US\$200,000 over the remaining LOP. This level of activity was not regarded as likely to be highly profitable, in fact, at a low activity level projection, the service would not cover its costs.

Covering the costs of sophisticated on-line information brokering--some variance of which is likely to be pursued through the project's joint venture--has been projected to require a staff of nearly 50 people and a market reach of all potentially interested users, ranging from banks and large enterprises to universities, government agencies and research institutions. Under optimal conditions, the system was projected to generate profit margins in excess of 20% of revenues. These optimal conditions included the development of "Special Interest Groups" for which the CTIS would serve as a source for extensive, customized information of interest to a single industry group, for example, in exchange for substantial fees.

Informal sampling by the evaluation team indicated that small and medium enterprises and local industry or business groups do not need sophisticated on-line information nor, more importantly, are they in position to pay fees commensurate with the cost implied by such a system. Buyer-supplied information appears to supply much of the needed product- or market-specific information. Very generalized information on overseas markets and export conditions has traditionally been available from Philippine or foreign government sources without charge. Access to facsimile or telex facilities satisfies the need for timely information.

In preparation for taking over the existing CTIS system, an information system manager and support staff were hired at the beginning of 1992 and tasked with developing the software and

data bases necessary to expand and improve the system's capabilities, and, subsequent to the decision not to take over PRODEX, to begin the development of an in-house CTIS system. Since the "no-go" decision was reached in mid-1992, the role of the information system staff has become unsettled; two vacancies which have occurred in Manila have not been filled and authorization to replace a regional information officer in Cebu with a technical support assistant was granted. Effective utilization of the information staff, at levels currently maintained by the project, would appear to be in limbo pending the development of a joint venture computerized information system, as now planned by PITO-P.

### Conclusions

1. Full implementation of this project sub-component, as called for in the Project Paper, has not yet taken place. The decision not to proceed with the intended operational take-over of the DTI computerized system was based on sound analytic grounds because acquisition and management of the DTI system would have likely been expensive and may not have provided high-quality information of benefit to potential users. The implementation delay, the result of not acquiring the DTI system, may be more than compensated for if a successfully functioning system can be developed within the remaining LOP.
2. A sophisticated, state-of-the-art computerized trade information system, while offering prospective benefits in terms of range of services and prospective income, exceeds the informational needs and the ability to pay of Philippine small and medium enterprises.
3. The full-scale CTIS proposed in the marketing survey is only economically viable if it garners substantial support from enterprises and groups other than SMEs. Such a venture entails risk of USAID supplied capital which can only be justified if it results in an adequate return on investment for the benefit of PHILEXPORT, and is able to supply useful and needed information to the project's intended beneficiaries.
4. Since the full-scale CTIS stands to benefit a large proportion of the Philippine private sector, the evaluation team supports the PITO-P decision to *share* the capital risk in a joint venture with one or more private sector enterprises.

## Recommendations

1. If PHILEXPORT/PITO-P elects to enter into a joint venture with one or more private sector firms to develop a CTIS, the prospective private sector partner(s) be required to match the value of PHILEXPORT's equity contribution and computer hardware with an upfront cash investment, and cover some portion of operational costs during the start-up period. The match requirement recommended by the evaluation team should be considered suggested guidance; PHILEXPORT should consider equity offers of less than fifty percent if the offer is clearly in PHILEXPORT's long-term interests, as determined by the PIC. The important consideration is that the joint venture partner(s) share a substantial portion of the venture risk. At a minimum, this would *probably* require at least a forty percent equity contribution from prospective partners. Also, it is recommended that equity ownership (profit sharing) accorded to the joint venture partner not substantially exceed its equity contribution, particularly if its contribution is less than that of USAID/PHILEXPORT. For example, a sixty percent contribution by PHILEXPORT would mean that approximately sixty percent of any future profits should be retained by PHILEXPORT.

If a joint venture agreement is entered into and later abandoned by the private sector partner all equipment and software should revert back to USAID/PHILEXPORT.

2. If PHILEXPORT/PITO-P elects not to enter into a joint venture as described above, or if joint venture partners are not willing to provide a substantial equity contribution, a non-high tech information brokering system, comparable to the one outlined in the Anderson Consulting study, be put into operation to provide trade information in keeping with the needs and resources of SMEs.

### 3.3.2 Trade Brokerages

The project's design called for the development of three trade brokerages to operate in each of the project's three target areas. The underlying assumptions, as mentioned in earlier section on the project's design, were that lack of information, or buyer contact, was a major constraint to export development and that the brokerages should be structured to attain financial self-sufficiency within the LOP.

Under the aegis of PHILEXPORT, terms of reference were established and proposals invited from interested firms. Among the responding firms, three Washington, D.C.-area based consulting/development firms were judged qualified as were three Filipino groups, one in each region.

For the National Capital Region (Metro Manila), the prime contract was let to Pragma Corporation, primarily a consulting firm. Pragma contracted for services with Pintar International, Ltd., an established Philippine exporter of porcelain giftware located in Fresno

California, and the two firms then established a new company in Manila--Pragma-Pil, Inc.--to act as the Philippine arm of the brokerage.

For Cebu, the prospective Philippine company rejected joining with a proposed U.S. consulting firm, as per USAID's suggestion, so that the prime contract was let to Shemberg Marketing Group to be administered by a newly formed business development group. Shemberg Marketing Group is a leading Cebu-based exporter (US\$25 million annually) of carrageenan, used as an additive in a variety of products and derived from kelp.

For Davao, the prime contract was let to Cooperative Business International (CBI), a for-profit subsidiary of the National Cooperative Business Association, which primarily has engaged in trade development with developing country cooperatives. This happened after Intrade, the other strong bidder for the project, agreed to be a sub-contractor to CBI. Intrade is an established Philippine trading company specializing in agricultural inputs and is part of the JVAMC group of companies which exports agricultural products, principally bananas. By mutual agreement of CBI and Intrade, Access-Asia, a Manila-based consulting firm, was also enlisted as a second sub-contractor whose primary responsibility was to deliver technical assistance to clients of the Davao brokerage operation.

The contracts between PHILEXPORT and the prime brokerage contractors called for grants totaling US\$1.0 million for each brokerage over a period of three years. The contracts, signed in late September 1991, are subject to review after each year with continuation contingent upon compliance with agreed performance. USAID developed a performance matrix for the trade brokerages which called for performance to be measured in three areas: total annual value of transactions; number of transactions; and beneficiary matrix points--a system whereby the brokerages would earn points for assisting firms which were first-time exporters, exporting new products or selling established products to a new market, small or medium enterprises, or women-managed.

Brokerages were expected to derive income of approximately three percent of the value of transactions and it was postulated that sales volumes of \$10 million annually for each would result in financial self-sufficiency. Thus, transaction levels were expected to rise to that sum by the end of the contract period. The matrix point criterion was to encourage activity directed towards export development, e.g. small and medium enterprises or new export products, rather than exclusively promoting shipments of established export commodities.

USAID developed the performance rating system for the brokerages but the actual performance targets were set in negotiations between PHILEXPORT and representatives of the selected brokerage firms. The performance targets were designed to ensure that the firms would generate a volume of business sufficient to enable them to become financially viable by the end of three years of USAID support, and also provided matrix-point incentives for the brokerage firms to expend significant effort on export development (as opposed to transfers of established commodities). The written agreements between PHILEXPORT and the three trade

brokerages stated that second-year renewal of contracts would be conditioned on the brokerages' meeting their performance targets.

**Note:** USAID hired a Manila-based accounting/consulting firm (Punongbayan and Araullo) to conduct a financial and management audit of the three trade brokerage operations and this was undertaken concurrently with MSI's evaluation. MSI was able to reference the draft audit report only after field work had been completed. To the extent possible, MSI has attempted to reconcile the two evaluation efforts but many discrepancies remain, particularly regarding the actual value of transactions and the number of transactions credited. Some of the discrepancies are because MSI included transactions under \$10,000 and also because the audit counted separate shipments of the same product to the same buyer as a single transaction whereas MSI counted these as individual transactions, particularly if shipments were spread out over a number of months. Despite the differences between the two reports, there is no information in the audit report that causes MSI to alter any of the conclusions regarding the performance of the various trade brokers--nor do any of the conclusions between the two reports seem to be conflicting. For a list of trade brokerage transactions credited by MSI see Annex 4. The audit report concluded that none of the three brokers fully met their performance targets.

## Findings: Overall Results

The following table reflects first year performance in accordance with information available to the evaluation team.

### PERFORMANCE MATRIX FOR TRADE BROKERAGES FOR 10/91-9/92

FIRM:	Pragma-Pil <sup>3</sup>		Shemberg <sup>4</sup>		CBI-Instrade <sup>5</sup>	
	Planned	Actual	Planned	Actual	Planned	Actual
Export Sales (in US\$ millions); percent of target	6.0	2.234; 37%	3.0	2.752; 92%	1.2	.683; 57%
Export Transactions	50	35	50	98	50	5
Beneficiary Matrix	200	130	150	225	150	15

The above table presents overall accomplishments of the three trade brokerage operations. Each of the brokerage firms has engaged in genuine export development, but with the exception of Shemberg, the actual results to date have been modest. It is a tribute to the Cebu export base and to Shemberg's abilities that it came as close to meeting its transaction value target as it did, and exceeded its targets for beneficiary matrix points and number of transactions, and did so without recourse either to prawns or ill-defined "shopping lists" for ethnic food items.

True export development is a lengthy process, rarely resulting in large trading volume in the short-term. Confronted with the first year deadline, and little in the way of trade transactions, Pragma-Pil and Instrade both turned to exporting frozen prawns (for an analysis of prawn sales see annex 5). Insistence on financial self-sufficiency has, of necessity, driven the NCR and Davao contractors to already established exporters and high volume products since these are the quickest avenues to significant sales volumes.

<sup>3</sup> The management audit report credited the Pragma contract with total sales of \$1,053,134, eleven transactions completed and 130 beneficiary matrix points earned.

<sup>4</sup> The management audit report credited Shemberg with total sales of \$2.2 million, 59 transactions completed, and 225 beneficiary matrix points earned.

<sup>5</sup> The management audit report credited CBI-Instrade with total sales of \$.329 million, seven transactions completed, 15 beneficiary matrix points earned.

For example, a 40' container of rice hull charcoal, a new export item being developed by Pragma-U.S., will have a value of between US\$3,000 and 4,000. A similar container of frozen prawns will have a value between \$US100,000 and 125,000. The paper work and administrative costs are essentially the same, with the shrimp requiring less marketing effort. With regard to exporting prawns, which has played so prominently in the transactions of the Pragma and Intrade contracts, the evaluation team feels that the PITO-P project may not be making the margin of difference in this sector as Philippine exports of seafood are well established. A greater impact in this area could probably be achieved through structural regulatory reforms such as reducing the tariff paid on imported prawn-feeds, which is currently thirty percent.

The prime contractors of each of the three trade brokerage submits a single performance report to PITO-P and these reports do not make a distinction between the accomplishments of the various partners within the brokerage contract. Because, to a large extent, the various partners seemed to be operating as autonomous brokerage operations, rather than as mutually supportive parts of an interdependent operation, the evaluation team felt it useful to separately examine the role of each partner within each brokerage contract. The tables below disaggregate expenses and performance accomplishments for each of the three trade brokerages. (The Cebu trade brokerage, Shemberg, has no U.S. partner.)

**Pragma, expenditures are as of June 30, 1992,  
transactions are as of September 30, 1992**

Brokerage Firm	No. of trans.	Transactions: Value; % of total	Total Expenditures <sup>6</sup>	% of expend.
Pragma/US	2	5,499; .25%	102,483	38.6%
Pintar/US	6 <sup>7</sup>	1,284,886; 57.5%	163,197 <sup>8</sup>	61.4%
Pragma-Pil/Manila	27	943,236; <sup>9</sup> 42.2%	-- <sup>10</sup>	--
Total	35	2,233,621	265,680	

As can be seen from the above table, the performance among the various firms within the Pragma trade brokerage contract has been uneven. Pragma-US seems to have spent the majority of funds made available by USAID but has produced less than six thousand dollars worth of trade transactions. Pintar seems to have been responsible for the highest dollar level of trade transactions but 99% of its sales came from five prawn transactions; the evaluation team was unable to determine if Pintar's prawn transactions represented an incremental increase in sales for the firms involved. Pragma-Pil secured nearly a million dollars in sales

<sup>6</sup> total billed as of June 1992.

<sup>7</sup> of Pintar's six transactions, five were for prawns valued at \$1,281,992. One transaction was for a wood carousel horse valued at \$2,894. Note: the 9/92 audit report did not give Pintar-US credit for any transactions.

<sup>8</sup> PINTAR and Pragma-Pil expenditures are reported within a single expense report and the evaluation team was not able to obtain disaggregated expenses between the two firms.

<sup>9</sup> Pragma-PIL reportedly secured an order for \$5,525,464 for prawns and other assorted seafood to be shipped to the U.S. The sale was apparently closed on the last day of the brokerage contract. Because no goods had been shipped this sale is not figured into the above totals. Although it means that Pragma has met their target for value of transactions, they still have not met their targets for beneficiary matrix points or number of transactions. Nor does the transaction cause the evaluation team to change our conclusions or recommendations concerning the Pragma brokerage contract.

<sup>10</sup> The USAID-commissioned audit report of 9/92 estimated that Pragma-Pil (Manila) received 25% of the \$333,000 first-year Pragma brokerage contract allocation, the rest of the funds were spent by the U.S. partners in Falls Church, Va. and Fresno, Ca.

from 27 transactions and, according to the USAID-commissioned trade brokerage audit report, was allocated only about 25% of the USAID-provided budget (approximately \$84,000).

The low rate of Pragma-US' transaction performance can be explained, at least in part, on their approach to export development. Unlike Pragma-Pil, which has worked with firms which are largely capable of producing export quality products, Pragma-US has concentrated on assisting Filipino firms to develop new export products for which markets currently do not exist.

The case of seedling containers is indicative of Pragma-US' export development interventions. Pragma-US had an idea to develop seedling containers made from coconut materials. These seedling containers are intended to compete in the U.S. market against commonly used plastic containers. The coconut seedling covers are biodegradable and therefore there is no need to discard the rubbish. In order to produce the seedling containers, Pragma arranged for several Filipinos to be taught to sew the containers. Pragma also arranged for the product to be irradiated at the Philippine atomic commission in order that it can meet FDA import requirements which require plant products to be microbe-free. Pragma is now attempting to find buyers for the seedling containers among U.S. nurseries.

It seems that the working relationship between Pragma-Pil and its U.S. partner, Pragma-U.S., has been poor as evidenced by lack of knowledge between partners about each other's activities, different approaches to export development, and independent pursuit of trade customers.

## CBI-Intrade

Brokerage Firm	No. of trans.	Value of trans.; % of total value	Total Expenditures <sup>11</sup>	% of expend
CBI/US	2 <sup>12</sup>	21,600; 3%	127,916	66%
Access Asia/ Manila	1	62,000; 9%	53,850	28%
Intrade/ Davao	3 <sup>13</sup>	600,000; 88%	10,294	5%
Total	5	683,600	192,060	

The evaluation team calculated that the CBI-Intrade trade brokerage was responsible for somewhat less than \$700,000 in export sales during its first year of operation. In fairness to Intrade, which seems to have received only a minority portion of the \$333,333 budget, it should be noted that the Davao area offers limited opportunities for generating non-traditional exports.

Also, Intrade has not been pleased with its relationship with CBI because CBI has failed to generate U.S. buyers and purchase orders which was the major basis for Intrade agreeing to be their sub-contractor. In its proposal CBI led PHILEXPORT and Intrade to believe that its network of 2,500 U.S. cooperatives provided a ready market for Philippine exports, however, this has not come to pass and Intrade feels misled. Also, Intrade was unable to undertake any significant marketing activity because CBI has been unwilling to allocate any of its marketing budget for use by Intrade.

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<sup>11</sup> CBI and Access Asia expenditures are through 8-31-92; Intrade expenditures are through 6-30.

<sup>12</sup> MSI chose not to credit a CBI-claimed transaction of 9/92 of \$600,000 for fruits, dried fish, and vegetables because no goods had been shipped and no suppliers, prices or specifications established. Included in the above calculations is a June 1992 order of food items to Well-Luck, USA for \$21,600 although the shipment is pending guarantee of FDA clearance.

<sup>13</sup> A September 1992 order of misc. food products to Greece for \$100,000 has registered \$9,570 in actual sales as of 9/28/92. For the above transaction calculations the \$100,000 figure was used but the probability seems high that Intrade will not be able to completely fill the order--"due to inclement weather."

Shemberg, expenditures are as of June 30, 1992, performance as of September 30, 1992

Shemberg	No. of trans.	Value of trans.	Total Expenditures	% of expend.
Total	98	2,751,666	168,544	--

According to MSI's calculations, as can be seen in the above table, Shemberg had the highest value of sales and the highest number of trade transactions among any of the brokerage contracts. Shemberg also earned the highest number of beneficiary matrix points for its export development achievements. Shemberg, unlike the other brokerage contractors, does not have any partners and this may have helped its ability to proceed swiftly and decisively because it was not dependent on a U.S. partner for its USAID-provided budget allocations.

Examples of activities undertaken by Shemberg which have directly increased the trade volumes of small and medium exporters include helping producers attend overseas trade fairs by arranging logistics, including shipping product displays, and co-financing travel and expenses. Shemberg help furniture manufacturers attend trade shows in Germany, Italy, and Japan. The evaluation team spoke with members of two firms who had participated in the Cologne Furniture Fair and both said they would not have been able to attend had it not been for Shemberg's help and financing. One of the producers stated he had secured five new buyers as a result of the fair and both said sales from the fair would account for 25-35% of their firms' total sales this year. Shemberg charges the firms 2-5% commission on each of the sales made within twelve months of the fair. The commission rate is based on value and volume of sales. Both of the Shemberg-sponsored participants we spoke with have committed to attending the fair next year under the same arrangements as previously negotiated with Shemberg.

## Cost Effectiveness and Sustainability

As per the project's design, brokerages were expected to derive income of approximately three percent of the value of transactions and it was postulated that sales volumes of \$10 million annually for each brokerage would result in financial self-sufficiency following three years of USAID support.

The following two tables document and compare expenditures, trade performance, and fees earned for each of the three trade brokerage contracts.

### COST EFFECTIVENESS OF TRADE BROKERAGE FIRMS

TRADE BROKERAGE		EXPENDITURES	VALUE OF TRANSACTIONS	VALUE OF EXPORTS PER \$100 OF EXPENSE
-	Pragma-US	102,483	5,499	5
-	Pintar-US	163,197 <sup>14</sup>	1,284,886 <sup>15</sup>	1,365
-	Pragma-Pil		943,236	
Total: Pragma		265,680	2,223,261	841
-	CBI-US	127,916	21,600	17
-	Access Asia	53,850	62,000	9
-	Instrade	10,294	600,000	88
Total: CBI		192,060	683,600	309
Total: Shemberg		168,544	2,751,666	1,633
Total: Overall		488,520		

The above table illustrates that there has been great variances in the relationship between expenditures and trade results achieved between and among the three trade brokerages. Pragma-U.S. and Access-Asia were the two least cost-effective operations as both achieved less than ten dollars worth of export sales for every hundred dollars spent. Shemberg clearly

<sup>14</sup> The management audit estimated Pragma-Pil received about 25% of the \$333,333 allocated to the Pragma contract.

<sup>15</sup> The management audit did not credit Pintar-US with any trade transactions, however, reports submitted by Pragma-US indicate that all of Pintar's \$1.2 million in sales were from prawns except the sale of one wooden horse for \$2,294.

had the highest level of cost-effectiveness as it was able to complete \$1,633 in export sales for every one hundred dollars spent.

### FINANCIAL SUSTAINABILITY ASSESSMENT OF FIRST YEAR BROKERAGE OPERATIONS

BROKERAGE	VALUE OF TRANSACTIONS	TOTAL EXPENDITURES	FEE EARNED	% EARNED ON TRANS.
PRAGMA	2,233,621	265,680	12,742	0.57%
CBI-INSTRADE	683,600	192,060	0	0.0%
SHEMBERG	2,751,666	168,544	23,115	0.84% <sup>16</sup>

The results so far do not give cause for optimism with regard to the brokerage firms' prospects for financial sustainability, as least as defined by USAID. Although results vary between the three brokerage contracts, about \$25,000 in fees have been earned against total expenditures expected to reach one million dollars for first-year operations (by Sept. 30, 1992). CBI has not earned any fees and Shemberg and Pragma have both earned fee income of less than one percent of the value of their transactions. Thus, none of the brokerage firms derived fee income at anywhere close to three percent of transaction volumes. In fact, all three Philippine brokerage operations told the evaluation team they often do not charge any fees at all (market penetration strategy). However, given that much of the first contract year was occupied in start up and market identification results may not be representative of longer-term revenue generation potential. In addition, USAID has assumed that self-sustainability of the operations requires annual operating budgets of \$333,000, the level of USAID-support the firms are now receiving. However, the brokerage operations may be able to continue to exist on substantially reduced operating budgets. If Pragma-PIL were to decide to continue operations without their U.S. partners they could remain in business, as they have during the first year, using approximately \$84,000 per year.

It should be noted, however, that the staff of the most successful brokerage firm (Shemberg - most transactions, highest value of transactions, most fee income generated) are not confident that commission fees will generate as much income as needed and have under consideration a number of revenue generation alternatives, such as transactional financial services and association management. Their attitude reflects concern that as sellers and buyers begin to work together successfully, the perceived need for brokerage services, and the willingness to

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<sup>16</sup> Fees earned have been calculated on actual shipments of \$1,743,359, rather than total value of transactions since fees will not be collected until sales are finalized. Instrade claims it will earn fees on its upcoming shipment of prawns but has not yet earned any fees.

pay commission, rapidly decline. There has been evidence of this as some of their customers who were willing to pay a fee for an initial brokerage deal have not been sources of additional revenue because they have since worked directly with the sellers. Nevertheless, Shemberg staff expressed a strong conviction that the firm will remain in the trade services business indefinitely (given the creativity and performance evidenced by the firm to date, this seems plausible).

Pragma-Pil management also stated their intention to remain in business, but without Pragma U.S., which they do not regard as having contributed measurably to their operations. In generating the volume necessary to stay in business they have tended to combine some export development work, e.g. ceramic giftware, foodstuffs, plastic cordage, toys and Christmas items, with high volume items, principally shrimp, and other transactions such as the sale of rice from Vietnam to Sierra Leone.

Intrade appears to have made a substantial effort to identify exportable items, but with little success to date. Its major transaction was the sale of frozen prawns in cold storage in Manila to a customer in Japan. The sale appears to have been an incremental export, but generated a commission of only one percent, payable in 1993, and did not contribute to the development of Mindanao exports. This is because the prawn sale, the trade brokerage's single largest sale, was purchased from a Manila-based company and the prawns were produced in the Visayas. Thus, the transaction had no impact on export development in Mindanao. However, Intrade hopes that the establishment of a relationship with the Japanese buyer may lead to future sales which could be sourced from Mindanao.

### Conclusions

1. The trade brokerages have made good faith efforts to generate non-traditional exports. In some instances, particularly in Cebu, they have been successful in presenting exporters to new markets and in generating incremental exports. However, genuine export development is a long-term process and it is unreasonable to expect to generate substantial volumes of trade in the short-term.
2. The trade brokerages are an effective export development mechanism since their activity is inherently product- and firm- specific and it is in their financial interest to find markets and to enhance the capacity of the producer to satisfy market demands.
3. Whether imposed voluntarily or not, high transaction volume performance conditions early on in the contract period have diverted NCR and Davao brokerage staff attention away from export development to quickly realized high volume export transactions, such as the sale of frozen prawns.
4. The performance to date of the U.S.-based brokerage operations has lagged well behind that of those based in the Philippines, with little evidence of coordination or

joint performance between the two sides. Concerning the Pragma contract, to some degree, the difference in performance may be explained by the difference in approaches between Pragma-Pil and Pragma-US, with Pragma-Pil working primarily with firms that are further developed in their ability to export, whereas Pragma-US has concentrated on developing new export products and then attempting to create a demand for those products. However, the vast input to output performance differences between the U.S. and Filipino partners indicates that it may not be cost-effective to continue to spend project funding on the U.S.-based partners.

5. It has not been established that the Davao exportable product base is adequate to support a trade brokerage.

### **Recommendations**

1. The primary objective of the trade brokerage arrangements be considered to be genuine export development with an emphasis on firm-specific support. The desired result is an expanded export base. Whether the brokerage firms become financially self-sufficient within the contract period should not be the trade brokerage component's sole or primary measure of success. All three Philippine operations form part of large and successful Philippine corporations who can, following the completion of USAID support, provide short-term subsidies to maintain the brokerage operations if they perceive the possibility of long-term commercial viability.

Another tact which USAID might consider to encourage financial sustainability would be to provide the trade brokerages a continuously decreasing level of funding over a longer than three year time frame. This would encourage the brokerages to attain some level of self-reliance in the near-term rather than completely relying on USAID support for three years and then, in their fourth year, being left without any USAID support. For example, the brokerages could be provided \$333,000 in year two, 75% of that amount in year three, 50% in year four, and 25% in a fifth and final year. Subsequent year disbursements would be conditioned on the firms continuing to meet export development performance targets. Such a strategy would increase the length of USAID support but would only moderately increase project costs. (If, as this evaluation recommends, trade brokerage funding to CBI and Pragma-US is reduced or eliminated than overall trade brokerage costs would not increase even if funding were to be extended an additional two years.) A gradual phase-out of USAID support would encourage the trade brokerages to commit some of their own resources over the next few years rather than wait till year four when USAID funding is suddenly no longer available. This approach may permit USAID to ascertain the brokers' longer-term commitments to stay in the export development business prior to their final disbursement of project funds.

2. Conditions for continuation of the brokerage contracts should be set in accordance with the each contractor's performance achievements. For example:

1. CBI/Intrade - Since both this evaluation as well as the audit team found performance conditions were not met, PHILEXPORT may wish to enter into a fixed fee services contract with Intrade for specified export and investment development activities at a level of expenditure equivalent to that of this past year's contract, approximately \$100,000, or, the territory of Mindanao be given to Shemberg, along with some modest increase in resources, since they have proven to be adept at achieving trade results.

2. Shemberg - in recognition of its impressive performance the evaluation team believes appropriate the extension of the contract for up to two months without additional payment to enable the first year's target to be met. Assuming that is accomplished, the second year's contract, starting in late November, would include mutually agreed targets under a weighted performance scheme. In recognition of Shemberg's superior performance, PITO-P continue to grant Shemberg great latitude in its implementation of project activities.

3. Pragma - first year performance of \$2.2 million in sales (\$1.3 million in shrimp) is not an inconsiderable achievement for a start up year but sufficiently behind the \$6 million self-imposed target. The relatively low cost-effectiveness performance of Pragma-U.S. in generating export sales raises questions as to the business acumen of the prime contractor. In view of the failure to meet the performance requirements, the evaluation team believes PHILEXPORT has no alternative but to terminate the contract. In order to retain the momentum established to date, and to capitalize on the base of over \$900,000 in first year sales of non-traditional exports, it is recommended that PHILEXPORT enter into a fixed cost services contract with Pragma-Pil, Inc. for specified export development activities at a level of expenditures equivalent to Pragma-Pil's expenditures during this past year's contract, estimated to have been around \$84,000.

### 3.3.3 The Project's Policy Component

As per PITO-P's Project Paper, "This component involves the preparation and dissemination of a series of studies aimed at overcoming specific policy constraints faced by traders and investors. The policy studies will identify appropriate reforms and implementation strategies. In addition, each study will be accompanied by a dissemination plan that includes outreach and advocacy activities." The project's Cooperative Agreement with PHILEXPORT goes on to state that the policy component "...will focus on 'micro' rather than 'macro' issues, on small rather than big businesses, and will be action and implementation oriented." The Project Paper originally allocated \$1.5 million to the project's policy component.

There currently exists a wealth of recent policy studies on the Philippine's macro-economic policy environment. These include World Bank and IMF studies, as well as the ASEAN-U.S. Business Council's "The ASEAN-U.S. Economic Relationship: Overcoming Barriers to Business Cooperation," and the GOP's "The Philippine Agenda for Sustained Growth and Development." The project's policy component has been designed so as not to duplicate those efforts, but rather to complement them and focus implementation on activities which will produce specific near-term results. The project's research thrust was intended to be "applied" rather than "basic."

**Findings:** Policy advocacy was considered an important component in the PITO-P program as a means of focusing private sector interest towards needed reform of the regulatory and administrative bias against exports. Implementation confronted two problems: assuring that the effort would not duplicate activities already being pursued by the GOP or other donors and engendering private sector interest and support.

Initially, responsibility for the policy component, in addition to other duties, was assigned to the PITO-P's NCR regional manager but, in the project's second year, the incumbent was transferred to a new position, Deputy Project Manager, charged with running the component on a full-time basis.

The project's policy component was initially designed to be reactive to the needs of PHILEXPORT and its constituents. However in December 1991 after a slow start due to lack of a "policy agenda" being put forward by PHILEXPORT or its constituents, the PIC reformulated its approach to undertaking the project's policy component. It was decided that the project was to become proactive and PITO-P would prepare a list of current trade and investment policy issues in which its constituents had expressed interest. The organizations informally canvassed by PITO-P to generate this list of issues included PHILEXPORT, PCCI, AMCHAM, the Asian Institute of Management, UP's School of Economics and the Philippine's Institute of Development Studies. The short-list of studies agreed upon by PITO-P eventually included:

- Deregulation of: shipping, oil price policy, wage policy, transfer of technology, and the airways;
- Strengthening investment and export promotion;
- Reducing the cost of packing materials; and
- Participation of Philippine producers in universal product coding; and adoption of a policy of copyright protection for computer software.

The "criteria" to be used by the PIC in approving policy studies were that the study should give priority those issues with the most adverse effect, or having the greatest potential benefit,

to improving trade and investment. Unlike other project components, the policy activity is not required to include a cost-recovery element.

In 1992, to further boost the component's level of activity, the PIC approved a PHILEXPORT Policy Research and Advocacy Facility. The facility had as an objective the support of "all national, regional, and or sectoral policy concerns of Philippine exporters, particularly those in the area of: monetary and fiscal policy, trade and industry policy, infrastructure support, technology policy, and institutional policy." All PHILEXPORT members were deemed eligible to submit proposals and PHILEXPORT was charged to "accredit institutions and individuals who may be tapped to undertake the necessary studies." PITO-P has indicated its willingness to increase the level of funding available to PHILEXPORT's Policy Facility as the organization increases its capacity to manage policy research and advocacy.

PITO-P and PHILEXPORT have separated the Policy Research and Advocacy Facility into the following components:

1. Retainers for quick policy analysis; P15,000 per month for twelve months - to provide two institutions or individuals to advise PHILEXPORT on policy issues.
2. Short policy papers; P30,000 per paper, two papers per month, twelve months - to contract for individuals or institutions to prepare short policy papers.
3. Full-blown policy research; P200,000 per project, six projects per year.
4. Round table discussions; twelve per year at P10,000 each, up to fifty persons each.
5. Workshops; six per annum at P20,000 each, over fifty persons per workshop.

To date, by PITO-P's own classification, the project has completed the following four policy activities:

In 1991;

- The Public Consultation on the Implementation Rules and Regulations of the Foreign Investments Act of 1991. (\$521) This exercise was undertaken by NEDA.
- A study on Comparative Trade Regimes in Southeast Asia. (\$1,192) The study was funded by USAID's Office of the Program Economist which requested PITO-P to finance a forum in which the findings and recommendations of the study could be presented. PITO-P obliged because the report called for the implementation of GOP trade reforms to improve the competitiveness of the Philippine export sector.

In 1992;

- For PHILEXPORT, supported the First and Second Proceedings of the Second Philippine Exporters Congress in 1991 and 92. (\$2,654) Specifically, PITO-P agreed to pay for the preparation of Issues Papers presented during the two Congresses. The summaries were distributed as policy advocacy materials to business leaders and government decision makers. Also, for PHILEXPORT and PCCI, supported a publication of the ASEAN CEPT Scheme which was distributed to government and business organizations.
  
- Supported an additional printing of "Doing Business in the Philippines." (\$2,551) This is an annual publication produced for those interested in investing in the Philippines. About 3,000 copies of the book are published annually but this number is generally short of the country's requirements. PITO-P supported the printing of an additional 3,000 copies which were distributed to both private sector and government organizations.

The distinction between PITO-P's policy and technical assistance activities has not always been clear, thus a few other activities/publications, funded through the project's technical assistance component, are also sometimes considered to have implications on policy/regulatory constraints. These include the PCCI publication, "The First 100 Days: A Proposal for a New Administration," the PCCI "Report on the Proceedings of the 17th Philippine Business Conference" and the Asian Institute of Management's "Report on the Multi-Sectoral Conference on Urgent Action Programs for the Next Administration."

The principal reason the project's policy component was slow in starting was that the process was originally designed to be reactive by offering funding support for policy-related initiatives originating from industry associations and other trade or investment related organizations. Because of the paucity of proposals received, and a perceived need to manage the process to ensure quality output and broad coverage of issues impacting trade/investment, PITO-P management decided that the project needed to determine its own agenda, through a process of collaboration with PIC member organizations and others, and provide appropriate staff support to manage an in-house policy studies and advocacy component.

The project's policy component is now designed to operate concurrently through the following three tracks: a series of comprehensive studies initiated and managed by PITO-P through PIC approval (an illustrative figure of \$100,000 per study has been cited); quick response studies, topical papers, and data for lobbying efforts to be managed by PHILEXPORT through the Policy Research and Advocacy Facility; and funding support for policy initiatives proposed and managed by outside organizations (e.g. PCCI).

In 1992, the PIC approved three comprehensive policy studies to be managed by PITO-P. These activities are:

- A study to facilitate and safeguard Technology Transfer.

- A study to Improve Packaging Effectiveness and Regulations.
- Deregulating the Airways.

Of the above mentioned studies, the first two are expected to be completed by the end of CY1992. Private sector organizations in Davao and Cebu have asked that additional information be available concerning airways deregulation before a full-scale study is undertaken. Consequently, the project decided that instead of supporting a comprehensive policy research effort it would commission the preparation of a short issues paper.

### **Conclusions**

1. PITO-P has done a credible job in defining areas in which project supported policy advocacy should be effective. Substantial effort has been made to develop an institutional capacity to identify and respond to issues of concern to the private sector.
2. PITO-P and USAID management assessed that the reactive nature of the designed policy component was not going to be effective and PITO-P has since set in place a three-track policy system in which: PHILEXPORT has been assigned the task of generating a series of relatively small scale studies in quick response to trade or regulatory issues affecting its membership; PITO-P, requiring PIC approval, will undertake a series (six in 1993) of major policy studies generally utilizing highly reputable international experts; and PITO-P will entertain funding studies undertaken by PHILEXPORT and or its constituents. PITO-P management should be credited with having made an early assessment of the ineffectiveness of the component's reactive mode and quickly adjusting the operations of this component to be more proactive in setting a policy agenda.

### **Recommendation**

1. Management of the policy advocacy component should be transferred from PITO-P's internal staff to PHILEXPORT. Since policy advocacy in support of exporter interest should be a major function of PHILEXPORT, upgrading its capacity to develop and manage policy advocacy studies serves not only PHILEXPORT's interest but fulfills the project objective of strengthening the capacity of private sector organizations. A start has been made in this direction through the policy advocacy facility established in PHILEXPORT, but the only reason not to completely assign the component to PHILEXPORT would appear to be a perceived lack of staff capacity. To rectify this deficiency, PITO-P should consider contracting outside consultants for a limited period to work with PHILEXPORT to develop this capacity in the expectation that it would remain in place after the PACD.

### 3.3.4 The Project's Training and Technical Assistance Component

This project component was designed to offer SMEs in each of the three regions training and technical assistance on topics directly related to increasing or initiating trade or investment. Each of the project's three regional managers are charged with identifying organizations which could benefit from such assistance and then helping them to develop proposals to be considered for project funding. There are no limits on the size of grants and the criteria for funding approval is that the activity should be a private-sector project, it should have an impact on trade and investment, and the proponents should be willing to share in the cost of the project. If the proposal comes from a government agency, PITO-P will only consider it for funding if it is supported by a private-sector organization as a form of validation that the project is needed and well conceived. Also, PITO-P has stipulated that grants should not be given to private firms but should be channeled through representative sector organizations, such as manufacturers associations. The project paper allocated \$2.36 million for technical assistance activities over the life of project. Funding of grant activities is limited to Cebu City, Davao City, and the Metro Manila areas.

The evaluation team was able to meet with representatives of the majority of organizations which received technical assistance grants, and we met with all organizations which received more than one grant. In Cebu the evaluation team met with all five of that office's grant recipients; in Davao, with two of the three; and in Manila, with four of the nine.

**Findings:** As of September 1992 the project had approved forty separate grant disbursements. A breakdown by region follows. A complete list of all technical assistance activities funded is presented as Annex 6.

## ANALYSIS OF PITO-P'S APPROVED GRANT DISBURSEMENTS

REGION	TECHNICAL ASSISTANCE GRANTS		
	#	AMOUNT	AVERAGE
CEBU	16	152,617	9,539
DAVAO	8	192,406	24,051
NCR	17	80,644	4,743
TOTALS	41	425,657	

The number and funding levels of the grant disbursements, as presented in the preceding table, are not necessarily representative of levels of activities among the three regions. In Davao and Manila, grants funding has been project oriented--thus each distinct grant represents a single technical assistance or training activity, e.g., the eight grants approved in Davao represent a total of eight activities undertaken. Also, the figure for Davao is somewhat skewed due to two large grants: both to DCCCII, one for \$108,00 (World Trade Congress) and one for \$67,000 (Mindanao Exporters Conference); the average value of the other six Davao grants equals \$2,884.

The Cebu regional office has pursued technical assistance through a largely programmatic, rather than project orientation. For example, a single grant to Cebu FAME of P1.08 million supported 24 technical assistance workshops over a one year period, each on a different topic. Also in Cebu, a single project proposal may cover several distinct activities. Once a proposal is approved detailed budgets are then negotiated for each project component and component grants are individually dispersed. Overall, the 16 technical assistance grants approved by the Cebu office represent 45 distinct activities.

A summary description of major technical assistance activities by region follows.

### DAVAO:

- Energy Sector Assessment; NMDB - sponsored a study to identify options for solving Mindanao's energy crisis.

### CEBU:

- Metalworking; MIAP - initially supported a dialogue/study with manufacturers in the Mactan Export Processing Zone to determine if imported precision metalworking production components could be produced locally. Subsequently, a products parts forum was held so that MEPZ importers of metal production parts could make their needs known to local producers in order that deals could be brokered. Future assistance is planned to include bringing in consultants to help firms improve their quality standards.

- Furniture, Gifts, Toys, and Housewares; CFIP, GTH, PCSII - assisted members to plan and undertake a furniture and household goods fair for international buyers and to produce a product directory catalogue. The fair is timed to overlap with the annual Manila International Furniture Fair. Additional technical assistance was provided to CFIP and PCSII concerning various technical topics including fair planning and management and creative aspects of exhibition.
- Fashion Accessories; Cebu Fame - supported the establishment of a library of trend/design magazines and sponsored a series of 24 technical workshops. Workshop topics have included electroplating of nonconductive materials, electroplating of conductive materials, accounting for non-accountants, ceramic making, and production planning and control.

**NCR:**

- Technical Assistance; PANC, BPS, DTI - the project funded technical assistance seminars to help manufacturers market their products in the U.S. The seminars were in the areas of obtaining UL listings, barcoding retail products, and attaining FDA approval for importation of Filipino ethnic foods into the U.S.

The following table provides a breakdown of the portion of grants -both promotional and technical assistance - within each region which were allocated to government organizations.

**TECHNICAL ASSISTANCE GRANT DISBURSEMENTS TO GOP BY REGION**

REGION:	NUMBER	VALUE	PERCENT OF ALLOCATIONS
CEBU	2 <sup>17</sup>	8,888	12%
DAVAO	2	6,990	9%
NCR	8	60,689	79%

<sup>17</sup> Both of the Cebu grants to DTI were co-sponsored activities undertaken by a private-sector organization - the Cebu Chamber of Commerce and Industry.

Within each region, recipients of more than a single technical assistance grant were as follows:

- Cebu; CFIP - 5 grants  
MIAP - 4  
FAME - 2  
DTI - 2
- Davao; DCCCCII - 5
- NCR; DTI/BOI - 8  
PHILEXPORT - 3  
PCCI - 3

Although 17 of 41 technical assistance grants were initiated by the project's NCR office, the amount of funds dispersed by the NCR office is less than either of the project's other two regions. Also of note, as indicated in the previous table, is that the majority of grants in NCR region went to the GOP, notably to the DTI and BOI.

In Davao, five of seven activities approved went to a single organization, the DCCCCII.

### **Project Development Process**

The process for developing potential grants is that regional managers identify worthy organizations and projects and then work with those groups to construct implementation proposals. The organizations which received technical assistance funds became acquainted with the project, for the most part, through informal and professional contacts with the regional managers. Since all PITO-P's professional management staff were formerly with DTI they were already acquainted with the various associations and government agencies working towards increasing Philippine exports.

To the best of our knowledge, no promotional materials exist, or have been distributed, which describe/market the project's grants component. Such questions as, who is able access grants, what are the criteria for grant approval, and what is the format for application are not documented. Promotion of the availability of the project's technical assistance funds seems to be undertaken almost exclusively through the professional networks of PITO-P's staff.

Formal project inception begins once an association, or government organization, has been approached by a regional manager and an initial project idea agreed upon. Following a set of discussions with the organizations' leadership, ideas are clarified and parameters defined. Once the regional manager had concurred with the project idea, a formal proposal would then be prepared. In Davao, this has usually meant the regional manager would herself write the

proposal, review it with the prospective grantees, modify it as necessary, and then present it to the PIC for formal consideration.

The proposal preparation process in Cebu has also been an iterative one between associations and the regional manager, however, in Cebu, the associations themselves have often assumed the principal responsibility for proposal preparation. Recently, the Cebu office has replaced their CTIS manager with a project development assistant, as the CTIS component of the project is not yet operating and there has been a relatively high demand for technical assistance among potential grantees. The high level of grant activity in Cebu has also been possible because, in general, the institutional development of associations in Cebu is more advanced than that of their counterparts in Davao. In part, this is because Cebu has a much more developed export economy but it seems to also be the case that Cebu organizations have been the recipients of more years of non-USAID developmental assistance than have their Davao counterparts (thus they are more adept and proactive in obtaining donor funding). Many of the organizations assisted in Cebu also receive assistance from other donors including JICA, EC, and GTZ.

Most of the manufacturers associations visited did not have full-time professional staff, CFIP Cebu being an exception, but many did have full or part time administrative staff. All associations assisted had elected leadership. However, for the heads of the various associations their primary responsibilities, understandably, are to run their own businesses first and then assist the membership organizations as time permits. Although enthusiastic and active in the management of the PITO-assisted organizations, association leadership has limited time available to prepare detailed project proposals.

### Grant Approval Process

Once proposals are developed they are brought before the PIC for review. The PIC has no formal criteria for rating various proposals but decides approval on a consensus basis. Each proposal is required to have a cost-sharing mechanism.

The evaluation team was told that, as an operational principal, only grants which are controversial, complex, or costly (over \$2,000) require PIC approval. The regional manager proposing the activity must present an overview of the project before the PIC and advocate for its approval. The PIC will then debate the merits of the proposal and attempt to reach a consensus on whether or not to fund the project. The vast majority of projects presented to the PIC have been approved: from the Cebu region all projects presented have been approved except for one, and that was the first project which had been presented by Cebu; likewise, the majority of projects presented by Davao have also been approved. However, projects are pre-screened by the regional managers and several proposals have been withdrawn from consideration when the regional or national managers have determined the proposals would not garner the support of the PIC, following informal discussions at the monthly PIC. (The project does not keep a list of proposals received and their status nor could the information be

easily obtained; although both the Cebu and Davao offices kept a list of grants approved and activities undertaken but not results achieved.)

Once a project activity is approved, a separate set of negotiations is often undertaken between the Regional Manager and the PITO-P manager to work out budgetary approval and cost sharing arrangements. Original budgets are carefully reviewed and often have needed to be adjusted because they seemed to have been prepared haphazardly with particular line items sometimes being over estimated. There are no specific guidelines for cost-sharing requirements but rather the PITO-P Manila Project Director makes an assessment of the appropriate cost sharing requirement based on the recipient organization's "ability to pay." This ability to pay has generally been determined to be between 50-100% of the cost of the activity, but this has varied widely from one organization to another and between various activities undertaken by the same organization. And numerous activities, including at least four grants to DTI/BOI, and a grant to PCCI, have had no cost-recovery requirement. The following are a few examples of cost-sharing requirements:

- In Cebu, a grant to FAME to fund an exporters library for P150,000 had a 25% cost-recovery requirement while a P1.080 million grant to FAME required 50% cost-recovery.
- In Cebu, a grant to CFIP to support the development of a product catalogue required 100% cost-recovery of P450,000; a grant to support a planning workshop required 86% cost recovery, management trainings had a 50% cost-recovery element while various technical trainings required 75% cost recovery.

The project is prohibited from funding salaries, equipment, capital costs, food, or lodging.

### **Sustainability of Technical Assistance Component**

According to the Project Paper "...fees sufficient to cover a portion of costs to be incurred will be charged for participation in the project's training and technical assistance component. Accordingly, the activities envisioned under the project should be self-sustaining either through fees generated through PHILEXPORT's other sources of funding." The Project Paper's Logical Framework project output indicator states the self-sustainability indicator somewhat differently in that "100% of Regional Service Centers budget [should be] generated by fees for service." The Cooperative Agreement signed between PHILEXPORT and USAID fails to make any mention of the regional offices' requirements to attain self-sufficiency but does state the following with regard to the project's training and technical assistance component "[PHILEXPORT] will determine the level of cost-sharing to be provided by the project based on the applicant's ability to pay."

PITO-P has, in fact, insisted on cost-recovery on many, but not all, of its technical assistance grants. These cost-recovery fees, when collected, have ranged from 25%-100% of project

activities. As of September 30, 1992, \$50,248 in fees have been collected through project cost-recovery reflows; this is against grant disbursement approvals of \$425,657 and actual grant disbursements of \$259,027.

Although negotiations regarding cost recovery have generally been easily resolved, there have been cases where final approval of grants have required multiple volleys of correspondence between PITO/Manila and regional offices. This has resulted from Manila pressing for the "highest possible" rates of cost recovery. While in principle pursuing a policy of the highest cost recovery possible seems laudable, in practice it has proved time consuming and appears to have been calculated somewhat arbitrarily. At times, the decision process of PITO-P's national office has proved awkward for regional managers as it has undermined their authority to negotiate the level and/or proportion of assistance which can be provided to perspective grantees--organizations which view regional managers as development partners. Regional managers are closely involved with the process of developing activities (thus costs) for prospective projects but have no real idea as to what portion of assistance will be approved by PITO-P headquarters, thus they sometimes get stuck in the position of having encouraged organizations to develop proposals indicating contributions as to what they perceived as fair only to have their positions reversed when Manila-approval is contingent upon a higher rate of cost-recovery. This has resulted in the best efforts of competent regional managers being overturned as PITO-P headquarters has often pressed for cost-recovery rates which are higher than proposed from regional offices.

Several organizations in Cebu told the evaluation team that in order to return funds at levels required they had to set entrance/user fee requirements at levels higher than could be afforded by members representing the smaller firms within their organizations. The evaluation team had no way to verify these statements but felt they merit consideration. (The team is also aware that revenue from less participants paying higher prices would not necessarily mean less revenue could be collected than if more participants attended but paid lower fees.)

The project has an excellent record to date of recovering grants funds at projected levels. All cost-recovered funds from technical assistance activities are returned to the national office. So far, only about \$3,000 of cost-recovery generated funds have been spent by Manila; \$870 as commission to a publishing company, \$1,217 for taxes and duties on CTIS software and manuals, and \$1,018 on a PHILEXPORT workshop.

### **Effectiveness of Technical Assistance**

Without exception, the organizations which received technical assistance praised the project and said the grants had enabled them to undertake important activities which they otherwise could not have afforded. Several groups expressed satisfaction with the speed in which projects were approved. A few organizations we questioned stated that only a few weeks were needed between submission to approval. This is possible due to the monthly opportunity for regional managers to present projects to the PIC. Many of the firms we

interviewed also commented on the ease of access they had to the project and the helpful "partnership" attitude exhibited by the regional managers in Cebu and Davao. Those managers were characterized as being fully supportive in helping the various associations move from ideas to plans to actually formulating proposals. The evaluation team cannot overstate the compliments provided by grantees in their descriptions of the assistance provided by the project's regional managers.

The lack of mention about management of the NCR's technical assistance component is due mainly to the fact that for the past twelve months the position has been vacant. Formerly, the position was held by the project's current head of the policy component; however, in his relatively short time of incumbency as NCR manager, and given that the project was still in a start-up mode and trying to define itself, technical assistance activities in the NCR region never attained any momentum. The position's year-long vacancy was a result of an offer by a member of the PIC to identify potential candidates met with several delays and, in the end, did not produce a suitable candidate. Eventually, PHILEXPORT located a candidate who was swiftly approved and has recently begun work. While the position was vacant, both the Project Director and his Deputy, on a limited basis, covered the position's responsibilities.

The single project area in which several of the organizations expressed less-than-total satisfaction was with the project's stringent cost-recovery requirements. It was not surprising to the evaluation team that grantees advocated for lower cost-sharing requirements, however, the evaluation team feels their requests merit consideration. Although all projects assisted will likely meet their PITO-P cost-recovery requirements, the implementation of activities leaves them with less funds than they had prior to undertaking the activity. Thus, the opportunity to generate additional operating revenues for the organizations has been lost because all revenues generated from events must be returned to PITO-P--in addition to forfeiting revenues generated, the grant recipients must also cover the non-PITO-subsidized portion their activity expenses.

The following are some examples illustrative of the results of the project's technical assistance component:

- In Cebu, PITO's assistance to MIAP has resulted in at least two of the Chamber's members receiving contracts to supply metal production parts to firms operating in the Mactan EPZ. Several other firms stated they are involved in discussions with such firms and as a result of opportunities identified will upgrade their production capabilities in order to acquire contracts. The Chamber is confident that activities supported by PITO--including holding a buyers fair, and engaging in formal planning sessions with potential buyers--is the first step towards transforming Cebu's light metalworking sector from being service oriented, and engaging mainly in repair work, to becoming a manufacturing sector able to supply a steady stream of production parts to the numerous firms operating in the Mactan EPZ. NEC has even indicated it is willing to source raw materials for Cebu firms able to provide a reliable stream of parts.

- In Cebu, PITO's support to the PCSII to co-sponsor the Cebu Furniture Fair has already resulted in increased sales for several of the firms that participated. In all, 22 of Cebu's stone craft furniture manufacturers participated and the fair was attended by between 600-700 overseas buyers. Although the team was only able to meet with representatives from four of the participating firms, all said the fair had resulted in new business. One firm said they now have five new buyers as a result of the fair. The Chamber also said it would not have been possible for them to finance the Manufacturers' Directory had it not been for the help of PITO-P. Unlike the annual furniture fair in Manila, the Cebu fair is completely private-sector initiated.
- In the NCR and Davao regions the team was unable to uncover any technical assistance activities which have directly and convincingly increased exports. A major portion of grants funding has gone to trade and investment promotion rather than technical assistance.

An example of an activity which a current grantee would like to request funding assistance for, but which is currently outside the project's no capital costs rule, is the following:

- In Davao, the CFIP feels that they are unable to export furniture to the U.S. because the moisture content of their wood is currently too high to meet U.S. quality standards. The group feels that if their association could purchase a kiln dryer to be shared among the membership, on a user-fee basis, then this would be the margin of difference to enable them to export. Early this year, CFIP was approached by Intrade to fill an export order but was unable to take advantage of the opportunity because their products will not pass moisture content requirements. CFIP's membership is composed of small furniture manufacturers which have average capital assets of less than P5.0 million.

### Conclusions:

1. **Technical Assistance.** In Cebu, the project's technical assistance component is meeting with substantial success. Many of the firms which have benefitted from project-supported technical assistance activities have already been able to increase their export sales as a direct result of project assistance.

In Davao, which is many steps behind Cebu and Manila in establishing itself as an export center, the groundwork is being laid which will be necessary for the region to begin to attract outside investment. Davao's prospects of increased trade success are longer-term but prerequisites to developing an export oriented economy, such as creating a Trade Directory and attempting to address the area's energy problems, are beginning to be addressed.

The Davao regional office has not undertaken any technical assistance activities that have directly helped manufacturers to increase their exports and has yet to work directly with any manufacturers organizations.

In the metro-Manila area, the project has undertaken few technical assistance activities, particularly in relation to the size of its export community--and a majority of approved expenditures have gone to support the activities of government agencies. The number of activities approved is misleading in comparison to the level of "real" technical assistance delivered since many of the activities funded (ten of nineteen) were to print documents. Also indicative of the low-level of activity in the NCR is that the average grant size was only \$4,743, as compared to \$24,051 in Davao and \$9,539 in Cebu. The prolonged vacancy of the NCR manager position has had a limiting effect on the level of technical assistance activity conducted in the Manila area. However, the NCR manager position which has been vacant for the past year has recently been filled and this should lead to an increase in NCR technical assistance activity.

2. **Project Approval.** While the current process of approval-by-consent has served the project well to date, it *could* result in projects being approved due to the advocacy of authoritative individuals, rather than solely on their technical merits. Approval-by-consensus, particularly for those organizations which have projects rejected, denies prospective grantees the opportunity to learn from their failings and to improve their future opportunities for securing donor funding, whether it be from USAID or others, because specific feedback cannot be provided as to the proposed activity's shortcomings.

The PIC also has approved numerous projects which benefit agencies directly represented by PIC members, and or former employers. The project's relationship with PHILEXPORT is confounding as it seems unusual the project should fund the activities of an organization which, by design, it is supposed to receive support from (rather than vice-versa).

The project's stringent requirement which prohibits funding capital costs may result in missed opportunities to directly increase exports, as well as to provide manufacturers' associations opportunities to manage longer-term income-generating activities.

3. **Financing/Sustainability.** While the project may indeed have been successful at implanting the "no-free-lunch" concept among organizations used to receiving free assistance, partial cost recovery has meant that the more activities the project funds, the more cost recovery falls short of actual disbursements in absolute terms. Although a few activities have attained 100% cost-recovery none has covered the overhead costs represented by project management--such overhead cost recovery is, of course, essential to attaining true financial self-sufficiency for this activity. Although substantial cost recovery is being achieved, this project component is unlikely to attain financial sustainability.

4. **Decentralization.** Although the project has established regional offices, approval of technical assistance projects is nearly completely dependant upon Manila (even as PIC meetings of Manila-based decision makers periodically meet in Davao and Cebu). The PIC has no regional representation and the rate of all cost-sharing requirements are imposed by PITO-P's central management. In reality, it also appears the regional managers have no discretion to approve even the most modest of technical assistance activities without a formal PIC review or the approval of the project's overall manager.

#### **Recommendations:**

1. **Technical Assistance.** Technical assistance activities should continue to be promoted as per current procedures in Cebu, since the quality and volume of activity is quite high, and the level of activity is probably at or near the management capacity of PITO-P Cebu staff.

In Davao, there has been a much lower level of activity, in part due to the more management-intensive process of proposal formulation, and also, in part, due to the nascent state of the area's export development (fewer exporters and export associations). To increase the level of technical assistance activity in Davao the project might consider expanding the eligible area of grants to all of Region XI--since the island's export sector is less developed than other project areas and since a significant portion of the island's exports could be expected to flow through Davao. Also, the project should consider providing a project development specialist to the region to assist potential grantees with project/proposal development (a one-year USAID intern is currently assigned to the project in Davao and may be able to offer assistance in this area, however, this should not be viewed as a substitute for the professional requirements of the office). As has been done in Cebu, the Davao office might consider replacing the CTIS position with a full-time project development specialist, since the staff requirements and activity mix of the CTIS will not be known for several months; or, if the Davao office continues to have a need for the CTIS position than allocations for one of the Manila-based CTIS positions might be used to cover project development staff needs. Supplementing staff skills in the area of project design would permit the regional manager more time to liaise with, and cultivate, new grantees so that the project's regional office can begin to diversify its activities away from the nearly exclusive support it has provided area importers and exporters through grants to the DCCCII.

Since Manila is starting from behind in its technical assistance outreach efforts, "rules of eligibility" for grants should be written and dispersed, possibly through

PHILEXPORT's network.<sup>18</sup> Projects should be actively sought and NCR staffing levels maintained in relation to the level of activity generated (this is not to say the PITO-P project as-a-whole needs additional staff). Because an estimated seventy percent plus of the Philippine's exporters are located in the NCR region, a proactive outreach campaign can be expected to generate substantial interest. In order to manage providing assistance to the potentially large pool of grant recipients, the PITO project may wish to consider reclassifying one or more of its six Manila-based CTIS positions to assist with proposal development and grant disbursement and monitoring. To ensure the NCR office is not inundated with a quantity of proposals that would exceed its management capability, the office should strategically target a limited number of export sectors for assistance.

2. **Project Approval.** The consensus approach to project approval should be replaced by a simple but numerically objective rating system. At a minimum, a system should be employed whereby each proposal presented to the PIC is documented along with the PIC's rationale for approving or denying funding. Criteria should be developed by the PIC and regional managers and could include such considerations as: ability of an organization to manage grant funds; potential to increase exports; financial plan for management and use of recovered funds; number of potential beneficiaries; and potential for employment creation. The new system could be tested and ironed-out using a sampling of past proposals. If beneficial, total scores could be divided to fall in one of the following three categories: approved; eligible for reconsideration following suggested modifications, or rejected based on inability to satisfy basic criteria. If the project is to gear-up and aggressively pursue and capture opportunities to support NCR activities--as this evaluation suggests it should--such an objective rating system may prove beneficial to manage a potentially large influx of proposals--and to be able to selectively support the best among many. (The project has funding available to support a level of technical assistance activity substantially greater than has occurred to date.)

The project may wish to reconsider its prohibition against funding the capital costs of beneficiary projects, particularly if the activity has the potential to generate revenues over the longer-term as well as to increase exports. Such strategies could prove an excellent vehicle for increasing the sustainability of supported institutions, and this recommendation fits with the team's suggestion that the sustainability focus of this project component be shifted from PITO-P to the beneficiary organizations (see recommendation C). Careful criteria for such activities would need to be developed in order to prevent PITO-P from becoming a commodity-dumping project.

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<sup>18</sup> It may also prove useful if these "rules of eligibility" were also strategically distributed to potential grantees in the Davao/Region XI area, perhaps through the DCCCII network.

In order to maintain the project's integrity and avoid the appearance of conflict of interest, PIC members should be ineligible to vote on potential grants to organizations they represent. PITO-P's role in dispersing grants to its host organization should be clarified.

3. **Financing/Sustainability.** A fixed cost-sharing formula should be considered; perhaps in the range of 33-50% to be covered by the beneficiaries. Any revenues generated above that level should be retained by the recipient organizations thus providing incentives for them to set fees which are both affordable to their members but still provide incentives for organizational revenues to be generated (the incentive is because fees are retained). Any cost-recovery formula adopted should maintain the flexibility necessary to allow grantees to decide for themselves how to best generate their share of the match.

Allowing the grantees themselves to decide how far above the cost-recovery targets fees should be set will permit membership to set requirements they feel are appropriate for their membership. Example: If an approved activity costs \$10,000, USAID could put up \$5,000 and all fees collected thereafter should be retained by the organizations themselves. This shifts the emphasis of sustainability away from the PITO-P project, where it clearly has a limited prospect of success, onto the beneficiary organizations themselves. The next years of the project will give these democratically-run organizations an opportunity to increase their financial viability (sustainability) through gaining experience in managing income generating activities which prove to be valued by their membership (as will be evidenced by receipts retained). Repeat candidates for grants could also be judged according to their management of revenues from prior PITO-P-funded activities. It will still be required that budgets be carefully reviewed by PITO-P management and adjusted as per the actual costs of approved activities.

4. **Decentralization.** Each office should be given greater autonomy in running its own operation. This should include the authority of Regional Managers to approve any project considered as modest, perhaps those under P100,000--such projects would only require the Regional Manager's approval and could be swiftly and decisively approved to enable managers to move on to other tasks. However, for this to occur, as per the above recommendation, projects must meet documented minimum project approval criteria. Given the project's current inability to disperse grant funds at levels anywhere near what is available this should help in the process of expediently channeling funds to deserving organizations, as well as free up some the regional managers' time to concentrate on cultivating the larger and more complex activities that the project is capable of supporting. As procedures now stand, regional managers must undertake the same project approval process for the \$108,000 project in Davao as they do for a \$2,000 activity--a level at which many activities have been funded. Regional managers should also be given authority to approve adjustment of line items, up to some specified amount, perhaps 25%, without having to seek PIC approval.

Regional managers should also be encouraged to work closely with their area's trade brokerage office in order to develop technical assistance activities which could overcome export constraints faced by clients of the brokerage firms. Strategically targeting sectors for assistance in each region would help to facilitate this process.

In order to correct the perceptions among the regions that the project is dominated by Manila-based interests, PITO-P might consider having regional representation on the PIC. The PIC could possibly be restructured, or additional members could be added. If regional managers are given greater authority to approve modest projects, then it may not be necessary for the PIC to meet monthly, every other month might be adequate. However, to maintain management focus and coordination, core management staff might wish to continue to meet monthly.

## Chapter 4. PROGRAM MANAGEMENT

The overall management of the PITO-P project has been assigned to PHILEXPORT under a four-year Cooperative Agreement. The amount of the original Cooperative Agreement, signed September 17, 1990, was \$8.75 million; the overall agreement has since been amended and the current authorized budget for PHILEXPORT has been increased to \$9.625 million. Budget increases were authorized for the following line items: Brokering Services; Policy Analysis; Salaries; Maintenance and Operations; Furniture and Fixtures; and Audit and Evaluation. Line item budgets for information services and training and technical assistance were reduced.

### 4.1 Staffing

The project's staffing levels, as called for in the Cooperative Agreement, were as follows:

- National office Project Manager; one person.
- Assistant Project Managers for each of the project's three regions; three persons.
- Finance and Administrative Officer for the national office; one person.
- Information specialists, one each for the national office and each of the three regional offices; four persons.
- Executive assistant for the national office; one person.
- Secretary/clerks; four persons.

Total staffing was originally set at fourteen persons.

Through a series of Project Implementation Letter amendments to the original Cooperative Agreement, the project has boosted its overall staffing levels to twenty-six persons. (See Annex 7 for a current PITO-P organizational chart.)

The reconfiguration of the project's staffing pattern has resulted in the addition of the following positions:

- Deputy National Project Manager and a secretary to support that position; two persons.
- A Special Assistant to the National Project Manager; one person.

- An Accountant and a Finance and Administration Assistant to support the project's Finance and Administration Officer; two additional positions.
- One Accountant each for the Davao and Cebu offices; two persons.
- Three additional persons to work on the project's CTIS component, a data encoder, a system's analyst, and a system's administrator; three persons.

#### 4.2 Philippine Sector Contribution

As per the project's Cooperative Agreement, "Support for the project provided by the Philippine and U.S. private sectors will take several forms, including: fees paid by participants in training and technical assistance activities; membership dues paid to and in-kind contributions offered to PHILEXPORT, its members and other private sector organizations in activities such as promotional and policy workshops; local office space, materials and supplies; salaries of members of the PIC, and Council members; and fees and contributions received from various fund raising activities.

To date, the project has generated approximately \$50,000 in fees, primarily through technical assistance cost-recovery. To the best of the team's knowledge, PHILEXPORT has not contributed any office space, materials, or supplies to the project. However, PHILEXPORT will soon be relocating and has planned to provide space for one or more PITO/P staff in its new offices, including having the NCR Regional Manager spend 50% time at PHILEXPORT.

PHILEXPORT has permitted all recovered fees to be retained, reprogrammed and managed by the PITO-P Project. This has provided PITO-P a helpful degree of latitude in managing the project's finances. According to project documentation, reflows from technical assistance activities are considered to be PHILEXPORT's counterpart contribution to the project, however, since all of these revenues are generated as a direct result of USAID-funded activities which are implemented by USAID-financed staff, it is unclear how these reflows can be considered a PHILEXPORT contribution to the project.

"In addition, the GOP DTI's contribution of its UNDP-developed CTIS constitutes a significant host-country contribution to the project." Since the project has decided against using the UNDP-developed DTI computer trade system, it is not evident that the GOP currently has any contribution to the project.

#### 4.3 Management Information System

The Cooperative Agreement states that PHILEXPORT will submit to USAID the following:

- Quarterly status reports which include a list of proposals received and acted upon; the issues identified and acted upon; and financial status reflecting the use of PITO-P.
- Copies of the proceedings/reports of the PIC.

The project has maintained a complete and thorough documentation of PIC minutes. These reports are helpful to document decision making processes but do not track, maintain, or organize project activities and accomplishments in ways that can be easily assessed or reviewed by project management.

PITO-P does not produce, nor has USAID required, project implementation reporting although it is a stated requirement in both the Project Paper and the Cooperative Agreement. USAID itself does produce Quarterly Project Status reports but these reports seem to be mostly a catalogue of activities, and a partial listing of outputs, rather than documenting or discussing project impact. PITO-P does not systematically collect, or have available, organized and consistent information on project activities and their results and no guidance has been provided to regional offices to do so. Information such as number of persons trained and the number of enterprises they represent is not consistently tracked by all regional offices; lists of technical assistance proposals received and their approval status has not been documented; information detailing the transactions of the brokers, e.g. products sold, value of transactions, profiles of suppliers, etc., is unavailable; and so forth. Although there is a standardized reporting form of trade transactions that the brokers are required to complete monthly, these forms provide summary information and do not provide specifics about each transaction brokered, as could easily be done given the volume of transactions conducted by the project.

On page twenty-six of the Project Paper, the following examples are given of the types of reports the project should be producing:

- Reports and analyses of services provided by regional service centers, including the proportion of regional services attributable to project financing. These reports should include information on the numbers of clients served, types of services provided, and the outcome of the assistance (e.g., numbers of completed trade or investment transactions).
- Reports and analyses of the financial operations of the regional service centers, including information on the levels of fees generated by type of service provided. The financial reports will include information on the brokerage elements of the regional service centers.
- For the project as a whole, information on the types and levels of trade and investment promotion activities carried out, by category (general promotion, investor/trader assistance, brokerage services, and information collection/dissemination).

- For the project, numbers of economic and commercial policy studies conducted, a listing of the subject areas, and the impact of each study (major recommendations, degree of acceptance by the concerned GOP agency and/or Philippine Congress, and policy implementation plans).
- At the project level, collection of data on the types of training and technical assistance provided, the provider agency, basic client information, and post-training/technical assistance follow-up on the impact of these services on client production and exports.

None of the above reports are routinely produced by the project although all would be useful as project management tools. In some cases, particularly in Cebu and Davao, technical assistance activities are documented but results are not captured. Also, reporting formats among the various offices are inconsistent.

#### 4.4 Women in Development

The project's Cooperative Agreement "requires that the project monitoring system track the provision of project services to women-owned and operated firms, project-related generation of trade and investment by such firms, and employment impact on women." As previously noted, the project has no performance information reporting system and, therefore, the number of women benefitting from project activities is not tracked. The evaluation team has a sense that women are benefitting in substantial numbers from project activities but this could not be verified, positively or otherwise.

It should be noted that the project has no WID strategy, only a beneficiary reporting requirement, and the Project Paper provides no assessment of women's role in the Philippine's export sector upon which a strategy could be based.

#### Conclusions

1. The PIC committee concept of policy-setting and management oversight is conceptually sound and works well.
2. Project staffing has increased from a total of 14 positions by design, to a current total of 26 positions. Four additional positions were added for accounting personnel, three for CTIS operations, and three for headquarters' operation and support including a Special Assistant to the National Manager and a Deputy National Manager and secretary. In part, the increased need for headquarters' staff may have resulted from the less than expected support provided to the project by PHILEXPORT.
3. Project Implementation/Performance Reporting. The project has no implementation or performance reporting system. Basic information concerning project activities and

accomplishments is largely unavailable. Although project activity information is tracked by the Cebu and Davao offices, reporting formats are not consistent.

4. **Women in Development.** Due to lack of project reporting, the evaluation was unable to determine the project's impact on women.

### **Recommendations**

1. **Project Implementation/Performance Reporting.** The PITO-P Manila office establish a project information system to report on activities, objectives, and impact as per the project's revised Logical Framework. The Manila office, in collaboration with regional project managers, should develop reporting requirements and formats and ensure information is collected and reported in compatible formats by each the project's three regional offices. Such reporting should form the base for monitoring implementation progress and making performance-based management decisions.
2. Given the reconfiguration of the implementation of the CTIS, PITO-P should reassess the staffing needs of the project's information component.

### **4.5 Financial Management**

**Findings:** The financial management function of the project is administered by five full-time employees: Three in the Metro-Manila office and one in each of the two other regions.

The volume of transactions, i.e. the number of disbursements per month are as follows:

Metro-Manila	30 to 40 transactions;
Cebu	20 to 25 transactions; and
Davao	A maximum of 20 transactions.

The procedure for approval of expenditures has been streamlined following the implementation of the recommendations resulting from a April 1992 audit carried out by the USAID office of financial management services and a May 1992 as the examination by independent auditors.

The current procedures require the regions to submit all documentation for any expenditure in excess of P25,000 to the national office for approval and payment. This is irrespective of the nature of expenditure and whether the expenditure is recurring or non-recurring. For expenditures in excess of P150,000, the documentation for approval and payment should be submitted to PHILEXPORT even for expenditures already approved by the PIC. The regions have each been issued a revolving fund of P15,000.

There is no financial reporting system in place, thus resulting in the presentation of financial information in different formats, on different bases, and using differing assumptions and methodologies by each region and/or by each recipient of funds. This makes the comparison of the information difficult and does not permit a meaningful analysis of the financial information. There is also no system in place which breaks down budgets according to project component among regional offices.

### **Conclusions**

Implementation of the recommendations set forth as a result of the audit review and the examination referred to above, have helped simplify disbursement procedures. However, we consider that the procedures are cumbersome, especially given the familiarity that the regions have obtained as to present procedures and requirements. The current effort by the accounting staff to comply with the procedures on approval and payment for expenditures is out of proportion to the importance of many of the expenditures and has resulted in more time and effort relegated to accounting tasks than would usually be justified.

### **Recommendations**

We recommend that the approval and payment procedures be simplified further as follows:

1. The procedure for authorization of expenditures can be streamlined by authorizing expenditures by fax. The regions should provide an outline of the expenditure which the national office will approve. The full documentation could then either be provided to the national office on a monthly basis and upon completion of the transactions, or retained in the regional offices so as to be available for audit reviews.
2. The Revolving fund limit for the regions be substantially increased.
3. The limit of authority for expenditures and approval of payments by the regions be increased. The authority for approval of expenditures and its limit can be separated from approval for payment.
4. The regions should not have to obtain approval of expenditure and accordingly its payment for expenditure already approved by the Project Implementation Committee.
5. The regions should only be required to report on the amount of funds received and their disbursement. Accounting functions should be left to the national office staff.
6. Regional offices should be provided an annual approved budget which breaks down project component authorizations by region.

The implementation of these recommendations should result in substantial savings of staff time and resources which could then be directed towards project implementation, including providing financial management assistance to the project's grantees.

Furthermore, we recommend that:

- A simple financial management information system be jointly developed by the national and regional offices. This system should provide an analysis of the financial information in a manner that can be useful to the national office and the PIC to gauge the level of activities undertaken in relation to funds expended.

## Chapter 5. LESSONS LEARNED

The following are general lessons learned from this evaluation regarding the design and implementation of trade and investment projects. These lessons should be considered as A.I.D. designs future trade and investment projects.

1. Accepting that a financial self-sufficiency requirement is not appropriate for trade and investment promotion organizations, the rationale for housing a project implementation unit within an existing private sector membership organization loses much of its rationale. For a fixed duration project, either a stand alone institution or an institutional contract would appear to be a cleaner and more easily managed approach. This would allow the implementing organization to answer principally to A.I.D. and not have to worry about fitting operations or policies into the mandate of an existing organization, and likewise A.I.D.'s attention would not be diverted towards strengthening an existing institution but could be exclusively focused on achieving development results.
2. Where a major project objective is nontraditional export development, imposition of short-term unrealistic export sales targets is not appropriate given the long-term nature of export development. When sales targets are the sole or principal measure by which a project's success is judged, attention may be diverted away from export development towards sales transactions of high-value commodities.
3. Use of private sector firms as agencies to promote trade development offers substantial promise owing to their ability to work on a firm- and product-specific basis. An appropriate balance is required, however, between level of financial support and quantifiable developmental results.
4. Services which this project has successfully provided through support to trade brokers have included marketing assistance and transactional financing. Particularly effective assistance has been an arrangement whereby trade brokers arranged for small and medium exporters to participate in overseas trade fairs on a cost-sharing basis. Arranging logistics, shipping display samples, securing product display space, producing product display catalogues, and subsidizing travel costs were all services that small and medium exporters found useful and were not always able to undertake on their own, either due to financial constraints or lack of familiarity with the process.

Another service successfully used by one of the project's trade brokers was transactional financing. Several of the small and medium Philippine exporters have had difficulty filling large orders because of limited access to the capital necessary to produce and ship orders while awaiting for buyers to pay, which usually doesn't occur until the goods have been received. One of the project's brokerage firms was able to provide short-term financing to help firms cover export costs and, for several firms, this service was the margin of difference in their being able to export. Charging

interest on the transactional financing services also enabled the brokerage firm to earn income.

5. The project has met with substantial success in helping *established* small and medium exporters to expand sales by identifying new customers, often in countries where the producers had not previously done business. Helping firms which have not before exported requires a higher level of assistance with a much lower prospect of success than does working with firms that have a demonstrated capability to export. And, the success or failure of assisting firms to become first-time exporters may not become apparent until many years after the intervention has begun.

## Chapter 6. AN OVERVIEW OF PROJECT ACCOMPLISHMENTS

This section briefly highlights some of the project's more significant accomplishments during its initial two years of operations. All of these highlights were extracted from earlier sections of this evaluation.

- The project's technical assistance and trade brokerage components have proven themselves to be sound interventions for directly increasing Philippine non-traditional exports.
- The trade brokerages, particularly in Cebu, have been successful in presenting exporters to new markets and in generating incremental increases in exports.
- Based on progress to date, it seems plausible that the number of export transactions attributable to the project will reach 900 by the project's end, as called for in the Project Paper. It also seems probable the project will achieve, or exceed, its output level target of twelve policy studies completed with recommendations forwarded to the government for action.
- The trade brokerages have been an effective mechanism to promote exports since their activity is inherently product- and firm- specific and it is in their financial interest to find markets and to enhance the capacity of producers to satisfy market demands.
- The PIC committee concept of project policy-setting and management oversight is conceptually sound and has worked well.
- By a large margin, the project is exceeding its target of providing training to 150 entrepreneurs annually. In Cebu, where the project's technical assistance component has been most active, over a thousand persons have benefitted from project-supported training or technical assistance and a conservative estimate would be that upwards of sixty firms have benefitted from project-supported technical assistance.
- The regional offices in Cebu and Davao have especially close and productive relationships with local chambers of commerce, the government's regional development councils and trade and industry associations.
- In Cebu, the project's technical assistance component is achieving impressive results. Many of the firms which have received technical assistance have already significantly increased their export sales as a direct result of project assistance.
- Without exception, the organizations which have received technical assistance praised the project and said the grants had enabled them to undertake important activities which they otherwise could not have afforded. Several groups expressed satisfaction with the speed in which projects have been approved.

- Many of the firms we interviewed commented on the ease of access they had to the project and the helpful "partnership" attitude exhibited by the regional managers in Cebu and Davao. Those managers were characterized as being fully supportive in helping the various associations move from ideas to plans to actually formulating proposals. The evaluation team cannot overstate the compliments provided by grantees in their descriptions of the assistance provided by the project's regional managers.
- PITO-P's investment and promotional activities to date have been carried out in cooperation with existing Philippine institutions representing both the public and private sectors. This effort has been primarily to produce and distribute basic investment promotion materials. The quality of the materials produced has been impressive and the effort has been useful in creating a base of available information that will help the country attract new investment.
- PITO-P has done well in identifying areas in which project-supported policy advocacy should be effective in increasing the competitiveness of Philippine exports. Substantial effort has been made to develop an institutional capacity to identify and respond to issues of concern to the private sector and several studies are currently underway.
- The decision not to proceed with the intended operational take-over of the DTI computerized system was based on sound analytic grounds because acquisition and management of the DTI system would have likely been expensive and may not have provided high-quality information of benefit to potential users. The implementation delay which has resulted from not acquiring the DTI system may be more than compensated for if current plans to implement the system through a joint venture partnership are successful.

## Chapter 7. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

This section highlights conclusions and recommendations which the evaluation team suggests USAID and or PHILEXPORT consider for implementation. These conclusions and recommendations are discussed in greater detail in Chapters Three and Four. The findings which support these conclusions and recommendations can also be found in Chapters Three and Four. Questions posed in the evaluation Statement of Work which have not lead to implementation recommendations are not presented here, such as the selection of the implementing agency. This section is intended to be used as an agenda for decisions to modify and strengthen the project's future implementation.

### PROJECT DESIGN

**Conclusion:** The project's Logical Framework design is poorly constructed: it has redundancies between hierarchical objective levels; places activities (inputs) at the output level, e.g. series of trade promotion activities conducted; does not identify data sources which are actually capable of providing information on stated indicators; and mixes means and ends in its purpose statement. The current Logical Framework is not useful as a tool to guide the implementation decisions of project managers or to serve as a framework for performance reporting.

**Recommendation:** That the PESO Office, together with PITO-P management, revise the project's Logical Framework to reflect the realities of the project and incorporate modifications suggested in this evaluation report, as USAID deems useful. In order to avoid the final evaluation assessing progress against the same redundant or inappropriate standards, realistic performance indicators should be defined and actual data sources identified. Once performance indicators and data sources have been identified, this should form the basis of the project performance information reporting system and be the basis upon which to judge PHILEXPORT's performance. It is suggested that someone not involved with the project facilitate this process.

### ROLE OF PHILEXPORT

**Conclusion:** During the first two years of this project there was much less support and interaction between PHILEXPORT and PITO-P than had been envisaged in the Project Paper making both essential and inevitable the development of PITO-P as a stand alone organization. The situation has recently changed with PHILEXPORT now looking for closer identification with PITO-P and actively seeking to incorporate PITO-P functions within PHILEXPORT. The challenge to PITO-P management is to see to what degree it can strengthen PHILEXPORT and what in the menu of PITO-P activities will remain as the project's legacy to PHILEXPORT.

**Recommendation:** Efforts underway to integrate PITO-P and PHILEXPORT activities should be continued and, if possible, accelerated. Activities under consideration include housing the trade information system within PHILEXPORT, having the NCR regional manager spend half-time at PHILEXPORT and strengthening PHILEXPORT's capacity to manage the project's policy advocacy component.

### **PITO-P's INVESTMENT COMPONENT**

**Conclusion:** PITO-P's investment and promotional activities to date have been carried out in cooperation with existing Philippine institutions representing both the public and private sectors. This effort has been primarily to produce, or support the production and distribution of, basic investment promotion materials. The quality of the materials produced has been impressive and the supplemental effort has been useful to the institutions involved.

To increase non-traditional trade in Davao the PITO-P regional office has chosen to attempt to attract outside investment in order add value to Mindanao raw materials through local processing. The decision is conceptually sound and the promotional effort a necessary condition to attracting the investment needed to promote local economic development as well as exports. Since the World Trade Congress will not take place until November 1992, there is no way to judge the potential impact at this time. As an effort to call attention to the need for a coordinated and well planned effort to present Mindanao's potential to the outside world, PITO-P's involvement has been of value.

#### **Recommendations:**

1. PITO-P management review its general export promotion and investment activities to set guidelines for the type of activity and level of effort for the remaining LOP.
2. PITO-P management carefully assess the impact of the Davao promotional effort to determine what follow-on activities are appropriate or whether the resources earmarked for Davao should be transferred to other project activities, such as product- or enterprise-specific investment and export development, or transferred to other geographic areas.

### **COMPUTERIZED TRADE INFORMATION SYSTEM**

#### **Conclusions:**

1. Full implementation of this project sub-component, as called for in the Project Paper, has not yet taken place. The decision not to proceed with the intended operational take-over of the DTI computerized system was based on sound analytic grounds because acquisition and management of the DTI system would have likely been expensive and may not have provided high-quality information of benefit to potential users. The implementation delay which has

resulted from not acquiring the DTI system may be more than compensated for if a successfully functioning system can be developed within the remaining LOP.

2. A sophisticated, state-of-the-art computerized trade information system, while offering prospective benefits in terms of range of services and prospective income, exceeds the informational needs and the ability to pay of Philippine small and medium enterprises.

3. The full-scale CTIS proposed in the marketing survey is only economically viable if it garners substantial support from enterprises and groups other than SMEs. Such a venture entails risk of USAID supplied capital which can only be justified if it results in an adequate return on investment for the benefit of PHILEXPORT, and is able to supply useful and needed information to the project's intended beneficiaries.

4. Since the full-scale CTIS stands to benefit a large proportion of the Philippine private sector, the evaluation team supports the PITO-P decision to *share* the capital risk in a joint venture with one or more private sector enterprises.

#### **Recommendations:**

1. If PHILEXPORT/PITO-P elects to enter into a joint venture with one or more private sector firms to develop a CTIS, the prospective private sector partner(s) be required to match the value of PHILEXPORT's equity contribution and computer hardware with an upfront cash investment, and cover some portion of operational costs during the start-up period. The match requirement recommended by the evaluation team should be considered as suggested guidance; PHILEXPORT should consider equity offers of less than fifty percent if the offer is clearly within PHILEXPORT's long-term interests, as determined by the PIC. The important consideration is that the joint venture partner(s) share a substantial portion of the venture risk. At a minimum, this would *probably* require at least a forty percent equity contribution from prospective partners. Also, it is recommended that equity ownership (profit sharing) accorded to the joint venture partner not substantially exceed its equity contribution, particularly if its contribution is less than that of USAID/PHILEXPORT. For example, a sixty percent contribution by PHILEXPORT would mean that approximately sixty percent of any future profits should be retained by PHILEXPORT.

If a joint venture agreement is entered into and later abandoned by the private sector partner all equipment and software should revert back to USAID/PHILEXPORT.

2. If PHILEXPORT/PITO-P elects not to enter into a joint venture as described above, or if joint venture partners are not willing to provide a substantial equity contribution, a non-high tech information brokering system, comparable to the one outlined in the Anderson Consulting study, be put into operation to provide trade information in keeping with the needs and resources of SMEs.

## TRADE BROKERAGES

### Conclusions:

1. Sustainability: The design requirement that several of the project components become self-sustaining has placed a burden on project implementation. Recent evaluations of USAID trade and investment projects elsewhere have led to a growing realization that financial sustainability of project implementation institutions should not be a required outcome of export and investment promotion programs (see June 1992 CDIE study "*Export and Investment Promotion: Sustainability and Effective Service Delivery*"). The economic justification for a project like PITO-P is the long-term benefit to the host country from an expanded universe of exporting firms, an enhanced technical base, and strengthened intermediary institutions. In other words, PITO-P need not be self-sustaining as an entity; if successful, the benefits which have been conveyed to local firms and institutions will remain.

The major negative consequence of insistence on financial self-sufficiency within the usually short life of a project is that it diverts effort and resources of the implementing agencies from issues of development to making money.

2. The trade brokerages have made good faith efforts to generate non-traditional exports. In some instances, particularly in Cebu, they have been successful in presenting exporters to new markets and in generating incremental exports. However, genuine export development is a long-term process and it is unreasonable to expect the project to generate substantial volumes of trade in the short term. High transaction volume performance conditions early on in the contract period have diverted NCR and Davao brokerage staff attention away from export development to quickly realized high volume export transactions, such as the sale of frozen prawns.

3. The trade brokerages are an effective export development mechanism since their activity is inherently product- and firm- specific and it is in their financial interest to find markets and to enhance the capacity of the producer to satisfy market demands.

4. The performance to date of the U.S.-based brokerage operations has lagged behind that of those based in the Philippines, with little evidence of coordination or joint performance between the two sides. The input to output performance differences (expenditures to export sales generated) between the U.S. and Filipino partners indicates that it may not be cost-effective to continue to spend project funding on the U.S.-based partners.

5. It has not been established that the Davao exportable product base is adequate to support a trade brokerage.

## **Recommendations:**

1. Genuine export development, with an emphasis on firm-specific support, should be considered the primary objective of USAID's support to the trade brokerages. The desired result would be an expanded Philippine export base. Whether the brokerage firms become financially self-sufficient within the contract period should not be the trade brokerage component's sole measure of success. All three Philippine operations form part of large and successful Philippine corporations who can, following the completion of USAID support, provide short-term subsidies to maintain the brokerage operations if they perceive the possibility of long-term commercial viability.

Revenues generated to date do not indicate the trade brokers will be able to earn \$333,000 per year following three years of USAID support, however, the Cebu and Manila trade brokers seem intent on staying in business over the longer-term and may be able to do so, although not necessarily at the same level of activity as is currently supported by USAID. Gradually decreasing levels of USAID support may help those trade brokers settle into a level of activity which could be sustained over the longer term. In the meantime, USAID should continue to offer support at a level substantial enough to permit its objectives of increasing the exports of small and medium firms to be achieved. Sustainable increases in the exports of small and medium firms can be achieved even if the brokers do not become sustainable.

A tact which USAID might consider to encourage financial sustainability, and to gauge the longer-term commitments of the brokerages, would be to provide the trade brokerages a continuously decreasing level of funding over a longer than three year time frame. This would encourage the brokerages to attain some level of self-reliance in the near term rather than completely relying on USAID support for three years and then, in their fourth year, being left without any USAID support. For example, the brokerages could be provided \$333,000 in year two, 75% of that amount in year three, 50% in year four, and 25% in a fifth and final year. Subsequent year disbursements would be conditioned on the firms continuing to meet export development performance targets. Such a strategy would increase the length of USAID support but would only moderately increase project costs. (If, as this evaluation recommends, trade brokerage funding to CBI and Pragma-US is reduced or eliminated then overall trade brokerage costs would not increase even if funding were to be extended an additional two years.) A gradual phase-out of USAID support would encourage the trade brokerages to commit some of their own resources over the next few years rather than wait until USAID funding is suddenly no longer available to decide whether or not to commit to longer-term operations.

2. Conditions for continuation of the brokerage contracts should be set in accordance with each contractor's performance achievements. For example:

Pragma - first year performance of \$2.2 million in sales (\$1.3 million in shrimp) is not an inconsiderable achievement for a start-up year but sufficiently behind the \$6 million self-imposed target. The relatively low cost-effectiveness performance of Pragma-U.S.

in generating export sales raises questions as to the business acumen of the prime contractor. In view of the failure to meet the performance requirements, the evaluation team believes PHILEXPORT has no alternative but to terminate the contract. In order to retain the momentum established to date, and to capitalize on the base of over \$900,000 in first year sales of non-traditional exports, it is recommended that PHILEXPORT enter into a fixed cost services contract with Pragma-Pil, Inc. for specified export development activities at a level of expenditures equivalent to Pragma-Pil's expenditures during this past year's contract, estimated to have been around \$84,000.

Shemberg - in recognition of its impressive performance the evaluation team believes appropriate the extension of the contract for up to two months without additional payment to enable the first year's target to be met. Assuming that is accomplished, the second year's contract, starting in late November, would include mutually agreed targets under a weighted performance scheme. In recognition of Shemberg's superior performance, PITO-P continue to grant Shemberg great latitude in its implementation of project activities.

CBI/Intrade - Since both this evaluation as well as the audit team found performance conditions were not met, PHILEXPORT may wish to enter into a fixed fee services contract with Intrade for specified export and investment development activities at a level of expenditure equivalent to that of this past year's contract, approximately \$100,000, or, the territory of Mindanao be given to Shemberg, along with some modest increase in resources, since they have proven to be adept at achieving trade results.

## **THE PROJECT'S POLICY COMPONENT**

### **Conclusions:**

1. PITO-P has done a credible job in defining areas in which project supported policy advocacy should be effective. Substantial effort has been made to develop an institutional capacity to identify and respond to issues of concern to the private sector.
2. PITO-P and USAID management assessed that the reactive nature of the designed policy component was not going to be effective and PITO-P has since set in place a three-track policy system in which: PHILEXPORT has been assigned the task of generating a series of relatively small scale studies in quick response to trade or regulatory issues affecting its membership; PITO-P, requiring PIC approval, will undertake a series (six in 1993) of major policy studies generally utilizing highly reputable international experts; and PITO-P will entertain funding studies undertaken by PHILEXPORT and or its constituents. PITO-P management should be credited with having made an early assessment of the ineffectiveness of the component's reactive mode and quickly adjusting the operations of this component to be more proactive in setting a policy agenda.

## **Recommendation:**

1. Management of the policy advocacy component should be increasingly transferred from PITO-P's internal staff to PHILEXPORT. Since policy advocacy in support of exporter interest should be a major function of PHILEXPORT, upgrading its capacity to develop and manage policy advocacy studies serves not only PHILEXPORT's interest but fulfills the project objective of strengthening the capacity of private sector organizations. A start has been made in this direction through the policy advocacy facility established in PHILEXPORT, but the only reason not to completely assign the component to PHILEXPORT would appear to be a perceived lack of staff capacity. To rectify this deficiency, PITO-P should consider contracting outside consultants for a limited period to work with PHILEXPORT to develop this capacity in the expectation that it would remain in place after the PACD.

## **THE PROJECT'S TRAINING AND TECHNICAL ASSISTANCE COMPONENT**

### **Conclusions:**

1. **Technical Assistance.** In Cebu, the project's technical assistance component is meeting with substantial success. Several of the firms which have benefitted from project-supported technical assistance activities have already been able to increase their export sales as a direct result of project assistance.

In Davao, which is many steps behind Cebu and Manila in terms of establishing itself as an export center, the groundwork is being laid which will be necessary for the region to begin to attract outside investment. Davao's prospects of increased trade success are longer-term but prerequisites to developing an export oriented economy, such as creating a Trade Directory and attempting to address the area's energy problems, are beginning to be addressed. The Davao regional office has not undertaken any technical assistance activities that have directly helped manufacturers to increase their exports and has yet to work directly with any manufacturers organizations.

In the metro-Manila area the project has undertaken few technical assistance activities, particularly in relation to the size of its export community--and a majority of approved expenditures to strengthen the private sector have been channeled through government managed activities. The number of activities approved is misleading in comparison to the level of "real" technical assistance delivered since many of the activities funded (ten of nineteen) were to print documents. The prolonged vacancy of the NCR manager position has had a limiting effect on the level of technical assistance activity conducted in the Manila area. However, the NCR manager position which has been vacant for the past year has recently been filled and this should lead to an increase in NCR technical assistance activity.

2. **Project Approval.** While the current process of approval-by-consent has served the project well to date, it *could* result in projects being approved due to the advocacy of authoritative individuals, rather than solely on their technical merits. Approval-by-consensus, particularly for those organizations which have projects rejected, denies prospective grantees the opportunity to learn from their failings and to improve their future opportunities for securing donor funding, whether it be from USAID or others, because specific feedback cannot be provided as to the proposed activity's shortcomings.

The PIC also has approved numerous projects which benefit agencies directly represented by PIC members, and or former employers. The project's relationship with PHILEXPORT is confounding as it seems unusual the project should fund the activities of an organization which, by design, it is supposed to receive support from (rather than vice-versa).

The project's stringent requirement which prohibits funding capital costs may result in missed opportunities to directly increase exports, as well as to provide manufacturers' associations opportunities to manage longer-term income-generating activities.

3. **Financing/Sustainability.** While the project may indeed have been successful at implanting the "no-free-lunch" concept among organizations used to receiving free assistance, partial cost recovery has meant that the more activities the project funds, the more cost recovery falls short of actual disbursements in absolute terms. Although a few activities have attained 100% cost-recovery none has covered the overhead costs represented by project management--such overhead cost recovery is, of course, essential to attaining true financial self-sufficiency for this activity. Although substantial cost recovery is being achieved, this project component is unlikely to attain financial sustainability.

4. **Decentralization.** Although the project has established regional offices, approval of technical assistance projects is nearly completely dependant upon Manila (even as PIC meetings of Manila-based decision makers periodically meet in Davao and Cebu). The PIC has no regional representation and the rate of all cost-sharing requirements are imposed by PITO-P's central management. It also appears that regional managers have no discretion to approve even the most modest of technical assistance activities without a formal PIC review or the approval of the project's overall manager.

#### **Recommendations:**

1. **Technical Assistance.** Technical assistance activities should continue to be promoted as per current procedures in Cebu, since the quality and volume of activity is quite high, and the level of activity is probably at or near the management capacity of PITO-P Cebu staff.

In Davao there has been a much lower level of activity, in part due to the more management-intensive process of proposal formulation, and also, in part, due to the nascent state of the area's export development (fewer exporters and export associations). To increase the level of technical assistance activity in Davao the project might consider expanding the eligible area

of grants to all of Region XI--since the island's export sector is less developed than other project areas and since a significant portion of the island's exports could be expected to flow through Davao. Also, the project should consider providing a project development specialist to the region to assist potential grantees with project/proposal development (a one-year USAID intern is currently assigned to the project in Davao and may be able to offer assistance in this area, however, this should not be viewed as a substitute for the professional requirements of the office). As has been done in Cebu, the Davao office might consider replacing the CTIS position with a full-time project development specialist, since the staff requirements and activity mix of the CTIS will not be known for several months. If the Davao office continues to have a need for the CTIS position, then allocations for one of the Manila-based CTIS positions might be used to cover project development staff needs. Supplementing staff skills in the area of project design would permit the regional manager more time to liaise with, and cultivate, new grantees so that the project's regional office can begin to diversify its activities away from the nearly exclusive support it has provided area exporters through grants to the DCCCII.

Since Manila is starting from behind in terms of its technical assistance outreach, "rules of eligibility" for grants should be written and dispersed, possibly through PHILEXPORT's network. Projects should be actively sought and NCR staffing levels maintained in relation to the level of activity generated (this is not to say the PITO-P project as-a-whole needs additional staff). Because an estimated seventy percent plus of the Philippine's exporters are located in the NCR region, a proactive outreach campaign can be expected to generate substantial interest. In order to manage providing assistance to the potentially large pool of grant recipients, the PITO project may wish to consider reclassifying one or more of its six Manila-based CTIS positions to assist with proposal development and grant disbursement and monitoring, and may also want to strategically target certain export sectors so as not to be overwhelmed by requests for assistance.

**2. Project Approval.** The consensus approach to project approval should be replaced by a simple but numerically objective rating system. If such a system seems unnecessary to the PIC then, at a minimum, a system should be employed whereby each proposal presented to is documented along with the PIC's rationale for approving or denying funding. Criteria should be developed by the PIC and regional managers and could include such considerations as: ability of an organization to manage grant funds; potential to increase exports; financial plan for management and use of recovered funds; number of potential beneficiaries; and potential for employment creation. The new system could be tested and ironed-out using a sampling of past proposals. If beneficial, total scores could be divided to fall in one of the following three categories: approved; eligible for reconsideration following suggested modifications, or rejected based on inability to satisfy basic criteria. If the project is to gear-up and aggressively pursue and capture opportunities to support NCR activities--as this evaluation suggests it should--such an objective rating system may prove beneficial to manage a potentially large influx of proposals--and to be able to selectively support the best among many. (The project has funding available to support a level of technical assistance activity substantially greater than has occurred to date.)

The project may wish to reconsider its prohibition against funding the capital costs of beneficiary projects, particularly if the activity has the potential to generate revenues over the longer-term as well as to increase exports. Such strategies could prove an excellent vehicle for increasing the sustainability of supported institutions, and this recommendation fits with the team's suggestion that the sustainability focus of this project component be shifted from PITO-P to the beneficiary organizations. Careful criteria for such activities would need to be developed in order to prevent PITO-P from becoming a commodity-dumping project.

In order to maintain the project's integrity and avoid the appearance of conflict of interest, PIC members should be ineligible to vote on potential grants to organizations they represent or have recently worked for. PITO-P's role in dispersing grants to its host organization should be clarified.

**3. Financing/Sustainability.** A fixed cost-sharing formula should be considered; perhaps in the range of 33-50% to be covered by the beneficiaries. Any revenues generated above that level should be retained by the recipient organizations thus providing incentives for them to set fees which are both affordable to their members but still provide incentives for organizational revenues to be generated (the incentive is because fees are retained). Any cost-recovery formula adopted should maintain the flexibility to allow grantees flexibility in deciding how to generate their share of the match.

Allowing the grantees themselves to decide how far above the cost-recovery targets fees should be set will permit membership to set requirements they feel are appropriate for their membership. Example: If an approved activity costs \$10,000, USAID could put up \$5,000 and all fees collected thereafter should be retained by the organizations themselves. This shifts the emphasis of sustainability away from the PITO-P project, where it clearly has a limited prospect of success, onto the beneficiary organizations themselves. The next years of the project will give these democratically-run organizations an opportunity to increase their financial viability (sustainability) through gaining experience in managing income generating activities which prove to be valued by their membership (as will be evidenced by receipts retained). Repeat candidates for grants could also be judged according to their management of revenues from prior PITO-P-funded activities. It will still be required that budgets be carefully reviewed by PITO-P management and adjusted as per the actual costs of approved activities.

**4. Decentralization.** Each office should be given greater autonomy in running its own operation. This should include the authority of Regional Managers to approve any project considered as modest, perhaps those under P100,000--such projects would only require the Regional Manager's approval and could be swiftly and decisively approved to enable managers to move on to other tasks. However, for this to occur, as per the above recommendation, projects must meet documented minimum project approval criteria. Given the project's current inability to disperse grant funds at levels anywhere near what is available this should help in the process of expediently channeling funds to deserving organizations, as well as free up some the regional managers' time to concentrate on cultivating the larger and

more complex activities that the project is capable of supporting. As procedures now stand, regional managers are subject to the same project approval procedures for the \$108,000 project in Davao as they do for a \$2,000 activity--a level at which many activities have been funded. Regional managers should also be given authority to approve adjustment of line items, up to some specified amount, perhaps 25%, without having to seek PIC approval.

Regional managers should be encouraged to work closely with their area's trade brokerage office in order to develop technical assistance activities which could overcome export constraints faced by clients of the brokerage firms. Strategically targeting sectors for assistance in each region would help to facilitate this process.

In order to correct the perceptions among the regions that the project is dominated by Manila-based interests, PITO-P might consider having regional representation on the PIC. The PIC could possibly be restructured, or additional members could be added. If regional managers are given greater authority to approve modest projects, then it may not be necessary for the PIC to meet monthly, every other month might be adequate. However, to maintain management focus and coordination, core management staff might wish to continue to meet monthly.

## **PROGRAM MANAGEMENT**

### **Conclusions:**

1. The PIC committee concept of policy-setting and management oversight is conceptually sound and works well.
2. Project staffing has increased from a total of 14 positions by design, to a current total of 26 positions. Four additional positions were added for accounting personnel, three for CTIS operations, and three for headquarters' operation and support including a Special Assistant to the National Manager and a Deputy National Manager and secretary.
3. Project Implementation/Performance Reporting. The project has no implementation or performance reporting system. Basic information concerning project activities and accomplishments is largely unavailable.
4. Women in Development. Due to lack of project implementation reporting, the evaluation was unable to determine the project's impact on women.

### **Recommendations:**

1. Project Implementation/Performance Reporting. The PITO-P Manila office establish a project information system to report on activities, objectives, and impact as per the project's revised Logical Framework. The Manila office should develop reporting requirements and

formats and ensure information is collected and reported in compatible formats by each the project's three regional offices. Such reporting should form the base for monitoring implementation progress and making performance-based management decisions. As appropriate, beneficiary reporting should be gender disaggregated.

2. Given the reconfiguration of the implementation of the CTIS, PITO-P should reassess the staffing needs of the project's information component.

## **FINANCIAL MANAGEMENT**

**Conclusions:** Implementation of the recommendations set forth as a result of the audit review and the examination referred to above, have helped simplify disbursement procedures. However, we consider that the procedures are cumbersome, especially given the familiarity that the regions have obtained as to present procedures and requirements. The current effort by the accounting staff to comply with the procedures on approval and payment for expenditures is out of proportion to the importance of many of the expenditures and has resulted in more time and effort relegated to accounting tasks than would usually be justified.

**Recommendations:** We recommend that the approval and payment procedures be simplified further as follows:

1. The procedure for authorization of expenditures can be streamlined by authorizing expenditures by fax. The regions should provide an outline of the expenditure which the national office will approve. The full documentation could then either be: provided to the national office on a monthly basis and upon completion of the transactions; or retained in the regional offices so as to be available for audit reviews.
2. The Revolving fund limit for the regions be substantially increased.
3. The limit of authority for expenditures and approval of payments by the regions be increased. The authority for approval of expenditures and its limit can be separated from approval for payment.
4. The regions should not have to obtain approval for expenditures already approved by the PIC.
5. The regions should only be required to report on the amount of funds received and their disbursement. Accounting functions should be left to the national office staff.
6. Regional offices should be provided an annual approved budget which breaks down project component authorizations.

The implementation of these recommendations should result in substantial savings of staff time and resources which could then be directed towards project implementation.

Furthermore, we recommend that a simple financial management information system be jointly developed by the national and regional offices. This system should provide an analysis of the financial information in a manner that can be useful to the national office and the Project Implementation Committee to gauge the activities undertaken in relation to the funds expended.

# ANNEXES

## STATEMENT OF WORK

A. Title

Mid-term Evaluation of the Private Investment and Trade Opportunities/Philippines (PITO/P) Project

B. Project Information

Authorization: September 10, 1990

Authorized Funding Level: \$10 Million

Grantee: Philippine Exporters Foundation ("PHILEXPORT")

Project Assistance Completion Date (PACD): September 30, 1994

General Description:

The project goal is to contribute to long-term economic growth in the Philippines through the development of private sector trade and investment.

The project purpose is to establish a mechanism to increase trade and investment activity in the Philippines through promotional services and assistance, training and technical assistance, and policy analysis and reform.

The project has four components, each of which addresses a need that is not being adequately met by existing programs and institutions.

Component one consists of trade and investment promotion activities. These include, inter alia: the preparation and dissemination of promotional materials; organization and implementation of promotional workshops/conferences/symposia; and a network of specialized trade and investment brokering services available to private enterprises on a regional basis.

Component two provides funding for the preparation of policy analyses and advocacy efforts directed toward resolving substantive policy and regulatory constraints facing Philippine traders and investors.

Component three consists of targeted training and technical assistance to improve the productivity of Philippine traders, with a special focus on assistance for the development of productive commercial ventures between the Philippines and the United States.

Component four provides funding for the development and commercialization of a computerized trade and investment information service.

### C. Purpose of the Evaluation and Objectives

This mid-term evaluation of the PITO/P project is intended to assess the status of project implementation after two years of operation. The evaluation findings will be used:

- 1) to determine the effectiveness of the implementation approach generally, and on a component-specific basis;
- 2) to assess project impacts;
- 3) to assess progress toward the achievement of purpose-level indicators;
- 4) to determine the adequacy of grantee and USAID project management and oversight;
- 5) to assess and document factors which account for the project's relative successes or failures to date;
- 6) to make mid-course corrections, where appropriate; and
- 7) to document lessons learned for the design of future trade and investment promotion activities in the Philippines and elsewhere.

### D. Contractor's Tasks

The Contractor shall provide and be responsible for a technical assistance team who shall perform and be responsible for the following tasks. These tasks are expected to be performed in the following chronological order:

- 1) review the existing body of literature concerning A.I.D. and other donor efforts to enhance trade and investment in developing countries;
- 2) review all relevant background materials concerning PITO/P, including, but not limited to:
  - a. the Project Paper and Annexes;

- b. the Cooperative Agreement between USAID and PHILEXPORT;
  - c. project files maintained at PITO/P, PHILEXPORT and USAID (particularly the minutes of Project Implementation Committee meetings and weekly project management meetings);
  - d. audit reports relating to the operations of PITO/P-funded trade brokers; and
  - e. other such materials as may be indicated by USAID, PHILEXPORT or PITO/P staff during the course of orientation briefings;
- 3) meet with appropriate staff of PHILEXPORT, USAID and PITO/P for initial briefings and orientation;
  - 4) meet individually or collectively with current and past members of the PITO/P Project Implementation Committee for initial briefings;
  - 5) meet with representatives of the three trade brokerage offices for briefings and data collection, as appropriate;
  - 6) meet with other such private and public sector representatives as may be useful to assemble data necessary to achieve the purpose and objectives of the evaluation, as outlined above;
  - 7) review PITO/P project operational procedures, staffing, organizational dynamics (including division of responsibilities among project staff and performance indicators), budgeting, recordkeeping, inter-office and intra-office communication, coordination among USAID, PHILEXPORT, PIC members, trade brokers, and PITO/P staff;
  - 8) assess the adequacy and effectiveness of public outreach and promotional efforts including relationships with industry associations, other business organizations, appropriate government agencies and the public at large;
  - 9) prepare a consolidated draft report that describes, in detail, the findings of the evaluation team as they relate to the purpose and objectives cited in section C and provides, at a minimum, the team's preliminary responses to the specific questions listed in section E;

- 10) conduct a thorough oral debriefing and draft report review with the USAID/Philippines, Private Enterprise Support Office (PESO) Chief and staff, followed by a similar review with a broader cross-section of USAID staff, as determined by PESO;
- 11) prepare a final report of evaluation findings incorporating editorial and substantive comments arising during the draft report review(s), as appropriate; submit ten (10) copies of the final evaluation report to PESO, along with one or more diskettes containing all text, tables, figures and annexes.
- 12) Prepare and submit to USAID an A.I.D. Evaluation Summary using the appropriate Summary form (AID 1330-5).

#### E. Evaluation Questions

The draft and final evaluation reports shall address, at a minimum, the following specific questions:

- 1) How does the design of PITO/P compare or contrast with A.I.D. or other-donor efforts to promote trade and investment in developing countries? Which, if any, features of PITO/P are innovative or unique? Is the project design appropriate for the achievement of its stated objectives?
- 2) In retrospect, was the selection of PHILEXPORT as the project grantee and implementing agency appropriate? How has PHILEXPORT benefitted from the project?
- 3) Is the composition of the Project Implementation Committee (PIC) appropriate and beneficial to the achievement of project objectives? Has the project adequately and effectively engaged the PIC members, both individually and collectively, in the course of project implementation?
- 4) Is the project appropriately staffed and managed?
- 5) Are the funds allocated to each project component sufficient?
- 6) How has PESO contributed to project implementation? Has USAID project management and oversight been adequate/effective? Have the Office of Financial Management (OFM) and the Contracts Support Office (CSO) provided sufficient guidance to PHILEXPORT and PITO/P staff?

- 7) Are the project operational procedures appropriate and efficient?
- 8) Are the financial records adequately maintained within PITO/P offices? Are project files accessible and complete?
- 9) How is the project perceived by different interest groups in Manila, Cebu and Davao? Have project promotional and outreach efforts been effective/adequate?
- 10) What has been the actual versus planned progress toward the outputs, and purpose of the project? What groups have benefitted from project interventions? To what extent? What intended beneficiaries have not been adequately impacted, if any? Has the role of women in trade and investment activities been enhanced as a result of the project?
- 11) Will project elements be sustainable after the PACD? What revenue streams will the project engender for the grantee? How have financial reflows been generated, monitored and reprogrammed, to date?
- 12) Are the policy issues identified by PITO/P for analysis/advocacy efforts appropriate for funding support? What impact, if any, has the project had in influencing appropriate policy/regulatory reform? Is the process by which policy issues are identified appropriate and effective?
- 13) What are the principle accomplishments/shortcomings of the project implementation to date? How could project implementation be improved?
- 14) What lessons have been learned during the course of project implementation that may be applied to future project design efforts?
- 15) Does the preliminary data lend itself to a determination of whether the project should be continued after PACD? If so, how might it be extended or modified in subsequent phase(s)?

F. Team Composition

The Contractor shall provide a team of specialists consisting of the following individuals with appropriate professional backgrounds and qualifications as follows:

1. A U.S. Evaluation Team Leader who shall direct and coordinate all evaluation activities, participate in all substantive discussions with representatives of PHILEXPORT, USAID and PITO/P, integrate inputs of other members of the evaluation team and oversee the preparation of draft and final reports reflecting the highest quality analysis, in conformance with the objectives outlined above.

The Team Leader should be a recognized expert in trade and investment promotion with considerable experience in the design and implementation of donor-assisted trade promotion activities. He/she should have a minimum of ten (10) years involvement in international trade promotion, preferably in the developing world. He/she should be a consummate team-player, able to synthesize the work of other team members to produce a cohesive and comprehensive final product. Analytical and presentational skills (both written and oral) should be top flight.

The evaluation team leader is expected to provide five (5) person days' level of effort in the United States in addition to his proposed tour in the Philippines.

2. A U.S. Organizational/Administrative Specialist with specific expertise in the analysis of organizational structures, communication flows, administrative procedures and effective management technique. This person shall review the operational aspects of the PITO/P project implementation and make recommendations, as appropriate, to improve management efficiency.

He/she should possess an advanced degree in a management-related discipline and considerable professional experience as an advisor to organizations seeking to improve internal processes and operational efficiency.

3. A combined U.S. Financial Analyst/Trade and Investment Promotion Specialist. This person shall work in close collaboration with the Team Leader to generate and compile data required to respond to the set of evaluation questions listed in Section E.

He/she will prepare tentative analyses, recommendations and conclusions based upon data provided or generated, each of which will be subject to the validation and confirmation of the Team Leader.

This specialist will fill a field support position, hierarchically and structurally subordinate to the other evaluation team consultants. He/she should possess a strong academic background in financial analysis and some experience in international trade. Research and analytical skills are at a premium; presentational skills are secondary.

4. A Local Advisor. U.S.-based consultants will be supplemented by a local counterpart specialist who will be well-versed in the dynamics of the Philippine trade and investment environment and well-connected with appropriate private and public sector contacts. He/she will help to facilitate meetings in Manila, Cebu and Davao, to gather and interpret data, and, generally, to provide expertise on those aspects of the evaluation analyses that require an understanding of local political, cultural or historical factors.

G. Contractor's Staff Support, Administrative and Logistics Arrangements

The Contractor shall be responsible for all administrative support and logistics required to fulfill this contract. These shall include all travel arrangements, appointment scheduling, secretarial services, report preparation services, printing and duplicating.

H. Reports and Deliverables

The Contractor shall submit the following reports within the timeframe indicated:

1. Ten (10) copies of the Draft Report within twenty (20) working days after commencement of work in the Philippines;
2. Ten (10) copies of the Final Evaluation Report within five (5) working days after the USAID review of the Draft Report;

3. One or more diskettes, containing all text, tables, figures and annexes of the Final Evaluation Report, concurrent with the delivery of the Report.

The draft and final reports shall include, at a minimum, an Executive Summary, Table of Contents, Body of the Report, and Appendices and Annexes.

4. A duly completed A.I.D. Evaluation Summary Report (AID 1330-5) concurrent with the Final Evaluation Report submission.

## ANNEX 2: QUALIFICATIONS OF THE EVALUATION TEAM

The Management Systems International evaluation team was made up of the following team members:

**Team Leader/Trade and Investment Promotion Specialist:** Wesley Boles has had several years involvement with USAID-related projects, especially those concerned with trade and investment, principally in Latin America. Prior experience includes service as a career Foreign Service Officer and as a senior staff executive with a large multinational corporation. He holds an MA and MBA from the George Washington University.

**Organizational/Administrative Specialist:** David Callihan has participated in numerous USAID project evaluations in Africa, Asia and the Caribbean. Prior experience includes institutional analysis and management performance review of foreign assistance programs and a Peace Corps assignment in Mindanao. He holds an MA in administration from the School for International Training, Brattleboro, Vermont.

**Local Advisor:** Attorney Florecita Flores has had a distinguished career with both government and private enterprise in the Philippines including service in the area of local government finance and as corporate counsel to a major U.S.-owned manufacturer. She has recently been very active in policy advocacy in the areas of tax and local government reform. She holds a law degree from the University of the Philippines as well as a Certificate in Development Economics and is a practicing member of the bar.

**Financial Analyst:** Nezam Motabar is an experienced tax specialist and financial consultant with recent experience in USAID-related projects in Haiti and the Philippines. Prior experience includes service with a major accounting firm in Iran and France, financial management in Afghanistan and financial consulting in France and the U.S. He holds an MS in statistical science from the London School of Economics and is an Associate Member of the Institute of Chartered Accountants in England and Wales.

### ANNEX 3: PERSONS INTERVIEWED

#### THE AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES

Robert M. Sears, Executive Director  
John F. Domingo, President, Cebu Chapter

#### ANDERSON CONSULTING

Ma. Irma Baylon-Taylor, SGV Development Center  
Maxie Sindiong-Martinez

#### CBI-INSTRATE TRADE BROKERAGE SERVICES

Christine P. Rizado, Project Manager  
William L. Leh, Vice-President, Eden Corporation  
Jose L.G. Cam, President, Cam & Company, Inc.

#### CEBU CHAMBER OF COMMERCE AND INDUSTRY

Gerry Sta. Ana, President

#### CEBU FASION ACCESSORIES

Marilou Canizares  
Janet Chua  
Marose Borromeo  
Robert Escolin, President  
Joyce Yang, Aquarose

#### CHAMBER OF FURNITURE INDUSTRIES OF THE PHILIPPINES - DAVAO CHAPTER

Toto Albano, Eva Renaissance  
Evelyn T. Ang, South Sea Designs  
Romeo Borja, Archwood Industries  
Rogelio Cruz, Romar's Home Furnishing  
Norman Villanueva, Representative, Davao

91

CHAMBER OF FURNITURE INDUSTRIES OF THE PHILIPPINES - CEBU CHAPTER

Ruby Babao, Secretariat  
Clarito Fruelda, Clarson Enterprises  
Samual McDowell  
Augusto Santos  
Charles Streegan, Pacific Traders & Mnfg. Corp.  
Robert L. Booth, Mehitabel Furniture Corp.

DAVAO CITY CHAMBER OF COMMERCE AND INDUSTRY

Sebastian L. Angliongto, Trustee  
John Gaisano, Special Projects Committee  
Rey De Leon, Executive Vice President  
Emilio M. Piansay, Past President

DEPARTMENT OF TRADE AND INDUSTRY, GOP

Mariam Bacalso, Chief, Trade and Industry Development Division, Cebu  
Edsel T. Custudio, Special Trade Representative, Manila  
Joel Mari Yu, Assistant Secretary, Cebu  
Escolastica B. Segovia, Executive Director, Board of Investments, Manila

LORAN INDUSTRIES, INC. (Mandaue City)

Tony Quisumbing, President

METALWORKING ASSOCIATION OF DAVAO

Nelson Maglana, Representative  
Felix C. Libres, Graded Iron Foundry

METALWORKING INDUSTRIES ASSOCIATION OF THE PHILIPPINES - CEBU  
CHAPTER

Mariam Bacalso  
Jose Bernas, Primfab  
Ramir Bonghanoy, Machine Systems Corporation  
Hernado Morante, President

**MINDANAO EXPORTERS CONGRESS (MEXCON)**

Rey De Leon, Chairman, Arrangements  
Emil Piansay, Congress Director  
Robert Theo, Chairman, Exhibits Committee & GT Processing, Inc.

**OFFICE OF THE MAYOR - DAVAO CITY**

Louie Bonguyan, Vice Mayor

**PACIFIC TRADING & MANUFACTURING CORPORATION**

Hugo C. Streegan, Jr., President

**PHILIPPINE CHAMBER OF STONECRAFT INDUSTRIES - CEBU CHAPTER**

Edwin Rivera, Pamas Industries, Inc.  
Moises C. Selma II, Stonesets International, Inc.  
Carlos Ting, Unique Forms International  
James D. Tolentino, Jubay Industries

**PHILIPPINE EXPORTERS FOUNDATION**

Leonor D. Abella, Vice President  
Paterno Dixon, Chairman  
Sergio R. Ortiz-Luis, Jr., President  
Marielou L. Floriendo, Treasurer  
Rosario Franco, Former President  
Diana Santos, President, Ossa International

**PHILIPPINE EXPORTERS FOUNDATION - CEBU CHAPTER**

Edgar Godinez, Chairman

**PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRY (PCCI)**

Jose T. Pardo, President

PITO-P

Wilhelm G. Ortaliz, National Manager  
Gerardo R. Anigan, Manager of Policy Component  
Floretta S. Delfierro, Manager for Cebu  
Syvelyn J. Tan, Manager for Davao

PRAGMA CORPORATION, VA.

Cari L. Azores, Deputy Director  
Sharon G. Eng, Project Administrator

PRAGMA-PIL, Inc.

Cecilio L. Chan, Deputy Managing Director  
Virgilio R. Reambillio, Managing Director

PRESIDENTIAL ASSISTANT FOR MINDANAO

Paul Dominquez, Presidential Assistant

PUNONBAYAN & ARAULLO (Ernst & Young, Int'l.)

Ernie Diaz, Partner

REGIONAL DEVELOPMENT COUNCIL - REGION XI

Wendel Avisado, Co-Chairman  
Jesus V. Ayala, Co-Chairman  
Santiago Enginco, Regional Director

RENAISSANCE CERAMIC ARTWARES, INC.

Renato M. Pleno

ROMULO, MABANTA, BUENAVENTURA, SAYOC & DE LOS ANGELES

Roy Joseph M. Rafols

**SHEMBERG MARKETING CORPORATION, Cebu**

**Samuel V. Tan, Senior Business Development Officer  
Roberto A. Varquez, Project Manager**

**USAID**

**Brad Wallach, PESO, Deputy Chief  
Bruno Cornelio, PESO, Chief  
Richard A. Johnson, Deputy Director  
Noel Ruiz, Contracts Officer  
Manuel M. Villanueva, PESO, Project Management Specialist  
Jay Nussbaum, AID, Asia, PDO**

**UNIVERSAL ROBINA CORPORATION**

**Annielane P. Moreno**

**US-ASEAN BUSINESS COUNCIL**

**Philip James Gielczyk, Country Director, Philippines  
Elizabeth Hernandez Tinker, Mgr. Information Services,  
Katherine H. Wilson, Manager, PITO Project**

**Washington, D.C.**

**US EMBASSY**

**August Maffry, Jr., Commercial Counselor, U.S. & F.C.S.  
Jamie Horsley, Commercial Attache, U.S. & F.C.S.**

95

**BROKERAGE FIRMS' EXPORT TRANSACTIONS**  
**--FROM OCTOBER 1991 THRU SEPTEMBER 1992**

#	yr	mth	Brokerage	Product	Transaction	
					Value	Country
1	91	11	Pragma-Pil	Gifts	92,000	Spain
2	92	1	Pragma-US	Baskets	499	US
3	92	2	Pragma-Pil	PVC wind testers	58,000	Japan
4	92	3	Pragma-Pil	Paper Mache	17,765	Germany
5	92	3	Pragma-Pil	Plastic Ropes	27,194	Singapore
6	92	3	Pragma-Pil	Table Linen	31,520	Germany
7	92	3	Pragma-Pil	Plastic Ropes	57,931	Singapore
8	92	3	Pragma-Pil	Plastic Ropes	6,640	PNG
9	92	3	Pragma-Pil	Plastic Ropes	13,734	PNG
10	92	4	Pragma-Pil	Plastic Ropes	60,446	Singapore
11	92	4	Pragma-Pil	Plastic Ropes	13,762	PNG
12	92	4	Pragma-Pil	Plastic Ropes	25,144	Singapore
13	92	4	Pragma-Pil	Plastic Ropes	13,864	PNG
14	92	4	Pragma-Pil	Plastic Ropes	13,864	PNG
15	92	4	Pragma-US	Art. Flowers	5,000	US
16	92	5	Pintar	Wood Horses	2,894	US
17	92	5	Pragma-Pil	Plastic Ropes	13,608	PNG
18	92	5	Pragma-Pil	Plastic Ropes	25,235	Singapore
19	92	5	Pragma-Pil	WPP Sacks	24,100	US
20	92	5	Pragma-Pil	Plastic Ropes	13,658	PNG
21	92	6	Pragma-Pil	Plastic Ropes	13,657	PNG
22	92	6	Pragma-Pil	WPP Sacks	34,100	US
23	92	6	Pragma-Pil	Polyprop. Ropes	25,067	Singapore
24	92	7	Pragma-Pil	Plastic Ropes	13,702	PNG
25	92	7	Pragma-Pil	Plastic Ropes	13,668	PNG
26	92	7	Pragma-Pil	Plastic Ropes	60,087	Singapore
27	92	7	Pintar	Prawns	371,600	US
28	92	7	Pragma-Pil	Plastic Ropes	60,186	Singapore
29	92	8	Pragma-Pil	Plastic Ropes	58,113	Singapore
30	92	8	Pragma-Pil	Plastic Ropes	96,127	Singapore
31	92	8	Pragma-Pil	Plastic Ropes	60,044	Singapore
32	92	9	Pintar	Prawns	158,424	US
33	92	9	Pintar	Prawns	271,008	US
34	92	9	Pintar	Prawns	339,840	US
35	92	9	Pintar	Prawns	141,120	US
36	92	6	CBI	Canned Baby Corn	62,000	US
37	92	7	CBI	Food Items-misc.	21,600	US
38	92	7	Intrade	Prawns	200,000	Japan
39	92	9	Intrade	Prawns	300,000	Japan
40	92	9	Intrade	Food Products	9,570	Greece
41	92	6	1 Shemberg	Furniture	8,494	Germany
42	92	6	2 Shemberg	Furniture	24,360	Germany
43	92	6	3 Shemberg	Baskets	7,735	Germany
44	92	4	Shemberg	Baskets	9,308	Holland
45	92	5	Shemberg	Baskets	7,752	Holland

96

BROKERAGE FIRMS' EXPORT TRANSACTIONS  
 --FROM OCTOBER 1991 THRU SEPTEMBER 1992

#	yr	mth	Brokerage	Product	Transaction Value	Country
46	92		6 Shemberg	Baskets	17,178	Holland
47	92		7 Shemberg	Furniture	16,282	Holland
48	92	6	8 Shemberg	Furniture	16,640	US
49	92		9 Shemberg	Baskets	20,000	US
50	92	6	10 Shemberg	Baskets	7,645	Spain
51	92	6	11 Shemberg	Baskets	10,580	Holland
52	92	7	12 Shemberg	Baskets	10,314	France
53	92	7	13 Shemberg	Baskets	12,090	Holland
54	92	7	14 Shemberg	Baskets	7,510	Portugal
55	92	8	15 Shemberg	Baskets	7,920	Spain
56	92	7	16 Shemberg	Baskets	6,765	US
57	92		17 Shemberg	Baskets	25,924	Italy
58	92		18 Shemberg	Fashion Access.	8,075	Italy
59	92		19 Shemberg	Fashion Access.	10,098	Germany
60	92		20 Shemberg	Fashion Access.	4,240	Australia
61	92		21 Shemberg	Fashion Access.	1,755	Manila
62	92		22 Shemberg	Fashion Access.	13,210	Germany
63	92		23 Shemberg	Fashion Access.	3,234	Holland
64	92		24 Shemberg	Fashion Access.	5,860	Germany
65	92		25 Shemberg	Fashion Access.	51,180	Germany
66	92		26 Shemberg	Fashion Access.	6,429	Germany
67	92		27 Shemberg	Fashion Access.	1,808	Spain
68	92		28 Shemberg	Fashion Access.	16,353	Saudi
69	92	8	29 Shemberg	Fashion Access.	23,298	Germany
70	92	6	30 Shemberg	Fashion Access.	6,589	Germany
71	92	6	31 Shemberg	Fashion Access.	14,706	Cebu City
72	92	7	32 Shemberg	Fashion Access.	5,895	Germany
73	92	8	33 Shemberg	Fashion Access.	18,185	Switzerland
74	92	9	34 Shemberg	Fashion Access.	3,837	Germany
75	92		35 Shemberg	Fashion Access.	2,727	Manila
76	92		36 Shemberg	Fashion Access.	10,643	US
77	92	5	37 Shemberg	Fashion Access.	23,298	Germany
78	92	4	38 Shemberg	Fashion Access.	5,458	Holland
79	92	6	39 Shemberg	Fashion Access.	27,720	Germany
80	92	5	40 Shemberg	Fashion Access.	5,000	Japan
81	92	5	41 Shemberg	Fashion Access.	8,766	Belgium
82	92	6	42 Shemberg	Fashion Access.	11,415	Germany
83	92	7	43 Shemberg	Fashion Access.	9,493	Holland
84	92	6	44 Shemberg	Fashion Access.	29,433	Germany
85	92	8	45 Shemberg	Fashion Access.	4,864	Spain
86	92	8	46 Shemberg	Fashion Access.	132,188	Germany
87	92	5	47 Shemberg	Furniture	26,387	Spain
88	92	6	48 Shemberg	Furniture	5,161	Lebanon
89	92	7	49 Shemberg	Furniture	9,128	Belgium
90	92	8	50 Shemberg	Furniture	24,799	Spain

BROKERAGE FIRMS' EXPORT TRANSACTIONS  
 --FROM OCTOBER 1991 THRU SEPTEMBER 1992

#	yr	mth	Brokerage	Product	Transaction	Country
					Value	
91	92	5	51 Shemberg	Furniture	30,600	Spain
92	92	5	52 Shemberg	Furniture	27,843	Spain
93	92	4	53 Shemberg	Furniture	35,398	Spain
94	92	4	54 Shemberg	Furniture	67,126	Spain
95	92	8	55 Shemberg	Furniture	3,829	Spain
96	92	7	56 Shemberg	Furniture	26,400	Hong Kong
97	92		57 Shemberg	Furniture	98,726	Spain
98	92		58 Shemberg	Furniture	71,353	Spain
99	92	3	59 Shemberg	Furniture	5,000	Spain
100	92	6	60 Shemberg	Furniture	25,000	Spain
101	92	5	61 Shemberg	Furniture	14,000	Germany
102	92	5	62 Shemberg	Furniture	19,000	Germany
103	92	6	63 Shemberg	Furniture	15,001	UK
104	92	7	64 Shemberg	Furniture	20,000	Holland
105	92	5	65 Shemberg	Furniture	7,854	France
106	92	5	66 Shemberg	Furniture	35,035	Germany
107	92		67 Shemberg	Furniture	32,020	Spain
108	92	5	68 Shemberg	Furniture	55,810	Spain
109	92	4	69 Shemberg	Furniture	68,114	Spain
110	92	4	70 Shemberg	Furniture	67,658	Spain
111	92	5	71 Shemberg	Furniture	14,994	Spain
112	92	7	72 Shemberg	Furniture	25,000	Belgium
113	92	7	73 Shemberg	Furniture	3,749	Spain
114	92	9	74 Shemberg	Furniture	14,166	Morocco
115	92	8	75 Shemberg	Furniture	29,190	Spain
116	92	8	76 Shemberg	Furniture	29,579	Spain
117	92	8	77 Shemberg	Furniture	33,595	Spain
118	92		78 Shemberg	Furniture	88,056	Spain
119	92		79 Shemberg	Furniture	16,289	Belgium
120	92	3	80 Shemberg	Furniture	25,280	Japan
121	92	9	81 Shemberg	Baskets	13,492	Spain
122	92	8	82 Shemberg	Furniture	22,159	Spain
123	92	4	83 Shemberg-*	Furniture	38,335	Canada
124	92	5	84 Shemberg-*	Furniture	24,000	US
125	92	8	85 Shemberg-*	Processed Fruits	143,000	Hong Kong
126	92	8	86 Shemberg-*	Processed Fruits	115,200	Hong Kong
127	92	9	87 Shemberg-*	Processed Fruits	43,520	Hong Kong
128	92	7	88 Shemberg-*	Furniture	114,690	US
129	92	7	89 Shemberg-*	Furniture	11,040	France
130	92	8	90 Shemberg-*	Furniture	49,182	US
131	92	7	91 Shemberg-*	Furniture	18,000	US
132	92	8	92 Shemberg-*	Furniture	53,100	US
133	92	7	93 Shemberg-*	Furniture	9,824	Australia
134	92	7	94 Shemberg-*	Furniture	13,000	US
135	92	7	95 Shemberg-*	Furniture	13,247	Italy

96

BROKERAGE FIRMS' EXPORT TRANSACTIONS  
--FROM OCTOBER 1991 THRU SEPTEMBER 1992

#	yr	mth	Brokerage	Product	Transaction Value	Country
136	92		96 Shemberg-*	Furniture	8,500	US
137	92		97 Shemberg-*	Furniture	275,370	US
138	92		98 Shemberg-*	Furniture	32,613	US
TOTALS					5,578,437	
Average					56,923	

Shemberg-\*=deals completed under transactional  
financing program

ANNEX - 5

ANALYSIS OF PRAWN VS. NON-PRAWN TRANSACTIONS  
AMONG TRADE BROKERAGES

Brokerage	# of transactions	Value of Transactions	Average Value of Transaction	% of total transactions by broker
<b>CBI, Intrade, Access Asia:</b>				
Prawns*	2	500,000	250,000	73%
Non-Prawns	3	683,600	127,866	27%
<b>Shemberg:</b>				
Prawns	0	0	0	0%
Non-Prawns	98	2,751,666	28,078	100%
<b>Pragma, Pintar, Pragma-Pil:</b>				
Prawns	5	1,281,992 <sup>19</sup>	256,398	57%
Non-Prawns	30	951,609	31,720	43%
<b>TOTALS:</b>				
Prawns	7	1,781,992	254,570	37% *
Non-Prawns	131	3,036,975	23,183	63%

\* Approximately 5% of all transactions--all prawns--account for 32% of the value of total transactions.

<sup>19</sup> Pragma-PIL reportedly secured an order for \$5,525,464 for prawns and other assorted seafood to be shipped to the U.S. The sale was apparently closed on the last day of the brokerage contract. Because no goods had been shipped this sale is not figured into the above totals.

## ANNEX - 6

## SUMMARY OF TECHNICAL ASSISTANCE GRANTS

#	YR	MTH	RECIPIENTR*		ACTIVITY	DOLLARS APPROVED	EXPECTED RECOVERY	PERCENT RECOV.
1	91	12	CFIP	C	PRODUCT DIRECTORY	10,000	18,000	180%
2	92	2	CFIP	C	FURNITURE CONSULT.	8,078	194	2%
3	92		CCCI/DTI	C	FOLIO INSERTS	800	0	0%
4	92	6	CFIP	C	MRKTING SEMINAR	5,800	3,190	55%
5	92	6	CFIP	C	METAL SEMINAR	3,000	2,400	80%
6	92	8	CFIP	C	PLANNING WKSHP	5,752	4,900	85%
7	92	6	MIAP	C	MARKETING	2,000	1,080	54%
8	92	8	MIAP	C	INVESTMENT FORUM	10,355	4,000	39%
9	92	6	MIAP	C	LIGHT INDUS STUDY	20,000	0	0%
10	92	6	MIAP	C	PLANNING WKSHP	1,752	1,080	62%
11	91	12	FAME	C	MGMT/TECH TRAINING	43,200	28,000	65%
12	91	12	FAME	C	MAGAZINE SUSCRIP.	6,000	1,000	17%
13			CCCI	C	INVESTMENT FORUM	16,000	0	0%
14	92	6	PCSII	C	TRNG-FIBERGLASS	1,800	900	50%
15	92	9	DTI	C	PUB-MAKE IT CEBU	10,000	10,200	102%
16	92	10	CCCI/DTI	C	SLIDE & TAPE PRESEN	8,080	0	0%
17	91		DCCCII	D	TRADE DIRECTORY	1,800	0	0%
18	91		DCCCII	D	INVEST. BROCHURE	1,000	0	0%
19	91	7	DCCCII	D	BUSINESS MANUAL	3,600	0	0%
20	91	9	PEC	D	DESIGNERS FAIR	3,916	0	0%
21	92	2	NMDB	D	ENERGY STUDY	6,520	0	0%
22	92		DCCCII	D	MEXCON	67,100	0	0%
23	92		DCCCII	D	WORLD TRADE CONGR.	108,000	0	0%
24	91	10	DTI	D	USFDA SEMINAR	470	0	0%
25	90	10	PEE	N	EXPORT CONGRESS	0	0	ERR
26	91	3	AYC CON.	N	* CORPORATE SURVEY	2,600	0	0%
27	91	4	DTI	N	* EXPORTERS WORKSHP	600	0	0%
28	91	5	PEF	N	* ENTREPRENEUR HNDBI	5,640	0	0%
29	91	7	PITO-P	N	CTIS TRAINING	409	0	0%
30	91	10	BOI	N	* INVEST. PRIMER	3,000	0	0%
31	91	10	PCCI	N	* 17TH BUS. CONFER	1,523	0	0%
32	91	10	DTI	N	USFDA SEMINAR	19,514	0	0%
33	91	11	BPS	N	UL LISTING	2,606	0	0%
34	91	12	BOI	N	INVEST/AUDIO-VIS.	466	0	0%
35	92	2	BOI	N	* DOING BUS. IN RP	3,760	0	0%
36	92	3	BOI	N	* PRIMER-BUILD,OPER.	2,920	0	0%
37	92	4	BOI	N	* INVEST. PORTFOLIO	5,576	0	0%

ANNEX - 6

SUMMARY OF TECHNICAL ASSISTANCE GRANTS

#	YR	MTH	RECIPIENT	R*	ACTIVITY	DOLLARS APPROVED	EXPECTED RECOVERY	PERCENT RECOV.
38	92	5	PCCI	N	* 17TH BUSINESS CON.	2,210	0	0%
39	92	5	CFIP	N	TECH TRNG-FURN.	4,000	0	0%
40	92	6	PANC	N	BARCODING SEMINAR	1,564	0	0%
41	91	10	NEDA	N	+ FOREIGN INVEST ACT	563	0	0%
42	92	11	USAID	N	+ COMP TRADE REGIMES	887	0	0%
43	92	2	PEF	N	+* 2ND EXPTS CONGRESS	2,760	0	0%
44	92	3	PCCI	N	+ WKSHP-DOING BUS RP	3,532	0	0%
45	92	7	BOI	N	T & I VIDEO	24,258	0	0%
TOTALS						433,409	74,944	17%
AVERAGE						9,850	1,703	

R\* = REGION; C-CEBU; D-DAVAO; NCR-NATIONAL CAPITAL REGION

\* = PUBLICATION

+ = POLICY STUDY

PCCI - PHILIPPINE CHAMBER OF COMMERCE & INDUSTRY

NEDA - NATIONAL ECONOMIC DEV. AUTHORITY

PEC - PHILIPPINE EXPORTERS CONGRESS

DTI - DEPT. OF TRADE AND INDUSTRY

BOI - DTI'S BOARD OF INVESTMENTS

DCCCII - DAVAO CHAMBER OF COMMERCE & INDUS.

CFIP - CHAMBER OF FURNITURE INDUS, PHILIPPINES

MIAP - METALWORKERS ASSOC. OF THE PHILIPPINES

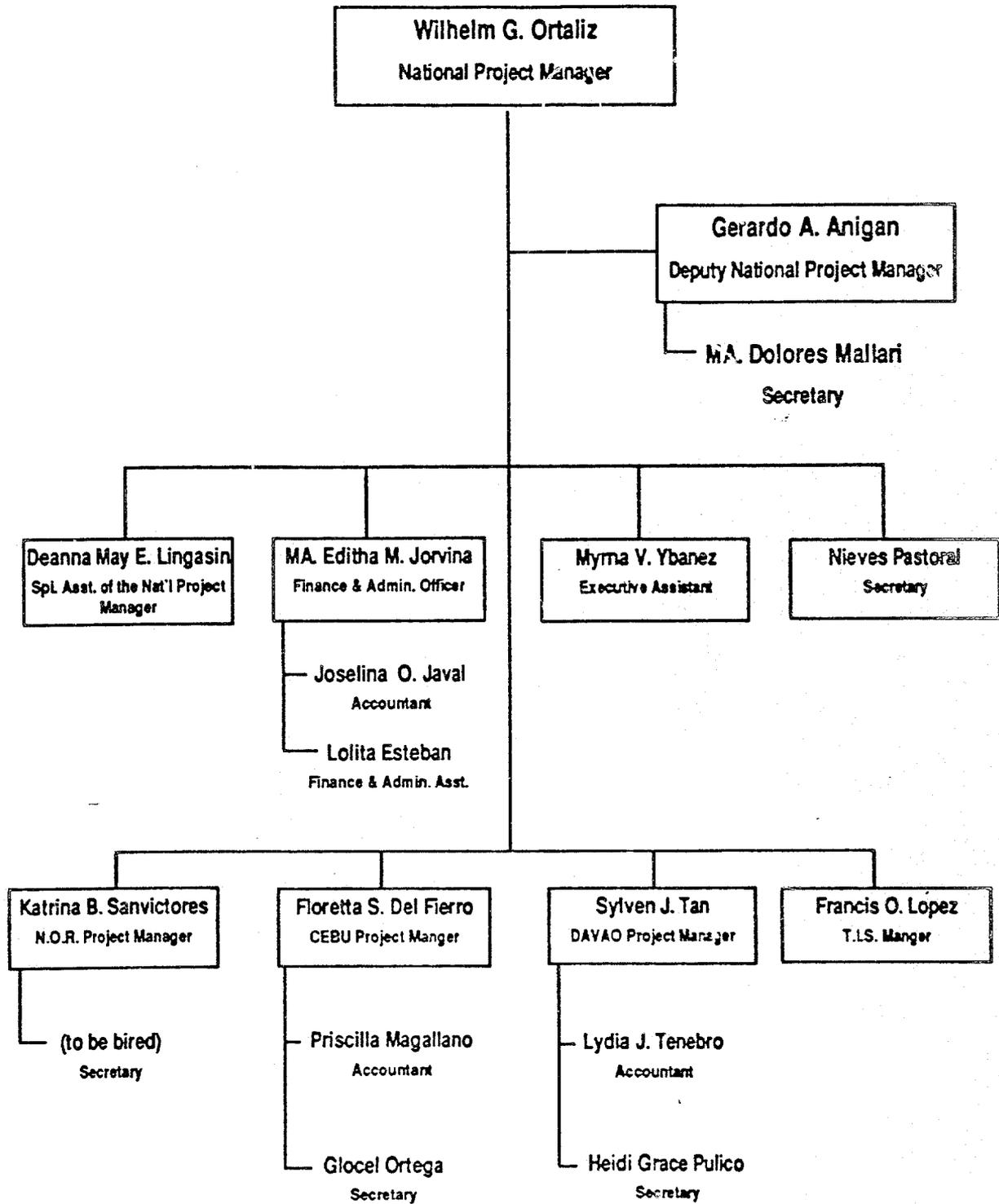
MEXCON - MINDANAO EXPORTERS CONFERENCE

NMDB - NORTHERN MINDANAO DEV. BANK

ANNEX 7

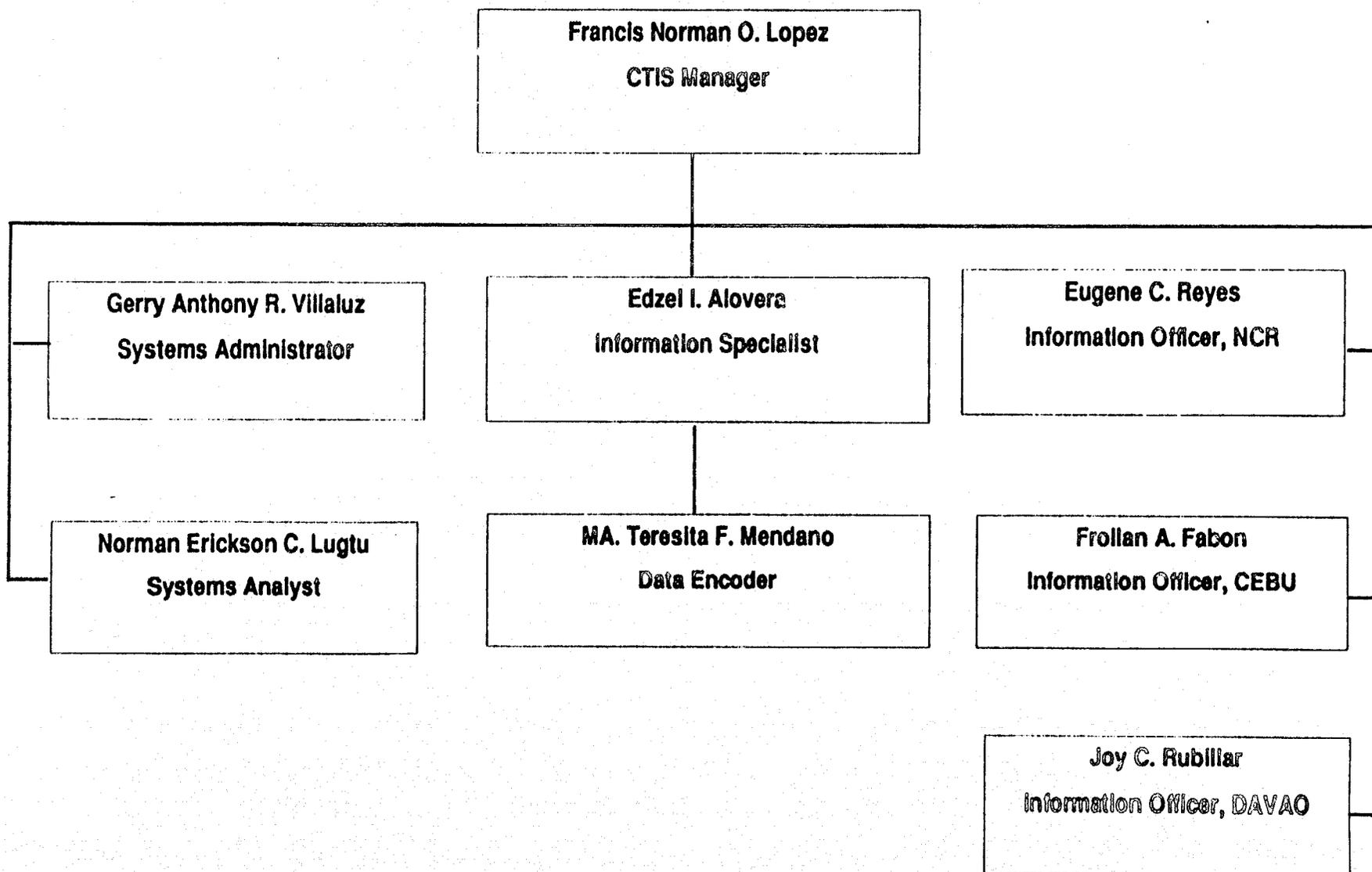
# ORGANIZATION CHART

## Private Investment and Trade Opportunities - Philippines



# ORGANIZATION CHART

## Computerized Trade Information Service



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