

A.I.D. EVALUATION SUMMARY - PART I

FD-ABX-558
81555

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

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>Philippines</u> (ES# _____)		B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY _____ Q _____		C. Evaluation Timing Interim <input 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)
492-0452	Philippine Assistance Program Support (PAPS) Project Pre-Investment Facility Component	1/30/90	9/30/95	\$11M	\$8M

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
* Increase Authorization for LOP funding	A. Sundermann	Sept 1992
* Increase Obligation by \$3 Million and Sign Amended Cooperative Agreement	S. Heishman	Sept 1992

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) August (Day) 14 (Year) 1992

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)	Dario Pagcaliwagan	Victor Taylor	Sulpicio S. Roed	Thomas W. Stukel
Signature	<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
Date	2/9/93	2/12/93	2/10/93	2/19/93

ABSTRACT

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

The purpose of the project under evaluation is to contribute to the mobilization of private capital by partly funding pre-investment studies. It is succeeding well. Midway through the project life, essentially all the grant funds are committed, and actual investments were at P1,234 million or \$54 million representing a ratio to PIF grants of over 48 times. To study the project, the Evaluation Team carried out an in-depth investigation of the implementing organization and conferred with all the parties involved, including beneficiaries, private chambers, Philippine government officials up to the Secretary of Trade and Industry and USAID. In addition, it circulated questionnaires and made field visits to 43 out of the 158 grantees.

The project implementor has developed an organization and procedures which are working well and with which all the grantees are generally satisfied; it also seems capable of handling a follow-on project.

The main recommendation is to continue the present system, with three relatively minor changes of orientation: (1) more effort toward monitoring of actual investment by grantees, which will become more important as the project continues; (2) a separate organization and possible separate funding for new foreign investment, if more support for the Foreign Investment Act is intended; and (3) no additional prioritization or sectoral restrictions on eligible investments, except possibly an upper limit of P100 million on project cost.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Cesar E. A. Virata	C. Virata & Associates	AID-492-0452-C- 00-2132	\$33,686.73	
Manuel Q. Lim, Jr.	- same -			
Ramon K. Katigbak	- same -			
Cynthia P. Santos	- same -			
2. Mission/Office Professional Staff Person-Days (Estimate) <u>40 hours</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>40 hours</u>		

A.I.D. EVALUATION SUMMARY - PART II

S U M M A R Y

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

Address the following items:

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

Mission or Office:

Date This Summary Prepared:

Title And Date Of Full Evaluation Report:

EVALUATION SUMMARY OF THE PRE-INVESTMENT FACILITY COMPONENT OF THE USAID PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT, PART II

Purpose and Methodology. The purposes of the evaluation were: (1) to review actual versus planned progress toward the project objectives; (2) to identify factors accounting for the project's success or failure; (3) to propose solutions to problems affecting implementation, if any; (4) to provide recommendations about future follow-on projects.

The methodology included (1) investigation of the project implementor's organization and procedures, including in-depth interviews with officers and staff concerned; (2) circulation of questionnaire to project beneficiaries and field visits to 43 out of 158 beneficiaries who had completed their studies; and (3) conferences with officials of all the sectors represented in the Project Implementation Committee, including private chambers, Philippine government agencies and USAID.

Findings. The ultimate purpose of the PIF is to contribute to the mobilization of private investment in the Philippines by funding up to half the cost of pre-investment studies on a reimbursement basis. In this it seems to be well on the way to success, within the limits of its terms of reference. Midway through the project, essentially all of the grant funds have been committed; and the 158 awardees plan investment projects with a total cost of over P70 billion or \$3 billion, which will probably generate over 50,000 new jobs, for the total grant outlay of \$5 million. Actual investments represented a ratio to PIF grants of over 48 times.

The project beneficiaries were generally very satisfied with the work of the project implementor. Where delays were complained about, these were usually due to factors outside the implementor's control, such as problems with Philippine Government clearances or delays in communication. The implementor's organization and procedures in general seem to be working well and are capable

on handling a follow-on project, subject to the recommendations given below. For a possible follow-on project, the evaluation team's recommendation is to stay with basically the same formula, with a few relatively minor changes in orientation, as follows"

- a) **Monitoring** - one important question that has not been completely answered, simply because the new projects have not been in operation long enough, is how much actual investment has resulted from PIF. Addressing this would involve monitoring the PIF grantees for a further year or two after the second reimbursement, which is a different set of activities from the promotion and project assistance that have been the PIF implementor's main concern, and might require the creation of a separate organizational unit.
- b) **Foreign Investment** - one of the contemplated objectives of the follow-on project to PIF is support of the Foreign Investment Act. The responses of the U.S.-based PIF beneficiaries suggest that some foreign proponents may have a different set of problems from domestic proponents. One U.S. beneficiary was planning an expansion of an already existing Philippine operation and such projects can be treated the way the existing domestic projects have been handled. But other U.S.-based projects were in a much earlier stage of the investment decision process: one of them, for example, intended to use the pre-investment study to interest possible investors. The Evaluation Team believes that many, if not most, of the foreign investors who respond to the Foreign Investment Act would be of the latter sort, i.e. requiring help in promoting prospective investment rather than solving operational problems connected with already decided investments.

If this is the case, and if, as previously recommended, PIF stays with the present successful formula, then a separate unit should be formed to deal with such prospective foreign investors. Evaluation of their proposals would take longer than domestic proposals and the time lag between acceptance of the study and the actual investments would also be much longer if actual investment takes place at all. In short, the nature of the activities involved in support of FIA is so different from the present PIF formula that not only a separate organizational unit but even a separate funding source should be considered.

- c. **Sectoral priorities** - one important reason for the success of PIF has been the almost total absence of restrictions on acceptable investment sectors, apart from location outside Metro Manila and not being in primary agriculture. Now that there is a backlog of applications, there has been some discussion of defining priority investment sectors, by various criteria. The evaluation team does not agree with this proposal; the only additional acceptance criterion they would recommend is possibly one restricting project size to P100 million or \$4.3 million and below. This would mean

sacrificing the extremely large project cost to grant ratios exhibited by the very big projects; but the small and medium projects seem to have more need and find better use for the PIF.

Principal Recommendations. The Evaluation Team recommends that the PIF should be continued using the same criteria.

The main reasons are:

- 1) The Philippine economy has very low growth over the past three years, therefore, the quick introduction of investments is still very important. The 1992 first semester GNP growth is .48%. In 1991, the GNP growth is slightly negative or practically 0% (1991 Philippine Development Report). The 1991/1990 Gross Domestic Investment is - 14.0%.
- 2) Those applications especially small projects that can not be accommodated by PIF should be channeled to other institutions especially local government units and the Small and Medium Enterprise Development Council.
- 3) Focusing the PIF to the requirements of incoming investors under the FIA might result in delay in use of the PIF because the Team could not project the nationalities of the incoming investors. Further, the foreign investors might not need the PIF because they must have studied well the feasibility before deciding to invest in the Philippines.
- 4) The present project organization and procedures can be adjusted to meet evolving situations in the future, anyway, so there is no necessity to change to another set of criteria immediately. The PIF needs the momentum already built up to attract other proponents who have learned of the advantage of availing the PIF.

ATTACHMENTS

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

COMMENTS

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

Mission accepts findings to continue the support to PIF. The Cooperative Agreement with the EDF is amended to increase life of project funding and to incorporate additional aspects, such as having as a theme support to US investments in areas identified by the Foreign Investment Act which are technology oriented, medium-sized, and friendly to environment. This focus will not be limiting, and in line with the evaluation recommendations, the criteria PIF has adopted will be maintained. The implementing entity, the EDF, will endeavor to monitor developments arising from PIF investments.

**INSTRUCTIONS FOR COMPLETING AND SUBMITTING
"A.I.D. EVALUATION SUMMARY"**

This form has two parts. Part I contains information to support future A.I.D. management action, and to process the evaluation into A.I.D.'s automated "memory". Part II is a self-contained summary of key elements of the full evaluation report; it can be distributed separately to interested A.I.D. staff.

WHAT WILL THIS FORM BE USED FOR?

- Record of the decisions reached by responsible officials, so that the principals involved in the activity or activities evaluated are clear about their subsequent responsibilities, and so that headquarters are aware of anticipated actions by the reporting unit.
- Notification that an evaluation has been completed, either as planned in the current Annual Evaluation Plan or for *ad hoc* reasons.
- Summary of findings at the time of the evaluation, for use in answering queries and for directing interested readers to the full evaluation report.
- Suggestions about lessons learned for use in planning and reviewing other activities of a similar nature. This form as well as the full evaluation report are processed by PPC/CDIE into A.I.D.'s automated "memory" for later access by planners and managers.

WHEN SHOULD THE FORM BE COMPLETED AND SUBMITTED? After the Mission or A.I.D./W office review of the evaluation, and after the full report has been put into a final draft (i.e., all pertinent comments included). The A.I.D. officer responsible for the evaluation should complete this form. Part of this task may be assigned to others (e.g., the evaluation team can be required to complete the Abstract and the Summary of Findings, Conclusions, and Recommendations). The individual designated as the Mission or A.I.D./W evaluation officer is responsible for ensuring that the form is completed and submitted in a timely fashion.

WHERE SHOULD THE FORM BE SENT? A copy of the form *and attachment(s)* should be sent to each of the following three places in A.I.D./Washington:

- The respective Bureau Evaluation Office
- PPC/CDIE/DI/Acquisitions, Room 209 SA-18 (Note: If word processor was used to type form, please attach floppy disk, labelled to indicate whether WANG PC, WANG OIS or other disk format.)
- SER/MO/CPM, Room B930 NS (please attach A.I.D. Form 5-18 or a 2-way memo and request duplication and standard distribution of 10 copies).

HOW TO ORDER ADDITIONAL COPIES OF THIS FORM: Copies of this form can be obtained by sending a "Supplies/Equipment/Services Requisition" (A.I.D. 5-7) to SER/MO/RM, Room 1264 SA-14 in A.I.D./Washington. Indicate the title and number of this form ("A.I.D. Evaluation Summary", A.I.D. 1330-5) and the quantity needed.

PART I (Facesheet and Page 2)

A. REPORTING A.I.D. UNIT: Identify the Mission or A.I.D./W office that initiated the evaluation (e.g., U.S.A.I.D./Senegal, S&T/H). Missions and offices which maintain a serial numbering system for their evaluation reports can use the next line for that purpose (e.g., ES# 87/5).

B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? If this form is being submitted close to the date indicated in the current FY Annual Evaluation Plan (or if the final draft of the full evaluation report was submitted close to that date), check "yes". If it is being submitted late or as carried over from a previous year's plan, check "slipped". In either case, indicate on the next line the FY and Quarter in which the evaluation was initially planned. If it is not included in this year's or last year's plan, check "ad hoc".

C. EVALUATION TIMING: If this is an evaluation of a single project or program, check the box most applicable to the timing of the evaluation relative to the anticipated life of the project or program. If this is the last evaluation expected to inform a decision about a subsequently phased or follow-on project, check "final", *even though the project may have a year or more to run before its PACD*. If this is an evaluation of more than a single project or program, check "other".

D. ACTIVITY OR ACTIVITIES EVALUATED: For an evaluation covering more than four projects or programs, only list the title and date of the full evaluation report.

E. ACTION DECISIONS APPROVED BY MISSION OR A.I.D./W OFFICE DIRECTOR: What is the Mission or office going to do based on the findings, conclusions, and recommendations of the evaluation; when are they going to do it; and who will be responsible for the actions required? List *in order of priority or importance* the key actions or decisions to be taken, unresolved issues and any items requiring further study. Identify as appropriate A.I.D. actions, borrower/grantee actions, and actions requiring joint efforts. Indicate any actions that are preliminary pending further discussion or negotiation with the borrower/grantee.

F. DATE OF MISSION OR A.I.D./W OFFICE REVIEW OF EVALUATION: Date when the internal Mission or office review was held or completed.

G. APPROVALS OF EVALUATION SUMMARY AND ACTIONS DECISIONS: As appropriate, the ranking representative of the borrower/grantee can sign beside the A.I.D. Project or Program Officer.

H. EVALUATION ABSTRACT: This one-paragraph abstract will be used by PPC/CDIE to enter information about the evaluation into A.I.D.'s automated "memory". It should invite potentially interested readers to the longer summary in Part II and perhaps ultimately to the full evaluation report. It should inform the reader about the following:

- If the evaluated activity or activities have characteristics related to the reader's interests.
- The key findings, conclusions, and lessons.
- An idea of the research methods used and the nature/quality of the data supporting findings.

Previous abstracts have often been deficient in one of two ways:

- Too much information on project design, implementation problems, and current project status discourages readers before they can determine if there are important findings of interest to them.
- A "remote" tone or style prevents readers from getting a real flavor of the activity or activities evaluated; progress or lack of progress; and major reasons as analyzed by the evaluation.

In sequential sentences, the abstract should convey:

- The programming reason behind the evaluation, and its timing (e.g., mid-term, final);
- The purpose and basic characteristics of the activities evaluated;
- A summary statement of the overall achievements or lack thereof to date;
- A picture of the status of the activities as disclosed in the full evaluation report;
- An idea of the research method and types of data sources used by the evaluators;
- The most important findings and conclusions; and key lessons learned.

Avoid the passive tense and vague adjectives. Where appropriate, use hard numbers. (An example of an abstract follows; "bullets" may be used to highlight key points).

2. Purpose of the evaluation and methodology used. Why was the evaluation undertaken? Briefly describe the types and sources of evidence used to assess effectiveness and impact.

3. Findings and conclusion. Discuss major findings and interpretations related to the questions in the Scope of Work. Note any major assumptions about the activity that proved invalid, including policy related factors. Cite progress since any previous evaluation.

4. Principal recommendations for this activity and its offspring (in the Mission country or in the office program). Specify the pertinent conclusions for A.I.D. in design and management of the activity, and for approval/disapproval and fundamental changes in any follow-on activities. *Note any recommendations from a previous evaluation that are still valid but were not acted upon.*

5. Lessons learned (for other activities and for A.I.D. generally). This is an opportunity to give A.I.D. colleagues advice about planning and implementation strategies, i.e., how to tackle a similar development problem, key design factors, factors pertinent to management and to evaluation itself. There may be no clear lessons. Don't stretch the findings by presenting vague generalizations in an effort to suggest broadly applicable lessons. If items 3-4 above are succinctly covered, the reader can derive pertinent lessons. On the other hand, don't hold back clear lessons even when these may seem trite or naive. Address:

-- Project Design Implications. Findings/conclusions about this activity that bear on the design or management of other similar activities and their assumptions.

-- Broad action implications. Elements which suggest action beyond the activity evaluated, and which need to be considered in designing similar activities in other contexts (e.g., policy requirements, factors in the country that were particularly constraining or supportive).

NOTE: The above outline is identical to the outline recommended for the Executive Summary of the full evaluation report. At the discretion of the Mission or Office, the latter can be copied.

K. ATTACHMENTS: Always attach a copy of the full evaluation report. A.I.D. assumes that the bibliography of the full report will include all items considered relevant to the evaluation by the Mission or Office. **NOTE:** if the Mission or Office has prepared documents that (1) comment in detail on the full report or (2) go into greater detail on matters requiring future A.I.D. action, these can be attached to the A.I.D. Evaluation Summary form or submitted separately via memoranda or cables.

L. COMMENTS BY MISSION, AID/W AND BORROWER/GRANTEE: This section summarizes the comments of the Mission, AID/W Office, and the borrower/grantee on the full evaluation report. It should enable the reader to understand their respective views about the usefulness and quality of the evaluation, and why any recommendations may have been rejected. It can cover the following:

- To what extent does the evaluation meet the demands of the scope of work? Does the evaluation provide answers to the questions posed? Does it surface unforeseen issues of potential interest or concern to the Mission or Office?
- Did the evaluators spend sufficient time in the field to fully understand the activity, its impacts, and the problems encountered in managing the activity?
- Did any of the evaluators show particular biases which staff believe affected the findings? Avoid ad hominem discussions but cite objective evidence such as data overlooked, gaps in interviews, statements suggesting a lack of objectivity, weaknesses in data underlying principle conclusions and recommendations.
- Did the evaluation employ innovative methods which would be applicable and useful in evaluating other projects known to the Mission or Office? Note the development of proxy measures of impact or benefit; efforts to construct baseline data; techniques that were particularly effective in isolating the effects of the activity from other concurrent factors.
- Do the findings and lessons learned that are cited in the report generally concur with the conclusions reached by A.I.D. staff and well-informed host country officials? Do lower priority findings in the evaluation warrant greater emphasis?

EXAMPLE OF AN ABSTRACT

The project aims to help the Government of Zaire (GOZ) establish a self-sustaining primary health care (PHC) system in 50 rural health zones (RHZ). The project is being implemented by the Church of Christ in Zaire and the GOZ's PHC Office. This mid-term evaluation (8/81-4/84) was conducted by a GOZ-USAID/Z team on the basis of a review of project documents (including a 4/84 project activity report), visits to nine RHZ's, and interviews with project personnel. The purpose was to clarify some uncertainties about the initial design and set future priorities for activities. The major findings and conclusions are:

- This well-managed and coordinated project should attain most objectives by its 1986 end.
- Progress has been good in establishing RHZ's, converting dispensaries into health centers, installing latrines (over double the target), and training medical zone chiefs, nurses, and auxiliary health workers. Long-term training has lagged however, and family planning and well construction targets have proven unviable.
- The initial assumption that doctors and nurses can organize and train village health committees seems invalid.
- User fees at health centers are insufficient to cover service costs. A.I.D.'s PRICOR project is currently studying self-financing procedures.
- Because of the project's strategic importance in Zaire's health development, it is strongly recommended to extend it 4-5 years and increase RHZ and health center targets, stressing pharmaceutical/medical supplies development and regional Training for Trainers Centers for nurses, supervisors, and village health workers.

The evaluators noted the following "lessons":

- The training of local leaders should begin as soon as the Project Identification Document is agreed upon.
- An annual national health conference spurs policy dialogue and development of donor sub-projects.
- The project's institution-building nature rather than directly service nature has helped prepare thousands of Zairois to work with others in large health systems.

I. EVALUATION COSTS: Costs of the evaluation are presented in two ways. The first are the cost of the work of the evaluation team per se. If Mission or office staff serve as members of the team, indicate the number of person-days in the third column. The second are the indirect estimated costs incurred by involvement of other Mission/Office and borrower/grantee staff in the broader evaluation process, including time for preparations, logistical support, and reviews.

PART II (Pages 3-6)

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS: The following reflects a consensus among A.I.D.'s Bureaus on common elements to be included in a summary of any evaluation. The summary should not exceed the three pages provided. It should be self-contained and avoid "in-house" jargon. Spell out acronyms when first used. Avoid unnecessarily complicated explanations of the activity or activities evaluated, or of the evaluation methodology; the interested reader can find this information in the full evaluation report. Get all the critical facts and findings into the summary since a large proportion of readers will go no further. Cover the following elements, preferably in the order given:

1. Purpose of the activity or activities evaluated. What constraints or opportunities does the loan and/or grant activity address; what is it trying to do about the constraints? Specify the problem, then specify the solution and its relationship, if any, to overall Mission or office strategy. State logframe purpose and goal, if applicable.

XD-ABF-558-A

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT 81556

**EVALUATION OF THE PRE-INVESTMENT FACILITY
COMPONENT OF THE USAID
PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT**

FINAL REPORT
September 1992

Submitted by:
C. VIRATA & ASSOCIATES
CESAR E.A. VIRATA
MANUEL O. LIM, JR.
RAMON K. KATIGBAK
CYNTHIA P. SANTOS

**PROJECT IDENTIFICATION DATA SHEET
for Component**

1. Country: The Philippines
2. Project Title: Pre-Investment Facility (PIF) component
of the Philippine Assistance Program
Support (PAPS) Project
3. Project Number: 492-0452
4. Project Dates:
 - a. First Cooperative Agreement: 30 January 1990
 - b. Most Recent Project
Assistance Completion
Date (PACD): 29 January 1993
5. Life-of-Project Funding
 - a. AID Bilateral Funding (Grant) US\$5,000,000
6. Mode of Implementation: Cooperative Agreement
Implementor: Economic Development Foundation
8. Project Designers: The Government of the Philippines
USAID/Philippines
Economic Development Foundation
9. Responsible Mission Officials:
 - a. Mission Directors:

Malcolm Butler	-	30 January 1990-28 February 1992
Richard A. Johnson (Acting)	-	1 March 1992 - Present
 - b. Grants Officer:

S. D. Heishman	-	30 January 1990 - Present
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 - c. Project Officers:

Bruno Cornelio	-	30 January 1990 - Present
Dario J. Pagcaliwagan	-	30 January 1990 - Present

**EVALUATION OF THE PRE-INVESTMENT FACILITY
COMPONENT OF THE USAID
PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT**

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LIST OF ACRONYMS

AFIC	Asian Finance and Investment Company
AmCham	American Chamber of Commerce and Industry
ASAP	Agribusiness Systems Assistance Program
ASEAN	Association of Southeast Asian Nations
BOI	Board of Investments
CCPAP	Coordinating Council of the Philippine Assistance Program
CEO	Chief Executive Officer
DA	Department of Agriculture
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
DOST	Department of Science and Technology
DTI	Department of Trade and Industry
EDF	Economic Development Foundation
EXIM	Export Import
FIA	Foreign Investments Act
FCS	Foreign Commercial Services
FS	Feasibility Study
GOP	Government of the Philippines
IDC	Industrial Development Corporation
IFC	International Finance Corporation
MAI	Multilateral Aid Initiative
ODA	Official Development Assistance
PAP	Philippine Assistance Program
PCIF	Philippine Capital Infrastructure Fund
PCCI	Philippine Chamber of Commerce & Industry
PIC	Project Implementation Committee
PIF	Pre-Investment Facility
PITO-P	Private Investment & Trade Opportunities-Philippines
PESO	Private Enterprise Support Office
SESCA	Standard Eligible Study Cost Allowance
SGV	SyCip Gorres Velayo & Co.
SMEC	Small and Medium Enterprise Credit
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

1. One of the aims of OJA is to promote trade and investment and, hence, employment and development; the PIF is a very effective and efficient way to do it, and should definitely be continued in practically the same form and expand the resources by enlisting the support of local government units and the Small and Medium Enterprise Development Council and its operating arm, the Small Business Guarantee and Finance Corporation. The ratio of anticipated project investment to the PIF grants was over 500 times on the average and over 800 times for large projects costing over P100 million. Actual investments as of June 1992, was P1,234 million or \$54 million. The ratio of actual investments to PIF grants was over 48 times. Although the beneficiaries say that they would have undertaken the proposed investments within a longer time frame even without the PIF grant, all of them said the PIF contributed significantly to improving their studies and crystallized the timing of their investment decision immediately. Thus, PIF may be considered to have contributed significantly to the mobilization of capital for a relatively small outlay.

2. The targets of the PIF were investors who were waiting, or have held their investment decision to proceed. As such, all the beneficiaries had already decided on their specific projects before applying for the grants. Investors felt that the assistance provided by PIF contributed significantly to the soundness and timing of their investments and had favorable effect to their entire business operations. Since they had already chosen their projects, there is the important advantage that the investments decisions came very quickly after the grants were approved.

3. The PIF has been effectively marketed in the Philippines, and it is now possible to be more selective about the applicants. This was not true at the beginning. The facility was initiated at a time of slackening economic growth, when it was important to generate investments quickly; and as a new program, it required much initial promotion. Thus, the overriding initial priority was timing, with priorities based on selected sectors with geographic area as secondary. However, PIF is now so well-known, and has inspired so many recommendations from satisfied beneficiaries, that a backlog of applicants has developed, and more definite prioritizing of future applicants can be done to focus on the new foreign investments and/or joint ventures attracted by the new Foreign Investments Act, if the investors are qualified under the present criteria.

4. The particular choice of priorities, however, is still an open question. It seems clear that the GOP believes there should be some limitation by project size since applicants with project costs over P100 or \$4.3 million can either do their studies by themselves, or have ready access to other funding sources. But the private sector sees no need for this restriction. Apart from this, however, one of the important reasons for the success of PIF is that the funding has been allocated on the basis of demand rather than need, i.e. accepting applicants with very few restrictions as to sector or location. Because of the present backlog of applicants and the relatively small size of the fund, it should be possible, all other factors being equal, to give priority to applicants meeting certain criteria. The choice of priorities is very much an open question, ultimately to be decided by the donor agency. After all the factors are considered, the basic recommendations of the Evaluation Team on this matter are to continue with the present PIF criteria. The others who may not be accommodated by PIF could probably be assisted by recommendation number 6. On the other hand, focusing on the 1991 Foreign Investments Act might result in some delays, because we have no idea of the types and nationalities of investors. Timing of investments is still the important factor.

5. PIF may be regarded as an investment services intermediary. Linkages may therefore be explored to improve its efficacy as an intermediary, and these can occur at either resource or delivery end.

At the resources end, we distinguish between external and internal. The external comprise: 1) USAID itself, e.g. Private Investments and Trade Opportunities-Philippines (PITO-P), The Agribusiness Systems Assistance Program (ASAP), Small and Medium Enterprise Credit (SMEC), Philippine Capital and Infrastructure Fund (PCIF) and the Small and Medium Enterprise Loan Guarantee Program. These projects provide both resources as well as clients/beneficiaries; 2) Other bilateral ODA, e.g. Australia, Canada, Japan and Germany; 3) Multilateral ODA, e.g. the International Finance Corporation (IFC), the Asian Finance and Investment Corporation (AFIC), and Asian Development Bank (ADB). The internal consist of: 1) national government, e.g. DTI, DA, DENR and DOST; 2) Local government units, particularly the offices of the provincial governor and city/municipal mayor. Both national and local governments may refer clients as well as resources.

The US/RP Business Committees, the American desk at the Board of Investments under the American Chamber of Commerce and Industry (AmCham), the US/Foreign Commercial Services are linkages already in place.

At the client/beneficiary end, we again distinguish between private and public entities. Private entities include Philippine Chamber of Commerce and Industry chapters, Filipino Chinese Chamber of Commerce provincial chapters, Bankers Association of the Philippines provincial chapters, and Regional and Provincial Agriculture and Fisheries Councils. Public include the USAID-assisted PITO-P, ASAP, etc. and national/local government agencies already mentioned.

Using these linkages for identifying entrepreneurs may enable PIF to meld demand and need since there will be a better likelihood that the identified candidate entrepreneurs are exploring areas acceptable to the private sector and therefore filling felt needs in the private sector.

6. Besides the above, there are many possibilities for sustaining and expanding the PIF; these should be systematically explored. There have been many suggestions from both private and government sources, including opening permanent regional offices in the Visayas and Mindanao; creating a fund from various sources, to provide steady income for operations; and actively soliciting additional funding from national and local governments, from private chambers and foundations and from international sources, both bilateral and multilateral. The present project implementor, EDF, has developed an organization and procedures that work well and could readily be expanded.

7. Follow-on Project. The present implementor has developed an organization and a set of procedures that are working well and can readily be expanded if necessary. For a possible follow-on project, the evaluation team's recommendation is to stay with basically the same formula, including Standard Eligible Study Cost Allowance (SESCA) approvals, with a few relatively minor changes in orientation, as follows:

a. Monitoring - one important question that has not been completely answered, simply because the new projects have not been in operation long enough, is how much actual investment has resulted from PIF. Addressing this would involve monitoring the PIF grantees for a further year or two after the second reimbursement, which is a different set of activities from the promotion and project assistance that have been the PIF implementor's main concern, and might require the creation of a separate organizational unit.

b. Foreign investment - one of the contemplated objectives of the follow-on project to PIF is support of the Foreign Investments Act. The responses of the U.S.-based PIF beneficiaries suggest that some foreign proponents may have a different set of problems from domestic proponents. One U.S. beneficiary was

planning an expansion of an already existing Philippine operation and such projects can be treated the way the existing domestic projects have been handled. But other U.S.-based projects were in a much earlier stage of the investment decision process: one of them, for example, intended to use the pre-investment study to interest possible investors. The Evaluation Team believes that many, if not most, of the foreign investors who respond to the Foreign Investments Act would be of the latter sort, i.e. requiring help in promoting prospective investment rather than solving operational problems connected with already decided investments.

If this is the case, and if, as previously recommended, PIF stays with the present successful formula, then a separate unit should be formed to deal with such prospective foreign investors. Evaluation of their proposals would take longer than domestic proposals and the time lag between acceptance of the study and the actual investment would also be much longer if actual investment takes place at all. In short, the nature of the activities involved in support of FIA is so different from the present PIF formula that not only a separate organizational unit but even a separate funding source should be considered.

- c. Sectoral priorities - one important reason for the success of PIF has been the almost total absence of restrictions on acceptable and investment sectors, apart from location outside Metro Manila and not being in primary agriculture. Now that there is a backlog of applications, there has been some discussion of defining priority investment sectors, by various criteria. The Evaluation Team does not agree with this proposal; the only additional acceptance criterion we would recommend is possibly one restricting project size to P100 million and below. This would mean sacrificing the extremely large projects, but the small and medium projects seem to have more need and find better use for the PIF.

I. INTRODUCTION: OBJECTIVES AND METHODS

A. Objectives of the Evaluation

The Pre-Investment Facility (PIF), in the words of the official USAID documents, "is intended to help mobilize private capital by establishing the feasibility of potential private sector investments. PIF is designed to promote private investment in off-farm enterprises, as well as on-farm agro-processing or marketing enterprises, by reducing pre-investment risk and assisting potential project proponents in identifying business opportunities and developing bankable projects."*

The purpose of the evaluation was to determine whether the PIF as presently designed and administered is meeting this objective, and to suggest improvements both for the current project and for possible follow-on projects. In particular, the evaluation team was asked to undertake the following:

1. To review actual versus planned progress toward the outputs, purpose and goal of the project;
2. To assess and document factors accounting for the project's success or failure to meet project objectives;
3. To propose solutions to problems affecting implementation, if any; and
4. To provide recommendations about future (supplemental) funding or design modifications, within the current life-of-project (LOP)."

The evaluation team has also sought to evaluate this project in the wider context of Philippine development requirement, and to evaluate also the appropriateness of the project's objectives and the validity of the underlying assumptions.

B. Method of Evaluation

The two main sources of data were the project implementor's data bank and extensive field visits and interviews.

The project implementor's data bank included files on every applicant, comprising documentation on every stage down to start of actual investment in applicable cases. Files on the meetings

*Statement of Work for the evaluation team, also the source of the following quotation.

of the PIF Review Board* provided information on broader issues that arose in the course of implementation. In addition, the evaluation team was able to discuss these data extensively both with the EDF Project Officer who dealt directly with the applicants; the executive staff of the project implementor's office; and the members of the PIF Project Implementation Committee (PIC), which is made up of a private/public partnership for development, including EDF as the chairman and the Philippine Chamber of Commerce and Industry (PCCI), the American Chamber of Commerce and Industry (AmCham), the Board of Investments (BOI) and the Coordinating Council of the Philippine Assistance Program (CCPAP).

The evaluation team also made extensive field visits to project beneficiaries in all of the three major regions: Luzon, Visayas and Mindanao, in the course of which they were able to visit or interview approximately one third of the beneficiaries. Before the interviews, questionnaire were sent out to the beneficiaries concerned, however, only about a third of the questionnaires were returned in time, and most of the beneficiaries' reactions were obtained by personal interview.

The team's findings and observations were then discussed extensively with the Project Implementor (EDF), the PIF PIC, concerned officials of USAID and various officials of the Philippine government, including the new Secretary of Trade and Industry.

Finally, an important factor in the evaluation is the experience of the evaluation team. Each of the team members had served in the Philippine government at the highest levels, the team leader having been Prime Minister and Finance Minister. One of them had been involved in the negotiation and management of this project before leaving the government. In addition, the team has also had first hand experience in the private sector in every aspect of a project's operations, including consulting work and management of a wide variety of Philippine corporations. Another team member had previously served as head of the PIF's project implementation organization. Finally, all of the evaluation team retain a deep concern for the development of the Philippines and an appreciation of the issues involved.

*PIF Review Board henceforth, will be referred to as the Project Implementation Committee (PIC).

II. THE PRE-INVESTMENT FACILITY (PIF): OBJECTIVES AND ADMINISTRATION

A. Objectives of PIF

The PIF must be seen in the context of the Philippine Assistance Program (PAP), of which it forms a relatively small but significant part. The PIF is the only private sector feasibility fund available on a true grant basis today in the Philippines.

Around the beginning of 1989 the government of then President Aquino, which had dramatically taken over from President Marcos in the "People Power" revolution of 1986, was experiencing some serious problems. The economic growth rate was beginning to slow down, and a series of widely publicized military coup attempts was threatening to undermine confidence among both domestic and foreign investors.

As a strong gesture of support, then U.S President Reagan, at the urging of a bipartisan group of American legislators, took the lead in proposing a "mini-Marshall Plan" for the Philippines, which came to be called the Philippine Assistance Program (PAP), also known as the Multilateral Aid Initiative (MAI). This was intended to mobilize the goodwill and resources of both bilateral and multilateral international sources of official development assistance. The initial "pledging session" in Tokyo on 3 July 1989 was attended by 19 donor countries and several multilateral organizations, which pledged \$3.5 billion for the first year and possibly up to \$14 billion over the succeeding five years.

The implementation of the PAP has required dealing with problems of both organization and policy. The organizational problem arose from the problem of defining the scope of the program. It was at first unclear whether PAP was purely a new, incremental program for official development assistance (ODA), or whether, and to what extent the existing ODA pipeline, and both the domestic and international organization for managing it, could be folded in. On the domestic side, this problem was solved by assigning to the PAP organization the handling not only of PAP, but of all ODA, a development accomplished not without some resistance from the national planning agency, to the extent of some high-level resignations. On the international side the organization of international pledging sessions continued to be under the World Bank, as it had been before PAP was instituted.

The policy problems revolved around two issues. Since the PAP was intended to produce very large additional inflows of multilateral assistance, there was the problem of measuring the social and economic impact of these contributions. Under the

traditional system where ODA was generally negotiated on a project by project basis, attention was primarily directed toward the individual project itself and whether it was proceeding according to the envisioned budget and schedule: the wider socio-economic impact was harder to measure. PAP handled this problem in two ways. The first was by grouping projects into special sectoral programs, such as agrarian reform, population planning and environmental protection. The second was by grouping projects by area, and creating five economic development zones.

The process of choice of special zones raised the second issue, namely whether to allocate resources on the basis of demand or need. The need to generate renewed economic activity as quickly as possible indicated a direction of resources to the more developed areas, where they would have the most immediate effect. On the other hand, the problem of large-scale poverty required that preferential attention be given to the more depressed areas. In a typical political decision, both concerns were ultimately addressed. One of the special zones, Calabarzon, was located just outside Metropolitan Manila, in one of the fastest-growing industrial areas in the country. Another special zone, in Samar, was located in one of the most depressed areas.

The over-riding concern was quick and substantial impact from the inflow of development funds, and the major constraint and contributing factors was seen as "the lack of well-prepared and viable project proposals available for donor funding. Two factors have contributed to this situation: the limited amount of funds available for feasibility studies and the lack of GOP [i.e. Government of the Philippines] capacity to identify and prepare projects."*

The same concerns, and assumed constraints, applied to the portion of this program directed at the private sector. (It should be noted first of all that the private sector component is very small. In terms of annual disbursements, the projects directed at the private sector probably account for only about one-tenth of ODA inflows. In particular, the PIF project has funding amounting to \$5 million as against a total annual ODA inflow of over \$2 billion from all sources.) The general goal was to mobilize private capital "to complement and help optimize public sector PAP investments." Specifically, the fund of \$5 million was set aside "for a private sector pre-investment facility to promote investment. This component will promote private investment in off-farm enterprises as well as on-farm

*USAID Project Paper for the PAP Support Project. Also the source for the quotations in the succeeding paragraph.

agro-processing or marketing enterprises by reducing pre-investment risk and assisting potential project proponents in identifying business opportunities and developing bankable projects."

The project would reimburse 50% of a proponent's study cost, up to a maximum grant of \$250,000 per study. Half of the reimbursement (25%) was to be made upon completion of the study, and half (25%) upon investment; if no investment was made, the second reimbursement would not be given.

B. Project Administration

The project implementor chosen by USAID for the PIF project is the Economic Development Foundation (EDF), a private foundation that for almost thirty years has been engaged in project promotion, management consulting and training. EDF traces its roots to the privatization of a government corporation, the Industrial Development Corporation (IDC), which was set up in the 1950s partly with USAID funding; and USAID continued to be represented on the EDF board until 1976. EDF has also maintained its formal and informal ties with the Philippine government. It has done several consulting projects for the government, and several of its officers have held high government positions up to cabinet level before or after their EDF service.

For the PIF project, EDF set up a special eight-person unit, comprising a home-based technical and administrative support staff and, as the operating arm, three project officers covering respectively Luzon, the Visayas and Mindanao. The tasks of these project officers are to promote the PIF; to guide the applicants through the application process and present their cases to the PIC; and together with the technical staff and the Program Implementor to review their studies and applications for reimbursement and present them for the decision of the PIC. As project manager and hence evaluator of the studies, Economic Development Foundation (EDF) was specifically prohibited from undertaking any of the studies itself.

The Project Implementation Committee (PIC) is chaired by EDF as project implementor; two private business chambers, the Philippine Chamber of Commerce and Industry and the American Chamber of Commerce of the Philippines; two Philippine government agencies, the Coordinating Council for the Philippine Assistance Program and the Department of Trade and Industry. USAID sits as an advisory, non-voting member. The most important operational function of the USAID member is to determine whether applicants fall under the categories eligible for USAID funding under U.S. laws.

III. INTERVIEWS WITH SELECTED BENEFICIARIES

The project implementor assigned a Project Officer to be responsible for soliciting and monitoring projects in each of the three major geographical divisions of the country, i.e. Luzon (outside of Metropolitan Manila), Visayas and Mindanao. There are also two nationwide projects, which were handled by the Luzon Project officer. These Project officers arranged interviews with beneficiaries in their respective territories, and the evaluation team was able to meet approximately a third of the 158 applicants who had at least completed their studies. In view of the shortness of the evaluation period, the applicants were selected for interview primarily on the basis of ready availability rather than as a scientific sample. However, a wide variety of enterprises in terms of size, sector and organization was encountered, and the range of interviewees was regarded by both the Project officers and the evaluation team as reasonably representative.

A questionnaire (reproduced as Annex C) was also distributed to beneficiaries, asking for their comments on factors affecting their investment decision, helpfulness of the PIF, and evaluation of how it was administered by EDF.

For the Nationwide Projects as well as Luzon, Visayas and Mindanao, two summary tables have been prepared. The first, Table III.A.1, on the timing of the projects, which shows by month the numbers of applications received, approvals by the PIF PIC, studies submitted, releases of first reimbursements (payable upon submission of studies) and releases of second reimbursements (payable upon initiation of actual investments). Corresponding figures under each column do not necessarily refer to the same project, but the time intervals are reasonably representative.

The second table, Table III.A.2, summarizes salient characteristics, comprising: products manufactured; cost of the projects, broken down into debt and equity; the PIF grant approved for each project; whether management is by the entrepreneur (or his family) or by professional managers; and who was the main consultant for the study.

For the Philippine projects, this chapter contains summaries grouped by geographic area; individual interviews are contained in Annex D.

Three U.S. proponents responded to the questionnaire and their answers are summarized in this chapter.

A. NATIONWIDE

It is interesting to note that the three nationwide projects are all from the telecommunication sector. Two out of three nationwide proponents were interviewed and said proponents are affiliated with one another which is acceptable under the PIF. As far as timing of application is concerned, the first application came in October 1990 and the other on February 1991. Both projects got approved in April 1991. It took them, however, about a year before the studies were submitted. First release came shortly after. In fact, for one project, the final release came exactly two months after first release.

As can be gleaned from Table III.A.2, the costs for both projects total P1,205,620, comprising less than half of the project costs of nationwide projects, whereas total PIF grants awarded amounted to P5,125,000, a little bit more than half of total PIF grants for the nationwide projects.

B. LUZON

Fourteen (14) proponents from Luzon were interviewed, representing 36% of the thirty-nine applicants who received grants. These proponents were located in Cavite, Rizal, Laguna, Pampanga, Bataan, Zambales, Marinduque and Palawan.

It could be gleaned from Table III.B.1, that there were four (4) applicants from Luzon that were received by EDF in 1990. The rest applied in 1991, bunching up about mid-year. The applications of the proponents were approved within 2.5 months on the average. Only one (1) project took 6 months, because of questions arising from their application. Submission of studies came as fast as a month from date of approved application to as long as eight (8) months. The disbursements were quite slow with only five (5) proponents having received their first release. This is partly due to the problems on what constituted allowable reimbursable expense. Only three(3) proponents have completed final reimbursements.

Table III. B.2 would show the varied sectors and project sizes of the proponents with project costs ranging from P5 million to P15,300 million. Among the projects were food processing, hot dip galvanizing plant, expansion of boat building and repair, manufacturing of steel billets and lead batteries, and expansion of tourist facilities. The total costs of the projects examined were P18,754.48 million. The project cost of a single firm, the expansion of tourist facilities, amounted to P15,300 million, which accounts for more than 80% of the total project costs for Luzon.

TABLE III.A.1
Timing of Nationwide Projects

		<u>Applications</u>	<u>Approvals</u>	<u>Studies Submitted</u>	<u>First Release</u>	<u>Second Release</u>
1990	July					
	August					
	September					
	October	1				
	November					
	December					
1991	January					
	February	1				
	March					
	April		2			
	May					
	June					
	July					
	August					
	September					
	October					
	November					
	December					
1992	January					
	February					
	March			1		
	April			1		
	May				1	
	June					
	July	<u> </u>	<u> </u>	<u> </u>	<u>1</u>	<u>1</u>
T o t a l s		2	2	2	2	1

TABLE III.A.2
Salient Characteristics of Nationwide Projects

<u>Project Name Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Manage- ment*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
1. Capitol Wire- less, Inc. - nationwide satellite com- munication network	730800	123200	854000	4972	E	in-house, foreign & local
2. Phil. Wire- less, Inc. - nationwide telecommuni- cations paging services	311622	40000	351622	153	E	in-house & local

TABLE III.B.1
Timing of Luzon Projects

		<u>Applications</u>	<u>Approvals</u>	<u>Studies Submitted</u>	<u>First Release</u>	<u>Second Release</u>
1990	July	2				
	August	1				
	September					
	October	1				
	November		2			
	December					
1991	January		1			
	February	1				
	March		2			
	April	1		2		
	May	1		1		
	June					
	July	1			1	
	August	6	1	1		
	September				2	
	October			1	1	
	November			4		
	December			1		
1992	January		1	2		1
	February		2			
	March					
	April					2
	May					
	June			5		
	July	<u> </u>	<u> </u>	<u>1</u>	<u>1</u>	<u> </u>
T o t a l s		14	14	14	5	3

TABLE III.B.2
Salient Characteristics of Luzon Projects

<u>Project Name and Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Management*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
1. Vulcan Industrial & Mining Corp. - quarrying & crushing of basalt rocks	26000	26000	52000	932	E	in-house
2. Vulcan Industrial & Mining Corp. - quarrying & processing of granite stones to blocks, slabs & tiles	46250	25000	71250	2747	E	in-house & U.S.
3. Asia Pacific Integrated Steel Corp. - manufacture of steel billets	80000	266908	346908	495	E	local & in-house
4. Speedway Industrial Corp. - hot-dip galvanizing plant	7750	12000	19750	408	E	in-house, local & foreign
5. Marinduque Quick Lime, Inc. - expansion of quick lime processing plant	6099	1525	7624	80	E	in-house & local
6. Seatrail Phil., Inc. - tourist resort for scuba divers	14000	6000	20000	707	E	local & in-house
7. Ces Craft Phil., Inc. - expansion of leisure boat bldg., repair & service facilities	5500	6600	12100	324	E	local

TABLE III.B.2
Salient Characteristics of Luzon Projects

Project Name and Description	Project Cost (in Thousand Pesos)			PIF Grant (in Thousand Pesos)	Management*	Main Consultant
	Loan	Equity	Total			
8. Asia Fruits & Nuts Int'l Ventures - processing of cashew nuts & oil	7000	3000	10000	229	E	in-house & local
9. Petrochemical Corp. of Asia Pacific - manufacture of polypropylene	2025000	675000	2700000	6531	E	in-house, local & foreign
10. 3000 Polystructures Systems, Inc. - pre-cast concrete processing plant	9000	3000	12000	271	E	in-house & local
11. Nagkakaisang Tribu ng Palawan - rattan poles processing	4000	1000	5000	131	E	in-house & local
12. Ternate Dev't. Corp. - tourist resort expansion	9180000	6120000	15300000	6679	P	foreign & local
13. Sinofoods Corp. - food processing	73920	24640	98560	672	E	in-house, local & foreign
14. Dai-Nippon, Inc. - manufacture of lead acid batteries	75000	25000	100000	470	E	in-house & local

*E = Entrepreneur or family member; P = Professional

In terms of grants approved, the total PIF grants awarded to proponents interviewed amounted to P20.677 million. The grants given also varied from less than P100,000 to over P6 million.

Most of the grantees interviewed made use of in-house capability and local consultants for their studies. Five hired foreign consultants as well.

Most of the firms are managed by the founders. Only one is managed by a professional firm.

C. Visayas Projects

Fifteen project proponents from the Visayas were interviewed, representing about 30% of the fifty applicants who received grants. These were located in Tacloban, Cebu, Bacolod and Iloilo, fairly representing the wide variety of Visayas locations. Cebu is the busiest industrial area outside Metropolitan Manila; Tacloban is relatively quiet and largely rural; and Bacolod and Iloilo are somewhere in between. The range of sectors and project sizes was also quite wide, with project costs ranging from one to nearly 500 million pesos, and products ranging from processed foods through electronics to cement.

The timing of the different phases of the projects (Table III.C.1) reflects the major operational problems encountered. PIF PIC approvals started being granted about five months after applications began to be received, reflecting the fact that in many cases the original applications were incomplete or had to be revised with the help of the Project officers. On the other hand, completed studies began to be received only two months after PIC approvals began to be granted. The reason is that often studies were already in progress, when approvals were given, and the effect of the PIF grant was to expand the scope and increase the depth of an ongoing study. First releases of reimbursements, representing 25% of the study cost, came in another two months after study completing because the documentation requirements for reimbursement, i.e. receipts, accounting records, etc., were quite extensive. The second reimbursement, payable upon implementation of the investment, followed after the relatively short period of two months, indicating that applicants were generally serious investors - at least two investments were actually initiated while the studies were still in progress.

The salient characteristics of the Visayas projects are shown in Table III.C.2.

TABLE III.C.1
Timing of Visayas Projects

	<u>Applications</u>	<u>Approvals</u>	<u>Studies Submitted</u>	<u>First Release</u>	<u>Second Release</u>
1990 July	2				
August					
September					
October					
November	2				
December		2			
1991 January					
February	2	1			
March		1	2		
April	2				
May		1	1		
June	1	1			
July	3	1	1	1	
August	2			1	
September			1	1	
October		2	1		
November		1		1	1
December		1			
1992 January				1	1
February			1		
March				1	
April				1	
May			1	2	
June			1		
July	—	—	—	<u>1</u>	<u>2</u>
T o t a l s	14	11^{a/}	9^{b/}	10	4

^{a/}Two more projects approved but date not recorded.

^{b/}One more study submitted but date not recorded.

TABLE III.C.2
Salient Characteristics of Visayas Projects

<u>Project Name and Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Manage- ment*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
1. Unex Industries - plastic jugs mfg.	n.a.	n.a.	5000	25	E	SNM Movers (Tacloban)
2. Leyte San Jose Ice Plant - expansion of facilities	1300	2000	3300	25	E	Runggiyan Foundation (Tacloban)
3. Alangalang Ceramics Prod. Assn. - manufacture of bricks	500	570	1070	25	E	Runggiyan Foundation
4. Rudy Negros Battery and Allied Svcs. - Fabrication of jeeps, windows & grills	1400	2600	4000	40	E	SNM Movers
5. Ricaza Trucking Svcs. - expansion of hauling bus.	10000	7000	17000	105	E	n.a.
6. DZR Porterage & Allied Svcs. - taxi & car hire business	n.a.	n.a.	4700	n.a.	E	n.a.
7. Grand Cement Mfg. Corp. - cement manufacturing	198500	271200	469700	1162	P	various
8. Best Buy Mart Inc. - marble processing	57000	25000	82000	1952	E	Belgian
9. Jeruchemie Phil. Inc. - expansion of pharmaceuticals	15000	5000	20000	279	P	AFA Group (Manila)

TABLE III.C.2
Salient Characteristics of Visayas Projects

<u>Project Name and Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Management*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
10. Victoria Food Products - expansion of food processing	3750	11250	15000	225	P	AFA Group
11. PEECI - manufacture of printed circuit boards	n.a.	n.a.	35000	591	E	Fuentes & Assoc(Cebu) & U.S. consultant
12. Shemberg Biotech - seaweed processing into carageenan	n.a.	n.a.	460000	5736	P	various
13. Sason Shop, Inc. - expansion of furniture manufacture	11000	5500	16500	250	E	Data Tech (Iloilo)
14. Q Designs Industries - expansion of furniture manufacture	6400	1600	8000	201	E	Data Tech

*E = Entrepreneur or family member; P = Professional

A great variety of products was manufactured, ranging from processed seaweed to electronic components; and size of the projects also varied widely, from a cost of just over P1 million to over P460 million. The total cost of all projects examined was P1.1 billion, but the two largest projects accounted for over 80% of this. Average project size was P76 million including all projects but if the two largest are excluded the average size drops to P16.27 million.

The grants approved also varied widely, from P25,000 to P5.7 million for one of the two major projects. This single largest grant accounted for more than half of the total grant awards of P10.6 million. A comparison of the total investment inspired by these grants is quite impressive with the ratio of investments to grants coming to more than 100.

Most of the firms continued to be managed by the founders or their families, with only four being managed by salaried non-family members. An interesting sidelight is that only one of the original entrepreneurs is business-trained. Typically, the others are engineers or technically trained persons with good knowledge of the product. The four professionally managed firms of course include the two largest projects. The other two are relatively small but are part of a large family-owned group of companies, and the professional manager is the same one in both cases.

Finally, and encouragingly, most of the studies were done by locally-based consultants, i.e. firms from Tacloban, Cebu or Iloilo. Only two studies were done by Manila-based consultants, with a further three utilizing foreign consultants for specialized aspects.

In addition to their general business operations, beneficiaries were also asked for personal comments about their investment decision and the PIF by questionnaire and interview, as noted above. In the case of the Visayas beneficiaries, the comments showed such a general similarity that it is useful to group them by topic rather than give the individual answers of each beneficiary.

With regard to the factors influencing their choice of investment and the help given by the PIF in this regard, none of the beneficiaries used the study in order to choose the investment. All of them had already decided on the investment project before undertaking the study; not surprising, because all but two of the projects involved expansion of an existing product line or diversification into a related product. The exceptions were the cement plant which purchased used U.S. equipment from Texas and transplanted it to the Philippines, and marble processing, both multi-million peso investments. But in both cases, the proponents had already studied the product

and decided on the investment area before applying for the PIF to complete their decision making process.

The timing of the investment was also hastened in every case by the PIF, especially for the smaller firms where the study was used to meet the requirements of the financial institutions from which project financing was being sought.

All beneficiaries found the study useful, but for significantly different applications. Support of financial applications was cited by all beneficiaries as an important use of the PIF. For the smaller applicants the project study was absolutely essential for this purpose alone; the larger projects found its usefulness mainly in enabling the expansion of specialized aspects of the study such as the technical or marketing aspect. The most extensive application of the studies was in the case of personal or family businesses where expansion required a more professional type of operation, especially since the founder/entrepreneur was usually not business-trained. The clearest examples are the furniture manufacturers in Bacolod and Iloilo, both exporters and both founded and managed by architects. The main strength of both of these is the high designing skills of their founders; but both said that the PIF-financed study opened their eyes to many requirements of professional business management. Both have implemented not only the investment required by the expansion but fundamental changes in business procedures, such as computerizing their costing.

All beneficiaries were satisfied with the way the PIF was administered, with regard both to the services rendered and their timing. Where delays were encountered, they were due to one of only two reasons: the slow performance by the consultant, and delay in securing government clearances, in particular the one for environmental impact.

In view of the general satisfaction, suggestions for improvement were few and generalized, for example suggestions for continuation and expansion of the facility. One beneficiary facetiously suggested a third reimbursement, covering a further 25% of the cost to reward proponents if their investment started showing a profit.

D. MINDANAO PROJECTS

Twelve proponents out of sixty-seven were interviewed in Mindanao which accounts for about 20% of total proponents. However, there were two offices that were interviewed, SyCip Gorres Velayo & Company (SGV) and the Department of Trade and Industry, since these offices represented several proponents for PIF assistance.

Table III.D.1 shows that the first application from Mindanao came in July 1990. More applicants started coming in as PIF was marketed by the DTI regional office and consulting firm in the South. One proponent was used as a showcase for Mindanao and said proponent had its application approved, study submitted, first and second reimbursements released within a period of five (5) months. In general, applications in Mindanao were approved within a fairly short period, less than two months from date of application. The speed by which studies were submitted to EDF depended on how much information they already had prior to undertaking the pre-investment study. As soon as these were submitted, it did not take long for them to get their first release. Some in fact got their releases less than a month from date of submission of studies. As of June 30, 1992, three of the proponents had received their final releases.

The projects from Mindanao as can be gleaned from Table III.D.2 ranged from agri-processing (manufacture of banana flour, fruit processing and mango processing), to expansion of furniture making facilities, fashion accessories manufacturing operations, to production of non-flat steel products and film-faced plywood production, etc.

Total project costs for Mindanao proponents amounted to P235 million, but the PIF assistance was a meager P2 million or less than 1% of total project costs.

About one-third of the grants went to pre-investment studies for two projects, namely, the manufacture of polypropylene and the production of non-flat steel products.

It should be noted that as of June 30, 1992, three projects in Mindanao received their final reimbursements and this amounted to P319,053 out of P1.8 million or 17% of total completed reimbursements.

Except in two cases, film-faced plywood and non-round steel, all the projects visited were/will be managed by the entrepreneurs themselves or members of their families. These include large projects like solar salt production and industrial lime production.

Most of the entrepreneurs in the small category are production-oriented, being well-based in the technical aspects of the business.

Among the projects visited, one hired a foreign consultancy group, and another hired a Manila-based group. All the others either used in-house capability or accessed the local SGV facility. In all cases in-house capability played an important role in the preparation of the feasibility study.

TABLE III.D.1
Timing of Mindanao Projects

		<u>Applications</u>	<u>Approvals</u>	<u>Studies Submitted</u>	<u>First Release</u>	<u>Second Release</u>
1990	July	1				
	August					
	September	1				
	October					
	November					
	December		1			
1991	January					
	February	1				
	March	1				
	April	1	1			
	May	1	1	1		
	June			1		
	July	2	2	1		
	August	4	1		1	
	September				1	
	October		3	1	1	2
	November			1		
	December		2	1	1	1
1992	January		1	1	1	
	February					
	March					
	April			1	1	
	May			2	2	
	June				1	
	July	<u> </u>	<u> </u>	<u>1</u>	<u> </u>	<u>1</u>
T o t a l s		12	12	11	9	4

TABLE III.D.2
Salient Characteristics of Mindanao Proponents

<u>Project Name and Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Management*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
1. Minda Int'l. - expansion of fashion accessories mfg. operations	8000	2000	10000	237	E	in-house & local
2. C. Alcantara & Sons, Inc. - film-faced plywood production	22500	7500	30000	275	P	in-house & local
3. Oro Factors- expansion of existing furniture making facilities	9600	2400	12000	279	E	in-house & local
4. Norman Enterprises - (cutflower production	3750	1250	5000	50	E	
5. M & A Trading - manufacture of banana flour	3500	1500	5000	50	E	
6. Alberto M. Soriano Mgt. Corp. - production of non-flat steel products	62850	20950	83800	345	P	in-house & local
7. San Andres Fishing Industries, Inc. - solar salt making	5000	10000	15000	181	E	local
8. PHELA Resources Corp. - industrial lime processing	10513	6685	17198	51	E	in-house & local
9. REMA Food Products - fruit processing	2400	600	3000	30	E	
10. Flush & Bloom Agro-ventures, Inc. - mango processing	12000	3000	15000	131	E	in-house & local

TABLE III.D.2
Salient Characteristics of Mindanao Proponents

<u>Project Name and Description</u>	<u>Project Cost (in Thousand Pesos)</u>			<u>PIF Grant (in Thousand Pesos)</u>	<u>Management*</u>	<u>Main Consultant</u>
	<u>Loan</u>	<u>Equity</u>	<u>Total</u>			
1. Autolife Automotive Repair Shop - fabrication of automotive body shell, specifically for jeepneys & pedicabs	3000	1000	4000	40	E	
2. Tony & Flora Ko Enterprises, Inc.- manufacture of polypropylene	28000	7000	35000	347	E	in-house & external

*E = Entrepreneur or family member; P = Professional

D. U.S. - BASED PROJECTS

Three out of the nine U.S.-based proponents had replied to the questionnaire. Since these ranged over both coasts of the United States, follow-up personal interviews, while they would have been desirable, were not conducted.

In total, the three projects had a planned cost of \$12.7 million, and annual sales at full operation at \$13.4 million, of which almost 90% would be for export. Total projected employment is 2,650, most of which consists of farmers supporting one agri-based project.

The most important reasons cited for the choice of project were knowledge of the product and site-specific advantages, such as availability of raw materials and suitability of climate; and the PIF was brought to the attention of the proponents by international conferences and other sources apart from EDF or DTI promotion.

All respondents were generally satisfied with the handling of their applications by EDF, although two cited delays in processing, due to time lags in communication; one complained of cumbersome USAID procedures.

Suggestions for improvement included separate organization and procedures for U.S. and Philippine proponents; and provision of project financing at low interest rates.

IV. EVALUATION OF PIF OBJECTIVES AND ADMINISTRATION

A. Project Objectives in the Philippine Development Context

One of the objectives of the official development assistance is to produce increases in trade and investment, and employment, in sectors and areas agreed by donor and recipient to be of high priority. For the portion of ODA that is directed toward government projects or toward policy reforms contributions toward this ultimate objective are difficult to measure. Construction of farm to market roads or simplification of business taxation or registration procedures will clearly increase output; but it is difficult if not impossible to estimate the extent and timing. This is of course because the incremental productive investments depend upon the response of the private sector to these government initiatives, and this response depends on many intangible factors such as investor confidence and attitudes to risk.

The USAID Mission strategy focuses significant resources in increasing the private sector's contribution to Philippine development. Resources are addressed towards direct assistance to the private sector to accelerate investment and trade and encourage small enterprise credit. USAID operates in the Philippines a Private Enterprise Support Office (PESO), which courses resources to the private sector through private sector implementing entities. There are five (5) PESO projects worth \$35.5 million.

Of these private sector programs, the PIF is the one most directly aimed at private sector investment response. As noted in Chapter II above, the basic explicit objective was to promote investment, and with the three sub-objectives of reducing pre-investment risk, identifying business opportunities, and developing bankable projects.

The model of private investors response assumed by these objectives has to be adjusted somewhat. The PIF grants did help in the third sub-objective, i.e. developing bankable projects: indeed, one universally cited use of the funded studies was that they helped in applications for loan financing. The contribution to the second sub-objective, reducing risk, was much smaller. The grants are very small in relation to the project cost, and for the projects that are proceeding toward investment, i.e. probably all but three or four of the ones approved for grants, the contribution to risk reduction was slight. It was, however, obviously significant in a negative way, for those proponents who decided not to proceed with their projects as a result of the study. Finally the PIF did not seem to make a significant contribution toward identifying business opportunities. All of the applicants had already decided on

their projects before application, and had usually identified the opportunities by their own efforts. In the few cases where contribution by an outside party to project identification was cited, it was usually friends of investor, or the promotional activities of the Department of Trade and Industry that provided the initiative.

The implementation of PIF was contributing to the goal, which was to mobilize private capital within a short period of time by establishing the feasibility of potential private sector investments. Out of more than 400 applications, there were 158 approved PIF applications or 158 potential investments. As of June 30, 1992, there were 35 actual investments made. Therefore, based on the USAID project paper, the logical framework target of 30 studies for non-farm industrial investments had been exceeded, whether on the level of potential or actual investments. The findings show that investments were being made at much faster pace than if PIF were not there.

B. Effectiveness of Administration

Operating procedures have developed and evolved over the life of the project. Three areas in particular may be mentioned: the role of the Project Implementation Committee, the tasks of the Project officers, and the criteria for prioritization of the applicants.

Under the terms of the USAID contract, EDF as project implementor is responsible for instituting the system for approval of applications, studies and reimbursements' and the PIC is specifically assigned only a broad policy-making function. In practice, EDF has assigned the approving authority to the PIC, so that the project staff's evaluations of applicants and recommendations for approval or disapproval of studies and applications for reimbursement are acted upon by the PIC.

With regard to the Project officers, it was originally envisioned that their work would consist primarily of promoting applications and reviewing the progress of successful applicants. In practice, they have had to do much more work for the applicants than originally envisioned, including even filling out the necessary forms for the applicants.

With regard to prioritization of project applicants, it seemed initially that criteria for prioritization would be adopted that correspond to the priorities of the Philippine Assistance Program, i.e. criteria based on both priority sectors and priority areas. However, the PIF project started at a time of economic slowdown, when it was important to generate investment quickly; moreover, since it was a new project,

applications at first came slowly and only after active solicitation. Thus the over-riding consideration became timing, with sectoral and area priorities secondary.

The criteria set by the PIF PIC in the course of operations were:

- (1) first-come, first-served basis;
- (2) project with the highest propensity for labor, or the employment factor;
- (3) investment outside Metro Manila;
- (4) neutral as to size, whether small, medium or large companies; but the project study had a reimburseable limit of \$250,000;
- (5) neutral as to source of equipment and technology;
- (6) equity could be all Filipino, joint Filipino-American or a third party could be included so long as the American equity is equal to or larger than the other foreign equity.

The PIC did not look into the criteria set before by BOI for measured capacity. According to BOI, for as long as the firm exports, there is no problem of capacity. As far as EDF is concerned, if the project is endorsed by BOI, so much the better, the PIF PIC approves the project.

In practice, the only area priority is that the project should be located outside Metropolitan Manila. The only sectoral priority is that the project should not be primary agriculture but should involve some processing. An additional constraint is that certain projects are excluded from USAID financing under U.S. laws, e.g. those competing with U.S. exports.

Additionally, some of the proponents, if not all, find it difficult to comply with the requirements, i.e. study design, etc. Therefore, to fast track applications for small projects costing P5 million and below, the PIF PIC established the Standard Eligible Study Cost Allowance or SESCA. Under this scheme, the proponents are no longer required to give comprehensive study design and detailed budget for the study. They would have to indicate, though, the major factors to be considered in the study. The eligible study cost is 2% of total project cost not exceeding P5,000,000 or P50,000, whichever is greater. On that basis, EDF may reimburse 50% of the SESCA or will award a minimum of P25,000 for the completed study.

It is also possible, however, that the project cost is more than P5 million but the proponents usually opted for SESCA because they wanted to get the funding immediately. It is not a unilateral decision on the part of the proponent to request for SESCA. The project officer has to examine whether the project is appropriate for SESCA or not. As a condition for SESCA approval, the proponents have to submit proofs of actual payment as support for their claim and then a copy of the study is retained by the project implementor.

However, conditions have changed in the course of the project's life. At the time of this evaluation of the PIF, marketing of the PIF no longer seemed to be a problem, and a substantial backlog of applications had developed. For future operations, therefore, it would be possible to exercise more selectivity in the prioritization.

The EDF staff still needs clearer guidelines as to whether projects would qualify for reimbursement or not and when proponents are seeking reimbursements, what criteria to apply.

The usual problems that the PIF staff and PIC encountered with respect to the studies were on:

- (1) in-house costs wherein sometimes CEO's salary were considered part of costs;
- (2) travel expenses, i. e. in some cases travel costs were out- of-proportion to total project needs;
- (3) concept of modernization vis-a-vis rehabilitation.

V. EVALUATION OF PIF RESULTS

A. Aggregate Results

As of June 30, 1992, the entire PIF fund had for practical purposes been awarded. The total awards of P128.7 million in fact exceeded the total fund which amounted to P112.3 million at the exchange rate then prevailing, though the difference was more than offset by de-commitments amounting to P28 million. However, the available excess will be used up by projects already in the pipeline.

As stated earlier, out of more than 400 applications for PIF assistance, 158 applications were approved or there were 158 potential investments. As of June 30, 1992, there were 35 actual investments made. Therefore, based on the USAID project paper, the logical framework target of 30 studies for non-farm industrial investments had been exceeded, whether on the level of potential or actual investments.

Analysis of the aggregate figures reveals two major issues. The first of these concerns the nature of future operations. As the interviews with beneficiaries reported in Chapter III have shown, there is a considerable time lag between the various stages of implementation. This is confirmed by the aggregate figures, as shown in Table V.1. Although, as noted, the entire PIF fund has been awarded, as of June 30, 1992 less than a third of the awardees had been given their first reimbursements, payable upon submission and acceptance of the study; and the amounts reimbursed covered only 6.9% of the total fund. For the second reimbursement, payable upon actual investment, recipients represented only 5.6% of the total number of projects and less than one and a half percent of the grants awarded.

This means that work covering almost 95% of the total number of awarded proponents will be concentrated over the remaining project life of the PIF, and the nature of the work will mainly involve the confirmation of compliance with the award conditions. Of the compliance issues, the most difficult has been the one of defining what constitutes actual investment. In practice, the PIF PIC has accepted various definitions, including opening of letters of credit for importation of machinery, approval of bank loans, and others. But the question of definition remains open.

The second major issue refers to possible limitations on the size of eligible projects. Table V.2 shows some characteristics of the approved projects grouped according to size. The P20-P100 million size grouping was suggested by Trade and Industry UnderSecretary Tomas Alcantara during the meeting reported in Chapter VI but this was not openly endorsed by DTI Secretary R. Navarro.

TABLE V.1
AWARDS AND REIMBURSEMENTS
As of 30 June 1992
(Percentages in Parenthesis)

	<u>No. of Projects</u>	<u>Amounts in Millions</u>
Awarded	158 (100.0%)	P128.7 M (100.0%)
First Reimbursement	47 (29.7%)	9.0 M (6.9%)
Second Reimbursement	9 (5.6%)	1.8 M (1.4%)

TABLE V.2
PROJECT COST, PIF GRANT AND RATIO BY SIZE OF PROJECTS
 (Amounts in million pesos; percentages shown in parenthesis)

	(1) No. of Projects	(2) Total Project Cost (Planned)	(3) Total PIF Grant	(4) Ratio of Project Cost to Grant
Grand Total, all projects	158 (100.0%)	P70,075.6M (100.0%)	P128.7M (100.0%)	544.4
Less than P20 million	93 (58.8%)	801.3M (1.1%)	10.0M (7.8%)	79.8
P20-100 million	40 (25.3%)	2,266.7M (3.2%)	34.1M (26.5%)	66.5
Over P100 million	22 (13.9%)	67,007.7M (95.6%)	82.2M (63.9%)	814.8
Of which:				
Over P1 billion	9 (5.6%)	60,200.0M (85.9%)	39.7M (30.9%)	1,514.3
Over P10 billion	2 (1.3%)	29,300.0M (41.8%)	12.8M (10.0%)	2,279.1

As the table shows the overall ratio of planned investments to PIF grants is quite impressive at over 500 times; but most of this investment is produced by the very large projects. The 22 projects with project costs of over P100 million among them produced over 95% of the investment; the nine projects with costs of over P1 billion accounted for more than 85% of this; and the two projects costing over P10 billion had almost 42% of the total project cost for all projects. These very large projects had the most impressive ratios of investment to PIF grant, amounting to over 2,000 in the case of the two largest projects. If the objective is simply to promote the largest investment per dollar of grant, then the funds should be directed toward the very large projects. However, these ratios also suggest that the very large projects do not really need the grants. The grants are such an insignificant portion of project costs that the amounts could probably readily be generated internally or from other, non-concessional sources.

The investment-to-grant ratios are much smaller for projects costing below P100 million and, perhaps significantly, lower for projects in the "medium sized" P20 to P100 million range than for the smaller projects costing below P20 million. This suggests further attention, perhaps leading to some preferential treatment, for projects in this middle range.

As to actual investments made, Annex B-2 shows that P1,234 million or \$54 million was invested as of June 30, 1992. The ratio of actual investments to PIF grants was over 48 times.

In order to accommodate more and assist smaller investors, it is recommended that the local government units participate in the PIF by allocating a part of their development funds for this purpose. We know that only those investments within their political boundaries can be supported under this scheme unlike the national scope of the PIF. But if many LGU's will participate, then the coverage will be just as wide.

The Evaluation Team believes that it is important to expand the resources of the PIF by enlisting the support of LGUs, the Small and Medium Enterprise Development Council and the Small Business Guarantee and Finance Corporation so the facility can be continued in the future.

Another aspect of the PIF discussed with the Department of Trade and Industry is the partial focus on the implementation of the Foreign Investments Act (FIA). There are a number of unknowns with reference to this new Investments Act. The FIA might attract more non-American investments and, therefore, non-eligible. The minimum investment is \$500,000 and this might discourage small and medium investors. The big investors will

generally not need the PIF and, thus, the Evaluation Team is unsure that allocating a portion of the PIF for the investors under FIA is a good move at all.

B. Employment

Perhaps the most important ultimate objective of the PIF is to contribute to the generation of employment. Unfortunately, in view of the time constraints, it has only been possible to estimate the contribution to this objective partially and indirectly.

This is because of the procedures used by EDF to maintain confidentiality. The most crucial element in the promotion of the program has been the commitment to maintain confidentiality, because obviously any private project proponent will require careful treatment of data that might prove useful to a competitor. For this reason, EDF does not retain file copies of the project studies, returning all copies to the project proponent after approval; compiling complete employment data would, therefore, have required contacting every approved proponent.

However, the evaluation team did request figures on projected employment from the proponents in the questionnaire and more than 40 or almost 30% of the total proponents, provided these figures, which are shown in Table V.3 below.

TABLE V.3
Projected Employment in Selected Projects

	Employment	Project Cost (in Million Pesos) (Planned)
1. Asia Rattan Mfg. Co., Inc. (AWECA)		51.500
2. Marsman Drysdale Corp.	340	105.840
3. Transfarm & Co., Inc.	500	200.000
4. Tribal Filipino Apostolet- (NATRIPAL)	511	5.000
5. Agusan del Norte Fed. of Mango Growers, Inc.	26	4.735
6. Sto. Nino Peacemakers Integ. Dev't. Cooperative, Inc. (Pagadian City)	28	1.885
7. Alangalang Ceramics Producers Association, Inc. (Leyte)	25	.730
8. Daniega Marble Co.	32	12.826
9. Magallanes Food Products Corp. (Butuan City)	74	6.000
10. Liloy People's Integrated Cooperative, Inc. (Zamboanga del Norte)	8	2.000
11. Santiago's Fibercraft	200	1.150
12. John Lyn Footwears (Zamboanga)	18	1.021
13. Capricorn Mfg. (Northern Samar)	21	3.290
14. Vulcan Ind'l & Mining Co.	26	31.233
15. Jayvi Marketing (Tarlac)	20	13.879
16. AMS Steel Corporation	69	51.595
17. International Food Snack Corp.	35	19.731
18. Melice Trading	600	5.000
19. 3000 Polystructures Systems, Inc.	100	9.164
20. Ternate Development Corp.	6,000	8740.750
21. Petrochemical Corp. of Asia Pacific	200	2950.000
22. Philippine Wireless, Inc.	288	100.000
23. Asia Fruits & Nuts Int'l Ventures	32	5.883
24. Seatrail Philippines	37	24.000
25. Dai-Nippon, Inc.	41	59.085
26. Sinofoods Corp.	117	80.551
27. Speedway Industrial Co., Inc.	20	10.000
28. Philippine Bio, Inc.	500	20.000
29. Bouquet Management Corp.	60	145.000
30. Surigao Metal Worker's Coop.	60	37.500
31. Libra Printhouse, Inc.	20	1.500
32. Grand Cement	700	800.000
33. Meralco	115	8750.000

cont.

TABLE V.3
Projected Employment in Selected Projects

	Employment	Project Cost (in Million Pesos) <u>(Planned)</u>
34. Oversea Agri-Aqua Int'l Dev't Corproation (Cebu)	100	100.000
35. Capwire	170	300.000
36. Celebes Agric'l Corp.	38	40.000
37. Southland View Trading	29	6.236
38. Modernoel Agri-Chem Mfg. Industry	325	4.200
39. Agwest Resources/Dole Asia	2,100	222.500
40. Heal Partnership	300	87.500
41. Phillips Foods, Inc.	<u>250</u>	<u>6.875</u>
T o t a l	<u>18,207</u>	<u>23,018.159</u>

Exchange Rate used \$1 = P25

These show that the responding firms which have a total project cost amounting to 32.9% of all proponents' costs, will generate a total of 18,207 jobs. Assuming that their average ratio of project cost to jobs is representative of all firms, the total number of jobs to be generated would be over 55,000. However, as the table shows, the ratio of project cost to employment varies very widely, and this estimate should be treated with some reservations.

C. Geographical and Sectoral Breakdowns

As indicated in the PIF Performance Report as of June 30, 1992, there were 158 investment projects approved with total PIF assistance amounting to P128.71 million (See Annex B for the Summary Tables).

Most of the projects approved for PIF assistance were on the manufacturing and processing (both agri-based and mineral processing) sectors. They accounted for P40.68 M or 31.6% and P44.37 M or 34.5% of total grant, respectively. The two sectors alone registered 66.1% of total grant. Pre-investment studies for tourism facilities totalled P21.11 M or 16.4% while industrial estate had a minimal P5.64 M or 4.4% of total grant. Noteworthy is the pre-investment study grant to the utilities sector which amounted to P16.91 M or 13.1% of total PIF grant, of which power generation and telecommunications accounted for almost 90% of grants to the sector.

As far as distribution of PIF grants by island grouping, Mindanao had the most number of project approvals at 67, followed by Visayas, 49, and then Luzon, 39. There were 3 investments with nationwide application. However, while Mindanao had the largest number of approvals, in terms of PIF grants, the inverse is true. Luzon had P47.51 M or 36.9% of total grants, Visayas had P41.63 M (32.3%) and Mindanao had only P29.71 M (23.1%). This goes to show that the large-scale projects were generally located in Luzon whereas the majority of the small and medium scale projects were in Mindanao as is reflective of the general economic environment of the country.

On a regional basis, projects in Region IV received the most PIF assistance amounting to P33.651 M followed by Region VII with P30.057 M. Region I had the least with only P0.718 M in study grants. PIF beneficiaries clustered in Regions IV (19 beneficiaries), VII (21 beneficiaries), VIII (17 beneficiaries), IX (24 beneficiaries), X (18 beneficiaries) and XI (23 beneficiaries).

As to project size, 99 out of the 158 projects or about 63% of total projects, were small and medium, costing not more than P25 million. But in terms of assistance, they got only P14.52

million or about 11.3% of total grants. About 64% of total PIF assistance went to projects worth more than P100 million.

Philippine-based proponents, numbering 149, largely made up the approvals under review; but they averaged P0.70 million in PIF grants. On the other hand, the U.S. based proponents numbered 9, and obtained about P2.62 million in study grants on the average.

As of June 30, 1992, a total of P10.88 million in reimbursements had been released to PIF proponents. Forty-seven (47) proponents had received their first reimbursements for the completion of their pre-investment studies while nine (9) proponents had satisfied the requirements for final reimbursements. All nine proponents implemented basically small and medium scale projects. The absence of large scale projects appeared to have resulted in difficulty in obtaining environmental clearances that are normally required for project implementation. Total releases accounted for 8.5 % of the award.

Based on reports that have been verified so far by the PIF staff, the PIF was able to assist in the actualization of P1.2 billion in investments. Among them are the Grand Cement Manufacturing Corporation, Seaweed Processing of Shemberg Biotech Inc., and Concrete Aggregates of Vulcan Industrial and Mining Corporation.

The total available grant to date amounts to P8.27 million. This is largely due to the de-committed awards resulting from cancellation and under-utilization of grants. Cancelled grants totalled P18.3 million while unutilized awards amounted to P11.7 million. The de-committed amounts were in turn used to fund applications approved subsequently by the PIF PIC. This explains as well why the total award exceeded the total grant fund by as much as 20%.

To date, there are 48 waitlisted applications for PIF assistance, with potential investment of P6.6 billion. Approximately P50 million will be required to support their pre-investment studies.

In nearly all projects visited the proponents would have proceeded even without PIF. But many accelerated their plans with the advent of PIF. They had identified their respective opportunities in varying degrees of clarity, being clearer in expansion projects and less clear in unlinked diversifications. Some admitted taking PIF either as a subsidy for the pre-investment portion of the enterprise or as a discount for an upgraded study.

In any case, the facility was a clear plus in their investment schedule in terms of the quality of the studies and timing of their investment commitment.

Four projects stand out with large social multipliers:

1. Seaweed processing. When fully operational, this plant will produce 20% of the world requirement for the seaweed product carageenan. With this scale of production, it will support over 30,000 seaweed farmers.
2. Banana and cassava flour. The suppliers of raw materials are all smallholders. Even the Cavendish banana chips suppliers were smallholders, although they obtained their raw materials, reject bananas, at no cost from a nearby banana plantation.
3. Solar salt. Many local small municipal fishermen and homeyard processors are expected to benefit from the regular supply of salt at an expected lower cost.
4. Cut flower. Production is being undertaken by cooperatives.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Inputs from Concerned Parties

Besides the PIF beneficiaries, the evaluation team conducted interviews and consultations with all other parties involved in the PIF, including USAID, the PIF PIC, EDF as project implementor, and the Philippine government. The Evaluation Team was able to arrange an open-ended private conference with Secretary Rizalino S. Navarro, the newly appointed Secretary of Trade and Industry, his UnderSecretary Tomas Alcantara, and their PIF PIC representative Director Lucita P. Reyes with Bruno Cornelio Jr., the Chief of the USAID Private Enterprise Support Office and Dario Pagcaliwagan, Project Manager. The inputs from concerned parties are summarized below.

Beneficiaries. All beneficiaries interviewed were highly satisfied with the administration of the PIF. Where there were delays in implementation, these were from forces outside the PIF process. Three reasons were cited: delays of the consultants in completing the studies or supplying other requirements; delays in securing Philippine government clearances, especially the one for environmental impact; and in the case of some Mindanao projects, problems in communication with Manila. For this reason the Mindanao proponents suggested the opening of regional offices where the PIF Project officers could be based, a suggestion also made by some Visayas proponents. The beneficiaries generally felt that prioritizing of applications was not necessary, and thought the present open system should be continued; in this they may have been influenced by the fact that several have outstanding applications for follow-on projects. Other than these, as previously noted, the beneficiaries were pleased with the project and made only generalized, favorable comments, recommending the continuation and expansion of the facility.

USAID. The PESO chief and his Deputy agreed that the PIF was well administered, noting that they have received only four or five complaints out of over 400 applications. These were all investigated by USAID as a matter of policy, and cleared up to the satisfaction of all parties concerned. They also agreed that the PIF should be expanded, and had in fact made active efforts to interest other international donors; if these efforts were to prove successful, they thought it would be appropriate for the present project manager to handle these as well, "selling their expertise" to other donors. Finally, now that a market for the facility had been developed, they thought that there could be more selectiveness and directiveness toward future applicants. In particular, they thought that a follow-on project could be directed more closely to support the Foreign

Investments Act. The additional \$5 million for a PIF II is currently under consideration.

PIF/PIC. The PIF Project Implementation Committee agreed that there could be more prioritizing of future applications and suggested the use of the investment priorities of the Board of Investments. They thought the project was well administered, especially in view of the limited staff and heavier than anticipated workload. One of the few specific criticisms was directed at the acceptance of "rehashed" studies, previously prepared for other purposes and accepted for reimbursement under PIF with only slight revision, but noted that this was tolerated in view of the priority initially given to timing.

EDF. The project staff complained about the heavy workload: essentially three project officers had to divide over 400 applicants among them and cover every aspect of the applications; they thought a back-up for each of them would be appropriate. The EDF president favored the expansion of the PIF to fold in other ODA donors and had himself made some efforts in this direction. He thought a follow-on project should be more directive of investments into priority sectors and it should also make more effort to attract U.S. investors and joint ventures.

Philippine Government. According to some government officials, the PIF should be continued but the second tranche should be selective, as far as opening the grants. They noted that there was a bias for big proponents. They would like this changed. A suggestion was made to have two hoppers, one for the big and another for the small; or while the big ones could be assisted, there should be a lower limit for them.

It was further suggested that medium and medium-large firms be given attention, because there are enough assistance from government for cottage or small firms, while the large ones have access to funding, and information for them is better than the others.

Another point raised was the need for firms to modernize. Firms should consider that possibly as a joint venture, because one needs so much capital to modernize.

As far as location is concerned, DTI favors going on the basis of demand rather than need. It was further noted that fund support is shrinking and therefore it would be good to have other donors join in.

Lastly, the idea of tying up the facility with FIA and its areas of increased openness for foreign investment and technology transfer, was one that was agreed to by DTI. On the other hand, there is very little experience with the new Foreign

Investments Act so the fund allotted for the FIA might not be effectively utilized.

B. Recommendations of the Evaluation Team

Our findings and recommendations may be summarized as follows:

1. One of the aims of ODA is to promote trade and investment and, hence, employment and development; the PIF is a very effective and efficient way to do it, and should definitely be continued in practically the same form and expand the resources by enlisting the support of local government units and the Small and Medium Enterprise Development Council and its operating arm, the Small Business Guarantee and Finance Corporation. The ratio of anticipated project investment to the PIF grants was over 500 times on the average and over 800 times for large projects costing over P100 million. Actual investments as of June 1992, was P1,234 million or \$54 million. The ratio of actual investments to PIF grants was over 48 times. Although the beneficiaries say that they would have undertaken the proposed investments within a longer time frame even without the PIF grant, all of them said the PIF contributed significantly to improving their studies and crystallized the timing of their investment decision immediately. Thus, PIF may be considered to have contributed significantly to the mobilization of capital for a relatively small outlay.

2. The targets of the PIF were investors who were waiting, or have held their investment decision to proceed. As such, all the beneficiaries had already decided on their specific projects before applying for the grants. Investors felt that the assistance provided by PIF contributed significantly to the soundness and timing of their investments and had favorable effect to their entire business operations. Since they had already chosen their projects, there is the important advantage that the investments decisions came very quickly after the grants were approved.

3. The PIF has been effectively marketed in the Philippines, and it is now possible to be more selective about the applicants. This was not true at the beginning. The facility was initiated at a time of slackening economic growth, when it was important to generate investments quickly, and as a new program, it required much initial promotion. Thus, the overriding initial priority was timing, with priorities based on selected sectors with geographic area as secondary. However, PIF is now so well-known, and has inspired so many recommendations from satisfied beneficiaries, that a backlog of applicants has developed, and more definite prioritizing of future applicants can be done to focus on the new foreign

investments and/or joint ventures attracted by the new Foreign Investments Act if the investors are qualified under the present criteria.

4. The particular choice of priorities, however, is still an open question. It seems clear that the GOP believes there should be some limitation by project size since applicants with project costs over P100 or \$4.3 million can either do their studies by themselves, or have ready access to other funding sources. But the private sector sees no need for this restriction. Apart from this, however, one of the important reasons for the success of PIF is that the funding has been allocated on the basis of demand rather than need, i.e. accepting applicants with very few restrictions as to sector or location. Because of the present backlog of applicants and the relatively small size of the fund, it should be possible, all other factors being equal, to give priority to applicants meeting certain criteria. The choice of priorities is very much an open question, ultimately to be decided by the donor agency. After all the factors are considered, the basic recommendations of the Evaluation Team on this matter is to continue with the present PIF criteria. The others who may not be accommodated by PIF could probably be assisted by recommendation number 6. On the other hand, focusing on the 1991 Foreign Investments Act might result in some delays, because we have no idea of the types and nationalities of investors. Timing of investments is still the important factor.

5. PIF may be regarded as an investment services intermediary. Linkages may therefore be explored to improve its efficacy as an intermediary, and these can occur at either resource or delivery end.

At the resources end, we distinguish between external and internal. The external comprise: 1) USAID itself, e.g. Private Investments and Trade Opportunities-Philippines (PITO-P), The Agribusiness Systems Assistance Program (ASAP), Small and Medium Enterprise Credit (SMEC), Philippine Capital and Infrastructure Fund (PCIF) and the Small and Medium Enterprise Loan Guarantee Program. These projects provide both resources as well as clients/beneficiaries; 2) Other bilateral ODA, e.g. Australia, Canada, Japan and Germany; 3) Multilateral ODA, e.g. the International Finance Corporation (IFC), the Asian Finance and Investment Corporation (AFIC), and Asian Development Bank (ADB). The internal consist of: 1) national government, e.g. DTI, DA, DENR and DOST; 2) Local government units, particularly the offices of the provincial governor and city/municipal mayor. Both national and local governments may refer clients as well as resources.

The US/RP Business Committees, the American desk at the Board of Investments under the American Chamber of Commerce and Industry (AmCham), the US/Foreign Commercial Services are linkages already in place.

At the client/beneficiary end, we again distinguish between private and public entities. Private entities include Philippine Chamber of Commerce and Industry chapters, Filipino Chinese Chamber of Commerce provincial chapters, Bankers Association of the Philippines provincial chapters, and Regional and Provincial Agriculture and Fisheries Councils. Public include the USAID-assisted PITO-P, ASAP, etc. and national/local government agencies already mentioned.

Using these linkages for identifying entrepreneurs may enable PIF to meld demand and need since there will be a better likelihood that the identified candidate entrepreneurs are exploring areas acceptable to the private sector and therefore filling felt needs in the private sector.

6. Besides the above, there are many possibilities for sustaining and expanding the PIF; these should be systematically explored. There have been many suggestions from both private and government sources, including opening permanent regional offices in the Visayas and Mindanao; creating a fund from various sources, to provide steady income for operations; and actively soliciting additional funding from national and local governments, from private chambers and foundations and from international sources, both bilateral and multilateral. The present project implementor, EDF, has developed an organization and procedures that work well and could readily be expanded.

7. Follow-on Project. The present implementor has developed an organization and a set of procedures that are working well and can readily be expanded if necessary. For a possible follow-on project, the evaluation team's recommendation is to stay with basically the same formula, including SESCA approvals, with a few relatively minor changes in orientation, as follows:

- a. Monitoring - one important question that has not been completely answered, simply because the new projects have not been in operation long enough, is how much actual investment has resulted from PIF. Addressing this would involve monitoring the PIF grantees for a further year or two after the second reimbursement, which is a different set of activities from the promotion and project assistance that have been the PIF implementor's main concern, and might require the creation of a separate organizational unit.

- b. Foreign investment - one of the contemplated objectives of the follow-on project to PIF is support of the Foreign Investments Act. The responses of the U.S.-based PIF beneficiaries suggest that some foreign proponents may have a different set of problems from domestic proponents. One U.S. beneficiary was planning an expansion of an already existing Philippine operation and such projects can be treated the way the existing domestic projects have been handled. But other U.S.-based projects were in a much earlier stage of the investment decision process: one of them, for example, intended to use the pre-investment study to interest possible investors. The Evaluation Team believes that many, if not most, of the foreign investors who respond to the Foreign Investments Act would be of the latter sort, i.e. requiring help in promoting prospective investment rather than solving operational problems connected with already decided investments.

If this is the case, and if, as previously recommended, PIF stays with the present successful formula, then a separate unit should be formed to deal with such prospective foreign investors. Evaluation of their proposals would take longer than domestic proposals and the time lag between acceptance of the study and the actual investment would also be much longer if actual investment takes place at all. In short, the nature of the activities involved in support of FIA is so different from the present PIF formula that not only a separate organizational unit but even a separate funding source should be considered.

- c. Sectoral priorities - one important reason for the success of PIF has been the almost total absence of restrictions on acceptable and investment sectors, apart from location outside Metro Manila and not being in primary agriculture. Now that there is a backlog of applications, there has been some discussion of defining priority investment sectors, by various criteria. The Evaluation Team does not agree with this proposal; the only additional acceptance criterion we would recommend is possibly one restricting project size to P100 million and below. This would mean sacrificing the extremely large projects but the small and medium projects seem to have more need and find better use for the PIF.

SECTION C

STATEMENT OF WORK

A. Title

Evaluation of the Pre-Investment Facility Component of the USAID Philippine Assistance Program Support Project.

B. Project Information

Authorization: January 20, 1990

Authorized Funding Level: \$6 Million

USAID Cooperative Agreement No.: AID 492-0452-A-00-0024-00

Project Assistance Completion Date (PACD) : January 29, 1993

C. Background

The Philippine Assistance Program Support (PAPS) Project aims to provide assistance to the Government of the Philippines (GOP) to develop and implement high priority development projects under the Multi-lateral Philippine Assistance Program (PAP). PAP is expected to attract substantially increased private sector investments by facilitating the adoption of a favorable policy climate and improved infrastructure support.

The Pre-Investment Facility (PIF) Component of the PAPS Project is intended to help mobilize private capital by establishing the feasibility of potential private sector investments. PIF is designed to promote private investment in off-farm enterprises, as well as on-farm agro-processing or marketing enterprises, by reducing pre-investment risk and assisting potential project proponents in identifying business opportunities and developing bankable projects.

Technical services financed under PIF could include full-scale feasibility studies or portions thereof- e.g. environmental assessments, market research, product research or development, natural resource surveys, among others. Other project development costs to prepare a project commercially or financially, prior to investment, are also eligible for assistance.

The Economic Development Foundation (EDF) entered into a Cooperative Agreement with USAID effective from January 30, 1990 to January 29, 1993 to establish and administer PIF activities.

EDF responsibilities include soliciting participation, screening proposed projects, and monitoring the progress and results of feasibility studies.

A PIF Board of Review constituted by EDF formulates general policies for PIF operations including the establishment of guidelines for eligibility to participate and for the co-financing of studies.

The Board is composed of representatives from the Philippine Chamber of Commerce and Industry, American Chamber of Commerce of the Philippines, Department of Trade and Industry, Coordinating Council of the Philippine Assistance Program, and the Economic Development Foundation.

D. Objectives

The evaluation shall have the following objectives:

1. To review actual versus planned progress toward the outputs, purpose and goal of the project;
2. To assess and document factors accounting for the Project's success or failure to meet project objectives;
3. To propose solutions to problems affecting implementation, if any; and
4. To provide recommendations about future (supplemental) funding or design modifications, within the current life-of-project (LOP).

The results of the evaluation will be provided to both USAID and the implementing agency/grantee (the Economic Development Foundation).

The evaluation team recommendations may also be important in the identification of further policy issues for resolution and for the design and management of a follow-on project to PIF component of the PAPS project.

E. Tasks

The Contractor shall be responsible for the provision of technical and administrative services required for the evaluation of the Pre-Investment Facility Component of the USAID Philippine Assistance Program Support Project.

1. Evaluation Questions

The evaluation will investigate two areas:

- (a) implementation process and results to date, and
- (b) magnitude and sustainability of the development results.

The evaluation will seek answers to the following questions, among others:

- (a) To what extent is the project attaining its stated purpose and objectives?
- (b) Was the project designed in a manner appropriate to permit effective implementation?
- (c) What modifications to the present project are required to improve the efficiency and impact of the PIF project?
- (d) Were project objectives attained?
- (e) Did PIF provide additionality?
- (f) To what extent is the expectation of sustainability a feasible objective?
- (g) Is PIF an effective delivery mode for small, medium private enterprises?

The study will also focus on:

- (a) the performance of EDF, under the terms of the Cooperative Agreement with USAID;
- (b) the performance of PIF Board;
- (c) the performance of USAID/PESO and other USAID offices;
- (d) other factors as will be identified by the contractor.

Other issues to be evaluated will include the following:

- (a) the consistency of goal/purpose of PIF as established in the Project Paper, with the implementation policies adopted by the PIF Board.

This will allow an assessment of whether Board's policies were "supportive or developmental" as compared to "regulatory" in orientation.

- (b) the criteria established for: (a) accepting applications; (b) the selection of PIF participants, including those with more than one application, (c) accepting "in-house" costs as eligible costs for PIF funding; (d) the determination of "investments" in relation to the disbursement of the second 25% tranche;
- (c) the development implications: how private sector firms were assisted, how many jobs were created, how the financial/capital markets, new markets, etc. were affected.

2. Methods and Procedures

The Contractor shall perform the following tasks:

- A. comparing the anticipated inputs/outputs identified in the Project Paper with the actual results to date;
- B. identifying successes, and failures encountered during project implementation;
- C. consolidating the findings in a manner that will assist USAID in the design and management of a PIF follow-on project.

The main methods for collecting data will be through sample surveys, interviews, and other rapid, low cost approaches.

3. Indicators

The contractor will conduct sample surveys to assess the magnitude of relevance, efficiency, effectiveness, and impact of PIF. The contractor will formulate performance indicators and using these, conduct research, develop case studies for analysis, and describe findings. Indicators will include actual investments made that are attributable, in part or in whole to PIF, and the increased incomes arising from expanded employment from these investments.

It is anticipated that the primary data base prepared by EDF will be extensively used.

These data include: status reports indicating the profile of applications in terms of number of applications received, and reviewed; sub-grants approved, amounts disbursed for first/second tranche; sectoral/geographic distribution of approvals; types of investments supported; and size of firms assisted.

4. Case studies

As appropriate, the contractor will develop a series of illustrative cases for categorizing experiences and drawing relevant generalizations.

The cases will focus on salient aspects of implementation identified by the EDF and USAID.

5. Team Composition

The Contractor shall provide the following team of specialists who will perform the required services:

- o One team leader, who is well versed in the conduct of project evaluation. He/she will hold (at a minimum) a master's degree in the social sciences and have at least 10 years practical experience related to the preparation, management, and/or assessment of projects funded for development assistance. He/she will also possess extensive knowledge of the Philippine investment environment;
- o One social scientist, who has at least a master's degree in the social sciences and 5 years practical experience related to social research/quantitative analysis;
- o One economist/investment analyst, who has at least a master's degree in the social sciences, management, or administration, 5 years practical experience with development projects involving Philippine investments.

6. Contractor's staff support, administrative and logistic arrangements

The Contractor shall also be responsible for all administrative and logistic arrangements under this contract.

F. Relationships and Responsibilities

The Contractor shall receive technical directions from the office of Mr. Bruno Cornelio of the USAID/Philippines' Private Enterprise Support Office.

The Contractor shall coordinate his activities with Mr. Gil Garcia who is the PIF Project Officer at the Economic Development Foundation.

G. Reports and Deliverables

The Contractor shall arrange briefing sessions with USAID to inform the latter on progress and status of evaluation activities.

The Contractor shall also arrange submission dates for the following reports:

1. Contractor's draft Evaluation Report for USAID's review and approval.
2. Contractor's final Evaluation Report for USAID's review and approval.

The draft and final reports will conform with AID required format for evaluation including the following sections:

- Executive Summary
- Table of Contents
- Body of the Report
- Appendices

**DISTRIBUTION OF PIF GRANTS
AND POTENTIAL INVESTMENTS**

By Economic Activity
(amounts in million Pesos)
As of 30 June 1992

Activity	No. of Projects	Potential Investment	PIF Grant
Mineral Processing	16	1,333.91	20.14
Agri-based Processing	49	2,339.04	24.23
Manufacturing	63	19,628.95	40.68
Utilities	21	23,730.68	16.91
Industrial Estate	1	850.00	5.64
Tourist Facilities	8	22,193.00	21.11
TOTAL	158	70,075.58	128.71

BREAKDOWN OF APPROVED PIF APPLICATION
By Project Location (Island Grouping)
AS OF 30 JUNE 1992

PROJECT	LOCATION	PROJECT COST (million)	PIF GRANT (Pesos)
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NATIONWIDE (3)

1 Rural Elec. Util. & P-V System Mfg.	Nationwide	1,375.00	4,740,326.00
2 Telecommunication Paging System	Nationwide	351.62	153,438.00
3 Satellite Communication Network	Nationwide	864.90	4,971,622.00
	Sub-Total	2,580.62	9,865,386.00

LUZON (39)

1 Production of Handmade Paper	Sorsogon	1.40	40,068.50
2 Loofah Manufacturing	Isabela	1.50	25,000.00
3 Common Kiln Drying Fac. for Ceramics	Ilocos sur	1.73	37,490.00
4 Bamboo and Rattan Fur. Proc. Plant	Ilocos Norte	3.07	39,521.50
5 Processing of Rattan Poles	Palawan	5.00	130,760.00
6 Ferro Alloy Pulverizing Plant	Bulacan	6.00	198,610.00
7 Marble Processing	Sorsogon	6.20	157,346.00
8 Exp'n of Quick Lime Processing Plant	Marinduque	7.62	80,170.00
9 Mini Ice-Plant Manufacturing	Cabanatuan City	10.00	151,132.00
10 Processing of Cashew Nuts and Oil	Palawan	10.00	229,000.00
11 Precast Concrete Processing Plant	Rizal	11.40	271,157.00
12 Expansion of Boat Building and Repair	Cavite	12.00	324,427.00
13 Grains Processing Facilities	Sorsogon	13.00	123,989.00
14 Mftg. of Fine Jewelry	Tarlac	16.00	376,000.00
15 Hot Dip Galvanizing	Rizal	19.75	407,510.00

16	Heap Leaching of Marginal Gold	Camarines Norte	20.00	126,629.50
17	Production of Powdered Egg	Cavite	20.00	147,550.00
18	Expansion of Furniture Facilities	Pampanga	20.00	528,870.00
19	Tourist Resort for Divers	Palawan	20.00	706,978.00
20	Carbon-in-pulp Gold Processing	Benguet	24.35	274,355.00
21	Scallop Processing	Palawan	25.00	652,860.19
22	Gold Heap Leaching	Isabela	30.00	2,802,935.00
23	Concrete Aggregate Operation	Rizal	35.00	205,800.00
24	Makapuno Fruit Processing	CALABARZON	40.00	915,030.19
25	Concrete Aggregates	Rizal	52.00	931,642.50
26	Copper Waste Dump Leaching	Zambales	56.00	199,552.50
27	Mini-hydro Power Plant	Benguet	66.57	367,139.00
28	Dimension Stone	Palawan	71.25	2,747,085.00
29	Food Processing	Laguna	98.56	671,954.00
30	Manufacture of Lead Acid Batteries	Rizal	100.00	470,350.00
31	Manufacture of Steel Billets	Pampanga	346.90	495,500.00
32	15 MW Geothermal Power Plant	Luzon	609.12	252,138.50
33	350-Hectare Industrial Estate	Batangas	850.00	5,642,634.00
34	Manufacture of Polypropylene	Bataan	2,700.00	6,531,472.00
35	Tourist Resort Center	Cavite	3,000.00	4,689,000.00
36	Tourist Estate Complex	Batangas	3,630.00	6,750,000.00
37	Geothermal Power Plant (40 MW)	Albay	4,166.50	1,057,042.27
38	300 MW Combined Cycle Power Plant	Cavite or Laguna	7,700.00	1,077,860.00
39	Exp. of Tourist Facilities	Cavite	15,300.00	6,679,150.00
		Sub-Total	39,105.92	47,515,708.65

PROJECT	LOCATION	PROJECT COST (million)	PIF GRANT (Pesos)
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VISAYAS (49)

1	Exp'n. of Existing Food Processing	Iloilo	1.00	25,000.00
2	Mftr of Abaca Fibercraft (Bags. etc.)	Southern Leyte	1.00	25,000.00
3	Mftr. of Structural Clay Bricks	Leyte	1.07	25,000.00
4	Mftr. of Household & Off. Furn.	Southern Leyte	1.69	25,000.00
5	Mftr of Rattan Fur'gs. & Fix.	Northern Samar	2.00	55,000.00
6	Soap Making	Cebu	2.50	25,000.00
7	Wood Wool Cement Board Proc. Plant	Northern Samar	3.00	66,970.00
8	Ice Plant & Cold Storage	Tacloban, Leyte	3.30	25,000.00
9	Fab'n. of Jeeps, Windows & Grills	Leyte	4.00	40,000.00
10	Coconut Oil Mill	Northern Samar	4.50	45,000.00
11	Mftr. of Plastic Jugs/Containers	Tacloban, Leyte	5.00	25,000.00
12	Exp. of Furniture Making Facilities	Iloilo	8.00	201,455.00
13	Exp. of Ice Plant	Samar	10.00	147,600.00
14	Processing of Balut & Salted Eggs	Iloilo	10.50	42,150.00
15	Exp'n of Existing Fur. Facilities	Cebu	15.00	202,500.00
16	Exp. of Food Processing Facilities	Cebu	15.00	225,425.00
17	Exp'n. of Furniture Shop	Negros Occ.	16.50	238,294.00
18	Expansion of Hauling Business	Leyte	17.00	105,100.00
19	Tire Recapping	Leyte	18.00	273,800.00
20	Semi-Processed Banana Chips	Aklan	19.50	339,100.00
21	Gas Plant (Nitrogen & Oxygen)	Bacolod City	20.00	146,500.00
22	Industrial Salt making	Leyte	20.00	264,985.00
23	Expansion of Pharmaceutical Production	Cebu	20.00	279,450.00
24	Ice Plant	Leyte	20.00	311,700.00
25	Operation of Mini-Vans and Taxis	Negros Occidental	21.17	163,400.00

26	Exp'n. of Furniture Shop Facilities	Bacolod City	25.00	288,050.00
27	Canning of Mango Puree	Cebu	32.90	390,085.00
28	Oxygen & Acetylene Plant	Leyte	35.00	303,425.00
29	Exp. of Furniture Making Facilities	Cebu	35.00	362,983.50
30	Fab. & Assem of Printed Circuit Board	Cebu	35.00	590,952.00
31	Manufacture of Activated Carbon	Leyte	49.00	815,705.00
32	Pension House	Cebu	50.00	500,400.00
33	Fruits & Veg. Processing Facility	Iloilo	50.00	1,808,000.00
34	Coal Processing	Western Samar	58.00	784,097.50
35	Fruit Drink Processing & Packaging	Cebu	60.00	1,173,684.00
36	Modular Seafood Processing Facility	Visayas	72.50	1,317,513.36
37	Tourist Resort	Cebu	75.00	858,060.00
38	Metal Fashion Jewelry	Cebu	80.00	1,268,315.00
39	Marble Processing	Cebu	82.00	1,952,503.00
40	Specialty Grade Magnesium Ore	Iloilo	87.50	1,727,228.19
41	Bottling of Mineral Water	Cebu	95.00	1,740,000.00
42	Expansion of Tourist Facilities	Cebu	100.00	625,150.00
43	Off-Dock Container Service Facility	Cebu	100.00	804,990.00
44	Clay Beneficiation	Iloilo	100.00	1,143,000.00
45	Int. Fish & Bullfrog Prod. & Proc'g	Cebu	130.00	1,690,250.00
46	Auto Parts & Components Mfg.	Cebu	134.73	2,637,457.30
47	Aircraft Modification and Retrofitting	Cebu	392.50	6,514,802.83
48	Seaweed (Carageenan) Processing	Cebu	460.00	5,736,383.50
49	Cement Manufacturing	Cebu	469.00	1,162,400.00
	Geothermal Power Plant (80 MW)	Southern Negros	8,328.50	2,114,084.55
		Sub-Total	11,396.36	41,632,948.73

PROJECT	LOCATION	PROJECT COST (million)	PIF GRANT (Pesos)
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MINDANAO (67)

1	Exp'n. of Slippers/Footwear Mftg.	Zamboanga City	1.00	25,000.00
2	Laundry & Toilet Soap	Zamboanga del Norte	1.01	62,800.00
3	Exp'n of Existing Fur. Facilities	Bukidnon	1.18	25,000.00
4	Rice & Corn Milling Plant	Zamboanga del Norte	1.25	25,000.00
5	Manufacture of Concrete Products	Zamboanga del Sur	1.32	71,850.00
6	Mfr. of Follar (liquid) Fertilizer	Zamboanga del Sur	1.50	105,530.00
7	Rice Mill Facilities	Zamboanga del Sur	1.58	40,360.00
8	Ice Plant & Cold Storage	Zamboanga del Norte	1.90	25,000.00
9	Rice and Corn Milling	Zamboanga del Norte	1.90	25,000.00
10	Water Transport Facility	Tawi-Tawi	2.00	25,000.00
11	Ice Plant	Zamboanga del Sur	2.00	52,920.00
12	Coconut Oil Mill	Surigao del Sur	2.00	59,000.00
13	Image Telecommunication System	Tawi-Tawi (ARMM)	2.00	65,200.00
14	Banana Chips	Zamboanga del Sur	2.00	150,000.00
15	Production of Fish Meal	Tawi-Tawi (ARMM)	3.00	30,000.00
16	Fruit Processing	General Santos City	3.00	30,000.00
17	Metal Fab'n, Engine Reb. & Mac. Shop	Surigao City	3.50	97,950.00
18	Auto Body Shell Fabrication	South Cotabato	4.00	40,000.00
19	Ice Plant & Cold Storage	Tawi-Tawi (ARMM)	4.00	40,000.00
20	Rattan Processing	Agusan del Norte	5.00	50,000.00
21	Passenger-Cargo Transport Facilities	Tawi-Tawi (ARMM)	5.00	50,000.00
22	Exp'n of Coffee Proc'g. Facilities	Bukidnon	5.00	50,000.00
23	Coconut and Vegetable Chip Making	Butuan City	5.00	50,000.00
24	Manufacture of Banana Flour	Davao	5.00	50,000.00
25	Exp. of Printing Facilities	Davao	5.00	50,000.00

26	Cutflower Production	Davao City	5.00	50,000.00
27	Black Pepper Processing	General Santos	5.00	50,000.00
28	Rice Mill Expansion	Agusan del Sur	5.00	80,450.00
29	Ind'l. & Com'l. Rubber Gloves Mfr.	Zamboanga del Sur	5.00	114,950.00
30	Processing of Marine Products	Tawi-Tawi (ARMM)	5.00	128,780.00
31	Banana Chips Processing	South Cotabato	6.50	156,950.00
32	Prawn/Bangus Processing Plant	Agusan del Norte	7.55	140,450.00
33	Loofah Mftg. (Vegetable Sponge)	Butuan City	10.00	187,500.00
34	Integrated Cassava Prod'n. & Procg.	Tawi-Tawi (ARMM)	10.00	211,594.00
35	Expansion of Fashion Accessories	Davao City	10.00	237,430.00
36	Semi-Refined Carrageenan	Tawi-Tawi (ARMM)	10.20	177,610.50
37	Expansion of Telephone Services	Cotabato	11.00	86,959.00
38	Agar-agar Processing & Tissue Culture	Zamboanga City	12.00	148,100.00
39	Exp. of Furniture Making Facilities	Davao	12.00	279,435.00
40	Expansion of Printing Facilities	Cag. de Oro City	12.50	199,000.00
41	Coconut Mat Production	Davao City	15.00	84,055.00
42	Mango Processing	So. Cotabato	15.00	131,000.00
43	Coconut Oil Mill	Agusan del Norte	15.00	170,185.00
44	Food Processing	Zamboanga City	15.00	179,350.00
45	Solar Salt Making	South Cotabato	15.00	181,333.00
46	Fruit and Mango Processing	Agusan del Norte	15.00	228,305.00
47	Industrial Lime Processing	South Cotabato	17.19	51,235.00
48	Expn. of Existing Grains Proc. Plant	Bukidnon	18.00	91,415.00
49	Prefabricated Structural Components	Zamboanga City	18.00	190,050.00
50	Hotel & Convention Center	Butuan City	18.00	302,800.00
51	Expansion of Post-Harvest Facilities	Bukidnon	25.00	238,950.00
52	Dog-Shark Liver Oil Processing	Agusan del Norte	25.00	490,570.00
53	Mfr. of Sodium Dichromate	Surigao del Norte	28.00	811,205.00
54	Film-faced Plywood Production	Davao City	30.00	274,950.00
55	Mfr. of Polypropylene (Woven Sacks)	South Cotabato	35.00	347,400.00
56	Gold Processing	Zamboanga del Sur	35.00	1,872,750.00
57	Mini-hydro Power Plant	Davao	80.00	274,063.50
58	Steel Bar Plant	Lanao del Norte	83.00	564,233.00
59	Prod'n of Non-Flat Steel Products	Davao City	83.80	345,250.00
60	Cacao Bean Processing Plant	Davao City	144.00	386,843.00
61	Papain Processing	Misamis Oriental	200.00	1,471,790.00
62	Extraction/Proc'g. of Gold Ore	Slocn. Zamboanga	210.80	1,081,238.00
63	Tomato Paste Processing	South Cotabato	255.00	3,183,950.80
64	Chlorine Der. & Chlor-Alkali Prods	Iligan	400.00	1,387,323.00
65	Fresh Tuna Production	General Santos City	500.00	1,383,946.59
66	Lead Beneficiation	Davao del Norte	500.00	4,329,000.00
67	Primary Iron & Steel Complex	Misamis Oriental	14,000.00	6,117,245.00
		Sub-Total	16,992.68	29,715,254.39

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Grand Total

128,729,297.77

DISTRIBUTION OF PIF REIMBURSEMENTS

(amounts in million Pesos; \$1: P26.7166)

As of 30 June 1992

	PHILIPPINE		U.S.		TOTAL	
	No.	Amount	No.	Amount	No.	Amount
FIRST	45	P 7,318,687.68	2	P 1,700,352.89	47	P 9,019,040.57
FINAL	9	P 1,856,781.12	-	-	9	P 1,856,781.12
TOTAL	54	P 9,175,468.80	2	P 1,700,352.89	56	P10,875,821.69

STATUS OF SELECTED PIF-SUPPORTED INVESTMENTS

(amounts in million Pesos)

As of 30 June 1992

Proponent	Project	Location	Estimated Project Cost	Actual Investment thus Far	PIF Grant
3000 Polystructure System Inc.	Precast Concrete Fab Plant	Rizal	11.40	3.00	0.27
Advant Marine Corp	Scallop Processing	Palawan	25.00	1.70	0.60
AMS Management Corp	Steel Mill	Davao City	27.00	5.50	0.35
Aplaya Laiya Corp	Tourist Estate	Batangas	3,630.00	50.00	6.75
Autolife Automative Repair Shop	Automotive Bodies Fabrication	South Cotabato	5.00	3.50	0.04
AWECA Group of Companies	Furniture Facilities Expansion	Pampanga	20.00	10.00	0.53
Cebu United Polymer Inc	Mineral Water Bottling	Cebu	95.00	10.00	1.74
Celebes Agricultural Corp	Coconut oil Mill	Agusan del Norte	15.00	25.00	0.17
Ces Craft Phils Inc	Boat Building and Repair Expn	Cavite	12.00	6.60	0.33
CRD Black Pepper Farm	Black Pepper Processing	General Santos City	4.00	2.50	0.05
Decor Enterprises	Furniture Facilities Expn	Bacolod City	25.00	2.00	0.29
Dy Pico Steel Corp	Bar Mill	Iligan City	83.00	22.00	0.56
FTA Enterprises	Ice Plant	Zamboanga del Sur	3.00	2.00	0.05
Grand Cement Mftg Corp	Cement Plant	Cebu	469.70	800.00	1.16
Guillermo Tabios Corp	Grains Processing	Bukidnon	18.00	15.00	0.09
Leyte San Jose Ice Plant	Ice Plant	Leyte	7.80	7.00	0.03
Magallanes Agri Corp	Coco Chips Processing	Butuan City	5.00	2.10	0.05
Micerma, Inc	Post-harvest Facilities Expn	Bukidnon	25.00	1.50	0.24
Minda International	Fashion Accessories	Davao City	10.00	10.00	0.24
Modernoel Agri-chem Industries	Foliar Liquid Fertilizer	Zamboanga del Sur	1.50	1.50	0.11

STATUS OF SELECTED PIF-SUPPORTED INVESTMENTS

(amounts in million Pesos)

As of 30 June 1992

Proponent	Project	Location	Estimated Project Cost	Actual Investments Cost	PIF Grant
M.A. Trading	Industrial Banana Flour	Davao	5.00	3.00	0.05
Norman Enterprises	Cutflower	Davao City	5.00	5.00	0.05
Oro Factors	Furniture Facilities Expn	Davao City	12.00	3.50	0.28
Petrocap Corp	Polypropylene Plant	Bataan	2,950.00	7.80	6.43
Philippine Wireless Inc	Nationwide Paging System	Nationwide	351.00	45.00	0.15
Q. Designs	Furniture Facilities Expn	Iloilo	8.00	5.00	0.20
San Andres Fishing Ind Inc	Salt Production	South Cotabato	25.00	25.00	0.18
Sason Shop Inc	Furniture Facilities Expn	Bacolod City	16.50	9.40	0.24
Shemberg Biotech Corp	Seaweed Processing	Cebu	460.00	85.00	2.40
Speedway Industrial Corp	Galvanizing Plant	Rizal	12.00	19.80	0.41
Sto. Nino Peacemakers Coop	Concrete Products	Zamboanga del Sur	1.90	1.10	0.14
Tag-abaca Farmers Coop	Loofah Processing	Agusan del Norte	10.00	3.50	0.19
TFA-Natripal	Rattan Poles Processing	Palawan	10.00	4.00	0.13
Unex Industries Inc	Jugs & Containers Manufacture	Leyte	14.00	4.50	0.03
Vulcan Ind'l & Mining Corp	Concrete Aggregates	Rizal	52.00	31.00	0.93
TOTAL			8,424.80	1,234.20	25.45

QUESTIONNAIRE

A. GENERAL INFORMATION

1. General Information -
 - a. Projected annual sales at full operation broken down into domestic and export
 - b. Projected employment at full operation
 - c. Capital requirement
 - d. Sourcing of projected investment
 - 1) equity
 - 2) loan - foreign
- domestic

B. EVALUATION BY BENEFICIARIES

1. What factors made you choose this particular investment project? Did you conduct studies before to determine the feasibility of the investment? Why did you apply for the PIF?

2. How helpful was the study funded by the PIF facility in improving your knowledge of these factors? Please rate both the importance of the factors and the helpfulness of the PIF on a scale of 1 to 5, with 5 being the most important or helpful.

Factor	Importance to Decision	Helpfulness of PIF
Knowledge of Product	_____	_____
Knowledge of Market	_____	_____
Availability of Financing	_____	_____
Profitability	_____	_____
Others (Please specify)	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

3. How did you hear about the PIF Facility?

- a. Promotion by EDF
- b. Promotion by DTI
- c. Recommendation by other beneficiaries
- d. Others (Please specify)

4. Please comment on the requirements and preparation of your application to PIF. Please comment on the way your application was processed by EDF, especially the revisions required to the study, if any, and the time taken. In general, were you satisfied with the process? Why or why not?

Note: Some applications were rejected because particular reasons were given by EDF and the Board. Please answer the questions.

5. What improvements would you suggest on the objectives of the facility?

Note: The primary objective of the PIF is to increase investments in the manufacturing and service sectors outside Metro Manila.

6. What improvements would you suggest in the procedures for administering the facility?

7. What improvements would you suggest to expand the coverage and benefits from this pre-investment facility?

8. Please make any other comments that you feel might contribute to the improvement of the facility.

NAME OF COMPANY OR ORGANIZATION _____

DATE

OFFICER

ANNEX D: INDIVIDUAL INTERVIEWS

A. Nationwide Proponents

1. Capitol Wireless Inc.

They wanted to determine the feasibility of establishing an integrated nationwide satellite network in the country utilizing the latest state-of-the-art satellite communication technology. They are affiliated with another applicant, Philippine Wireless.

- a. They were helped before in their small scale study by CIDA. Then through PIF, they were able to expand their study, which includes the use of U.S. technology and equipment.
- b. This was a joint venture with government, with DOTC having minority share.
- c. It should be noted that Cap Wire received a \$23,000,000 loan to fund their project from another USAID project entitled the Philippine Capital Infrastructure Fund (PCIF), thus representing a blending of assistance activities.
- d. They are going to put up 83 satellite stations. DOTC will provide equipment for 56 stations using EXIM bank loan under USAID's PCIF project; while CAPWIRE will provide equipment for 30 stations using DBP loan, also under PCIF.

2. Philippine Wireless, Inc.

The proposed operation is to have a nationwide telecommunication alphanumeric and voice paging services.

- a. They had an evaluation undertaken prior to the pre-investment study; but this was simply an assessment of how the other paging companies in Asia undertook their nationwide paging project. They applied for PIF because they needed the funding to be able to undertake the survey and the study.
- b. The procedures of EDF were generally acceptable and the documents required were numerous but understandable. They were generally satisfied with the process.

- c. More benefits would have been derived by the proponent had the facility included funding for the project itself.
- d. Projects within Metro Manila should also qualify for assistance.

B. Luzon Proponents

1/2. Vulcan Industrial and Mining Corporation

The company has two projects namely, the quarrying and processing of granite stones to blocks, slabs and tiles (dimensioned stone) and the other is quarrying and crushing basalt rocks (concrete aggregates) in support of the local construction industry.

- a. They have a good quarry property covered by operating agreement with landowner-permittee. Their partner in the corporation is in the construction business and overall market potential for aggregate is very good. So they applied for PIF assistance to help finance the feasibility study.
- b. Study was helpful in helping their technical people. They came up with a much better report and it was helpful in convincing their partners.
- c. For big companies, the budget for exploration is limited and with the PIF, they improved the chances of funding the study.
- d. The requirements of EDF were reasonable and available. Processing was swift and well attended to by the EDF personnel. However, disbursements took time.
- e. They suggest that there is need to expand and increase reimbursement of all expenses for projects ending up in actual and production status. Furthermore, the PIF fund reserve should be replenishable by donor countries and maintained at a maximum level.

3. Asia-Pacific Integrated Steel Corporation

They manufacture steel billets.

- a. This project had been approved by BOI and they applied with PIF after BOI.

- b. Study submitted to BOI was a simplified study. With the PIF assistance, they were able to go into a more detailed study.
- c. The PIF helped them in their pre-operating expenses. They were able to get their first disbursements but they would have a problem with the deadline on investment since they have not gotten their environmental clearance.
- d. Their site is ready but they cannot import machinery.

4. Speedway Industrial Corporation

The firm put up a hot-dip galvanizing plant.

- a. Prior to the PIF, they were starting to gather data available locally, preparatory to conducting a feasibility study. Since their business is small, most of the decision on expansion or investment were done on a rule of thumb basis, rather than on data and figures. They could not rely on a more sophisticated method because of the investment involved and the field they wanted to go into is not very well known locally.
- b. They could not afford to risk substantial amount of money to determine whether a project is viable or not. With the PIF, they were able to share in the gamble up to 50% of the study cost. The results of the study gave them enough courage to put in a portion of their income from their other business and gave them courage to borrow money to pursue the investment.
- c. They use the study as model in their operations.
- d. They have no complaints about procedure. They would like the PIF to continue.
- e. They would however, prefer that only the small and medium scale businesses avail of these opportunities.
- f. As to the suggestion of improving the process of administering the facility, it came to their attention that 25% of the reimbursement for new applicants will be done at the start of commercial operations, and not upon showing proof of investment as in their case. This may discourage small scale businesses that are cash-strapped.

5. Marinduque Quick Lime, Incorporated

This company would like to expand its quick lime processing plant. The plant was closed when Marcopper stopped operations. Now with the new ore body, they resumed operation. It is a joint venture with their ex-employees. This project is more a rehabilitation of old kilns and expansion of its operation from 28 metric tons per day to 40 metric tons per day.

- a. The PIF was introduced to them by someone from the Congressman's office.
- b. They were able to secure environmental clearance.

6. Seatrail Philippines

The newly organized corporation is headed by Mr. Martin Olson.

The project is similar to the El Nido in Palawan. They were starting small but found out that it was not viable. So they incorporated. The study aims to explore fully the feasibility of establishing a scuba diving resort and training facility.

- a. With the PIF grant, a comprehensive study was made possible.
- b. Now they are trying to raise capital to make the project viable.
- c. They had no problems with EDF. But they suggest that EDF should have more project coordinators so that processing and facilitation time would be shortened.
- d. The objectives of the facility could be expanded to include the aspect of financial assistance.

7. Ces Craft Philippines, Inc.

The company would like to go into the expansion of leisure boat building, repair and service facilities. Boat-building has been the family business for so long now but not done in an organized way.

- a. They would like to transform the family business into a corporation. Aside from just selling boats, they would like to go into marketing and expanding facilities.

- b. They will also submit the study to TLRC.
- c. They are complaining that the father's trip to Taiwan was not allowed under PIF; while to them this is the key element in their marketing effort.

8. Asia Fruits and Nuts International Ventures

They had been in the raw cashew export and trading business but they would like to expand and have technology transfer (technology for opening without breaking nuts).

- a. While they had a pre-feasibility study done about three years ago, they would make use of the grant money to cover some expenses to be incurred particularly in the technology transfer and market study.
- b. The PIF staff was helpful in the process of preparing for the application as well as guiding them in the revisions required for the project study.
- c. According to them, the fact that the grant is open only to projects with American joint venture partners discriminates against potential projects with foreign partners of different nationality. It would be to the interest of foreign investment promotion in the country if a similar facility is set-up with more flexibility on foreign investment partners.
- d. A more detailed guideline on nature of allowable expenses could be useful.

9. Petrochemical Corporation of Asia Pacific

The proponent intends to put up a plant to manufacture polypropylene, one of the vital downstream processing facilities of a petrochemical complex.

- a. EDF was insisting that they had the study already so it became a hurdle to access PIF. The study submitted to BOI to get a pioneer status was not very well prepared. The study under PIF improved their understanding of the project. They would have continued studying the project though even without PIF.
- b. They would recommend to others the use of PIF.

- c. Some concern though was expressed about small and medium enterprises' ability to secure money for studies. They are in favor of putting some limitation.
- d. They also expressed concern regarding nationality requirements, Filipinos and Americans. That is, if Americans do not like to invest in the Philippines, or if equipment is more expensive, then there should be some flexibility.

10. 3000 Polystructures Systems, Inc.

The company proposes to establish a precast concrete processing plant. The products are architectural and/or structural concrete products, which are the latest trend in the industry.

- a. They learned about PIF through the newspaper.
- b. Before PIF, they had conducted informal studies to initially assess the market. However, with the PIF, they were able to conduct a comprehensive study to determine the viability of the project.
- c. They used the study for funding purposes.
- d. The relationship with EDF had been very good. The processing of their application was satisfactory.
- e. On studies, they made use of local consultants for the market and financial portions but for the technical, they used in-house architects and engineers.
- f. They had availed of both first and second disbursements, with a total investment of P2 million already put in by the company in terms of equity to spend for equipment and operating capital.
- g. As an additional objective, they suggest that PIF should link its grantees with financial institutions and that the facility should have training component for skills development and entrepreneurship.
- h. They would like PIF to extend its coverage to cottage and micro enterprises in order to assist would be entrepreneurs especially for country-side development.

11. Nagkakaisang Tribu ng Palawan

The federation plans to establish a rattan poles processing plant that will produce semi-processed products such as wicker, balaba, etc. They plan to have semi-processing stations at five points and a central processing station at Puerta Princesa.

- a. They learned about PIF through the Development Training Program (DTP).
- b. They made use of "local consultants", some of whom are in-house church volunteers.
- c. They have studied the project very well, having learned from the actual experiences of the furniture manufacturers and sub-contractors from Pangasinan and Pampanga.
- d. The project is interesting in that they have their own sources of raw material where rattan harvest in each of the five stations will be treated on site, collected and then brought to the Puerta Princesa. In this manner, they will eliminate the middlemen and assure the tribes higher income.
- e. The PIF to them is good but it would do better if there is a certain "twist"; in that there should be a tie-up for financing; this should be linked to a financial institution. Otherwise, some of the projects will not be able to go through.
- f. They have been told to go to different offices and financial institutions but have not been successful in getting funding for their project, since all financial institutions, including Land Bank require collateral and that they do not have. This is not a project weakness, but a system problem in banks.
- g. They have not gotten any reimbursement yet from PIF and would suggest that partial reimbursement be allowed so that like in their case, the different tribes would not have had to sell out their stocks just to be able to get the study going.
- h. Government to them has no credibility; DTI in particular, has not helped the people of Palawan at all but USAID has.

12. Ternate Development Corporation

The proponent owns the Puerto Azul complex. The project is merely an expansion of an existing resort community.

- a. The study would determine the appropriate strategies to finance development. It is contemplated that different operators/concessionaires would be allowed to set up facilities in the area either independently or in joint venture with the proponent.
- b. They learned about the facility through the newspaper. The study on Puerto Azul, they thought, would be eligible for PIF assistance since this project requires investments on new tourism facilities outside Metro Manila.
- c. They also strongly suggest that partial billing/reimbursements be allowed especially with the magnitude of expenses actually incurred. Each proponent anyway will have to deal with all of the paper requirements before PIF releases the full reimbursement for expenses.
- d. They suggest that PIF expand its coverage to include studies for proposed investments within Metro Manila in the tourism sector because there is need to improve current hotel facilities and the investment required are large. Pre-investment studies that are needed before one embarks in huge capital outlays are costly. If some fundings are provided, then more investments will be generated. Admittedly, Metro Manila is still much preferred by most tourism investors because of the lack of infrastructure to support countryside resorts.

13/14. Sinofoods Corporation/ Dai-Nippon, Inc.

Both companies are headed by Mr. Gregorio Pena.

The project applied for by Sinofoods Corporation involves the production and packaging of instant noodles and soya beans products, and canning of meat products. On the other hand, the Dai-Nippon, Inc. is engaged in the manufacturing and assembly of automotive batteries for cars and trucks, with 70% for export.

- a. They applied for PIF because they found out that the project could apply for PIF assistance.
- b. The PIF provided good in-depth study for the project.

- c. Their project is still under process; so far no questions have been asked.
- d. They suggest that the facility be open to all types of industries regardless as to whether the project is located within or outside Metro Manila.
- e. Additionally, they suggest that all expenses incurred by the company as part of pre-operating expenses should be entitled to the reimbursement.

C. Visayas Proponents

1. Unex Industries

Diversification into plastic jugs manufacture by cooking oil manufactures at cost of P5 million. Previously imported jugs from Cebu but supplier proved unreliable.

PIF recommended by DTI regional offices; would have done study regardless but quality and scope of study improved by grant.

Satisfied with EDF service; delay in reimbursement due to poor performance of study consultant.

2. Leyte San Jose Ice Plant

Expansion of ice plant facilities as part of long term plan to provide full service (including boat fuelling and servicing and fish marketing) to fishermen. Project cost P3.3 million, of which P2.0 million capacity; study needed to support bank financing implementation.

PIF recommended by DTI representative; no problems with either EDF or study consultant.

3. Alangalang Ceramics Producers Association

Re-activation and expansion of brick-making project which operated briefly under sponsorship of former First Lady Imelda Marcos but was then abandoned; uses locally available clay; cost competitive with hollow blocks.

Supported by nine government agencies including municipal government, DSWD, DOST, NFA, DPWH and DENR.

PIF recommended by DTI; highly satisfied with administration of project.

4. Rudy Negros Battery and Allied Services

Diversification from small-scale battery making into fabrication of jeeps, steel windows and iron grills, including construction of combination factory/commercial building on log owned by proponent. PIF recommended by DTI.

Study showed project profitable if bank interest rate not more than 15%; since this low rate was not available, project was shelved.

Satisfied with administration of PIF.

5. DZR Porterage and Allied Services Association

Porters' association at Tacloban's Daniel Z. Romualdez Airport plan expansion into taxi and car hire business by purchasing 10 taxi cabs and minivan.

Application submitted too late for initial deadline but may be considered out of de-obligated and recycled funds.

6. Grand Cement Manufacturing Corporation

Establishment of major new cement plant (56,000 bags per day) by purchase of mothballed plant from U.S. manufacturer; total cost of P469.7 million of which P271.2 million is capacity.

PIF funds used to update and expand earlier study.

Study completed and major civil works already in place as of July 1992.

7. Best Buy Mart, Inc.

Self-made marketing entrepreneur is going into quarrying and processing of locally available marketing at total project cost of P80 million.

Study will examine both technology and marketing.

8/9. Jeruchemie Philippines, Inc. and Victoria Food Products

Family group previously successful in pharmaceutical marketing will diversify and expand drug manufacturing and meat processing businesses.

Professionally managed

Satisfied with PIF administration.

10. Shemberg Biotech Corporation

Seaweed processing operation owned by the wealthy Dacay family will go into further processing into the most highly refined and expensive form of the seaweed product carrageenan. Technology is the latest available, partly developed in house. When fully operational, will satisfy 20% of world market for carragunan and support 30,000 seaweed farmers.

PIF support expanded scope of project study.

11. Sason Shop, Inc.

Expansion of manufacturing of furniture for export, founded and managed by an architect.

Study "opened his eyes" to many up-to-date business practices, including computerization of costing.

Bought computer and ordered machinery even while study was still in process.

12. O Designs Industries

Furniture exporter established by two young architects with successful architectural practice. One of them, who is also an excellent furniture designer, will concentrate on the furniture business.

Found PIF-funded study useful and is implementing its proposals; highly satisfied with project administration.

D. Mindanao Proponents

1. Minda International -- Davao City

Expansion of production facility for wood-based household articles and fashion accessories with native Mindanao finishes

- a. Since this was an expansion, the proponent knew which way to go. He already had the basic technical and market aspects done on his own. Only the financial aspect and the packaging remained.
- b. The FS was useful in:
 - expanding on his marketing
 - identifying technical consultants
 - facilitating loan assistance
- c. In his case, EDF picked him out as the showcase for Mindanao
- d. He encountered no problems in his application, probably because he was anointed by EDF.
- e. He felt that PIF met its objectives in facilitating and encouraging his project, and that therefore there was no need for improvement.
- f. He found no problem with the administration.
- g. The consultants did not take up expansion of benefits or coverage. But he did say that the PIF should be continued.

2. C. Alcantara & Sons, Inc. -- Davao City

Production facility for film-faced high-strength plywood for concrete framework.

- a. The project was chosen because it is a
 - logical addition to their current lines of production
 - logical direction towards downstream integration and therefore higher added value
 - highly demanded product among builders.

The project has been studied earlier but not acted upon, and the company would have proceeded with it even without PIF. But since the opportunity was brought to

their attention, they took advantage of it and did the study and made an investment decision now rather than later.

- b. The FS was definitely helpful. It tapped the resources of Leverage International for firming up the marketing aspect. SGV was the principal consultant.
- c. SGV introduced Alsons to PIF.
- d. They had no problems with the application and preparation of the FS because the procedures are transparent.
- e. They feel that the project should be extended because of its benefits to the entrepreneurs. To enhance these benefits, they suggest that PIF scan available resources and generally look at potential markets to guide the entrepreneurs.
- f. No suggestions on improving administration of PIF, but suggested interview of SGV.
- g. Taken up under Item 5.

3. Oro Factors -- Davao City

Expansion of furniture-making facility

- a. Since this was an expansion, he already had the basic technical and market aspects done on his own. Only the financial aspect and packaging remained. These were done by another individual. He would have proceeded with the project even without PIF, although it may have taken much more time and delayed his investment decision..
- b. The FS has been useful in establishing the credit-worthiness of the project with the lending institutions.
- c. He was introduced to PIF by Mr. Cenon Navarro of Minda International, the first PIF beneficiary in Davao.
- d. He had no problems with the application for assistance and preparation of the FS. Having just completed the FS the previous month, he was not worried about his reimbursement.
- e. He did not see any need to improve the project administration, being satisfied with EDF. He

therefore thought that the project should be extended without any changes.

4. Norman Enterprises -- Davao City

Commercial cutflower production facility

Norman Sison -- proprietor

- a. This was an activity he was already engaged in as a hobby. He undertook the FS himself, and would have gone ahead with the project even without PIF.
- b. The FS has been useful in formalizing a picture of the cutflower market and Davao's place in it. He has not used it for obtaining credit since he used his own funds to finance the project.
- c. He was introduced to PIF by Mr. Cenon Navarro of Minda International, the first PIF beneficiary in Davao.
- d. He had no problems with the application for assistance and preparation of the FS.
- e. He had one suggestion to improve the project: scanning of available resources and matching these with potential markets. Otherwise he was satisfied with EDF and thought that the project should be extended without any other changes.

5. M & A Trading -- Davao City

Scaling up of banana and cassava flour production facilities from pilot to commercial level

Mr. Meliton Novera -- proprietor

- a. Since this was a scaling up, the proponent already knew which way to go. He already had the technical and market aspects done. With the assistance of his CPA daughter he did the financial aspect and packaged the study. He looked at PIF basically as a subsidy for his own study, although he would have proceeded with the project even without it.
- b. He found the FS useful for
 - setting his own targets
 - situating a prospective business partner
 - obtaining bank credit

- c. He was introduced to PIF by Mr. Cenon Navarro of Minda International, the first PIF beneficiary in Davao.
- d. He had no problems with the application for assistance and the preparation of the FS.
- e. He did not see any need to improve the project administration, being satisfied with EDF. He therefore thought that the project should be extended without any changes.

6. The AMS Management Corporation -- Davao City

Non-flat steel production facility

Mr. Stephen A. Antig -- Vice President

- a. The project has no linkage with the firm's present business activities. But the president is an aggressive entrepreneur and therefore "follows his nose". PIF is viewed as a subsidy for this entrepreneurship. While they would have proceeded without it, it probably accelerated the process.
- b. Being a sophisticated firm, it naturally found the FS useful particularly in obtaining bank credit. The SGV brand name is always useful, all the more at half-price.
- c. They were introduced to PIF by SGV.
- d. Since SGV undertook the FS, they had no day-to-day dealings with EDF. Mr. Antig gave EDF a grade of 8 out of 10, however, saying that there could be some improvement in processing for applications and reimbursements.
- e. He was all for the extension of the project, particularly since he had two more projects lined up. The repeat orders speak well of the facility.
- f. He suggested one improvement: detail the regional coordinator in Davao to improve on processing time.

7. San Andres Fishing Industries, Inc. --
Alabel, So. Cotabato

Facility for solar production of salt

- a. Since the firm is engaged in deep sea fishing and supply of the industry, salt-making for fish drying comes as a logical link diversification. But salt here will also serve other markets, including the kitchens. PIF was viewed as part of the government assistance package which DTI was delivering. In particular PIF was viewed as a subsidy for the FS, thus encouraging them to get the top of the line, SGV. While the direct question was not asked, the firm may not have undertaken a formal FS without the facility. Nonetheless it would most probably gone ahead with the project, even if more slowly.
- b. The FS has definitely been useful in terms of putting all the knowledge together in a rational manner. The proponents were starting from scratch, and had moved quite a bit with the assistance of DTI.
- c. They were introduced to PIF by DTI.
- d. Since SGV undertook the FS, they had little direct dealing with EDF. They themselves had no problems with the application for assistance and preparation of the FS. Mr. Yu therefore thought that the facility should be extended without any changes.

8. Phela Resources, Inc. -- General Santos City

Industrial lime production facility

- a. The use by Phela of agricultural lime in its fishpond operations led to its production, and subsequently to quicklime production. The firm undertook the preparation of the technical and marketing portion, but brought in SGV for the financial aspect and the packaging. The question of additionality was not taken up, but they would probably have gone ahead with the project even without PIF, considering the aggressive entrepreneurship of the president. But again, it may have taken longer since they view PIF as a subsidy for this kind of entrepreneurship, and which made SGV more affordable.
- b. The FS has been useful for obtaining bank credit and is also to come in handy when planning expansion.
- c. They were introduced to PIF by SGV.
- d. While SGV handled the direct dealings with EDF, the firm had some trouble in meeting all the documentary requirements and in communicating with EDF.

- e. Still they felt that the facility had met its objectives and that it should be extended without any changes except perhaps to detail the Mindanao coordinator in Davao City. In this regard, they had themselves two more projects lined up for applications.

9. Rema Food Products -- General Santos City

Expansion of fruit processing facility

- a. Since this was an expansion, the proponent knew which way to go. Still she was closely assisted by DTI in developing the project, particularly in new but related areas. DTI also assisted in finding an individual who could complete and package the FS. Because of limited funds PIF was viewed as part of the government assistance package, without which the project might still have been carried out but over a longer time.
- b. The FS was useful in speeding up the development of the project and the processing of the loan.
- c. She was introduced to PIF by DTI.
- d. She had no problems with the application for assistance and the preparation of the FS. She therefore thought that the facility should be extended without any changes.

10. Flush & Bloom Agroventures, Inc. -- Koronadal, So. Cotabato

Mango processing facility

- a. Proponents had been shipping fresh mangos from their orchard in Koronadal to a Cebu processor when they decided to do the processing themselves. To supplement their limited knowledge they retained an outside consulting firm to undertake the FS. PIF was viewed as an opportunity to reduce the cost of the FS, but even without it they would have proceeded with the project, although at a slower pace.
- b. I failed to ask them how useful was the FS. It would be safe to guess however that they used it for obtaining credit assistance. They did say that it accelerated the project development.

- c. They were introduced to PIF by DTI.
- d. They had no problems in the application for assistance and preparation of the FS. They therefore thought that the facility should be extended without changes.

11. Autolife Automobile Repair Shop -- Koronadal,
So. Cotabato

Expansion of an automobile repair and body building shop

- a. Since this was an expansion of a repair shop, the proponents knew which way to go. But they added a tricycle body building capacity to exploit the South Cotabato market. They engaged a Koronadal-based private individual to undertake the FS, taking the PIF as a subsidy for it.
- b. They did not think that the FS was all that was needed to obtain bank credit since all the bank managers in town were their customers and therefore their good friends. They found it more useful for rounding out their knowledge of the business particularly the market.
- c. They were introduced to PIF by DTI.
- d. They felt that the study took too long to complete partly because their consultant was quite busy and partly because it took time to communicate with Manila. Otherwise they thought that the facility should be extended without any changes except perhaps to detail the Mindanao regional coordinator in Davao City.

12. Tony and Flora Kc Enterprises, Inc. -- Koronadal,
So. Cotabato

Polypropylene sack weaving facility

- a. Because the Kcs are engaged in the rice/corn milling and poultry/feeds businesses, woven polypropylene bags are critical. They engaged the services of a private individual in Manila to undertake the FS. She said however that they would have proceeded with the project even without the FS, although it would have taken longer.

- b. I failed to ask her how useful was the FS. It will be safe to guess however that they plan to use it for obtaining bank credit. The project implementation has been delayed because of power shortage and the high initial and operating cost of generated power
- c. She was introduced to PIF by Mr. Benson Dakay of Shemberg in Cebu.
- d. She had no problems in applying for assistance or in preparing the FS. She therefore thought that the facility should be extended without any changes.

D. Interviews with concerned offices

1. SGV -- Davao City

- a. The facility has been useful in encouraging entrepreneurs in pursuing their visions. It is difficult, though, to measure additionality. One possible way might be to look at BOI statistics before and after the facility. But that would not capture the unregistered projects.
- b. SGV has another ten proposals lined up for the extension. They believe there would be more once extended since word spreads around fast. Particularly when helped by prospective FS consultants, who also see continuing work after the projects are implemented.
- c. Some suggested improvements:
 include agricultural projects, particularly when part of an integrated operation
 tie-up with the proposed Mindanao Economic Development Authority
 detail Mindanao coordinator in Davao City, saving not only communication time lags but also some bureaucracy

2. DTI -- General Santos City

- a. DTI has played strong developmental role in the South Cotabato projects.
- b. The PIF regional coordinator would do well in holding office, or at least tie-up with the Private Investment and Trade Opportunities Project (PITO) office in Davao City because of the many interfacing opportunities.

- c. DTI is undertaking much technical/marketing extension service work. It can continue to do so under more formal arrangements with PIF.

3. SGV -- General Santos City

- a. EDF administration has been satisfactory.
- b. There are several applications lined up: five from SGV and two from DTI.