XD-ABD-225-A
PN 73659

FINAL REPORT

ENTERPRISE IN COMMUNITY DEVELOPMENT PROJECT
MID-TERM STRATEGIC ASSESSMENT

Contract No. OTR-0000-0-00-0035-00
Work Order Number 4

May 1 - June 5, 1991

Submitted to:

United States Agency for International Development
Manila, Philippines

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June 20, 1991

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EXECUTIVE SUMMARY

A. The Need for Expanded Private Sector Participation in Community Development in the Philippines

Due largely to lagging economic growth, the Philippine government's ability to provide essential services to the country's growing population has been greatly diminished. There is an immediate need for expanded private sector involvement. Philippine private sector firms have historically been involved in community development activities. USAID is pressing for an expanded role.

B. The Enterprise in Community Development (ECD) Project

The ECD project was initiated in early 1987. The project is aimed at getting private sector firms involved in community development activities outside Metro Manila through 50-50 matching grant arrangements. Its expected completion date is August, 1994.

USAID has programmed a total of $11.0 million to support the ECD project. Expected contributions from private sector grantees presently total $6.2 million. There are currently 11 active ECD subprojects, and one completed subproject.

C. The Mid-Term Assessment

Development Associates, Inc., was contracted by the Office of Food for Peace and Voluntary Cooperation (OFFPVC) to undertake an in-depth, strategic assessment of the ECD project midway through its implementation phase, taking account of (1) the project's current objectives, and (2) recent changes in A.I.D. development assistance strategies.

A three-person assessment team arrived in the Philippines in May, 1991. During a 5-week period, the team visited project sites on Luzon, Negros, Cebu, and Mindanao and interviewed various staff involved in the project, including USAID staff and project staff from eight of the twelve private Philippine firms that have participated in the project to date.

D. Findings and Recommendations

The team's findings and recommendations are summarized below.

1. The progress of project implementation to date

The number of firms participating in the project is well

below the number that had been expected to participate. Most of the businesses that are participating have had considerable prior involvement in community development activities. The opportunity to obtain a USAID matching grant is the chief reason many of the firms are participating.

Nevertheless, the project is demonstrating that the expanded involvement of for-profit private businesses in community development activities is resulting in the efficient delivery of essential services to these communities, and further expansion of their involvement could contribute significantly toward improving living conditions in the country's rural areas.

The Team recommends that the USAID build on the success of the project to date and step up its efforts to promote the ECD approach to assisting community development by helping to establish a network of ECD participants and by enlisting their support in generating broader private sector participation in community development activities. Consideration should be given to involving other donors in this effort.

2. A proposal for an ECD round-table

The Chairman of the Norkis Trading Company, one of the private firms participating in the ECD project, said that there was some urgency in getting broader private sector involvement in community development. He noted that the Philippine business community at large was not adequately addressing the problem.

He suggested that the USAID consider convening a round-table of top-level executives of the country's leading business firms, under the auspices of the ECD Project, to discuss what might be done. His proposal was endorsed by executives of two other ECD grantee firms.

The Team recommends that the OFFPVC take steps to implement the Chairman's proposal.

3. Broadening the ECD role of intermediate institutions

The Project Paper called for USAID to enter into a contract with a Philippine business organization to help manage the ECD project and to serve as an intermediary with grantees and beneficiary communities. The proposed contract did not come to fruition.

The Team's assessment indicated that, where they have been employed, intermediate institutions serving as the implementing arms of ECD grantees, such as RAFI, the

Kauswagan of Victorias Foundation, ERDA, PHINMA, and the JVOFI of the Benguet Corporation, have effectively taken up the task of building bridges between individual ECD grantees and the USAID, and between grantees and beneficiary communities.

The Team recommends that OFFPVC/ECD staff work with grantees in getting several of the larger intermediate institutions, such as RAFI and PHINMA, that have gained considerable experience and familiarity working with the ECD project, to take on broader ECD promotional and project management functions under the present project, and under a follow-on ECD activity if one evolves.

4. Expanding OFFPVC/ECD contacts with GOP counterparts

Government agencies are not main participants in the ECD project, by design, and effective ECD interaction with government agencies involved in community development problems is occurring only at the municipal and barangay levels.

The Team believes that a more extensive ECD interface at the provincial level would greatly facilitate coordination of effort between the government agencies and ECD participants. Such coordination is needed to ensure country-wide community development coverage inasmuch as ECD grantees are focusing their activities mainly on communities adjacent to their plant sites.

The Team recommends that OFFPVC/ECD staff expand their contacts with provincial-level officials of GOP ministries involved in community development activities during visits to project sites, to keep them informed of developments under the ECD project and to promote closer coordination of effort.

5. Renewing the ECD mandate

Team discussions with a number of ECD participants indicated that project implementation has reached the point where there could be a shifting of gears, i.e., an acceleration in the rate at which subprojects are implemented and the goals and objectives of the ECD project itself, achieved. The Team observed several instances where project implementation could have moved more quickly had USAID and grantees been more dynamic in addressing snags encountered during the implementation process.

The Team also found, that in focusing on getting grantees to participate in the ECD project, OFFPVC appears to have neglected other channels. Interviews with national Chambers of Commerce and their local branches indicate that these and

other Philippine business associations could constitute a useful network for encouraging business firms to get involved in ECD activities.

The Team recommends that USAID renew its ECD mandate by launching a renewed campaign to convince private sector firms of the urgency of the country's need for their expanded participation in community development programs.

6. Performance incentives

PVO project managers have found that short-term projects often lose experienced staff during the final year of project implementation as staff, understandably, look for follow-on employment. USAID should anticipate that staff loss will become a growing problem as the initial set of ECD activities winds toward completion.

The Team recommends that USAID consult with ECD grantees and community participants in setting up an incentive scheme, whether bonuses pegged to project completion, performance recognition awards or other incentives, that will induce experienced ECD project management staff to stay with their jobs through to completion.

7. The number of matching grants allowed

The problem of staff turn-over could be exacerbated for ECD projects in that USAID appears inclined to limit grantees to a single matching grant.

USAID should clarify its policy as to whether individual firms are eligible to receive more than one matching grant. The Team recommends that more than one grant be authorized.

8. Rationalizing in-house USAID proposal review procedures

The Team recommends that USAID shift its in-house procedures for the review of grantee proposals, from the present system whereby proposals are subjected to evaluative staff review, to a screening system whereby approval is based on conformity with a pre-determined list of key criteria, e.g., the sponsoring grantee has a track record of sound financial management practices, the proposal addresses urgent community development needs in a rural area outside metro Manila, the project will result in increased community employment, etc.

9. The need for project consultants

The project requires that subprojects become self-sustaining enterprises within a 3-year implementation period to the extent this is feasible.. To become self-sustaining, ECD

entrepreneurs must learn to capitalize on marketing opportunities outside their regular, local spheres of operation.

Secondly, a current feature of the ECD project that the initial design did not fully take into account are the sub-lending arrangements being set up between grantees and cooperative groups presently managing income-generating projects and, in some cases, between community cooperatives and their members.

For income-generating projects, sub-lending has become a major focus of grantee interest because repayments from the sub-loans can be deposited to a revolving fund and used for subsequent relending. USAID requires that these reflows be used for the same kinds of activities that were initially funded under a subproject .

In view of the need for ECD beneficiaries to acquire marketing skills and the growing popularity of sub-lending, the Team recommends that OFFPVC consider contracting with 1-2 experienced Filipino small business consultants to advise OFFPVC and other participants on matters relating to: (1) the establishment and operation of credit cooperatives and revolving funds, and (2) effective approaches to expanding market access.

10. Fund allocation and transfer procedures

The Team has found that funds are transferred under the ECD project using two different transfer systems: cash advances and reimbursements. If not properly implemented, the cash advance approach can cause delays of up to two-to-three months (confirmed by DUCC, Aboitiz, Marsman).

The Team recommends that USAID standardize the method by which USAID grant funds are transferred, i.e., to one where transfers are made solely on either a cash advance or reimbursement basis.

Regarding fund allocation procedures, The Team recommends that USAID consider (1) establishing a set-aside under the project for block grants, which would greatly facilitate grantee certification and simplify project implementation; and (2) doing away with the virtually unused small-business set-aside component of the project, which is better suited to a PVO mode of operation.

11. Developing a formalized Program Announcement

Unnecessary lags in proposal approval and project implementation have resulted from misunderstandings between

USAID staff and grantees regarding procedures for training, reimbursement, and general project management. A second problem stems from various reporting requirements connected with project activities. Delays in project start-up of up to 6-8 months have been experienced.

The Team recommends that a formalized Program Announcement be developed for the ECD project to serve as a self-contained, omnibus document which would provide essential information to prospective participants, such as the purposes and objectives of the project, participant eligibility criteria, provisions for matching grants, priority areas for the use of funds, and expectations regarding subproject impact and sustainability.

12. Changing the focus and timeframe of ECD subprojects

A number of grantees feel that greater emphasis should be given to employment and income-generating activities under the ECD project, to differentiate ECD activities from those of PVOs, and to be more consistent with grantee capabilities. Reforestation projects, fisheries restoration and market expansion activities are areas where greater emphasis might be given.

The Team recommends that USAID give priority under the project to employment and income-generating subprojects and that the term of ECD projects be extended from 3 to 5 years, especially for income-generating projects, to enable community beneficiary groups to establish a more permanent basis for project sustainability.

I. INTRODUCTION

This report presents the findings and recommendations of a mid-term strategic assessment of the Enterprise in Community Development (ECD) project currently being implemented by the USAID Mission in the Philippines. The basic purposes of the assessment were to determine: (1) whether the project as it has evolved is attaining, or is likely to attain, its purpose, goals and objectives; (2) whether the project's purpose, goals and objectives need to be recast in the light of recent changes in Agency and USAID Mission development assistance strategies; and (3) the modifications needed, if any, to strengthen implementation of the project and to expand its impact. The purpose, goals and objectives of the project, and the USAID program context within which it is being implemented, are described below in Section II.

As indicated in the conclusions and recommendations set forth in Section VI below, the members of the Assessment Team believe that on the basis of implementation progress to date:

- the project as it has evolved is likely to attain its purpose, goals and objectives, except that the number of private business firms participating in the project will be considerably less than had been expected;
- the project's purpose, goals and objectives remain valid and are consistent with the Agency's and the Mission's current development assistance strategies, specifically with regard to the emphasis being placed on getting private firms more directly involved in development assistance activities;
- certain modifications are needed in the methods being used to attract private sector participants to the project and in the way in which the project is being managed, to strengthen implementation of the project and to expand its impact.

The Team found the project to be conceptually sound, innovative and worthy of replication in other developing countries.

A. Statement of Work

A copy of the Statement of Work for the assessment is attached as ANNEX C.

B. Assessment Methodology

The initial steps taken by the Team to carry out the assessment included: (1) a review of pertinent background materials (e.g., the Project Paper and Project Agreement Amendments, the Mission's recent country assistance strategy paper, manuals and other materials provided to participants

for guidance in developing subproject proposals, subproject grant agreements and quarterly progress reports); (2) interviews with the staff of OFFPVC and other USAID offices involved in the ECD project; (3) field visits to subproject sites; (4) discussions with community beneficiaries and the project staff of grantee firms; and (5) interviews with members of various Philippine private sector organizations and officials of government agencies interested or involved in community development activities.

The thrust of the Team's inquiries during participant interviews and site visits was aimed at framing responses to the specific questions posed by the USAID in Article III.A. of the Statement of Work. The Team's responses to these questions were considered to be "key findings" and are set forth in Section IV below.

In view of the strategic nature of the assessment, however, the Team found it useful in conducting the assessment to focus on five general lines of inquiry. The USAID Assessment Coordinator concurred in this approach. The five general lines of inquiry, the results of which are summarized in Section III below, addressed the following key concerns:

- the extent to which the project's main participants, specifically USAID staff, the grantees, community development groups, and intermediaries, understood the project's purpose, goals and objectives;

- whether adequate mechanisms had been constructed to help bridge conflicting interests and harmonize relations among the project's main participants, e.g., between profit-oriented grantees and social-minded community leaders;

- the extent to which there had been perceptible lags or shortfalls in participant commitment, participation, or inputs to the project, e.g., funding, in-kind contributions, training, grantee reimbursements, etc.;

- whether the project had basic flaws in its organization, delivery or monitoring processes or was too ambitious given available resources and the 3-year timeframe set for USAID participation in subprojects;

- the extent to which there had been any misdirection of effort under the project, e.g., over-emphasis on getting grantees to participate to the exclusion of assuring community group participation.

C. Field Visits

Team members visited sites related to eight (8) of the twelve (12) subprojects implemented to date under the ECD project, including the one project that has been completed. Visits to the four (4) remaining sites were not undertaken primarily for security reasons. The sites visited were located on the islands of Luzon, Negros, Cebu and Mindanao. Site coverage was designed to provide the Team a good cross-section of views on project progress, both in terms of geographic spread and the different types of subproject activities.

D. Lessons Learned

During the course of the assessment, various participants identified a number of lessons learned during the design, start-up and implementation phases of the project. These are summarized in Section V of the report.

A listing of the persons interviewed is contained in Annex F.

II. BACKGROUND AND DESCRIPTION OF THE PROJECT

A. The Country Setting

Philippine economic and social development has stagnated for much of the past decade due largely to lagging economic growth, the country's perennial balance of payments problems, its heavy foreign debt burden, and recurrent budgetary deficits. Structural adjustment programs begun in the early 1980s to cope with these problems are only recently beginning to bear results.

The country's economic problems have had serious effects on government efforts to improve social infrastructure and provide essential services. Water and sewage systems are either non-existent or grossly inadequate in many parts of the Philippines. Health facilities are unevenly distributed. As a result of poor family planning practices, rapid population growth continues to place even heavier strains on existing education and health facilities, while wide disparities in income have constrained access to essential services for a large proportion of the population currently living under conditions of poverty.

Illegal logging and poor resource management policies and the slash and burn agriculture of upland migrants, has devastated the nation's forests. Forested areas have declined from 58 percent of total land area in the 1950's to an estimated 3 percent in 1989. Some 50 percent of the endemic forest flora of the Philippines, which had immense medicinal and

commercial value, are now gone. The Philippines currently must import rattan from Taiwan to keep its export furniture industry going.

Widespread soil erosion caused by denuded forests and the subsequent loss of watershed areas, has had serious consequences throughout the Philippines, resulting in a sizable reduction of arable land and increased flooding.

In addition to agriculture, other sectors of the Philippine economy dependent on natural resources, such as fisheries and wood-processing, are also being subjected to diminishing supplies. Some 70 percent of the country's mangrove and coral reefs have either suffered complete destruction or been severely damaged.

It appears inevitable that the two-thirds of the Philippine population who live in rural areas, and who depend on agriculture, forestry or fishing for a subsistence-level livelihood, will be driven towards further poverty unless more effective resource management programs are implemented. While the development of such programs has traditionally been a responsibility of the government, the country's problems have now grown too large for any approach not involving coordinated public and private sector action.

A number of Philippine private sector firms have historically been actively involved in community and social development activities, including reforestation and fisheries restoration programs. As indicated in the analysis cited above, the country's current development situation reflects an immediate need for a significant broadening of the private sector's involvement in such activities.

B. The USAID Program Context

The overall goal of the U.S. aid program in the Philippines, as set forth in the USAID Mission's Assistance Strategy Statement for FY 1991-1995, is to promote broad-based, sustainable economic growth in an open, market-oriented society through the medium of an active partnership of the public and private sectors. For its part, the private sector is viewed by USAID as the primary source of growth and the more efficient provider of goods and services. USAID seeks to utilize the private sector to the fullest extent feasible in carrying out its assistance programs. The private sector is regarded as both a beneficiary of USAID assistance and an agent of change.

Within the context of the USAID's overall goal, U.S. assistance programs are focused on achieving the following objectives:

1) Development by the Government of a policy and institutional framework that will stimulate private sector growth and lead to the establishment of open and competitive markets;

2) The expansion of economic and social infrastructure so as to facilitate expanded private sector activity and contribute to the more efficient delivery of essential services;

3) The adoption of sustainable resource management practices to help conserve the country's diminishing stocks of natural resources.

USAID is pressing for an enlarged role for the private sector in the provision of essential services including health care, family planning and the management of natural resources, through co-financing arrangements with private companies such as those being evolved under the ECD Project.

Opening up the provision of essential services to private enterprises constitutes a quick and efficient way to expand the availability of these services. Because resources at present are insufficient to address requirements across the board, USAID is seeking to target their use more effectively, while working simultaneously to secure additional private sector inputs for areas of greatest need.

USAID is providing increased financial support to qualified natural resource management organizations including Philippine and U.S. NGOs, through projects such as the ECD Project, while also using debt-for-nature swap arrangements to encourage the adoption of sound natural resource conservation programs by the Philippine Government.

Decentralization of authority and a focus on development outside Manila are also guiding themes of U.S. assistance. Decentralization permits responsibility for the management of resources to be placed at the local level enabling citizens to have a greater voice in the country's decision-making process. Local officials are better positioned to identify and respond to opportunities than are national officials. Focusing U.S. assistance on development projects outside the Metropolitan Manila region is aimed at ensuring greater returns in terms of per dollar impact on growth, open markets and an open society.

Beginning in 1988 USAID has also moved toward giving increased grants to intermediary institutions (IIs), including NGOs and PVOs, enabling them to bolster their role in strengthening the capacity of local communities to interface effectively with government agencies, and to begin

defining their own economic and social development opportunities and needs.

C. Organization and Structure of the ECD Project As It Has Evolved to Date

1. Purpose, goals and objectives of the project

The stated purpose of the ECD project is to promote the expanded involvement of for-profit private businesses in community development activities. This is being accomplished by providing matching grants to firms that are prepared to support community development projects outside Metro Manila. In addition to complementing ongoing PVO efforts, a key objective of the ECD project is to get the managerial and technical expertise available in well-run private sector enterprises applied to community development problems and activities. The ultimate goal of the project is to improve living conditions in rural areas.

2. Implementing organization and structure

The main participants in the ECD project as it has evolved include: (1) staff of the USAID Office of Food for Peace and Voluntary Cooperation (OFFPVC); (2) private sector "grantees", or business firms that are contributing matching grants to community development projects under the project; (3) various non-profit making foundations and other intermediate institutions that have become the implementing agents of "grantees" under the project; (4) cooperatives, or other community-based organizations, that have emerged to represent the interests of beneficiary groups, and (5) individual subproject beneficiaries, i.e., the residents of the communities being assisted.

GOP agencies involved in community development programs are deemed to play a marginal role in implementation of the ECD project except at the community level where a high degree of coordination of effort is needed. Initially, USAID had envisioned enlisting a private contractor to assist in the design and implementation of subprojects, however, this arrangement did not come to fruition. A contract has been let, but the firm engaged has been limited to conducting training courses and seminars under the project, and to developing a financial management manual.

3. <u>The project implementation process</u>

Implementation of the ECD project has proceeded in roughly six stages, which at various times have run concurrently.

a) Following project approval in 1986, OFFPVC staff actively solicited the involvement of private sector "grantee" firms through published announcements, newspaper advertisements, direct visits, etc. This has been a continuing process.

b) USAID applied "certification" requirements, as set forth in Annex E of the Project Paper, to determine the eligibility of responding firms to participate in the project.

c) Firms found to be eligible prepared proposals or "concepts papers" relating to the subprojects which they proposed to assist under the project. Subproject selection criteria such as those contained in ANNEX D of the Project Paper were used to guide the subproject selection process. In some cases, grantees used outside contractors to undertake baseline surveys and to help prepare proposals. The Project Proposal Format developed by USAID for PVOs was provided to ECD grantees as a guide to help with the preparation of ECD proposals.

d) Upon approval of a proposal by USAID and with the concurrence of the appropriate regional office of NEDA, an agreement was drawn up between USAID and the grantee. USAID agreed to provide a grant of up to 50 percent of total subproject costs while the private sector grantee provided in-kind and cash contributions amounting to a minimum of 50 percent of total subproject costs. Arrangements for USAID contributions were set up on either a cash advance or reimbursement basis, depending upon the circumstances and requirements of the grantee.

e) USAID staff briefed grantees and the staff of grantee intermediaries on project accounting and subproject monitoring requirements. USAID provided training to grantees, grantee intermediaries, and beneficiary groups on community organization, value inculcation and project management techniques. Grantee firms or their intermediaries established cooperative arrangements with beneficiary community groups.

f) Grantees directed the implementation of subproject activities. OFFPVC staff monitored implementation progress on the basis of quarterly reports filed by subproject managers and through site visits. Periodic audits were conducted by both grantee financial staff and A.I.D. auditors.

A variety of documentation requirements, certification criteria, and other factors have influenced the project and subproject implementation processes. Private enterprises applying for ECD grants are required to submit evidence of financial soundness and good accounting practices, evidence of community involvement by the enterprise, certification of registration with the Philippine Security and Exchange Commission (SEC), evidence that the firm is up-to-date in its tax payments, and proof that its charter and by-laws permit it to pursue community development activities and to receive grants from a donor organization .

Other factors affecting implementation include the USAID decision to limit subproject implementation to three years, the establishment under the project of a "small projects" sub-activity (which allocates up to $50,000 per year for proposals of $5,000 or less), and the use by OFFPVC of USAID technical, financial and legal staff to assist in the review of selected subproject proposals.

Of the 12 grantees currently participating in the ECD project, nearly all have had a long-standing, historical interest in providing financial and technical assistance for social development activities. This tradition of involvement was very likely a key factor prompting the USAID decision to undertake the ECD project. It also appears to have been one of the factors that influenced USAID to impose upon ECD grantees the requirement that subprojects are to be designed to become self-sustaining by the end of the 3-year grant period.

III. ASSESSMENT OF THE ECD PROJECT

As noted in the Introduction, the overall framework used by the Team to carry out the assessment focused on five general lines of inquiry. The Team's findings are summarized accordingly, as shown below.

A. The extent to which the project's main participants, specifically USAID staff, the grantees, community development groups, and intermediaries, understand the project's purpose, goals and objectives

Site visits conducted by members of the Assessment Team revealed that information concerning the ECD Project had initially reached grantee participants in a number of ways. The president of Norkis, a Cebu-based firm, learned of the project at a Chamber of Commerce meeting. He was sent some ECD brochures, then visited by a member of the OFFPVC staff who convinced him that his firm should participate in the Project. She then instructed his community relations staff on how to go about preparing a proposal. Norkis had been doing one-shot charity projects, sponsoring health seminars and scholarship grants for rural students for some time, but had begun to give serious thought to participating in micro-enterprise development activities. The ECD Project provided the firm a timely opportunity to shift its focus.

Two firms, the United Pulp and Paper Company (UPPC) and Davao Union Cement Corporation (DUCC), learned of the project through a newspaper advertisement which noted that USAID was looking for applicants. The firm contacted PHINMA, its community relations firm in Manila, which in turn contacted USAID. DUCC was attracted to the community development objectives of the ECD Project inasmuch as the firm had had a long-standing corporate policy of sharing profits with community neighbors in the form of technology transfers.

Two other firms were persuaded to participate in the ECD project after having first applied to USAID for PVO grants. Most firms learned of the project through OFFPVC presentations (such as to Chambers of Commerce), through letters sent by USAID, or through direct contact with USAID staff.

The Assessment Team found grantee staff charged with implementing ECD subprojects including intermediaries, to be generally knowledgeable about the purpose, goals and objectives of the ECD project. The question of whether they understood the significance and implications of getting broader private sector participation in community development activities, however, seemed of secondary concern. What these staff members felt they really needed to know about the project concerned operational matters such as proposal development, USAID certification procedures, the financial accounting methods prescribed for the project, and project monitoring requirements. This kind of information was generally gleaned from USAID staff during site visits, and from subproject review meetings, training seminars, and

manuals distributed by USAID during the course of project implementation.

There was some concern expressed by one of the higher-level executives interviewed during the Team's field visit, that the goals and objectives of the project were not clearly understood by grantees and, more importantly, were not being adequately addressed by the Philippine business community at large. He said that there was clearly some urgency in getting broader private sector involvement in community development activities primarily because government agencies were no longer up to the task. The matter had been brought to the attention of President Aquino early in her administration, but there had been no follow-up.

He noted that the consequences to the Philippines of not pursuing the matter could be serious, particularly with regard to continued environmental degradation and unemployment. He suggested that the USAID consider convening a round-table of top-level executives of the country's leading business firms under the auspices of the ECD project, to discuss what might be done. His proposal for a USAID round-table was endorsed during subsequent Team interviews with executives of two other grantee firms.

USAID staff involved in the implementation and management of the ECD project were generally knowledgeable about the project and provided the Assessment Team a number of suggestions as to how implementation of the project might be facilitated and improved.

Beneficiary community groups appeared to have the lowest level of knowledge, understanding, and awareness of the project's goals, objectives and purposes. To them, the most important feature of the project was that it provided guidance and resources for the design and implementation of needed community subprojects. Most of what the members of these groups had learned about the project came from visits by USAID and grantee project managers, and from identification markers that were posted at project sites identifying USAID and the grantees as joint sources of funding. In one case, community leaders interviewed thought that ECD stood for "Economic and Community Development".

The focus of grantee staff on the operational requirements of project implementation was well placed. The contract organization envisioned in the Project paper (tentatively PBSP or SGV) that was to have played a key role in setting up the project and in managing its implementation was never brought into play. Secondly, the ECD project is considered by the Mission to be the first of its kind in A.I.D., and except for areas where PVO guidance was applicable, most of

what needed to be known about project implementation was learned during the actual implementation process.

While knowing what the project was intended to accomplish was important during project design, actual implementation tended to show that certain basic concepts and features built into the project at the design stage, and others that were adopted during the course of implementation, proved essential to getting grantees like Victorias Milling, Aboitiz, Benguet and Marsman, and intermediate institutions like RAFI, PBSP, JVOFI, and PHINMA, interested and involved in the project. These basic concepts became crucial to the successful implementation of the project and will be important determinants of whether the project's goals and objectives are, in fact, achieved.

1. <u>The concept of USAID matching grants</u>

The matching grant feature of the ECD project appears to have been its principal selling point. Several grantees, including the Victorias Milling Company of Negros, said that the matching grant enabled them to "double their money", i.e., to do twice as much for beneficiary communities as they would have been able to do with their own resources while at the same time halving the costs to the firm of subproject administration and monitoring. It is noteworthy that none of the eight firms interviewed indicated that receipt of an ECD grant had induced them to change the nature of the subprojects they were proposing to undertake. In the case of the Aboitiz Corporation, however, the prospect of receiving a matching grant prompted the firm to expand considerably the scale of its proposed community development activities.

When asked if they would have considered participating in the ECD project had the USAID matching grant been less than 50 percent, grantee responses were generally negative. One firm stated flatly that it would not have participated. A second said that anything down to 25 percent would have been acceptable provided the USAID cut back on ECD subproject monitoring requirements. Others indicated that a lesser amount would have led them to consider applying for PVO grants which provide a higher level of matching funds (up to 75 percent), and which have less stringent monitoring requirements and less demanding certification procedures.

2. PVO status vs. ECD status

The ECD project is considered by several grantees to be singularly useful, because it promotes integrated and market-oriented community development activities. One firm said that it had not and would not consider working with a PVO because of their general orientation towards "charity" projects.

The Aboitiz firm's involvement in the ECD project began with the firm wanting to do something big in ecology, e.g., reforestation. The firm wanted to establish a showcase project in each municipality in Cebu, an island that is now virtually denuded of forests. It applied for a PVO grant through a non-profit intermediary, but was persuaded by USAID to become an ECD grantee.

There was considerable ambivalence among ECD grantees as to whether they would prefer to operate as a PVO or as an ECD grantee, even though there appeared to be a consensus that PVOs are generally oriented towards "social development" or "charity" projects, while ECD grants are aimed at self-sustaining, income-generating, market-oriented "community development" projects. Grantees, in general, felt that they would wind up implementing the same array of subprojects regardless of whether USAID assistance was provided in the form of a PVO grant or an ECD grant.

At the same time, a majority of the ECD grantees expressed a strong desire to be considered a separate group. Many were not pleased that they had had to attend USAID orientation and training seminars with PVO participants. As one put it, the PVOs got most of the attention and did all of the talking. Several grantees suggested that providing more opportunities for increased dialogue among grantees would be useful. One proposed that a formalized ECD grantee network be established. The point made was that grantees must become more dynamic as a group in addressing community development needs.

3. Grantee control over subproject activities

By their very nature, private businesses are used to controlling their own enterprises. It was not surprising therefore to find ECD grantees displaying exactly this tendency in managing ECD subprojects. Grantees indicated that once they understood what was required of them in the way of ECD project management and monitoring requirements, they moved quickly to

integrate these requirements into their normal mode of doing business. In some cases, this meant simply turning over responsibility for managing ECD subprojects to the firm's community relations staff, such as was done by DUCC, or farming it out to an already functioning community development foundation, such as was done by the Aboitiz Group with RAFI, its community development arm. It should be noted that most of the grantees involved in the ECD project have had prior experience with community development activities. Several have had extensive experience.

Except for some initial delays experienced in meeting USAID grantee certification requirements, and others related to getting subproject proposals or fund transfers approved, there appear to have been no major problems involved in the process by which ECD grantees got set up to manage ECD subprojects. For the most part, USAID staff or a USAID contractor such as UICI provided the right mix of orientation and training to grantees, generally on a timely basis. Except for a recent rash of audits, USAID monitoring practices have not been considered burdensome.

The efficiency with which the initial set of ECD grantees set up shop has established a sound precedent for future project operations and appears to have confirmed the USAID's expectation that getting private sector firms involved in assisting community development efforts would indeed result in the more efficient delivery of essential services to outlying areas.

Private firms also tend to work constantly to maximize returns from resource inputs whether such inputs are financial, managerial, technical or material in nature. This tendency manifested itself in a number of ways during implementation of the ECD project.

One firm, for example, contributed assets and technical expertise from a defunct plant that it had been operating, to help set up two cooperative enterprises in a nearby rural area. Workers have been organized into a profit-sharing cooperative, products have been successfully redesigned to meet market demand, and the grantee firm has recently taken upon itself the task of helping to identify market opportunities for the cooperative.

A second grantee focuses its community development efforts in residential areas adjacent to the areas where the firm's extraction and production facilities are located. Projects to date have included the

construction of several day-care centers, health training facilities, the construction of community water supply systems, and the start-up of two income-generating fisheries projects. Plant executives feel that they have personal knowledge of living conditions in these neighboring communities. The firm also sees its assistance as representing an offset to the community for the noise and pollution that its plants cause.

4. Sub-lending and the establishment of revolving funds

A current feature of the ECD project that the initial design does not appear to have taken into account but that has emerged as an increasingly important feature, are the sub-lending processes that are being set up between grantees and the cooperative groups presently managing income-generating projects and, in some cases, between community cooperatives set up under the ECD project and the members of the cooperatives.

For income-generating projects, including the establishment and upgrading of water supply systems, sub-lending has become a major focus of grantee interest because repayments from the sub-loans can be deposited to a revolving fund and used for subsequent relending. USAID requires that these reflows be used for the same kinds of activities that were initially funded under a subproject. Some grantees complained that this represented an unnecessarily restrictive policy that was limiting the usefulness of the funds, but it does not appear to have diminished the growing popularity of the sub-lending process among grantees.

A unique undertaking in Zambales province is the credit program supported by JVOFI which has enabled an association of market vendors to compete with "loan sharks" in providing loans to small entrepreneurs. The lower cost of credit from the association is effectively being translated into benefits for all consumers in the area, through the resultant lower prices for different food products sold in community markets.

USAID policy regarding interest charges is having a curbing effect, however. USAID requires that market rates be charged on ECD sub-loans which means rates in some areas approaching 18-20 percent. By comparison, interest charged for Land Bank loans is presently only 10-12 percent. Some grantees feel that strengthening community credit operations is an essential step in community development, and that USAID should adjust its ECD policy to permit rates that are competitive with

those of the Land Bank. Others argue that this would quickly undermine the validity of the ECD approach which is to help communities achieve self-sustainability for income-generating projects under competitive market conditions.

Marsman feels that it is unable to effectively implement income-generating projects partly because Government agencies have traditionally made loans without expecting repayment. People have gotten used to bail-outs and dole-outs. For poultry and duck-raising, only 70 percent of the loans get paid back.

B. Whether adequate mechanisms have been constructed to help bridge conflicting interests and harmonize relations among the project's main participants, e.g., between profit-oriented grantees and social-minded community leaders

1. The expanded role of intermediaries

As noted earlier, the ECD Project Paper had called for a contracted Philippine organization to play a key role in managing the project. One grantee thought that such an intermediary would have been an obstacle in USAID's relations with grantees and might have pre-empted firms from getting full credit for what they did at the community level. The prospective arrangement did not come to pass, which may have been a fortuitous development.

The lack of a central intermediary to coordinate project activities prompted a number of grantees to use their own intermediaries. The Victorias Milling Company, for example, used Kauswagan, the company's own foundation, to adapt the company's financial monitoring practices to community level and to bring the firm's technical resources to bear on community development problems. Based on its experience, Victorias considers intermediary groups comprised of experienced and well-trained community development staff, to be an essential element in promoting effective interaction between grantees and USAID and between grantees and beneficiary groups.

Other firms discovered that organizing and using their own non-profit making foundations enabled them to take advantage of a government tax break affecting company expenditures for community assistance programs that did not apply in situations where ECD-type activities are run directly by the firm itself.

2. Intermediaries use of entry strategies

The value of using experienced community development staff was clearly evident from the strategies employed by various grantees to establish effective relations with beneficiary groups. In the case of the Aboitiz Group's reforestation project on Cebu, the Team learned that the project was purposely designed as a multi-purpose undertaking and included water supply, health and income-generating components to serve as an entry point for getting communities organized before permitting them to get involved in the main activity of the project, which was the reforestation component.

RAFI staff explained that the reforestation effort would ultimately fail unless steps were taken to develop a sense of common responsibility and purpose among the communities' individual members. If communities are not organized along these lines, individual members will act on their own behalf and cut the trees. Previous experience had also shown that paying workers individually to plant trees did not work, because the workers would cut the trees down simply to get paid to plant them again.

A different entry strategy was employed by the Norkis Company. Norkis used ECD resources to get a cooperative-managed income-generating project underway, then helped cooperative members organize their own health care, day care and other community improvement activities. Norkis community relations staff believe that communities organized around productive income-generating activities are generally in a better position financially to initiate and sustain their own health care schemes.

On Mindanao, the Marsman Estate Plantation found that it could tap into existing community organizations, primarily local water supply associations that had been established by Philippine government agencies, as its point of entry to communities in need of development assistance. Like other ECD grantees, Marsman found that most rural communities lack social cohesion and that some kind of rallying point needs to be instituted before effective development efforts can begin. To establish a rallying point, Marsman gave communities materials to build a basketball court and a multi-purpose building. Marsman got strong support in these efforts from mayors, parent-teacher groups, and Government health extension workers. It got little cooperation from other Government agencies. Marsman did

not attempt to coordinate with community religious groups.

In Zambales, the Benguet Corporation through its foundation, the Jaime V. Ongpin Foundation, Inc. (JVOFI), has effectively used government contacts (primarily through Mayors' offices, City Councilmen, and national government agencies) to establish a strong base for cooperatives and producers associations to operate at the community level. The key to the success of this approach has been the active, young organization that was established to manage subproject implementation.

3. <u>The high degree of harmonization at local level between grantees and beneficiary community groups</u>

The practice of charting entry strategies appeared to help grantees considerably in establishing sound management structures for the implementation of ECD community development projects, especially self-sustaining projects. Grantees also appeared to be properly sensitive to the need to involve beneficiary groups in the design phases of project development, in order to generate a sense of joint effort right from the start.

DUCC said that it had started doing community relations work in 1982 at the behest of its Chairman who wanted to establish effective interfaces with the firm's community neighbors. DUCC feels that it now has particularly strong linkages with neighboring barangay councils, water supply cooperatives, tenant-worker associations, and other community-based groups. UPPC and Victorias also feel that they have developed strong community relations.

RAFI and Marsman said that they had systematically visited beneficiary communities in advance of preparing their ECD proposals to apply project selection criteria and to assess community capabilities and commitment before going to USAID. Marsman also conducted community-based meetings to enable project beneficiaries to help decide what needed to be done.

Norkis found that building good community relations was essential to getting its ECD project underway. Norkis owned the land on which a proposed worker-owned, cooperative stonecraft plant was to be constructed. The site was planted to mangoes which perennially disappeared before they could be harvested. Norkis worked closely with community leaders in order to head off the possibility that similar disturbances might

occur once the stonecraft plant started operations.

Norkis had also encountered a second problem at the site which was eventually overcome through effective community relations efforts. The firm had approached an already-established community cooperative for help in setting up the proposed stonecraft plant, but was told that the managers of the cooperative would only agree to participate if they were given a free hand in hiring workers. Recognizing that this approach was unlikely to result in a sound project, Norkis got the workers of the project to organize their own, profit-sharing cooperative. At the time of the Team's visit, the articles of incorporation for the new cooperative were awaiting member approval. Certification by the Government's Cooperative Development Authority is expected in June, 1991.

4. Interaction and networking among grantees

The desire and need for greater interaction and networking among ECD grantees was a common theme during the Team's site visits. One grantee, at both the CEO/President and ECD project management levels, suggested that any ECD networking should also extend to PVOs since the end objectives of PVO and ECD projects are basically the same. He noted that PBSP is working on a proposal to develop a country-wide network of PVOs and ECD grantees (called PINOI). Grantees interviewed subsequently still felt strongly that the ECD group should have its own network. Victorias staff said that they would prefer to concentrate on establishing a network for Negros before getting into a country-wide scheme. Victorias is planning to do some networking of its own under its proposed SEDAP II project.

DUCC and Marsman staff felt that the ECD round-table suggested by the Chairman of Norkis would be an appropriate forum for discussing the question of broader ECD networking and what it might entail. Better information on marketing opportunities for products produced under ECD income-generating subprojects, the potential benefits of setting up joint marketing schemes for ECD beneficiaries, intermediary "block grants", "big brother" arrangements, and the broader sharing of lessons learned from subproject implementation experience in key areas such as community organization, value inculcation and the adaptation of new production techniques, were identified as specific areas where broader networking would be particularly beneficial to grantees and intermediaries. The value of inter-area visits was also noted.

C. The extent to which there have been perceptible lags/shortfalls in commitment/participation/inputs, e.g., funding, in-kind contributions, training, grantee reimbursements, etc.

1. The array of participant inputs

The nature of participant inputs under the ECD project varies from community to community, depending upon the nature of the subprojects undertaken. There are, however, some common features. For projects where community or cooperative facilities are constructed, USAID funds are normally used to cover the cost of construction. The grantee involved provides tools, materials, and working capital. Community members provide labor, and usually donate the land used for the project.

Grantees, in particular, also provide a variety of other inputs. Marsman has contributed technical expertise to its community development projects including the services of an agricultural specialist, several physicians, engineers and community development specialists, and the plant's nurse. For the Aboitiz reforestation project on Cebu, most of the grantee counterpart being contributed to the project is denominated in terms of seedling trees.

For the community cooperative involved in its ECD project, Norkis is providing training in supervisory skills to cooperative managers, training in technical skills to plant workers, and training in financial skills for project monitoring staff. The cooperative itself is planning to hire a new staff member to do its bookkeeping. Norkis will retain a relationship with the cooperative to help expand its export markets.

2. Bottlenecks and perceived shortfalls in commitment

There have not as yet been any serious shortfalls in participant contributions to the project. There are, however, indications that project implementation would have been smoother in some cases had USAID project managers and their grantee counterparts been more dynamic in taking steps to remove implementation obstacles or snags once they had surfaced.

Two areas that needed particular attention related to the revaluation of participant in-kind inputs, such as donated land, necessitated by adjustments in the value of the land, and similar adjustments to matching contributions resulting from devaluations of the peso.

Some grantees pointed to USAID delays in addressing issues that emerged during project implementation, and subsequent delays in getting these issues resolved, as reflecting a lessening of USAID'S commitment to the project. The specific issues cited included the recently-enforced certification provision requiring shareholder approval of grantee participation in ECD projects, the issue of supplementary cash advances, and the question of the circumstances under which second grants are to be allowed. Members of the Assessment Team are satisfied from discussions with USAID staff that there has been no diminution in the Mission's commitment to the project. Nevertheless, the perception may linger.

The relatively modest number of grantees participating in the ECD project to date has cushioned the impact of current procedural delays. Any appreciable increase in grantee participation could, of course, greatly heighten their impact.

The Team also heard comments regarding unexpected delays in getting initial fund transfers for project start-up, inadequate orientation and guidance during the start-up period, an occasional lack of adequate feedback and follow-up following USAID staff site visits, and some delays in reimbursements. These were generally isolated, one-time incidents or connected with the start-up period of the ECD project itself. There appeared to be no clear or consequential patterns of delay.

3. Community and grantee commitment to the project

Some concern was expressed during Team interviews that grantee firms were relegating ECD activities to lower-level staff, and were not assigning talented and experienced staff fulltime to these activities. This contention was not borne out during Team visits to grantee headquarters or project sites. To the contrary, as noted elsewhere, Team members have been greatly impressed by the calibre of grantee staff assigned to the project, including in particular the staff of the various foundations and intermediate institutions that have been involved in the project.

Community attitudes toward the project were less readily discernible. During the early phases of the assessment, the Team gained the impression that communities were not being adequately represented in the project. Visits to project sites helped to clarify why this appeared to be the case. Grantee staff at one project site noted that

effective community organizations do not exist at many rural locations. Secondly, the staff noted that several of the community leaders who had been selected to be project coordinators at that site became very popular because of the success of the ECD project, and were duly elected as community politicians in the next election. They were thus lost to the project.

High turn-over of staff, the impact of perennial typhoons and a variety of other factors, including community intrigue, have at times tended to hinder the progress of subproject implementation, and to obscure the depth of community commitment. On balance, however, the Team feels that as communities begin to realize the full benefits of and social returns from their participation, their sense of commitment to ECD projects can be expected to increase accordingly.

Social and economic returns to project inputs are beginning to show in a number of ECD subproject areas. As these continue to mount and to demonstrate the effectiveness of the ECD approach to community development, USAID and grantees should begin to consider shifting gears on the project by accelerating the implementation of current activities, while working to broaden the network of community and private sector participation.

4. Project management staff performance incentives

PVO project managers have found that setting a 3-year term for project completion can result in the loss of experienced staff during the third year of project implementation as staff, understandably, look for follow-on employment. USAID and grantees should anticipate that staff loss will become a growing problem as the initial set of ECD activities winds toward completion.

Staff turnover at present does not appear to be a problem for ECD subprojects. When the project started, however, salaries were at a par with those of other community development groups. They are now slightly lower.

D. Whether the project has basic flaws in its organization, delivery or monitoring processes or is too ambitious in scope given available resources and the 3-year timeframe set for USAID participation in sub-projects

1. The state of project organization

On balance, it appears that the organizations that have been been established by USAID, the grantees, and beneficiary communities to manage ECD project activities are adequate to the task at both the project and subproject levels.

Within USAID, a Project Coordinator is responsible for overall management and implementation of the ECD project. He reports to the Director of the Office of Food for Peace and Voluntary Cooperation (OFFPVC). The Project Coordinator is assisted by two Project Officers who monitor all aspects of project implementation including proposal development and review, subproject implementation and impact evaluation, and liaison with other participants. A senior PVO Project Officer and a Finance Specialist in OFFPVC provide staff assistance as needed. Private contractors have assisted OFFPVC staff with project management training and financial monitoring tasks.

Grantee firms have used either their own community relations offices or staff of intermediate institutions (usually a company-endowed foundation) to serve as ECD project managers. Technical and managerial expertise is also often provided to support project activities. Occasionally, contracts are let for specific tasks such as baseline studies, proposal development or feasibility analysis.

Over the years some of the firms that are participating in the ECD project have developed sizeable community development organizations. The Kauswagan of Victorias Foundation has a staff of over 100 persons of whom 22 persons are involved in ECD subprojects. The ECD staff of another grantee includes the Project Manager, a Project Supervisor, bookkeeper-accountant, four field staff, four community coordinators, a health coordinator and an animal husbandry specialist.

The ECD project of Aboitiz'z company is run as an autonomous unit of RAFI, a corporate foundation that has an interlocking board of directors with the Aboitiz Group. The Executive Director of the ECD unit meets with the Board of Trustees of RAFI monthly to inform

them of the project's progress. The community relations group of PHINMA, an intermediate institution, manages the community development activities of six companies, of which DUCC is one, and UPPC another.

In addition to an Executive Director, the ECD project staff of Norkis includes a project manager, marketing analyst, an accountant and production supervisor. For its proposed second ECD project, Marsman is planning to set up a separate project management group.

ECD participants are generally agreed that community organization is the key to effective community participation in ECD projects. RAFI staff noted that for its reforestation project, each community is encouraged to organize and to maintain its own seedling nursery. Community participants are also taught how to manage money.

All barangays have their own water management associations which were set up by Government agencies. These associations generally operate as consumer cooperatives and charge a set fee for membership, and monthly charges for access to water. Both membership fees and monthly charges vary widely from community to community.

2. <u>The delivery process</u>

Considerable progess appears to have been made since inception of the ECD project, in facilitating grantee participation and in getting proposals developed and approved. The sequence of events related to development of the Victorias Milling Company's (VMC) proposed SEDAP II project was roughly as follows:

- VMC was encouraged by USAID to submit a proposal.
- VMC prepared and submitted a project concepts paper in mid-1990. The concepts paper became the basis for the SEDAP II proposal, which was submitted in November.
- the company got a letter toward the end of 1990 noting that its proposal had been approved. The idea of having Kauswagan, VMC's community relations arm, serve as an intermediate institution was incorporated in the proposal.

In preparing its second ECD proposal for the expansion of a municipal water supply system, Marsman was assisted by three members of the USAID staff. During development

of their first ECD proposal, Marsman staff had had to travel to Manila four times to consult with USAID staff.

3. The need to rationalize USAID certification and monitoring procedures

USAID certification procedures are considered a bottleneck in the ECD proposal approval process. Several grantees did not seem to fully understand the legal need currently being enforced by the USAID requiring them to modify their articles of incorporation to permit their firms to receive grant funds from USAID for social development purposes. Their common theme was that assisting community development is a customary practice in the Philippines and should not therefore require explicit shareholder concurrence.

VMC indicated that it was expecting its second proposal for an ECD grant to be held up because of the shareholder approval requirement. This may prompt VMC to shift to a PVO grant request. VMC said that it had not been informed of the need to modify its articles of incorporation when it submitted its SEDAP II proposal to USAID last November.

Setting up a special ECD account to facilitate USAID monitoring was considered by Marsman to be a problem. The company said that it would have greatly facilitated project management had the firm been allowed to incorporate the ECD account within its own system of accounts.

4. The timeframe for subproject implementation

Grantees generally felt that the standard 3-year timeframe for ECD projects did not allow adequate time for project implementation. It usually takes 8 months to a year for "social preparation", i.e., to get community groups organized so that they can participate effectively in the project. This leaves only two years for actual implementation which is not sufficient time to build an adequate base for sustainability, particularly for income- generating projects where the need to acquire marketing and financial management skills imposes an additional burden on community participants.

E. The extent to which there has been any misdirection of effort under the project, e.g., over-emphasis on getting grantees to participate to the exclusion of community group participation

1. The USAID's emphasis on getting grantee participation

Whereas the Project Paper had indicated that community level participation was to be given equal attention to that of grantees, the initial focus of project start-up was clearly concentrated on getting grantees to participate. As it turned out, grantees usually had specific community beneficiaries in mind when they submitted their ECD proposals. These were located primarily in areas adjacent to grantee production or quarrying facilities. Community groups that responded to USAID publicity of their own accord were advised to seek out business sponsors. OFFPVC presently maintains a list of potential grantees, but makes no attempt to keep track of community applicants.

Interviews with business organizations such as Chambers of Commerce, Rotary Clubs, and the Jaycees, indicate that these groups are not being fully utilized as channels for disseminating information to potential ECD grantee participants. Conversely, the Team has also been told by several prominent Philippine businessmen that USAID staff have for some years been actively trying to stimulate broader interest and support for the ECD project among business groups, but members of the business community have simply chosen not to hear the message.

2. Grantee interaction with community groups

Discussions with community leaders and the staff of grantee intermediate institutions who participated in subproject development activities revealed that whereas in most cases the initial idea for a project was instituted by the community, the grantee firm or its community relations arm did most of the project development work. This was particularly the case for larger scale undertakings such as the Norkis stonecraft plant on Cebu and the Aboitiz reforestation project. Aboitiz did the baseline survey, developed the project proposal, decided on community inputs, selected beneficiary groups, and then proceeded to carry out the project. In the case of the second Marsman project involving the expansion of a municipal water supply system, USAID staff participated extensively in finalizing the project proposal.

Having grantees take the lead in developing projects has

its advantages, inasmuch as their project development methods are generally more sophisticated than those used by communities and grantee staff can bring the firm's technical and financial resources to bear on the project development effort. Marsman used a contractor, the Institute of Cultural Affairs, to do the baseline survey for the municipal water supply proposal which it helped to develop on Mindanao. DUCC engineers did the feasibility analyses needed for the several community water supply projects in which it has participated. On Cebu, RAFI employs its "policy" section to come up with the forms needed to compile impact indicator data and to prepare comprehensive impact evaluation reports.

In cases where there there has been heavy community participation in project development, or close collaboration between the community and a grantee, the task of developing a sense of community responsibility for project implementation is greatly eased. As noted earlier, in cases where there has not been heavy involvement, grantees have found that they must often evolve community entry strategies to get the degree of cooperation needed to assure project sustainability.

3. Priority fields of activity for ECD subprojects

Community need is generally the first criterion used by both USAID and ECD grantees to decide which subprojects are to be supported under the ECD project. In response to Assessment Team queries regarding their needs and preferences, community leaders were quite definite that potable water, sanitation (i.e., toilets), health care, nutrition assistance and pre-school or day-care facilities were at the top of the list. Employment or income-generating projects normally came next. Reforestation was seldom mentioned. In fishing villages, the construction of artificial reefs and fishpens were usually key priorities.

ECD-funded projects generally do not have family planning components although the latest USAID country assistance strategy paper states quite clearly that in the absence of a dramatic reduction in fertility, it will be increasingly difficult for the Philippines to provide adequate access to health care or educational services for a large proportion of its low-income, rural population.

From the grantee perspective, preferences as to the kinds of activities that should be supported under the ECD project tend to favor employment and income-generating projects. Norkis plans to stay with

income-generating projects. For its next project, Norkis is planning to get community participants involved in cattle-raising at a rural site near Sablon, on Cebu. The firm is also considering support for a reforestation project.

Marsman said that its main interest is in job creation, and that if it were to provide neighboring communities a second round of assistance, it would be focused on integrated farming projects, e.g., pig fattening and vegetables, to help communities diversify their sources of income.

In a district near Davao, the community has converted their water supply system into an income-generating project. Surplus funds are used to buy rice for poorer families and to pay dividends to members. The community is also looking into setting up a cooperative credit program.

4. The focus of ECD training

The training component of the ECD project is focused on community organization, leadership skills, evaluating community problems and identifying resource needs. Financial management training has also been a major focus for income-generating projects. Several grantees stated that they have found USAID-sponsored training in community organization, operations management, and credit policies, to be particularly useful.

Various community participants indicated that the training sessions which they find most useful are those in health, bookkeeping, and marketing. Poultry and livestock farmers in particular appear eager to learn how to dress and sell their products directly to market, in order to eliminate the middleman.

IV. KEY FINDINGS

The Statement of Work for the ECD assessment contains a number of specific questions which were developed to aid the Team in determining whether the ECD project is (1) attaining its own purposes and objectives, and (2) contributing to the achievement of overall USAID objectives, especially those concerned with fostering participatory development efforts and with fulfilling the Agency's open markets and open societies mandate. Team inquiries during participant interviews and site visits were aimed at developing responses to these questions. The Team's responses are set forth below.

1. To what extent is the project attaining its specific purposes

and objectives?

The project has not generated the level of private sector participation that had been expected, and projects that are being implemented tend to be situated in communities adjacent to plant facilities. However, the firms that are participating are demonstrating that they can efficiently deliver essential services to rural communities. The Team feels that further expansion of private sector involvement would contribute significantly toward improving living conditions in the country's rural areas.

2. Is the project designed in a manner sufficiently feasible to permit effective implementation?

The initial project design called for USAID to contract with a private business organization or firm to help manage the project and to codrdinate implementation. The contract did not materialize and it is questionable whether this arrangement would have permitted effective implementation. The Team's assessment indicated that, where they were employed, intermediate instituions which operated as the implementing arms of ECD grantees, became effective implementing agents. The Team has recommended that their role in future project operations be expanded.

3. What modifications to the ECD project are required to improve its efficiency and impact?

The principal modifications required involve streamlining USAID in-house proposal review procedures; simplifying grantee certification and financial reporting requirements; extending the 3-year timeframe for project implementation to 5-years, particularly in the case of income-generating projects to permit communities to establish a more permanent base for project sustainability; putting greater emphasis on employment and income-generating activities to utilize grantee business management and marketing capabilities more effectively; generating more responsive management procedures for dealing with implementation obstacles or issues once they have surfaced; and establishing clearer USAID policy guidelines regarding grantee eligibility to receive more than one matching grant.

4. Are sub-project purposes being/likely to be attained?

All of the subprojects reviewed and visited by the Team appear to be proceeding smoothly and are progressing in line with their basic purposes and objectives. Two subprojects may even exceed their performance targets.

5. Are sub-projects having/likely to have the intended impact on

designated beneficiaries?

Clear evidence of impact is not yet visible inasmuch as only one subproject has been completed to date. The institutional structures and infrastructural facilities needed to achieve impact (i.e., cooperatives, potable water supply facilities, sanitary toilets, health care centers, fishpens, tree seedling beds, medicinal herb gardens, and day-care centers) are still being put in place. In many cases, the organizational base being constructed at community level should permit even greater impact than initially expected. There are already instances, for example, where a cooperative organized for one purpose (water supply management) is being utilized to achieve another (sublending).

6. To what extent are local communities active participants in, and supporters of the subprojects?

Beneficiary communities visited were found to be strong supporters of ECD subprojects. Community groups generally defer to grantees in conceptualizing and developing proposals, and in conducting baseline surveys, resource needs assessments, and organizational development activities, but become active participants once subproject implementation begins. During the Team's site visits, the community groups found to be the most active in project activities were the parish councils, parent teachers associations, community cooperatives, water management committees, barangay councils and barangay health workers. Community contributions to ECD projects are normally provided in the form of donated land or voluntary labor. In most communities, project maintenance and sustainability are still not generally regarded to be primarily a community responsibility.

7. To what extent are local government units and agencies of the GOP involved in the sub-projects?

There is considerable involvement of local government units and agencies of the GOP in most ECD subprojects, in the sense that cooperative agreements need to be arranged with virtually all units of government participating in or responsible for comparable community development activities in the area concerned. In the case of the Aboitiz Group's ECOSYSTEM project on Cebu, for example, which includes health care, water supply and reforestation components, cooperative agreements had to be set up with barangay and municipal development councils, and with the local offices of the GOP Departments of Environment and Natural Resources, Health, Social Welfare and Development, Public Works and Highways, and Agriculture. The same extensive arrangements pertain in the case of ECD integrated social development projects.

For smaller, less complex projects, government involvement is usually limited to the barangay councils, and to the local offices of the Department of Health and the Department of Social Welfare and Development. These linkages are considered necessary for purposes of coordination and protocol, and in the case of some ECD projects, have led to joint undertakings in community organization activities, training, and the implementation of baseline surveys.

As noted in Section VI below, the Team believes that greater interaction and coordination of effort between ECD participants and government agencies is warranted, particularly at the provincial level.

8. <u>To what extent are grantee companies contributing the counterpart called for in the grant agreement?</u>

ECD grantees appear to be current in contributing the counterpart called for in grant agreements. There are, however, procedural issues pending between USAID and grantees related to the need to adjust the value of counterpart funding inputs to reflect periodic exchange rate changes, and the need to adjust the value of in-kind contributions of land to reflect periodic changes in the assessed value of the land.

9. <u>Is the value of the actual counterpart contribution less than/equal to/greater than that which is defined in the grant agreement?</u>

The value of the contribution is generally equal to that defined in the grant agreement. In some cases, it may currently be greater, for the reasons cited in item 8. above.

10. <u>What is the return on investment of USAID funds for ECD sub-projects considering total project costs?</u>

By attracting matching contributions from grantees, USAID is effectively doubling the resources being directed to community development activities compared to what would be the case were it to be undertaking these activities alone. It is too early to estimate the returns on investments in specific subprojects, although signs of improvement in community health resulting from improved water supply and sanitation are beginning to show, and there has been some evidence of increased beneficiary incomes resulting from ECD fisheries, poultry and swine-raising projects. Reflows from ECD sublending activities connected with community water supply projects are also starting to mount.

11. To what extent are the following expectations reasonable:

a) that grantee companies will continue to pursue direct asssistance development activities in the future;

It is very likely that grantee companies will continue to be involved in community development activities in the future. Most of the firms participating in the ECD project were extensively involved in such activities prior to their involvement with the ECD project. A number of grantees have stated that they intend to continue their involvement, whether or not they receive further ECD grants.

b) that sub-projects funded through ECD will be self-sustaining?

It is reasonable to assume that most of the income-generating projects being funded through ECD will become self-sustaining provided the communities involved are given sufficient time to develop a firm base of support to maintain these activities. In some cases, additional marketing assistance and credit management expertise will be needed. The Team does not believe that the criterion of self-sustainability should be applied in the case of health care, day care, reforestation and fisheries restoration projects, at least for the present.

12. To what extent is the project's facilitating linkages between the profit-making private sector, NGOs, beneficiaries, government units and agencies, an effective means of investing in development activities?

The Team considers that expanding the role played by intermediate institutions such as RAFI, PHINMA, and JVOCI, in facilitating linkages among the various ECD participants would be an especially effective means of investing in development activities. Providing increased opportunities for the involvement of USAID/ECD project staff in proposal development and liaison activities would also be an effective means of investing, as would be taking steps to promote expanded networking among present ECD grantees, and between present and prospective ECD grantees.

13. Is/can the ECD project (be) an effective mode for fostering community-based participation in development?

It is now an effective mode in the sense that the project is fostering the development of community organizations that are beginning to play key roles in the development, implementation and management of ECD subproject activities.

It will readily become a more effective mode, once the communities themselves have established a firm organizational base for their own further participation in development.

14. To what extent is the project attaining the A.I.D. and USAID objectives as stated in the Mission CDSS and April, 1990, Program Assistance Strategy?

The ECD Project is clearly helping to induce broader private sector participation in development activities and is contributing significantly towards the attainment of the USAID objective of more efficient delivery of essential services. There is at best only an indirect contribution to the overall goal of an open market society since many of the subprojects as presently structured contribute little to improving the ability of low-income groups to compete in a market-oriented society. The Team is recommending that greater attention be given to expanding assistance to the marketing and fund management aspects of ECD income-generating activities.

15. To what extent is the impact of sub-projects affecting/likely to affect broad-based economic growth as defined by A.I.D. strategy statements?

The scale of the ECD project would need to be expanded considerably for its subprojects to have an appreciable impact on broad-based economic growth.

16. So as to ensure that ECD corresponds to A.I.D. and USAID objectives, what modifications should be made in project design and implementation?

The Team considers that except for expanding its outreach capabilities and enhancing the market-orientation and competitiveness of its income-generating subproject activities, the project as it stands appears to be totally in line with current A.I.D. and USAID objectives.

V. LESSONS LEARNED FROM PROJECT EXPERIENCE TO DATE

Team interviews in Manila and during site visits indicated that participants in the ECD project had gained a number of valuable insights into the process by which private sector resources are brought to bear on community development problems. These "lessons learned" were useful to the Team in formulating recommendations to strengthen and improve the project. They are summarized below.

1. A clear understanding of project goals, objectives and procedures is essential to the successful participation of grantees in the ECD project.

   Grantees should be briefed in some detail at the outset of their participation to avoid possible misunderstandings. Some of the delays encountered during the design and implementation of ECD subprojects were attributable to a lack of adequate orientation up front.

2. USAID matching grants are an effective mechanism for attracting grantee participants.

   The 50-50 financing split currently being applied by the USAID to ECD subprojects has been instrumental in attracting a select number of private sector participants, although it may need to be modified to attract a broader range of participants. Several grantees saw the 50-50 split as providing them an opportunity to double their expenditures on community development activities. Others, however, regard the 75-25 USAID split applied to PVO activities to be considerably more attractive.

3. Strong support from top management is crucial to the success of grantee participation in the ECD project.

   Grantee staff involved in the implementation of ECD subprojects regard strong top management support as crucial to the success of grantee participation in the ECD project. Such support ensures that there will be a sustained commitment by the company to provide the technical and managerial resources needed to develop and implement subproject activities successfully.

4. More work is needed in getting communities better organized.

   A general lack of strong community organization may have lowered considerably the level of community participation in the development of ECD subproject proposals. Organization is the key to establishing a base for community development, to capitalizing on managerial and technical training opportunities, to attracting funding resources, and to using these resources wisely. Most of the ECD participants interviewed by the Assessment Team readily endorsed the emphasis currently being given to community organizational workshops and leadership training during the start-up phases of ECD subprojects.

5. Subprojects are more likely to be successful if they are locally determined and "rooted" in the community, and if they have been developed in response to the needs of specific beneficiary groups.

   Community involvement and support are critical determinants of the sustainability of subprojects. Beneficiaries who feel that the subprojects being implemented in their community are responsive to their needs are more likely to take a direct interest in sustaining these activities.

6. Subprojects should be focused on specific impact targets.

   Integrated projects can be too complicated and their impact too dispersed to contribute meaningfully to community development. The ECD subprojects that appear to be the most successful are those with clearly defined objectives, such as the construction of a community water supply system that provides potable water to community residents and the related establishment of a beneficiaries cooperative to manage and maintain the system.

7. The project's proposal development and review process can and should be shortened.

   The development of a suitable proposal for ECD funding can be a long drawn-out process which according to grantees can take from two to six months of work before the proposal is ready to be forwarded to the USAID for approval. The review process within USAID can take an additional four to six months. Some participants feel that the total process should not take more than 3-4 months. PVO formats and guidance are currently being used for the development and review of ECD proposals. The development of a manual tailored to the needs of ECD participants would help considerably to expedite the process.

8. More consultation is needed following subproject approval.

   Lack of adequate consultation following subproject approval has on occasion led to the need for further extended consultation to clarify requirements and procedures during subproject start-up and implementation. Increased consultation between USAID and ECD grantees immediately following subproject approval can greatly reduce the need for extensive consultation downstream.

9. USAID site visits are needed to adequately assess training and technical skills requirements.

Grantees often do not have the full array of managerial and technical skills needed for subproject design and implementation, and must be supplemented from outside sources. Periodic site visits by USAID staff have helped to ensure that training and technical skills requirements are identified in a timely manner, and fully met.

10. Intermediate institutions have helped to facilitate grantee interaction with community groups.

Intermediaries have been useful not only in getting community groups involved in developing ECD subproject proposals but also in matching available grantee managerial and technical skills to community development requirements. A number of ECD grantees are currently using established foundations, including their own, to serve as the implementing arms of ECD projects, to help facilitate interaction with beneficiary community groups.

VI. CONCLUSIONS AND RECOMMENDATIONS.

In accordance with the Scope of Work, the assessment included consideration of new directions for the ECD project based on an examination of:

(1) the USAID strategy of targeting U.S. assistance toward the achievement of open markets and open societies; and

(2) the project's capacity to fund and implement sustainable projects through the private profit-making sector.

Taking account of these and other related factors, the Team's conclusions and recommendations are set forth below.

A. Conclusions regarding the project's goals, objectives and purposes; the extent to which they have been effectively conveyed and understood by participants, whether they remain valid, and whether they are likely to be achieved

1. Grantee awareness of the project's objectives

The USAID notion that living conditions in rural areas outside Manila can be significantly improved by promoting the expanded involvement of for-profit private businesses in community development activities appears to have been effectively conveyed to all of the private sector grantees participating in the ECD project.

Orientation seminars and introductory one-on-one sessions with executives of business firms were the most effective means for getting the project idea across to grantees. Newspaper articles advertising the project and USAID presentations at meetings of Chambers of Commerce and other business organizations were also effective means.

Most of the businesses participating in the project have had considerable prior involvement in community development activities. The USAID matching grant feature was the chief reason for the participation of several of the firms. Two of the twelve firms presently participating in the project have applied for second grants. The number of firms participating is well below the number that had been expected to participate.

Notwithstanding the private sector's limited response, in view of the likelihood that all of the sub-projects currently underway will be successfully implemented, the stated goals, objectives and purposes of the project clearly remain valid. More aggressive promotional measures appear to be needed to get a broader array of businesses involved in the project, specifically firms that have not had prior involvement in community development activities. Getting broad private sector participation in community development activities is one of the principal objectives of the project.

Recommendation No. 1: USAID should build on the progress of implementation to date by enlisting current participants to help broaden private sector participation. This should involve establishing an effective network of current ECD participants to help coordinate promotional efforts and to ensure effective follow-up. Consideration should also be given to involving other donors in this effort.

2. The Norkis Proposal for an ECD round table

The ECD roundtable of Philippine business leaders suggested by the Chairman of the Norkis Group would be an appropriate forum for generating renewed private sector interest in the ECD approach, and for helping to identify ways in which broader private sector participation in the ECD project might actually be realized. Depending upon the results of this initial roundtable, future sessions might be conducted on a regional basis in Manila, the Visayas, and Mindanao.

USAID should also hold periodic meetings of community

leaders and civic groups, especially those within the vicinity of ECD projects. Such meetings should engage local communities in participatory dialogue with grantees and potential grantees concerning needs, resources and opportunities for intervention. This would help to ensure active community involvement in ECD projects and inculcate values of self-help and project sustainability.

Recommendation No. 2: OFFPVC should evaluate the feasibility and prospective benefits of sponsoring the ECD roundtable proposed by the Chairman of the Norkis Group.

B. Conclusions regarding intermediaries and other mechanisms that were utilized to help bridge conflicting interests and to harmonize relations among the project's main participants

1. Expanding the ECD role of intermediate institutions

The Project Paper had called for USAID to contract with a Philippine business or community development organization to help manage the ECD project and to serve as an intermediary between USAID and grantees, and between USAID and beneficiary communities. The proposed contract did not come to fruition. As a consequence, the main participants in the project, including the project management staffs of OFFPVC, the grantee firms participating in the project, the intermediary organizations and foundations that served as sub-project implementing agents for grantees, and the community-level beneficiary organizations involved, had to improvise ways to ensure that resource inputs and efforts were effectively coordinated and directed toward the achievement of project and sub-project objectives.

As noted earlier, the Team's assessment of the progress of project implementation indicated that the various intermediary organizations and foundations involved in the project, such as RAFI, the Kauswagan of Victorias Foundation, ERDA, PHINMA, and the JVOFI of the Benguet Corporation, which operate semi-autonomously as the implementing arms of ECD grantees, efficiently took up the essential task of building bridges between individual grantees and the USAID, and between the grantees and beneficiary communities.

In collaboration with USAID staff, these organizations networked effectively with local beneficiary groups to ascertain community reforestation, water supply and health care needs, and to identify opportunities for

employment and income-generating projects. They helped grantees meet USAID certification and accounting requirements, formulated project proposals and community entry strategies, and conducted useful management training programs, preparatory to assisting in the implementation of ECD sub-projects. They played a key role in coordinating Grantee and USAID inputs and in ensuring timely and significant community involvement.

In the process, certain intermediaries, such as PHINMA and RAFI, have become very knowledgeable regarding ECD project operations, objectives and goals and could, therefore, readily take on expanded project management functions during the remainder of the project. A key part of such an expanded role should be to help generate broader interest in ECD-type activities among community-oriented business organizations such as the Philippine Chamber of Commerce and Industry (PCCI); the American Chamber of Commerce; the Rotary, Lions, and Kiwanis Clubs; the Management Association of the Philippines and the Jaycees.

PCCI, for example, has 80 provincial chambers throughout the country and nearly 140 sectoral and industrial associations linked to it, and could readily broaden the outreach of the ECD project. The recent annual report of the PCCI President reflects significant member interest in a range of community development objectives that are virtually co-extensive with those being addressed under the ECD project.

Recommendation No. 3: OFFPVC/ECD should collaborate with grantees in developing a proposal aimed at getting intermediary institutions, such as PHINMA and RAFI, that have gained considerable experience working with USAID, grantees, and beneficiary community groups under the ECD project, to take on broader ECD promotional and project management functions under the present project or a follow-on activity.

2. Expanding OFFPVC/ECD contacts with GOP counterparts

Government agencies are not main participants in the ECD project but they should be brought more closely into the orbit of supporting institutions. At present, effective interaction is occurring only at the municipal and barangay levels of ECD activity. USAID should examine whether there are also appropriate opportunities for interaction and closer coordination at the provincial, and possibly, regional levels.

Recommendation No. 4: OFFPVC/ECD staff should expand their contacts with provincial-level officials of GOP ministries involved in community development activities during visits to project sites, to keep them informed of developments under the ECD project and to promote closer coordination of effort on community development problems at the provincial level between the Philippine government and ECD participants.

C. Conclusions regarding the adequacy of participant commitment and inputs to the project

USAID and grantee collaboration during the conceptualization and initial implementation stages of the ECD project was strong and this close relationship has helped to achieve positive results. For their part, USAID staff were instrumental in getting the project going and in making sure that it has stayed on track. The Assessment Team received a number of compliments from both grantees and community participants concerning the USAID's well-focused training and constructive project monitoring efforts.

1. Renewing the ECD mandate

Team discussions with a number of project participants, in particular the executive directors of grantee project management offices indicate, however, that implementation has reached the point where there could be a shifting of gears, i.e., an acceleration in the rate at which sub-projects are implemented and the goals and objectives of the ECD project itself, achieved. This judgment derives from the Team's observation that there has been a number of instances where project implementation moved ahead of schedule and others where quicker results could have been achieved had USAID and the grantees been more dynamic in addressing snags in the implementation process. Pursuing the accelerated option would, of course, require certain changes in USAID's current approach to the project.

The changes required would be more in the nature of modifications to the process by which the ECD project is being implemented and the basic concepts of the ECD approach are being promoted than a shift in underlying USAID goals and objectives. The basic thrusts of the changes would be: (1) to simplify existing USAID procedural requirements related to grantee certification, sub-project proposal review, and financial reporting, and (2) to create more responsive USAID and grantee procedures for dealing with recurrent problems such as the periodic need to adjust counterpart

funding inputs to reflect exchange rate changes and to make adjustments in the value of in-kind, land contributions, to reflect changes in the value of the land.

There would also need to be a re-commitment on the part of the main participants in the project towards fulfilling the stated purpose of the project, which is to promote the expanded involvement of for-profit private businesses in community development activities, and to cash in on the demonstrated capacity of the private sector to deliver community development resources more efficiently than was the case when the government bore the major burden of this task.

The problem is one of coverage or scale. As noted earlier, virtually all of the firms involved in the project to date have a prolonged history of involvement in community development activities. Secondly, the twelve firms presently participating in the project constitute a relatively small component of the Philippine business community. From this perspective, the project does not appear to have plowed much new ground in getting "expanded" private sector involvement in community development activities.

Recommendation No. 5: USAID should re-evaluate its assumptions regarding the extent of the Philippine private sector's commitment to community development and the various motives that might lead individual companies to participate in community development programs like the ECD project. This review should be coupled with the formulation by USAID of a broad-ranging campaign, preferably one undertaken jointly with current ECD grantees, community groups and government agencies involved in community development programs, aimed at conveying again to private sector firms the urgency of the country's need for more effective community development programs and the likely benefits to the companies themselves of their participation.

2. Performance incentives

A final point on commitment concerns ECD project staff. PVO project managers have found that setting a 3-year term for project completion can result in the loss of experienced staff during the third year of project implementation, as staff understandably look for follow-on employment. This problem could be exacerbated for ECD project managers in that USAID has an announced policy under the project of limiting grantees to a single matching grant. USAID and ECD grantees should anticipate that staff loss will become a growing problem as the initial set of ECD activities winds toward completion.

Recommendation No. 6: USAID, in collaboration with selected grantees and community participants in the ECD project, should examine the extent to which bonuses pegged to sub-project completion, or other incentives (performance recognition awards, etc.) might induce experienced ECD sub-project management staff to see sub-projects through to completion.

3. The number of matching grants allowed

The problem of staff turn-over could be exacerbated for ECD project managers in that USAID appears inclined to limit grantees to a single matching grant.

Recommendation No. 7: USAID should clarify its policy as to whether individual firms are eligible to receive more than one matching grant. The Team recommends that more than one grant be authorized.

D. Conclusions as to the ECD project's organization and delivery process

1. Rationalizing in-house USAID proposal review procedures

Recommendation No. 8: The Team recommends that USAID shift its in-house procedures for the review of grantee proposals, from the present system whereby proposals are subjected to evaluative staff review, to a screening system whereby approval is based on conformity with a pre-determined list of key criteria, e.g., the sponsoring grantee has a track record of sound financial management practices, the proposal addresses urgent community development needs in a rural area outside metro Manila, the project will result in increased community employment, etc.

2. The need for project consultants

The project requires that sub-projects become self-sustaining enterprises within a 3-year implementation period to the extent this is feasible. To become self-sustaining, ECD entrepreneurs must learn to capitalize on marketing opportunities outside their regular, local spheres of operation. Some guidelines as to how a market expansion program might be initiated under the ECD project are contained in Annex I below.

Secondly, a current feature of the ECD project that the initial design did not fully take into account are the sub-lending arrangements being set up between grantees and cooperative groups presently managing income-generating projects and, in some cases, between community cooperatives and their members.

For income-generating projects, sub-lending has become a major focus of grantee interest because repayments from the sub-loans can be deposited to a revolving fund and used for subsequent relending. USAID requires that these reflows be used for the same kinds of activities that were initially funded under a sub-project.

Recommendation No. 9: In view of the need for ECD beneficiaries to acquire marketing skills and the growing popularity of sub-lending, the Team recommends that OFFPVC consider contracting with 1-2 experienced Filipino small business consultants to advise OFFPVC and other participants on matters relating to: (1) the establishment and operation of credit cooperatives and revolving funds and (2) effective approaches to expanding market access.

3. Fund allocation and transfer procedures

The Team has found that funds are transferred under the ECD project using two different transfer systems: cash advances and reimbursements. If not properly implemented, the cash advance approach can cause delays of up to two-to-three months (confirmed by DUCC, Aboitiz, Marsman).

Recommendation No. 10: The Team recommends that USAID standardize the method by which USAID grant funds are transferred, i.e., to one where transfers are made solely on either a cash advance or reimbursement basis. Other recommended changes include (1) establishing a set-aside

under the project for block grants, which would greatly facilitate grantee certification and simplify project implementation; and (2) doing away with the virtually unused small-business set-aside component of the project which is better suited to a PVO mode of operation.

4. Developing a formalized Program Announcement

Unnecessary lags in proposal approval and project implementation have resulted from misunderstandings between USAID staff and grantees regarding procedures for training, reimbursement, and general project management. A second problem stems from the reporting requirements connected with project activities. Delays in project start-up of up to 6-8 months have been experienced.

Recommendation No. 11: The Team recommends that a formalized Program Announcement be developed for the ECD project to serve as a self-contained, omnibus document which would provide essential information on the ECD Project concerning the purposes of the project, participant eligibility criteria. provisions for matching grants, priority areas for the use of funds, and expectations regarding sub-project impact and sustainability. Annex H provides a suggested format for the proposed Announcement.

E. Conclusions regarding the focus, timeframe and scale of ECD subproject activities

1. Changing the focus and timeframe of ECD sub-projects

A number of grantees feel that greater emphasis should be given to employment and income-generating activities to differentiate ECD activities from those of PVOs, and to be more consistent with grantee capabilities. Reforestation projects and market expansion activities are areas where greater emphasis would be beneficial.

Recommendation No. 12: The Team recommends that USAID give priority under the project to employment and income-generating sub-projects and that the term of ECD projects be extended from 3 to 5 years, especially for income-generating projects. The extension would enable beneficiary groups to establish a more permanent basis for project sustainability.

ANNEX A

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET (PID)

1. TRANSACTION CODE: A = Add, C = Change, D = Delete — A — Revision No. ____ — DOCUMENT CODE: 1

2. COUNTRY/ENTITY: Philippines

3. PROJECT NUMBER: 492-0395

4. BUREAU/OFFICE: Asia and Near East — A. Symbol: ANE — B. Code: 04

5. PROJECT TITLE (maximum 40 characters): Enterprise in Community Development

6. ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION

A. Initial FY 86

B. Final FY 90

C. PACD 92

7. ESTIMATED COSTS ($000 OR EQUIVALENT, $1 =)

FUNDING SOURCE		LIFE OF PROJECT
A. AID		4,500
B. Other U.S.	1.	
	2.	
C. Host Country		
D. Other Donor(s)		5,400
TOTAL		9,900

8. PROPOSED BUDGET AID FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 840		D. 1ST FY 86		E. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	269	840		250		2,750	
(2) SD	700			250		1,250	
(3) EH	669					500	
(4)							
TOTALS				500		4,500	

9. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 290, 190

10. SECONDARY PURPOSE CODE: 991

11. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

12. PROJECT PURPOSE (maximum 480 characters)

To improve socio-economic conditions in poor communities outside of Metro Manila by fostering participatory community development activities with business firms.

13. RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

Staff: 3 person weeks local consultant assistance: development of evaluation and selection criteria and project management system.

Funds: $7,500 from FY 1986 PD&S

14. ORIGINATING OFFICE CLEARANCE

Signature: Frederick W. Schieck

Title: Director

Date Signed: MM 03 DD 31 YY 86

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

16. PROJECT DOCUMENT ACTION TAKEN

S = Suspended
A = Approved
D = Disapproved
CA = Conditionally Approved
DD = Decision Deferred

17. COMMENTS

18. ACTION APPROVED BY

Signature

Title

19. ACTION REFERENCE

20. ACTION DATE: MM DD YY

AID 1330-2 (8-79)

AID 1020 28 (1-73)

ANNEX B

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: Enterprise in Community Development

Life of Project:
From FY 86 to FY 94
Total U. S. Funding 11.0 million
Date Prepared: June 5, 1991

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: (A-1) To improve living conditions in rural areas and enhance the quality of life of the rural poor in the form of better housing, shelter, clothing, greater access to existing social services, health care and educational facilities, basic skills training and other amenities in life resulting from increased incomes derived from strong means of livelihood.	**Measures of Goal Achievement: (A-2)** 1. Increased growth, employment and stability in the rural areas; 2. More involvement and participation in community activities; 3. Lower incidence of sickness; 4. Increased enrollment in schools; 5. Greater number of local stores and other means of livelihood; 6. More physical mobility and travel to and from affected communities; 7. Family well-being.	**(A-3)** 1. National/regional/provincial statistics 2. Community surveys 3. Community baseline data updates 4. Site visits and local interviews with individual beneficiaries, local government officials, and business leaders/groups in rural areas.	**Assumptions for achieving goal targets: (A-4)** 1. ECD project as advertised would sufficiently motivate private business firms to participate. 2. Successful community development projects will result in improved living conditions. 3. The ECD project will have strong support from top corporate management complemented by equally strong community and local government support. 4. No change in program strategies or sector goal.
Project Purpose: (B-1) To assist in the development efforts of the Philippine private sector by: a) providing grants for further social projects and civic involvement in participatory community development activities outside of Metro Manila; and b) fostering corporate social responsibility geared to long term commitment and involvement in social and community development projects, particularly in the rural areas.	**Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)** 1. Expanded involvement of business enterprises in community development. 2. Cooperative efforts between members of the Philippine private sector and communities outside of Metro Manila undertaken, and 3. Socio-economic conditions improved as a result of the community development activities. 4. Indicative conditions of improved socio-economic conditions in rural areas: Better sanitation; greater community participation; increased incomes; increased employment; better community organization, leadership, and governance base; family well-being.	**(B-3)** 1. Number of ECD grantee and magnitude/coverage of their subprojects. 2. USAID reviews of project progress. 3. Information to be submitted by evaluators, and monitoring reports by ECD staff and special contractors. 4. Established mechanisms for the sustainability of subprojects.	**Assumptions for achieving purpose: (B-4)** 1. Businesses/firms and local communities are able to submit project proposals for the ECD grants. 2. All concerned including USAID staff are able to work together to achieve project purposes. 3. Corporate social responsibility is a generally accepted concept both in theory and practice. 4. Sufficient number of firms meet certification and other eligibility requirements.
Project Outputs: (C-1) 1. Community development activities such as small-scale infrastructure, public works, income-generating projects in agriculture, forestry, ecosystems, fishing, health and nutrition improvement activities, jointly undertaken by the sponsoring firm and beneficiary communities with USAID assistance. 2. Private sector personnel trained in program design and management; private sector and community organizing and development. 3. Funding of small, worthwhile developmentally sound activities sponsored by civic and business groups.	**Magnitude of outputs: (C-2)** 1. 12-18 activities per year x 5 years - 60-90 activities. 2. 60 personnel with improved capability (i.e., trained to design and manage community development activities; 60 personnel from the private sector and local communities trained in community organizing. 3. 10-16 small activities per year x 5 years - 50-80 activities.	**(C-3)** 1. Quarterly subproject progress, monitoring reports by in-house staff and evaluators; and final reports by grantees: a) Number of beneficiaries/participants; b) Number of income-generating activities/start-up businesses; c) number/amount of loans extended d) Number of jobs created; e) Number of Health/Day Care Centers; f) Number of potable water systems and other health facilities established. 2. Training reports by Grantees and special contractors 3. Mid-term process assessment/Final product evaluation reports by external consultants.	**Assumptions for achieving outputs: (C-4)** 1. Peace and order situation does not deteriorate to the point of making project implementation 2. Sufficient number of acceptable grant proposals received. 3. Regional Development Councils approve subprojects. 4. Sufficient number of personnel recruited for training. 5. Strong community identification and involvement with subprojects.
Project Inputs: (D-1) USAID 1. a. Technical assistance and information dissemination b. Grant funds to finance community development activities. 2. Training 3. Grants for small projects 4. PSC Project staff 5. Project Evaluation and Audit 6. Miscellaneous Grantees/Beneficiaries 1. Cash and In-kind contributions 2. Personnel 3. Conceptualization/development of proposals	**Implementation Target (Type and Quantity) (D-2)** USAID ($000) 1. a. Technical assistance and information dissemination $ 800 b. Grants to co-finance community development activities 9,120 2. Training 130 3. Grants for small projects 250 4. Project coordinator, evaluation, misc. 100 5. Project evaluation/audit 200 6. Miscellaneous 100 Grantees/Beneficiaries 1. Cash and In-Kind Contributions 11,300 2. Personnel 3. Conceptualization/Development of Proposals	**(D-3)** USAID 1. a. Consultant contracts, and USAID monitoring b. Signed grants 2. Consultant contracts, and USAID monitoring 3. Signed grants 4. Contract, evaluation reports, etc. Grantees/Beneficiaries 1. Financial expenditure reports 2. Progress reports 3. Project proposals	**Assumptions for providing inputs: (D-4)** USAID 1. Allotments sufficient to fund project activities are available to the Mission. 2. Appropriate supplier of technical assistance and training can be contracted. Grantees/Beneficiaries 1. Grantees submit eligible proposals 2. Resources can be mobilized to provide required matching contribution 3. Strong local community participation/involvement and support for the ECD project.

ENTERPRISE IN COMMUNITY DEVELOPMENT PROJECT
MID-PROJECT STRATEGIC ASSESSMENT
STATEMENT OF WORK

BACKGROUND

Within the context of the overall strategy goal of sustainable growth, open markets-open societies, and cross-cutting themes of policy reform, private sector and decentralization, USAID's development assistance program in the Philippines focuses on five programmatic objectives. Each is considered an essential component or element of the USAID strategy, and are as follows:

- A Policy and institutional framework stimulating market-based private sector growth;
- Open and competitive markets;
- Infrastructure that facilitates expanded private sector activity;
- More efficient delivery of essential services; and
- Effective and sustainable management of natural resources.

USAID views the private sector as both a beneficiary of development efforts and an agent of change. USAID strives to encourage private sector development and its utilization in the achievement of developmental goals. To achieve sustainable growth, an open economy and an open society, the prvate sector plays the critical productive role. In turn, progress toward these ends means increased opportunity for the private sector. Opening markets is essential in enabling the private sector to play a stronger role in the economy.

USAID supports the development of private sector business groups and Philippine and U.S. NGOs/PVOs to strengthen their voice vis-a-vis the government, and in promoting greater "choice" in the process of social and economic growth.

Principal figures in the Philippine private sector have become increasingly involved in the development process. They see the growth of the private sector and of open markets tied to the country's social and economic development. They are inspired to be "good corporate citizens", to give something back to the people of the Philippines. These "Captains of Industry" have worked for many years to help achieve their country's objectives by leading and supporting PVOs such as Philippine Business for Social Progress

(PBSP), and the Ramon Aboitiz Foundation, Inc. (RAFI), two of the most effective PVOs in the country. The success of their efforts at the helm of these PVOs has encouraged other business leaders to directly involve their profit-making companies in national development projects. Thus, many companies are now substantially involved in the movement toward direct private sector involvement in development activities supporting the growth of the private sector, and movement towards an open and democratic Philippine society.

USAID/Philippines has responded directly to this "movement" through the Enterprise in Community Development (ECD) Project. In early 1987, USAID initiated the ECD Project, a unique program working with Philippine and American businesses to support participatory development activities. Through ECD, USAID provides incentives through capital and technical assistance to implement activities providing direct assistance to communities throughout the country.

The major advantage of working through private sector companies is that their proven managerial and technical expertise can be brought to bear quickly and permanently, through transference to individuals and community organizations, the opportunities of "choice and governance". Previously, this was the kind of assistance that a PVO or local government unit (LGU) would obtain only so long as its contractual relationship with a donor, or next highest governmental unit lasted. USAID believes that the "transfer" of financial management skills built into this project, justifies the investment in activities which are opening communities through efforts promoting self-governance.

To promote private sector participation in development activities, USAID provides grants of up to fifty percent of total project costs while participating grantee companies provide non-cash and cash contributions of a minimum of 50% of the total project costs. The three-year projects are developed, proposed and implemented by the business partner in conjunction with the beneficiary communities and coordinating government agencies. These projects range in scope including, microenterprise development, vocational/technical education, reforestation, marine conservation, potable water, sanitation, day care and health care systems.

USAID works with many private companies in a wide variety of industries to identify development problems and determine their capacity to help resolve those problems under the ECD project. Through ECD, USAID has initiated 12 grant agreements (eleven of these in FYs 1988/89, and one in 1990), committing $3 million in USAID funds and an additional $3.2 million in private sector resources. A total of $8 million in ECD project funds are now obligated in development activities. We anticipate making an additional $3.0 million available for obligation during FYs 1991 and 1992.

The utilization of Intermediate Institutions (II) as a means to implement large-scale efforts through the ECD Project began in 1990.

Three major areas identified as potential II "markets" are microenterprise development, vocational/technical training and environmental restoration/conservation supporting sectoral growth and policy development. Jointly with USAID, RAFI and Abcitiz and Company developed an IG activity aimed at fostering better protection of the environment through better management of environmental resources, within the context of small enterprise development. This activity involves funding from the ECD and the PVO Co-Financing III Projects and the participation of both businesses and non-profit organizations. The "Ecosystem/Cebu Projects" grant agreement was signed on July 11, 1990 as the first II grant under the ECD Project.

The movement of ECD toward grants to IIs has opened a wide range of opportunities for USAID which are as diverse as the types of businesses of the private companies. Like the PVO program, ECD will utilize IIs primarily as capacity-building grants. However, ECD aims at focusing on utilizing the management "depth" of many large Philippine companies. O/FFPVC is working on ways to make block grants to "parent" and "industry-representative" companies which would in turn, fund projects for large-scale and/or nationwide implementation. Each of these grants will follow the ECD project's formula of matching corporate contributions and implementation and monitoring by the managing grantee company.

The ECD Project was authorized on September 9, 1986 and has been amended twice to obligate targeted project funding. Project Amendment #3 provided additional funding to allow co-financing of grants in 1990 and extending the project life to August 31, 1993. fourth amendment is proposed which will increase the Project's authorized level to $11 million and extend its LOP to August 31, 1994.

This strategic assessment is expected to include, at a minimum, consideration of new directions for the project based on an examination of: (1) USAID strategy of development targeting the achievement of open markets and open societies; and (2) ECD's capacity to fund successful and accountable projects through the private profit-making sector.

ARTICLE I TITLE

Enterprise in Community Development Project--Strategic Assessment (Project No. 492-0395)

ARTICLE II - OBJECTIVE

A. To provide the services of a 3-person team which will conduct a strategic assessment of the Enterprise in Community Development Project (ECD) and make recommendations based on the parameters of the Scope of Work. The 3-person team will consist of (1) a team leader with expertise in the strategic evaluation of new and private sector initiatives by international donors,

especially USAID; (2) an economist or a financial analyst with field experience in examining: (a) the financial accreditation of private organizations, (b) type and method of payments and (c) negotiating agreements with private, profit-making organizations;

and (3) a specialist in evaluating: (a) criteria for grant/subgrant selection, (b) preparing guidelines for grantees in management and financial control of subgrants; and (c) the effectiveness of subgrant activities in furthering project goals/objectives. The three-person team is expected to work concommitantly, and complete its work in the same fashion. One representative from USAID/Philippines Office of Food for Peace and Voluntary Cooperation (O/FFPVC) and one representative from the GOP's National Economic Development Authority (NEDA) will be assigned to assist the contract team under the nominal guidance of the contract team leader.

B. The purpose of this contract is to conduct an in-depth, mid-project, strategic assessment of the ECD Project given: (1) the Project's current written objectives and (2) recent changes in Agency strategies. The findings of this assessment are required as early as possible in FY 1991 in order to establish future directions for the ECD Program and/or a possible second ECD Project Agreement. The findings and recommendations of the strategic evaluation are expected to lead to, at a minimum, new directions for the ECD project based on: (1) USAID's strategy of development targeting the achievement of open markets and open societies; and (2) ECD's capacity to fund successful and accountable development projects through the private profit-making sector.

C. Although there will be no completed ECD funded subprojects at the time of the assessment, several activities will be sufficiently under way to enable an evaluation of the subprojects themselves. Subproject evaluation will determine whether or not they are being implementedwithin the Grant Agreements and current Agency guidelines; and in particular, the viability of ECD as a development tool for A.I.D., given USAID's current objectives.

ARTICLE III - STATEMENT OF WORK

A. A primary role of the assessment team will be to determine whether the ECD Project is attaining its overall purpose. The specific questions that the team is required to answer are as follows:

1. To what extent is the project attaining its specific purpose and objectives?

2. Is the project designed in a manner sufficiently feasible to permit effective implementation?

3. What modifications to the ECD project are required to improve its efficiency and impact?

4. Are subproject purposes being/likely to be attained?

5. Are subprojects having/likely to have the intended impact on designated beneficiaries?

6. To what extent are local communities active participants in, and supporters of the subprojects?

7. To what extent are local government units and agencies of the GOP involved in the subprojects?

8. To what extent are grantee companies contributing the counterpart called for in the grant agreement?

9. Is the value of the actual counterpart contribution less than/equal to/greater than that which is defined in the grant agreements?

10. What is the return on investment of USAID funds for ECD subprojects (considering total project costs)?

11. To what extent are the following expectations reasonable: a) that grantee companies will continue to pursue direct assistance development activities in the future; and b) that subprojects funded through ECD will be self-sustaining?

12. To what extent is the project's facilitating linkages between the profit-making private sector, NGO's beneficiaries, government units and agencies as an effective means of investing in development activities?

13. Is/can the ECD Project (be) an effective mode for fostering community-based participation in development?

B. The other primary role of the assessment team will be to determine whether the ECD Project is contributing to the achievement of overall USAID objectives; especially that of targeting participatory development efforts, and the furtherance of the achievement of open markets and open societies. The specific questions that the team is required to answer are as follows:

1. To what extent is the program attaining the A.I.D. and USAID objectives as stated in the Mission CDSS and April, 1990, Program Assistance Strategy?

2. To what extent is the impact of subprojects affecting/likely to affect broad-based economic growth as defined by A.I.D strategy statements?

3. So as to ensure that ECD corresponds to A.I.D. and USAID objectives, what modifications should be made in project design and implementation?

C. The assessment team will collect information by reviewing project and Agency documentation, conducting interviews and making field visits to a representative sample of subproject sites. The assessment will require six weeks from travel of the team in Manila to submission of its final report. The first week will involve travel to Manila, review of project documentation including but not restricted to: the Project Paper, certification criteria and procedures, cash advance criteria and procedures, subproject proposals and grants, Mission CDSS and Program Strategy Assistance Statement of April 1990, interviews with USAID O/FFPVC project officers and other Mission personnel who support implementation of ECD, and at least one interview with NEDA. Weeks two and three will consist of travel to selected subproject sites, interviews with local leaders, leadership of Corporate grantees, project staff and beneficiaries. Week four will consist of remaining travel and follow-up work within the Mission and private sector leadership in the area. The fifth week will involve briefing USAID, submitting the preliminary assessment report, finalizing the local contribution to the report, and return travel to the U.S. The sixth week will be spent in the contractor's home office preparing the final assessment report which will be submitted to USAID Manila by the end of the week.

D. The assessment team will review the following Project documentation:

1. Project Paper and Project Agreement Amendments;

2. Materials developed to inform the private sector of the program and to assist them in developing subproject proposals;

3. Criteria used to assess potential grantees and to determine eligibility for cash advance activities;

4. Quarterly Progress and Financial Reports and supporting materials from ECD grantees concerning subprojects; and

5. Grant agreements and other documentation related to specific subproject activities.

E. Assessment team members will interview:

1. USAID's O/FFPVC staff and the senior officers of support offices;

2. Relevant NEDA staff including NEDA's Regional Development officers in areas of on-site subproject reviews;

3. Randomly selected senior executives of private sector organizations who are current or potential grantees;

4. Staff of ECD subproject activities;

5. Target beneficiaries of USAID-funded ECD subprojects;

6. Local leaders; and

7. Others as may be identified by USAID and the private sector.

F. Assessment team members will visit sites of a sampling of or all subprojects funded and interview local leaders, implementation staffs and target beneficiaries. These will include visits to several environment-based subprojects as well as microenterprise and basic services projects.

ILLUSTRATIVE SCHEDULE

G. The following six-week schedule is illustrative and may be adjusted as mutually agreed upon by USAID and the assessment team.

1. First Week:

   a. Travel to Manila/assembly of team;

   b. Agreement with O/FFPVC on details of the scope of work;

   c. Agree on assessment design and individual team member assignments;

   d. Review documents;

   e. Possible Manila interview of grantees' corporate leadership;

   e. Interview USAID, ECD and NEDA staffs in Manila; and

   f. Make arrangements for field visits and outside interviews.

2. Second week: Field work will begin not later than late morning of Monday.

3. Third week: Field work.

4. Fourth week: All remaining travel and follow-up work within the Mission and private sector leadership.

5. Fifth week:

   a. Submit draft assessment report to USAID not later than COB Monday;

   b. Provide final briefing to USAID on findings, conclusions and recommendations;

   c. Revise draft assessment report based on feedback from briefings and submit revised draft to USAID;

   d. Return to U.S.

6. Sixth week:

   a. Prepare final report at home office;

   b. Submit final report to USAID by COB Friday.

ARTICLE IV - REPORTS

The assessment team will be required to provide in its final report: (a) findings with references to evidence; (b) its conclusions (i.e. its interpretations of the evidence and its best judgement, based on this interpretations); and (c) recommendations based on its judgements, findings and conclusions, set these forth in a clear and succinct manner.

A. Content and Format

The assessment team will prepare both its preliminary draft and final assessment reports in accordance with the following format:

1. **Basic Project Identification Data Sheet**. (See Annex A, attached);

2. **A.I.D. Assessment Summary**. (See Annex B, attached);

3. **Body of the Report**. The report is to include a description of the country context in which the project was developed and is being carried out, and provide the information (evidence and analysis) on which the conclusions and recommendations are based. The length of the main body of the report should not exceed 50 pages. The report may include any additional information they deem appropriate in appendices.

4. The report should end with a full statement of conclusions and recommendations. Conclusions should be short and succinct, with the topic identified by a short sub-heading related to the questions posed in the Statement of Work. Recommendations should correspond to the conclusions; whenever possible, the recommendations should also specify who, or what element of USAID or A.I.D., should take the recommended actions.

5. Appendices. These are to include at a minimum the following first four items:

   a) the assessment Scope of Work;

   b) the Logical Framework, together with a brief summary of the current status/attainment of original or modified inputs and outputs (if these are not already indicated in the body of the report);

   c) a description of the methodology used in the assessment (e.g., the research approach or design, the types of indicators used to measure change of the direction/trend of impacts, how external factors were treated in the analysis);

   d) a bibliography of documents consulted; and

   e) other appendices may include more details on special topics, and a list of agencies and individuals consulted.

B. **Submission of Report**

The assessment team leader will be responsible for submitting a draft report to USAID's Office of Food for Peace and Voluntary Cooperation by close of business on Monday of the fifth week. The final assessment report will be submitted to USAID/Manila's Office of Food for Peace and Voluntary Cooperation from the contractor's home office by the close of business on Friday of the sixth week.

C. **Debriefing**

The assessment team will provide a preliminary briefing to USAID on its findings, conclusions and recommendations upon completion of their field work during the fourth week. The team will also provide a final briefing to USAID after the latter has completed its review of the draft assessment report and prior to the team's departure at the end of the fifth week.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

The Senior Assessment Specialist will be the Contractor's team leader in conducting the strategic assessment of the Enterprise in Community Development (ECD) Project. The team will work under the technical directions of Mr. Bryant George, Chief of USAID/Philippines Office of Food for Peace and Voluntary Cooperation (O/FFPVC) and/or his designated representative, Mr. David R. Nelson. Representatives of OFFPVC and GOP's NEDA who may be assigned to assist the team, will work under the general guidance of the contract team leader, but will not be supervised by him/her.

ARTICLE VI - TERM OF PERFORMANCE

A. The effective date of this delivery order is January 15, 1991 and the estimated completion date is July 31, 1991. The overall level of effort is 126 consultant days (includes 21 administrative days in the home office), all of which will be spent in the Philippines or in transit to or from; except for the sixth week which will involve home office wrap-up and finalization of the assessment.

B. Subject to the ceiling price established in this delivery order, and wit prior written approval of the Project Manager (see Block 5 on the Cover Page), the Contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed time for completion of the work, including the furnishing of all deliverables, to extend beyond 30 calendar days from the original estimated completion date. The Contractor shall attach a copy of the Project Manager's approval for any extension of the term of this delivery order to the final voucher submitted for payment.

C. It is the Contractor's responsibility to ensure that the Project Manager-approved adjustments of the original estimated completion date do not result in costs incurred which exceed the ceiling price of this delivery order.

D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 30 calendar days must be approved <u>in advance</u> by the Contracting Officer.

ARTICLE VII - WORK DAYS ORDERED

A.

Category & Specialist	Functional Labor Work Days Ordered
Senior Dev't Management Specialist Team Leader	42
Senior Development	42

Management Specialist

Senior Development Management Specialist 42

B. The individuals identified above are designated as essential/key personnel pursuant to the contract.

C. Subject to the ceiling price established in this delivery order and the prior written approval of the Project Manager, the contractor is authorized to adjust the number of work days actually employed in the performance of the work by each position specified in this order.
The contractor shall attach a copy of the Project Manager's approval to the final voucher submitted for payment.

D. It is the Contractor's responsibility to ensure that Project Manager-approved adjustments to the work days ordered for each functional labor specialist do not result in costs incurred which exceed the ceiling price of this delivery order. Under no circumstances shall such adjustments authorize the contractor to be paid any sum in excess of the ceiling price.

ARTICLE VIII - USE OF GOVERNMENT FACILITIES AND PERSONNEL

The Contractor and its employees or consultants are prohibited from using U.S. Government facilities (such as office space or equipment) or U.S.Government clerical or technical personnel in the performance of the services specified in the delivery order, unless the use of Government facilities or personnel is specifically authorized in the order, or is authorized in advance, in writing, by the Contracting Officer.

ARTICLE IX - DUTY POST

The Duty Post for this delivery order is Manila, Philippines.

ARTICLE X - LANGUAGE REQUIREMENTS

None.

ARTICLE XI - ACCESS TO CLASSIFIED INFORMATION

The contractor will not have access to classified information.

ARTICLE XII - LOGISTIC SUPPORT

A.I.D. will provide office space and equipment sufficient to carry out the field assignments. All other logistic support will be furnished by the Contractor.

ARTICLE XIII - WORK WEEK

The Contractor is authorized up to a six-day work week with no premium pay.

O/FFPVC:DRnelson:ldv
0456F (59-76)-12/8/90

ANNEX D

March 31, 1991

STATUS OF ECD GRANTEE FUNDING

Project By Grantee	USAID Funds US$	USAID Funds Pesos	Counterpart Funds Pesos	Total Per Project	Exchange Rate	PACD
Aboitiz No. 0105	3,001,973	66,043,403	65,827,790	131,871,193	P22 = $1.00	7/7/93
Benguet No. 9043	194,793	4,090,649	4,146,217	8,236,866	P21 = $1.00	5/16/92
Coca Cola No. 9060	400,910	8,902,236	8,902,264	17,804,500	P22.2 = $1.00	7/1/92
Davao Union No. 9054	235,725	4,992,233	4,995,880	9,988,113	P21 = $1.00	6/20/92
Del Monte No. 8113	308,619	6,326,678	6,488,456	12,815,134	P20.50= $1.00	6/22/91
Dole No. 7126	250,000	6,254,829	6,254,906	12,509,735	P25 = $1.00	1/24/92
Dole No. 9122	238,095	5,000,000	5,000,000	10,000,000	P21 = $1.00	10/23/92
IPI No. 9059	698,848	15,630,725	15,630,725	31,261,450	P22.40= $1.00	7/9/92
Norkis No. 9062	97,152	2,040,185	2,072,023	4,112,208	P21 = $1.00	3/17/92
United Pulp No. 9008	73,722	1,890,872	1,899,426	3,790,298	P25.70= $1.00	4/23/92
Victorias No. 9042	628,230	14,967,660	15,006,550	29,974,210	P23.80= $1.00	5/15/92
Marsman No. 7072	110,000	2,200,000	2,518,902	4,718,902	P20 = $1.00	End 2/2/91
	6,238,067	138,339,470	138,743,136	277,082,600	P22.20= $1.00	

* Extended Agreement for One Year

SUMMARY OF ECD SUBPROJECTS

SITES VISITED BY THE ASSESSMENT TEAM:

Grantee: Victorias Milling Company Inc., Negros Occidental, ECD grant agreement signed 5/89.

Subprojects: Located in four municipalities in the vicinity of the the sugar mill.

Health care centers, day care centers, potable water system.

Integrated farming, farming and fishing cooperatives, cooperative (Sari-Sari) stores.

Beneficiaries: Health center - 18,000 residents; cooperative members - 12,300; nutrition education - 600 children; water pumps - 2,600 families; 15% disease reduction.

Grantee: Aboitiz & Company, Inc., Cebu. ECD agreement signed 7/90.

Subprojects: Improving environmental and socio-economic conditions in 48 municipalities and 4 cities throughout Cebu province. ECD activities include organizational skills training.

Health centers, potable water systems. 3,640 beneficiaries.

ECOSYSTEM reforestation project. 10 million trees covering 10,400 hectares, 52 sites.

Grantee: Norkis Group Management Systems, Inc., Cebu. ECD grant agreement signed 9/89.

Subprojects: Microenterprise cooperative, 70 members. Stonecraft for export. Expanding to include rattan furniture, 250 rural households involved in making furniture components.

Grantee: Davao Union Cement Corporation, Mindanao.

Subprojects: Potable water systems, day care centers, sanitation (1,750 toilets). Located in communities near plant facilities. 23,160 beneficiaries.

Fishing Cooperative; livestock; crop production; credit support

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Grantee: Marsman Estate Plantation, Davao del Norte, Mindanao. ECD grant agreement signed 2/88. Project has been completed. Firm has applied for a second grant.

Subprojects: Five beneficiary communities are involved.

Potable water supply, health centers, immunizations, day care centers.

Livestock production (credit support); fishing cooperative.

Grantee: Benguet Corporation, San Marcelino and Masinloc, Zambales. ECD grant agreement signed 5/89.

Subprojects: Eight (8) health centers (1 pending) servicing 2,461 households.

Livestock fattening, marketing assistance, mungo bean production, rattan, tiger grass.

Project management training.

HEADQUARTERS INTERVIEWS CONDUCTED BY TEAM MEMBERS

Grantee: Coca-Cola Bottlers Philippines and the Educational Research Development Association (ERDA). ECD grant agreement was signed 7/89.

Subprojects: Vocational/technical education with home support. Also guidance and support for elementary level dropouts. Job placement assistance. 3,000 student beneficiaries.

Grantee: United Pulp and Paper Company (UPPC), Bulacan. ECD grant agreement signed 4/89.

Subprojects: Health care for 1,500 households in four barrios in Calumpit. Sanitation (550 toilets), potable water (18 wells), day care centers, training for 120 health care workers.

OTHER SUBPROJECTS

Grantee: Dole Philippines, Inc., South Cotabato, Mindanao. ECD grant agreement signed 10/89.

Subprojects: Reforestation and soil conservation, 1,000 hectares. Marine and inland resources conservation, 25,000 fishermen beneficiaries. Fruit trees, 150 households.

Grantee: Del Monte Philippines, INc., Bukidnon and Misamis Oriental. ECD grant agreement signed 6/88.

Subprojects: Water delivery systems, 12 communities. Health and nutrition, 21,000 beneficiaries.

Grantee: International Pharmaceuticals, Inc. (IPI), Zambales. ECD grant agreement signed 7/89.

Subprojects: Reforestation and water systems projects. Community health service centers in nine barangays. Training program and credit assistance for microenterprises.

List of Individuals Interviewed

USAID Mission

Bryant George, Chief, Office of Food for Peace and Private Voluntary Cooperation
Joshua Fliegel, Project Coordinator
Marlene Fuentes, Project Manager
Nanette Liberal, Project Manager
Liza Magno, Project Consultant
Lisa Chiles, Legal Advisor
Jim Redder, Office of Financial Management
Sonia Cruz, Office of Financial Management

Government of the Philippines (GOP)

Department of Local Government (DLG)

Jose Miguel R. dela Rosa, Assistant Director, Office of Project Development Services (OPDS)
Normando Toledo, Director, OPDS
Juinio Ragragio, Director, Local Government Academy
Gaudioso C.Sosmena, Director, Bureau of Local Government Operations

Department of Education, Culture and Sports (DECS)

Fe A. Hidalgo, Ph. D., Chief, Human Resource Development
Greg E.Villafuerte, Executive Assistant, Office of the Secretary

Department of Health (DOH)

Virginia S. Orais, Director, Health Manpower Development and Training Service
Dr. Teresita M. Bonoan, Director, Community Health Services
Paulina R.Bautista, Management Specialist

Department of Social Welfare and Development (DSWD)

Josephine Torrejon, Head, Information, Education and Communications Division
Susana G. Bardelosa, Supervising Information Officer
Rosario L. Dela Rosa, Director, Bureau of Family and Community Welfare

Department of Agriculture (DOA)

Rosalie Licauco, Chief, Management Information System
Emmanuel Pengson, Deputy Director

Department of Environment and Natural Resources (DENR)

Victor Ramos, Undersecretary for Field Operations
Lirio Abuyuan, Assistant Secretary for Foreign Assistance
Floradena Eleazar. USAID Desk
Betsy Gonzales, Chief, Staff Complement

Provincial and Municipal Governments

South Zambales area

Dr.Cornelio F. Yap, Deputy Mayor, San Marcelino, Zambales
Mr. Esmar B. Ermita, Secretary to the Mayor
Dr. Teofilo Movilla, Ministry of Health Officer
Engineer Antonio Escobar, Planning and Development Ministry Coordinator
Mr. Hillo Mauricio, City Councilman
Margarita Quitana, Municipal Government Operations Officer

Private Companies and Foundations

Coca-Cola, Philippines

Domingo T. Olisa, Jr., Financial Manager

Coca-Cola Foundation, Philippines

Carola Maglaya

Education Research and Development Assistance (ERDA)

Father Pierre Tritz, S. J., President
Ma. Wilhelmina Meneses-Martinez, Executive Director
Lorna Gapad, Programs Manager
Delia Fortunato, H/S Program Coordinator

Philippine Investment Management Construction, Inc. (PHINMA)

Rene Lawenko, COMREL Director

Philippine Business for Social Progress

Marcia Feria-Miranda, Group Director, Resource Development and Management

Foundation for Educational Evolution and Development, Inc.

Marietta Primicias Goco

United Pulp and Paper Company (UPPC)

Irwin R. Salvador, Vice President
Tom T. Camayo, PHINMA, Community Relations Deputy Director
Alejandro M. Juaiting, Livelihood Project Director
Jesus Enrico B.Salazar, Community Organizer
Tess Dimzon, Plant Accountant
Vilma Pahati, Day Care Worker
Juliana B. Santos, Day Care Worker
Ricardo UyChoco, Engineer
Rolando Espana, Assistant to the President, MIS, UPPC & UIBC

Victorias Milling Corporation, Inc. (VMCI)

Officers
Norberto B. Capay, Vice President, Management and Administrative Services
Orlando Fuentes, Treasurer
Dominador P. Abelido, Vice President, Engineering Services
Atty. Patrick Decena, Assistant Vice President, Administration
Edwardo Hilado, Treasurer, KUFI

Eva C. Llamas, Executive Director
Pilar L. Mendezona, Program Manager, SEDAP
Cecille J. Luzarita, Administrative/Finance Officer, SEDAP
Ulysses T. Genito, Operations Officer, SEDAP
Nelson B. Segovia, Manager, Farms Social Development Operations
Melanie Almonares, Health Center Coordinator
Nancy Bordon, Day Care Center Coordinator
Jose Delgado, Trainer
Ricardo Descatamiento, TA/CO - Cooperative Fishing
Joe Marie Guanzon, TA/CO - Micro-Enterprise
Victoria Hormillosa, Trainer
Godofredo Javelona, TA/CO - Integrated Farming
Allan Luzarita, TA/CO - Cooperative Fishing
Necitas Palete, Water Project Coordinator
Gina Prino, Bookkeeper
Daniel III Roa, TA/CO - Cooperative Fishing
Darryl Roa, Collector
Reynaldo Secular, Researcher/Evaluator

Ramon Aboitiz Foundation, Inc.

Fabreciano P. Catipay, Executive Director
Luis P. Misa, Director, Operations Officer
Eutiquia "Tex" A. Vicoy, Operations Manager
C. Perla Lepiten Cabanag, Personnel Manager
Jeremy F. Inocian, Policy Studies Manager
Marilyn F. Mantos, Network Linkage Manager
Irineo Sita, Finance Manager
Lourdes Damazo, Bookkeeper

Norkis Trading Co., Inc.

Norberto B.Quisumbing, Jr., Chairman
Carmen Bugash, Executive Vice President, Corporate Affairs
Roberto Veloso, Project Manager
Theresa Puno, Accountant
Dr. Antonio Dangoy, President, Parish Council of Campostella
Sotero Abreo, Jr., Vice President, Parish Council
Teotimo Tagalog, Barangay Captain

Davao Union Cement Corporation

Nazario T.Sultan, Jr., Plant Manager
Santiago C. Consolacion, Project Director
Reynaldo B. Sabio, PTA President, Sto. Nino, Elementary School
Librada Valles, Barangay Captain
Eriberto Samson, Principal, Tombo Elementary School
Victoriano Dano, Recipient, Fish Magnet
Rogelio Apostol, Barangay Captain, Tombo, Somal
Paquito Faderozno, Lot Donor
Faderozno Munting Paaralan
Immam Marasmus, Purok Leader, Muslin Village
Angel C. Libranza, Marketing Training Officer
Basilia "Base" M. Devilleres, Project Manager
Agapito "Pefe" G. Auxtero, Project Accountant
Juliana Debalos, Bookkeeper

Marsman Estate Plantation, Inc.

Carlos Z. Fajardo, Manager, HRG Division
Arnold B. Gaurano, Marsman Foundation
Projects and Program Director

Benguet Corporation: Jaime V. Ongpin Foundation, Inc. (JVOFI)

Cesar Liporada, JVOFI Operations Manager
Alex Dumpit, Project Manager (Fulltime ECD Project)
Ms. Myrtle G.Corpus, Project Coordinator
Mr. Luis M. Liban, SZAT Area Coordinator
Mr. Socorro F. Canizado, Administrative Assistant
Ms. Fe A. Daover, Project Coordinator
Gnelida G. Corpuz (Related to Mayor Romeo Corpuz)
and only elected Councilman
Pio C. Salvador, North Zambales Area Coordinator
James E. Elemento, Project Coordinator
Marcos Aranas, Project Coordinator
Victoriano Mano, Project Coordinator

Others

Philip J. Gielczk, President, Corporate Search Professionals Phils. Inc.
Carmencita Arce, Secretary General, Philippine Chamber of Commerce and Industry
Raymond A. de la Paz, Proprietor, TSURU, Japanese Restaurant & Sushi Bar
Enrique Valles, President, Philippine Acetylene Co., Inc.
J. Marsh Thomson, Treasurer, CAP Philippines
Joey Villareal, MANROS Plaza, Cebu City
Eduardo C. Saballa, President, ACCENTS International
Oscar C. Mabilog, Chairman, Chantel Export Co Inc.,
Dr. Warfe T. Engracia, c/o X-Ray Department Cebu City Medical Center Hospital
Mr. Carlos D. Rivera, Jr., Sales Manager, Toyota Cebu City, Inc.
Robert Sears, Executive Director, American Chamber of Commerce
Ma. Emma A. Ramas, Executive Director, Cebu Chamber of Commerce and Industry
Helen Espinar, Urban Integrated Consultants Incorporated (UICI)
Atty. Domingo V.Vinuya, General Manager, Philippine Public School Teachers Association

Persons Interviewed at the American Chamber of Commerce Meeting

George W. Drysdale, Chairman & CEO, Marsman-Drysdale Group
James P. Conway, President, EDQUIDATA
Edmund F. Dietzel, Regional Director Roscoe Moss Manufacturing Company
Robert M. Robbins, Exporter, High Quality Baby Wear
John Warne, Vice President, Warne Company, Fertilizer
Ben Uytiepo, Private Businessman
Wayne Halsema, Brent School Director
Alexander Adamson, Consul Corps/Greece
Lewis E. Gleeck, Consul Corps, U.S.A.
Renato Labadan, Japanese Company, Fertilizer

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SUGGESTED FORMAT FOR THE PROPOSED ECD PROGRAM ANNOUNCEMENT

Section A:

1. Title

The Enterprise in Community Development (ECD) Project, United States Agency for International Development (USAID)/Manila, Philippines, 1991-1994

2. Introduction: (Sample Entry)

The ECD project was authorized on September 9, 1986 and has been amended to obligate targeted project funding and to allow the co-financing of grants to August 31, 1993. A proposed amendment will increase the project's authorized level to $11 million and extend its Life of Project (LOP) date to August 31, 1994.

3. Closing Dates for the Submission of Proposals

It is suggested that there be three (3) closing dates scheduled each year:

October 15
March 15 and
June 15

This would alert prospective grantees to the "deadlines" for submission. It would also standardize approval and start-up dates for grants, making it convenient to conduct group orientation/workshops for grantees.

Section B. Purposes and Objectives of the Project

(Abstracts from the Project Paper)

Section C: Priority Areas for ECD Grants

(Abstracts from the Project Paper)

Section D: Eligibility Criteria

This section should state who are eligible to receive grants, and include certification criteria for prospective grantees companies.

Section E: Criteria for the Evaluation of Proposals

In general, proposals should be rated on their soundness and relevance to ECD goals and on corporate expertise related to the project. Specific criteria should be prescribed and assigned points/percentages to the maximum of 100%. Grants can then be considered on the basis of the evaluation ratings obtained. (Should update priority weights for project selection contained in Annex F of the Project Paper).

Section F: Technical Guidance

This section should cite the requirements for matching contributions (i.e., 50-50% match), project term, expectations of sustainability, use of savings, required technical and financial reports, and other general guidance.

Section G: Subprojects generally regarded to be ineligible for ECD Grants

Example: Activities aimed at political, spiritual or religious development, military or police activities , civic beautification projects, recreational or entertainment projects, etc. (See pp. 3-4 of Project Paper.)

Section H: Submission of Applications

State here, how many copies of a proposal have to be submitted and to whom it should be sent.

The Program Announcement should be at the front of a Proposal Kit which should also include guidance regarding the Proposal Format, and other materials such as the ECD Financial Manual. Modified versions of the PVO grant format and the PVO Monitoring and Evaluation Manual, both of which are currently being used for ECD projects, should be developed for the ECD project.

Additional Notes/Details

1. Cluster training/workshops in the development of application for the ECD grants should be conducted preferably two months before each closing date: 1 in Manila, 1 in the Visayas, and 1 in Mindanao.

2. Proposal review panel(s) should be formed after each submission date to meet for an intensive review of the proposals submitted. The panel(s) should be composed of in-house USAID staff and resource persons to be contracted as appropriate. The process of selecting panel reviewers may well take place weeks before each closing date of application.

3. Notices of approval or disapproval of projects should be made

to all concerned preferably within two months after the proposal submission date. This would allow for the renegotiation of project budgets, if necessary. The release of funds for approved projects should be no later than 120 days from each closing date.

4. Disapproved applicants should be told of the weaknesses of their proposals and advised to improve and re-submit them if desired prior to the next closing date.

ANNEX I

STRENGTHENING THE MARKETING FUNCTIONS OF INCOME-GENERATING ECD SUBPROJECTS

Almost all of the income-generating subprojects being supported under the ECD project are now operating (although some have just recently been started), and are beginning to show initial progress. Results to date indicate that in most cases, by the end of the 3-year period of project implementation, the producer cooperatives or other implementing beneficiary organizations needed to sustain these projects will have been established and will be operating effectively. It is apparent, however, that achieving the longer-term objective of self-sustainability will in most cases require a further strengthening of the marketing aspect, or functions, of several projects.

The strengthening process will require dynamic action at several levels, i.e., grantee, USAID, and community. Following are recommendations as to several of the steps that will need to be taken, and some of the related factors that will need to be taken into consideration:

1. The competitive selection by the grantee of a contractor to establish a suitable program for strengthening the marketing capacities of the beneficiary producer group or cooperative.

2. Preparation of a program for the group, including clear statements as to the improvement methods to be employed, specific objectives, plan of action, ECD participant roles and responsibilities, monitoring plan; etc.

3. The context of the program should address both in-country and export marketing opportunities; sales price maximization; getting low-cost shipping and distribution channels set up; product design and packaging requirements; and developing business relations with shippers, government regulatory agencies, customs brokers, importers, retailers, etc.

4. The program should provide assistance to community exporters to assure quality of product; assist with the acquisition of needed packaging materials; assist in meeting product specifications for a target market (language, color, and texture are often key specifications); and assure that the beneficiary understands the importance of developing and maintaining a reputation for quality of product.

5. The program should ensure that ECD project staff responsible for strengthening and monitoring market operations are capable and well-trained.

ACRONYMS

ACC	American Chamber of Commerce
CEO	Chief Executive Officer
COMREL	Community Relations Office
BC	Benguet Corporation
DOA	Department of Agriculture
DECS	Department of Education, Culture and Sports
DENR	Department of Environment and Natural Resources
DLG	Department of Local Government
DOH	Department of Health
DPWH	Department of Public Works and Highways
DUCC	Davao United Cement Company
DSWD	Department of Social Welfare and Development
ECD	Enterprise in Community Development
EDP	Economic Development Foundation
ERDA	Educational Research Development Assistance Foundation, Inc.
FEED	Foundation for Educational Evolution and Development, Inc.
IGP	Income-Generating Project
JVOFI	Jaime V. Ongpin Foundation, Inc.
KVFI	Kauswagan of Victorias Foundation, Inc.
NGO	Non-Governmental Organization
OFFPVC	Office of Food for Peace and Private Voluntary Cooperation
PACD	Project Assistance Completion Date

PBSP	Philippine Business for Social Progress
PCCI	Philippine Chamber of Commerce and Industry
PID	Project Identification Document
PHINMA	Philippine Investment and Management Consultants
PP	Project Paper
PTA	Parent Teacher's Association
PVO	Private Voluntary Organization
SEDAP	Socio Economic Development Asistance Project
UPPC	United Pulp and Paper Corporation
UICI	Urban Integrated Consultants, Inc.
VMCI	Victorias Milling Corporation, Inc.