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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

PROJECT PAPER

ASEAN SMALL AND MEDIUM BUSINESS  
IMPROVEMENT PROJECT

498-0277

DECEMBER 1983

UNCLASSIFIED

ASEAN SMALL AND MEDIUM BUSINESS IMPROVEMENT PROJECT PAPER

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**PROJECT PAPER FACESHEET**

1. TRANSACTION CODE

A ADD  
 C CHANGE  
 D DELETE

PP

2. DOCUMENT CODE  
3

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ASIA REGIONAL (ASEAN)

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ASEAN SMALL AND MEDIUM BUSINESS IMPROVEMENT PROJECT

8. ESTIMATED FY OF PROJECT COMPLETION

BY  8  7

9. ESTIMATED DATE OF OBLIGATION

A INITIAL FY  8  4 B. QUARTER  1  
 C FINAL FY  8  6 (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL			1,700			2,750
(GRANT)	( )	( )	( 1,700 )	( )	( )	( 2,750 )
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER U.S.	1.					
	2.					
HOST COUNTRY & Beneficiaries						1,000
OTHER DONOR(S)						
TOTALS			1,700			3,750

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>84</u>		H. 2ND FY <u>85</u>		K. 3RD FY <u>86</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) SD	S-800	840		1,700		950		100	
(2)									
(3)									
(4)									
TOTALS				1,700		950		100	
A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED		
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN			
(1) SD					2,750				
(2)									
(3)									
(4)									
TOTALS					2,750				

MM YY  
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13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, AT EACH CHANGED PID FACESHEET.

1 NO  
 2 YES

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE

*Donald N. Melville*  
 Donald N. Melville

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

TITLE

AID/ASEAN Liaison Officer

DATE SIGNED

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D C 20523

PROJECT AUTHORIZATION

Name of country: ASIA REGIONAL on behalf of the ASEAN countries of Indonesia, Malaysia, Philippines, Singapore and Thailand

Name of Project: ASEAN Small and Medium Business Improvement

Project number: 498-0277

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Association of Southeast Asian Nations (ASEAN) Small and Medium Business Improvement Project on behalf of the ASEAN countries of Indonesia, Malaysia, Philippines, Singapore and Thailand, involving planned obligations of not to exceed \$2,750,000 in grant funds over a three-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is through March 31, 1987.
2. The Project will promote cooperation among ASEAN countries and improve the abilities of ASEAN small and medium businesses to make better use of technology by training owners and key personnel, by providing consulting services and by conducting research into constraints on the development of smaller enterprises. The Project will be carried out through specific support grants to implementing non-profit, non-governmental institutions and by contracts for the services of coordination and evaluation experts.
3. The grants and contracts to implement the Project, which may be negotiated and executed by the officer(s) to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the ASEAN states (Indonesia, Malaysia, Philippines, Singapore, Thailand), or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of services or commodities shall have the ASEAN states (Indonesia, Malaysia, Philippines, Singapore, Thailand), or the United States, as their nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Signature Charles W. Frank  
Assistant Administrator  
Bureau for Asia  
12/1/83  
Date

Clearances:

- DAA/ASIA:ESStaples ES
- ASIA/PD:GRvan Raalte GR
- ASIA/ISPA:LKuhn LK
- ASIA/PD/EA:BJodell BJ
- GC/ASIA:STisa (draft)

ASIA/PD/EA:JRNussbaum:STisa:21 Nov 83:632-3516:doc 0362k  
JNR

## GLOSSARY OF NAMES AND ACRONYMS

- AID -- the United States Agency for International Development.
- AID/W -- the Washington headquarters of AID.
- AIM -- the Asian Institute of Management. Founded in 1968 by Philippine and international contributions as an independent institution to provide advanced education in business management. AIM serves the Asia region as a center of excellence in research and training of business leaders.
- ALO -- the AID ASEAN Liason Officer, USAID/Manila.
- ASEAN -- the Association of Southeast Asian Nations. An association since 1968 of regional governments cooperating in development and similar fields through a series of committees. U.S. development cooperation with ASEAN benefits Indonesia, Malaysia, the Philippines, Singapore and Thailand.
- COIME -- the ASEAN Committee on Industry, Mining and Energy.
- FY -- Fiscal Year. The U.S. Fiscal Year runs from October 1 through the following September 30. FY 1984 is the FY ending September 30, 1984.
- ISEAS -- the Institute of Southeast Asian Studies. Founded in 1968 as an autonomous regional research center in Singapore. It serves to enable scholars from many countries to study problems of individual countries or the region as a whole.
- PACD -- Project Assistance Completion Date. The PACD is the last day on which services may be performed or goods furnished to be eligible for AID financing under the Project.
- SMB -- small and medium business. SMBs are differently defined in different countries but are generally firms with up to 100 or 200 workers.
- SMBI -- AID-ASEAN Small and Medium Business Improvement Project.
- Technonet -- Technonet Asia. Founded in 1972 as a project under the International Development Research Centre (IDRC) of Canada and, since 1980, an autonomous entity in Singapore. Participating Organizations (POs -- national agencies serving SMB needs) in cooperating countries form a network linking Technonet to the SMBs it serves. Technonet uses its staff and donor resources to provide training, technical consultancies and information services to SMBs.
- USAID/Manila -- the U.S. AID Mission in Manila.

## ASEAN SMALL AND MEDIUM BUSINESS IMPROVEMENT PROJECT PAPER

### PART I. PROJECT SUMMARY AND RECOMMENDATION

Proposed AID funding: \$2,750,000 grant, Section 106 funds. To be obligated by Grants and contracts benefiting the ASEAN countries of Indonesia, Malaysia Philippines, Singapore and Thailand

#### A. Summary of Project

1. Problem. The ASEAN countries have to increase employment opportunities for their growing populations. They see small and medium businesses (SMBs) as efficient in creating jobs, but the SMBs are not always able to grow and adapt to changing market opportunities. Assistance to SMBs has not removed all constraints to their development including:
  - a. General economic constraints -- finance, infrastructure, etc. -- which are part of the environment in which SMBs must operate;
  - b. Technological constraints -- access to and adaptation of the right technology -- which make it difficult for SMBs to use new technology efficiently; and
  - c. Managerial constraints -- lack of ability to organize and control operations -- which make it difficult for SMBs to operate within the environment or to adapt to changing market conditions.

The ASEAN Committee on Industry, Mining and Energy (COIME) has asked AID for assistance to SMBs as part of U.S.-ASEAN Development Cooperation. ASEAN Governments are devoting considerable resources to help their smaller businesses in recognition of their role as capital-efficient and relatively labor intensive employers. However, many SMBs are not able to take advantage of available assistance due to the constraints noted above.

2. Proposed Solution. The Project will use established regional institutions\* to implement training, technology transfer and research activities addressing the constraints to SMB development as follows:

a. Technonet (Technonet Asia) will provide industry-specific training, technical consultancies and information services in response to SMB requests through its Participating Organizations (government agencies serving SMB needs).

b. AIM (the Asian Institute of Management) will prepare and carry out general management training courses tailored to the special needs of SMBs.

c. ISEAS (the Institute of Southeast Asian Studies) will conduct research into the constraints on SMB development.

AID will also contract for services to assist Project coordination and evaluation.

3. Summary Budget. AID costs for the three-year Project are estimated as follows:

Grants to implementing institutions . . . . .	\$2,500,000
of which: Technonet . . . . .	\$1,200,000
AIM . . . . .	800,000
ISEAS . . . . .	500,000
 Contracts for coordination and evaluation services . . . . .	 <u>250,000</u>
 Total . . . . .	 <u>\$2,750,000</u>

Beneficiaries and host governments are estimated to contribute \$1 million to the costs of Project activities.

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\*The implementing institutions are non-governmental, non-profit organizations with ten or more years of service to the development needs of the ASEAN Region.

B. Summary Analyses

The Project is technically sound because the implementing institutions have proven capabilities to serve the development needs of the Region. Their planned activities are targeted at giving ASEAN SMBs better access to U.S. and local technology and greater ability to operate within the business environment. Research is relevant to solving problems facing SMBs and improving services to them.

Economic soundness is based on the Project's contribution to general development by supporting the capital-efficient SMBs. The Project is a cost-effective way to serve SMBs regionally rather than country-by-country.

Social soundness is based on the assumption that the general employment situation will benefit from more efficient SMBs although the direct beneficiaries are the relatively well off owners, managers and technicians. It is also expected that quality of life of SMB workers will improve when managements are taught the importance of human resource development.

C. Recommendation:

It is recommended that AID authorize a \$2.75 million grant for the ASEAN Small and Medium Business Improvement Project (SMBI) to provide training, technology transfer and research assistance to SMBs in the ASEAN countries of Indonesia, Malaysia, the Philippines, Singapore and Thailand through March 31, 1987.

PART II. PROJECT DESCRIPTION

A. The Development Problem Addressed by the Project:

1. The Problem

The ASEAN countries' labor force is growing faster than the population -- which now exceeds 250 million. ASEAN planners have recognized that new measures must be taken to provide productive employment and decent incomes for this labor force. They see small and medium businesses (SMBs)\* as relatively labor-intensive and capital-efficient in creating jobs for the growing labor force.

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\*Definitions of SMBs by national governments will govern Project activities in each country. These definitions differ but generally include as SMBs enterprises employing up to 100 or 200 workers.

Most SMBs lack the managerial and information resources to grow and adapt to changing national and international market opportunities. ASEAN national programs and external donors offer training, information, technical assistance and research to assist ASEAN SMBs to make good use of local resources. Yet the entrepreneurs and managers of SMBs frequently lack the ability to plan and organize their activities to make use of assistance already available.

This Project is designed to help SMBs serve national and international markets better through improved access to and use of resources and services available to them.

## 2. Constraints on SMBs

Constraints on SMB development vary from country to country, but generally include general ("macro") economic constraints which affect the environment in which the SMB operates and technological and managerial constraints which affect how the SMB can respond to its environment.

a. General economic constraints include such "macro" concerns as access to investment finance, inadequate infrastructure, exchange rate regimes, levels of protection afforded the modern industrial sector, content and magnitude of public sector enterprise activity and so forth.

This Project does not address macro-economic policy recommendations but seeks (i) to enable SMBs to function effectively within the existing economic environment and (ii) to support practical study and research into general economic problems affecting ASEAN SMBs.

b. Technological constraints to different industrial sectors are very complex. They involve (i) issues of access (channels and transfer mechanisms), (ii) appropriateness (relative capital efficiencies) and (iii) adaptability within the business enterprise.

Industrial technology is extremely diverse. The choices and options for equipment and process combination are much more varied in industry than in the production of one agricultural crop. SMBs need access to unique technical information and assistance to deal with the complex choices open to them.

Organizing and changing technological systems is a continuous process. Changes in local markets, available technology, manpower resources, international trade patterns, etc. demand responses from the SMB if it is to exploit comparative advantages. For example, widening wage differentials between ASEAN and South Asian countries compel the ASEANS to search for more productive technologies.

The Project proposes a simple and systematic approach: to strengthen existing ASEAN regional institutions' capacities to help SMBs identify needs and gain access to technical consultancies and appropriate information.

c. Managerial constraints are the lack of SMBs ability to identify needs, organize options and control operations. SMBs need more skills in general management areas such as accounting, production and marketing. SMBs also need more specialized training in human resource development and technology selection. To succeed the SMB must understand that not only access to equipment and techniques is important, but also the ability to build a human organization to employ, adapt and advance the technology.

The Project will train key SMB personnel both in industry-specific skills (metal-working, etc.) and in general management areas (marketing, production, etc.).

## B. Regional Assistance Approach

### 1. ASEAN-U.S. Cooperation

In March 1982 the ASEAN Committee on Industry, Mining and Energy (COIME) presented a number of proposals for ASEAN-U.S. cooperation in the small and medium business sector. A Working Group was established to advance the proposal. At a seminar sponsored by the Working Group in October 1982, Dr. Joseph Stepanek, an expert in East Asian business and industry affairs endorsed the rationale for proposed assistance to SMBs.

After some refinements, it was determined that AID resources were limited so that capital assistance elements would have to come from other donors. In March 1983 AID entered detailed field discussions to further refine the Project and produce preliminary cost estimates in a Project Identification Document (PID). The PID was approved in August 1983 as a top priority within the strategy of ASEAN-U.S. cooperation for development.

### 2. Use of Regional Implementing Institutions

AID development strategy has been to support regional entities that are non-exclusive and consensus oriented, relate to existing institutions, and are developmental in broad terms. The PID identified three established ASEAN regional institutions -- Technonet, AIM and ISEAS -- to carry out components of the Project. It is proposed that the implementing institutions function as follows:

a. Technonet Asia, with headquarters in Singapore, will address technological and managerial constraints on SMBs by training and technology transfer activities supported by an AID Grant under the Project. Technonet will receive requests for assistance from SMBs through participating organizations (government agencies serving SMB needs) in the ASEAN countries. Technonet will draw upon its own staff, experts and information sources from the U.S. and ASEAN sources to meet these requests by conducting technical and management training, by providing consulting services or by providing information.

b. AIM (the Asian Institute of Management), with headquarters in Manila, will address managerial constraints on SMBs by training program preparation and activities in the ASEAN countries supported by an AID Grant under the Project. AIM will use its own staff and business education experts and materials from U.S. and ASEAN sources to design courses, case materials and information for SMBs.

c. ISEAS (the Institute for Southeast Asian Studies), with headquarters in Singapore, will address general economic constraints on SMBs and will provide research results to improve training and other services to SMBs. The ASEAN Economic Research Unit of ISEAS already receives AID support for the participation of fellows from each of the ASEAN countries in its research activities. An AID Grant under the Project will support study and research by the staff of the ASEAN Economic Research Unit of ISEAS, U.S. and ASEAN experts into the problems facing SMBs.

### C. LogFrame Narrative

1. GOAL -- To increase opportunities for productive employment in ASEAN small and medium businesses (SBMs).

This Project seeks more and better employment opportunities by making SMBs more productive. The basic premise of the Project is that improved growth capacity of directly and indirectly benefitted SMBs is a prerequisite to greater opportunities for all workers in the ASEAN countries.

Indicators that the Project has contributed to this goal will be the changes in the practices of the benefitted SMBs. Evaluation by the implementing institutions, reports of results observed by the Government agencies concerned through ASEAN COIME, and interviews with the SMBs will be required to verify progress toward the goal at the end of the Project. Ex post evaluation may be required to verify the degree to which productivity of the SMBs has been raised and what impact this increased productivity has had on numbers of persons employed and product per employee.

The main assumption of the goal statement is that increased SMB productivity will serve national objectives such as strengthened trading capabilities, better if not more employment opportunities, and better quality of life for those employed in SMBs.

2. PURPOSE -- To enable ASEAN SMBs to serve better their national and international markets by:

- a. Better training of owners and managers, and
- b. Directly addressing their problems through research and technology transfer.

End of Project Status:

At the end of the project, ASEAN SMBs should be better served by improved training, technical consultancies and problem-related research directly by the three implementing institutions and indirectly through governmental and other sources of such services to SMBs. Direct services include:

210 owners/managers receive management training,  
360 key personnel receive technical training,  
100 SMBs receive technical consultancies,  
100 SMBs receive information requested, and  
10 problem-related research activities are carried out.

Indirect results are the use of improved teaching methods developed under the project by other than the implementing institutions and improved services to SMBs by governmental and other agencies serving them. Also ASEAN SMBs have better access to U.S. private sector resources.

Verification of purpose achievement will require evaluation. This evaluation should include consideration not only of the direct services rendered by project-financed implementing institutions but also of the degree to which teaching materials developed under the project are made available to and used by others to serve SMBs and that the technical services rendered and the research performed are put to use beyond the SMBs directly served. The value of services directly provided SMBs by the implementing institutions will be judged in part by the degree to which beneficiaries are willing to pay appropriate shares of the costs of these services.

The major assumptions for purpose achievement are (a) that SMBs need special types of services different from services required by larger businesses and (b) that the implementing institutions and AID are able to find ways to provide these services.

3. OUTPUTS -- Implementing institutions prepare and carry out: management training courses, technical training courses, technical consultancies, responses to technical inquiries, and problem-related research. Quantities of outputs expected are:

7 management training courses,  
12 technical training courses,  
60 person-months of technical consultancies,  
100 technical inquiry responses, and  
10 research activities over three years.

Verification of outputs will be through implementing institution and host government reports and surveys of SMBs as part of the evaluation process.

The main assumptions for output achievement are (a) that the implementing institutions engage and motivate staff capable of carrying out these activities and (b) that SMBs make use of Project services.

4. INPUTS -- AID, the implementing institutions, host governments and SMB beneficiaries are expected to make inputs as follows:

AID -- \$2.5 million for grants to the three implementing institutions and \$250,000 for project coordination and evaluation (total \$2.75 million).

Implementing institutions -- staff and facilities for the preparation and carrying out of direct project assistance services to SMBs.

Host governments (through COIME) -- observation of and evaluation of the progress of project activities and, at individual host government agency option, contribution to costs of project activities (estimated \$500,000 equivalent).

Beneficiary SMBs -- fees for services (estimated \$500,000 equivalent).

Inputs are to be verified by implementing institution reports and AID project monitoring. Assumptions for inputs are that each concerned source makes contributions on time.

#### D. Training

Improvement of smaller businesses depends on manpower development, particularly training. The planned training strategy combines both industry-specific and generalized management programs, utilizing specialized materials developed for the needs of the ASEAN small business manager, technician, and skilled worker. Technonet's industry specific technical and managerial training will focus on short courses in different sectors such as foundry technology, machining, sheet metal fabrication, etc. AIM management development short courses will focus on building decision-making and management capability in functional areas such as finance, marketing, and technology application. The Project allows for the development of new cases and training materials that will be shared with cooperating institutions in order to expand and extend the impact of the training efforts.

The project will provide funds to enhance existing capabilities of Technonet and AIM. These organizations already operate efficient regional course development and training activities. Technonet's focus is on industry-specific materials and subjects for the technical and managerial staff of different enterprises. AIM has traditionally focused on management education, especially as it applies to the administration of complex organizations. This project will assist AIM in adapting its case development program and teaching strategies for the needs of smaller enterprises.

Project training and materials development objectives are as follows:

- To identify and define technical and managerial training needs of ASEAN small businesses;
- To develop and apply new cases and other teaching materials that improve and extend training for smaller businesses;
- To provide training to smaller businesses that will improve their operating efficiency and growth potential;
- To develop and deliver the training programs in such a manner that they involve U.S. and ASEAN private sector resources to a greater extent;
- To develop conceptual frameworks for understanding the managerial requirements of small businesses;

- To develop a core group of faculty members who are well versed in the issues and implementation of the teaching programs; and
- To involve other institutions in the materials development and teaching programs so as to extend and diffuse the teaching activities as broadly as possible within ASEAN.

AIM will undertake an extensive curriculum development program that includes the development of new teaching materials and cases. Efforts will be made to incorporate the lessons learned from earlier training efforts for small business.

Technonet, with an existing small business training program, will focus on expanding the delivery of its present course resources rather than the development of new materials and pedagogy.

The AIM programs will have a focus on general managerial skills and functions while the Technonet program will be characterized by a greater technical specialization and industry specificity.

#### 1. Industry-Specific Courses (Technonet)

Industry-specific courses are organized on regional and local bases. Regional courses will cover topics of interest to most of the ASEAN countries while local courses will be planned around the specific needs of each of the ASEAN countries. The regional courses will be essentially Special Technical Workshops (STEWs) on selected priority industrial sectors; they will combine classroom lectures as well as practicum and in-plant studies. The local level courses will include courses on selected priority industrial sectors (STEWs) and also entrepreneurship development (including project development, management, finance, marketing, etc.) Each of the local and regional courses is expected to run four weeks and to accommodate 30 persons.

#### 2. General Management Development Courses (AIM)

Training for general management development will be based on the special nature of the SMB -- its unique organization structure, decision making process, access to credit and bargaining power. AIM will prepare new case materials and teaching materials to tailor its present management program to the needs of SMBs. The teaching program will be built around functional management subjects (finance, marketing, etc.) and assistance in applying these management functions in the local business environment.

AIM will devote the first year of the Project to curriculum and materials development. A test run of the three-week training program will be run in the second year as well as a second complete course. In the third year, three more courses will be offered in the remaining target countries, for a total of five three-week programs delivered.

A summary of planned training programs follows:

<u>Type of Program</u>	<u>Purpose</u>	<u>Duration</u>	<u>Planned Number for 3 Years</u>
General Management Training (AIM)	Develop basic management skills	3 weeks	5
Regional Special Technical Workshops (Technonet)	Train on problems and solutions in different industrial sectors	4 weeks	5
Local special Technical Workshops (Technonet)	Train on problems and solutions in local industrial interests	4 weeks	7 or 8
Local Entrepreneurship Development (Technonet)	Train in specific management skills for new entrepreneurs	4 weeks	2 or 3

All training and research activities will seek to involve other institutions as appropriate. New training approaches under the Project should be useful to national training and technical assistance organizations charged with improving small business effectiveness. Greater diffusion of Project materials and approaches will help institutionalize the research and training efforts.

During the initial period of the project, a major portion of participants' travel and training expenses may be supported by this Project. However it is a Project objective that, as the value of Project activities becomes better known, the SMB beneficiaries will be required to support an increasing share of program costs through fees and other forms of payment.

#### E. Technology Transfer

Small and medium enterprises in ASEAN need assistance in identifying needed technologies and in applying them effectively. The technology transfer component of the project is intended to meet this problem by providing technical experts in response to specifically expressed needs on the part of individual SMBs or groups of companies within a particular industry. The Project will therefore address specific technical bottlenecks affecting firms within the ASEAN region.

Technology transfer is best undertaken through person to person contact. Experts will be deployed on-site, preferably assisting several firms in the same sector. Where generalized problems are encountered, Technonet-Asia may also draw upon these experts to organize special technical seminars (lasting a few days to one week) for a group of entrepreneurs/technical staff in the same line of business.

Technonet has a network of participating organizations (POs) in each of the ASEAN countries. Through these POs, national government agencies serving SMB needs, an SMB can request specific technical assistance, expert consultancy, or technical information. In cases where the individual PO lacks the needed information or expertise, the request is forwarded to Technonet for action. Technonet will then utilize its linkages with sources of technology, technical information and experts within ASEAN and internationally to fill the request. For purposes of this Project, Technonet will draw upon its ASEAN and U.S. sources.

Technonet also helps improve the work of its participating POs. The POs coordinate multi-company assistance activities and participate in the Technonet consultancy to broaden its expertise in assisting SMBs. Technonet also supplies technical information and manuals not readily available to its POs. The POs therefore represent a multiplier potential to increase the number of SMBs assisted as a result of this Project.

Technonet proposes to undertake 75 person-months of technical assistance during the life of the Project. This will include direct consultancies with individual SMBs and provision of specialized technical information and manuals. It is estimated that at least 200 SMBs will benefit from this assistance.

Technonet will expand its network through which SMBs can seek assistance by closer collaboration with business associations (chambers of commerce and industry, small business federations and industry clubs) and other agencies not currently involved with Technonet. This will help to diffuse the results to a broader set of institutions and SMBs. Using this network, Technonet may also promote linkages between ASEAN large and small firms.

The project also seeks to increase access to U.S. sources of technology and technical assistance, particularly from the U.S. private sector. Over the three years of the Project, Technonet will seek to strengthen its relations with U.S. institutions and associations. Additional efforts are needed to involve U.S. small and medium business in technology transfers to ASEAN SMBs. Mechanisms to do this are under study and, if developed, may be presented as additional components of this project.

**F. Research**

It is generally recognized that the SMB sector has a major potential for employment creation in the ASEAN region. Yet, too little research has been undertaken on the problems faced by agencies serving SMB needs and by the entrepreneurs themselves. The Project will support research by the Institute of Southeast Asian Studies (ISEAS) designed to deal with the practical constraints on SMB development in the region.

The two objectives of the research program are to:

- (1) collect, develop and disseminate knowledge relating to the role of and potential of SMB in employment creation, and industrial growth; and
- (2) identify and recommend economic measures (institutional, educational, commercial) to improve the small and medium business sector in the ASEAN countries.

A number of research areas have been identified as serving these objectives. These include:

- cost savings, for instance through savings in energy use and better management methods in production;
- improved access to institutional sources of credit;
- improved access to institutional sources of technical assistance;
- improved linkage between larger enterprises, both local and foreign, and small and medium business;
- wider participation of SMBs in the mainstream of economic activities;
- dispersal of SMB assistance efforts to non-metropolitan areas; and
- creation of greater opportunity for employment within SMBs.

The research will be conducted under the direction of an ISEAS project coordinator. Individual researchers in each of the ASEAN countries will be selected from the institutions already cooperating with the ASEAN Economic Research Unit (AERU), a unit of ISEAS. The research will comprise both macro-economic analyses of problems affecting the SMB sector and studies of sector-specific issues affecting high priority industries within the region.

To help assure that the research will be on topics of the highest priority to ASEAN societies, ISEAS will conduct pre-research workshops in which representatives of the ASEAN countries will participate. Further workshops are planned toward the end of each annual cycle to review the research findings and to coordinate the results obtained by the individual researchers. Government officials and representatives of the private sector will also assess the relevance of the research program to the SMB sector.

Several of the potential research topics will be directly relevant to the other assistance components of the Project. In particular, research on bottlenecks to SMB access to institutional sources of credit and technical assistance can help refine Project training and technical assistance activities. In turn, ISEAS research teams can utilize data on firms participating in the training and technical assistance components of the Project.

#### G. Project Coordination and Evaluation

AID will contract for the services of experts in SMB development to coordinate initial steps to improve access of ASEAN SMBs to U.S. private sector resources and, in later stages of the Project, to participate in evaluations of Project progress and work plans. Annex B is a scope of work for initial coordination.

#### H. Other Donor and Bilateral Assistance

All three of the implementing institutions have received considerable other donor grant assistance and secondments of expert personnel. Technonet was established largely through Canadian assistance and continues to be substantially supported by Canada and Japan. Many donors, particularly the Japanese, have established business assistance centers, programs of travel and technical interchange and technical consultancies targeted at ASEAN SMBs. While many of these efforts are influenced by commercial considerations, they have also gone a long way to establish a development environment conducive to the SMBs in the Region.

AID bilateral programs in three ASEAN countries (Indonesia, the Philippines and Thailand) all have projects to improve smaller businesses. These tend to have a more rural emphasis that SMBI would have although dispersal of industry from metropolitan centers is a Project objective. None of the bilateral projects is currently using any of the SMBI implementing institutions so that there should not be an overlap of activities. The Project coordination responsibilities of the ALO Manila will include seeking to share development experiences under SMBI with the bilateral programs. Contract services will be funded under the Project to expand this coordinating function.

### PART III. PROJECT ANALYSES

#### A. Technical Soundness

##### 1. Training

Because it is the largest project cost element -- \$1.4 million out of \$2.5 million of Grants to implementing institutions -- the training component of the Project must be considered its backbone. It is also the most likely Project component to receive support from beneficiaries and host governments (which already devote considerable resources to training their smaller businessmen). The issue for AID in considering this Project is whether it is likely to substantially improve SMB training in the Region rather than merely extend the scope of existing training programs.

The SMBI design team found the implementing institutions already interested in the problems of serving SMB training needs as distinct from those of larger businesses. Technonet is already a leader in the tailoring of training to SMBs. It employs industry-specific materials and shorter courses than those of more formal academic programs. AIM has determined that considerable preparation will be required to adapt its methods and materials, now mostly oriented to larger enterprises and to professional managers rather than owners/entrepreneurs, to SMB needs.

The design team concluded that this extra time and cost is justified to make AIM's top quality management training capabilities available to SMBs. The team and AIM leadership brought out the need also to test new approaches, to develop cases and training materials directly from the SMBs actual operations and to involve businessmen, large and small, in the design and teaching processes. It was also decided to diffuse AIM case and teaching materials more widely than in the past to obtain benefits from their use by other agencies serving ASEAN SMBs.

AIM also requested design team and AID help in linking its staff to U.S. institutions while they prepare new training materials adapted to SMB needs. AIM will use U.S. small business training methods where adaptable to ASEAN circumstances.

Technonet is less in need of adaptation to the smaller business' needs than AIM. However Technonet now makes more limited use of U.S. training materials and private sector resources. Technonet has received most of its support from Canadian and Japanese international assistance agencies which have provided the largest shares of inputs into its programs. The Project should greatly increase Technonet use of U.S. governmental and private sector materials in its programs as well as increasing the total level of its services to ASEAN SMBs.

However, the team considers that AID and the U.S. private sector will have to do their part to increase Technonet access to U.S. private resources for its programs. A U.S. private sector initiative in this direction is now in preparation, and it may be a valuable additional component to this Project for improving general ASEAN business and institutional access to U.S. private development resources.

Technonet and AIM will offer the training courses in each of the ASEAN countries. This is particularly important because it will decrease the cost of access to the SMB manager.

Both institutions have long track records of working in their respective fields. The AIM proposal to develop new case materials builds upon its already recognized capabilities in research and practical training for managers. Technonet's training programs are already well developed and have been tested throughout the region. Over 400 managers and technical directors of SMBs have already participated in training programs similar to those proposed under this proposal.

The design team concluded the training component of the Project is technically sound.

## 2. Technology Transfer

Technology transfer through specific Technonet activities is the second largest Project cost element -- \$600,000 out of \$2.5 million of Grants to implementing institutions. In addition, virtually all other Project activities have technology transfer aspects; i.e., trainers transfer information and techniques and research activities include transfer of ideas and of methods to improve technology utilization. In turn, the formal Technonet technology transfer activity helps train ASEAN businessmen and helps improve the capabilities of its participating organizations (POs -- governmental agencies serving SMB needs).

The design team found the Technonet activity an effectively designed system to provide expert consultancies and information in response to specifically expressed SMB needs. With the POs, Technonet has an outreach network through which the SMBs gain access to Regional and international technical resources when the PO's national resources are not enough to solve problems brought to the attention of the the POs. To respond to these requests for assistance, Technonet cooperates with a variety of international and ASEAN sources of consultants and information.

As with its training activities, Technonet draws most heavily on countries already donating to its activities -- Canada and Japan are the principal donors. AID and the U.S. private sector will have to make special efforts to increase the portion of Technonet sourcing from the U.S.

The design team found Technonet's person-to-person approach to technology transfer particularly sound. Experts in specific industries or technologies are brought into individual firms or work with small groups of entrepreneurs and technical staff. Consultancies are not limited to technical aspects but also address more general topics such as subcontracting, product selection and assessment of appropriate technology. Thus the consultancy not only deals with explicitly technical problems and solutions but also addresses the SMBs need for systems and skills to apply and adapt technological resources.

Its bottom-up approach helps Technonet and donors analyze and plan assistance activities. Because it receives real problem inquiries from the SMBs themselves, it is in a position to spot needs shared by a number of firms and in a number of countries. It has used this inductive method to design additional programs, e g., for general training and consultancy in metal working. Japanese assistance agencies have already set up centers to carry out these additional programs in a number of ASEAN countries.

The design team concluded the technology transfer component of the Project is technically sound.

### 3. Research

Knowledge about generic problems facing SMBs in ASEAN will be useful to the Project and to its implementing organizations. It will also assist other groups working on SMB needs. The ISEAS proposal is technically sound.

ISEAS will consult with academic researchers, government officials, and private sector leaders in selecting specific research topics. This will help assure that the studies are in accord with national development objectives and SMB needs.

ISEAS will also utilize a proven system to coordinate the research. It will select leading researchers in each country, enabling national as well as regional recommendations to emerge. ISEAS, through its ASEAN Economic Research Unit, has successfully undertaken this type of research.

The project seeks problem oriented research that will led to practical recommendations for action by governments, SMB assistance organizations and the private sector. As an independent entity, ISEAS is well postioned to make such recommendations.

### B. Economic Soundness

Overall economic soundness of the Project is based on the assumption that the ASEAN countries require more effective SMBs for their general development. The higher efficiency of SMBs (vs. larger enterprises) in capital utilization and in employment generation have been observed in the ASEAN countries as well as in the U.S. Accordingly, assistance to train and transfer technology to SMBs and for research into their development problems is considered to have a higher potential return per dollar of AID investment than investments in the public sector or in larger enterprises. Project evaluations are designed to verify these macro-economic assumptions.

Project-level cost-effectiveness is also expected. The Regional assistance approach (see section II. B. above) is designed to combine resources of the several ASEAN countries to deal with SMB problems and to deliver solutions developed by the Project to all the ASEAN countries. This approach should be less costly per beneficiary than a country-by-country approach.

### C. Social Soundness

Smaller private enterprises, now recognized as essential to national development, have historically been neglected in the planning of national development and in the provision of government services. As governments seek to rectify past oversights, they require better analyses of SMB problems (the research component of the Project) and assistance in delivering training and technology transfer services (the rest of the Project). The SMBs themselves need specific tools for dealing better with the business environment in which they must operate; the Project is designed to provide these tools.

SMBs also are less able than larger businesses to expand or improve their activities due to the risks and uncertainties of change. The Project will seek both to enable SMBs to make better risk assessments and to approach new activities with greater confidence. The Project will also open or strengthen channels of communication for SMBs to make their needs better known to national authorities and to international donors.

However, AID faces the social issue that the direct beneficiaries of the Project are relatively well-off businessmen, managers and technicians rather than AID's preferred beneficiaries -- the poor majority. The design team analysed this issue from two points of view: first, that the ability of national economies to generate employment for the poor majority is dependant on the more efficient use of resources characteristic of SMBs; and, second, that better trained SMB managements will improve the quality of life of their employees.

On the macro level, AID strategy is to maximize the ability of recipient countries to provide productive employment opportunities to their growing populations and labor forces. Evaluation criteria (see section IV. D. 2. below) are set to determine the degree to which the Project contributes to this quantitative employment goal.

At the level of the employees of the SMBs it benefits, the Project prepares managers to make more effective use of and to develop human resources. Businesses will learn through the Project that the key to profitability is not through the hard technology of equipment and procedures but through human capacity to manage and apply technology at all levels of the organization, especially on the factory floor. These Project emphases should improve the quality of life of the employees of the SMBs.

In short, the Project will lead managers to regard labor and staff more as a valuable resource than as a cost.

The Project also seeks to enable donors and governments to deliver services more effectively to SMBs. The Technonet approach is already effective in adapting assistance approaches to the special needs and circumstances of smaller firms. The other Project components stress care and study in the preparation of new assistance approaches to tailor them to SMBs. Project evaluation criteria will track the differences the Project makes in the attitudes and practices of benefited SMBs to determine how well Project methods hit these targets.

D. Environmental Soundness

No significant adverse environmental effects are expected from the Project. An Initial Environmental Examination (IEE) recommending a Negative Determination was transmitted with the Project Identification Document (PID) which was approved by AID/W August 6, 1983 (Annex C).

PART IV. IMPLEMENTATION AND EVALUATION

A. AID Grants to Implementing Institutions

Most Project funds (except for coordination and evaluation services) will be obligated by AID specific support Grants to the three implementing institutions. These Grants will specify activities to be supported, budgets for this support, and criteria for evaluation of Grant-funded activities. These Grants are based on the status of the three implementing institutions as regionally-oriented organizations with established records in furthering economic development.

B. Role of ASEAN-COIME and Host Governments

The ASEAN Committee on Industry, Mining and Energy (COIME) is requested to approve this Project as an ASEAN-U.S. development cooperation activity. Through COIME, the national governments are asked to advise AID of the appropriateness and effectiveness of Project activities in terms of their national SMB development objectives. Conformity with national development objectives will be a major criterion for evaluation to determine future AID support for Project activities.

No financial contributions are sought from the national governments by reason of approval of this Project. However, some of the activities of the implementing institutions have in the past been partially supported by national governments; it is expected that similar partial support will continue at the option of the national governments.

C. AID Project Management

The AID ASEAN Liaison Officer (ALO), USAID/Manila will manage the Project on behalf of AID. The ALO will be supported by AID regional legal, controller and contract officers. Grants to the implementing institutions will be administered by the Grant Officer, Contracting Office, USAID/Manila.

D. Evaluation

1. Determination Whether to Continue Activities

AID will determine whether to continue funding Project activities on the basis of evaluations during and at the end of the the Project. Annual reports of progress to date and plans for future activities will be submitted as of September 30 of each Project year. AID evaluation and coordination experts will review these reports with COIME and the implementing institutions each November. The reports as of September 30 1985 and subsequent evaluation will be the basis for AID decision whether to support more than the initial three-year Project.

2. Major Evaluation Criteria

The following criteria will be the basis for evaluations of the effectiveness and impact of Project activities:

a. Serving ASEAN National SMB Development Objectives. Through ASEAN-COIME, the ASEAN Governments will be asked to advise AID of the extent to which they find specific implementing institution activities under the Project appropriate and effective in serving national SMB development objectives. Training activities and research programs should address the problems and constraints to achievement of these objectives. Implementing institutions' annual reports of progress to date and plans for the coming year should note relevance to these national objectives. Programs should be modified to adjust specific activities shown by experience to be of greater or lesser effectiveness in serving national SMB objectives.

b. Impact on SMBs. How much use do SMBs make of Project services? What difference does the Project make in the way SMBs operate? Implementing institutions should obtain information on the attitudes and practices of SMB participants in training and technology transfer "before" and "after" participation in Project activities. This data will be available to researchers and evaluators. A special indication of the value placed by SMBs on services under the Project will be whether an increasing portion of the costs of these services is borne by fees and other inputs from SMB beneficiaries.

c. Impact on SMB Employment. Are benefitted SMBs able to offer more productive employment opportunities? "Before" and "after" data collected by implementing institutions may only give indications of possible future changes. They may have to be supplemented by surveys of sample SMBs some time after participation in Project activities to determine whether employment is more productive; whether more persons are employed; whether SMB manpower development is improved; whether better use is made of capital, equipment and other scarce resources; etc.? Ex post evaluation may be required to address whether there has been progress toward these and other objectives inherent in the goal of the Project.

d. Cost-Effectiveness of Regional Approach. Is assistance to SMB development more cost-effective through an ASEAN Regional approach than through separate national approaches? Cost-effectiveness may be shown directly by the use of project resources to serve more than one ASEAN country. Evaluations and implementing institution reports should also address whether the Regional approach has increased contributions to serving SMB needs for ASEAN Government agencies, private sectors, universities, and U.S. and other foreign business communities. Reports and evaluations should also address whether the direct outputs of the implementing institutions to ASEAN SMBs have increased through the life of the Project and whether they have increased cooperation among themselves and with other ASEAN entities serving SMBs.

e. Increased U.S. Private Sector Resources Serving ASEAN SMBs. Does the Project bring more U.S. private firms into services to ASEAN SMBs and does it make better use of these private U.S. resources to meet ASEAN SMB needs? Implementing institutions should make more use of U.S. private resources as a result of the AID grants. AID and other supplements to the Project may be needed to increase U.S. private sector participation beyond the programs of the implementing institutions, but they should suggest ways to increase that participation.

E. Financial Plan

The life-of-project budget for the Project is as follows:

	(\$ thousands)		
	<u>AID</u>	<u>Host Govts</u>	<u>Beneficiaries</u>
Grants to implementing institutions:			
Technonet	1,200	500	400
AIM	800	--	100
ISEAS	<u>500</u>	<u>--</u>	<u>--</u>
Subtotal	2,500	500	500
Contracts for coordination and evaluation services			
	<u>250</u>	<u>--</u>	<u>--</u>
Grand Total	<u>2,750</u>	<u>500</u>	<u>500</u>

Host government contributions are estimates based on past support for Technonet activities. There is no ASEAN government obligation by reason of approving this Project.

Beneficiary contributions are expected in the form of fees to Technonet and AIM for services received. These are estimated to increase over the three years of the Project, and the implementing institutions will be evaluated on their ability to sustain their programs by meeting a larger share of their costs through user fees.

The FY 1984 operating year budget (OYB) is not expected to be sufficient to fully fund the Project at the outset. It is expected that \$1.7 million will be obligated in FY 1984 as follows:

Technonet . . . . .	\$800,000
AIM . . . . .	500,000
ISEAS . . . . .	300,000
Coordination and evaluation services . . . . .	<u>100,000</u>
Total . . . . .	<u>\$1,700,000</u>

Implementing institutions cost estimates for AID support over life of project are:

Technonet:

For 15 training courses . . . . .	\$600,000
For 60 person-months consultancies . . . . .	<u>600,000</u>
Total . . . . .	<u>\$1,200,000</u>

AIM:

For preparation 60 cases . . . . .	\$217,000
To prepare 10 faculty members . . . . .	51,000
Commodities (library & equipment) . . . . .	95,000
For 5 3-week courses . . . . .	225,000
Travel . . . . .	<u>212,000</u>
Total . . . . .	<u>\$800,000</u>

ISEAS:

Research honoraria (33 person-years) . . . . .	\$240,000
Final conference and 12 workshops . . . . .	145,000
Coordination and support personnel . . . . .	50,000
Data processing and publishing . . . . .	42,000
Commodities and communications . . . . .	<u>23,000</u>
Total . . . . .	<u>\$500,000</u>

F. Procurement Plan -- Source, Origin and Nationality

Assistance to implementing institutions is to be through specific support grants. These Grants will permit procurements of commodities of U.S. or ASEAN source and origin. For the purposes of this Project ASEAN shall mean Indonesia, Malaysia, the Philippines, Singapore and Thailand. Services procured under these Grants shall be of U.S. or ASEAN nationality. Contracts for services in support of Project coordination and evaluation shall be of U.S. or ASEAN nationality.

All commodities will be purchased as shelf items in accordance with Handbook 1B, Chapter 18. It is estimated that life-of-project purchases will not exceed \$100,000 per Grantee, being mostly small value procurements of office and training supplies.

G. Schedule of Key Events -- PACD

The following is the schedule for key Project events:

1. Project Paper to ASEAN-COIME and AID/Washington -- September-October 1983.
2. ASEAN-COIME and AID/W approve Project -- October 1983.
3. Project announced and Grants signed -- November 1983.
4. Project activities begin -- January 1984.
5. First evaluation -- November-December 1984.
6. Major evaluation -- November-December 1985.
7. Decision whether to continue activities beyond three-year Project -- March-April 1986.
8. Project Assistance Completion Date (PACD) -- March 31, 1987. The PACD is the last day on which services may be performed or goods furnished to be eligible for AID financing under the Project.

# Best Available Document

AID 900-20 (1-78)

## PROJECT DESIGN SUMMARY LOGICAL FRAMEWORK

Life of Project:  
From FY 1984 to FY 1987  
Total U. S. Funding \$2,750,000  
Date Prepared: October 4, 1983

Project Title & Number: ASEAN Small and Medium Business Improvement (SMBI) (498-0277)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS												
<p><b>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</b></p> <p>To increase opportunities for more productive employment in ASEAN small and medium businesses (SMBs)</p>	<p><b>Measures of Goal Achievement: (A-2)</b></p> <p>SMBs change operating practices and become more productive, increase numbers of employees and product per employee.</p>	<p><b>(A-3)</b></p> <p>Government reports through ASEAN-COIME. Reports of implementing institutions: Interviews with SMBs. Evaluations. Ex post evaluation may be required to verify productivity and employment achievements.</p>	<p><b>Assumptions for achieving goal targets: (A-4)</b></p> <p>Increased SMB productivity will serve national objectives such as strengthened trading capabilities, better if not more employment opportunities; and better quality of life for those employed in SMBs.</p>												
<p><b>Project Purpose: (B-1)</b></p> <p>To enable ASEAN SMBs to serve better their national and international markets by:</p> <ol style="list-style-type: none"> <li>Better training of owners and managers, and</li> <li>Directly addressing their problems through research and technology transfer.</li> </ol>	<p><b>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)</b></p> <p>SMBs are better served by training, technical consultancies and problem-related research, including direct project services:</p> <ul style="list-style-type: none"> <li>210 owners/managers receive management training</li> <li>360 key personnel receive technical training</li> <li>100 SMBs receive technical consultancies</li> <li>100 SMBs receive information requested</li> <li>10 research activities are carried out</li> </ul> <p>Indirect results will be improved teaching methods developed and improved services to SMBs by governmental and other agencies serving them.</p> <p>ASEAN SMBs will have better access to U.S. private sector resources.</p>	<p><b>(B-3)</b></p> <p>Evaluation (including judging the value of services to SMBs by the degree to which beneficiaries are willing to pay for them)</p>	<p><b>Assumptions for achieving purpose: (B-4)</b></p> <p>SMBs need special types of services different from those required by larger businesses; and Implementing institutions and AID can find ways to provide those services.</p>												
<p><b>Project Outputs: (C-1)</b></p> <p>Implementing institutions to prepare and carry out:</p> <ul style="list-style-type: none"> <li>management training courses,</li> <li>technical training courses,</li> <li>technical consultancies,</li> <li>technical inquiry responses; and</li> <li>problem related research</li> </ul>	<p><b>Magnitude of outputs: (C-2)</b></p> <ul style="list-style-type: none"> <li>7 management training courses</li> <li>12 technical training courses</li> <li>60 person-months of technical consultancies</li> <li>100 technical inquiry responses</li> <li>10 research activities</li> </ul>	<p><b>(C-3)</b></p> <p>Implementing institution and host government reports. Surveys of SMBs as part of evaluation process.</p>	<p><b>Assumptions for achieving outputs: (C-4)</b></p> <p>Implementing institutions engage and motivate staff capable of carrying out these activities. SMBs make use of Project services.</p>												
<p><b>Project Inputs: (D-1)</b></p> <p>AID: Grants to implementing institutions Contracts for coordination and evaluation services</p> <p>Implementing institutions: staff and facilities to prepare and carry out project activities.</p> <p>Host Governments: evaluation of progress and contributions to Project activities.</p> <p>Beneficiaries: fees for services.</p>	<p><b>Implementation Target (Type and Quantity) (D-2)</b></p> <p>AID:</p> <table border="0"> <tr> <td>Grants to implementing institutions</td> <td></td> </tr> <tr> <td>    Technoent</td> <td>\$1,200,000</td> </tr> <tr> <td>    AIM</td> <td>800,000</td> </tr> <tr> <td>    ISEAS</td> <td>500,000</td> </tr> <tr> <td>Contracts (Coordination &amp; Evaluation)</td> <td>250,000</td> </tr> <tr> <td>    Total</td> <td>\$2,750,000</td> </tr> </table> <p>Host Governments 500,000 Beneficiaries 500,000</p>	Grants to implementing institutions		Technoent	\$1,200,000	AIM	800,000	ISEAS	500,000	Contracts (Coordination & Evaluation)	250,000	Total	\$2,750,000	<p><b>(D-3)</b></p> <p>Implementing institution reports. AID monitoring.</p>	<p><b>Assumptions for providing inputs: (D-4)</b></p> <p>Each source makes contributions on time.</p>
Grants to implementing institutions															
Technoent	\$1,200,000														
AIM	800,000														
ISEAS	500,000														
Contracts (Coordination & Evaluation)	250,000														
Total	\$2,750,000														

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ANNEX B

**Scope of Work for Initial Project Coordination**

**Objective:**

- A. The Contractor will work with the AID/ASEAN Liaison Office (ALO/Manila) to plan and prepare for an additional SMBI Project component to increase U.S. private sector participation in services to ASEAN SMBs.
- B. As time allows, the Contractor will also:
  1. Assist in monitoring of implementing institutions' activities in research, technology transfer and training under the AID/ASEAN Small and Medium Business Improvement Project.
  2. Help plan and initiate activities that will lead to greater U.S. private sector participation in the SMBI project.
  3. Review and analyze planning and programming for expected research, technology transfer and training programs. Emphasis will be placed on assuring that implementing institutions are coordinating among themselves and with other organizations involved in similar activities.
  4. Provide a contact mechanism through which the implementing institutions can access U.S. experience and materials relevant to the SMBI Project.
  5. Assist in organizing data gathering analysis necessary to assure an appropriate evaluation and diffusion of lessons learned from implementing institution activities.

Period of Service

The Contractor will begin work by January 15, 1984. Three man-months of effort are expected, including at least one trip to each ASEAN country for field observation, coordination, and analysis.

ACT: AID-6 INFO: DCM CPU/B

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PP RUEHML  
EE RUEHC #1701/01 2180641  
ZNR UUUUU ZZH  
P 060446Z AUG 83  
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LOC: -IN 13 129  
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CN: 01708  
CHRG: AID  
DIST: AID

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EC. 12356 N/A

TAGS:

UBJE T: ASEAN: SMALL AND MEDIUM BUSINESS IMPROVEMENT (SMBI) PROJECT

REFS: A. STATE 097476, B. MANILA 09052, C. MANILA 17991

1. SUMMARY.

A. PER REFCABLE A, PID FOR SUBJECT PROJECT APPROVED BY APAC ON 8 APRIL. SINCE APAC REVIEW, NUMEROUS COORDINATIVE MEETINGS HAVE BEEN UNDERTAKEN AMONG ASIA, PRE AND S AND T BUREAUS, AS WELL AS STATE DEPARTMENT AND PRIVATE ENTITIES SUCH AS ASEAN-US BUSINESS COUNCIL. PURPOSE OF THESE MEETINGS HAS BEEN TO MAXIMIZE THE COMPLEMENTARITY OF SEVERAL CURRENT PROPOSALS FOR ASSISTING ASEAN'S SMALL AND MEDIUM BUSINESS (SMB) SECTOR AND TO THEREBY BE AS RESPONSIVE AS POSSIBLE TO THE ASEAN (COIME) REQUEST FOR SOUND SMB ASSISTANCE. IN THIS CONTEXT, PID STRATEGY OF ASSISTING ASEAN SMB SECTOR ON A ROLLING BASIS IS JUDGED PARTICULARLY APPROPRIATE WITH SUBJECT SMBI PROJECT CONSTITUTING FIRST PROJECT IN A PLANNED PROGRAM OF US-ASEAN COOPERATION IN THIS SECTOR.

B. FOLLOWING IS GUIDANCE FOR PROJECT PAPER PREPARATION, INCLUDING APAC INSTRUCTIONS FOR PROJECT DESIGN AND RECOMMENDED APPROACH FOR COLLABORATIVE PLANNING OF PROJECT WITH IMPLEMENTING ENTITIES. PROPOSED DESIGN TEAM COMPOSITION AND TIMING ALSO SHOWN BELOW. PLEASE NOTE STRONG DESIRE TO HAVE THIS PROJECT AUTHORIZED BEFORE PRESIDENT'S PLANNED TRIP TO EAST ASIA AND ASEAN THIS NOVEMBER. END SUMMARY.

2. APAC GUIDANCE FOR DETAILED DESIGN.

A. PROJECT CONCEPT. APAC ENDORSED (1) PROJECT PURPOSE OF IMPROVING AND INCREASING THE SERVICES AVAILABLE TO ASEAN SMALL AND MEDIUM SCALE BUSINESSES AND (2) PURSUIT OF THIS PURPOSE THROUGH INDIGENOUS INSTITUTIONS THAT ARE ON THE GROUND IN THE ASEAN REGION.

B. PROJECT COORDINATION. AT THE SAME TIME, APAC NOTED SIMILAR OR PARALLEL PROJECT EFFORTS, ONGOING OR PROPOSED, IN OUR BILATERAL PROGRAMS WITH THREE COUNTRIES IN ASEAN.

Vertical stamp: ACTION TAKEN, NO ACTION NECESSARY, Date: 8/17/83, Initials: DM, 12356

DIV	ACT/INT
OD	<input checked="" type="checkbox"/>
R	<input type="checkbox"/>
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RLA	<input type="checkbox"/>
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DMD	<input type="checkbox"/>
OPD	<input type="checkbox"/>
ORAD	<input type="checkbox"/>
OPHN	<input type="checkbox"/>
OFFPVC	<input type="checkbox"/>
RIG/A	<input checked="" type="checkbox"/>
RIG/II	<input checked="" type="checkbox"/>
AR	<input checked="" type="checkbox"/>
DUE DATE	
8-10-83	

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SUBJECT PROJECT IS REGIONAL AND, AS SUCH, MUST BE DESIGNED TO COMPLEMENT AND NOT DUPLICATE BILATERAL OR OTHER EFFORTS TO ASSIST SMB SECTOR. (COMPOSITION OF DESIGN TEAM -- SEE BELOW -- WILL HELP. SO DOES CHOICE OF REGIONAL INSTITUTIONS - TECHNOMET, ISEAS, AIM - THAT ARE NOT BEING USED TO LEAD OR IMPLEMENT BILATERAL EFFORTS.) OF SPECIAL CONCERN HERE WILL BE COORDINATION OF SMBI WITH OTHER REGIONAL PROJECTS OR SOURCES OF FUNDS. WHILE SOME PREVIOUSLY EXPECTED PROJECTS AND FUNDING SOURCES ARE NOT MATERIALIZING - F.G. PRE FUNDING TO AIM IS NOT, THE PLANNED ASIAN DEVELOPMENT BANK SECTOR SURVEY IS SET BACK (SEE REFS B AND C) - SEVERAL NEW PROJECTS ARE COMING ON STREAM. AMONG OTHERS, THESE INCLUDE THE FOLLOWING. (1) REGIONAL NON-FARM ENTERPRISE PROJECT NO. 498-0275, AUTHORIZED AT DOLS 3,500,000. THIS IS A RECENTLY-APPROVED ASIA BUREAU PROJECT THAT WILL PROVIDE LIMITED ASSISTANCE TO INDONESIA AND PHILIPPINES, AMONG OTHER NON-ASEAN COUNTRIES. (2) MARKET AND TECHNOLOGY ACCESS PROJECT NO. 960-4055. THIS IS A RECENTLY AUTHORIZED, WORLD-WIDE S AND T BUREAU PROJECT THAT WILL PROVIDE SOME ASSISTANCE IN THE ASEAN AREA, E.G. PHILIPPINES. (ANOTHER S AND T PROJECT TO DEAL WITH EMPLOYMENT AND RELATED PROBLEMS IS IN THE FINAL REVIEW STAGE AND MAY ALSO BE HELPFUL). (3) SIMILARLY, PRE IS CURRENTLY CONSIDERING A PROPOSAL FROM THE FUND FOR MULTINATIONAL MANAGEMENT EDUCATION (FMME) THAT WOULD BUILD ON FMME'S INITIAL OPIC-SUPPORTED TRAINING EFFORT IN EAST ASIA. (4) THERE IS ALSO CONSIDERABLE INTEREST AMONG THE US-ASEAN BUSINESS COUNCIL, THE DEPARTMENT, AID/W AND OTHER ENTITIES IN PURSUING A BROAD, LONG-TERM MANAGEMENT AND TECHNOLOGY BETTERMENT EFFORT, INCLUDING THE POSSIBLE ESTABLISHMENT OF A FOUNDATION FOR BUSINESS MANAGEMENT TRAINING AND TECHNOLOGY TRANSFER BETWEEN THE US AND ASEAN.

THE PROJECT PAPER SHOULD CLARIFY AND DESCRIBE THE RELATIONSHIPS AND MUTUALLY REINFORCING NATURE OF THE SUBJECT PROJECT WITH THESE PROJECTS AND PROPOSALS. THE IDEA IS TO MAXIMIZE (1) THEIR COMPLEMENTARITY, (2) THEIR IMPACT ON ASEAN SMI DEVELOPMENT, E.G. THROUGH EXPANDED COMMERCIAL LINKAGES, AND (3) THEIR RESPONSIVENESS TO ASEAN'S REQUEST FOR ASSISTANCE. AGAIN, THE SUBJECT PROJECT IS ENVISAGED AS THE FIRST IN A SERIES OF PROJECTS, ONE AMONG SEVERAL THAT, TAKEN TOGETHER, WILL COMPRISE A SUBSTANTIAL OVERALL PROGRAM.

C. PROJECT BENEFICIARIES. PROJECT PAPER SHOULD DESCRIBE PROJECT BENEFICIARIES. APAC RECOGNIZED THAT DEFINITIONS OF SMALL AND MEDIUM BUSINESSES VARY FROM ONE ASEAN COUNTRY TO ANOTHER AND RESULTING NEED FOR FLEXIBILITY IN

DESIGN OF A PROJECT TO ASSIST THEM. AT THE LEAST, PROJECT SHOULD ASSURE BENEFITS FLOW ONLY TO BUSINESSES AND FIRMS WITHIN THE PARTICULAR COUNTRY'S DEFINITION OF SMALL/MEDIUM. EVERY EFFORT SHOULD BE MADE TO MOVE ASSISTANCE DOWN TO SMALLER, EVEN MICRO-SIZE, ENTERPRISES WITHIN PARTICIPATING COUNTRIES. MOREOVER, DESIGN SHOULD ASSURE THAT WOMEN RECEIVE AT LEAST EQUAL ACCESS TO PROJECT RESOURCES AND BENEFITS.

D. PROJECT SUSTAINABILITY. DESIGN TEAM SHOULD SEEK TO MAXIMIZE THE COST-RECOVERY AND USER-FEE ELEMENTS OF PROJECT WHILE OBSERVING THE PROJECT OBJECTIVE OF REACHING SMALLER PRODUCERS. APAC RECOGNIZED DIFFICULTY OF SUCH APPROACHES, ESPECIALLY WITH SMALLER FIRMS AND ESPECIALLY AT BEGINNING OF THE PROJECT. AS STATED IN PID, HOWEVER, PROJECT IS EXPECTED TO HELP IMPLEMENTING INSTITUTIONS BECOME INCREASINGLY RESPONSIVE TO SPECIFIC SMB NEEDS FOR TRAINING AND TECHNOLOGY. THIS, IN TURN, WILL HELP MAKE THE ASSISTANCE APPROACHES DEMAND-DRIVEN - I.E. SHIFT THEM AWAY FROM MORE "CANNED," STANDARDIZED APPROACHES TO SMB SECTOR AND INCREASE THE CAPACITY FOR COST RECOVERY. PP SHOULD EXPRESS REALISTIC OBJECTIVES FOR SHIFT TOWARD USER CONTRIBUTIONS OVER PROJECT LIFE. MORE GENERALLY, PP SHOULD EXPRESS LESSONS LEARNED BY IMPLEMENTING AGENCIES AND HOW THEY WILL IMPROVE UPON THEIR PAST PERFORMANCE WITH SMB SECTOR.

E. PROJECT BUDGET AND COMPONENTS. APAC REVIEW OF PROJECT COMPONENTS PRODUCED FOLLOWING DECISIONS/INSTRUCTIONS.

1) STUDIES/RESEARCH FUND. APAC CONCURRED WITH PID RECOMMENDATION THAT INSTITUTE OF SOUTHEAST ASIAN STUDIES (ISEAS) COORDINATE PROJECT STUDIES AND RESEARCH WHICH ARE EXPECTED TO PROVIDE OPPORTUNITIES FOR POLICY DISCUSSION. PLANNED FUNDING ALLOCATION IS APPROXIMATELY DOLS 500,000.

TO PREPSSCER ARRIVAL OF DESIGN TEAM, AND IN COLLABORATION WITH COIME, ALSO SHOULD REQUEST ISEAS TO PREPARE PLANNING DOCUMENT FOR COORDINATING USE OF THESE FUNDS OVER A THREE-YEAR PERIOD. PLANNING DOCUMENT SHOULD SHOW, INTER ALIA:

A) CRITERIA FOR USE OF FUND. THESE SHOULD RELATE CLEARLY TO PROJECT PURPOSE, TO REGIONAL NATURE OF THE PROJECT AND TO NEED FOR DEVELOPING FURTHER PROJECTS FOR SMB ASSISTANCE. CRITERIA SHOULD ALSO ENCOURAGE CONTRIBUTIONS TO COSTS OF STUDIES/RESEARCH BY ENTITIES TO BENEFIT FROM THEM.

B) PROCEDURES FOR COORDINATING SELECTION/IMPLEMENTATION OF STUDIES ON A REGIONAL BASIS. ISEAS SHOULD INDICATE HOW IT WILL WORK WITH OTHER KEY REGIONAL ENTITIES - INCLUDING TECHNINET ASIA, ASIAN INSTITUTE OF MANAGEMENT (AIM), ASEAN-U.S. BUSINESS COUNCIL, ASEAN FINANCE CORPORATION, AMONG OTHERS, ESPECIALLY PRIVATE.

C) PRELIMINARY STUDIES/RESEARCH LIST. BASED ON A) AND F) ABOVE, ISEAS SHOULD WORK UP A TENTATIVE AND ILLUSTRATIVE LIST OF STUDIES AND RESEARCH TO BE PROJECT FUNDED. ATTACHMENT B TO THE PID MAY BE A USEFUL STARTING POINT. IN THIS CONTEXT, THE ISEAS' RESEARCH PROPOSAL (ASEAN-US ECONOMIC RELATIONS) WAS DISCUSSED BY THE APAC AT SOME LENGTH. WHILE RECOGNIZING ITS GENERAL MERITS, THIS PROPOSAL WOULD NEED TO BE SCALED DOWN AND MORE SPECIFICALLY FOCUSED (E.G. RELATED MORE CLEARLY TO THE SMB SECTOR) TO BE ELIGIBLE FOR PROJECT FUNDING. (ALO MAY WISH TO SUGGEST THAT ISEAS REWORK THE PROPOSAL FOR DISCUSSION WITH PP TEAM.) FINALLY, AND AS NOTED ABOVE, ASEAN-US BUSINESS COUNCIL IS INTERESTED IN EXPLORING THE NEED FOR AN ASEAN-US INSTITUTE FOUNDATION FOR BUSINESS TRAINING AND TECHNOLOGY TRANSFER. A SURVEY OR FEASIBILITY STUDY FOR SUCH A FOUNDATION COULD BE AN APPROPRIATE USE OF PROJECT FUNDS.

2) TRAINING/TECHNOLOGY TRANSFER FUND. APAC ALSO ENDORSED SELECTION OF TECHNOMET ASIA AND AIM AS REGIONAL INSTITUTIONS CAPABLE OF IMPROVING AND EXPANDING THEIR COVERAGE OF THE ASEAN SMB SECTOR WITH SHORT-TERM TRAINING AND TECHNOLOGY TRANSFER SERVICES. PLANNED FUNDING ALLOCATION IS APPROXIMATELY DOLS TWO MILLION, WITH SUGGESTED SUBALLOCATIONS OF DOLS 1.2 MILLION TO TECHNOMET AND DOLS 800,000 TO AIM. AS NOTED ABOVE, PRE FUNDING OF A RELATED FIVE-YEAR AIM PROPOSAL FOR INSTITUTIONAL AND CURRICULA DEVELOPMENT WILL NOT BE AVAILABLE, ALTHOUGH SUCH FUNDING WAS EXPECTED PER REF B. THUS, SOME FUNDING FROM THIS PROJECT IS AVAILABLE TO ASSIST AIM DEVELOP IMPROVED CURRICULA AND CAPACITY FOR SHORT-TERM TRAINING AIMED AT SMBS.) TO PREPARE FOR ARRIVAL OF DESIGN TEAM, AND IN COLLABORATION WITH COIME, ALO SHOULD REQUEST FOLLOWING PLANNING WORK OF TECHNOMET AND AIM.

A) TECHNOMET. THIS IMPLEMENTING AGENCY SHOULD BE REQUESTED TO PREPARE SUMMARIES OF ITS CURRENT NETWORK ARRANGEMENT, FINANCIAL STATUS AND INTERNAL PLANS FOR

IMPROVEMENT AND/OR EXPANSION OF OPERATIONS WITH SMB SECTOR. NETWORK SUMMARY SHOULD DESCRIBE OUTREACH ARRANGEMENTS AND LIST AFFILIATES IN EACH ASEAN COUNTRY. IT SHOULD ALSO DESCRIBE BACKREACH LINKAGES WITH SOURCES OF MANAGERIAL AND TECHNICAL EXPERTISE, LISTING THESE SOURCES AND OPERATIONAL ARRANGEMENTS, E.G. CONTRACTING, SERVICE FINANCING, ETC. TECHNOMET SHOULD ALSO PREPARE CURRENT FINANCIAL STATUS SUMMARIES, INCLUDING BALANCE SHEET, SOURCES AND USES OF FUNDS, INCOME AND EXPENSE STATEMENTS. SPECIAL NOTE SHOULD BE MADE OF SOURCES/USES OF OTHER DONOR FUNDING, E.G. CANADIAN FOR CORE BUDGET SUPPORT, JAPANESE, ETC. ON THESE BASES, TECHNOMET SHOULD PREPARE A THREE-YEAR PLAN FOR UPGRADING ITS NETWORK AND SERVICE DELIVERY OPERATIONS, E.G. IMPROVING OUTREACH TO THE SECTOR IN EACH ASEAN COUNTRY (PERHAPS IN PART BY LINKING WITH LOCAL CHAMBERS OF COMMERCE AND INDUSTRY, CCIS, AS WELL AS AFFILIATES OF COIME), STRENGTHENING RESPONSE CAPABILITIES (PERHAPS IN PART BY ADDING SOURCES OF EXPERTISE), ETC. AN ILLUSTRATIVE THREE-YEAR PLAN FOR SHORT-TERM TRAINING AND TECHNOLOGY/KNOW-HOW TRANSFER, SHOULD ALSO BE PREPARED, INCLUDING EXPECTED WAYS AND MEANS OF GRADUALLY SHIFTING SERVICE COSTS TO BENEFICIARIES.

B) A.I.M. THIS IMPLEMENTING AGENCY SHOULD BE REQUESTED TO PREPARE A THREE-YEAR PLAN FOR SHORT-TERM TRAINING IN THE REGION, PERHAPS STARTING WITH ITS CURRENT SHORT-TERM COURSES IN MANAGEMENT AND GRADUALLY SHIFTING INTO MORE TECHNOLOGY-BASED COURSES AS CURRICULA ARE DEVELOPED IN RESPONSE TO SMB DEMAND AND NEED. AIM PLANNING CAN BE ACCOMPLISHED IN PART BY SCALING BACK ITS MARCH 1983 PROPOSAL TO PRE BY (1) FOCUSING MORE INTENSIVELY ON SMALL AND MEDIUM BUSINESS NEEDS AND (2) PLANNING FOR THREE RATHER THAN FIVE YEARS OF ASSISTANCE. AIM, SIMILAR TO TECHNOMET, SHOULD EXPRESS ITS STRATEGY PLAN RE COST RECOVERY.

3) ALL THREE IMPLEMENTING AGENCIES SHOULD BE REQUESTED TO SEND ILLUSTRATIVE PLANS TO ALO BY 5 SEPTEMBER 1983, WEEK OF DESIGN TEAM ARRIVAL. MOREOVER, IN THE FINANCIAL PLANNING, EACH AGENCY SHOULD ESTIMATE ITS CONTRIBUTIONS (MONETARY AND IN KIND) AS WELL AS CONTRIBUTIONS OF BENEFICIARIES. THIS TYPE OF COLLABORATIVE PLANNING SHOULD GREATLY FACILITATE PROJECT PAPER PREPARATION AS WELL AS PROJECT IMPLEMENTATION.

4. COORDINATOR/EVALUATION. AS NOTED IN PID, DOLS 150 THOUSAND ARE BUDGETED FOR AN ASEAN PSC TO COORDINATE PROJECT. IN ADDITION, APAC FELT DOLS 100,000 SHOULD BE ADDED TO PROJECT BUDGET FOR TWO EVALUATIONS, ONE AT MIDPOINT OF PROJECT, ONE AT END. TOTAL AID CONTRIBUTION TO THIS INITIAL PROJECT THUS ESTIMATED AT DOLS 2.75 MILLION.

APAC DESIRED STRONG MONITORING AND EVALUATION ELEMENT IN PROJECT. PP SHOULD DESCRIBE HOW EVALUATIVE INFORMATION WILL BE COLLECTED, ASSESSED AND USED OVER PROJECT LIFE TO

BOTH MEASURE PROGRESS TOWARDS OBJECTIVES AND PROVIDE FOR ADJUSTMENTS DURING IMPLEMENTATION. (TEAM SHOULD CONSIDER IF A SMALL PORTION OF STUDY/RESEARCH FUNDING SHOULD BE USED FOR THESE PURPOSES.) ASIA/DP WILL PROVIDE FURTHER INFORMATION TO DESIGN TEAM LEADER.

F. PROJECT ADMINISTRATION. APAC CONSIDERED THAT THE INSTITUTIONAL CAPACITIES OF IMPLEMENTING AGENCIES SHOULD BE USED TO THE MAXIMUM EXTENT FOR PROJECT EXECUTION, E.G. IN PROCUREMENT, CONTRACTING, ETC., AND PP SHOULD CONTAIN SUFFICIENT ANALYSES TO ESTABLISH THESE CAPACITIES AND EXTENT TO WHICH THEY WILL BE RELIED UPON FOR IMPLEMENTATION. IN THIS CONTEXT, TEAM SHOULD FULLY EXPLORE FEASIBILITY OF USING THE SPECIFIC SUPPORT GRANT FORMAT AS WAY OF HARNESSING THESE AGENCIES' CAPACITIES AND MINIMIZING DEMANDS ON LIMITED AID STAFF. (ONE POSSIBLE ARRANGEMENT WOULD BE AN UMBRELLA SUPPORT GRANT TO TECHNINET, PROVIDING FOR SUBGRANTS TO ISEAS AND AIM AND MAINTAINING AUDIT AND REFUND RIGHTS VIS-A-VIS ALL THREE AGENCIES. THIS WOULD HAVE ADDED ADVANTAGE OF ALLOWING FLEXIBLE MOVEMENT OF FUNDS BETWEEN COMPONENTS AND INSTITUTIONS AS NEEDS FOR ADJUSTMENTS DURING IMPLEMENTATION OCCUR.) APAC NOTED THAT ISEAS IS CURRENTLY IMPLEMENTING AN AID-SPECIFIC SUPPORT GRANT.

3. PROJECT DESIGN TEAM. WE PROPOSE FOLLOWING INDIVIDUALS FOR DESIGN TEAM. JAY NUSSBAUM, ASIA/PD PROJECT DEVELOPMENT OFFICER AND TEAM LEADER, ETA MANILA SEPTEMBER 8. HARVEY WALLENDER TO ASSIST ALL ASPECTS OF PROJECT DEVELOPMENT (SEPTEL FOLLOWS WITH SCOPE OF WORK FOR USAID CONTRACTING; NOTE THAT WALLENDER WORKED ON USAID SMED PROJECT-DEVELOPMENT); ROBERT DRISCOLL TO WORK WITH TECHNINET IN SINGAPORE (DRISCOLL IS EXECUTIVE WITH FUND FOR MULTI-NATIONAL MANAGEMENT EDUCATION); AND POSSIBLY CLIFF BARTON OF S AND T BUREAU IF AID WORKLOAD ALLOWS.

4. ACTION REQUESTED: PLEASE ADVISE CONCURRENCE WITH ABOVE PROJECT DESIGN PLAN AND DESIGN TEAM, ALONG WITH

FUND CITATION FOR NUSSBAUM TRAVEL (AID/W-MANILA-SINGAPORE-MANILA-AID/W) AND PER DIEM (36 DAYS). SHULTZ