

PD ABG-994



PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT

(492-0452)

PROJECT PAPER
(SUPPLEMENT)

USAID/Philippines
SEPTEMBER 1993

| | | | | | |
|--|--|--|--|-----------------------|--|
| AGENCY FOR INTERNATIONAL DEVELOPMENT | | 1. TRANSACTION CODE | | DOCUMENT CODE | |
| PROJECT DATA SHEET | | <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete | | Amendment Number 2 | |
| 2. COUNTRY/ENTITY Philippines | | 3. PROJECT NUMBER 492-0452 | | 3 | |
| 4. BUREAU/OFFICE Asia | | 5. PROJECT TITLE (maximum 40 characters) Philippine Assistance Program Support | | | |
| 6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 98 | | 7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4) A. Initial FY 90 B. Quarter 2 C. Final FY 93 | | | |

| 8. COSTS (\$000 OR EQUIVALENT \$1 =) | | | | | | |
|---------------------------------------|--------------|--------------|---------------|-----------------|---------------|---------------|
| A. FUNDING SOURCE | FIRST FY 90 | | | LIFE OF PROJECT | | |
| | B. FX | C. L/C | D. Total | E. FX | F. L/C | G. Total |
| AID Appropriated Total | 4,840 | 6,160 | 11,000 | 33,188 | 23,062 | 56,250 |
| (Grant) | (4,840) | (6,160) | (11,000) | (33,188) | (23,062) | (56,250) |
| (Loan) | () | () | () | () | () | () |
| Other U.S. | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| Host Country | | 300 | 300 | 3,000 | 10,250 | 13,250 |
| XXXXXXXXXX Private Sector | | | | 501 | 5,000 | 5,501 |
| TOTALS | 4,840 | 6,460 | 11,300 | 36,689 | 38,312 | 75,001 |

| 9. SCHEDULE OF AID FUNDING (\$000) | | | | | | | | | |
|------------------------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE | | D. OBLIGATIONS TO DATE | | E. AMOUNT APPROVED THIS ACTION | | F. LIFE OF PROJECT | |
| | | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan |
| (1) SI/MAI | 291 | | | 35,000 | | 17,500 | | 52,500 | |
| (2) DA | | | | | | 3,750 | | 3,750 | |
| (3) | | | | | | | | | |
| (4) | | | | | | | | | |
| TOTALS | | | | | | 21,250 | | 56,250 | |

| | | | | | | | | | |
|---|--|--|--|--|--|----------------------------|--|--|--|
| 10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) | | | | | | 11. SECONDARY PURPOSE CODE | | | |
| 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) | | | | | | | | | |
| A. Code | | | | | | | | | |
| B. Amount | | | | | | | | | |

13. PROJECT PURPOSE (maximum 480 characters)

To assist the Philippines develop and implement high-priority development projects under the Philippine Assistance Program.

| | | | | | | | |
|---------------------------|---------|---------|-------|---|---|--|--|
| 14. SCHEDULED EVALUATIONS | | | | 15. SOURCE/ORIGIN OF GOODS AND SERVICES | | | |
| Interim | MM YY | MM YY | Final | MM YY | <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) | | |
| | 0 2 9 1 | 0 1 9 6 | | 0 4 9 8 | | | |

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

NOTE: The provisions of the payment verification policy regarding methods of implementation and financing, financial capability of recipients, and adequacy of audit coverage have been adequately addressed in these documents.

| | | |
|-----------------|---|------------------------------------|
| 17. APPROVED BY | Signature | J.C. Stanford, Controller |
| | Title Acting Director USAID/Philippines | Date Signed MM DD YY 9 31 98 |

PROJECT AUTHORIZATION
AMENDMENT NO. 3

Philippines

Philippines Assistance Program Support
A.I.D. Project No. 492-0452

1. Pursuant to the Section entitled "Multilateral Assistance Initiative for the Philippines" in Title II of P.L. 101-167, the Philippine Assistance Program Support Project was authorized on January 29, 1990. That authorization was amended on September 11, 1992, and subsequently amended on September 22, 1993, and is hereby further amended as follows:

Pursuant to the Section entitled "Philippines Assistance, Multilateral Assistance Initiative" of P.L. 102-391, and in accordance with the delegation of authority to me in 93 State 265095, the level of planned obligations is increased from \$43,375,000 to \$56,250,000 over a seven-year period from date of initial authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process.

2. Except as amended herein, the authorization, as amended, remains in full force and effect.

Clearances:

PRM:RMcLaughlin
PDIS:DMasters
OFM:JStanford
OLA:LChiles



By:


Richard A. Johnson
Acting Director, USAID/Manila

Date: SEP 30 1993

**PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT
PROJECT PAPER AMENDMENT
492-0452**

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ACRONYMS AND ABBREVIATIONS

| | |
|-------|--|
| ADB | Asian Development Bank |
| BOT | Build-Own-Transfer |
| CCPAP | Coordinating Council for Philippine Assistance Program |
| DBM | Department of Budgeting and Management |
| DOTC | |
| DRM | Directorate of Resource Management |
| FSN | Foreign Service National |
| GEF | Global Environment Facility |
| GOP | Government of the Philippines |
| IBRD | Int'l Bank for Reconstruction & Dev |
| MAI | Multilateral Assistance Initiative |
| NGO | Non-Governmental Organization |
| NTC | National Telecommunications Commission |
| OFM | Office of Financial Management |
| OPE | Office of the Program Economist |
| PACD | Project Assistance Completion Date |
| PLDT | Philippine Long Distance Telephone |
| PNOC | Philippine National Oil Company |
| PP | Project Paper |
| PVO | Private Voluntary Organization |
| TA | Technical Assistance |
| USAID | U.S. Agency for International Development |

PROJECT PAPER SUPPLEMENT

**PHILIPPINE ASSISTANCE PROGRAM SUPPORT PROJECT
No. 492-0452**

**USAID/Philippines
September 1993**

I. SUMMARY AND RECOMMENDATIONS

Grantee : The Republic of the Philippines

Implementing Entity : Coordinating Council of the
Philippines Assistance Program
(CCPAP)

Amendment Amount : \$34 million (\$74 million LOP)

Funding Source : Special Assistance Initiative
(SAI)
Economic Support Funds (ESF)
Development Assistance (DA)

Project Purpose : Assist the Philippines to develop
and implement high priority
development projects under the
Philippine Assistance Program."

Description : The amendment will provide for
continued institutional support
to CCPAP to develop its capacity
to act as the GOP's lead agency
in arranging for BOT-type
projects. Support will be
provided for area development
plans, pre-feasibility and
feasibility analysis of projects.
The project will also support GOP
policy formulation and
modification efforts at both the
macro and priority sectoral
levels. Assistance will also be
provided to assist the GOP in
implementing policy decisions. A
private sector initiatives
component will build on the
successes of the pre-investment
facility. The focus will be on
encouraging greater private
sector investment in secondary
urban centers.

Estimated Completion : September 30, 1998

Recommendation : That the \$34 million project
amendment be authorized (based on
the terms and conditions listed
in Project Authorization
Amendment 2).

Project Team

PESO:Manny Villanueva
OFM:Sonia Cruz
OCP:Bei Zonanga
OCP:Alex Sundermann
OCP:Kenneth LuePhang
OFM:James C. Stanford

PESO:Brad Wallach
DRM:Sarah Diama
OLA:Lisa Chiles
OPE:Gil DyLiaccio
OPE:John Chang
DRM:Earl W. Gast

II. BACKGROUND AND DESCRIPTION

A. Background

The goal of the project, signed with the GOP on January 29, 1990, was to increase the GOP's capacity to productively absorb Official Development Assistance (ODA). The project purpose remains unchange namely to assist the Philippines to develop and implement high priority development projects under the Philippine Assistance Program.

In late 1989, USAID designed the Philippine Assistance Program Support (PAPS) Project as a flexible means of promoting rapid investment in the Philippine economy in accordance with the overall objectives of the Multilateral Assistance Initiative (MAI). The project provides direct assistance to the private sector, and targeted assistance to the Government of the Philippines (GOP). One area of particular importance was to first identify internal impediments that restricted the utilization of available resources and flow of donor funds. Second, with proper technical assistance and training, the Government demonstrated to investors, both private and the multilateral development banks, that absorptive capacity concerns were being remedied.

This amendment to the project does not alter the intent of the project, but seeks to respond to the primary concerns of the Ramos Administration within the framework of the Mission's approved Philippine Assistance Strategy 1993-1998. With decreasing funding levels projected for U.S. government assistance to the Philippines, securing alternative funding sources for major infrastructure gains increasing importance. Improved coordination with the multilateral banks will further enhance the objectives of the PAPS Project.

The PAPS project initially had three major components: (1) Studies Fund; (2) Institutional Support to the Coordinating Council of the Philippine Assistance Program (CCPAP); and (3) a Pre-Investment Facility, implemented through a cooperative agreement with a local Non-Governmental Organization. This amendment to the project will increase Life-of-Project (LOP) Funding from \$40 million to \$74 million and extend the Project Assistance Completion Date (PACD) from January 31, 1995 to September 30, 1998.

B. Rationale

The Mission's change in strategy from playing the role of a financier of infrastructure to one of a facilitator necessitates amending the PAPS Project. Along the same lines effective coordination among donors increases in importance as resources, A.I.D.'s and global, become scarcer. The U.S., which originally

conceptualized the MAI program, currently shares the lead with the Japanese and the World Bank in advancing the development agenda of the Philippines. The U.S. in the past filled this role through its intellectual leadership and, as important, its financial contributions for the MAI. Although, the MAI program has not accomplished all of the objectives set at the beginning of the planned five-year program; real progress has been made and the MAI donor community has agreed that the MAI should continue beyond 1995.

It is of utmost importance that we preserve the gains achieved to date under the MAI. For the U.S. to drop-out or to lessen its involvement puts the MAI in a precarious position. PAPS has been one of the more successful projects overall in the Mission's portfolio, especially in supporting the objectives of the MAI. Through PAPS, private infrastructure, most noticeable in the power sector, is now possible. Donors feel reassured by the careful monitoring of donor-assisted projects. The amended PAPS will follow on these two brief examples. Priority weaknesses constraining economic development will be studied through PAPS with recommendations for improvement vetted through donor channels. This will maintain AID's presence in policy dialogue and effecting policy change.

A stable democratic government is in place, the beginnings of a liberalized policy environment have taken root, and investment, foreign and domestic, is on the rise; certainly no small feats. A trend analysis shows that donor funding during the period of the MAI has increased by a significant percentage. It is in the interests of the U.S. as we define a new mutual partnership with the GOP to stay in the forefront of the donor community during the remainder of the MAI. This is exactly what the PAPS amendment aims to accomplish.

C. Project Components

As our MAI-funded projects and policy-oriented programs move toward completion, our future ability to influence the donor community may lessen. The PAPS project amendment will refocus somewhat to ensure that AID maintains its intellectual leadership role of the MAI and holds a prominent seat at the donor consultative group meetings. The Project will support the primary objectives of the MAI program (e.g., sustained growth and stable democracy, resource leveraging, etc.) to the extent of the approved Philippine Assistance Strategy and available resources allow. Institutional Support will continue as a separate component, with the objective of making CCPAP self-sustaining, in terms of technical know-how, by 1996. Under a new component added to the project, PAPS will also continue to fund feasibility studies, but the emphasis will be on apparently viable Build-Operate-Transfer (BOT) projects -- and other related financing schemes -- and on Master Area Plans or Economic Development

Zones. PIF will remain, but will be absorbed into a more broadly focused, Private Sector Incentives Component.

The objective of the Institutional Support component is to prepare CCPAP to carry out its congressional mandate. Since its move as an office answerable directly to the President, proper attention is being given to the concerns of the MAI donors. An AID-funded project and loan monitoring system (PROMS) links CCPAP and important data on donor projects to the highest levels of government. With limited additional funds, USAID's objective is to have CCPAP develop into a self-sustaining organization by FY 1996. PROMS will be upgraded, a precondition by the World Bank for additional loans. Technical assistance and training will continue in BOT planning and operations. CCPAP also requires an in-house capability to market potential projects and master plans to other donors and the private sector for funding.

AID funds will also finance certain technical assistance costs associated with the operation of the Private Sector Infrastructure Development Fund (PSIDF). PSIDF, a unique capital projects lending facility designed through the PAPS Project, expects to attract more than \$250 million from the Asian Development Bank (ADB), the World Bank, and the Japan Export-Import Bank.

Aside from Institutional Support to CCPAP, other components will address urgent needs of the GOP and the MAI as they arise. PAPS will allow for quick response programming of assistance by modifying the structure of the Project as follows:

C.1. Policy Formulation/Studies: Building on past macro and sectoral policy reform efforts started under programs such as Private Enterprise Policy Support Program, Support for Development II Program, Agribusiness Support Assistance Program, among others, this component will fund technical assistance and studies that examine potential pitfalls in policy areas. The key to the component is to assist institutions in identifying issues, analyzing them, and assessing opportunities for improvement. Assistance will concentrate on those areas where there is greatest potential to leverage investment once key policies and procedures are corrected. This may include areas requiring legislative action or specific adjustments in administrative procedures.

USAID will also provide additional support to the GOP to carry out master plans for area development. In 1989, the GOP announced its priority development areas, termed economic development zones. AID-funded master plans will design integrated development plans for specific areas or zones of the country. The component will also fund pre-feasibility and feasibility studies of projects likely financed by other donors or the private sector.

C.2. Policy Implementation Support: Assistance will be required to put into action key policy-related recommendations. This component will necessarily be more action-oriented and the means used to accomplish this task will largely be technical assistance, policy dialogue with the donor community, and private sector, and policy advocacy. To reach the objective of fully implemented policy reform, this component may also fund study tours, limited commodities, seminars, training, and other appropriate types of assistance. Technical assistance and training may be provided either through contractual arrangements or cooperative agreements with private voluntary organizations (PVOs) or non-governmental organizations (NGOs).

C.3. Private Sector Incentives: This component expands on the MAI theme of how to attract private sector investment. PAPS initially provided a pre-investment facility (PIF) sharing the costs of investment studies with possible investors. With PIF as a success in mobilizing investments, PAPS will broaden its involvement in engaging the private sector in development. This component aims to do so by providing appropriate incentives. For example, specific policy concerns of the private sector may be examined, firm or industry-specific technical assistance and training may be arranged on a cost-sharing basis. The component may explore credit access problems and continue feasibility studies along the lines of the PIF model.

D. Activities

All proposed activities¹ must pass a series of screens or meet specific criteria before they are approved for funding. The criteria are:

- An activity must have as its objective one that is consistent with the Philippines Assistance Strategy and the MAI framework.
- Activities must be technically, economically, and financially viable.
- Activities should show linkages between their expected outputs and improved resource mobilization.
- All proposed activities must be approved by the Mission Review Committee, comprised of the Mission's Senior Management.

¹An activity is defined here as a set of discreet interventions linked to a common purpose or objective. Predefinitional or viability analyses are not expected to meet all criteria.

To support the immediate needs of the GOP, the following activities are planned for implementation. Additional activities may be added in the future within the framework of the revised project components as described above.

D.1. Energy: Over the past three years, USAID energy sector assistance to the GOP has consisted largely of targeted technical assistance. Our past efforts have focused on privatization and market liberalization, specifically on private investment in the power sector and on decontrol of petroleum prices. Other USAID energy TA activities have been performed under a series of individual requests from the GOP. However, there has been no effort in developing a coherent USAID strategy for assistance to this vital sector.

With USAID encouragement, the newly created Department of Energy (DOE) has outlined its immediate short-term and long term needs for the energy sector. This exercise culminated in the formulation of the country's Energy Sector Action Plan (ESAP). In the plan the DOE identifies a large menu of sectoral issues and needed TA.

USAID has identified specific areas where support can be provided in accordance with the Mission strategy, focus, and available resources. USAID and DOE will coordinate with other donors to ensure all technical assistance requirements are met as far as practicable.

a. Implementation of the Energy Sector Assistance Plan - This activity will provide technical assistance for the implementation of the Philippine Energy Sector Assistance Plan (ESAP). The ESAP is included as Annex D to this amendment. USAID support falls into the following general focus areas:

(1) Privatization and Market Liberalization - This generally includes development and implementation of technical assistance for policies and plans for continued private sector participation in the electric power sector, privatization of Philippine National Oil Company (PNOC) assets, and efforts to decontrol pricing and imports of petroleum products.

(2) Institutional Development - This covers work to help establish and strengthen the DOE organization and related agencies like the Energy Regulatory Board (ERB) and the National Power Corporation (NPC), development of improved energy policies and regulatory measures, and improved environmental planning for energy facilities, and short-term training.

(3) Efficiency, Environment, and Renewables - This

includes technical support for development of demand-side management strategies for the power sector and increased development of renewable energy resources. USAID, using earmarked funds available through the Agency's Global Environment Financing, will support the GOP's efforts to establish and sustain a renewable energy financing facility. (See D.1.b., below).

(4) Economic Cooperation/Trade Promotion - Following the new Mission strategy of establishing a Philippine - U.S. economic partnership, this element includes coordinated USAID, AID/ASEAN, U.S. Asian Environment Program (USAEP) and AID/W activities with private sector interests for promotion greater U.S. private sector involvement and investment, including technology transfer, in the Philippine energy sector.

b. Renewable Energy - With funds programed through the Global Environment Facility (GEF), USAID plans to support the GOP in establishing its planned Renewable Energy Power Program (REPP). The Ramos Administration shortly after coming to power in July 1992 established the goal of achieving a 50 mega-watt (MW) target in renewable energy by 1996. A decree calling for the establishment of a renewable energy fund was put into effect and initial capitalization of approximately \$20 million was provided. Opportunities exist for economically viable, small private power generation facilities using sources such as wind, geothermal, hydro, and perhaps solar. There are obstacles to private sector entry in this field, which USAID will address. These include: (1) market unfamiliarity with renewable energy; (2) high development costs; (3) lack of high risk equity and loan capital; and (4) a shortage of technical experts for project review and implementation.

Despite shortcomings, there are indications that the renewable energy market is growing. Two small geothermal projects are under construction with donor financial support. The World Bank has supported feasibility studies for small hydro plants. And in the area of bio-mass using agricultural wastes, a number of potential projects are being studied.

With the objective of helping the private sector and the GOP attain and sustain a commercially viable renewable energy program, this activity will provide the following:

(1) Technical Assistance will help establish operations for the REPP, including development of review criteria and lending terms, training, project appraisal assistance, among other areas.

(2) A Feasibility Fund will finance pre-investment costs of those projects that appear to be sound and for which there is great interest on the part of the private sector.

(3) A Parallel Financing Facility (PFF) will operate independently of the GOP's loan fund. The PFF, operated by a U.S. PVO or NGO, will provide limited high risk loan and equity funds to leverage loans from private sources.

It should be noted that GEF funds are subject to open international competition.

Major outputs resulting from this activity include: a functional renewable energy fund; increased privatization in the energy sector; improved energy planning and regulatory systems; improved regulatory and policy framework for increased private sector participation in energy development and management; and technical studies in support of priority power development projects.

D.2. Policy Implementation Support: The objective of this component is to promote enhanced and more efficient implementation of policy reforms by improving operations of key government institutions. The policy implementation support includes, primarily but not limited to, the Bureau of Internal Revenue (BIR) to improve tax administration, the Department of Budget and Management (DBM) to improve the efficiency of public investment, and the new Central Monetary Authority (CMA) and Bangko Sentral ng Pilipinas (BSP) to undertake monetary and financial policy, independent of the national government.

a. **Tax Administration Assistance** - To meet the country's overwhelming need for infrastructure investment, the revenue generating capacity of the GOP must be increased. It is well known that the tax burden in the Philippines is relatively low compared to its ASEAN neighbors. The BIR must be recast to become a more efficient and effective tax administration by broadening the tax base while ensuring tax payers comply with tax laws.

Through a PASA arrangement with the U.S. Internal Revenue Service (IRS), the Mission currently provides a two year technical assistance program to BIR. The IRS TA activity is expected to continue three more years upon the completion of the two year IRS TA program and an evaluation of effectiveness of the program. The principal long-term goal of the BIR is to increase voluntary compliance and, correspondingly, increase revenues.

b. **Financial Management/Capital Budgeting** - In general in the Philippines, forecasts of public revenues tend to be overly optimistic. Consequently, the government tends to overprogram

the number of projects. But as a fiscal year progresses, overestimates of revenue become apparent and some spending activities have to be curtailed. Often a disproportionately large cutback falls on postponable spending such as capital projects.

If the revenues were forecast better several benefits would result. First, spending cuts, when needed, would become less necessary and less arbitrary. DBM's spending ceilings frequently require across-the-board cuts on all projects. When some projects receive preference over others there are no clear guidelines for determining priorities. Correct revenue forecasts would eliminate some arbitrariness. Second, efficiency would improve. Most projects have a "natural" spending pattern that does not necessarily correspond to imposed spending limits. Inefficiencies occur when programmed spending patterns are broken. Third, better projects would be chosen at the outset. Chronic over-forecasting resource availability at the beginning of the fiscal year almost guarantees that too many projects are started and too few are completed efficiently. Realistic revenue forecasts translate into fewer projects and more stringent selection criteria.

Technical assistance will support DBM in improving its resource allocation process and identifying and breaking bottlenecks in the system that impede project progress.

c. Monetary Policy/Central Monetary Authority - The Philippine Congress has legislated a new Law, creating the Central Monetary Authority (CMA) and the Bangko Sentral ng Pilipinas (BSP) which replaces the old Central Bank of the Philippines (CBP). A major reason for legislating the new BSP is to establish an independent monetary authority which is not beset by heavy debt burden. The former CBP was unable to conduct independent monetary policy due to financing needs of CBP debts.

The role and organization of the BSP are perceived to be vastly different from its predecessor. The BSP is a leaner organization with much smaller, but well trained staff, primarily concerned with fighting inflation and inflationary pressures in the economy. The BSP will need to establish and strengthen its research department with capable and well trained staff and modern information equipment necessary in analyzing the current economic events, retain a cadre of well trained bank examiners to monitor developments in the financial sector, conduct open market operations to lean against the inflationary trend, and stem upward price movements at the bud. To undertake such central banking roles, the BSP needs to organize its structure and staff best suited for the delivery of the objectives.

A new Monetary Board (MB) has been formed and President Ramos has appointed seven MB members with the new Governor of the BSP as

its Chairman. The seven MB members consist of the BSP Governor, one Cabinet member, and five prominent private sector personnel. The objective is to provide technical assistance with respect to how BSP can best fulfill its role, functions and responsibilities mandated under the Central Monetary Authority Act.

The program outcome will be aimed at establishing the Bangko Sentral ng Pilipinas that is lean and capable of being pursuing monetary policy without the interference of debt burden stemming from national government deficit operations.

D.3. Regional Enterprise Development: Small and medium-sized industries are virtually non-existent in regional population centers in the Philippines, yet they are necessary for balanced and full development. An overwhelming majority of off-farm firms' operating in the regions qualify as only micro- or cottage industries, that is, ten or fewer employees. Moreover, most of these firms are engaged in trading and wholesale/retail businesses, and other services such as banking, insurance, real estate, and transport. Few devote themselves to manufacturing.

The rationale for this component is four-fold. First, the population of secondary urban centers continues to grow at more than five percent per annum. This population growth without an adequate increase in employment opportunities has led to mass migration to Manila and Cebu, as well as a few other large urban centers. Employment opportunities should be improved through the private sector. The local government code as a second argument devolves greater authority to local governments including the omnipotent power of taxation. The private sector must then have an organized means of influencing local governments' decisions as they affect businesses. Related to this point is that regional enterprises lack an effective mechanism to build consensus and articulate concerns about policies and regulations, among others. And last, a survey of regional enterprises shows that these same firms lack sufficient access to business services, specialized training and expertise, and capital equipment to allow them to compete effectively in the production of goods and the provision of services.

A Regional Enterprise Development (RED) activity will support the initiatives of the Ramos Administration and the Development Bank of the Philippines to develop rural enterprises. Activities are expected to be implemented over a three-year period. USAID is presently carrying out full feasibility analyses of the activity's proposed four elements. Prior to entering into any cooperative agreement or contract to implement RED, feasibility of the elements must be demonstrated.

A Policy Advocacy element will provide the framework to conduct policy studies and follow-on advocacy work. RED will also support the establishment of a business center in cooperation

with a leading private university and private investors. Under a third element, PCCI will establish a regional enterprise data base system. And last, firm or industry-specific technical assistance and training will be offered to regional firms on a cost-sharing basis.

Increased production and profitability for those enterprises taking advantage of business support services; an effective and functioning advocacy mechanism in place; and a self-sustaining business support center are all major outputs expected to be accomplished.

D.4. Telecommunications: The Philippines lags behind practically every nation within Southeast Asia in terms of telecommunications services. As an example, telephone density, often used as one proxy in determining a country's overall state of development, hovers around 1.255 Phones for every 100 persons. In comparison to the rest of the region, this figure varies from 1.5 per every 100 persons in Indonesia to 43 per 100 in Taiwan. The situation in the outlying regions is much worse than the national average indicates when one considers that the telephone density figure in Metro Manila is approximately 9 per 100 persons. Where there is service it is generally found to be of poor quality, unusually costly, and time consuming.

Weaknesses in telecommunications extend beyond purely a lack of basic communications infrastructure. There exists a need to develop the regulatory environment with a view toward deregulation of the sector and further privatization of services. Also, the GOP recognizes that the issue of interconnection of services must be addressed as one way of dealing with a virtual monopoly the Philippine Long Distance Telephone Company (PLDT) has in telephone services. A chief aim is to encourage competition as a means of achieving improved sectoral performance. The Philippine government and in particular the National Telecommunications Commission (NTC) - the regulatory arm of the sector - and the Department of Transportation and Communications (DOTC) have expressed their interest in getting U.S. expertise to assist in devising and monitoring proper regulatory measures.

USAID recently brought in two communications policy experts from the U.S. Federal Communications Commission to conduct an assessment of its Philippine counterpart - NTC. The results of this visit were quite positive. Based on the study and discussions with the NTC chairman, this activity may support NTC by providing technical assistance, training, and limited commodities.

Training may be provided to key staff of NTC in telecommunications subjects with a particular emphasis on regulation. Technical assistance will assist NTC in developing

and implementing key policies especially in policies promoting competition. The activity will also procure limited commodities such as monitoring equipment and computer equipment.

Major project outputs anticipated are: an effective regulatory regime in place; a well trained cadre of GOP regulatory specialists within NTC; and a fair and transparent methodology adopted for awarding telecommunications franchises.

III. IMPLEMENTATION AND MONITORING ARRANGEMENTS

A. Implementation

In general, the implementation plan detailed in the original project paper remains valid. The Office of Capital Projects (OCP) will continue as the lead office for implementing the PAPS project. The OCP project officer will be the point person for coordination of all activities. He will liaise with CCPAP and chair the PAPS project committee. Those USAID offices responsible for implementing activities under the project, as well as pertinent staff offices, will also be represented on the USAID project committee. The role of the PAPS project committee will expand to propose and review any new potential activities. Recommendations for and against will be discussed with the Office of the Director for a final determination. The project committee will review the performance of the overall project and specific activities and take or recommend action when appropriate.

Since the design of PAPS, CCPAP has subsumed the responsibilities of the Committee on Official Development Assistance (CODA). Comprised of undersecretaries and senior staff of GOP line agencies, CODA had the task of identifying and resolving implementation problems. CODA, however, was believed to be redundant. As a result CCPAP was restructured to include representation from various GOP offices. Its chairman is a senior GOP cabinet member who also heads the Development Bank of the Philippines.

The function of CCPAP is to monitor and facilitate foreign assistance projects in support of the Philippine Assistance Program. To carry out this role, it coordinates with implementing line agencies, maintains and monitors the GOP's Project Monitoring System, and reports key findings to the President. It will maintain direct authority for certain activities under PAPS (e.g., institutional support, master plan studies) and will provide services as a monitoring body for those activities carried out by other GOP departments.

B. Project Monitoring

1. Project Monitoring: The diverse nature of the activities expected to be undertaken demands a high degree of USAID monitoring. The PAPS project officer and the FSN project manager will be responsible for all assistance channeled through CCPAP. Monitoring arrangements already in place will remain.

For those activities assisting other GOP offices or providing assistance to PVOs/NGOs, the contractors and grantees will be required to submit for approval an LOP work plan. For long-term activities, an annual work plan will be required in addition to quarterly progress reports. Contractors and grantees will consult with USAID and the GOP at the beginning of the effort to identify purpose-level indicators, means for collecting data, as well as a plan to collect relevant base-line data. On at least an annual basis (perhaps more frequently), the contractor or grantee will be expected to update purpose-level performance data.

2. Performance Indicators: Quantitative and, to an extent qualitative indicators for measuring the impact of the PAPS Project must be established at the project and activity levels. The project purpose of assisting the GOP in implementing high priority projects under the MAI can easily translate into one of promoting effective resource mobilization, one of the Mission's strategic sub-objectives. Some of the indicators that should be examined include:

--mobilizing additional donor resources for sectors which PAPS had an important role in transforming. This may include an instance where a donor was reluctant to get involved because of an improper policy environment but which was later corrected through PAPS.

--increased private sector investments as a result of direct-USAID assistance.

--an improved policy environment that increases government revenue.

Given the diverse nature of activities planned, performance indicators will be established at the time of implementation for all activities expected to last more than one year in duration. The implementing USAID project office in coordination with the GOP counterpart agency will have responsibility for establishing performance indicators and for conducting periodic assessments.

C. Environmental Concerns

A categorical exclusion under Sections 216.2(c)(1)(i) and 216.2(c)(1)(i) was approved for PAPS on the basis that the

project had no adverse effect on the environment since it primarily funds studies, technical assistance, training, and similar methods of assistance. The amendment will operate under the same guidelines. In the case of the renewable energy activity an IEE will be conducted.

Although studies and technical assistance envisaged under PAPS will not harm the environment in themselves, follow-on construction activities may. Because of this, feasibility analyses, in addition to assessing economic and financial impact, will also examine the impact on the environment.

The examination of the projects' environmental impact will be conducted in accordance to AID's Environmental Procedures, 22 CFR Section 216. The result of this examination will form the basis of an Initial Environmental Examination (IEE) whose function is to provide a brief statement of the basis for a threshold decision, which determines whether a proposed Agency action is a major action significantly affecting the environment. With respect to effects on the environment outside the United States, Section 216.1(c)(11) defines "significant effect on the environment" as significant harm to the environment." As the purpose of the proposed PAPS project is to fund studies, technical assistance, training and similar methods of assistance, a negative determination under Section 216.3(a)(3)(iii) is recommended. In this recommendation for a negative determination, it is understood that should USAID choose to provide assistance in the implementation of recommendations originating with project funds as in the case of the renewable energy component, the IEE will be used to determine whether further impact analysis is required under AID regulations.

IV. COST ESTIMATES AND FINANCIAL PLAN

A. Project Costs

The total cost projected for this amendment is estimated at \$34 million, bringing the LOP amount to \$74 million. Funds are expected to be obligated over a three-year period commencing in FY 1993 and concluding in FY 1995 as detailed in Table 1. The GOP will be expected to share at least 25 percent of the total project costs. When practicable, the 25 percent allocation will be applied to each individual activity started.

Table 2 provides projected obligation and expenditure targets over the life of the project. Table 3 details projected obligations and expenditures among the proposed project activities.

B. Methods of Implementation and Financing

Table 4 summarizes the methods of implementation and financing for the Project components. Methods of implementation for the project include AID direct contracting, cooperative agreements, and Participating Agency Services Agreements.

V. CONDITIONS PRECEDENT

A. Prior to the disbursement of A.I.D. funds for capitalization of the Renewable Energy Fund, USAID and the GOP shall have reached a mutual agreement on the operation of the fund to include terms and conditions of loans.

PAPS PROJECT (492-0452)

Table 1

| PAPS Components | Obligations | | | | |
|--------------------------------|---------------|---------------|------------------|------------------|------------------|
| | Obligated | LOP | FY 93 Obligation | FY 94 Obligation | FY 95 Obligation |
| Institutional Support | 6,450 | 9,950 | 3,500 | 0 | 0 |
| Policy Form./Studies | 20,550 | 32,110 | 7,060 | 3,000 | 1,500 |
| Feasibility Studies | [20,550] | [22,910] | [2,360] | | |
| Macro-Policy | | [3,000] | [2,000] | [1,000] | |
| *Energy (Sectoral) | | [3,000] | [1,500] | | [1,500] |
| Telecom (Sectoral) | | [3,200] | [1,200] | [2,000] | |
| Policy Imp. Support | 0 | 13,805 | 8,989 | 3,500 | 1,316 |
| Macro-Policy | | [4,500] | [2,000] | [2,500] | |
| *Energy (Sectoral) | | [4,000] | [5,684] | | [1,316] |
| Telecom (Sectoral) | | [5,305] | [1,305] | [1,000] | |
| Priv. Sect. Inv. Incent | 8,000 | 16,135 | 7,135 | 1,000 | 0 |
| PIF | [8,000] | [11,000] | [3,000] | | |
| RED | | [3,135] | [3,135] | | |
| PITO II/PIF Expansion | | [2,000] | [1,000] | [1,000] | |
| Contingency | 0 | 2,000 | 1,000 | 1,000 | 0 |
| Total | 35,000 | 74,000 | 27,684 | 8,500 | 2,816 |

*Includes \$4 million of AID/W funds for Renewable Energy Fund.

A.I.D. obligations are subject to the availability of funds.

Table 2
Philippine Assistance Program Support Project
Planned Yearly Obligations & Expenditures
(US\$000)

| | FISCAL YEARS | | | | | | | GRAND TOTAL |
|--|--------------|--------|--------|--------|--------|--------|--------|-------------|
| | 92 | 93 | 94 | 95 | 96 | 97 | 98 | |
| 1. USAID | | | | | | | | |
| LOP FUNDING | 40,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 | 74,000 |
| PLANNED OBLIGATIONS | 10,000 | 27,684 | 8,500 | 2,816 | 0 | 0 | 0 | 74,000 |
| CUMULATIVE OBLIGATIONS | 35,000 | 62,684 | 71,184 | 74,000 | 74,000 | 74,000 | 74,000 | |
| PLANNED EXPENDITURES | 9,000 | 10,984 | 10,872 | 14,785 | 13,145 | 7,055 | 3,320 | 74,000 |
| ACTUAL EXPENDITURES | 6,383 | N/A | N/A | N/A | N/A | N/A | N/A | |
| CUMULATIVE EXPENDITURES | 13,839 | 24,823 | 35,695 | 50,480 | 63,625 | 70,680 | 74,000 | |
| PROJECTED MORTGAGE (LOP-Planned Obligations) | 5,000 | 11,316 | 2,816 | 0 | 0 | 0 | | |
| PROJECTED PIPELINE (Cumulative Obligation- -Cumulative Expenditures) | 21,161 | 37,861 | 35,489 | 23,520 | 10,375 | 3,320 | 0 | |
| PIPELINE/OBLIGATION | 60% | 60% | 50% | 32% | 14% | 4% | | |
| 2. Contribution | | | | | | | | |
| In kind and cash outlays | 13,333 | 15,333 | 17,467 | 21,667 | 22,867 | 23,867 | 24,667 | 24,667 |

**Philippines Assistance Program Support
Projection of Obligations and Expenditures
By Fiscal Year and by Project Activity
(US\$000)**

| PROJECT ACTIVITIES CATEGORIZED BY IMPLEMENTING OFFICE | USAID Implem. Office | CUMULATIVE FYs 90 - 92 | | FY93 | | FY94 | | FY95 | | FY96 | | FY97 | | FY 98 | | Total |
|---|----------------------------|---------------------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|----------|---------------|----------|--------------|----------|--------------|---------------|
| | | Oblig | Exp | Oblig | Exp | Oblig | Exp | Oblig | Exp | Oblig | Exp | Oblig | Exp | Oblig | Exp | |
| | | | | | | | | | | | | | | | | |
| 1. INSTITUTIONAL SUPPORT | OCP | 6,450 | 3,322 | 3,500 | 1,563 | 0 | 3,430 | 0 | 1,035 | 0 | 500 | 0 | 0 | 0 | 100 | 9,950 |
| Technical Assistance | | 4,820 | 2,517 | 1,180 | 963 | 0 | 1,260 | 0 | 760 | 0 | 500 | 0 | 0 | 0 | 0 | 6,000 |
| Training | | 450 | 431 | 750 | 30 | | 600 | | 139 | | | | | | | 1,200 |
| PROMS | | 930 | 360 | 570 | 570 | | 570 | | | | | | | | | 1,500 |
| PSIDF Support | | | | 1,000 | | | 1,000 | | | | | | | | | 1,000 |
| Eval/Audit | | 250 | 14 | | | | | | 136 | | | | | | 100 | 250 |
| 2. STUDIES | OCP | 20,550 | 8,640 | 2,360 | 3,980 | 0 | 4,330 | 0 | 3,600 | 0 | 2,360 | 0 | 0 | 0 | 0 | 22,910 |
| Large Studies | | 19,050 | 8,040 | 2,360 | 3,230 | | 4,180 | | 3,600 | | 2,360 | | | | | 23,770 |
| Small/Special Studies | | 1,500 | 600 | | 750 | | 150 | | | | | | | | | 1,500 |
| 3. PIF | PESO | 8,000 | 1,877 | 3,000 | 5,441 | 0 | 1,282 | 0 | 1,200 | 0 | 1,200 | 0 | 0 | 0 | 0 | 11,000 |
| 4. MACRO - POLICY REFORM | OPE | 0 | 0 | 4,000 | 0 | 3,500 | 500 | 0 | 1,500 | 0 | 3,000 | 0 | 2,000 | 0 | 500 | 7,500 |
| BIR Support | | | | 1,000 | | 2,000 | | | | | 1,500 | | 1,000 | | 500 | 3,000 |
| Capital Budgeting | | | | 1,000 | | 500 | 250 | | 500 | | 500 | | 250 | | | 1,500 |
| Institutional Studies | | | | 2,000 | | 1,000 | 250 | | 1,000 | | 1,000 | | 750 | | | 3,000 |
| 5. ENERGY | OCP | 0 | 0 | 7,184 | 0 | 0 | 980 | 2,816 | 3,650 | 0 | 2,850 | 0 | 1,600 | 0 | 920 | 10,000 |
| Technical Assistance | | | | 1,184 | | | | 316 | 560 | | 750 | | 190 | | | 1,500 |
| PSC | | | | 500 | | | 200 | 600 | 210 | | 220 | | 230 | | 240 | 1,100 |
| Project Studies | | | | 1,500 | | | 680 | 1,900 | 680 | | 680 | | 680 | | 680 | 3,400 |
| Renewable Energy | | | | 4,000 | | | 100 | | 2,200 | | 1,200 | | 500 | | | |
| 6. TELECOM | OCP | 0 | 0 | 2,505 | 0 | 3,000 | 200 | 0 | 1,800 | 0 | 1,550 | 0 | 1,455 | 0 | 500 | 5,505 |
| Technical Assistance | | | | 1,500 | | 2,155 | 200 | | 1,000 | | 1,000 | | 955 | | 500 | 3,655 |
| Training | | | | 100 | | 500 | | | 200 | | 200 | | 200 | | | 600 |
| Commodities | | | | 905 | | 345 | | | 600 | | 350 | | 300 | | | 1,250 |
| 7. RED | PESO | 0 | 0 | 3,135 | 0 | 0 | 150 | 0 | 1,800 | 0 | 1,185 | 0 | 0 | 0 | 0 | 3,135 |
| Cooperative Agreement | | | | 3,135 | | | 150 | | 1,800 | | 1,185 | | | | | 3,135 |
| 8. PITO II | PESO | 0 | 0 | 1,000 | 0 | 1,000 | 0 | 0 | 200 | 0 | 0 | 0 | 1,000 | 0 | 800 | 2,000 |
| Cooperative Agreement | | | | 1,000 | | 1,000 | | | 200 | | | | 1,000 | | 800 | 2,000 |
| 9. CONTINGENCY | PRO | 0 | 0 | 1,000 | 0 | 1,000 | 0 | 0 | 0 | 0 | 500 | 0 | 1,000 | 0 | 500 | 2,000 |
| TOTAL | | 35,000 | 13,839 | 27,684 | 10,984 | 8,500 | 10,872 | 2,816 | 14,785 | 0 | 13,145 | 0 | 7,055 | 0 | 3,320 | 74,000 |

Table 4
 Philippine Assistance Program Support Project
 Methods of Implementation and Financing
 (US\$000)

| PROJECT COMPONENTS | METHOD OF IMPLEMENTATION | METHOD OF FINANCING | TOTAL COST (US\$000) |
|---|--|--------------------------------------|----------------------|
| 1. Institutional Support | AID–Direct and/or Host Country | Cost Reimbursement | 9,950 |
| 2. Policy Formulation/Studies | AID–Direct Cooperative Agreement Participating Agency Service Agreement (PASA) | Cost Reimbursement Direct Payment | 32,110 |
| 3. Policy Implementation Support | AID–Direct Cooperative Agreement Participating Agency Service Agreement (PASA) | Cost Reimbursement Direct Payment | 13,805 |
| 4. Private Sector Investment Incentives | AID–Direct Cooperative Agreement Participating Agency Service Agreement (PASA) | Cost Reimbursement Direct Payment | 16,135 |
| 5. Contingency | | | 2,000 |
| Total USAID Cost | | | 74,000 |

ORIGIN: AID-2 INFO: AMB DCM AA RA ECON/7 (OD DRM- 4 OCP C&R)

VZCZC

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DE RUEHML #6075/01 196 **

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CLASS: UNCLASSIFIED
 CHRG: AID 07/14/93
 APPRV: OD:TWSTUKEL
 DRFTD: DRM/DI:EWGAST:LFV
 CLEAR: 1. OD:LCHILFS(D)
 2. AD:JAPATTERSON
 3. OCP:JSTARNES(D)
 DISTR: AID (OD DRM-4
 OCP C&R)
 ORGIN: OCR

E.O. 12356: N/A

SUBJECT: REQUEST FOR REDELEGATED AUTHORITY TO INCREASE
 THE AUTHORIZATION OF THE PHILIPPINES ASSISTANCE PROGRAM
 SUPPORT PROJECT (492-0452)

SUMMARY:

MISSION REQUIRES REDELEGATED AUTHORITY TO AMEND AND
 INCREASE THE AUTHORIZED LIFE-OF-PROJECT (LOP) FUNDING FOR
 THE PHILIPPINE ASSISTANCE PROGRAM SUPPORT (PAPS) PROJECT.
 DURING PROGRAM WEEK LAST MAY, MISSION AND SENIOR BUREAU
 MANAGEMENT REACHED THE CONSENSUS THAT AMENDING THE PAPS
 PROJECT WOULD ALLOW THE MISSION TO RESTRUCTURE ITS
 PORTFOLIO TO REDUCE MANAGEMENT UNITS AND ENHANCE PROGRAM
 RESPONSIVENESS TO NEW STRATEGIC PRIORITIES.

AUTHORIZED AND OBLIGATED AT \$25 MILLION IN FY 1990, PAPS
 WAS SUBSEQUENTLY AMENDED IN FY 1992 TO INCREASE THE LOP
 AMOUNT TO \$40 MILLION. USAID NOW SEEKS AUTHORITY TO
 INCREASE LOP FUNDING FURTHER FROM \$40 MILLION TO \$70
 MILLION, AN INCREASE OF \$30 MILLION. THE MISSION
 DEVELOPED THE PAPS PROJECT AS A FLEXIBLE AND RESPONSIVE
 MECHANISM, IN SUPPORT OF THE OBJECTIVES OF THE PHILIPPINE
 MULTILATERAL ASSISTANCE INITIATIVE (MAI). THE PAPS
 PROJECT SUCCEEDS AS NO OTHER DONOR-SUPPORTED ACTIVITY HAS
 IN RESPONDING TO IMMEDIATE NEEDS OF THE GOVERNMENT OF THE
 PHILIPPINES (GOP) AND MORE SPECIFICALLY THE MAI. PAPS
 HAS BEEN AND WILL CONTINUE TO BE THE MISSION'S PRINCIPAL
 MECHANISM THROUGH WHICH WE PROVIDE INTELLECTUAL
 LEADERSHIP (TIMELY, RESPONSIVE, AND SUPERIOR QUALITY TA)
 WHILE LEVERAGING AND FACILITATING THE FLOW OF PRIVATE AS
 WELL AS OTHER DONORS' FUNDS. USAID CONSIDERS THE PROJECT
 ESSENTIAL FOR CARRYING OUT ITS APPROVED STRATEGY. NO
 CHANGE TO THE PROJECT'S PURPOSE OR GOAL IS CONTEMPLATED.
 END SUMMARY.

1. BACKGROUND:

USAID AUTHORIZED THE PAPS PROJECT ON JANUARY 29, 1990,
 AND LATER SIGNED THE PROJECT AGREEMENT WITH THE GOP AS A
 MEANS OF SUPPORTING THE GOP'S ORGANIZATION TASKED TO
 COORDINATE DONOR ASSISTANCE UNDER THE MAI, NAMELY, THE

COORDINATING COUNCIL OF THE PHILIPPINE ASSISTANCE PROGRAM
(CCPAP).

TO DATE, USAID HAS OBLIGATED \$35 MILLION INTO PAPS, LEAVING A MORTGAGE OF \$5 MILLION. OF THE \$35 MILLION OBLIGATED, \$32 MILLION IS EARMARKED, \$28 MILLION COMMITTED, AND \$19.2 MILLION EXPENDED. THE PROJECT REACHES ITS PACD ON JANUARY 31, 1995, BUT WITH THE ADDED ACTIVITIES USAID WILL EXTEND THE PACD TO SEPTEMBER 30, 1998.

THE PROJECT HAS THREE MAJOR COMPONENTS: (1) STUDIES FUND; (2) INSTITUTIONAL SUPPORT TO CCPAP; AND (3) A PRE-INVESTMENT FACILITY, IMPLEMENTED THROUGH A COOPERATIVE AGREEMENT WITH A LOCAL NGO. ON SEPTEMBER 9, 1992, THE MISSION AMENDED PAPS, INCREASING LOP FUNDING FROM \$25 MILLION TO \$40 MILLION. THERE WAS NO CHANGE TO THE GOAL, PURPOSE, OR PROJECT ASSISTANCE COMPLETION DATE (PACD).

THE STUDIES COMPONENT FUNDS A WIDE RANGE OF FEASIBILITY ANALYSES FOR PROPOSED MAJOR DEVELOPMENT PROJECTS, PRINCIPALLY LOCATED WITHIN DESIGNATED ECONOMIC DEVELOPMENT ZONES.

INSTITUTIONAL SUPPORT ALLOWS FOR LONG-TERM TA, TRAINING, AND COMMODITIES FOR CCPAP. THE SCOPE OF THIS COMPONENT HAS CHANGED SUBSTANTIALLY SINCE THE PROJECT'S INCEPTION. ORIGINALLY, USAID SUPPORTED CCPAP WITH TA TO CARRY OUT DAY-TO-DAY FUNCTIONS OF THE ORGANIZATION. NOW THAT A TALENTED CADRE OF GOP EMPLOYEES HAS BEEN TRAINED AND HAS GAINED EXPERIENCE, THE INSTITUTIONAL SUPPORT TA CONTRACT HAS SHIFTED FROM SUPPORT FOR DONOR AND GOP PUBLIC SECTOR INVESTMENTS TO FOCUS ON FACILITATING, PACKAGING, AND BROKERING PROJECTS AND PRIVATE SECTOR INVESTMENTS THROUGH BUILD-OPERATE-TRANSFER (BOT) AND OTHER RELATED FUNDING SCHEMES.

UNDER THE PRE-INVESTMENT FACILITY, USAID SHARES THE COSTS OF INVESTMENT ANALYSES WITH U.S. AND PHILIPPINE PRIVATE INVESTORS. DEPENDING ON WHETHER THE FIRM HAS ACTUALLY

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MADE AN INVESTMENT. USAID FUNDS AS MUCH AS 50 PERCENT OF THE STUDY'S COST.

LAST MONTH, THE MISSION PRESENTED ITS NEW STRATEGY TO BUREAU MANAGEMENT, WHICH ESTABLISHED NEW PRIORITIES IN PURSUIT OF A NEW U.S.-PHILIPPINE PARTNERSHIP. THIS STRATEGY REFLECTS A SERIES OF NEW DEVELOPMENTS INCLUDING THE CLOSING OF THE BASES, THE DEVELOPMENT PRIORITIES OF THE RAMOS ADMINISTRATION, DECLINING RESOURCES, AND A REFOCUSING OF OUR FOREIGN ASSISTANCE AGENDA. IT IS CLEAR WE CAN NO LONGER AFFORD DIRECT FINANCING OF MAJOR CAPITAL INFRASTRUCTURE PROJECTS AND LARGE MACPO AND SECTORAL POLICY PROGRAMS. THIS IS NOT INTENDED TO DIMINISH THE IMPORTANCE OF THESE TWO TYPES OF ASSISTANCE, THEY ARE SIMPLY AREAS THE MISSION CAN NO LONGER SUPPORT WITH A RADICAL CUT IN OUR OYB. UNDER THESE CIRCUMSTANCES OUR MAJOR ROLE WILL BE TO FACILITATE THE UTILIZATION OF OTHER AVAILABLE (PUBLIC, PRIVATE, AND OTHER DONOR) RESOURCES. THE PAPS PROJECT HAS PROVED AN EFFECTIVE INSTRUMENT IN PURSUING SUCH A ROLE FOR A.I.D.

2. IMPACT TO DATE:

PAPS FUNDS PROVIDED THE CATALYST IN GETTING THE MINDANAO DEVELOPMENT PROJECT (MDP) -- USAID'S MAI SHOWPIECE PROJECT IN GENERAL SANTOS CITY -- OFF THE GROUND. MAJOR FEASIBILITY STUDIES USING THE SERVICES OF THE TWO PAPS IQCS WERE IN PROCESS BEFORE USAID AUTHORIZED THE MDP. UNDER PAPS 20 MAJOR STUDIES HAVE BEEN COMPLETED TO DATE, RESULTING IN OVER \$120 MILLION IN FIRM FUNDING COMMITMENTS. LIKEWISE, THE PRE-INVESTMENT FACILITY, TARGETTING SMALLER INVESTMENTS, HAS FUNDED MORE THAN 200 STUDIES, RESULTING IN AN ADDITIONAL \$13 MILLION OF NEW PRIVATE INVESTMENT.

TWO YEARS AGO WHEN THE POWER CRISIS CAME TO A HEAD, THE MISSION RESPONDED BY WORKING WITH THE GOP IN DEVELOPING ALTERNATIVE FUNDING MECHANISMS FOR LARGE SCALE INFRASTRUCTURE, INCLUDING POWER PLANTS. THE PAPS PROJECT FUNDED HIGH QUALITY TECHNICAL EXPERTISE TO CONDUCT SEMINARS FOR SENIOR-LEVEL GOP OFFICIALS (BOTH IN THE EXECUTIVE AND LEGISLATIVE BRANCHES) AND PROMINENT BUSINESSMEN. ALTERNATIVE FINANCING THROUGH BUILD-OPERATE-TRANSFER (BOT), AND OTHER RELATED FINANCING ARRANGEMENTS, WAS THE TOPIC. AFTER THE SERIES OF SEMINARS, USAID BROUGHT IN ADDITIONAL TA TO WORK WITH THE GOP ON A BOT LAW AND IMPLEMENTING RULES AND REGULATIONS. WITH THE LAW ON THE BOOKS FOR MORE THAN A YEAR, THE GOVERNMENT AND PRIVATE FIRMS HAVE SIGNED MORE THAN \$3 BILLION IN BOT POWER PROJECTS ALONE.

THE PAPS PROJECT NOW SUPPORTS A PRICE-WATERHOUSE TEAM CHARGED WITH ASSISTING GOP AGENCIES IN DEVELOPING, PACKAGING, AND MARKETING BOT PROJECTS. FUNDING HAS ALSO BEEN MADE AVAILABLE TO TRAIN CCPAP PERSONNEL IN MARKETING BOT PROJECTS IN ORDER TO SUSTAIN THE MOMENTUM OF THE BOT PROGRAM.

USAID, THROUGH PAPS, DESIGNED A NEW PRIVATE SECTOR

INFRASTRUCTURE DEVELOPMENT FUND. FINAL ARRANGEMENTS AND NEGOTIATIONS FOR CREATION OF THE FUND ARE UNDERWAY; THE WORLD BANK, ASIAN DEVELOPMENT BANK, AND JAPAN EXIMBANK HAVE ALL INDICATED THEY ARE PREPARED TO CONTRIBUTE TO THE CAPITALIZATION OF THE FUND.

THE GOP IN CREATING CCPAP TASKED THE ORGANIZATION WITH MONITORING ALL DONOR ASSISTANCE ACTIVITIES UNDER THE MAI. USAID AND CCPAP WORKED TOGETHER IN DEFINING A COMPUTERIZED PROJECT MONITORING SYSTEM (PROMS). THE PAPS PROJECT FUNDED THE DEVELOPMENT AND INSTALLATION COSTS OF THIS SYSTEM. ALL MAJOR GOVERNMENT OFFICES HAVE WORK STATIONS THAT DIRECTLY ACCESS THE PROJECT DATA BASE MAINTAINED BY CCPAP. THE WORLD BANK AND OTHER DONORS, ESPECIALLY THOSE WITHOUT A LARGE FIELD PRESENCE IN THE PHILIPPINES, USE PUBLISHED REPORTS FROM THE SYSTEM TO MONITOR THEIR PROJECTS. THE CONFIDENCE LEVEL OF THESE DONORS HAS INCREASED SIGNIFICANTLY. THEY ARE CONFIDENT THEIR PROJECTS ARE BEING MONITORED CAREFULLY AND THAT THE GOP HAS AN ORGANIZED MEANS OF COLLECTING AND REPORTING THIS INFORMATION IN A TIMELY WAY. RECENTLY THE WORLD BANK DISCUSSED WITH USAID AND THE GOP WAYS TO IMPROVE THE

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SYSTEM. WITH SUCH IMPROVEMENTS IN PLACE (BEING FINANCED UNDER THE PAPS PROJECT), THE WORLD BANK HAS AGREED TO INCREASE ITS LOANS TO THE PHILIPPINE GOVERNMENT.

3. THE FUTURE OF PAPS:

DESPITE THE ACHIEVEMENTS TO DATE, THERE IS STILL MUCH WORK TO BE DONE TO OVERCOME POLICY CONSTRAINTS, TECHNICAL PROBLEMS, BUREAUCRATIC DELAYS, AND COUNTERPART SHORTAGES, WHICH ALL SERVE TO LIMIT THE PHILIPPINES' ABILITY TO TAKE ADVANTAGE OF AVAILABLE PUBLIC AND PRIVATE, DOMESTIC AND FOREIGN INVESTMENT RESOURCES. WE ESTIMATE THAT THE GOP CONTINUES TO LOSE MORE THAN \$800 MILLION ANNUALLY IN LOANS FROM THE DEVELOPMENT BANKS ALONE. IN ONE INSTANCE, AN ADB TELECOMMUNICATIONS PROJECT OFFICER POINTED OUT TO MISSION STAFF THAT THE ADB HAD PROGRAMED A \$200 MILLION LOAN TO THE PHILIPPINES IN THE TELECOMMUNICATIONS SECTOR. IN THE END, THE GOP MISSED AN OPPORTUNITY BECAUSE A SUPPORTIVE POLICY ENVIRONMENT WASN'T IN PLACE. THE MONEY RESERVED FOR THE PHILIPPINES WAS REDIRECTED TO INDONESIA. IT IS USAID'S INTENTION, THROUGH PAPS, TO CONTINUE TO WORK WITH THE GOP, OTHER DONORS, AND THE PRIVATE SECTOR TO FACILITATE THE FLOW OF BADLY NEEDED INVESTMENT RESOURCES.

THE PAPS PROJECT SERVES AS A MAJOR PILLAR OF THE MISSION'S NEW STRATEGY. ONE OF THE MISSION'S STRATEGIC OBJECTIVES IS INCREASING PRODUCTIVE INVESTMENT THROUGH RESOURCE MOBILIZATION, OR MORE SIMPLY PUT, QUOTE HELPING TO SPEND OTHER PEOPLE'S MONEY END QUOTE. THERE IS NO PROJECT IN THE PORTFOLIO THAT BETTER CAPTURES THIS OBJECTIVE THAN PAPS. SO IN SUPPORT OF THE NEW STRATEGY AND THE RAMOS ADMINISTRATION'S PLANS, USAID PROPOSES AN INCREASE IN LOP FUNDS FOR PAPS. SPECIFICALLY, WE WILL EMPHASIZE THE FOLLOWING PRIORITIES:

- (1) INSTITUTIONAL SUPPORT - ADDITIONAL FUNDS WILL BE PROGRAMED TO SUPPORT CCPAP IN ADMINISTERING THE MAI. CERTAIN TRAINING ACTIVITIES WILL CONTINUE, BUT THE FOCUS WILL REMAIN IN DEVELOPING THE ORGANIZATION TO A POINT WHERE IT CAN CARRY OUT THE GOVERNMENT'S BOT INITIATIVES.
- (2) MACRO-POLICY REFORM - BUILDING ON THE EFFORT RECENTLY STARTED WITH REPROGRAMED FUNDS UNDER THE PRIVATE ENTERPRISE POLICY SUPPORT (PEPS) PROGRAM, PAPS WILL FUND PHASE II SUPPORT TO ENHANCE THE GOP'S CAPITAL BUDGETING PROCESS IN THE DEPARTMENT OF BUDGET AND MANAGEMENT AND TO IMPROVE THE EFFICIENCY OF INCOME TAX COLLECTION UNDER THE BUREAU OF INTERNAL REVENUE.
- (3) SECTORAL POLICY REFORM (E.G., ENERGY AND TELECOMMUNICATIONS) - IF THE ENERGY CRISIS WERE NOT THE PRIORITY INFRASTRUCTURE CONSTRAINT IN THE PHILIPPINES TODAY, THE NATIONAL ATTENTION MAY VERY WELL BE FOCUSED ON THE COUNTRY'S INADEQUATE STATE OF TELECOMMUNICATION SERVICES. AFTER DISCUSSIONS WITH THE DONOR COMMUNITY, THE MISSION WILL SUPPORT CERTAIN ASPECTS OF THE GOP'S ENERGY SECTOR PROGRAM, TO INCLUDE PROVIDING A LONG-TERM

ADVISOR TO THE NEWLY CREATED DEPARTMENT OF ENERGY. IN TELECOMMUNICATIONS, THE MISSION WILL PROVIDE TA AND LIMITED COMMODITIES TO THE GOP'S REGULATORY ARM IN TELECOMMUNICATIONS (THE NATIONAL TELECOMMUNICATIONS COMMISSION). TA WILL ASSIST IN ESTABLISHING THE POLICY BASE, PROMOTING COMPETITION, AND FACILITATING TECHNOLOGY TRANSFER IN SUPPORT OF PRIVATE INVESTMENT IN TELECOMMUNICATIONS.

(4) PRIVATE SECTOR INVESTMENT INCENTIVES - THE PRE-INVESTMENT FACILITY (SEE DISCUSSION ABOVE) WILL CONTINUE TO SHARE THE COST BURDEN OF INVESTMENT ANALYSES WITH POTENTIAL INVESTORS. THROUGH A COOPERATIVE AGREEMENT WITH PRIVATE ORGANIZATIONS, USAID WILL SUPPORT REGIONAL ENTERPRISE DEVELOPMENT (RED), A GOP PRIORITY TO ENCOURAGE THE FLOW OF PRIVATE INVESTMENT RESOURCES OUTSIDE OF THE CAPITAL REGION. A THIRD ACTIVITY WILL FOLLOW ON THE SUCCESSSES ACHIEVED UNDER THE PRIVATE INVESTMENT TRADE OPPORTUNITIES (PITO/P) BY FOCUSING NATIONAL GOVERNMENT TRADE POLICIES AND ARRANGING ADVOCACY EFFORTS.

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ALL THE FOREGOING ACTIVITIES CALL FOR HIGHLY SPECIALIZED AND FOCUSED TA. FOR MACRO-POLICY REFORM AND SECTORAL REFORM IN TELECOMMUNICATIONS, THE MISSION WILL ENTER INTO PASAS WITH THE INTERNAL REVENUE SERVICE AND THE FEDERAL COMMUNICATIONS COMMISSION RESPECTIVELY. USAID WILL MEET THE SPECIALIZED DEMANDS IN THE ENERGY SECTOR THROUGH AN AID/W IQC.

| REVISED PAPS BUDGET (\$000) | | | | |
|---|----------------------|-----------------------|----------------|--|
| ACTIVITY | PRESENT LOP FUNDS | PROPOSED ADDITIONS | REVISED LOP | |
| INSTITUTIONAL SUPPORT | 7,950 | 2,000 | 9,950 | |
| POLICY FORMULATION/ STUDIES | 21,050 | 10,050 | 31,110 | |
| - (MACRO) | - | (3,000) | | |
| - (SECTORAL) | - | (7,060) | | |
| POLICY IMPLEMENTATION SUPPORT | 0 | 10,805 | 10,805 | |
| - (MACRO) | - | (4,500) | | |
| - (SECTORAL) | - | (6,305) | | |
| PRIVATE SECTOR INVESTMENT INITIATIVES | 11,000 | 5,135 | 16,135 | |
| - (PIF) | (11,000) | | | |
| - (RED) | - | (3,135) | | |
| - (PITO II) | - | (2,000) | | |
| CONTINGENCY | 0 | 2,000 | 2,000 | |
| TOTAL WESTMORE | 40,000 | 30,000 | 70,000 | |

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ENERGY SECTOR ACTION PLAN

REQUIRED EXECUTIVE/ADMINISTRATIVE ACTION

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---------------------------------|---|--|--|
| A. General/Institutional | | | |
| 1) Energy Sector Coordination | Certify urgency of legislation creating the Dept. of Energy Formalize DOE organization/ | President / Done DOE Secretary/ March 1993 | 1) Management and organizational study 2) DOE/Sector-wide MIS project 3) Training program for DOE personnel 4) Upgrading of DOE facilities including the Databank and Library 5) Information Dissemination 6) Institutional strengthening of energy-environment capabilities with DOE |
| 2) Privatization | Propose clear congressional policy statement on private sector involvement in energy projects | ECC / President / January 1993 - Done/ DOE Law | |
| a) NPC/Power Sector | Complete OEA-commissioned study of privatization options Submission of privatization plan based on study recommendations Approval of privatization plan | OEA-Price Waterhouse/ Done - November 1992 DOE-NPC /Sept. 1993 Cabinet / March 1994 | Follow-up to Price-Waterhouse Study a) Study on the privatization of NPC into 3 major subsidiaries b) Regional Utilities c) Transcor |

1) As approved by the Cabinet on November 17, 1992

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|------------------------|--|--|--|
| b) PNOC | Continue BOT approach for new projects; conduct bidding and come up with short list for the 900 MW and 200 MW BOT coal plants for Luzon and Mindanao; Complete evaluation of bids Awarding of contracts | NPC/ June 1993 October 1993 December 1993 | Training project financial feasibility studies |
| | Selective privatization of existing plants; invite bids/produce short list for private operations of Calaca I and Malaya units; Awarding of operating contracts Sale of units | NPC/ Sept 1993 December 1993 1995 | Training on privatization |
| | Announce standard offer for small indigenous generating units esp. small hydro projects | NPC/ June 1993 | Solicitation document |
| | Complete decentralization of PNOC management of subsidiaries Decision to privatize Petron | PNOC/ February 1993 June 1993 | |

1 As approved by the Cabinet on November 17, 1992

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|------------------------------|---|---|--|
| c) NEA RECs | Finalize privatization strategy for subsidiaries | September 1993 | Privatization scheme for PNOC subsidiaries (tanker, fleets, etc.) |
| | Cabinet approval of recommended privatization strategy | March 1994 | |
| | Start implementation of privatization strategy | PNOC-COP/ June 1994 | |
| 3) Oil Industry Deregulation | Develop guidelines for sale/merger of RECs | September 1993 | Technical assistance for developing guidelines |
| | Presentation to the Office of the President of request for increased NEA capitalization | September 1993 | |
| 3) Oil Industry Deregulation | Propose clear congressional policy statement on oil industry deregulation | ECC / President / January 1993 - DOE Law | Possible follow-up studies - preconditions and economic implication of proposed deregulation scheme |
| | Complete ERB Energy Pricing Study | ERB /IDP / June 1993 | |
| | Complete industry cost structure study | DOE/K & M/ August 1993 | |

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| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|------------------------|--|--------------------------------------|---|
| | Recommend presidential endorsement of bill amending OPSF law to effect automaticity of price adjustments | DOE /ERB /OP / September 1993 | |
| | Set maximum oil industry Rate of Return | ERB/Oil Companies/ September 1993 | |
| | Submit program for oil price decontrol and other deregulation activities | DOE / 1996 | |
| | Approval of oil deregulation program | Cabinet/1996 | |
| | Recommend presidential endorsement of ERB charter to allow decontrol of oil prices | ERB/OP/1996 | |
| | Deregulate dealership activities ^{\2} | DOE / 1996 | |
| | Remove inter-fuel price subsidies | DOE/ERB/ 1996 | |
| | Draft bill rationalizing the tariff tax component of petroleum product prices | DOE/ERB/OP/ 1996 | |
| | Recommend presidential endorsement of draft bill | DOE/OP / 1996 | |
| | Submit petroleum import/export liberalization schedule | DOE/ERB / 1996 | |

^{\1} As approved by the Cabinet on November 17, 1992

^{\2} Implementation of deregulation measures could be advanced whenever feasible esp. for those that are non-price related.

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|--|--|---|--|
| Single Price-regulatory Body for Utilities | Executive endorsement of DOE bill provision placing NPC and RECs under ERB price regulation | President/Done | Development of evaluation criteria of power purchase agreements and evaluation of rates for purchased power |
| 5) More efficient approval system for energy projects | Presidential directive to ECC, DAR, DA, NEDA AND DENR to designate site reservations for energy projects | ECC,DAR,DA,NEDA,DENR/ November 1992 - Done | |
| | Agreement between DENR & RDC regarding approval requirements and time limit for action | DENR/RDC/ June 1993 | Environmental studies and improvement of approval procedures |
| | Agree to approve power projects on a program basis instead of per individual projects | NPC/NEDA/ June 1993 | |
| | NPC to develop standard BOT contracts for various power plant technologies | NPC/NEDA/ September 1993 | |
| | Approval of standard contracts | NEDA-ICC/one month after completion of requirements | |

1. As approved by the Cabinet on November 17, 1992

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---|---|---|--|
| B. Power Sector | | | |
| 1) Availability and reliability of supply | Ensure timely start-up of fast-track projects Ensure implementation of power development program | NPC/DOE/October 1993 NPC/DOE/ongoing | 1) Feasibility studies of selected power projects 2) Acquisition study and trainings reservoir operations management 3) Environmental impact assessment training |
| | Submit plan to rehabilitate or retire/replace ageing plants | NPC/December 1993 | |
| | Evaluate and approve NPC plan and allocate funding for technical assistance | NEDA/January 1994 | |
| | Adopt rehabilitation or retirement plan for old plants | NPC/NEDA/ June 1994 | |
| 2) NPC's Financial Viability | Conduct more effective public information program on the need for NPC rate increase | NPC/Cabinet/ Oct.-Dec. 1992 | |
| | Decision on acceptable RORB methodology | ERB/September 1993 | Training on rate base/return on rate base |
| | Motion for early resolution by the SC of NPC fuel-tax exemption cases | NPC/May 1993 | |
| | Develop and approve automatic forex adjustment formula | NPC/May 1993 | |

¹¹ As approved by the Cabinet on November 17, 1992

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---|---|---|--|
| | Implement rate adjustment to meet loan covenants | NPC/December 1992 | |
| | Develop annual projection of rate increase or decrease, investment and overall financial requirements | NPC/end of each year | |
| | Propose to DBM the level of government equity infusion to NPC | NPC/March each year | |
| | Submission of proposal for annual equity infusion to NPC | DBM/June each year | |
| | Executive support of bill proposing equity infusion to NPC | ECC/DOF/Done | |
| | Complete operational efficiency improvement study | NPC/World Bank/ December 1993 | |
| | Start implementation of recommendations | NPC/June 1994 | |
| 3) Rate restructuring/Direct Connection | Complete nationwide consultation esp. in Bacolod, Cebu and Mindanao | NPC/August 1993 | |
| | Implement rate restructuring down to distribution level | NPC/Cabinet, NEA/RECs, ERB/PUs/ December 1993 | 1) Training on rate setting/ formulation 2) Power rate policy and implementation strategies |

1) As approved by the Cabinet on November 17, 1992

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| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---|---|--|--|
| 4) BNPP Operation | Complete negotiations with Westinghouse Decision on BNPP operation | PC-BNPP/ December 1992 Cabinet/June 1993 | Study of BNPP alternatives |
| 5) Improve electricity distribution efficiency | Set limit to distribution loss that can be recovered thru tariff Recommend presidential endorsement of anti-pilferage bill | NEA/ERB/ECC/ongoing ECC/OP/ March 1993 | |
| 6) Energy-Efficiency Standards | Finalize standards for power- intensive appliances | DOE/BPS-DTI/ June 1994 | TA industrial process and instrumentation control |
| C. Downstream Operations | | | |
| 1) Refinery expansion | Decide price adjustment for non-crude increases Firm up PNOC expansion plans | ERB/May 1993 PNOC/DOE/ September 1993 | |

1 As approved by the Cabinet on November 17, 1992

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| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---|---|---|--|
| 2) Coal import liberalization | Implement financial / technical support program for local coal industry Reduce tariff and eliminate volume restriction | DOE/December 1993 DOE/ERB/NEDA/ June 1994 | TAs to support the Phil. Coal Devt. Program of DOE |
| 3) Institutionalize Energy Conservation | Executive endorsement of DOE bill with provision for continuation of energy conservation program Pursue refiling of separate bill institutionalizing energy conservation Recommend presidential endorsement of the bill | President / Done DOE / Congress / June 1993 DOE / OP / September 1993 | |
| <i>D. Upstream Operations</i> | | | |
| 1) Geothermal law to encourage private sector participation | Recommend presidential endorsement of pending legislation on geothermal development | DOE/PNOC/OP/ June 1993 | Development of a Phil. Geothermal Resource Management System |
| 2) Improved incentives for oil and gas exploration | Recommend presidential endorsement of pending legislation on oil and gas development | DOE/OP/June 1993 | |

As approved by the Cabinet on November 17, 1992

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE | POSSIBLE TECHNICAL ASSISTANCE PROJECTS |
|---|---|--|---|
| 3) Continued exploration momentum generated by recent oil discoveries | Conduct aggressive campaign to attract more oil explorationists | DOE/December 1993 | Support to promotion project, e.g. production of promotional material Development of DOE capability for the implementation of its Mini-Hydro program, i.e., training for DOE personnel, site assessment and project evaluation manuals |
| 4) Promote development and utilization of alternative/renewable energy technologies | Intensify research and development of alternative/renewable energy technologies Promote utilization of cost-effective alternative energy systems for rural electrification | DOST-PCIERD/OEA/ PNOC-ERDC/ongoing OEA/NEA/ongoing | Wind turbine generation in small islands |

1 As approved by the Cabinet on November 17, 1992

REQUIRED CONGRESSIONAL ACTION

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE |
|---|---|---|
| 1) Energy Sector Coordination | Enact legislation creating the Department of Energy | December 1992 |
| 2) Oil Industry Deregulation | Enact legislation amending the OPSF law Enact into law ERB charter amendment | December 1993 June 1994 |
| 3) Single Price-regulatory Body for Utilities | Enact into law ERB charter amendment | DOE Law - Dec 1992/ June 1994 |
| 4) NPC Financial Viability | Approve annual equity infusion to NPC Enactment of law authorizing OPSF equity infusion to NPC | December each year December 1992 |
| 5) Improve electricity distribution efficiency | Enact effective anti-power , pilferage legislation Enactment of law authorizing increase in NEA capitalization | December 1993 December 1993 |

| ISSUES/AREAS OF ACTION | REQUIRED ACTION | IMPLEMENTATION AGENCY/SCHEDULE |
|---|---|--------------------------------|
| 6) Rationalize oil prices | Enact law rationalizing the tariff and tax component of petroleum | 1996 |
| 7) Energy Conservation | Refile and enact law institutionalizing energy conservation | June - December 1993 |
| 8) Geothermal law to encourage private sector participation | Enact new geothermal law | December 1993 |
| 9) Improved incentives for oil and gas exploration | Enact new oil and gas development bill | December 1993 |

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