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AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

Amendment No. 2

Philippines (492-0420)  
Rural Infrastructure Fund

May 1990

UNCLASSIFIED

RURAL INFRASTRUCTURE FUND (RIF)

492-0420

PROJECT PAPER AMENDMENT NO. 2

USAID/Philippines  
May 1990

B

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>2</u>	<b>DOCUMENT CODE</b> 3
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<b>2. COUNTRY/ENTITY</b> Philippines	<b>3. PROJECT NUMBER</b> <u>492-0420</u>
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<b>4. BUREAU/OFFICE</b> Asia, Near East and Europe Bureau	<b>5. PROJECT TITLE (maximum 40 characters)</b> <u>Rural Infrastructure Fund Project</u>
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<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY <u>11 23 91</u>	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>87</u> B. Quarter <u>4</u> C. Final FY <u>91</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY <u>87</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	25,296	25,894	51,190	54,765	115,235	170,000
(Grant)	(25,296)	(25,894)	(51,190)	(54,765)	(115,235)	(170,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country	2,560		2,560	14,500		14,500
Other Donor(s)						
<b>TOTALS</b>	25,296	28,454	53,750	54,765	129,735	184,500

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO. PRIATION	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) ESF	260	061		90,000		20,000		140,000	
(2) SAI	260	061				20,000		30,000	
(3)									
(4)									
<b>TOTALS</b>				90,000		40,000		170,000	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> <u>062</u> <u>063</u>	<b>11. SECONDARY PURPOSE CODE</b> <u>821</u>
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<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code <u>ER</u> <u>COOP</u> B. Amount <u>59,000</u> <u>31,000</u>	
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**13. PROJECT PURPOSE (maximum 480 characters)**

To provide assistance to improve and expand rural infrastructure in the transportation and telecommunication subsectors in order to enhance the flow of commerce, encourage investment and production, and provide for further economic expansion and growth of rural areas.

<b>14. SCHEDULED EVALUATIONS</b> Interim    MM YY    MM YY    Final    MM YY <u>1 2 8 9</u> <u>0 6 9 3</u>	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

The purpose of this amendment is to: (a) add a component for road improvement in the General Santos City/South Cotabato demonstration area, funded with Special Assistance Initiative (Multilateral Assistance Initiative) funds; and (b) increase funding for the nationwide road and port component.

<b>17. APPROVED BY</b>	Signature <u>Malcolm Butler</u> Title <u>Director</u> <u>USAID/Philippines</u>	Date Signed MM DD YY <u>0 5 1 8 9 0</u>	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY 
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PROJECT AUTHORIZATION  
AMENDMENT NO. 1

Philippines

Rural Infrastructure Fund  
A.I.D. Project No. 492-0420

1. The Rural Infrastructure Fund Project (the "Project") was authorized on September 28, 1987. Pursuant to Section 531 of the Foreign Assistance Act of 1961 (as amended) (the "FAA") and to the section entitled "Multilateral Assistance Initiative for the Philippines" in Title II of Public Law 101-167 of the FAA, and in accordance with the authority delegated to me in Delegation of Authority No. 652 and in State 112030 dated April 7, 1990, I hereby amend the Project Authorization as follows:

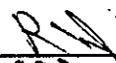
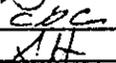
- A. The level of planned obligations is increased from \$90,000,000 to \$170,000,000 with the increase involving planned obligations of \$50,000,000 in Section 531 funds and \$30,000,000 in Special Assistance Initiative ("SAI") funds over a two-year period from the date of this Authorization Amendment, 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.
- B. The Project shall include a General Santos/South Cotobato Demonstration Area component, to be funded from the SAI funds authorized herein, which will provide assistance to improve road networks in the General Santos City/South Cotobato Demonstration Area.

2. The Project Authorization shall remain in full force and effect except as hereby amended.

By: Malcolm Butler  
Malcolm Butler  
Mission Director  
USAID/Philippines

Date: MAY 18 1990

Clearances:

<u>Name</u>	<u>Initial</u>	<u>Date</u>
OCP:REJordan		5/15/90
PESO:BCornelio		5/15/90
OFFPVC:BGeorge		5/16/90
OPHN:KFarr (Actg.)		5/13/90
ORAD:KPrussner		5/14/90
DRM:JAPatterson		5/15/90
OD/PE:PRDeuster		5/11/90
OFM:JCStanford		5/11/90
CSO:SHeishman		5/14/90
OLA:LChiles		5/16/90
OD:RAJohnson	NOT AVAILABLE	

RURAL INFRASTRUCTURE FUND PROJECT  
SUPPLEMENT  
492-0420

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ANNEXES

- A. Request from GOP
- B. Statutory Checklist (1990 DA portion only)
- C. Procurement Executive Approval of Contracting Mechanism
- D. Table of GOP Counterpart for GSC/SC Component

LIST OF ACRONYMS

CBD	Commerce Business Daily
CCPAP	Coordinating Council for the Philippine Assistance Program
CODA	Committee on Official Development Assistance
CSO	Contracts Services Office
DPWH	Department of Public Works and Highways
ESF	Economic Support Fund
FSN	Foreign Service National
GOP	Government of the Philippines
GSC/SC	General Santos City/South Cotabato
LBII	Louis Berger International, Inc.
LOP	Life-of-Project
MADPD	Mindanao Area Development Projects Division
MAI	Multilateral Assistance Initiative
MTPIP	Medium-Term Public Investment Program
NAVAID	Navigational Aid
NCR	National Capital Region
PAP	Philippine Assistance Program
RIF	Rural Infrastructure Fund
RIG/A	Regional Inspector General/Audit
SAI	Special Assistance Initiative
TOR	Terms of Reference
USAID	United States Agency for International Development

-1-

I. SUMMARY AND RECOMMENDATIONS

Grantee : The Republic of the Philippines

Implementing Entities : Department of Public Works and Highways (DPWH) and Committee on Official Development Assistance (CODA)

Grant Amount : Approved Originally: \$ 90.0 million  
Supplement : 80.0 million  
Total : \$170.0million

Funding Source/Supplement : Economic Support Funds: \$50.0 million  
Special Assistance Initiative : 30.0 million

Project Purpose : To provide assistance to improve and expand infrastructure in the transportation and telecommunications subsectors in order to enhance the flow of commerce, encourage investment and production, and provide for further economic expansion and growth of areas outside the National Capital Region.

Supplement Purpose : (a) To add a component for road improvement and construction in the General Santos City/South Cotabato demonstration area, funded under the Multilateral Assistance Initiative, and (b) increase funding for the nationwide road and port component.

Supplement Description : (a) Under the newly added GSC/SC demonstration area component, the project will improve approximately 250 kilometers of roads in the GSC/SC area to open up markets and the economy by providing links between General Santos City, market towns and areas and to facilitate the participation of the private sector in economic diversification. These roads may support the government-planned South Cotabato Special Development Project activities when established. (b) The supplement will also provide assistance for the improvement of approximately 320 kilometers of roads and ten ports under the nationwide roads and ports

component. These infrastructure improvements will also contribute to opening markets and the economy in various areas outside of the National Capital Region (NCR).

<u>Supplement Budget</u>	:	GSC/SC Demonstration Area:	<u>(\$000)</u>
		Engineering	2,800
		Construction	26,900
		Eval., Monit., Audit	300
		Nationwide Roads and Ports:	
		Engineering	1,380
		Construction	48,620
			<u>80,000</u>
<u>Estimated Completion Date</u>	:	December 31, 1993	
<u>Statutory Requirements</u>	:	Statutory requirements have been met.	
<u>Recommendation</u>	:	That a \$80.0 million grant to the Republic of the Philippines be authorized for obligation in FY 1990 and FY 1991 based on the terms and conditions described in the Authorization as amended.	

## II. BACKGROUND AND DESCRIPTION

### A. General Background and Rationale

The Rural Infrastructure Fund (RIF) Project was authorized on September 18, 1987 to provide assistance to the Government of the Philippines (GOP) to address infrastructure constraints to economic development outside the National Capital Region (NCR). The project, originally authorized at a life-of-project (LOP) level of \$90 million, follows a "fund" approach that permits financing of a variety of infrastructure, including transport, telecommunications and electrification. To date the project has provided assistance for improvements in road, port, and navigational aid (NAVAID) infrastructure and limited advisory services for telecommunications planning. The project paper was amended in August 1989 to increase investments in NAVAIIDS and to eliminate rural electrification activities, which were financed under a separate FY 1988 project.

Assistance to be provided under this supplement will address the same objectives. Adequate infrastructure and cost-effective transportation systems in the Philippines are crucial for achieving the goals of sustained economic growth, open markets and an open society. Infrastructure, such as trunk highways as well as secondary and tertiary roads, air and waterway connections and telecommunications, opens up markets and the economy through the establishment of linkages between the metropolis, secondary cities, and market towns. These linkages are essential to stimulate growth and spread development benefits. Access to markets, employment and business opportunities has multiplier effects on economic growth by stimulating increased investment and consumption. Open markets are essential to enable the private sector to play a stronger role in the economy to strengthen the private sector's voice and promote greater choice through diversification and increased opportunities.

While USAID and other foreign donors have provided considerable assistance to the infrastructure sector, investment requirements of the country remain immense and the available investment resources limited. A World Bank assessment (1988) shows that the Medium-Term Public Investment Program (MTPIP) for 1987 - 1990 represents a massive infrastructure build-up to support economic recovery and agro-industrial development (82 percent in real terms) compared to the 1985 - 1990 program. The MTPIP provides for the highway subsector to receive the largest share of funding, about 70 percent, followed by the ports subsector with about 15 percent. A major concern for this massive infrastructure plan is the lack of available financial resources. Funds have been committed only for a portion of the GOP identified needs. This supplement will provide assistance to fill the overall gap in infrastructure needs, with particular emphasis on feasible roads and ports in areas outside the NCR. The majority of the additional assistance will address the improvement and expansion of feasible road segments and ports identified

by the Department of Public Works and Highways (DPWH) as important to provide the expanded basic infrastructure for economic development outside the NCR. The remaining portion will address road transportation needs in the General Santos City/South Cotabato (GSC/SC) demonstration area and support Multilateral Assistance Initiative (MAI) objectives as discussed below.

B. MAI-Assisted Infrastructure

The MAI, otherwise known as the Philippine Assistance Program (PAP), is a multi-donor effort to support GOP reform initiatives aimed at sustainable, broadly based, economic growth to increase opportunities for private sector investment. Originating in the U.S. Congress, the Reagan and Bush Administrations supported the MAI as an effort to enhance donor assistance and burden sharing in support of Philippine economic reform. In July 1989 a World Bank Consultative Group including representatives from 25 countries and international agencies met in Tokyo to launch the MAI. In Tokyo the U.S. Government made a multi-year pledge of \$1.0 billion to support the MAI, and for the U.S. Congress has subsequently appropriated \$160 million in FY 1990 Special Assistance Initiative (SAI) funds for this purpose.

In February 1990 discussions in the Philippines between Ambassador Elliot Richardson, President Bush's Special Representative for MAI and Mr. Roberto Villanueva, Chairman of the GOP Coordinating Council for the Philippine Assistance Program (CCPAP) and Committee on Official Development Assistance (CODA), a decision was reached to accelerate the initiation of MAI-funded activities, especially in the GSC/SC demonstration area. The GOP had originally requested U.S. support for the GSC/SC area in August 1988 during the visit of then-Secretary of State Schultz.

The RIF Project with its objectives to improve transportation infrastructure outside the NCR was identified as an appropriate vehicle to expedite the implementation of MAI activities in the GSC/SC area. A.I.D. assistance will address road constraints to support the GOP-named South Cotabato Special Development Project, one of a number of demonstration projects for donor investment under the PAP. The government has identified discrete components for this agro-industrial project -- for example, the establishment of the agro-processing center, improvement of the Makar Port facility, upgrading of the Buayan Airport facilities and improvement of GSC/SC telephone facilities. However, improved road networks are also needed in the area to open up markets and the economy through linkages between General Santos City, market towns and areas which are the sources or destinations of the products to be processed and/or transhipped through General Santos City as well as to facilitate the participation of the private sector in the economic diversification of the area.

To meet the objective of accelerating MAI implementation in the GSC/SC area, USAID is amending the RIF Project to add funds for additional improvements to the road network in the GSC/SC area that can be undertaken promptly with minimal additional feasibility and design work. This assistance is Phase I of an anticipated two-phase program in the GSC/SC area to be financed by MAI funds. Phase II assistance will be provided through a separate project subject to the completion of the necessary feasibility work.

C. Description of Components

1. GSC/SC Demonstration Area

Assistance will be provided for the design and construction or upgrading to an all-weather standard and for improved maintenance of approximately 250 kilometers of road improvements under this component.

The project will finance the entire range of services for road infrastructure development:

- Engineering services will be financed to review or update existing feasibility studies or develop new feasibility studies and conduct technical, economic social soundness and environmental analyses as needed for the subprojects; to review or prepare engineering designs, plans, technical and general specifications, environmental assessments, cost estimates, and bid and contract documents; and to supervise construction.

- The project will finance construction services for upgrading or constructing roads and related bridges. It is anticipated that the bulk of the construction will be performed under a combined design and construction contract. The contractor will prepare final detailed engineering designs as necessary to carry out the construction.

- The project will also provide assistance for data collection, evaluation and monitoring for the component.

Standard A.I.D. requirements for financial, economic, environmental and social feasibility studies in use under the project will also apply to road segments included in this component. Road segments to be financed will be economically feasible (projected economic internal economic rate of return is at least 15%) whether or not other infrastructure to support agro-processing activities is put in place in the GSC/SC demonstration area. (Many existing agro-processing activities will benefit from the road improvement. Others are planned -- e.g., the \$5.0 million plant financed by Cargill.)

A set of approximately 441 kilometers of road segments have been identified for upgrading in the targeted GSC/SC demonstration area of which approximately 250 kilometers will be financed under the RIF Project. Most have feasibility studies -- some need updating -- and preliminary designs. (See Section III.A.1 for a list of potential road segments to be considered under this component.) Updated feasibility studies, when completed, will serve as a principal basis for USAID and GOP selection of road segments for which further design and construction will be financed. In addition to compliance with standard financial, economic, social and environmental feasibility requirements, criteria for selection will include the following factors: (a) the degree to which the roads contribute to opening or expanding market linkages and (b) the rapidity with which the road segment can be designed and constructed on a "fast track" basis. Other road segments which are feasible and contribute to the expansion of market linkages within the GSC/SC area, but which are not financed under this component, will be included for financing under Phase II of the program.

DPWH will be the implementing agency for this component, as with the ongoing project road improvement activities. However, the approach using AID-direct contracting and a design-construction contractor for design and construction will modify DPWH's implementation role. Implementation plans are further detailed in Section IV.A.1. CCPAP and CODA will be responsible for general oversight and coordination of MAI-funded activities in the GSC/SC demonstration area.

Principal beneficiaries will be the entrepreneurs, farmers and general public in the GSC/SC area. All can benefit from improved roads to market goods and services more efficiently and effectively. Further, entrepreneurs can expand their participation in economic diversification and expansion enhanced by improved transportation links.

Life-of-Project funding for this component is \$30,000,000 in Special Assistance Initiative (SAI) funds.

## 2. Nationwide Roads and Ports

Approximately \$72.5 million of obligated funds has already been expended or programmed for technical assistance for DPWH, feasibility studies, designs and construction for roads and bridges as well as for a number of ports implemented through DPWH as follows:

### Roads (Estimated Cost of \$55 million):

- Quirino Highway
- Kalibo Highway
- Estancia - Ajuy Road
- Lipa City - San Pablo City
- Abo -Abo - Quezon (Palawan East-West I)
- Santa Fe - Rosales I Road
- Mabini Circumferential (Batangas-Mabini Road I)
- Magat Bridge

Ports (Estimated Cost of \$6.8 million):

Panacan	Almagro	Santa Rosa
Mandaon	Babak	San Jose
Calayan	Pandan	Malolos
Sabang	Ragay	Masinloc
Sogod	Pinamopoon	Cawit
Narra	San Pascual	Cajidiocan
San Pascual	Cajidiocan	Borbon
Borbon	Bulan	Pantalang Bato
Pilar	Caramoan	Panganiban
San Vicente		

This component will be expanded to provide assistance for the improvement of approximately 320 additional kilometers of road and an estimated ten additional ports. (See Section III.A.3 for listings of the additional roads and ports to be financed under this component.)

The range of inputs to be provided for the subprojects under this expanded component will be similar to those provided for the ongoing subprojects, including funds for feasibility studies or updates, engineering designs and construction. A.I.D. standard requirements for feasibility studies currently being used under the project will apply.

The existing contract for engineering services for DPWH includes services for a portion of the engineering work for the additional subprojects to be included under this expanded component. Implementation procedures will follow those now in operation. Additional engineering services will likely be needed to complete subproject work.

An additional \$50 million of ESF funds will be added to the project for the additional nationwide road and port subprojects.

### III. COST ESTIMATES AND FINANCIAL PLAN

#### A. Revised Project Costs

##### 1. Overview

The revised estimated life-of-project (LOP) Cost is \$184.5 million for the six and one-quarter-year LOP. The USAID contribution is estimated at \$170 million, consisting of \$140 million in ESF funds and \$30 million in SAI funds. The SAI funding will be made available only for activities to be financed under the GSC/SC component.

The GOP contribution is estimated at \$14.5 million in cash or "in kind," broken down as follows: (1) ESF - \$4.5 million under the existing agreement, and (2) SAI - \$10.0 million for the GSC/SC component included in this supplement. The GOP share consists of personnel, office facilities, land, rights of way (ROWS), and the design and construction of an estimated 66.5 kilometers of feeder roads (including national, provincial, city, municipal or barangay roads) linking to or complementing the SAI-funded road segments (see Annex D for details). The estimated breakdown for this supplement follows:

<u>Item</u>	<u>Cost (\$000)</u>
Engineering	450
Construction Services	6,740
Personnel, Facilities, ROWs, Land, Maintenance, etc.	2,810
Total	<u>10,000</u>

The expected allocation of revised USAID project costs over the LOP as shown in Table I are: roads and ports, 71.9 percent; air navigational aids, 9.5 percent; GSC/SC demonstration area, 17.7 percent; and other technical services, 1 percent. ESF-funded activities represent 82.4 percent while the SAI component represents 17.6 percent of the total AID costs.

Project expenditures by fiscal year are summarized in Table II. The current Project Assistance Completion Date of December 31, 1993 will apply to activities funded under this supplement.

Planned obligations of additional AID funds included in this supplement are as follows:

<u>Fiscal Year</u>	<u>Funding (\$000)</u>
1990	20,000 SAI
1990	20,000 ESF
1991	10,000 SAI
1991	30,000 ESF

Details of LOP obligations of AID funds are in Table III.

Table 1  
Estimated Life-of-Project Budget  
( \$000)

<u>PROJECT INPUT</u>	<u>A.I.D.</u>	<u>G.O.P.</u>	<u>TOTAL</u>
<u>Roads and Ports</u>			
1. Engineering	\$ 13,280	\$ 225	\$ 13,505
2. Construction Services	108,245	4,275	112,520
3. Technical Services	400	-	400
4. Commodities	130	-	130
5. Training	130	-	130
Sub-total	\$ 122,185	\$ 4,500	\$ 126,685
<u>Air Navigational Aids</u>			
1. Engineering	\$ 100	-	\$ 100
2. Construction Services	2,980	-	2,980
3. Commodities	11,870	-	11,870
4. Technical Services	740	-	740
5. Training	490	-	490
Sub-total	\$ 16,180	\$ -	\$ 16,180
<u>GSC/SC Demonstration Areas</u>			
1. Engineering	\$ 2,800	450	\$ 3,250
2. Construction Services	26,900	6,740	33,640
3. Monitoring, Evaluation and Audit	300	-	300
4. Miscellaneous Costs	-	2,810	2,810
Sub-total	\$ 30,000	\$ 10,000	\$ 40,000
<u>Other Technical Services</u>			
1. Technical Services *	\$ 1,010	-	\$ 1,010
2. Training *	100	-	100
3. Data Collection, Monitoring Evaluation and Audit (ESF Component)	525	-	525
Sub-total	\$ 1,635	\$ -	\$ 1,635
GRAND TOTALS	\$ 170,000	\$ 14,500	\$ 184,500

\*Pertains to Rural Telecommunications. Subject to the mutual agreement of the Grantee and A.I.D., the Project may finance activities in other infrastructure subsectors; provided, however, that the Grantee and A.I.D. agree that no Project financing for such activities shall be provided unless adequate provision has been made under the Project or otherwise to provide technical services and commodities determined to be necessary for such activities.

Table II  
Projection of Expenditures by Fiscal Year  
( \$000)

Element	FY '88-'90		FY '91		FY '92		FY '93		FY '94		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
<u>Roads and Ports</u>												
1. Engineering	\$ 4,666	-	\$ 7,437	\$ 50	\$ 1,177	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ 13,280	\$ 225
2. Construction Services	8,134	-	21,633	275	54,664	3,500	20,242	500	3,572	-	108,245	4,275
3. Technical Services	5	-	163	-	232	-	-	-	-	-	400	-
4. Commodities	115	-	15	-	-	-	-	-	-	-	130	-
5. Training	-	-	42	-	88	-	-	-	-	-	130	-
Sub-total	\$ 12,920	\$ -	\$ 29,290	\$ 325	\$ 56,161	\$ 3,675	\$ 20,242	\$ 500	\$ 3,572	\$ -	\$ 122,185	\$ 4,500
<u>Air Navigational Aids</u>												
1. Engineering	\$ 77	-	\$ 12	-	\$ 11	-	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ -
2. Construction Services	1,000	-	990	-	990	-	-	-	-	-	2,980	-
3. Commodities	2,890	-	7,000	-	1,980	-	-	-	-	-	11,870	-
4. Technical Services	220	-	260	-	260	-	-	-	-	-	740	-
5. Training	93	-	250	-	147	-	-	-	-	-	490	-
Sub-total	\$ 4,280	\$ -	\$ 8,512	\$ -	\$ 3,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,180	\$ -
<u>GSC/SC Demonstration Areas</u>												
1. Engineering	\$ 1,000	\$ 180	\$ 1,800	\$ 180	\$ -	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ 2,800	\$ 450
2. Construction Services	-	730	11,500	2,080	14,400	2,620	1,000	1,310	-	-	26,900	6,740
3. Monitoring, Evaluation and Audit	-	-	100	-	100	-	100	-	-	-	300	-
4. Miscellaneous Costs	-	560	-	1,310	-	750	-	190	-	-	-	2,810
Sub-total	\$ 1,000	\$ 1,470	\$ 13,400	\$ 3,570	\$ 14,500	\$ 3,460	\$ 1,100	\$ 1,500	\$ -	\$ -	\$ 30,000	\$ 10,000
<u>Other Technical Services</u>												
1. Technical Services	\$ 170	\$ -	\$ 595	\$ -	\$ 245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,010	\$ -
2. Training	-	-	50	-	50	-	-	-	-	-	100	-
3. Data Collection, Monitoring, Evaluation and Audit (ESF Component)	-	-	150	-	75	-	50	-	250	-	525	-
Sub-total	\$ 170	\$ -	\$ 795	\$ -	\$ 370	\$ -	\$ 50	\$ -	\$ 250	\$ -	\$ 1,635	\$ -
<b>GRAND TOTALS</b>	<b>\$ 18,370</b>	<b>\$ 1,470</b>	<b>\$ 51,997</b>	<b>\$ 3,895</b>	<b>\$ 74,419</b>	<b>\$ 7,135</b>	<b>\$ 21,392</b>	<b>\$ 2,000</b>	<b>\$ 3,822</b>	<b>\$ -</b>	<b>\$ 170,000</b>	<b>\$ 14,500</b>

Table III  
Actual and Planned A.I.D. Obligations  
( \$000 )

<u>Element</u>	<u>FY '87-89</u> (Actual)	<u>FY '90</u>	<u>FY '91</u>	<u>TOTAL</u>
<u>Roads and Ports</u>				
1. Engineering	\$ 11,900	\$ -	\$ 1,380	\$ 13,280
2. Construction Services	59,625	20,000	28,620	108,245
3. Technical Services	400	-	-	400
4. Commodities	130	-	-	130
5. Training	130	-	-	130
Sub-total	<u>\$ 72,185</u>	<u>\$ 20,000</u>	<u>\$ 30,000</u>	<u>\$ 122,185</u>
<u>Air Navigational Aids</u>				
1. Engineering	\$ 100	\$ -	\$ -	\$ 100
2. Construction Services	2,980	-	-	2,980
3. Commodities	11,870	-	-	11,870
4. Technical Services	740	-	-	740
5. Training	490	-	-	490
Sub-total	<u>\$ 16,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,180</u>
<u>GSC/SC Demonstration Areas</u>				
1. Engineering	\$ -	\$ 2,800	\$ -	\$ 2,800
2. Construction Services	-	16,900	10,000	26,900
3. Monitoring, Evaluation and Audit	-	300	-	300
4. Miscellaneous Costs	-	-	-	-
Sub-total	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>
<u>Other Technical Services</u>				
1. Technical Services	1,010	\$ -	\$ -	\$ 1,010
2. Training	100	-	-	100
3. Data Collection, Monitoring, Evalu- and Audit (ESF Component)	525	-	-	525
Sub-total	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,635</u>
<b>GRAND TOTALS</b>	<u><u>\$ 90,000</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 170,000</u></u>

2. Subproject Costs - GSC/SC Demonstration Area

The following list indicates the estimated costs and the availability of feasibility or design work for subprojects to be considered for financing under the GSC/SC demonstration area component.

<u>Road Subproject</u>	<u>Length (Kms.)</u>	<u>Eng. Work Available</u>	<u>1990 Est. Cost/Km. (US\$000)*</u>	<u>1990 Est. Cost (US\$000)*</u>
Koronadal-Tampakan-Tupi	32	None	90.91	2,909
GSC-Glan Road	38	Pre-feas.	90.91	3,455
GSC-Malisbong	135	Feas.	90.91	12,273
Polomolok-Polo	15	None	90.91	1,364
Tupi-Surallah	30	Feas.	90.91	2,727
Surallah-Lake Sebu	28	Feas.	90.91	2,546
Surallah-T'Boli	26	Feas.	90.91	2,364
Banga-Noralla-Kolambog	24	Feas.	90.91	2,182
Labu-Silway	23	None	90.91	2,091
GSC By-Pass	20	None	136.36	2,727
GSC-Banate (paving only)	<u>70</u>	Feas./Des.	90.91	<u>6,364</u>
<b>Totals</b>	<b><u>441</u></b>			<b><u>41,002</u></b>

\* U.S.\$ = 22 pesos

Of the total, some feasibility and design work has already been undertaken for about 350 kilometers. Final selection will be based on the results of feasibility findings and their contribution to opening markets in the GSC/SC area.

3. Subproject Costs - Nationwide Roads and Ports

The following list indicates the estimated costs and the availability of feasibility or design work for subprojects to be considered for financing under the nationwide roads and ports component.

<u>Road Subproject</u>	<u>Length (Kms.)</u>	<u>Eng. Work Available</u>	<u>1990 Est. Cost/Km. (US\$000)*</u>	<u>1990 Est. Cost (US\$000)*</u>
Baco-P. Galera-Abra I	68	None	113.6	7,725
Palawan East - West	192	None	113.6	21,811
Sibuyan-Tablas Circumf.	112	None	113.6	12,723
Marinduque Circumf.	75	Feas.	113.6	8,520
Mactan Circumferential I	30	Feas.	113.6	3,408
Kalibo Highway II	61	Feas.	113.6	6,930
Madela-Casiguran I	65	None	113.6	7,384
Morta-Bulalacas-Roxas I	92	None	113.6	10,451
Surigao-Davao I	146	Feas.	113.6	16,586
Tubay-Lake Mainit	71	None	113.6	8,066
Kabankalan-Basay	132	Feas.	113.6	14,995
Totals	<u>1,044</u>			<u>118,599</u>

\* U.S.\$ = 22 pesos

<u>Port Subproject</u>	<u>Province</u>	<u>1990 Estimated (US\$000)*</u>
Pio Duran	Albay	273
Rapu-rapu	Albay	273
Sabtang	Batanes	273
Basco	Batanes	273
Sangay	Camarines Sur	273
Mercedes	Samar	273
Giporlos	Samar	273
Oras	Samar	273
Pagudpod	Ilocos Norte	273
Palanan	Isabela	273
Daram	Leyte	273
Cabucgayan	Leyte	273
Kawayan	Leyte	273
San Juan	Leyte	273
Aroroy	Masbate	273
Milagros	Masbate	273
Cataingan	Masbate	273
Cawayan	Masbate	273
Pambujan	Samar	273
Poblacion	Puerto Princesa	273
Zumarraga	Samar	273
Liloan	Leyte	273
Bacon	Sorsogon	273
Morong	Bataan	273
Siruma	Camarines Sur	273
Total		<u>6,825</u>

\* U.S.\$ = 22 pesos

Of the total for road subprojects, some feasibility and design work has been undertaken for about 444 kilometers that are estimated to cost \$50,439 million. No feasibility work has been undertaken for the potential port projects listed. Final selection will be based on the results of feasibility findings, contribution to open markets, and other currently used criteria. It is expected that the bulk of the funding will be allocated to the construction of road segments.

B. Implementation and Financing Methods

Table IV summarizes the methods of implementation and financing for the additional funds provided for in this supplement:

Table IV  
Methods of Implementation and Financing  
(\$000)

<u>Implementation Activity</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Estimated Amount</u>
GSC/SC Demonstration Area			\$30,000
Engineering Services:			
Feasibility Studies	Host Country	AID-Direct Payment	
Design Services	AID-Direct	AID-Direct Payment	
Const. Super. Servs.	AID-Direct	AID-Direct Payment	
Construction Services	AID-Direct	AID-Direct Payment	
Monitoring, Evaluation and Audit	AID-Direct	AID-Direct Payment	
Nationwide Roads and ports			50,000
Engineering Services	Host Country or AID-Direct	Cash Advance/Liquid., AID-Direct Payment or Direct Reimbursement	
Construction Services	Host Country or AID-Direct	Cash Advance/Liquid., AID-Direct Payment or Direct Reimbursement	
Commodities	Host Country or AID-Direct	Cash Advance/Liquid., AID-Direct Payment or Direct Reimbursement	
Totals			<u>\$80,000</u>

C. Audits and Financial Monitoring

Responsibility for the audit of USAID-funded projects lies with the Office of the Regional Inspector General (RIG/A). The existing agreement provides for independent audit rights for USAID. It is expected that RIG/A will perform routine audits related to this project. A total budget of \$75,000 (\$50,000 ESF and \$25,000 SAI) is set aside to finance non-federal audits which may be required for funding under this supplement.

An estimated \$25,000 of the GSC/SC monitoring funds may be used for financial services to monitor financial progress and/or expenditure records.

#### IV. IMPLEMENTATION, MONITORING AND EVALUATION ARRANGEMENTS

##### A. Implementation Approach

##### 1. GSC/SC Demonstration Area

DPWH will be the implementing agency for this component as for the ongoing project-financed road and port activities. However, the implementation approach will include expeditious A.I.D.-direct contracting measures. CODA, the principal GOP organization responsible for monitoring development in the demonstration areas under the PAP, will participate in approving subprojects, monitoring implementation of the Agreement and participating in a review of evaluation findings.

DPWH and USAID have identified the subprojects listed in Section III.A.2 to be financed under this component. CODA and USAID will agree to a final selection of subprojects upon the completion of updated feasibility studies. Criteria for the selection of road segments will include:

- Compliance with standard A.I.D. technical, financial, economic, social and environmental feasibility requirements;
- Extent to which roads contribute to opening or expanding market linkages; and
- Rapidity with which the segment can be designed and constructed on a "fast-track" basis.

To expedite the implementation of GSC/SC activities, the existing contract between DPWH and Louis Berger International, Inc. (LBII) and TGCI will be amended to include services for reviewing and updating existing feasibility studies and designs or preparing new feasibility studies and preliminary designs for the road segments under this component.

While feasibility work is proceeding, USAID will contract directly with a U.S. firm as general contractor for the combined final engineering design and construction services for the subprojects determined feasible. The contractor must have both design and construction experience as well as recent overseas experience. Responsibilities of the design-build contractor will include:

- Completion of final road designs and maintenance recommendations based on the feasibility studies and preliminary designs presented by DPWH/USAID and obtain approval of final designs by supervisory engineers, DPWH and USAID; and
- Execution of all civil works and other works necessary to complete construction in accordance with the approved final designs.

USAID will also procure the services of a U.S. consulting engineering firm as soon as possible to review the final engineering design and provide construction supervisory services. USAID may also procure the services of a U.S. firm or a U.S. firm in a joint venture or association with a Philippine firm through a separate contract for the GSC-Banate subproject that may be undertaken prior to the availability of the principal design-build contractor. This road segment, which is part of the major highway between Davao and General Santos City, was recently completed (1987). However, the road surface was not done according to the specifications and requires immediate repair to preclude erosion of the road base and, eventually, disintegration of the road.

DPWH will be responsible for ensuring that funding is available for maintenance of the roads constructed.

## 2. Nationwide Roads and Ports

Implementation procedures for this expanded component will follow those developed and in place in DPWH. The project-financed contractor (LBII/TGCI) will assist DPWH to undertake feasibility updates and, possibly, engineering designs and construction supervision services for subprojects financed under this component. Subproject selection and feasibility study procedures being followed for ongoing road and port subproject implementation will be used.

Another U.S. general contractor to complete design and construction supervision for this expanded component will be required. DPWH will be responsible for procurement of this contractor unless it requests USAID to undertake the procurement.

### B. Monitoring Plan

For the GSC/SC component, LBII/TGCI will submit monthly reports to DPWH and USAID on the progress of feasibility and preliminary design work. The construction supervisor will also submit monthly reports to USAID for discussions with DPWH. Such reports will include, but not be limited to the status of physical and financial progress of engineering, construction, technical assistance, commodity procurement, training, and maintenance of completed works. USAID and DPWH project management officials will hold quarterly meetings to review progress under this component. In addition, a Personal Services Contractor may be financed by program funds to assist with monitoring of GSC/SC activities.

Procedures already in place will be used for monitoring the expanded nationwide roads and ports components.

### C. USAID Project Management

USAID Project Management for the two components will be handled separately. For the expanded nationwide road and port component, the

existing arrangements will continue whereby a Project Manager under a Personal Services Contract, working under a U.S. direct-hire engineer in the Office of Capital Projects, is responsible for major monitoring tasks. Two to three Foreign Service National (FSN) engineers will assist the Project Manager.

For the GSC/SC component, a separate Mindanao Area Development Projects Division (MADPD) Division will be created within the Office of Capital Projects. This division, which will be headed by a U.S. direct-hire engineer, will be responsible for coordinating/monitoring all Phase I and II activities in GSC/SC. USAID will establish an office in General Santos City under the direction of the MADPD to monitor activities in the GSC/SC area, including those to be financed under a separate project for the GSC/SC economic zone. Staff will include two FSN engineers.

D. Implementation Schedule

<u>Date</u>	<u>Action</u>	<u>Actor(s)</u>
<u>Preliminary Actions:</u>		
May 15, 1990	Project Authorized	USAID
May 15, 1990	Project Agreement Signed (SAI)	USAID/NEDA
May 15, 1990	Memorandum of Agreement Signed	USAID/CCPAP
August 1990	Conditions Precedent Met: Agreement with Design-Build and Const. Supt. SOWs	USAID/CODA/DPWH
May-June 1990	Project Agreement Signed (ESF)	USAID/NEDA
July 1990	Feas. Studies (GSC/SC) Approved	CODA/USAID
<u>LBII/TGCI Contract Amendment (GSC/SC) and Related Activity:</u>		
March-April 1990	Terms of Reference (TOR) Developed	DPWH/USAID
April 1990	TOR & Draft Contract Approved	USAID
May 1990	Contract Amended	DPWH
July 1990	Feasibility Studies Completed	TA/DPWH
July 1990	Feasibility Studies Approved	USAID
<u>Construction Supervision Contracting (GSC/SC):</u>		
May 1990	PIO/T (SOW) & RFPT Drafted	USAID/DPWH
June 15, 1990	PIO/T Executed	USAID/DPWH or CODA
June 1, 1990	CBD Advertising	USAID/CBD
June 10, 1990	RFPT Finalized/Distributed	USAID
July 1990	Proposals Evaluated	USAID/DPWH
August 1990	Contract Negotiated	USAID
August 15, 1990	Contract Executed	USAID
November 1, 1990	Contractor Mobilized	TA

Construction Contracting (GSC/SC) (Optional for GSC-Banate):

May 1990	CBD Advertising	USAID
June 1990	Bid Documents Prepared	TA/DPWH/USAID
June 1990	IFB Distributed	USAID
July 1990	Bids Reviewed/Selected	USAID/DPWH
August 1990	Contract Negotiated/Executed	USAID
September 1990	Contractor Mobilized	Contractor

Design-Build Contracting (GSC/SC) and Related Activity:

May 1990	Design-Build Mechanism Approved	AID/Washington
July 1990	PIO/T Drafted/Executed	USAID/DPWH or CODA
July 1990	CBD Advertising	USAID/CBD
July 1990	RFP Issued	USAID
September 1990	Bids Analyzed/Award Recommended	USAID
October 1990	Contract Executed	USAID
December 1990	Contractor Mobilized	Contractor

Construction Supervision Contracting (Nationwide Roads and Ports)\*:

July 1990	CBD Advertising	USAID/CBD
August 1990	RFTP Drafted/Distributed	DPWH/USAID
November 1990	Proposals Evaluated	DPWH
January 1991	Contract Negotiated	DPWH
February 1991	Contract Executed	DPWH
April 1991	Contractor Mobilized	Contractor

Initial Subproject Construction Begins:

Oct. - Nov. 1990	GSC/SC Component	TA
October 1990	Nationwide Roads & Ports Component	TA

Evaluation:

June 1993	Evaluation for SAI portion	USAID/DPWH/CODA
June 1993	Evaluation for ESF portion	USAID/DPWH/NEDA

End of Project:

December 31, 1993	PACD	USAID/DPWH
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\* Actors assume host country contracting mode; AID-direct contracting is an option.

#### E. Procurement Plan

The authorized source/origin for procurement under the supplement remains as the U.S. and Philippines. Procurement under the supplement will follow relevant AID Handbooks and regulations, including Handbook 1B, Procurement Policies; Federal Acquisition Regulations and AID Acquisition Regulations as applicable; Handbook 11, Country Contracting; and Handbook 15, Commodities. The procurement plan for activities funded under this supplement are included below:

##### 1. Contracting for Combined Design-Construction Services

USAID has received approval of the A.I.D. Procurement Executive for the use of a design-build contract with a U.S. firm to provide both design and construction services for the GSC/SC component. (See Annex C for a copy of the document approving this mechanism.) Procurement for the contractor will begin upon completion of feasibility studies, shortly after the signing of the Project Agreement Amendment to add SAI funding to the project and will include refinement of the scope of work and advertising in the Commerce Business Daily (CBD).

##### 2. Other Technical Services

The existing project-financed engineering consulting services contract between LBII/TGCI and DPWH will be amended to include services to prepare or conduct feasibility updates and preliminary design for the GSC/SC roads. USAID will approve the scope of work and DPWH will execute the amendment shortly thereafter. Work will begin on these studies upon agreement by USAID and the GOP to proceed.

USAID will contract directly for the services of a U.S. consulting engineer firm to assist USAID and DPWH to review the detailed engineering design for the GSC/SC subprojects and supervise construction undertaken by the turnkey contractor. Contracting for this firm will begin shortly after the Project Agreement is signed and will include the refinement of the scope of work and advertising in the CBD.

USAID may also contract directly with an individual under a Personal Services Contract to provide monitoring services for the GSC/SC component. Procurement would begin in mid-1990 for this individual.

DPWH (or USAID if requested) will undertake contracting for a second consultant to carry out additional feasibility studies, design and construction supervision for the nationwide roads and port component. Contracting for this firm should begin in mid-1990.

USAID will contract directly for evaluation, financial monitoring and auditing services. A Gray Amendment qualifying firm may be used for these services if appropriate.

### 3. Construction

Construction services for the GSC/SC component will be included in the turnkey contract. However, USAID may opt to contract separately with a firm to undertake construction of the GSC-Banate subproject, if this subproject can be initiated significantly in advance of other construction under the turnkey contract. Bid documents will be prepared for the latter contract once the feasibility work is completed and advertising and contracting will proceed thereafter.

Construction services for the expanded nationwide road and port component will be implemented through DPWH using A.I.D. host country contracting procedures.

### 4. Commodities

For the GSC/SC component, the turnkey contractor is expected to procure the necessary commodities using applicable A.I.D. procedures.

### F. Gray Amendment

USAID has given full consideration to the potential involvement of small and/or economically and socially disadvantaged enterprises and has determined that full and open competition is appropriate for the majority of the contracts anticipated because of the size and qualifications required for planned efforts. Notwithstanding this determination, USAID anticipates potential for qualifying Gray Amendment firms as follows:

- Prospective bidders for all engineering and construction contracts will be encouraged to include the involvement of qualifying Gray Amendment concerns as subcontractors; and
- Efforts will be made to identify qualifying Gray Amendment firms to provide services for the evaluations.

### G. Waivers

AID Procurement Executive approval for use of a combined design-construction contract for the GSC/SC component has been obtained. See Annex C for a copy of the approval document. No other waivers are anticipated at this time.

### H. Evaluation Plan

For the GSC/SC component, a final evaluation will be conducted in mid-1993. The purposes will be to assess: (a) the effectiveness of the design and contracting mechanisms used; (b) physical progress; and (c) impact. DPWH, CODA and USAID will jointly review evaluation findings.

Information to be collected and/or reviewed will include, but not be limited to, the following:

- Physical structures: technical quality and operation/maintenance by DPWH;
- Contracting mechanisms: design-build contractor performance, including control of costs, timeliness of work, and quality of work and construction supervisory performance to ensure technical quality and timely execution of contract, etc.;
- Project management: DPWH management effectiveness, including quality and availability of staff and procedures and timeliness of actions; and USAID management effectiveness, including quality of staff, use of on-site project office, and timeliness and ease of problem resolutions; and
- Impact on the economy and private sector: changes in business investments (possibly licenses) in area, surveys of business communities (including, local, nationwide and U.S.), personal income, agricultural productivity, and manufacturing and agricultural processing activity. Impact may be assessed jointly with that of the planned Mindanao Area Development Project.

## V. PROJECT ANALYSES

The technical, economic, financial, environmental, social soundness and administrative analyses contained in the original project for the most part will also apply to the activities funded under this component. Each subproject must meet A.I.D. minimum financial, economic, environmental and technical requirements to qualify for detailed design and construction under the project. Additional information is provided below on selected technical/financial, environmental and administrative aspects.

### A. Technical/Financial Analyses

USAID and DPWH have identified a list of road segments for the GSC/SC (441 kilometers) and road segments and ports Nationwide Roads and Ports (1,044 kilometers of roads and numerous ports). Necessary plans and cost estimates are available for "pools" of subprojects which are greater than the LOP funds being authorized under the GSC/SC and Nationwide Roads and Ports components, respectively. In addition to the available feasibility studies and preliminary designs, USAID experience with infrastructure both under this project and other ESF Secretariat-implemented projects and the fact that the anticipated engineering/construction work to be undertaken is for rehabilitation and upgrading of roads rather than new construction provides an adequate base for estimating preliminary costs. Final estimates will be based on updated feasibility analysis and design work. Approximately 250 and 320 kilometers of roads will be selected for construction under the GSC/SC and Nationwide Roads and Ports components, respectively.

In regard to maintenance, the implementing agency, DPWH, has the capacity to maintain roads throughout the country. The design-build contractor will recommend maintenance practices for the improved roads and identify any training needs that may be required for local officials to undertake maintenance responsibilities. USAID may assist in the exploration of private (contract) maintenance of roads in support of the emerging GOP policy to increase private sector participation in maintenance activities. During the life of project, the availability of funds for and the performance of maintenance for the improved infrastructure will be monitored.

### B. Environmental Analysis

Environmental assessments will be necessary for most, if not all, subprojects. Prospective contractors must demonstrate the capacity to undertake such assessments and recommend appropriate measures to ameliorate potentially devastating effects on the environment in accordance with A.I.D. standard requirements. The LBII/TGCI contract is being amended to include funding to conduct the required assessments for subprojects under its responsibility. USAID is exploring how to improve the process of obtaining environmental assessment approvals from the ANE Bureau.

C. Administrative Analysis

The addition of the GSC/SC component and the expansion of the Nationwide Roads and Ports component included in this supplement will tax DPWH capacity to manage implementation of all activities. Thus, the supplement provides for a modified approach for the GSC/SC component and additional general contractor assistance for DPWH for implementing the expanded road and port activities. Further, A.I.D. direct contracting will reduce the burden on DPWH.

The additional assistance provided will also tax USAID capacity to monitor implementation, particularly the acceleration of the contracting process and later administration of the various contracts. An additional U.S. direct hire engineer in the Office of Capital Projects will provide additional assistance. The Contracts Services Office (CSO) will seek temporary assistance with the contracting process for the GSC/SC during the next six months. Additional FSN assistance may be required for CSO and the Office of Financial Management for the anticipated direct contract monitoring and payments.

VI. CONDITIONS PRECEDENT

The GSC/SC component will be obligated through a discrete Agreement Amendment and include a supplement Annex describing this activity. In addition to the requirement to identify and provide signatures of additional representatives for the GSC/SC component, Amendment No. 3 to the Project Agreement will include the following Condition Precedent:

Condition Precedent to Disbursement for Construction Subprojects.

Prior to the disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for design and construction of roads in the General Santos demonstration area, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., approval of project implementation orders for detailed design-build construction services, and for supervisory engineering services.

**ANNEXES**

**ANNEX A**

Request from GOP



Republic of the Philippines

Annex A

Office of the President

Coordinating Council of the Philippine Assistance Program

Manila

March 15, 1990

Hon. Malcolm Butler
Mission Director, USAID
15th Flr Ramon Magsaysay Bldg
Roxas Blvd, Manila

3-678
USAID/C&R
MAR 21 8 43 AM '90
RECEIVED

Dear Director Butler,

The CCPAP, as Coordinator of the South Cotabato Special Development Project (SCSDP), is planning to launch this major Special Development Project by the end of April 1990.

The conduct of this launch activity, however, will depend on the readiness of both the Government of the Philippines and the United States Agency for International Development to formalize their respective commitments for support and development of this Special Development Project.

Principally required will be the amendment to the Rural Infrastructure Fund which will allow your government's MAI contribution to be used for Philippine countryside development for South Cotabato. The signing of the RIF document between our two governments is planned to be a milestone for this major event.

The signing of a Memorandum of Agreement between our respective governments which confirms the participation of the United States Agency for International Development in infrastructure projects and the conduct of a master plan for South Cotabato is likewise planned as a milestone.

We wish to reiterate our desire, as much as yours, to accelerate this major development for South Cotabato and to solicit your cooperation in obtaining the necessary approvals within your government by the first week of April 1990, in order to enable us to proceed with the preparations for this event

ACTION TAKEN
Name:
Type:
Date:
Other:
No:
Initials:

Table with columns DIV and ACT INF. Rows include OD, PE, OLA, PESO, CSO, DRM, EXO, A/EXO, PROC, PER, C&R, DMD, CMD, GSO, TRV, OFM, OCP, ORAD, OPHN.

We anticipate that the United States MAI commitment of US\$30 million for road infrastructure projects can be made immediately available to support your government's commitment to the South Cotabato Special Development Project.

Sincerely,

*RK Katigbak*  
RAMON K. KATIGBAK  
Executive Director

rkk: /aps

**Annex B**

Statutory Checklist (1990 DA portion only)

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?  
Congress cleared Notification on May 11, 1990.
2. FAA Sec. 611(a). Prior to an obligation in excess of \$500,000, will there be:  
(a) engineering, financial or other plans necessary to carry out the assistance; (a) Yes  
and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (b) Yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?  
N/A

4. FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)
- Feasibility studies for the planned roads will address water resource planning issues.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?
- Yes.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
- No.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
- (a) increase the flow of international trade;
  - (b) foster private initiative and competition;
  - (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
  - (d) discourage monopolistic practices;
  - (e) improve technical efficiency of industry, agriculture and commerce; and
  - (f) strengthen free labor unions.
- (a) Improved roads will facilitate transport of goods, including exports, to and from ports in GSC.
- (b) Contracts for design and construction will be openly competed; infrastructure will provide opportunities for business expansion.
- (c) N/A. (e) N/A.  
(d) N/A. (f) N/A.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- U.S. firms will be encouraged to participate in providing services for design and construction under the project.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. The GOP will finance in kind or in cash a minimum of 25% of project costs in the form of personnel, facilities, land, Rows, and infrastructure subprojects.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A
11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No.
13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other (a) N/A  
(b) N/A  
(c) N/A  
(d) Environmental assessments will be undertaken for all infrastructure activities to determine and, if appropriate, mitigate damage to any protected area or plants.

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
  
15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
  
16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
  
17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A
19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2. Does the project use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? The GOP uses metric measurements for infrastructure development and its use causes no significant detriment to U.S. firms.
20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased? Improved roads will benefit men and women equally.
21. FY 1990 Appropriations Act Sec. 592(a). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? N/A

Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1990 Appropriations Act Sec. 546 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

b. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

c. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The potential road sub-projects are included in regionally developed plans as important to improve transport systems.

d. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes. Improved roads facilitate marketing of agricultural production and provide opportunities for expanded business growth

e. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will: (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.

- (1) Local government representatives have participated in the identification of roads to be improved
- (2) N/A
- (3) N/A
- (4) N/A
- (5) N/A

f. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Does the project fit the criteria for the source of funds (functional account) being used?

N/A

g. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for

N/A

use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

h. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

i. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes, 25% of the project-funded road network activity in GSC/SC.

j. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

N/A

k. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Principal U.S. Contractors will be encouraged to utilize local firms for construction and/or other tasks for which capacity exists in the GSC/SC area.

l. FY 1990 Appropriations Act, under heading "Population, DA," and Sec. 535. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

N/A

- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? N/A
- Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? N/A
- Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? N/A
- In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? N/A
- m. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
- n. FY 1990 Appropriations Act Sec. 579. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and

private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

o. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a

Yes. For all road improvements, standard AID requirements for environmental assessments will be adhered to in efforts to minimize damage to natural resources

(1)-(11)- N/A

condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; and (11) utilize the resources and abilities of all relevant U.S. government agencies?

p. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project: (1) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (2) take full account of the environmental impacts of the proposed activities on biological diversity?

Yes.

q. FAA Sec. 118(c)(14). Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

(1) No.

(2) No.

r. FAA Sec. 118(c)(15). Will assistance be used for: (1) activities which would result in the conversion of forest lands to the rearing of livestock; (2) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (3) the

(1) No.

(2) No. The project will upgrade existing roads or develop new segments in relatively populated areas.

(3) No.

colonization of forest lands; or (4) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? (4) No

s. FY 1990 Appropriations Act Sec. 534(a). If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

t. FY 1990 Appropriations Act Sec. 534(b). If assistance relates to energy, will such assistance focus on improved energy efficiency, increased use of renewable energy resources, and national energy plans (such as least-cost energy plans) which include investment in end-use efficiency and renewable energy resources? N/A

Describe and give conclusions as to how such assistance will: (1) increase the energy expertise of A.I.D. staff, (2) help to develop analyses of energy-sector actions to minimize emissions of greenhouse gases at least cost, (3) develop energy-sector plans that employ end-use analysis and other techniques to identify cost-effective actions to minimize reliance on fossil fuels, (4) help to analyze fully environmental impacts (including impact on global warming), (5) improve efficiency in production, transmission, distribution, and use of energy, (6) assist in exploiting nonconventional renewable energy resources, including wind, solar, small-hydro, geo-thermal, and advanced

biomass systems, (7) expand efforts to meet the energy needs of the rural poor, (8) encourage host countries to sponsor meetings with United States energy efficiency experts to discuss the use of least-cost planning techniques, (9) help to develop a cadre of United States experts capable of providing technical assistance to developing countries on energy issues, and (10) strengthen cooperation on energy issues with the Department of Energy, EPA, World Bank, and Development Assistance Committee of the OECD.

u. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA" N/A  
(as interpreted by conference report upon original enactment). If assistance will come from the Sub-Saharan Africa DA account, is it: (1) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (2) being provided in accordance with the policies contained in section 102 of the FAA; (3) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (4) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take

into account, in assisted policy reforms, the need to protect vulnerable groups; (5) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

v. International Development Act Sec. 711, FAA Sec. 463. If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (1) the world's oceans and atmosphere, (2) animal and plant species, and (3) parks and reserves; or describe how the exchange will promote: (4) natural resource management, (5) local conservation programs, (6) conservation training programs, (7) public commitment to conservation, (8) land and ecosystem management, and (9) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

w. FY 1990 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

**Annex C**

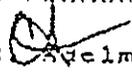
Procurement Executive Approval of Contracting Mechanism

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

APR - 9 1990

ASSISTANT  
ADMINISTRATOR

ACTION MEMORANDUM FOR THE PROCUREMENT EXECUTIVE

FROM: AA/AND, Carol C.  Swelmen

SUBJECT: Approval for Design-Build Contract for Philippine  
General Santos City Roads under Rural Infrastructure  
Fund Project (492-0420)

ACTION: IOM approval is requested for USAID/Philippines to use a design-build contract worth about \$30 million under which one firm will carry out detailed design of certain roads and will construct them.

Discussion: Under the Multilateral Assistance Program (MAI) for the Philippines announced at the Consultative Group in Tokyo last July, the U.S. has been identified with special development efforts in the General Santos City/South Cotabato Province (GSC/SC) area of southern Mindanao.

USAID/Philippines proposes (MANILA 0301, attached) to advance the GSC/SC development effort by expediting work on previously planned road improvements (rehabilitation, paving, improving drainage, etc.) under the on going Rural Infrastructure Fund Project (RIF) (492-0420) so that some constraints to development in the region will be removed as soon as possible and parties interested in investment there will be assured that we are moving rapidly to make necessary infrastructure available. However, these road improvements are needed even if there is no further AID GSC/SC project assistance. USAID/Philippines proposes to contract with one U.S. firm to perform detailed design and construction of these road improvements. Compressing the design-build process will save up to twelve months in completing the GSC/SC road improvements.

Under the proposed approach, the U.S. firm now performing preliminary design services under the RIF will prepare bid documents with preliminary quantity estimates, USAID will complete and award the design-build contract, and the design-build contractor will carry out preliminary procurement of materials and other preparations while completing detailed design. Another U.S. firm will be contracted to supervise most of the design-build contractor and to review and approve

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detailed designs on behalf of AID and the Philippine Department of Public Works and Highways (DPWH). Only after approval of the detailed designs, will the design-build contractor proceed to final construction.

Your approval is sought because FAR 36.209 provides:

"No contract for the construction of a project shall be awarded to the firm that designed the project or its subsidiaries or affiliates, except with the approval of the head of the agency or authorized representative."

ANE Bureau Analysis: We need to make concrete progress in the GSC/SC area soon. We have sent high ranking U.S. Government and business missions to the GSC/SC area to work with local government and business interests on agro-industrial, fishery and similar investments in connection with a larger AID project under the MAI. The investments will be stimulated if we show immediate progress on the roads.

We have also considered the risks and costs of the design-build approach. Generally, a design-build contract will cost more than separate contracts for detailed design and for construction due to greater unknowns for bidders. However, design-build has long been used outside the U.S. and is increasingly used by U.S. industry because it reduces the risk of the client for errors in the detailed design. There is still a divergence of interests for the design-build contractor between the quality standards of the work designed and the cost of constructing it, but this is true of all construction contracts. To offset this, USAID will contract for close engineering supervision of construction and scrutiny of the detailed design; this may slightly increase costs of these engineering services, but there may be savings because the design-build contractor will not be able to claim faults in the design as grounds for changes in the construction contract. USAID and DPWH will arrange for prompt approvals of designs, change orders, etc. to avoid extra costs from delaying the design-build contractor.

On balance, we conclude that the costs and risks for a design-build contract are worthwhile to make an early and rapid start on the most conspicuous AID effort under the MAI. Although we cannot quantify it, time is valuable in terms of economic confidence and improved business climate for the GSC/SC project and our MAI efforts in general.

Recommendation: That you approve this Bureau's use of a design-build contract for approximately \$30 million for detailed design and construction of road improvements in the GSC/SC area in the Philippines.

APPROVED: J. Owens

DISAPPROVED: \_\_\_\_\_

DATE: 4/13/90

Attachment: MANILA 8301

Clearances:

MS/PPE:JDMurphy 4/11  
MS/OP/OS:MDarvin 4/11

- DAA/ANE:THReese (draft)
- ANE/PD:RNachtrieb (draft)
- ANE/TR:BTurner (draft)
- ANE/DP:PDavis (draft)
- ANE/EA:PWhite (draft)
- GC/ANE:HMorris (draft)
- ANE/PD/ENG:AGrayson (draft)
- ANE/PD/EA:TLRishoi (draft)

cc USAID/Manila  
File: 492-0420, JN chron

ANE/PD/EA:JRNussbaum:ls1:6 Apr 90:x79624:docid 41230

**Annex D**

Table of GOP Counterpart for GSC/SC Component

\$10.0 M GOP COUNTERPART FUND FOR THE GSC/SC DEMONSTRATION AREAS  
RURAL INFRASTRUCTURE FUND PROJECT (492-0420)  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

Project Components/ Activities	Major Indicators	Physical Targets (KM)				Total (KM)	Financial Targets (\$000)				Total (\$000)
		Calendar Years					Calendar Years				
		1990	1991	1992	1993		1990	1991	1992	1993	
1. Engineering (Updating of feasibility studies and completed design)	66.5 km. of Roads	27.4	27.4	13.7	-	68.5	180.00	180.00	90.00	-	\$450.00
2. Construction Services	Nat'l. Road (58 km)	5.8	17.4	23.2	11.6	58.0	655.65	1,966.96	2,622.61	1,311.30	
	Bgy. Road (8.5 km)	3.4	5.1	-	-	8.5	73.91	110.87	-	-	
Sub-total						66.5	729.56	2,077.83	2,622.61	1,311.30	6,741.30
3. Miscellaneous Costs											
(a) Road Maintenance	Nat'l. Road (58 km)	5.8	17.4	23.2	11.6	58.0	4.29	12.86	17.15	8.57	42.87
	Bgy. Road (8.5 km)	3.4	5.1	-	-	8.5	0.66	1.00	-	-	1.66
(b) RROR	=P= Funded (66.5 km)	13.3	39.9	13.3	-	66.5	57.83	173.48	57.83	-	289.14
	\$ Funded (2 97 km)	59.4	178.2	59.4	-	297.0	258.26	774.78	258.26	-	1,291.30
(c) Operating Expenses	Personnel Services,										
	Misc. Operating Expenses, etc.						240.00	360.00	420.00	180.00	1,200.00
Sub-total						430.0	561.04	1,322.12	753.24	188.57	2,824.97
<b>GRAND TOTAL</b>											<b>\$10,016.27</b>