

***ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND  
GOVERNANCE ENHANCEMENT (EMERGE)***

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**QUARTERLY PERFORMANCE REPORT**

**Contractor:** CARANA Corp./Nathan Associates Inc.

**Contract #** AFP-I-00-03-00020-00 Delivery Order 800

**Reporting Period:** August 23 to December 31, 2004

**Section I - CONTRACTOR'S REPORT**

**A. Narrative:**

**1) Delivery Order Contract Final Objective:** The Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity is to contribute towards USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-liberalization partners and stakeholders. It has two broad objectives. It will contribute to:

- continuing policy liberalization in the Philippines, and
- increasing the degree of competition in the Philippine economy.

The contractor is responsible for the following major task areas:

- 1) policy analysis and technical assistance;
- 2) administration of grants to NGOs and nongovernmental research institutions;
- 3) administration of the Special Activities Fund (SAF);
- 4) SO2 monitoring, assessment, reporting; and
- 5) public information and consultations.

The 3-year Delivery Order Contract authorized a total level-of-effort of 7,504 workdays, which may be adjusted by written approval of the CTO subject to the delivery order ceiling price of US\$11,333,829. The Contract was signed on August 23, 2004, and expires on August 22, 2007. The remaining balance of the delivery order, as of December 31, 2004, was \$11,073,309.25.

**2) Expected Results:** Performance monitoring will be based on assessment of results obtained compared to those projected in the implementation work plans. The two stated EMERGE objectives, i.e., increase liberalization and increase competition, are outside the manageable control of the EMERGE contractor. These can only be produced by the people of the Philippines, including government entities and the private sector. Through EMERGE activities,

however, the contractor can contribute significantly to understanding and appreciation by stakeholders, policy makers and interested parties of the costs to the economy (e.g., employment and foreign exchange earnings foregone) from policies or practices that allow economic rents or of monopoly profits from cartel-like arrangements. Thus, performance criteria for annually-approved implementation work plans will concentrate on the effectiveness of the contractor in selecting, designing, implementing and disseminating work designed to increase policy maker, stakeholder and public awareness.

The contractor is to develop specific performance indicators that are linked to policy actions actually taken in the course of the Activity. These indicators will be included in each implementation work plan, with targets specific to each work plan.

**3) (a) Current Core Activities:** The contract defines (in subsection 4.2.) the major task areas listed in paragraph 1) above. During this initial, start-up quarter, the contract, the project technical proposal and the EMERGE 2004 Work Plan described the following activities to be undertaken within each of the major task areas, in addition to start-up administrative tasks:

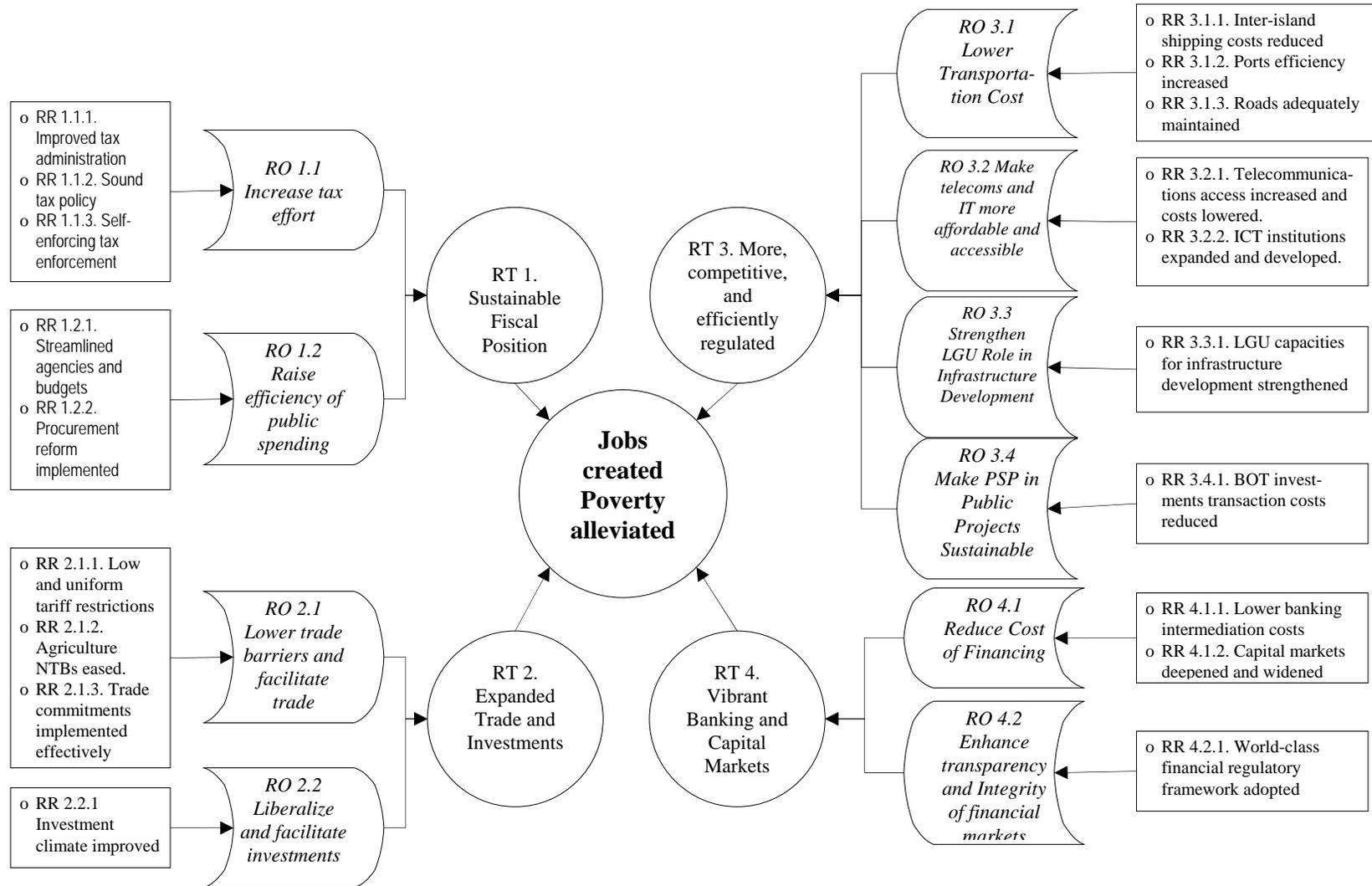
#### **Start-up Administrative Tasks**

The Technical Proposal promised to mobilize the implementation team within one month of the contract award, set up basic management and support systems, and have a fully functioning project office within four weeks of start-up. Initial contacts were to be made with reform stakeholders, partner and counterpart institutions in the government, private sector and academia, and with other donor agencies. A mechanism to coordinate EMERGE activities with those of its TIERG institutional partners was to be established. Three initial planning documents were to be prepared: 1) a 2004 Work Plan covering the remainder of 2004, 2) a Life of Contract Work Plan, providing a general description of major areas of activity for the 3-year life of contract, and 3) a detailed 2005 Work Plan.

#### **TASK 1 - Policy Analysis and Technical Assistance (TA)**

The 2004 Work Plan identified four major economic policy reform themes or purposes that contribute to the overall goals of more productive jobs created and poverty reduced: 1) a sustainable fiscal position, 2) expanded trade and investment, 3) more competitive and efficiently regulated infrastructure, and 4) vibrant banking and capital markets. It identified ten EMERGE reform objectives to help the Government of the Republic of the Philippines (GRP) achieve these purposes, and 19 reform results to achieve the ten EMERGE reform objectives. Eleven specific tasks were then proposed as EMERGE-supported activities during the remainder of 2004 to help the GRP and the Philippine civil society obtain some of those 19 results. It was recognized that not many of them (if any) could be accomplished before the end of 2004, but the plan was to start working on as many of the proposed tasks as possible during this reporting period and complete them during 2005. The complete EMERGE Results Framework 2004 is presented in Figure 1. The specific tasks proposed for EMERGE support in the 2004 Work Plan, and the reform objectives and results they target, are as follows:

Figure 1. EMERGE Results Framework 2004



***Reform Objective 1.1 Raise the tax effort***

*Reform Result 1.1.1. Revenues increased with enhanced tax administration.*

**Task 1.1.1.1 One Time Tax Transactions (ONETT) System Improvement**

***Reform Objective 1.2 Raise the efficiency of public spending***

*Reform Result 1.2.1. Streamlined agencies and budgets*

**Task 1.2.1.1 Reviewing Selected Agencies' Streamlining Plan and Budgeting Systems Improvement**

***Reform Objective 2.1 Lower trade barriers and facilitate trade***

*Reform Result 2.1.3. Trade-Related Commitments Implemented Effectively*

**Task 2.1.3.1 Customs Audit Performance and Capability Assessment**

**Task 2.1.3.2 Improving the Department of Agriculture (DA)'s Regulatory System**

**Task 2.1.3.3 Developing Field Testing Protocols for Transgenic Crops**

***Reform Objective 2.2 Liberalize and Facilitate Investments***

*Reform Result 2.2.1 Investment Climate Improved*

**Task 2.2.1.1 A Diagnostic Study on How to Improving the Investment Climate**

***Reform Objective 3.1 Lower transportation cost***

*Reform Result 3.1.1 Inter-island shipping cost reduced*

**Task 3.1.1.1 Promoting the nautical highway and institutionalizing access to it**

***Reform Objective 3.1 Lower transportation cost***

*Reform Result 3.1.3 Roads adequately maintained*

**Task 3.1.3.1 Road Board Assistance on Road User Charges law implementation**

***Reform Objective 3.2 Make telecoms and IT more affordable and accessible***

*Reform Result 3.2.1 Telecommunications access increased and costs lowered*

**Task 3.2.1.1 Assisting NTC on VOIP regulation formulation**

***Reform Objective 3.4 Make PSP in Public Projects Sustainable***

*Reform Result 3.4.1 BOT transaction costs reduced*

**Task 3.4.1.1 Assisting BOI on BOT Contract Governance Improvement**

Task 4.1.1.1 Foundation study on the determinants of saving

**TASK 2 - Administration of Grants to NGOs and Nongovernmental Research Institutions**

Through the Institutional Grant for Policy Development Program (IGPD), a companion activity of EMERGE, USAID/Philippines is embarking on an initiative to develop local capacity in economic liberalization policy analysis and formulation within NGOs and universities. The EMERGE grant-making activities must be complementary to and closely coordinated with these IGPD grantees. The EMERGE COP, Technical Director, and Grants Manager are to work with the grantees to create mutually reinforcing working relations. They are also to formulate guidelines for EMERGE grant-making activity for CTO approval.

**TASK 3 - Administration of the Special Activities Fund (SAF)**

It is expected that some activities may be identified that reinforce the EMERGE policy agenda, but are unanticipated in annual EMERGE work plans and thus outside the funding negotiated for any given plan. The SAF is earmarked for technical assistance and studies for SO2 objectives that lie outside the approved EMERGE Work Plan and for other SOs; for conferences, workshops, and short-term training, often as a cost-share; for study tours and long-term training; for commodity procurements for partner organizations; and for procurement of skills and services from individuals and institutions. The USAID Cognizant Technical Officer (CTO) must approve the use of SAF monies within the PAC's SAF operating guidelines.

**TASK 4 - SO2 Monitoring, Assessment, Reporting**

EMERGE is responsible for monitoring and assessing progress in meeting USAID SO2 performance indicators. It must regularly collect and analyze data on these indicators and make formal semi-annual appraisals of progress in meeting SO2 targets. As the USAID SO2 team requires, EMERGE is also to prepare special reports, case studies, success stories, presentations and audio-visual materials to better analyze and communicate the state of reform issues in the policy agenda of USAID/Philippines and EMERGE. In the 2004 EMERGE Work Plan, SO2 monitoring tasks include understanding the SO2 team's requirements and monitoring system; organizing a program for routine SO2 performance indicator monitoring; and responding to regular and special requests for SO2 performance analyses.

**TASK 5 - Public Information and Consultations**

EMERGE public information activities have two purposes: to support partners and counterparts with their own information dissemination and public advocacy and to establish EMERGE's transparency. To support partners EMERGE is to assist with media strategies and materials and help organize technical conferences on reform issues. To support partners and to establish transparency, EMERGE was to establish a website soon after contract start-up to inform the reform community and the general public about project goals and activities and current reform issues.

**3) (b) Current Buy-Ins:** The EMERGE Contract does not authorize or contemplate buy-ins, and there are no other delivery orders thereunder outstanding or contemplated.

**3) (c) Subcontracting Activities During the Quarter:** No subcontracts were initiated during this reporting period, except for the basic Nathan Associates Inc. implementing subcontract with the CARANA Corporation, the prime contractor for this SEGIR/Privatization delivery order.

#### **4) Performance During the Quarter:**

##### **Start-up Administrative Tasks**

The project office is located at Suite 2003, 20<sup>th</sup> floor, 139 Corporate Center, 139 Valero Street, Salcedo Village, Makati City. Office renovation and installation of basic office furniture including office partitions were completed by October 2004. Six telephone lines were installed. The Private Automatic Branch Exchange (PABX) Telephone System was installed the second week of November. (See Attachment 1 for a complete list of Core Support Systems.)

The project has been applying for SEC registration as a resident representative of Nathan Associates Inc. This registration is required for opening a project bank account and for getting other required permits and identification papers. These include the Makati City Mayor's Permit and Barangay Clearance, the Tax Identification Number (TIN) from the Bureau of Internal Revenue, registration papers with the Social Security System (SSS) for pension benefits, with Home Development Mutual Fund (HDMF) for housing benefits, and with Philippine Health for health benefits of local office support staff. This process was nearing completion at the end of this reporting period.

By the end of October 2004, the Project had organized a fully functional accounting unit, capable of managing the task of managing project finances, documenting project expenditures, and communicating with the home office.

The documents required for USAID approval of the procurement of office equipment and a project vehicle were completed before the end of 2004. There was some delay in requesting approval for vehicle procurement due to confusion over payment of the VAT and Customs duties, as the GRP authority to exempt USAID-funded projects from taxes and duties has expired.

Forms for employment agreements for field office support staff and consultant contract templates had been completed by the end of November 2004. The project hired a lawyer to advise Nathan about the Philippine government labor-related laws and regulations pertinent to the hiring of support staff and consultants to ensure compliance.

The required documents for USAID approval for the local purchase of computer hardware and software were completed and submitted by the end of the year. In the meantime, the office has been renting computers. During this quarter, the office installed a functional wireless local area network. During the next quarter, with USAID approval, the office computers and software will be procured, installed and activated.

The project has been in the process of reserving and registering a domain name for its use. As soon as this completed, project e-mail addresses will be assigned to project personnel and a project website will be set up and maintained. Along with this, plans are set for a management information system (MIS) to be installed. During the next quarter, the MIS should be functional.

The TIERG Institutional Grants for Policy Development (IGPD) partners, the Ateneo de Manila and DeLa Salle University/Angela King Institute (DSLU/AKI) groups, and EMERGE established a regular bi-weekly Joint TIERG Coordination Meeting with a rotating chairmanship. This regular meeting has been a very useful forum to discuss how the three TIERG components work together in the various sectors of concern. In addition, the EMERGE Technical Director and Team Leaders work closely together to plan and implement activities of mutual interest, often attending joint planning meetings with GRP counterparts.

The EMERGE team submitted two work plans during this reporting period, the 2004 Annual Work Plan on October 31, 2004, and the Life of Contract Work Plan on November 30, 2004. A draft 2005 Annual Work Plan was nearly complete by December 31, 2004, but was refined during the next two weeks and submitted to USAID for internal review on January 17, 2005, following which it will be submitted to the PAC for review. The 2005 Annual Work Plan benefits from a slight re-casting of the results framework reported by the team in its Life-of-Contract Work Plan.

## **TASK 1 - Policy Analysis and Technical Assistance (TA)**

### **Task 1.1.1.1 One Time Tax Transactions (ONETT) System Improvement**

This activity was planned to last from the middle of November to the end of April 2005. A draft terms of reference for this task was drafted and the EMERGE team, working with the Bureau of Internal Revenue (BIR) and the Public Finance Institute of the Philippines (PFIP), was in the process of recruiting experts to do the job. The team planned to provide a grant to PFIP, a consortium member of the Ateneo de Manila University IGPD grantee, to help the PFIP carry out this task.

The Commissioner of Internal Revenue, Mr. Guillermo L. Parayno, however, asked the EMERGE team to defer the mobilization of the experts for the following reason. The Commissioner and the Foundation for Revenue Enhancement (FReE) had in November agreed to work together in order to improve the tax administration systems of the Bureau and thus increase tax collection. Newly registered with the Securities and Exchange Commission (SEC), this group is made up of individuals who had once been DOF-attached officials of the Philippine government and who volunteered to help the Commissioner to improve its tax collection effort. The group does not have any financial resources, as it is only starting to do its work, but it has relatively useful experience in tax administration, an asset which the Commissioner has been tapping. The Commissioner and FReE officials have regularly met to discuss their common work agenda for improving tax collection.

The Commissioner invited the EMERGE Technical Director to a meeting with FReE officials on December 8, 2005, wherein this task was discussed. Because of the nature of the task, which

includes automation, the Commissioner asked EMERGE to do this work through a purchase order and to competitively select the vendor from a list of possibly five candidate consultant teams. The advantage of this arrangement is that the Commissioner can tap the most innovative idea from among the proponents on how to solve ONETT tax leakage. The EMERGE Technical Director told the Commissioner that the Bureau, FReE and the EMERGE team need to work together to design the purchase order and select the most technically competent consultant team.

In the first quarter of 2005, the EMERGE team plans to issue a purchase order to the most technically competent consultant team from among those invited by the Commissioner to propose how the ONETT system on real property can be improved. This is incorporated as one task in the team's 2005 Work Plan.

#### **Task 1.2.1.1 Reviewing Selected Agencies' Streamlining Plan and Budgeting Systems Improvement**

Department of Budget and Management (DBM) Undersecretary Pascua estimates that about twenty agency re-structuring plans may need to be reviewed and improvements thereof identified with assistance from the EMERGE project. The Undersecretary will select the plans to be reviewed by EMERGE consultants, who will subsequently submit their comments and recommendations for improvement. The EMERGE Technical Director and the DBM official agreed that it is practical to involve the Development Academy of the Philippines (DAP) in undertaking this task. The DAP has been appointed by the restructuring Project Management Committee (PMC) to provide secretariat services. The plan was for the EMERGE project to provide a grant to the DAP, which will select and mobilize the experts who should review the re-structuring plans and submit their recommendations for improvement.

However, DBM Undersecretary Pascua told the EMERGE technical director to defer this task for the following reasons: First, the Project Management Committee decided it should issue implementing regulations for EO 366. Secondly, since the executive branch focused on getting tax reform legislation through Congress in the last quarter of the year, requiring the heads of Departments to go through a restructuring plan by the end of 2004 was not doable. The implementing regulation will require heads of Department to submit to the PMC within a period of four months their respective notices when they will respectively start the self-assessment of their organizations and go through the restructuring planning exercise. Each plan shall contain a review of the mandate, vision and directions of the agency and the appropriate changes to these in light of the changing environment, and it is to identify units within the agency that may be deactivated. Personnel in those units will have the option to retire voluntarily or be placed in a pool of government employees who may be fielded elsewhere in the government.

In the first quarter of 2005, the EMERGE team plans to execute a grant agreement with the Development Academy of the Philippines for the purpose of carrying out this technical assistance task. The work is expected to last throughout the year 2005. This is incorporated as one task in the team's 2005 Work Plan.

The Undersecretary also requested EMERGE to provide U.S. consultants to help the DBM learn about the Performance Assessment and Review Tool (PART) used by the US Government Office of

Management and Budget (OMB) to assess the performance of Departments. This task is also incorporated in the 2005 Work Plan and will be acted upon in the first half of 2005.

#### **Task 2.1.3.1 Customs Audit Performance and Capability Assessment**

This task, which was scheduled to start in the middle of November, and to have been completed by the end of January 2005, was delayed for one month because one of the proposed team members withdrew at the last minute for his own reasons and had to be replaced. The team's SOW, membership and salary levels were approved by USAID on December 21, 2004, and the team started to work the next day.

#### **Task 2.1.3.2 Improving the Department of Agriculture (DA)'s Regulatory System**

This task, which was scheduled to start in December, has been delayed because the Assistant Secretary of Agriculture, Segfredo Serrano, was not available to meet with the EMERGE technical director until December 10, and so the task could not be initiated that soon. In the meeting on December 10 Serrano asked the EMERGE project to help the Department streamline the SPS administration system and design a change management program for implementing the new SPS system. A World Bank loan, on the other hand, will focus on providing laboratory capability to the DA SPS regulators.

A subsequent meeting with the heads of the regulatory agencies was held on December 22, 2004. The regulatory agencies represented in the meeting were Bureau of Agriculture and Fisheries Product Standards, Fertilizer and Pesticide Authority, Bureau of Plant Industry, National Meat Inspection Center, Bureau of Animal Industry, and the Bureau of Fisheries and Aquatic Resources. Undersecretary Serrano, who was promoted as Undersecretary on that day, briefed the regulators regarding the DA's request for technical assistance from the EMERGE project and the DA's objectives in streamlining the SPS administration. The regulators welcomed the assistance and stressed the need for a component of the project that looks into the current laws and regulations enabling their respective authorities. The regulators claimed that they are legally vulnerable because of the proliferation of ad hoc circulars and administrative orders which may no longer be consistent with the respective charters that created their agencies.

The EMERGE team will act on this task in the first quarter of 2005. This is incorporated as a task in the EMERGE 2005 Work Plan.

### **Task 2.1.3.3 Developing Field Testing Protocols for Transgenic Crops**

The activity was also delayed for one month. Based on the 2004 Work Plan, the work was scheduled to start on November 15, 2004, and would have ended on February 15, 2004. USAID approval, requested on November 18, was obtained on December 21, 2004, and the consultants were hired the next day. Because this work spills over into 2005, this task is also incorporated as a planned activity in the 2005 Work Plan.

### **Task 2.2.1.1 A Diagnostic Study on How to Improving the Investment Climate**

This task was scheduled to start in December 2004. However, the EMERGE team, in coordination with the De la Salle University Angelo King Institute grantee, required further discussions with BOI Governor Perez in order to focus the work, prioritize industries for the technical assessment, and better conceptualize the deliverables. These matters were discussed on December 2, 2004, in which it was agreed that the technical assessment of the investment climate would apply supply chain and transaction cost analyses, be results driven, and be conducted in real-time, as information may be discovered in tranches. The coconut industry was selected identified to be the first to undergo the diagnostic study.

This task will be rolled over to the 2005 Work Plan and the diagnostic study for the coconut industry will be initiated in the next quarter. A meeting early in January with Governor Perez was planned to select other priority industries. One candidate is the ICT-enabled services sector.

### **Task 3.1.1.1 Promoting the nautical highway and institutionalizing access to it**

EMERGE conducted coordination meetings with AKI (Ather Sajid and Pons Intal) and a potential consultant (Henry Basilio) to delineate the requested TA to promote the nautical highway. The task was postponed in view of the leave of absence of the Development Bank of the Philippine's (DBP's) point person in this effort, Mar Encio, who took a personal leave of absence in the last quarter of 2004.

### **Task 3.1.3.1 Road Board Assistance on Road User Charges law implementation**

EMERGE met with Mr. Encarnacion and Executive Director Belleza of the Road Board Secretariat to discuss technical details of the proposed assistance, e.g., analysis of the IRR, data requirements, experience of other countries in utilizing user charges for road improvement and maintenance, etc. However, the task was put on hold due to some confusion over who will be the Executive Director of the Road Board Secretariat. The government had appointed Mr. Puno to the position currently held by Ms. Belleza, who was reluctant to leave. Presidential Adviser Encarnacion and EMERGE agreed to postpone the TA until after the issue has been resolved.

### **Task 3.2.1.1 Assisting NTC on VOIP regulation formulation**

In this quarter EMERGE drafted terms of reference for this task and identified a candidate qualified to do this work for the NTC. The necessary documents were completed and submitted to USAID

on December 17 for approval. With that approval, work in this area will be initiated and completed during the next quarter.

#### **Task 3.4.1.1 Assisting BOI on BOT Contract Governance Improvement**

Work in this area during this quarter was focused on conceptualizing with the Board of Investment Governor Consuelo Perez as to the structure of this technical assistance. Before the EMERGE project, the Governor led a Task Force on BOT, the task of which was to explore ways to improve the implementation of the BOT law. The recommendations are now with NEDA Director General Romulo L. Neri for his review, before being sent to the Office of the President for approval.

The Governor is waiting for this process to be completed before using the EMERGE technical assistance initially planned for this quarter. EMERGE experts may be asked to undertake a diagnostic study that looks into possible improvements of the BOT law, taking into consideration the unjustified costs faced by BOT proponents under the current law. Experience in BOT project administration from other countries is to be documented and, if needed, a draft bill seeking to improve the 1994 BOT law will be prepared.

In the next quarter, the team will continue to plan this task with the BOI Governor and initiate the work. This is now rolled over as one of the tasks in the 2005 Work Plan of the EMERGE team.

#### **Task 4.1.1.1 Foundation study on the determinants of saving**

This technical assistance was structured as a result of the reform agenda defined by the Capital Market Development Council where several specific items are phrased in the context of raising national saving. Although the national saving rate has often been cited as necessitating remedial policy action, it is just as often that confusion abounds on how exactly this can be achieved. This foundation study was to provide a baseline for the amount and distribution of saving that can be generated domestically based on an analysis of the Philippine saving behavior using disaggregated demographic variables.

This was the first and only assistance under Reform Theme #4 that was structured at the onset of the EMERGE project and consultants for this task were anticipated to have been mobilized in December 2004. This was not achieved because discussions with the private sector representatives within the CMDC --- the main counterpart for this study and principally represented by the Capital Market Development Committee of FINEX --- had shifted towards identifying a short roster of technical tasks that needed to be undertaken at the soonest possible opportunity. This roster represented both a prioritization (based on urgency) as well as a recognition that other reform initiatives would use the results of these prioritized tasks. More importantly, this exemplified a broadening of the reform perspective of the counterpart to take a more holistic view of the reform agenda instead of an itemized inventory of what needed to be done.

This foundation study has since been identified as one of these prioritized tasks. In order to derive full benefits from the policy and legislative implications of its findings, it is expected that this study would be completed no later than the 2<sup>nd</sup> quarter of 2005.

## **TASK 2 - Administration of Grants to NGOs and Nongovernmental Research Institutions**

The EMERGE team was unable to recruit a half-time administrator of the grants and the Special Activities Fund (SAF) until the very end of the quarter. When the EMERGE contract was awarded, this position was listed as half-time. After some interviews, the candidate that the EMERGE team selected backed out because she would have to give up full-time work for half-time. No other qualified candidate could be found who would accept a half-time position. The team therefore sought and obtained USAID agreement to create a full time position for the Grants/SAF Administrator and on December 21, 2004, approval was received to hire an experienced, well-qualified candidate for a full-time position. She will be joining the project in mid-February 2005.

There were no grants extended during this quarter. However, plans to extend grants had been developed and will be proposed to USAID in the next quarter for its approval. Three of the proposed grantees include the Development Academy of the Philippines, International Support for the Acquisition of Agri-Biotechnology Association (ISAAA) and the Biotechnology Coalition of the Philippines.

## **TASK 3 - Administration of the Special Activities Fund (SAF)**

When the Policy Advisor Committee (PAC), chaired by Socio-Economic Secretary and National Economic Development Authority (NEDA) Director General Romulo L. Neri, reviewed and approved the EMERGE Life-of-Contract Work Plan (on November 27, 2004), it approved three additional areas for EMERGE assistance that did not appear in the work plan but supported its overall objectives: mining, land reclamation, and reforestation. The funding for this assistance is to come from the SAF.

At the request of Secretary Neri, the EMERGE team mobilized a group of consultants who will help Secretary Neri translate the recent Supreme Court decision declaring the constitutionality of the Mining Act of 1995 into new investments in the mining sector. The government needs to ensure that any unjustified impediments to these investments are removed to improve the investment climate. There are a number of issues that need to be addressed to attract investments in mining. These include the abandoned mines, delays in the issuance of exploration permits, policy conflicts among the Local Government Code, the Indigenous Peoples Rights Act and the Small-scale Miner's Act, enforcement of environment safety standards, and overlapping claims. Work in this quarter included drafting the terms of reference for this work and identifying candidates who could do it. The experts needed include a mining industry expert, a mining legal analyst, a presentation specialist and a regional mining and institutional development specialist.

Secretary Neri also requested technical assistance to promote investment in land reclamation activities. Land reclamation activities comprise another strategic development area. Like mining, reclaiming submerged lands, particularly in the fringes of the country's metropolitan areas like Metro Manila and Metro Cebu, can potentially attract private sector investment and thus generate jobs. On reclaimed lands urban areas can be further developed and additional wealth created. Land reclamation requires a substantial amount of investment, but which presently face some difficult legal obstacles. The Supreme Court ruled on November 11, 2003, (G.R. No. 133250) that the PEA had seriously compromised the public interest by selling submerged lands to a private corporation,

its partner in a joint venture agreement, and at a price about one third of the market value of similar real estate property. Secretary Neri requested a land reclamation legal analyst.

Secretary Neri also requested the EMERGE project provide technical assistance to help implement the Philippine Medium Term Development Plan by identifying strategic initiatives that could be undertaken, such as in financing, management systems, and networking. In particular, the activity seeks to identify government resources that could be activated through innovative financial instruments to help finance the public investment requirements of the Plan; identify an academic network that will design a Filipino Management System appropriate to Filipino society and culture; and to identify sectors of society who could be assisted so that they will benefit and even contribute to the war on poverty.

For each of the above three technical assistance requests, the EMERGE team worked with Secretary Neri to conceptualize the TA and to identify candidates who would be competent to do the work. The documents required for approval were prepared and submitted to USAID. In the next quarter, the team plans to initiate these activities.

The EMERGE team has also been discussing with the newly-appointed head of the Natural Resource Development Corporation (NRDC), Chairman Victor Corpuz, who is in charge of the government's reforestation program, to see how the EMERGE project might help him carry out the work assigned to his office. The involvement of the EMERGE project in these discussions is at the request of Secretary Neri, who asked the project to help Chairman Corpuz. At Secretary Neri's request, the EMERGE Technical Director invited the Chief of Party of the Mission's Eco-Gov Project to participate in one of these meetings. These discussions may lead to technical assistance activities which can be supported by the EMERGE project in the next quarter.

#### **TASK 4 - SO2 Monitoring, Assessment, Reporting**

- **Understanding the SO2 team's monitoring system requirements**

The SO2 monitoring manager reviewed the respective work plans of the various TIERG activities - EMERGE, EPRA and PACT, in order to draft an SO2 Performance Monitoring Plan (PMP). He organized a network of monitoring and evaluation (M&E) specialists (PME taskforce) representing each activity for the purpose of streamlining the SO2 monitoring system. He also initiated contact with the M&E point person for the ROLE project, which is another SO2 activity. He will review the ROLE work plan as soon as it becomes available.

- **Organizing a program for routine SO2 performance indicator monitoring**

The SO2 monitoring manager drafted a performance indicator matrix template. He will distribute this template to the PME taskforce members. The objective is to set up a common template to make monitoring and assessing progress toward meeting USAID SO2 performance goals more streamlined and efficient.

## **TASK 5 - Public Information and Consultations**

During the quarter, the Public Information Manager drafted the content for the EMERGE website and the brochure; met with three web companies for the design of the website, and met with graphic designers for the web and the planned brochure. He participated in discussions of the planned TIERG website during one of the TIERG coordination meetings and discussed with Team Leaders suggested protocols on Public Information.

**5) Statement of Work:** No change in the statement of work is contemplated at this time.

Atch: 1) EMERGE Core Support Systems and Procedures Accomplished by 12/31/04

EMERGE Project, CSCallison, COP, 28 Jan 2005

**Section II - PROJECT OFFICER'S COMMENTS**

**Project Officer/Office Symbol** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**Section III - CONTRACT OFFICER'S COMMENTS**

**Contract Officer/Office Symbol** \_\_\_\_\_ **DATE:** \_\_\_\_\_

EMERGE Core Support Systems and Procedures  
*Accomplished by December 31, 2004*

*Accounting Unit*

- Accounting software installed and familiarization achieved by October 2004
  - The software was installed the last week of September and by October the concerned staff was already accustomed to using the software.
- Preparation of various accounting forms completed by October 2004
  - Done by October
- Dollar and peso accounts opened with a local bank upon completion of SEC registration
  - A temporary dollar account was opened in October at a local bank to facilitate the wire transfers from Nathan and CARANA HQ.
  - Permanent dollar and peso accounts will be opened as soon as the project obtains its SEC registration.
- Setting-up of a petty cash fund for minor expenses by October 2004
  - Done by October
- Monthly report of expenditures submitted to home office together with the original supporting documents by first week of November
  - Done by 1<sup>st</sup> week of November
  - Original accounting documents, including vouchers and receipts, were sent to the Nathan home office for the months of October and November
- Request for monthly transfer of funds accompanied by a monthly cash forecast by end of October and November 2004
  - Done for the months of October, November and December
  - Nathan Field Expense Reports were likewise submitted to the home office for the said months.

*Personnel*

- Quotations for life and health insurance obtained and reviewed by October 2004
  - Started gathering quotations as early as September
  - Life and health insurance coverage for the support staff were obtained; the first annual premium was paid last November.
  - Life and health insurance for the Technical Director are still being negotiated.
- Personnel forms (e.g. employment agreements) completed by October 2004
  - Finalized the forms (Request for Leave, Overtime Request, Travel Order, Purchaser Order, Overseas Employee Review, Release Quitclaim, etc.) in November
- Contracts of consultants and support staff reviewed and finalized by November 2004
  - Employment agreements of all the support staff were signed by November
  - Employment agreements for the regular technical staff were prepared in December upon receipt of the USAID technical and salary rate approval except Ronald Jabal (Public Information Manager) and Dr. Noel Ravaló's contracts as the approval of the revised budget is needed for their salary adjustment

- Database of prospective CCN consultants established by December 2004
  - The creation of the database to monitor consultants' LOEs, Purchase Order and SAF requests started in November.

#### *Office Set-up*

- Price quotations for office renovation and fixtures obtained and evaluated and recommendations made by the 1<sup>st</sup> week of October
  - Recommendation for the supplier of office furniture was made the first week of October.
- Office renovation and installation of office partitions, tables and other fixtures completed by October 2004
  - The delivery of office furniture started on the second week of October and was completed first week of December. The delay was due to the late arrival of supplier's shipment.
- Installation of six initial telephone lines completed by 2<sup>nd</sup> week of October
  - Six telephone lines were installed on October 16.
- SEC registration completed by 2<sup>nd</sup> week of November
  - Application for a Nathan Associates Inc. representative office was filed at the Securities and Exchange Commission (SEC) the 2<sup>nd</sup> week of December upon receipt of the necessary documents from the NAI Home Office.
- Mayor's permit and barangay clearance obtained by 3<sup>rd</sup> week of November
  - Awaiting the certificate of SEC registration before submitting application.
- Project registered with SSS, BIR, Home Development Mutual Fund (HDMF) and Phil. Health by 3<sup>rd</sup> week of November
  - The Certificate of SEC registration is also a requirement to apply for membership to these agencies managing the government mandatory compensation benefits.
- Quotations for vehicle rental obtained and evaluated by 3<sup>rd</sup> week of October
  - Three quotations were gathered by second week of October
- Recommendations for vehicle rental submitted to the Chief of Party by 4<sup>th</sup> week of October
  - Upon approval by the COP, the project started renting the vehicle on October 26.
- Price quotations for project vehicle, copier and other office equipment gathered and evaluated by 3<sup>rd</sup> week of October
  - Price quotations for the project vehicle and copier were obtained and evaluated in October.
  - Price quotations for the typewriter and the door lock system were obtained and evaluated in December. On the same month, the typewriter and door lock system were purchased and the latter installed soon after.
  - The project started renting the copier on October 29.
- Recommendations for the local purchase of project vehicle and office equipment submitted to the Chief of Party for approval by 4<sup>th</sup> week of October
  - Proposals from local suppliers were evaluated and recommendation was submitted to the COP by second week of November.
- Approval request to USAID for the local purchase of project vehicle submitted by 3<sup>rd</sup> week of November

- Request submitted on the third week of December. The delay in the submission of approval request to USAID was caused by unsettled issues on taxes and duties and VAT
- Project vehicle purchased by end of November 2004
  - Tax issues must be settled first by USAID before approval for the purchase can be granted.

### *Computer and Communication Systems*

#### *Private Automatic Branch Exchange (PABX) Telephone System*

- Office requirements for the Private Automatic Branch Exchange (PABX) Telephone System identified by the second week of October
  - The requirements were identified as early as first week of October.
- Price quotations obtained and evaluated and recommendations made for the purchase of the PABX equipment by first week of November
  - Proposals were gathered and each supplier was asked to present the features and operation of their products.
  - After assessing each brand, recommendation was made and request for approval was sent to USAID on the third week of November
- PABX System installed and the needed rewiring of office telephone lines completed by 2<sup>nd</sup> week of November
  - Installation was completed and system was fully operational on the fourth week of November.
- System testing of the PABX system and user's training conducted by 3<sup>rd</sup> week of November
  - Right after installation, the supplier briefed EMERGE staff on its use.

#### *Wireless Local Area Network*

- Computer hardware and software requirements identified and specifications prepared by 3<sup>rd</sup> week of October
  - Frequent changes and additions to the original requirements and the issue on whether a US brand should be purchased here or in the US caused the delay in the preparation of a justification for the purchase. It was completed and forwarded for approval on December 15, 2004.
- Waiver for the local procurement of office hardware, software and network requirements prepared by the last week of October
  - After consultation with USAID, it was decided that a waiver is not necessary for the purchase of the U.S.-manufactured equipment in the Philippines.
  - Request was forwarded to the home office the third week of December.
- Price quotations for the rental of temporary computers solicited and evaluated and recommendations prepared by the 2<sup>nd</sup> week of October
  - Quotations were gathered and completed and evaluated the 1<sup>st</sup> week of October. The recommendation soon followed.
- Interim Local Area Network (LAN) installed by the 3<sup>rd</sup> of October
  - On the 1<sup>st</sup> week of October, proposals for a wireless access point server were gathered. After evaluation, the server was procured together with the wireless network adapters.

- On the 2<sup>nd</sup> week of October, an interim Local Area Network was already in operation.
- Upon approval of the waiver, price quotations for the hardware, software and network requirements solicited and evaluated and recommendations prepared by the 1<sup>st</sup> week of November
  - Due to additional requirements identified and delay in the submission of proposals from suppliers of US-brand equipment, evaluation and preparation of recommendation were likewise delayed.
  - The request was eventually finalized and forwarded to the home office the third week of December.
- Purchase Order for the winning vendor issued by the 2<sup>nd</sup> week of November
  - Awaiting USAID approval for the purchase
- Testing of equipment conducted by the 3<sup>rd</sup> week of November
  - Awaiting USAID approval for the purchase
- Various equipment and software procured, installed and activated by the 3<sup>rd</sup> week of November
  - Awaiting USAID approval for the purchase

#### *Electronic Mail (E-mail) and Internet Access*

- Appropriate domain name for the project in the Internet identified, reserved and registered by the 4<sup>th</sup> week of October
  - The issue on whether TIERG should be part of the domain of EMERGE has delayed the registration. It was only resolved the fourth week of December.
- Mail server installed, configured and activated by the 3<sup>rd</sup> week of November (assuming that the equipment are delivered as mentioned in the LAN section)
  - Awaiting USAID approval for the purchase of the equipment.
- Mailbox and e-mail address of users of the project's E-mail system identified, registered and created by the 3<sup>rd</sup> week of November
  - This can only be done after the equipment has been installed.
- Email System User's Manual prepared and distributed by the 4<sup>th</sup> week of November
  - The E-mail system has to be registered and created before the manual is prepared.
- Users' Orientation and Training conducted by the 4<sup>th</sup> week of November
  - This can be only conducted after the mail server has been installed, the E-mail system created and manual has been completed.

#### *Web Site Development*

- Web Server configured by the 3<sup>rd</sup> week of November
  - This is dependent on the procurement of the equipment.
- Web Site Design prepared and approved by the 4<sup>th</sup> week of October
  - A prototype TIERG web site was initially designed and executed for presentation to the TIERG Coordinating Team. After consultation with USAID, it was finally decided that the three TIERG components, EMERGE, the Ateneo consortium and De la Salle group should maintain separate web sites. The initial design was never presented. The development of an EMERGE web site is now in process.
- Request for hiring an IT Assistant to implement the web design as well as update the web site prepared by the 1<sup>st</sup> week of November (to better utilize the IT Assistant, he/she will also be assisting in managing the e-mail system, network administration

as well as providing technical support, preventive maintenance and troubleshooting activities)

- Due to the delay in the procurement of the hardware and software requirements and thus, the web site development, the request for hiring the IT assistant was likewise delayed.
- Web site design implemented and executed by the 2<sup>nd</sup> week of November
  - The web site design has not been completed yet.
- Project web site activated by 4<sup>th</sup> week of November
  - The web site design has not been completed yet.

#### *Management Information System (MIS) Development Implementation*

- Software for implementing the Project Management Information System identified and evaluated by the 4<sup>th</sup> week of October
  - Software was presented to the Technical Director and IT Manager. The system has been installed for evaluation of EMERGE users.
  - Initial revisions are being done to the program to satisfy the requirements of the users. But first, USAID has to approve the purchase of the hardware and software.
- MIS software procured by the 1<sup>st</sup> week of November
  - This is dependent on the equipment to be purchased.
- Customization requirements, if needed, coordinated with the vendor by the 2<sup>nd</sup> week of November
  - This is dependent on the purchase of the hardware and MIS software.
- MIS software installed, configured and customized by the 3<sup>rd</sup> week of November
  - This is likewise dependent on the purchase of the hardware and MIS software.
- Preparation of the Users' Manual as well as the conduct of the Users' Training coordinated with the vendor by the 4<sup>th</sup> week of November
  - This is likewise dependent on the purchase of the hardware and MIS software.

***ECONOMIC MODERNIZATION THROUGH EFFICIENT REFORMS AND  
GOVERNANCE ENHANCEMENT (EMERGE)***

Unit 2003, 139 Corporate Center  
139 Valero Street, Salcedo Village, Makati City 1227  
Telephone No.: (632) 752-0881 to 85; Fax No.: (632) 752-2225

**MEMORANDUM**

**DATE:** January 28, 2005

**TO:** Ms. Maria Teresa Robielos, EMERGE CTO, USAID/OEDG

**FROM:** Dr. C. Stuart Callison, Chief of Party, EMERGE Project

**REF:** Contract # AFP-1-00-00-03-00020 Delivery Order 800

**SUBJECT:** EMERGE Project Quarterly Report – August 23 to December 31, 2004

Attached for your review and approval is the EMERGE Project's 1<sup>st</sup> Quarterly Report, covering the period August 23 to December 31, 2004, in compliance with Section 7.1.3 of the referenced delivery order contract.

Atch: a/s