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Local Implementation of National Competitiveness for Economic Growth (LINC-EG) Project

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Acronyms and Abbreviations

ABV	Australian Business Volunteers
ACERD	Ateneo Center for Economic Research and Development
AIMPC	Asian Institute of Management Policy Center
AmCham	American Chamber of Commerce - Philippines
BFOPC	Blas F. Ople Policy Center
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BPL	Business Permits and Licenses
CDO	Cagayan de Oro City
CIAC	Clark International Airport Corporation
CIDA	Canadian International Development Agency
COTR	Contracting Officer's Technical Representative
CRC	Center for Research and Communication
DFA	Department of Foreign Affairs
DILG	Department of Interior and Local Government
DMF	Design and Monitoring Framework
DTI	Department of Trade and Industry
e-LAMP	Electronic Lump-Sum Appropriations Management Program
EU – TRTA	European Union - Trade - Related Technical Assistance
FOG	Fixed Obligation Grant
FPI	Federation of Philippine Industries
ODA-GAD	Overseas Development Assistance - Gender and Development
GDA	Global Development Alliance
GIC	Growth and Investment Climate Working Group
GPPB	Government Policy and Procurement Board
GRP	Government of the Republic of the Philippines
GTZ	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
ICIP	Investment Climate Improvement Project
IFC	International Finance Corporation
IRA	Internal Revenue Allotment
JFC	Joint Foreign Chambers
LG	Local Government
	Local Implementation of National Competitiveness for Economic Growth
LINC-EG	
LIW	Large Infrastructure Workshop
LOI	Letter of Introduction
LSIG	De La Salle University's Institute of Governance

MCA-PTP	Millennium Challenge Account - Philippine Threshold Program
MFO	Mindanao Field Office of LINC-EG
MOU	Memorandum of Understanding
NCC	National Competitiveness Council
NERBAC	National Economic Research & Business Assistance Center
PASG	Presidential Anti-Smuggling Group
PCCI	Philippine Chamber of Commerce and Industry
PCCRP	Philippine City Competitiveness Ranking Project
PEZA	Philippine Economic Zone Authority
PHAB	Philippine <i>Halal</i> Accreditation Board
PhilCeCNet	Philippine Community e-Center Network
PhilExport	Philippine Exporters Confederation Incorporated
Phividec	Philippine Veterans Investment Corporation
PIA	Phividec Industrial Authority
PIP	Petroleum Institute of the Philippines
PMS-SMG	Presidential Management Staff's Strategic Monitoring Group
PRP	Policy Reform Program
PPA	Public-Private Partnership
RDO	Revenue District Office
RKC	Revised Kyoto Convention
SAF	Special Activities Fund
SEC	Securities and Exchange Commission
SNITS	Simplified Net Income Tax System (SNITS)
ST	Short Term consultants providing services to LINC-EG
STTA	Short Term Technical Assistance to counterparts through TAPs
TAF	The Asia Foundation
TAP	Technical Assistance Package(s)
U-ACT	Universal Access for Competitiveness and Trade
USAID	United States Agency for International Development

INTRODUCTION

The Local Implementation of National Competitiveness for Economic Growth (LINC-EG) program is a United States Agency for International Development (USAID) and Government of the Republic of the Philippines (GRP) collaboration to promote local and national economic competitiveness to improve prospects for economic growth and fiscal sustainability.

Along seven technical program areas, LINC-EG focuses on the Mindanao region as an important new component of the US Government's efforts to promote economic prosperity and security in Southern Philippines. LINC-EG assistance is delivered through discrete technical assistance packages (TAPs) and the project is implemented by Nathan Associates Inc. through the DNG, a joint venture between Development Alternatives Inc. and Nathan Associates Inc.

LINC-EG began on October 1, 2008 and this third quarterly performance report documents the project's key activities during the period from April 1, 2009 through June 30, 2009. The key activities during this period cover (i) counterpart consultations and design of new TAPs arising from those consultations and; (ii) implementation and monitoring of TAPs already approved by USAID/LINC-EG's Contracting Officer's Technical Representative (COTR) responsible for LINC-EG. The discussion in the report is laid out in 4 sections and an Annex.

Section 1 reports the project's main technical activities during the period including summaries of progress toward the designing and submission of TAPs by Chief of Party (COP) Ramon Clarete for COTR John Avila's approval. Eighteen (18) TAPs were developed and submitted for COTR and CO approval as of the end of the reporting period, of which seven (7) are in the implementation stage. In consultation with USAID and counterparts, an additional two (2) proposals (3.1 and 3.2) are at various stages of drafting, while one (1) TAP has been deferred following the instruction of COTR. A summary of the status of these TAPs is included in Annex 1.

Section 2 reports on the key program management and administrative events during the quarter. A draft Design and Monitoring Framework (DMF) for tracking and evaluating TAPs ongoing progress and accomplishments was created (see Annex 2). Sections 3 and 4 of this report provide summary data on labor utilization and the amount of financial resources expended during the quarter.

Technical Program Areas

1. *Measuring Factors of Competitiveness*
 2. *Supporting the Competitiveness Policy Agenda*
 3. *Streamlining Business Permitting & Licensing*
 4. *Improving Property Rights Administration*
 5. *Improving Tax Collections Efficiency*
 6. *Improving Trade Facilitation & Customs Administration*
 7. *Facilitating Access & Availability of Infrastructure*
-

SECTION 1 – PROGRAM TECHNICAL ACTIVITIES

As mentioned earlier, the majority of LINC-EG assistance is delivered through TAPs – discrete service delivery arrangements specifying the period of implementation, budget, technical resources and counterpart commitment needed to achieve a particular set of project deliverables, outcomes and impact. Grant funding, either through a TAP or as a Special Activity that falls outside of the seven technical program areas is another mode for LINC-EG assistance.

This section of the report covers technical activities as designed under one of the seven program technical areas or as a “special” technical activity.

Program Area 1: Measuring Factors of Competitiveness

This program area provides the empirical bases for competitiveness reform by supporting targeted national and sub-national initiatives that promote evidence-based policy advocacy. For project year one, LINC-EG focuses on collaborations with the business climate data gathering efforts of the International Finance Corporation (IFC) and the Asian Institute of Management Policy Center (AIMPC). When necessary and in collaboration with other partners, these will be supplemented by self-standing and more in-depth topical data.

Key Activities Accomplished:

TAP 1.1(a): Support to IFC's Subnational Doing Business in the Philippines 2010 Project

A “Reimbursement Agreement” was agreed in Q1/2009 as the instrument of collaboration between LINC-EG and the International Finance Corporation of the World Bank Group (IFC) for the subnational *Doing Business in the Philippines 2010* survey. The draft agreement had been preceded by a justification and pledged funding from LINC-EG for the IFC to include two new Mindanao cities, Cagayan de Oro and Zamboanga, in the survey. The TAP was submitted for COTR approval on May 21st. After separate consultations between the IFC and COTR, LINC-EG was presented with a proposal from IFC to include one additional Mindanao City (General Santos) and two non-Mindanao cities (Batangas and Iloilo). The Reimbursement Agreement was revised between LINC-EG and IFC and included a detailed review by COTR. Upon instructions of COTR, a detailed budget for the activity was developed along with a revised TAP and formally re-submitted for USAID approval on June 11th. On June 26th, COTR informed the program area Team Leader, Alid Camara, that the Reimbursement Agreement is an unacceptable mechanism to USAID/Philippines and should be replaced with the traditional

template for a USAID grant to a public international organization. Development of this mechanism is in process.

The IFC formally kicked off its SDB 2010 project on June 30th with a 3-day workshop with its partners and counterparts and at which LINC-EG participated and provided technical commentary on a review of the methodology in the context of the Philippines.

TAP 1.1(b): Support to the Philippine City Competitiveness Ranking Project (PCCRP)

Concurrent with the work to collaborate with the IFC, consultations continued with the German Technical Cooperation (GTZ) to coordinate possible support to strengthening of the PCCRP 2009 survey¹ methodology and roll-out. Changes at the leadership of AIMPC has affected the management of the PCCRP and continue to adversely impact the development of this TAP², especially in terms of submissions to LINC-EG of sufficient technical and financial documentation necessary for a proper review of a grant proposal submitted last quarter. Subsequently, negotiations and due diligence concluded in a sixth iteration of a cost³ proposal for LINC-EG funding. It was submitted for USAID approval on June 30th. AIMPC adjusted the formal commencement date for the PCCRP 2009 from May to June.

TAP 1.2: Assessing Transport Costs and Competitiveness in Northern Mindanao

LINC-EG's stakeholder consultations continued in Cagayan de Oro (CDO) in the context of extensive testimony that transport costs are a binding constraint to Mindanao competitiveness relative to the Luzon and Visayas regions. PhilExport based in Cagayan de Oro, Region 10 and part of a prominent national business association of exporters, submitted and negotiated with LINC-EG an unsolicited proposal to conduct a study of the costs of exporting from Mindanao as part of its regular advocacy activities. A technical and financial proposal was prepared as a TAP and submitted for COTR approval on May 8th and again on May 27th following LINC-EG's adoption of a new TAP approval template from COTR. Toward the end of the quarter, the program area team leader participated in a conference in General Santos which focused on recommendations for reform measures to cut the costs of exporting from Mindanao that are directly the result of inadequate cold storage facilities. LINC-EG is closely coordinating the development of this activity with an ongoing transport infrastructure finance study funded by the Japanese International Cooperation Agency (JICA).

¹ An enterprise-level benchmarking survey of Philippine cities.

² This expected activity is a response to a counterpart need and was not foreseen in LINC-EG's approved workplan for 2009

³ Of the total PhP 8,360, 804.15 budgets for the activity, LINC-EG is proposing to fund 3, 326, 847.27 and the remainder by other donors and AIMPC's own cost share.

Activities Planned Next Quarter

TAP 1.1(a):

- Finalize the new collaboration modalities with the IFC as instructed by USAID/Philippines and sign a grant award. Seek and receive formal COTR and CO approval for a grant of \$97,303.60 to the IFC. Support initial phases of roll-out of the regulatory environment diagnostic study.

TAP 1.1(b):

- Address any possible comments by COTR and receive formal USAID approval for a grant to AIMPC for the PCCRP 2009. Support initial phases of roll-out of the diagnostic study with short term technical assistance (STTA) and AIMPC's request for program area team leader's direct technical input on the methodology. Recommend improvements before the survey is rolled out.

TAP 1.2:

- Finalize technical and financial agreements with PhilExport-10. Seek and receive formal COTR and CO approval for a grant to PhilExport. Complete the initial phases of the transport/logistics study.

Program Area 2. Supporting the Competitiveness Policy Agenda

In this program area, LINC-EG is working with national and local government partners and stakeholders to help set and advocate for a competitiveness and fiscal reform policy agenda. The Task Order formally obligated DNG to continue grant-funding support for the Investment Climate Improvement Project (ICIP), an initiative conceived in 2006 by the American Chamber of Commerce (AmCham) in conjunction with other key chambers through a Joint Foreign Chambers (JFC) forum. Implementation is on-going for 4 TAPs under this program area.

Key Activities Accomplished:

TAP 2.1: Investment Climate Improvement Project (ICIP) – Phase V

The American Chamber of Commerce/Philippines (AmCham) is LINC-EG's grantee for this TAP. AmCham's advocacy activities for an improved investment climate under ICIP-V continue with the activities of its Legislative Working Group and its participation in several public-private inter-agency coordination meetings. ICIP contributed significantly in the development of statement on the effects of the global financial crises on prospects for inward foreign investment

in the Philippines. The statement was written by the Joint Foreign Chambers (JFC), a coalition of chambers of foreign investors in the Philippines, and released on June 1, 2009. The Statement called for prescribed legislative and policy measures to improve inward foreign investment flows. A policy paper accompanying the Statement was submitted to the Office of President Arroyo with plans to forward it to potential candidates for the Presidency in 2010. On June 12th, ICIP Senior Advisor John Forbes accompanied AmCham-Philippines Executive Director to Washington, DC for their Annual Asia Pacific – Council of American Chambers of Commerce (APCAC) Washington *Doorknock*. During this annual event, AmCham members from APCAC meet with Congressional stakeholders in Washington, DC. ICIP is also involved in planning of a large national workshop which aims at increasing awareness among the business community about the implementation of large infrastructure projects of the national government and to help attract private sector financing. The workshop is scheduled for September 2009 (see TAP 7.2).

TAP 2.2: Liberalizing and facilitating foreign participation in the Philippine economy

On April 2, 2009, a LINC-EG technical committee competitively selected two bids (by AYC Consultants and Action for Economic Reform (AER)) from among five proposals to conduct a technical review of an existing study on barriers to increasing foreign participation in the Philippine economy. Budget negotiations were had with both organizations and grant award documents were submitted to USAID for approval on June 10, 2009.

LINC-EG expects to award two separate grants of about PhP 2.5 million each to the two firms for a technical review and enhancement of the existing study. The review and analysis will produce two separate reports/recommendations for an active policy reform agenda. The quality and feasibility of the recommendations will determine the recipient of one follow-on grant for the prescribed policy advocacy.

TAP 2.3. Technical assistance to the Philippine Veterans Investment Corporation (Phividec) Industrial Authority (PIA) to enhance Competitiveness

On May 21st, PIA received PEZA's formal response to its "Request for Registration of Service Contractors Operating within the PHIVIDEC Industrial Estate Economic Zone." The response was favorable to PIA's LINC-EG-assisted objective of a streamlined/unified system of administration of incentives and licenses requirements within the PHIVIDEC Industrial Estate-Economic Zone (PIE-EZ). This favorable outcome encouraged Hanjin, the large South Korean shipbuilding conglomerate, to extend the date of its MOU with PIA from March 2009 to March 2010 to accommodate the development of Hanjin's initial operations. At a luncheon meeting in Korea, Hanjin President Cho Nam Ho confirmed to Philippine President Gloria Macapagal Arroyo his company's plans to continue with the investment despite the changing economic environment brought by the global financial crisis.

As a result of these favorable developments, LINC-EG mobilized its financial expert, Ms. Ellen Tan, to continue with Phase II of the project's support to PIA which intends to assess and provide recommendations to offset the anticipated revenue losses by PIA as a result of the changed terms of its administrative authority ⁴ vis-à-vis PEZA. The Program Area Team Leader, Gigo Alampay, also began preparations for the real estate valuation assessment, a corollary assignment to that of Ms. Tan.

TAP 2.4. Analyzing the Impact of the Global Financial Crisis on the Philippine Economy

Through LINC-EG support and under the leadership of two working groups⁵ of the Philippine Development Forum (PDF), planning proceeded early in the quarter. On April 23 the planned policy forum titled "Global Financial Crisis and Economic Slowdown: Impact on the Philippines and Policy Options" was held in Manila. For this forum, LINC-EG sponsored a study that was the main technical assessment of the impact of the crisis on the Philippines.⁶ The forum brought together 189 participants from the national government, business community, development partners, academe and civic society. The World Bank also made a presentation. A post event survey reported that the forum was considered a major success by the attendees. The main recommendations in the plenary as well as the discussion session will be compiled into an action plan for improving private sector competitiveness and will be presented at this year's convention of the Philippine Development Forum (PDF)⁷ now scheduled for late 2009.

Following the successful forum and an unsolicited proposal from the Universal Access for Competitiveness and Trade (U-ACT) - a research institution of the Philippine Chamber of Commerce and Industry (PCCI) - LINC-EG identified an opportunity to begin a compilation and prioritization of private sector-led issues of investment climate reform to bring to the attention of the next Philippine Congress and successor to President Arroyo. Subsequently and through the mechanism of a purchase order for services rendered, U-ACT planned and conducted a predominantly private sector led workshop on May 20th that explored general as well as sectoral proposals for investment climate reform and policy advocacy channels.

⁴ Once PIA becomes a PEZA-zone and adopt PEZA incentives, it will have to forego its authority to collect real estate taxes from which it gets most of its revenues.

⁵ The Growth and Investment Climate (GIC) and the Decentralization working groups headed by Undersecretaries Zenaida Maglaya and Austere Panadero respectively.

⁶ The consultancy arm of the Center for Research and Communications (CRC), an academic institution, is conducting the study through a purchase order contract with LINC-EG in the amount of P1,500,000.

⁷ A national forum on key development issues hosted by the World Bank and with participation of USAID and other key overseas development partners.

To accommodate additional follow-on activities that were added to this TAP during implementation, its period of performance was amended and extended to July 31st.

Activities Planned Next Quarter

TAP 2.1:

- ICIP's policy advocacy through its workshops, written positions and hosting of events will continue.

TAP 2.2:

- Upon receipt of USAID approval for the proposed grants to AER and AYC Consultants, LINC-EG will launch implementation of TAP 2.2.

TAP 2.3:

- LINC-EG consultant Ellen Tan is expected to submit drafts and final reports containing recommendations. A service provider will be selected and contracted to provide an assessment of the Phividec estate and the data will feed into Ms. Tan's recommendations.

TAP 2.4:

- The draft and final versions of the report assessing the impact of the global financial crisis on the Philippine economy will be completed and submitted to COTR and contractual obligations satisfied with the vendor, Center for Research and Communication (CRC).

Program Area 3. Streamlining Business Permitting and Licensing

Program Area 3 will help reduce the time and cost of complying with local or national government regulation through streamlining of business permitting process and procedures, thereby improving the business enabling environment that is under the jurisdiction of local authority.

Key Activities Accomplished:

TAP 3.1. Obtaining a local validation of the urgency for the one-stop capability enhancement for business start-up through NERBAC

In this quarter, the program area Team Leader visited and conducted an informal assessment of service delivery at the Region-10 National Economic Research and Business Assistance Center

(NERBAC). NERBAC is an initiative of the Department of Trade and Industry (DTI) located in several large provincial cities including in Mindanao. There is scope for potential LINC-EG support for the NERBAC. On June 12th, substantive discussions were held among LINC-EG, Undersecretary Merly Cruz of DTI and NERBAC Center Manager Ms. Dorecita Delima in General Santos City. In agreement with COTR, development of a TAP for support to NERBACs will not be halted but will be deprioritized to focus on a proposed pilot support for reform of business registration processes and issuance of the business permitting system in Cagayan de Oro City. Developed after LINC-EG's workplan for 2009 had been produced, this latter activity is numbered TAP 3.2.

TAP 3.2: Support to Streamlining of processes for Business Permits and Licenses issuances in Cagayan de Oro City.

In follow-up consultations from last quarter, CDO City Mayor Jaraula confirmed that he envisaged a tripartite partnership on a registration streamlining initiative that includes *Promote CDO* and the CDO-based Provincial Office of DTI. *Promote CDO* is a spin off from the Oro Chamber of Commerce. In the course of consultations and technical advice on structuring and sequencing of this potential TAP, LINC-EG recommended advice to the three partners to enter into a Memorandum of Understanding. This clarified cost share funding and other obligations of the signatories and affirmed their commitments. An MOU was successfully signed on April 17th and a formal request for support from Mayor Jaraula was received by LINC-EG on May 29th. Further development of this request into a TAP has been held up by the overseas travel -- for over three weeks-- on a trade mission to China of the principal counterparts, including Mayor Jaraula.

Activities Planned Next Quarter

TAP 3.1:

- Follow up on consultations with NERBAC-10 and assist in development of a concept for support possibly building on proposals from USec Cruz and Director Delima, both senior officers of DTI's operations in Mindanao.

TAP 3.2:

- Develop the concept and entry point for LINC-EG support to reformers in the BPL area. Finalize agreements with CDO City Government, Promote CDO, and DTI-10 and support structuring of an agreement and financial proposal. Receive and assess the request for support from the three counterparts. Assess appropriate support and seek formal COTR and CO approval for the TAP

Program Area 4. Improving Property Rights and Land Use

In the context of improved property rights regime in specific jurisdictions, program area 4 focuses on strengthening security of registration and transfer of title, appraisal, taxation, and adjudication.

In the continued absence of a Team Leader for this component, LINC-EG's COP continued to serve in an interim capacity.

Key Activities Accomplished:

TAP 4.1. Complete the Digital Land Title Registry in Cebu City – An improved Title verification process

After a series of further consultations with the proposed STTA consultants and possible implementing partner (TAF), LINC-EG developed and submitted a TAP approval request to COTR on May 11th. There were several exchanges and revised versions of the TAP approval request between the interim program area Team Leader and USAID. These principally centered on the technical specifications of a computer system that will link databases of digital land titles with the Cebu Registry of Deeds and also clarify agreements about the roles of the implementing partners. Following COTR's comments on June 15th, LINC-EG was finalizing revisions to the proposed TAP toward the end of the quarter.

TAP 4.2. Extend the administrative method of titling through free patent to residential lands

USAID/CO approval of Mr. Calixto Chikiamco, LINC-EG's proposed Activity Leader, and two additional expert consultants was received on April 20th following LINC-EG's submission of a TAP approval request on March 18th. Upon a series of consultation with the proposed grantee, documentation for a grant to support La Salle Institute of Governance (LSIG), the Filipino organization leading this activity, began in early May with a technical and financial review of LSIG's proposal to LINC-EG.

Upon completion of contracting documentation, Mr. Chikiamco and colleagues began initial consultations with Senator Gordon, the author of the bill and Representative Cerilles, a supporter of the bill in the lower house. The bill and possible next steps through the legislative process were discussed in Committee hearing on May 19th.

Activities Planned Next Quarter

TAP 4.1:

- COTR's comments on the initial submission will be addressed in a revised TAP and resubmitted for USAID approval. Upon receipt of USAID's approval, the necessary

documentation to support implementation -- a grant to Ateneo Center of Economic Research and Development (ACERD) and a Purchase Order to TAF-- will be prepared. The work program for the TAP will commence.

TAP 4.2:

- The necessary documents for a grant award to LSIG will be submitted for USAID approval and the work program for the TAP will commence.

Program Area 5. Improving Income Tax Collection Efficiency and Reducing Tax Leakages

This program area will improve personal and corporate income tax collection efficiency and reduce tax leakages.

The Bureau of Internal Revenue (BIR) continued to experience falling revenues and reported collection of P315.2 billion as of May 2009, short of its Php329.1 billion target by this time in the year. With the expectation of slower business activity, a reduced corporate income tax rate to 30% from 35%, and increased exemptions for individual income taxpayers, the BIR again revised its collection targets for 2009 to PhP 785.5 billion from Php 855 billion at the start of the year. Enforcement efforts to improve tax compliance have increased with initiatives such as “Operation Kandado” and the intensification of auditing of designated top priority taxpayers deemed to fall into a low tax compliant category.

Key Activities Accomplished:

TAP 5.1. A diagnostic to determine the key issues and priorities for tax administration reform to improve tax revenue collection efficiency and reduce tax leakages at the BIR Revenue Regions and Revenue District Offices in Mindanao

After some delays in the start-up of this assignment, the data gathering and visits to the various targeted revenue regions and revenue district offices of Mindanao continued at a faster pace this quarter as the Team Leader, Francis Vicente, covered Cagayan de Oro City (May 11th to 16th); Koronadal City and General Santos Cities (May 18th to 22nd); Zamboanga City (May 26th to 29th); Butuan City (June 2nd to 5th); Davao City including Tagum City (June 15th to 19th); Cebu City and Mandaue City (June 23rd to 26th); and San Pablo City (June 9th) and San Pedro (June 30th). Consultations in San Pablo and San Pedro Cities were conducted on two separate dates because of conflicts in scheduling with the head of the revenue district of San Pedro. He was unavailable

from June 9th to 11th. Some of the initial policy measures which were identified during the preliminary diagnostic assessment to be of great importance to increase tax effort⁸ include rationalization of excise taxes; restoration of Simplified Net Income Tax System (SNITS); resolving of issues on the tax-exempt status of labor cooperatives especially in PEZA-zones; and rationalization of fiscal incentives. The assessment also identified good tax administration measures that can be replicated in other RDOs. These include benchmarking, tax campaign activities, and customer satisfaction surveys, among others.

TAP 5.2. Support to enhancing the Electronic Lump-Sum Appropriation Management Program (e-LAMP) System of the DBM

The TAP is aimed at validation of the internal revenue allotment (IRA)⁹ of e-LAMP and developing a methodology for adjusting the “shopping method” threshold levels for small value procurements through the Government Policy and Procurement Board (GPPB). A proposed TAP was submitted for USAID approval on May 25th, revised from COTR comments on June 10th and resubmitted on June 15th to respond to CO’s request for a detailed cost estimate - a departure from earlier instructions. USAID’s consent to move forward with this activity is expected early next quarter.

Activities Planned Next Quarter

TAP 5.1:

- The diagnostic report on reform policies and processes in tax administration that can be supported by LINC-EG will be completed by July. Discussions will be had with COTR regarding prioritization of recommendations.

TAP 5.2:

- CO approval of the TAP is expected and, in coordination with Department for Budget and Management, LINC-EG will support activities of the e-LAMP.

⁸ An RDO’s tax effort is the ratio of tax collected vis-à-vis the Regional Gross Domestic Product.

⁹ According to Section 284 of the Local Government Code of the Philippines (RA 7160), Internal Revenue Allotment (IRA) is a local government’s share of revenues from the national government. The sharing formula is largely based on land area and population.

Program Area 6. Improving Trade Facilitation and Customs Administration

This program area supports improvements in customs efficiency and reductions in the time and cost of exporting and importing.

Key Activities Accomplished:

TAP 6.1. Assisting the Philippines accede to the Revised Kyoto Convention (RKC)

The Instrument of Accession to the Revised Kyoto Convention was signed by the President on March 16th and referred to the Senate Committee on Foreign Relations (the Committee) for its consideration and concurrence. During the quarter, strategic coordinating meetings were had with the Bureau of Customs (BOC), the Department of Foreign Affairs (DFA) and with private sector advocacy bodies such as the Export Development Council (EDC) to discuss the best means for advocacy of the RKC through the senate legislative process. Briefing materials and a primer on the RKC and Philippine Accession were developed by EDC, with assistance from LINC-EG, and provided to help Senators to better understand the technical issues and the benefits to the nation's competitiveness.

On May 22nd, the Committee conducted its second hearing on the revised Instrument of Accession. Opposition to accession was voiced by the Federation of Philippine Industries (FPI), the agricultural association *Alyansya Agrikultura* and some customs broker. LINC-EG's consultant Parayno and Program Area Team Leader held several discussions with these groups to demonstrate that the RKC standards are consistent with their goals of reducing smuggling and protecting government revenues. The meetings also ensured that concerns are clarified and assuaged prior to debates on the open Senate floor expected in late July.

TAPs 6.2, 6.3 and 6.4.

In addition to work under TAP 6.1 and building on work begun under previous USAID projects such as the Millennium Challenge Account – Philippine Threshold Program, stakeholder consultation continued for additional activities under this program area. Commissioner Morales and District Collectors of the BOC have expressed support for a diagnostic assignment similar to TAP 5.1 that will determine priorities for trade facilitation reforms at the Mindanao District Ports of the Bureau of Customs. This proposed TAP numbered 6.2 was submitted for COTR approval on May 21st; comments were received the same day. LINC-EG addressed the comments and a revised version was submitted on May 22nd. COTR approved the TAP proposal on May 28th. Further comments, however, were received on the budgetary component of the proposal on June 16th and 17th. A revised version of the TAP proposal addressing these comments was submitted to USAID on June 22nd.

The Petroleum Institute of Philippines (PIP), a private sector organization, has also expressed interest in collaborating with LINC-EG to combat oil smuggling. The initiative was launched with a discussion among LINC-EG, Ford Philippines, PIP and AmCham during an AmCham-hosted meeting in February. LINC-EG followed this up in further discussions with PIP that led to the development of an idea of partnering to train BOC and Presidential Anti-Smuggling Group (PASG) enforcement units on evidence handling and case build-up. This is in parallel with PIP's training on the field-testing of fuel markers. As TAP 6.3 this was submitted for USAID approval on May 25th. COTR's comments were received on May 29th. They were then addressed in a June 15th resubmission and received COTR's approval on June 24th.

In accordance with COTR's instructions of June 29th, TAP 6.4, proposed as assistance to the Philippine Exporter's Confederation Inc. (PhilExport) to streamline export documentation procedures has been placed on hold to focus on a more rapid approval process and implementation of the other proposed TAPs in this program area.

Activities Planned Next Quarter

TAP 6.1:

- Upon the opening of the third regular session of the 14th Congress in late July 2009, LINC-EG will coordinate with the Committee for the filing of a Committee report on RKC and its sponsorship by the Committee Chairman on the Senate Floor. Advocacy activities will continue with a broad cross section of partners in the relevant government, private and civic sectors.

TAP 6.2:

- Upon USAID approval, ST consultants will be engaged to conduct the proposed diagnostic assignment to determine priorities for trade facilitation reforms in selected ports of the Bureau of Customs in Mindanao.

TAP 6.3:

- Upon USAID approval, ST consultants will be engaged and arrangements made for anti-smuggling training on evidence handling and case build-up.

TAP 6.4:

- On hold in accordance with COTR's instructions on June 29th

Program Area 7. Expanding Infrastructure

This program area supports regulatory reform as well as public and private investments that will improve access and the facilitative role of infrastructure in transport and competitiveness.

Key Activities Accomplished:

TAP 7.1 Infrastructure Diagnostic and Strategy

Through a grant to TAF, a diagnostic assignment to assess the state of infrastructure projects and provide recommendations for their effective advocacy began. After a series of clarifications on contractual and technical matters between LINC-EG, TAF and the CO, USAID approved the proposed grant to TAF on May 5th. A draft award was shared with TAF for comments and agreement reached over the technical scope of work. LINC-EG received TAF's concurrence on the final version of the FOG on June 30th, with minor revisions on the milestones and target dates. Documentation for an award of a fixed obligation grant (FOG), instead of the simplified grant crafted, was in place toward the end of the quarter and will be submitted for USAID for USAID approval next quarter.

TAP 7.2. Strengthen the monitoring capacity of the Presidential Management Staff's Strategic Monitoring Group (PMS-SMG) on existing infra projects

Following agreements between LINC-EG and USAID late in Q1/2009 regarding the best manner of organization of this activity, a draft TAP was structured with three components: (i) support to TAF's activities aimed at improving the capacity of the PMS-SMG, (ii) funding for a Large Infrastructure Workshop (LIW) through a partnership with AmCham/ICIP V; (iii) and support to U-ACT's efforts at conducting an audit of infrastructure projects under the auspices of a public-private body tasked by President Arroyo to monitor the administration's priority infrastructure programs and projects nationwide.

On May 21st, TAP 7.2 was submitted for USAID approval; comments were received on May 28th with further comments on June 8th. Toward the end of the quarter, compilation of the necessary contractual documentation from the three organizations was ongoing. On June 10th ICIP held a coordination meeting with LINC-EG and COTR to discuss the LIW program and a division of tasks and responsibilities among the planners including initial contacts with the prospected speakers and securing of a venue.

TAP 7.3. Increasing air access to regional gateways: Clark and Davao

TAP 7.3 aims at expanding access to regional gateways specifically through support for activities that would encourage one or more major carriers to introduce routes to Clark and

Davao Cities utilizing current potential seat entitlements attained by Clark International Airport Corporation (CIAC) and advocacy activities. The work also includes providing advice about planned bilateral agreements aimed at increasing further such entitlements and exploring the potential of the Davao International Airport as a gateway. This work program is intended to bring to completion activities executed but unfinished by TAF at the closure of the PRP. COTR comments on the draft TAP were received on April 30th and an approval request for the activity was resubmitted on May 24th. TAF will undertake activities including the identification of stakeholders and champions for assessing and realizing that potential. Ensuing technical and budget reviews have been coordinated with COTR/CO.

Upon consultations with TAF, USAID, and Ms. Cherry Lyn Rodolfo, the proposed team leader, a draft TAP was informally submitted to COTR on March 30th. Comments were received on April 30th, and a formal TAP proposal submitted on May 24th. The Program Area Team Leader worked on re-assembling the TAP proposal, in close collaboration with the proposed activity leader. On June 30th, a revised TAP addressing comments from USAID was submitted.

Activities Planned Next Quarter

TAP 7.1:

- LINC-EG will finalize a letter to TAF that will essentially cancel the old grant agreement and re-issue the FOG. Upon completion of documentation, USAID approval and LINC-EG award of a grant to TAF, the initial phases of the diagnostic assignment is expected to commence. With the signing of the grant agreement, TAF will initiate the work on the infrastructure diagnostics. A preliminary progress report is expected in July 2009. The TAP is expected to be implemented until August 31, 2009.

TAP 7.2:

- Completion of documentation and structuring of contractual obligations for potential collaboration with the three organizations is expected. TAP 7.2 will be resubmitted. Upon receipt of USAID approval, LINC-EG will prepare the required documentation for the implementing mechanisms of the TAP.

TAP 7.3:

- Upon completion of documentation, USAID approval and LINC-EG award of a grant to TAF, the initial phases of the TAP is expected to commence.
- LINC-EG will submit a revised TAP proposal for USAID approval. Upon receipt of USAID approval, LINC-EG will prepare the required documentation for the implementing mechanisms of the TAP.

Key “Special” and other Technical Activities

This section reports on technical activities supported through the special activities fund (SAF) as well as other technical activities that fall outside of the main seven technical program areas.

The SAF was not accessed this quarter and there are no key special activities to report.

Cross Cutting Components: Gender and Public Private Alliances

Gender:

Due to changes in program activity dates, the gender specialist, Jeanne Illo, rescheduled to next quarter two substantive activities involving the briefing of potential grantees about LINC-EG’s strategy for incorporation of gender concerns in program implementation under TAPs 2.2 and TAP 2.4 (on the impact of the financial crisis on gender in the Philippines). For TAPs under development, indicators and the impact of project activities on gender were assessed for Tap 1.2 and for other similarly planned activities that are in the consultative phase – for e.g. a GDA to assist with entrepreneurship at the LG level and involving overseas Filipino workers (see pg 18). In addition to general guidance and input at weekly meetings, including on the broad project performance framework that is under design, the gender expert was involved in the following activities:

- Participated in the Policy Forum on the Financial Crisis on April 23rd.
- As requested by Ms. F. Verzosa, USAID/Manila’s Gender focal person and approved by COTR, served as resource person at a workshop on May 11th to discuss the Philippine Harmonized Gender and Development (GAD) Guidelines in the context of USAID programs in the Philippines. Proceedings will be submitted to the National and Economic Development Authority (NEDA).
- Subsequently designed, prepared the materials for, and conducted a 3-hour LINC-EG in-house session on June 1st and on GAD monitoring requirements for LINC-EG TAPs. Prepared the LINC-EG GAD action plan for submission to USAID, and finalized it after discussions with the project team.

Plans for the Next Quarter:

- Upon approval and award of the grants to the two groups selected to implement TAP 2.2, the Gender Expert will meet with the group to brief them on the gender strategy of LINC-EG and expected integration of gender in the TAP.
- The Gender Expert will begin drafting the Briefing Paper on the gender dimension of the global financial crisis that the Overseas Development Assistance – Gender and Development (ODA-GAD) Network will use in its advocacy with the Growth and National Competitiveness Working Group of the PDF. The paper will be based on the LINC-EG-funded CRC study and similar studies such as that of the United Nations Development Fund for Women.

Public Private Partnership (PPP):

Two concepts for a Global Development Alliance (GDA) initiated in March were discussed and explored with COTR at the start of this quarter: the first, involving PhilHealth and the Philippine Community e-center Network was dropped for possible pick up by other USAID projects working in the health area. The second involved structuring an arrangement between selected LGs, Australian Business Volunteers, Microsoft Philippines and the Blas Ople Policy Center (a job training center) to train returning overseas Filipino workers in basic entrepreneurship and provide them a fast tracked business start-up registration system. After discussions by LINC-EG's PPP Advisor and COTR with the potential private sector partners, this activity was proposed tentatively¹⁰ as TAP 3.3 and submitted for USAID approval on May 9th. A revised TAP proposal was submitted following the USAID-prescribed template on May 24th.

Plans for the Next Quarter:

- The potential GDA will be developed further based on COTR comments and PPA arrangements with other organizations will be explored.

TAP Concepts Under Development:

DCOP for Mindanao, Rafael Evangelista continued consultations and visitations begun last quarter to clarify stakeholder needs for potential LINC-EG assistance along three activities:

¹⁰ The tentatively proposed TAP is included in this section and not under program area 3 because of its focuses on the GDA aspects and also because the concept is still under discussion with COTR.

(1) The *Halal* food packing industry is a large industry with potential for international competitiveness for the Mindanao region with its Muslim population¹¹. However, operators report that the industry is hampered by a nascent and incapacitated accreditation system. In coordination with USAID's Growth and Equity in Mindanao (GEM) project, LINC-EG will continue to explore possibilities of providing technical assistance that is within LINC-EG's program objectives.

(2) The Bureau of Fisheries and Aquatic Resources (BFAR)'s initial investment in equipment of P2,000,000.00 in 2006 to reduce transactions costs associated with food testing in Northern Mindanao lays idle and some private sector operators have expressed interest in resuscitating and moving the project to completion. Different proposals have been suggested including Build-Operate-Transfer and LINC-EG will dialogued with stakeholders to seek ways to be of service.

(3) Informal assistance for a supplemental activity to already proposed TAP 3.2 (see page 8) and which involves development of sector profiles to improve documentation requirements for businesses operating in those sectors has been requested by the provincial office of DTI based in Cagayan de Oro city. Further clarification of this request will be obtained and a determination made about the best suitable method of assistance or advice.

Consultations early next quarter should clarify the types of assistance if any that LINC-EG can provide to these initiatives.

¹¹ The world-wide *halal* market is estimated to cover 1.2 billion consumers located in 112 countries in five continents. The *halal* market is not limited to Muslim-dominated countries but also cater to non-Muslim countries with large Muslim population like the Philippines with 5 million Muslims.

SECTION 2 – MAJOR MANAGEMENT & ADMINISTRATIVE EVENTS

The key management and administrative tasks for the quarter covers (i) key day-to-day office administration activities¹² including negotiations, contracting and mobilization of personnel and (ii) managing the design and submission as well as ongoing implementation of TAPs.

Ms. Cecilia Robles, a grants specialist with more than 24 years of experience on USAID projects joined LINC-EG on May 11th after a wide search and public advertisement following three previous unsuccessful recruitment efforts. Grants as an implementing mechanism to achieve LINC-EG objective have increased and her addition fills an important function.

Mr. Roger Manring, Senior Vice President at Nathan Associates Inc., arrived in Manila on April 15th for discussions with USAID/Philippines on key project management and how to improve the pace of implementation. The cumbersome nature of approvals for TAPs and program activities has contributed to the slow implementation of technical activities, as is the lack of agreement with USAID on LINC-EG's managerial staffing needs of program areas 4 (Property Rights) and 7 (Infrastructure). USAID/Philippines requested a change in Chief of Party (COP) and removal of LINC-EG's Mindanao Adviser, Neureus Acosta.

Upon further consultations, an Action Plan was agreed between USAID and Nathan Associates Inc. The Plan included a three-month transition to a new COP, replacement of the Mindanao Adviser, USAID/Philippines's formal consent for a LINC-EG field office in Mindanao and clearance to hire a team leader for program areas 4 and 7.

With the formal clearance of COTR, acquiring space and setting up of an office in Mindanao was a priority and a contract was signed on May 5th establishing LINC-EG's permanent presence in CDO as a base serving all of Mindanao. An Office Manager and Administrative Assistant were hired and received initial orientation in the Manila office. As activities progress and as needs necessitate, additional office space arrangements, not necessarily involving a full office presence, may be explored to improve project outreach in other parts of Mindanao. Box 1 provides a summary of other key management and administrative events during the quarter.

The Mindanao Field Office is expected to be fully operational early next quarter. It will lead the selection, screening and establishment of a private sector advisory group of 8 to 12 prominent Mindanao residents that will provide strategic advice to LINC-EG on project activities. A formal

¹² Includes Mindanao Office where applicable

launch of the project office will be determined with key public and private sector stakeholders in Mindanao.

Box 1. Key Program Management Events in the Quarter:

- April 15th – May 2nd/6th: Nathan Associates’ Senior VP, Roger Manring and Peter Miller, Associate, visit Manila.
- April 23rd: Received USAID approval for LINC-EG Grants Manual submitted on January 8, 2009 along with the revised LINC-EG 2009 Workplan.
- April 27th: Received BIR VAT Exemption Certificate which was dated April 24th.
- April 27th: Field Office Employee Manual, and Code of Ethics and Compliance Policy Agreement signed by staff.
- April 29th: USAID Trainet Training attended by Training Coordinator & Admin. Asst
- April 29th: Ms. Cecilia Robles is approved by USAID as Grants Manager. Commenced work May 11th.
- April 30th: Submitted to SEC a request to designate COP Clarete as resident agent for Nathan Associates Inc.
- May 5th: Lease Contract for the LINC-EG Mindanao Office (LMO) was signed.
- May 21st – 22nd: Orientation in project accounting, procurement and management in the Manila project office for Ms. Merlita Guerrero and Ms. Pamela Evasco, the Office Manager and Admin Assistant respectively of the Mindanao office.
- June 3rd: COTR approved LINC-EG’s logo and design for business cards.
- June 19th: SEC approval is received for a trade name amendment from Nathan Associates Inc. – EMERGE to Nathan Associates Inc/DNG – LINC-EG. Submitted June 8th.
- June 26th: Voice and data networking at the Mindanao Field Office completed with 7 local lines, a fax machine and a proprietary telephone connected to a PABX system; 8 ports were prepared for Local Area Network and wired internet access.
- June 26th: COTR approved LINC-EG’s branding manual and revised LINC-EG 2009 Workplan which were submitted to USAID on January 8th.

Administration of Grants and Special Activities Fund (SAF)

LINC-EG's staffing and administrative systems for grants are fully in place as of end of May following the hiring of the earlier mentioned grants manager and assumption of duties of Muriel Toledo as grants and training coordinator. Three (3) grants were processed and one was awarded to The Asia Foundation for funding to implement the earlier mentioned TAP 7.1 . The negotiation and contractual due diligence process for other two proposed grantees were extensive because these were first time USAID grant awardees and had to be oriented on USAID policies, mechanism and expectations of grantees.

Performance Monitoring and Evaluation (M&E)

During the quarter, M&E Specialists Leandro Tan and Arlan Brucal worked on establishing a formal M&E system to measure and track the overall performance of USAID approved TAPs. A series of working sessions were held with all Team Leaders as a review on common M&E elements and to develop a common understanding of the guidelines and interpretation of expected outcomes and intended impacts required in the new TAP Approval Form introduced this quarter. A report that presents a summary status of TAPs drafted and/or under implementation is in Annex 1. An in-depth review of existing USAID plans and indicator monitoring requirements was discussed in the context of a Design and Monitoring Framework (DMF) that was developed to link the success indicators of each approved TAP with the program elements of the Country Assistance Strategy of USAID. It is included in Annex 2.

SECTION 3 – TIME INPUTS

At the end of the reporting quarter (June 30, 2009), out of a contract budget total of 9,564 person-days, LINC-EG had expended 985.25 person-days, or 10.30 percent.

SECTION 4 – FINANCIAL PERFORMANCE

At the end of the reporting quarter (June 30, 2009), out of a total contract budget ceiling of \$14,403,515.30, total expenditures of \$1,180,702.97 had been incurred. This amounts to about 8.20 percent of total budget ceiling. LINC-EG expects to increase substantially next quarter.

ANNEXES

Annex 1. Summary of the Status of TAPs (as of June 30, 2009)

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
							Grant		STTA		Purchase Order		
No.	Short Title	Start Date	End Date	Submission dates	Approval Dates		awarded	approval dates	submitted	Approval dates	submitted	Approval dates	submitted
1.1 (a)	Subnational <i>Doing Business</i> with the IFC	17-Jun-09	30-Apr-10	11-Jun-09 22-May-09 21-May-09	COTR: 11-Jun-09 (revised TAP)	Grant: IFC							
1.1 (b)	Support to PCCRP	06-Jun-09	31-May-10	30-Jun-09		Grant: AIMPC STTA: 2 consultants							
1.2	Mindanao transport competitiveness	17-Jun-09	13-Oct-09	10-Jun-09 29-May-09 27-May-09 08-May-09	COTR: 16-Jun-09 (endorsed to ORP)	Grant: Philexport-10 STTA: 1 consultant							
2.1	Investment Climate Improvement Project-5	20-Jan-09	19-Nov-09	17-Dec-08 18-Dec-08	COTR: 07-Jan-09 ORP: 20-Jan-09	Grant: AmCham	21-Jan-09	COTR: 7-Jan-09 ORP: 20-Jan-09	10-Nov-08				
2.2	Barriers to Philippines FDI	01-Apr-09	30-Sep-10	12-Jan-09 13-Jan-09	COTR: 14-Jan-09 ORP: 4-Feb-09	Grant: AYC Consultants Grant: AER		(AYC) COTR: 10-Jun-09	10-Jun-09				

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
							Grant			STTA		Purchase Order	
No.	Short Title	Start Date	End Date	Submission dates	Approval Dates		awarded	approval dates	submitted	Approval dates	submitted	Approval dates	submitted
2.3	Phividec	15-Feb-09	15-Aug-09	17-Jan-09 22-Jan-09	COTR: 23-Jan-09 ORP: 06-Feb-09	STTA: 2 consultants PO: TBD				COTR: 23-Jan-09 ORP: 06-Feb-09	22-Jan-09		
2.4	Global crisis impact	08-May-09	31-Jul-09	10-Feb-09	COTR: 11-Feb-09 ORP: 12-Feb-09	PO: CRC Others: Meeting Venue for PCCI-UACT FGD						COTR: 29-Jun-09 (extension) 19-Feb-09	27-Jun-09 (extension) 18-Feb-09
3.1	NERBAC	TBD	TBD										
3.2	Streamlining business permitting - CDO	TBD	TBD										
3.3	Grant to Blas F. Ople Policy Foundation	TBD	TBD	24-May-09 09-May-09		Grant: BFOPF STTA: TBD							
4.1	Completion of land title digitization - Cebu	30-Jun-09	30-Mar-10	08-Jun-09 24-May-09 11-May-09	COTR: 08-Jun-09	Grant: ACERD STTA: 3 consultants PO: TAF							
4.2	Support for residential Free Patent Act	23-Mar-09	31-Dec-09	18-Mar-09	COTR: 24-Mar-09 ORP: 20-Apr-09	Grant: LSIG STTA: 3 consultants				COTR: 24-Mar-09 ORP: 20-Apr-09	18-Mar-09		

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
							Grant		STTA		Purchase Order		
No.	Short Title	Start Date	End Date	Submission dates	Approval Dates		awarded	approval dates	submitted	Approval dates	submitted	Approval dates	submitted
5.1	Diagnostic for district tax reform - Mindanao	26-Jan-09	30-Jun-09	22-Jan-09 13-Jan-09	COTR: 23-Jan-09 ORP: 28-Jan-09	STTA: 1 consultant				COTR: 23-Jan-09 ORP: 28-Jan-09	13-Jan-09		
5.2	Data validation e-LAMP	01-Jul-09	30-Jun-10	15-Jun-09 10-Jun-09 27-May-09 24-May-09 11-Mar-09	COTR: 27-May-09	PO: Asiagate PO: TBD							29-May-09 (JOFOC) 26-May-09 11-Mar-09
6.1	Support for RKC accession	30-Jan-09	30-Sep-09	22-Jan-09 5-Feb-09	COTR: 6-Feb-09 ORP: 18-Feb-09	STTA: 1 consultant STTA: add'l LOE				COTR: 6-Feb-09 24-Jun-09 (add'l LOE) ORP: 18-Feb-09 24-Jun-09 (add'l LOE)	22-Jun-09 (add'l LOE) 05-Feb-2009		
6.2	Diagnostic for district customs reform - Mindanao	03-Aug-09	30-Dec-09	27-Jun-09 22-Jun-09 22-May-09 21-May-09	COTR: 28-May-09	STTA: 2 consultants				COTR: 28-May-09	27-Jun-09		
6.3	GDA on Anti-smuggling	30-Jun-09	30-Dec-09	15-Jun-09 25-May-09	COTR: 24-Jun-09	Grant: PIP STTA: 2 consultants							

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
							Grant		STTA		Purchase Order		
No.	Short Title	Start Date	End Date	Submission dates	Approval Dates		awarded	approval dates	submitted	Approval dates	submitted	Approval dates	submitted
6.4	Standardization of export clearance procedures	TBD	TBD										
7.1	Infrastructure diagnostic	06-May-09	31-Aug-09	11-Feb-09	COTR: 18-Feb-09 ORP: 26-Feb-09	Grant: TAF		ORP: 5-May-09	16-Apr-09 30-Mar-09 12-Mar-09				
7.2	PMS-SMG infra monitoring	TBD	TBD	21-May-09		Grant: CRC Grant: PCCI-U-ACT STTA: 1 consultant							
7.3	Air access - Clark and Davao	15-Jul-09	15-Apr-10	30-Jun-09 24-May-09		Grant: CILA/CIAC STTA: 1 consultant							

Annex 2. Performance Monitoring and Evaluation Table

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 1.1 Expanding coverage of IFC Subnational Doing Business Survey	Enable the IFC to add five new cities to the SDB: Cagayan de Oro, Zamboanga City, General Santos, Iloilo, and Batangas.	Obtain new information on competitive standing of five new cities relative to other cities in the country and the world	Discernible improvement in subject component areas	Discernible improvement in program component areas for cities covered in the new survey	Higher rankings relative to RP cities in select component areas?	Five (5) component areas among 5 cities	IFC-AIM Policy Center			4.2.1.3: Trade Facilitation
TAP 1.2 Assessment of Transportation and Logistics Costs in Northern Mindanao conducted	Development of a robust inventory of shipping costs that form the basis of future targeted reform initiatives in the shipping and transport cost area.	Increased knowledge in identifying potential high-cost bottlenecks in supply chain from Northern Mindanao	Discernible reductions in shipping / logistics costs	Discernible reductions in shipping / logistics costs of specific itemized costs identified in study	<i>Specific description still to be determined</i>	20% reduction in costs	To be identified in study			4.2.1.3: Trade Facilitation
TAP 2.1 Investment Climate	?	Increased political and public interest in improving the	?	Mustering sufficient political support	Higher no. of favorable media exposures?	100	American Chamber of			4.2.2.1: Trade and Investment

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
Improvement Program Phase V		investment climate		for key policy reform areas			Commerce			Promotion
					Favorable shift in official government policy in select reform areas	1(?)	American Chamber of Commerce			
					Share of global foreign investment into RP	?	UNCTAD			
TAP 2.2 Formulating Policy Reforms to Address Barriers to the Entry of Investments	Increased political and public interest in addressing barriers to foreign investment	Increased political and public interest in addressing barriers to foreign investment	Share of the Philippines to regional FDI going to ASEAN increased	Enactment of legal, policy and regulatory reforms in easing constitutional restrictions on new investments	Higher share of RP in FDIs for ASEAN	+ 5 percent	UNCTAD	To be determined by grantee		4.2.2.1: Trade and Investment Promotion
	Legal, Policy and Regulatory Reforms enacted leading to increased FDI into the Philippines				No. of official requests for assistance from government agencies on implementation of recommendations in study?	?	PhilExport 10			

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 2.3 Enhancing the Capacity and Competitiveness of the Philippine Veterans Investment and Development Corporation (Phividec) Industrial Authority (PIA) to Administer and Attract Investments	PIA secures PEZA and LGU cooperation and agreement,	Establishment of PIA as the unified administrator of the facility and incentives for Hanjin or any other future locator at the Industrial Estate in Misamis Oriental	Entry of new investments into the PIA Industrial Estate	Raise attractiveness of PIA as a special economic zone for incoming foreign investments	Significant increase in foreign investments into PIA Industrial Estate	US\$ 1 billion	PIA			4.2.2.1: Trade and Investment Promotion
TAP 2.4 Assessing the Impact of the Global Financial Crisis on the Philippines	Raise broad understanding on the impact of the financial crisis	Identification of critical risk areas in select sectors vulnerable to the Global Financial Crisis	Greater support for reforms to improve competitiveness leads to more successful implementation and a more robust recovery.	Formal adoption and implementation of select policy recommendations by major stakeholders of studied sectors	No. of official requests for assistance from government agencies on implementation of recommendations in study?	?	CRC			?
					Positive incremental effect on sectoral economic growth?	?	NSCB			

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 4.2 Supporting the enactment of Residential Free Patent Act	The Free Patent Act is passed into law	Passage into law and supplemented with issuance of implementing rules and regulations on administrative mode of titling lands	Improved land market through increased number of titled lands in the formal market.	Improved land market thru Establishment of Digital Land Registry	No. of residential lands titled in formal market	+4.9% increase in 2 years following establishment of Digital Land Registry	Administrative office still to be determined in IRR (Land Mngt Bureau of DENR); Binondo	No. of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG assisted organizations.		4.6.1.1: Property Rights

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 5.1 Diagnostic on Tax Administration Reform	Recommendations from the final report observed or demonstrably shown as being pursued or adopted by the Mindanao Revenue Regions.	Identification of select tax measures raising operational efficiency of administration systems in Mindanao Revenue Regions (MRRs)	Increased share of the MRRs to total collection	Raise tax collection efficiency	No. of official requests for assistance from government agencies on implementation of recommendations in study? No. of implemented TAPs? Greater regional tax effort? Increased share of MRR to total BIR collections	70% of recommendations	Mindanao Revenue Regions and Operations Group of the BIR LINC-EG BIR BIR			4.1.1.1: Revenue Structure and Administration

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 5.2. Enhancing the Electronic Lump-Sum Appropriation Management Program (eLAMP) System of the DBM	Successful launch and roll out the enhanced eLAMP system to the local DBM offices, which covers the four additional modules	Successful expansion of eLAMP to regional DBM offices with new program enhancements including 4 additional modules	Discernable improvement in the transparency of budget allocations	Discernable improvement in the transparency of budget allocations	Open Budget Index	+10% increase in overall country score	World Bank			4.1.1.2: Expenditure Structure and Management
TAP 6.1. Assisting the Philippines accede to the Revised Kyoto Convention (RKC)	Philippines accedes to the Revised Kyoto Convention	Passage into law and supplemented with issuance of implementing rules and regulations that are aligned with RKC global best practices on customs administration	Significant reduction in trade transaction costs	Significant reduction in trade transaction costs	Reduce cost to import across borders	-19%	IFC Cost of Doing Business	no. of customs procedures passed in line with international standards and best practices		4.1.1.1: Revenue Structure and Administration + 4.2.1.3: Trade Facilitation + 4.2.1.4: Support for International Standards
					Higher country ranking in ASEAN	one notch higher in country ranking	IFC Cost of Doing Business	no. of participants in trade and investment trainings	20 Senate staff trained	

Technical Assistance Packages (TAPs)	Expected Outcomes - TAP Form (EO-T)	Expected Outcomes - Proposed (EO-P)	Intended Impact - TAP Form (II-T)	Intended Impact - Proposed (II-P)	Success Indicators (SC)	Cut-off Between Moderate & Highly Successful Impact	Data Source	F Indicators	Cut-off Between Moderate & Highly Successful Impact	USAID - FASP Equivalent
TAP 7.1. Infrastructure Diagnostics and Strategy	Identify acceptable strategies and priorities on infrastructure development in time for the Philippine Development Forum	Successful adoption of strategic approaches to address constraints to infrastructure development	Policy agenda of the 12 component areas is influenced	Significant improvement in infrastructure policies and implementation	No. of policy agendas influenced	6 out of 12 policy areas	TAF			4.4.3.2: Legal and Regulatory Restructuring and Governance in transport services
					No. of official requests for assistance from government agencies on implementation of recommendations in study?					
					No. of implemented TAPs?		LINC-EG			

Annex 3. LINC-EG DESIGN AND MONITORING FRAMEWORK:

EXPLANATORY NOTES

By Leandro Tan

Draft version as of 31 July 2009 for TAPs Approved up to 30 June 2009

The draft DMF table consists of the following elements organized under a specific sheet column label (A to O).

A. **Urgent Competitiveness Priorities** are the problematic subject areas cited in World Competitiveness Yearbook of IMD, the Global Competitiveness Report of World Economic Forum and the Doing Business Report of IFC/WB.

These Urgent Competitiveness Priorities for the Philippines will be the Program Areas under LINC-EG	IMD	WEF	Doing Business	LINC-EG PROGRAM AREA*
Excessive business regulations, specifically the time and cost required to start, operate, and close a business		X	X	3
Customs administration (cost of importing and exporting) and trade facilitation	X	X	X	6
Property rights and land use (security of title, registration, transfer, securitization, taxation, zoning appraisal, land use, adjudication)		X	X	4
Restrictions on foreign employment, professional practice, ownership, investment, or participation in bidding for public contracts	X	X		2
Effective competition and anti-trust policy, protection against regulatory capture and harmful aspects of market dominance	X	X		2
Tax evasion and other revenue leakages; tax policy to promote domestic and foreign investment	X	X		5
Poor quality and low public expenditure on infrastructure (especially roads, rails, ports, airports, power)	X	X		7

* Program Area 1 is on General Diagnostics

Source: LINC-EG Contract (p.11)

B. Seven **Program Areas** were identified in the Contract to match and address the seven Urgent Competitiveness Priorities cited above. There is an additional Program Area to undertake diagnostics. Each Program Area listed below includes some illustrative activities (along with illustrative indicators) which could be developed into **Technical Assistance**

Packages (TAPs), and applied either regionally or nationally, as appropriate. Program Areas are based on the Competitiveness Priorities above.

- C. The technical assistance provided under the LINC-EG project will consist of TAPs developed under any of the Program Areas mentioned. The implementation of the TAPs is contingent on the submission of the TAP Approval Form which provides the background of the description of the issues involved, the general technical approach that is proposed for implementation, preliminary estimates on budget costs, the counterparts, the description of demonstration of commitment, and statements on gender and Public-Private Partnership (PPP) if any. *The list of TAPs shown includes those approved by the USAID COTR as of 30 June 2009. Thus, there are no approved TAPs listed under Program Area 3.*

The Contract and the TAP Approval form also require performance measures for two levels of results: expected outcomes and intended impacts. These are to be compared with the targets under "not successful", "moderately successful" and "highly successful" scenarios. *For the purposes of this DMF, the non-attainment of any of the "successful" scenarios will be treated as pertaining to the "non-successful" result.*

The official descriptions of these result levels as stated in the guidelines attached to the TAP Approval form are:

- **Expected Outcome:** What do we hope this TAP will produce? Deliverables produced through the implementation of this TAP will hopefully lead to what action or outcome? Describe Baseline Scenario or Indicator values here.
- **Intended Impact:** What is the development reason for doing this TAP? The Expected Outcomes above will hopefully lead to what? Describe the Baseline Scenario or Indicator values here.

- D. **Expected Outcomes -TAP Form (EO-T).** The words were primarily drawn from the statements on the expected outcomes in the TAP Approval forms as approved by the COTR. If no general statement exists, the wording was derived from the common themes stated under the two successful scenarios. The subject matter may deal with the production of project outputs, deliverables and/or milestones (e.g. enactment of laws) in specific cases. *There is no EO-T for TAP 2.1 (ICIP) which was approved prior to the introduction of the TAP Approval Form.*

- E. **Expected Outcomes – Proposed (EO-P).** The words from the EO-Ts maybe revised to change the subject matter to outcomes rather than legislative or technical outputs.

- F. **Intended Impact -TAP Form (II-T).** The words were primarily drawn from the statements on the intended impact in the TAP Approval forms as approved by the COTR. If no general statement exists, the wording maybe derived from explanatory text within the TAP Approval Form / Proposal and/or from the common themes stated under the two scenarios identified as "successful". The subject matter may deal with the favorable change in quantitative indicators. *There is no II-T for TAP 2.1 (ICIP) which was approved prior to the introduction of the TAP Approval Form.*

- G. **Intended Impact – Proposed (II-P).** The words from the II-Ts maybe revised to change the subject matter to impact statements rather than legislative / technical outputs or changes in success indicators.
- H. **Success Indicators (SIs).** These proposed measures primarily pertain to the intended impacts which deal with the planned improvement in the operational performance of front-line government counterparts. This rule of thumb does not apply to diagnostic / assessment studies whose area of effect is generally limited to the number of further actions arising from recommendations. *Proposed SIs that are not mentioned in the TAP Approval Form are labeled with a question mark (“?”).*
- I. **Cut-off Between Moderate and Highly Successful Impacts.** This marks the upper limit of the indicator performance for a result to be labeled as a “moderately successful”. Any more favorable result can be considered as a “highly successful” impact.
- J. **Data Source.** Self-explanatory.
- K. **F - Indicators.** This refers to the standard operational indicators as required by USAID, if applicable.
- L. **Cut-off Between Moderate and Highly Successful Impacts of the F-Indicator.** This marks the upper limit of the indicator performance for a result to be labeled as a “moderately successful”. Any more favorable result can be considered as a “highly successful” impact.
- M. **USAID-FASP Equivalent.** This pertains to the specific sub-element in the Foreign Assistance Standard Program (FASP) of USAID which the TAP is consistent with. (Source: FASP Structure and Definitions dated 12 Dec 08; FASP Standard Indicators and Definitions for Economic Growth)

Annex 4. LINC-EG Expenditure Pipeline (as of June 30, 2009)

Expenditure Pipeline
LINC-EG Project
Contract No. EEM-I-00-07-00009-00 Task order 06

Cost Element	Contract Budget	Actual				Projected	Sept 30, 2009 25% time elapsed	
		Reporting Period				Jul - Sep 2009	Cumulative	% used
		Oct to Dec 2008	Jan to Mar 2009	Apr - Jun 2009	Jul - Sep 2009			
1 Labor	5,180,994.14	128,170.66	305,313.89	319,454.65	295,532.00	1,048,471.20	20.2%	
General Project Technical Labor	4,532,212.59	128,170.66	305,313.89	319,454.65	295,532.00	1,048,471.20	23.1%	
Expat Labor	736,332.97	75,289.58	79,298.25	107,397.05	80,000.00	341,984.88	46.4%	
CCN Labor	3,795,879.62	52,881.08	226,015.64	212,057.60	215,532.00	706,486.32	18.6%	
SAF Funded labor	648,781.55	-	-	-	-	-	0.0%	
Expat Labor	248,033.03	-	-	-	-	-	0.0%	
CCN Labor	400,748.52	-	-	-	-	-	0.0%	
2 Travel, Transportation and Per Diem	655,858.93	21,960.24	7,471.17	17,672.08	61,561.92	108,665.41	16.6%	
International Travel	92,272.74	11,209.23		4,493.20	8,940.00	24,642.43	26.7%	
Local/Regional Travel	69,319.30	1,110.50	1,162.40	3,201.45	13,187.42	18,661.77	26.9%	
International Per Diem	52,644.50	8,266.25		3,658.54	14,220.00	26,144.79	49.7%	
Local/Regional Per Diem	429,285.00	822.71	4,847.76	5,215.43	24,532.50	35,418.40	8.3%	
Other travel related costs	12,337.39	551.55	1,461.01	1,103.46	682.00	3,798.02	30.8%	
3 Allowances	171,386.98	2,554.85	33,688.90	5,811.18	14,087.50	56,142.43	32.8%	

Expenditure Pipeline
LINC-EG Project
Contract No. EEM-I-00-07-00009-00 Task order 06

		Actual			Projected		
Contract Cost Element	Budget	Reporting Period				Sept 30, 2009 25% time elapsed	
		Oct to Dec 2008	Jan to Mar 2009	Apr - Jun 2009	Jul - Sep 2009	Cumulative	% used
4 Furniture and Equipment	93,669.50	3,320.21	9,130.42	16,372.79	13,000.00	41,823.42	44.6%
Office Furniture	6,058.50		240.74	6,101.53		6,342.27	104.7%
Office Equipment	10,561.00	1,492.61	84.71	3,415.37	5,000.00	9,992.69	94.6%
Computers	34,550.00	1,827.60	8,804.97	6,855.89	8,000.00	25,488.46	73.8%
Vehicles	42,500.00					-	0.0%
5 Other Direct Costs	1,827,885.64	57,242.07	78,362.36	90,590.62	94,208.69	320,403.74	17.5%
Local Office Costs - Manila	1,022,048.37	45,956.49	73,467.10	60,942.11	60,000.00	240,365.70	23.5%
Local Office Costs - Cagayan de Oro	406,628.76			4,833.99	10,000.00	14,833.99	3.6%
Local Office Costs - Zamboanga	52,601.78					-	0.0%
Local Office Costs - Davao City	52,601.78					-	0.0%
Other direct program costs	257,899.15	11,285.58		18,991.02	21,176.09	51,452.69	20.0%
Home Office Costs	36,105.80		4,895.26	5,823.50	3,032.60	13,751.36	38.1%
6 General & Admin - 8.5% x Table Ref 2* thru 7	722,501.66	7,231.58	12,000.96	14,278.91	80,730.22	114,241.67	15.8%
7 Grants (2,4000,000) & SAF (3,351,218.45)	5,751,218.45	-	12,534.96	37,540.47	133,731.00	183,806.43	3.2%
TOTAL (U.S.\$)	14,403,515.30	220,479.61	458,502.66	501,720.70	692,851.33	1,873,554.30	13.0%