



A USAID - supported project managed by Nathan Associates Inc.

# **Quarterly Performance Report, July - September 2010**

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

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## Acronyms and Abbreviations

AER	Action for Economic Reforms
AIMPC	Asian Institute of Management Policy Center
AmCham	American Chamber of Commerce - Philippines
BOC	Bureau of Customs
BOSS	Business One-Stop Shop
BPLS	Business Permitting and Licensing System
CCT	Common Carriers Tax
CDO	Cagayan de Oro City
CICT	Commission on Information and Communication Technology
COTR	Contracting Officer's Technical Representative
CSOs	Civil Society Organizations
DBM	Department of Budget Management
DENR	Department of Environment and Natural Resources
DILG	Department of Interior and Local Government
DOF	Department of Finance
DTI	Department of Trade and Industry
DMF	Design and Monitoring Framework
ECCP	European Chamber of Commerce - Philippines
FOG	Fixed Obligation Grant
ICIP	Investment Climate Improvement Project
IFC	International Finance Corporation
INCITEGov	International Center for Innovation, Transformation and Excellence in Governance
IRR	Implementing Rules and Regulations
JIT	Joint Inspection Teams
JFC	Joint Foreign Chambers
JVA	Joint Venture Agreement
LGU	Local Government Unit
LINC-EG	Local Implementation of National Competitiveness for Economic Growth
M&E	Monitoring and Evaluation
NERBAC	National Economic Research & Business Assistance Center
NGA	National Government Agency
PBR	Philippine Business Registry
PCCRP	Philippine Cities Competitiveness Ranking Project
PhilExport	Philippine Exporters Confederation Incorporated
Phividec	Philippine Veterans Investment Corporation

PMP	Performance Monitoring Plan
PPP	Public-Private Partnership
SDB	Sub-national Doing Business Survey
SME	Small and Medium Enterprise
SONA	State of the Nation Address
SOW	Scope of Work
STE	Short-term experts
TAP	Technical Assistance Package(s)
USAID	United States Agency for International Development
WCY	World Competitiveness Yearbook

## INTRODUCTION

The Local Implementation of National Competitiveness for Economic Growth (LINC-EG) project (the Project) began in October 1, 2008, and is implemented by Nathan Associates Inc. through DNG, a joint venture of Development Alternatives Inc. and Nathan Associates Inc. The Task Order and the original Scope of Work (SOW) called for a four year program and seven technical program areas:

1. Measuring Factors of Competitiveness
2. Setting the Competitiveness Policy Agenda
3. Streamlining Business Permit and Licensing Processes
4. Improving Property Rights and Land Use Administration
5. Improving Tax Collections Efficiency
6. Improving Trade Facilitation and Customs Administration
7. Improving the Availability of Infrastructure

Fifty percent of the Project's resources were reserved to support initiatives in the island of Mindanao in Southern Philippines. Technical assistance was to be provided through discrete Technical Assistance Packages (TAPs).

In a February 25, 2010 correspondence with Nathan Associates, USAID/Philippines requested that the project be restructured to focus only on program areas with the most promise for achieving results over the remaining period of the Task Order. A memorandum and a revised SOW attached to that correspondence requested that project components be limited to Program Areas 1, 2 and 3, and a new technical program area 4 to replace the original program area of the same number. All other areas were to be phased out or closed down, including the project's office in Mindanao. The new program area 4 was designed to address the need to promote national competitiveness by ensuring that national fiscal resources are expended effectively and efficiently. Negotiations between USAID/Philippines and Nathan Associates Inc. were formally concluded on May 3 upon USAID/Philippines transmission to Nathan Associates Inc. of an amended Task Order. It was agreed that the Project will end on September 30, 2011.

### LINC-EG Phase II

#### Technical Program Areas

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1. Measuring Factors of Competitiveness
  2. Setting the Policy Agenda, Establishing and Addressing Implementation Gaps
  3. Streamlining Business Regulations at the National and Local Levels (City)
  4. Fiscal responsibility through national budget monitoring
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The Project was in full implementation at the end of the reporting quarter and has achieved significant successes this quarter notable in its efforts to influence the national government to have a substantive and leadership role in setting national standards to improve business environment constraints at the national level (see TAP 2.5). This quarterly performance report documents the Project's key activities during the period July to September 2010.

The report is laid out in four sections and six annexes. Section 1 reports the Project's main technical activities for the quarter, including the designing and submission of technical assistance packages (TAPs) by the Chief of Party (COP), Alid Camara, to the Contracting Officer's Technical Representative (COTR) John Avila for the latter's approval. Of the 15 TAPs in various stages of implementation at the end of this reporting period, five are hold-overs from the original work plan approved in January 2010, six are part of the revised Project work plan submitted in May 2010, two result from proposals for TAPs which were resubmitted in the previous quarter, one is from a proposal which was resubmitted in July, and the final one is a new TAP outside the current work plan.

The five hold-over TAPs are 1.1(a), 1.1(b), 1.2, 2.1(b), and 3.2. The financial data related to these TAPs and presented in this report do not reflect resources expended before the revision of the LINC-EG task order in April. The six TAPs stemming from the revised Project's May 2010 work plan are 3.1, 3.3, 3.4, 3.5, 3.6 and 4A and were approved on May 28, 2010. Of the remaining TAPs submitted along with the May 2010 work plan, USAID/Philippines has yet to approve 4A, disapproved 2.7, approved revised versions of 2.2(b) and 2.6, and recently approved 4C.

Section 2 reports on the key program management and administrative events during the quarter and Sections 3 and 4 provide summary data on labor utilization and the amount of financial resources expended during the quarter. The annexes consist of the following: Annex 1. Summary of the Status of TAPs (as of September 30, 2010); Annex 2. Project Indicators; Annex 3. An Update on the State of Philippine Competitiveness; Annex 4. Updated TAPs Results Framework; Annex 5. LINC-EG Expenditure Pipeline (as of September 30, 2010); and Annex 6. Highlights for the Quarter (July to September 2010).

## SECTION 1 - PROGRAM TECHNICAL ACTIVITIES

Approved TAPs specify the period of implementation, and the budget, technical resources, and counterpart commitment needed to achieve a particular set of project deliverables, outcomes, and impact. Grant funding, as part of a TAP, is another mode for technical assistance through LINC-EG. A Special Activity Fund, previously used as another mode of delivering technical assistance through the project, was discontinued upon instructions from USAID/Philippines at the end of March 2010.

This section of the report focuses on the results of specific TAPs while covering the key processes and management of project resources leading up to the achievement of these results.

### **Program Area 1: Measuring Factors of Competitiveness**

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This program area provides the empirical basis for the formulation of the investment climate reform agenda being pursued by the Project. In particular, the program area supports research initiatives that measure and monitor improvements in national and sub-national competitiveness through regulatory and non-sector specific perceptions based surveys.

For this quarter, the Project continued the initiatives it launched in 2009 and which focused on supporting further the Sub-national Doing Business (SDB) activity of the International Finance Corporation (IFC) and the Philippine Cities Competitiveness Ranking Project of the Asian Institute of Management Policy Center (AIMPC). The IFC activity surveys lawyers and intermediaries in business regulation to measure the practices of cities in three areas of business activity, namely: starting a business, dealing with licenses, and registering a business. The AIMPC project, meanwhile, surveys managers of business establishments to measure the competitiveness of Philippine cities in six areas: the cost of doing business, dynamism of the local economy, human resources and training, infrastructure, responsiveness of LGU to business needs, and quality of life. The Project provided financial and technical support that assisted the AIMPC to successfully launch the PCCRP during this reporting quarter. The details about these activities are reported below.

#### **Key Activities Accomplished:**

##### *TAP 1.1(a): Support to IFC's Sub-national Doing Business in the Philippines 2010*

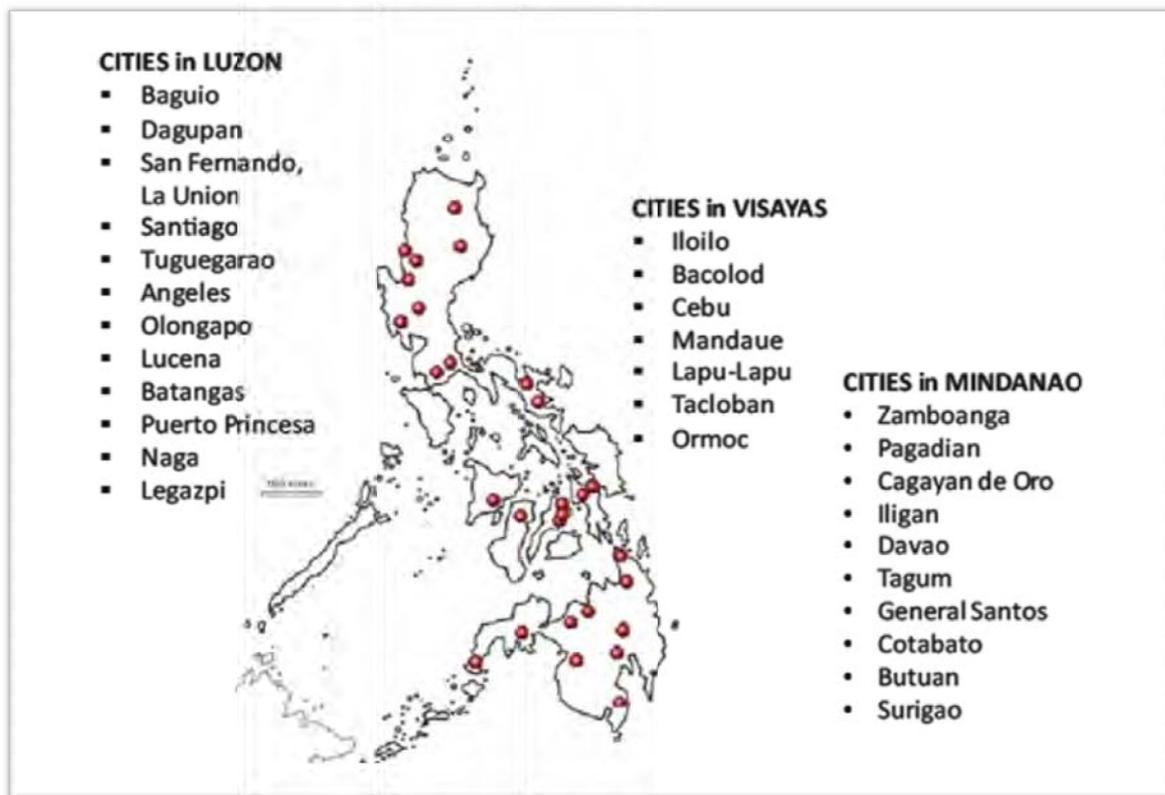
During the quarter, the Project continued supporting the IFC in its efforts to complete the *Subnational Doing Business in the Philippines 2010* (SDB) after the latter was granted a no-cost extension of this TAP last quarter in order to accommodate an unanticipated elongation of the

data gathering phase of the activity. At the end of August 2010, the IFC requested for LINC-EG's technical comments and feedback on an embargoed version of the draft SDB report. As of the end of the quarter, a consolidated sets of comments from the LINC-EG project was being incorporated into a revised version of the SDB report due to be made public at the IFC's launch of the benchmarking results in Manila on December 8<sup>th</sup> and in the Visayas and in Mindanao soon thereafter.

TAP 1.1(b): Support to the Philippine City Competitiveness Ranking Project (PCCRP) 2009

The results of the PCCRP 2009 were made public on July 19 at a policy forum in Manila attended by nearly 250 local government representatives, academicians, the media, and the private sector. USAID/Philippines' Acting Mission Director, Roger Carlson, delivered the opening remarks. Special awards were given to a number of mayors from local governments that have improved particular aspects of their business environment as measured by the study.

**Figure 1. Map of the Philippines with PCCRP 2009 Participating Cities**



Source: *Cities and Enterprises, Competitiveness and Growth: Philippine Cities Competitiveness Ranking Project 2009*

In order to allow for comparability, the 29 participating cities were classified into three strata based on current levels of economic development – covering criteria such as land mass, population and size of the private sector. Sixty MSMEs (micro small and medium enterprises)

were interviewed per city. In Mindanao, Davao and Cagayan de Oro cities ranked at the top in the Metropolitan and Growth Center strata respectively. Detailed analyses of the findings of the report suggest that there is still a lot of room for growth for all the participating Mindanao cities.

Figure 2. Overall Ranking of Mindanao Cities by Stratum

Stratum	City	Rank						
		Overall	Dynamism of Local Economy	Cost of Doing Business	Infra-structure	Human Resources Training	Responsiveness of LGU	Quality of Life
Metropolitan Growth Centers	Davao City	2	2	1	2	2	1	1
Growth Centers	Cagayan de Oro	1	1	3	2	3	3	3
	Zamboanga	3	7	1	4	3	6	5
	General Santos	5	9	7	1	7	9	3
Emergent Cities	Pagadian	7	17	1	8	6	7	13
	Surigao	10	15	9	9	11	8	9
	Tagum	11	11	8	2	11	12	17
	Cotabato	14	14	11	5	2	16	15
	Iligan	15	13	4	15	6	13	3
	Butuan	16	16	16	14	2	14	1

Source: Cities and Enterprises, Competitiveness and Growth: Philippine Cities Competitiveness Ranking Project 2009

With the direct support from LINC-EG's in-house technical expertise, the methodology of the PCCR 2009 is considerably more robust than in the past, as noted by several observers such as Mayor Benjamin Abalos of Mandaluyong. The methodology benefited from the input of a statistician and a local government expert that were both funded by LINC-EG and also from the feedback of Dr. Federico Macaranas, a LINC-EG senior policy advisor and previously the executive director of the AIMPC. The public launch of the results also coincided with the period of development of economic development plans by incoming local chief executives after the general elections in May. A lasting contribution of the PCCR 2009 and USAID's support through LINC-EG is the availability of sound empirical information source from which to base economic development and investment promotion plans at the national and local levels of government.

### **Activities Planned Next Quarter**

#### TAP 1.1(a):

- In consultation with the IFC, the COTR's approval will be sought for a no-cost extension of the implementation period of TAP 1.1(a), to cover the period of dissemination of the findings of the SDB 2010 Report to project stakeholders.

- In coordination with the IFC, the dates for the launch of the SDB will be agreed. Senior leadership of USAID/Philippines will be invited to participate. The results of the SDB will also be launched sub-nationally in Mindanao and its reform implications discussed at a workshop and focus group discussion scheduled for December.
- The TAP will be closed in December.

TAP 1.1(b):

- In consultation with the AIMPC, the final PCCR 2009 report will be published and shared with key stakeholders.
- An analytical paper with suggestions for using the PCCR 2009 findings in investment climate reforms at the city level will be developed by LINC-EG's contracted local government investment specialist. The PCCR 2009 will also be launched sub-nationally in Mindanao and its reform implications discussed at a workshop and focus group discussion scheduled for December.
- The TAP will be closed in December.

## **Program Area 2. Setting the Policy Agenda, Establishing and Addressing Implementation Gaps**

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During the first phase of LINC-EG, this program area focused on policy advocacy and investment climate constraints as they affect foreign investors. Support was provided to the American Chamber of Commerce (AmCham); to Filipino organizations that promoted a fairer playing field for both foreign and local investors; and to the Philippine Veterans Investment Corporation (Phividec) in its efforts to encourage foreign investments into its 3000-hectare estate in Northern Mindanao. Except for the support provided to AmCham, these activities have now concluded and the associated TAPs have been closed-out.

Since April 2010, technical assistance through this program area has continued to support legacy activities from 2008-2009 but with an increasing focus on assisting the national government to more effectively and vigorously bring its leadership and resources to bear on setting the policy agency for business environment reform at the sub-national level, arguable the most difficult enterprise operating locations (see TAP 2.5).

For the reporting quarter, the Project continued supporting the Sixth Investment Climate Improvement Project (ICIP VI) of AmCham and concluding the administrative processing of a follow-on grant for the second phase of an earlier project initiative to formulate policy reforms to address barriers to the entry of investments into the Philippines. The follow-on grant is expected to be issued to the Action for Economic Reform (AER), a grantee under the first phase

of the activity. Both grants to AmCham and to AER aim to reduce or eliminate barriers and disincentives to inward foreign investment. The initiatives with the national government currently focus on initiatives that aid the implementation of the Project's program area 3, streamlining and easing of regulations governing issuances of business licenses. The following discussion provides additional detail about project activities specific to this program area.

**Key Activities Accomplished:**

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

In August, the Joint Foreign Chambers (JFC) conducted a series of meetings with the leadership of four government agencies involved in regulating the operations of enterprise: the Departments of Labor and Employment (DOLE), Public Works and Highways (DPWH), Finance (DOF), and Trade and Industry (DTI), as well as the head of the Commission on Information and Communication Technology (CICT). During these meetings, the JFC secured the agreement and support of the secretaries of these agencies for some key reform areas to:

- ensure that labor policies will engender more flexibility and help labor markets to operate more efficiently including on issues of wage setting;
- recognize the disruptive consequences of declaring public holidays at short notice and the high number of holidays compared to other ASEAN countries;
- foster transparency in the awarding and implementation of DPWH infrastructure projects, especially those under the public-private partnership (PPP) scheme, including on joint venture agreements and establishing a preference for solicitation as a mode of procurement; and
- resolve the issues of the Common Carriers Tax (CCT) and Gross Philippine Billings (GPB), which are imposed on foreign airlines flying into the country;

During these meetings, drafts of the “Roadmap to More Foreign Investments III,” an upcoming major publication of AmCham were extensively distributed and used. The public launch of this publication is overdue and LINC-EG is providing direct assistance to AmCham to avert the negative consequences of additional delays in so far as they affect the inclusion of recommendations for reform measures that could be incorporated into the various sector and economic development plans currently being produced by various government agencies such as the Medium Term Philippine Development Plan of the National Economic Development Agency. In another development, on July 14 AmCham and the European Chamber of Commerce of the Philippines (ECCP) hosted the 1<sup>st</sup> Philippine Energy Efficiency Forum and Exhibition. Supported by the Department of Energy (DOE), the event convened key decision makers and business leaders from the energy, commercial and industrial sectors, and sought to

push for the implementation of energy efficiency programs at the enterprise level. During the event, Senator Teofisto Guingona consented to sponsor the passage of the Energy Efficiency Act which will provide for the setting of energy performance standards for devices that use, control or affect the use of energy.

TAP 2.2(b): Liberalizing and facilitating foreign participation in the Philippine economy (Phase II)

This TAP began with two phased objectives: to validate the results of a preliminary study by John Forbes and Carla Grino titled “Barriers to Foreign Participation in the Philippine Economy,” by John D. Forbes and Carla Marie G. Grino; and to develop a communications and specific 12-month policy advocacy program that is based on the results of the validation exercise.

The first objective was successfully attained in the previous quarter and, following a procurement process, USAID and LINC-EG made a decision to provide a follow-on grant to the AER for the specific reforms envisaged from the validation exercise stated above. In order to manage project risks in view of uncertainties connected with the legislative environment as well as to restructure project resources to accommodate recent request for technical assistance from the Department of Finance (see TAP 4C), the Project expects to issue a cost reimbursement grant to AER, instead of a fixed obligation grant discussed earlier in the year.

On July 7, AER submitted a revised proposal that proposed advocacy for a more liberal interpretation of the 60-40 equity rule on foreign equity in some sectors of the economy by applying a control test to cover all corporations that are majority-owned by Filipinos. Also, AER has proposed to push for the legislative redefinition of the legal meaning of public utility, especially in relation to the telecom sector. AER would also formulate training modules for continuing education programs on law and economics that use case studies of controversial legal issues unfavorable to foreign investments; and sensitize chiefs of staffs in the Senate and the heads of the Committee secretariats in the House of Representatives on legal barriers to investment in the Philippines.

LINC-EG’s request for USAID approval to award the grant to AER was submitted on August 26<sup>th</sup>. As of the end of the quarter, the Contracting Officer’s approval has not yet been granted.

TAP 2.5 Strengthening Key National Government Agencies to Set the Competitiveness and BPL Agenda

In accordance with the strategic objective for this program area laid out in the most recent work plan, the Project has been successful in engaging key national government agencies to be more directly involved in supporting local governments in reducing “red tape” and establishing more transparent environment for private sector interface with government beyond the national capital center region.

In his first State of the Nation Address on July 26<sup>th</sup>, President Aquino reiterated his election campaign promise to address regulatory barriers to doing business. Following his message and with support from the Project, the DTI and DILG launched a Business Permits and Licenses System Upscaling Project at a public event on August 6<sup>th</sup>, attended by the foreign donor community, the media and invited Mayors. The Upscaling Project established a set of national benchmarks/standards as part of rolling out of the Anti-Red Tape Act passed into law in 2007 but for which implementation has been slow to this point.

As part of activities of the Upscaling Project in August and September, the Project supported two Trainers' Training Workshops for the regional and provincial staff of DTI and DILG in Mindanao as well as selected participants from business permits and licensing offices of surrounding cities, local business chambers and academic institutions. The workshops were conducted in



*DTI Secretary Domingo and DILG Secretary Robredo congratulate each other after signing the Memorandum of Agreement launching the Nationwide BPLS Streamlining Program.*

Cagayan de Oro City on August 16<sup>th</sup> to 18<sup>th</sup> and in Davao City on September 7<sup>th</sup> to 9<sup>th</sup>, and aimed at exposing the participants to BPLS reform and implementation of the national standards at the local level. An additional objective of the activity was

to build capacity and a cadre of local trainers that could serve as a ready source of technical specialists on BPLS. A total of 111 trainers were trained.

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**Key BPLS Standards for Business Registration**

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1. A single unified application form for both new business applications and business renewals.
  2. Limiting to five the number of signatories for new or renewal of business permits.
  3. Limiting the number of steps that an applicant has to follow in applying for a mayor's permit to five (5) steps.
  4. Processing should be accomplished in 10 days for new business applications and 5 days for business renewals
- 

*TAP 2.6 - Private Sector Advocacy for Transportation & Shipping Costs Reduction in Mindanao and Nationally*

A call for proposals was prepared in July with the objective of soliciting responses from the private sector to conduct a range of specific policy advocacy flowing from an earlier LINC-EG study on transport cost constraints to exporting from Northern Mindanao. Discussions were held with past project partners and counterparts such as PhilExport and the University of Asia and the Pacific.

In agreement with the COTR, further progress on this TAP was halted in August to accommodate the expected need for LINC-EG to review project resources to accommodate the

request for technical assistance from the DOF (see TAP 4C). LINC-EG's management subsequently decided that this activity would have to be discontinued and its planned resources reallocated. As of the end of the reporting quarter, this TAP is permanently removed from the work plan of activities of LINC-EG. A close-out memo will be submitted to USAID/Philippines for approval early next quarter.

### **Activities Planned Next Quarter**

#### TAP 2.1(b):

- The *Roadmap to More Foreign Direct Investment III*, the key policy advocacy document from AmCham and ICIP VI is expected to be completed, published and launched next quarter.

#### TAP 2.2:

- USAID/Philippines' approval of the request to award a grant to AER is expected next quarter. Upon receipt of the approval, AER will begin implementation of the grant.

#### TAP 2.5:

- Project is expected to utilize capability built this reporting quarter and provide for direct coaching of selected local governments in Mindanao on continued implementation of the national government's BPLS Upscaling Project.

#### TAP 2.6:

- A close-out memo of this TAP will be submitted for the COTR's approval.

### **Program Area 3. Streamlining Business Regulations at the National and Local Levels**

As part of promoting private sector expansion and growth, efforts to reduce regulatory compliance costs facing Filipino enterprises are addressed through this program area. For much of project year two, LINC-EG has supported initiatives in Cagayan de Oro city as well as successful advocacy, as explained above, to have national authorities become more involved in the sharing of knowledge on successful business environment reform practices with local governments, especially in Mindanao. As a result, there is a great demand from national and local stakeholders for technical assistance that falls under this program area and the Project has had to be selective and supportive only of activities that directly fall within LINC-EG's strategic approach of streamlining the interface between business and government, smart regulation and public policy for market development.

Following successful dialogue with national counterparts and progress in-coming administrations in cities in Mindanao, the Project's technical assistance under this program area will support four cities namely Butuan, Cagayan de Oro, Davao and General Santos. Toward this end, the Project visited with the Mayor of Butuan and the Governor of Agusan del Norte on July 31<sup>st</sup> and with the Mayors of Davao and General Santos in September. Following these consultations, TAPs are being developed for Butuan and General Santos and implementation has commenced on the TAP to Davao that has been already approved by USAID. The TAPs to Butuan and General Santos will be numbered 3.7 and 3.8 respectively and reporting on the progress of these two planned activities will commence next quarter.

**Key Activities Accomplished:**

*TAP 3.1. Improving the Policy Framework and Implementation of Market Support Services through the National Economic Research and Business Assistance Centers (NERBACs) – Phase I*

The implementation of this TAP was in full swing during the quarter and has continued with the support of the key counterpart, Undersecretary Cruz of the DTI, who informed the Project in August that there were 17 NERBACs in operation around the country – providing a range of business registration and investment facilitation services to enterprises. A work program was agreed with the DTI and included (i) obtaining independent feedback on the performance of the NERBACs; (ii) a review of the NERBAC law and implementing rules and regulations (IRR); and (iii) an assessment of the policy and institutional environment of the NERBAC.

Following a procurement process, Capitol University based in Cagayan de Oro was commissioned to conduct the NERBAC survey with the objective of assessing private sector demand and feedback about NERBAC's services. The survey instrument was developed and reviewed by DTI, LINC-EG and USAID and submitted to USAID as part of an Inception Report on September 30<sup>th</sup>. Training of the enumerators and the initial survey commenced during the same month and included Capitol University's affiliates and partners in all four cities that LINC-EG is supporting through this TAP.

A legal specialist to review the NERBAC Act and IRRs was hired and commenced work in August after a formal briefing to counterparts at DTI. Toward the end of the quarter, she identified a range of critical issues that need to be addressed by the DTI. These issues include inconsistencies between the Law and the current operations of the NERBAC and the need to reconcile overlap in functions and mandate between the NERBAC and the development plans embodied in the MSME Magna Carta<sup>1</sup>.

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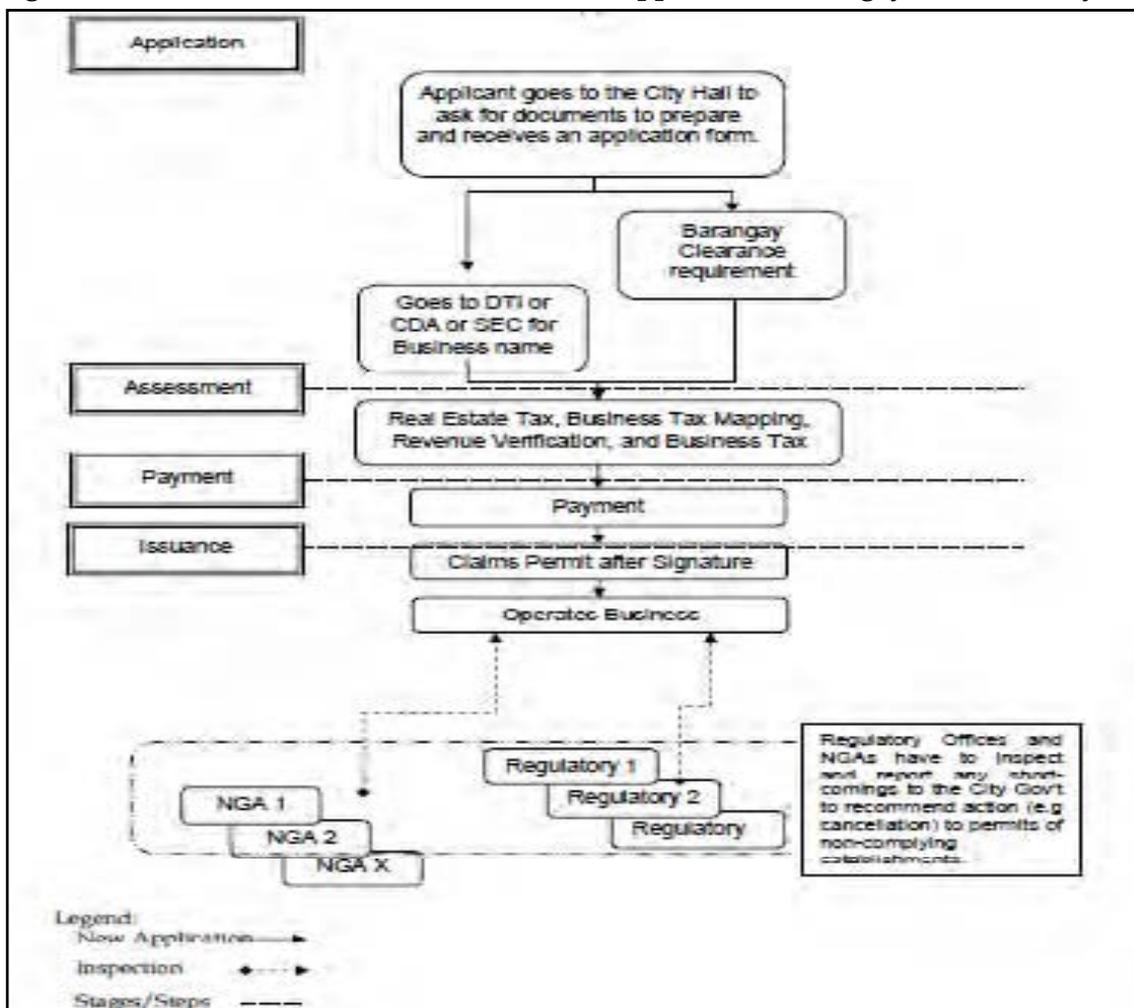
<sup>1</sup>The Magna Carta for Micro Small and Medium Enterprises is a national government measure aimed at promoting the small business sector.

The policy and institutional assessment of the NERBAC, from which a multi-year strategy for the NERBAC will be developed, is expected to commence early next quarter following a competitive review and selection process for an international business support services expert.

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

Support to the government of Cagayan de Oro city (CDO) government progressed rapidly. LINC-EG's program manager and other specialists continue to provide direct assistance in the streamlining of the city's internal processes for business permit and licenses systems (BPLS). For half of the quarter, there was a specific focus on introducing modern information communication and technology in the administrative processes for issuing permits.

**Figure 3. Flowchart for New Business Licenses Applications in Cagayan de Oro City**



Source: *Securing Business Licenses in Cagayan de Oro City and Its Impact to the Establishment of Local Business, 2010.*

The Project's short-term expert (STE) on information technology provided guidance to establish a computerized BPL process as part of implementation of the national standards (see TAP 2.5) that LINC-EG has supported. In September, LINC-EG received a request from CDO for funding for the procurement of IT-related commodities. The request is currently under review by LINC-EG's management and is being assessed against the availability of project funds, direct contribution to the objectives of this TAP, USAID rules and other considerations.

Toward the end of the quarter, Capitol University completed its findings and its final reporting on a survey of private sector views on the BPLS in CDO. One of the main findings of the study is the divergence of views between the City's administration and the private sector about the procedures for business registration. For example, the City reports one day and a half for processing of a standard business application before getting back a response to the applicant, while the enterprises surveyed report eight days (see Figure 3 above). However, both groups report that the most delays are a result of processing and release of clearances from national government agencies. The overall findings of Capitol University inform the projects remaining work in CDO.

*TAP 3.3: Increasing investment through review and harmonization of the Investment Codes of select LGUs.*

Following consultations with government counterparts during the quarter, the scope of this TAP has been expanded beyond a review of a city's investment code. The TAP will now support a review and recommendations that apply to policies embodied in the key economic development and investment promotion documents of a city such as the City Comprehensive Development Plan, and the Land Use and Zoning Plan.

The STE to support the efforts of this TAP was approved by the COTR on July 15<sup>th</sup> and he prepared a draft template for gathering and pooling economic data from various sources that could be analyzed to support a Mayor's strategic objectives to improve private sector development in a LINC-EG supported city. He also participated in a review of an unsolicited proposal to LINC-EG by the University of Asia and the Pacific (UAP). The UAP proposed to assign LINC-EG in the development of a framework for assessing the strengths of a city for attracting investment. Upon review, the proposal was deemed to be duplicative of existing expertise within the current LINC-EG team and UAP was asked to revise it. The UAP was unable to resubmit a revised technical approach after two weeks and LINC-EG's management subsequently decided that implementation of this TAP can continue without a grant to an external organization. The Project will use current in-house technical expertise and supplemented by additional STEs as needed.

TAP 3.4: Support to full implementation of the Philippine Business Registry (PBR).

Following meetings with DTI last quarter, the Project received a letter from the Manager of the PBR listing possible areas of assistance for support. The correspondence noted that 11 local governments were electronically connected to the PBR using a web-interface but none of the connected local governments are in Mindanao. As a result, a key part of the Project's goal for this TAP will be aimed at supporting the connection of the four LINC-EG supported Mindanao cities.

At the national level (i.e. the parent database of the PBR in Manila), consultations between DTI and the key regulatory agencies are still ongoing to ensure full implementation of the portal as designed. There is increasing recognition that to improve the business permitting process, specifically for the issuance of national level clearances, key agencies such as the Social Security System, PhilHealth and the Securities and Exchange Commission have to be part of the PBR system. LINC-EG is, however, unlikely to have sufficient resources and time to commit to providing support for enhancements of the mainframe PBR infrastructure and software in the main office in Manila.

Following an initial assessment project resource allocations stemming from the Project's commitments to support the DOF through TAP 4C, LINC-EG's management has decided to propose to USAID that this TAP will be discontinued as a separately monitored activity. However, minimal support for PBR connectivity, as explained above, will be integrated into the ongoing implementation of activities for CDO and eventually for Butuan, Davao and General Santos as work commences under these TAPs next quarter. Toward this end, the Project's STE commenced an assessment of the overall readiness of CDO to connect to the PBR.

TAP 3.5: Improving the business enterprise inspection system nationally and in Mindanao.

In July, two STEs were hired to work on the administrative and policy aspects of inspections and on the legal aspects respectively. However soon thereafter, and in agreement with USAID, the full mobilization of these two experts and work on this TAP was put on hold pending a more detailed review of overall project resources needed to accommodate the request from the DOF in revenue forecasting. In a meeting on August 12, the COTR and COP discussed options for realigning the activities under this approved TAP and it was agreed that this TAP will be discontinued as a self standing activity.

The establishment of joint-inspections teams (JIT)<sup>2</sup> in the business registration process and guidelines for more transparency in the registration process would be promoted as part of TAPs supporting BPLS reform national (TAP 2.5) and in the four cities in Mindanao (TAPs 3.2, 3.6, 3.7

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<sup>2</sup> Joint Inspection Teams (JITs) are composed of the key local regulatory agencies that conduct business inspections. Joint teams visit enterprises together and reduce the need for enterprises to set aside time to receive separate regulatory agencies. JITs also help to reduce requests for unofficial payments.

and 3.8). The reorientation of the goals for this TAP scales down the breadth of technical assistance that the Project can provide and the associated financial resource needs.

TAP 3.6: Streamlining business entry permitting in Davao City.

Active implementation was held back during the earlier part of the quarter due to the unavailability of the recently inaugurated Mayor Sara Duterte-Carpio to arrange a suitable time to meet with USAID and LINC-EG to agree the technical areas for support. A first meeting was finally arranged toward the end of the quarter and September 7, LINC-EG and USAID held discussions in Davao City jointly with Mayors Sarah Duterte-Carpio and Darlene Antonino-Custodio of Davao City and General Santos City, respectively. The meetings were attended by undersecretaries of DTI and DILG. This successful effort of LINC-EG to bring together the two major government agencies directly involved in private sector development at the sub-national level and the Mayors of two prominent Mindanao cities achieved the crucial necessity to secure high level buy-in to the Project's objectives.

Subsequent correspondences after the meeting with the two mayors resulted in invitations extended to the Project to visit both cities for more extensive discussions on the cities' private sector development plans and technical assistance needs.

**Activities Planned Next Quarter**

TAP 3.1:

- DTI's feedback on the findings and initial queries of LINC-EG's legal STE on the NERBAC Act are expected and will provide guidance for continuation of the activity.
- Capitol University is expected to submit an inception report, analysis plan, and final report of its survey of users of NERBAC services.

TAP 3.2:

- LINC-EG will formally respond to CDO's request to purchase IT equipment as part of the BPLS reform. A meeting between LINC-EG and the CDO BPLS Team to discuss their request and formulate the reasonable IT package for the project will take place in early October.
- Training on service delivery and customer relations will be conducted for the current staff of CDO's Business One-Stop Shop set up with LINC-EG support. Training for the establishment and rolling out of a joint inspection team will also be conducted.

TAP 3.3:

- In conjunction with existing expertise within LINC-EG, the STE will refine the framework for assessing competitiveness and the policy implications thereof. The framework will be discussed with cities and will guide future technical assistance from this TAP.

TAP 3.4:

- Work on this TAP will continue but scaled down to only cover connectivity of the cities to the PBR.
- This TAP will be discontinued as a stand-alone activity. The objective of achieving connectivity of the four cities to the PBR will continue as part of the direct support to the individual cities on BPLS reform.

TAP 3.5:

- This TAP will be discontinued as a stand-alone activity. The objective of establishing and rolling out the JIT will continue as part of the direct support to the individual cities on BPLS reform.

TAP 3.6:

- LINC-EG will conduct a follow-on meeting to Davao City to discuss and agree the specific areas of possible assistance to be provided.
- An inter-organization meeting between the heads of departments of Davao City government together and the City Mayor's IT Consultant is scheduled for October. A technical working group to coordinate the collaboration and report the progress of the TAP to the Mayor will be established. Following the experience of the Project's support to CDO, a Memorandum of Understanding is expected to be signed.

**Program Area 4. Fiscal Responsibility through National Budget Monitoring**

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National budget monitoring is an emerging part of efforts in the Philippines to develop fiscal responsibility and social accountability. These efforts received new vigor from the campaign promises and policy priorities of President Aquino at his State of the Nation Address on July 26<sup>th</sup>. Although there is capacity among civil society organizations for budget monitoring, there is still a need to empower them and improve their capacity to monitor the formulation and implementation of the national budget, as part of overall effort to reduce waste, fraud and abuse of public financial resources.

The initiatives under this program area also recognize regulatory and administrative weaknesses of the Department of Budget and Management (DBM), the primary government agency responsible for planning and formulating a national budget that is enacted by Congress into the General Appropriations Act.

Much of the quarter was spent on consultations with the DBM and INCITEGov<sup>3</sup>, a civil society organization with expertise in policy advocacy on budget transparency and a potential grantee of LINC-EG.

A major activity was added to this program area in July when the new Secretary of the Department of Finance, Cesar Purisima requested interest from USAID/LINC-EG for assistance in revenue collections. The activity was added here because a program area on taxation and fiscal policy had been discontinued at the restructuring of the LINC-EG task order in April. The request from the DOF requested support to establish a Fiscal Unit that will report directly to the Secretary but is outside the formal organizational structure of the department. The goal is for the unit to provide estimates, based on external sources, of potential government revenues that may be expected from key economic sectors. The data is expected to reveal tax underpayments and evasion and allow the Commissioner of the Bureau for Internal Revenue (BIR) to develop substantive cases for prosecution. The scope of work for this activity was finalized in August and an activity manager, resident at the DOF but funded by LINC-EG, was hired.

**Key Activities Accomplished:**

*TAP 4A. Strengthening Fiscal Responsibility through National Budget Monitoring by Civil Society*

Discussions with the INCITEGOV substantially progressed during the quarter and are now on the last stages of negotiation. The agreements reached are for LINC-EG to award two Fixed Obligation Grants (FOG) to INCITEGov for work on the formulation of the policy and legislative framework for civil society monitoring of the budgeting process (FOG 1), and the building up of the capacity of civil society organizations (CSOs) to engage in a more sustained and focused program of advocacy on matters of government budget formulation and expenditure (FOG 2). The negotiation process involved substantial support from LINC-EG to INCITEGov on the technical as well as administrative structuring of the potential TAP.

Upon completion of LINC-EG's review, the technical and financial proposals for FOG 2 were submitted to USAID for approval on August 20<sup>th</sup>. At the end of the quarter, LINC-EG's program manager worked with INCITEGov to address the COTR's comments on the submitted document, including on key aspects of the technical work program such as more specifics on the number of CSOs being targeted for training in Luzon, Visayas and Mindanao, and the proposed *five-day MBA Course* on Basic Orientation on Budget Monitoring.

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<sup>3</sup> International Center for Innovation, Transformation and Excellence in Governance. INCITEGOV submitted to LINC-EG an unsolicited proposal for grant funding for work on budget monitoring on last quarter.

TAP 4B. Strengthening Fiscal Responsibility through a More Transparent and Accountable National Budget Process

The COTR and senior management of LINC-EG visited the DBM on May 27<sup>th</sup> for a broad discussion on issues of budget formulation and monitoring. Further progress was slow due to ongoing transitions at the DBM at the level of the Secretary, and time constraints on the part of the operational staff to define a range of areas for technical assistance while preparing for submission of the 2011 National Budget to Congress.

TAP 4C. Business Intelligence and Revenue Enhancement (BIRE) and Forecasting

The TAP was developed and submitted to, and approved by, USAID in the early part of the quarter. The work will be implemented along five (5) activity stages and preceded by a mobilization phase: (A) finalization of technical design; (B) assessment of data sources and finalization of indicators (C) development of database and tool; (D) pilot testing; (E) capacity building. The activity is expected to be implemented over a six-month period ending in February 2011. The staff complement includes the earlier mentioned activity manager, tax policy economists, research associates and industry specialists. As of the end of the quarter, the office had been established as part of cost sharing by the DOF and the activity manager and tax policy economist had been hired and commenced work.

The data gathering stage commenced in September with the identification of a list of sources of third party data about the current and projected performance of key tax generating sectors of the economy. At this preliminary stage, the team, in consultations with the Secretary, had identified tobacco, liquor, automotive, telecommunications and banking as priority sectors for the review.

**Activities Planned Next Quarter**

TAP 4A:

- Negotiations for both FOGs 1 and 2 will be completed and awarded to INCITEGov and the planned activities will commence.

TAP 4B:

- A second visit with senior management of DBM will be arranged at which the areas of possible technical assistance will be further clarified.

TAP 4C:

- Hiring of the remaining members of the Fiscal Unit at the DOF will be completed and the pilot industry analysis and revenue projections will be completed.

## **Key “Special” and other Technical Activities**

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There are no special activities to report this quarter.

## **Cross Cutting Components: Gender and Public-Private Alliances**

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### **Gender:**

There were no specific gender related activities this reporting quarter.

#### *Plans for the Next Quarter:*

- The Gender Specialist, on call to the Project, will develop guidelines for LINC-EG’s work in BPLS as the project expands assistance to Butuan, Davao and General Santos.

### **Public-Private Partnership (PPP):**

There were no specific gender related activities this reporting quarter.

#### *Plans for the Next Quarter:*

- The Project will continue to explore opportunities for a PPP or Global Development Alliance with private sector involvement.

## **TAP Concepts under Development:**

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As the Project gets into its final year, future efforts are focused on rapid implementation and deepening of existing areas of technical assistance. New TAPs are not expected to be developed apart from the initial pledges to support BPLS reform in Butuan and General Santos and possible follow-on work to AmCham.

## **SECTION 2 - MAJOR MANAGEMENT & ADMINISTRATIVE EVENTS**

The key management and administrative tasks for the quarter covered (i) key day-to-day office administration activities including negotiations, contracting and mobilization of personnel and (ii) managing the design and implementation of TAPs.

Project implementation was affected during the early part of the quarter due to extensive consultations concerning the need to accommodate the request for technical assistance from the

DOF. The activity was deemed a priority by USAID/Philippines and several discussions were held between the COTR, CO and COP on the re-allocation of funds already committed to existing counterparts through TAPs in the Project's current work plan. Direction and guidance was received on August 4 from the CO, and formalized in writing by the COTR, that there was to be no expectation of increased funding for the LINC-EG task order and that the COP had discretion to immediately restructure project activities within existing funding levels. Agreement was reached with the COTR on August 12 that the restructuring of existing activities will be explained in this quarterly report (see discussions in program area three) and in the final year work plan due to USAID by November 15. Subsequently, work Plan activities under TAPs 2.2, 2.6, 3.4 and 3.5 were either scaled down or discontinued.

The COP departed Manila for home leave on August 27 and Dr. Michael Blackman, LINC-EG's Project Director based at Nathan Associates' headquarters in Virginia, USA arrived on the same day as Interim COP. Dr. Blackman chaired the monthly technical staff meeting held on September 2 and attended USAID's monthly meeting of all Philippines based COPs.

Box 1 provides a summary of other key management and administrative events during the quarter.

**Box 1. Key Program Management Events in the Quarter:**

- July 28 -Dr. Luvismin Sy Aves and Ms. Lilian C. Dela Pena of Capitol University delivered a presentation to USAID and LINC-EG. The event was held at the LINC-EG offices and covered Capitol University's findings from its enterprise survey of business licenses applicants in CDO.
- July 29 - The COTR, COP, DCOP, Mindanao Coordinator and program manager travel to Butuan for consultations with Mayor Ferdinand M. Amante and Provincial Governor Erlipe M. Amante.
- August 2 - LINC-EG held its Monthly Technical Staff Meeting.
- August 26 - September 9 - Michael Blackman serves as Interim COP.
- August 27 - Roundtable discussion with COPs of USAID-supported projects in the Philippines led by the USAID/Philippine Mission Director. US Ambassador to the Philippines Harry Thomas, Jr. participated in the discussion.
- September 2 - LINC-EG's Monthly Technical Staff Meeting.
- September 7 - USAID/Philippines and LINC-EG's project consultation in Davao with City Mayors of the cities of General Santos and Davao. Undersecretaries of DTI and DILG participated in the meeting.
- September 30 - Departure of the Project's PPP Specialist and Program Area 2 Manager. His contract was not extended. The COP assumes PPP exploration, the DCOP program area 2.

## **Administration of Grants and Special Activities Fund (SAF)**

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Working with concerned Program managers and directly with counterparts and USAID/ORP as necessary, LINC-EG's administrative team for Grants reviewed documents pertinent to the development of grant proposals for AER and INCITEGov for activities under TAPs 2.2(b) and 4A, respectively, and for a Purchase Order to the Capitol University for a user-survey under TAP 3.1.

### Grants:

TAP 2.1 - The grant to AmCham for ICIP VI continued onto its second quarter of implementation. The reimbursement to AmCham for August expenses was processed in September.

TAP 2.2b - Negotiations with the AER were completed with the active involvement of the grants manager.

TAP 4A - Direct support in structuring of the grant documentation was provided to INCITEGov prior to the submission of FOG 2 to USAID in August.

### Others:

TAP 3.1 - A purchase order in the amount of PhP932, 970.00 (\$21,204.00) was issued to Capitol University on September 1 to conduct the NERBAC study under TAP 3.1.

TAP 3.2 - A final payment was made to Capitol University to bring to close the purchase order for conducting the BPLS survey in Cagayan de Oro City.

TAP 2.5 - LINC-EG shared in the cost of conducting the BPLS train-the-trainer workshops in Northern Mindanao during the months of August and September. The workshop costs totaled P7,485,585.38 (\$166,346.34) with LINC-EG funding accounting for 40.34 percent of the total. The remaining cost was funded by a combination of other development partners, DTI and DILG.

## **Performance Monitoring and Evaluation (M&E)**

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Monitoring and Evaluation (M&E) activities were stepped up in conjunction with the renewed engagement of the Project with the newly-elected leadership in the cities of Davao, Cagayan de Oro, General Santos and Butuan. The following activities took place during this quarter:

- **Updating of the Performance Management Plan.** Initial inquiries with the city officials of Cagayan de Oro and Davao yielded preliminary baseline data on the number of business permits issued and processing times for new and renewing businesses. Additional data gathered from NEDA and DTI provided regional, provincial and city-level data on

production and investment across sectors as well as other indicators on energy consumption, port statistics and export performance which serve as proxies to city-level GDP data which Philippine cities lack. The relevant data and release schedule of the reports will be incorporated into the Performance Monitoring Plan. The latest data on the outcome indicators were posted into the Project Indicator Table. (See Annex 2)

- **Monitoring of National-level indicators of Competitiveness.** The monitoring of indicators on the state of Philippine competitiveness continued in the quarter. In mid- July, the factor analysis of the latest World Competitiveness Yearbook (WCY) for 2010 was presented in a policy forum organized by the Asian Institute of Management Policy Center. Its key recommendations were that large gains can be made in uplifting the country's current ranking from the bottom-third by addressing the issues of population management, jobs, and under-investment in infrastructure (including energy, hard infrastructure, education and health). (More details in Annex 2 of the previous quarterly report which covered the initial press conference held in May that launched WCY 2010.) These key findings were generally supported by the latest standing of the Philippines in the Global Competitiveness Report which were released by the World Economic Forum in September. (More details in Annex 3)
- **Start of the Monitoring of the Outcome Indicators of Specific TAPs.** The data gathering on the outcome indicators of specific ongoing TAPs has started with the ICIP VI project. Initial non-experimental observations suggest that the policy advocacy efforts in TAP 2.1b have been relatively successful in generating awareness necessary to support the passage of 12 priority bills through Congress.<sup>4</sup> The subscribers of the ICIP news clipping service has more than doubled from around 200 in 2009 to over 500 in this quarter.

The activities planned for the next quarter include:

- Updating of the PMP with the release of the Doing Business reports (national and sub-national) by the International Finance Corporation;
- Development of a standardized report card for each city targeted for technical support;
- Establishment of indicator targets and data collection arrangements upon consultation with concerned LGUs and NGAs;

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<sup>4</sup> These consist of 9 pending bills (Customs Brokers Act Amendment, new Department of Information Communications Technology, Freedom of Access to Administration, National Tourism Policy, Pre-Need Code, Rationalization of Fiscal Incentives, Real Estate Investment Trust, Residential Free Patent, Revised Kyoto Convention ratification) and the issuance of 3 IRRs (Credit Information Systems, Personal Equity Retirement Account, Renewable Energy Act).

- Development of reporting template to track the use and relevance of research outputs produced by the Project; and
- Evaluation of the Training of the Trainers workshops of TAP 2.5 held in Cagayan de Oro and Davao City this quarter.

### **SECTION 3 - TIME INPUTS**

At the end of the reporting quarter (September 30, 2010), LINC-EG had expended 4,024 person-days, or 54.75 percent of the contract budget total of 7,349 person-days.<sup>5</sup>

### **SECTION 4 - FINANCIAL PERFORMANCE**

At the end of the reporting quarter (September, 2010), total expenditures of \$3,979,090.99 had been incurred, representing 53.4 percent of the total budget ceiling of \$7,448,429.34. Expenditures are expected to continue to increase as full program implementation continues.

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<sup>5</sup> The total contracted level of effort (LOE) in person-days includes the actual expended LOE in LINC-EG Year I and the total approved LOE for LINC-EG for Year II and III.

**ANNEXES**

## Annex 1. Summary of the Status of TAPs (as of September 30, 2010)

No.	TECHNICAL ASSISTANCE PACKAGES (TAPS) Title	PERIOD OF PERFORMANCE Start Date End Date		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals) Submission dates Approval Dates		IMPLEMENTATION MECHANISM(S) (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
							Grant		STTA		Purchase Order		
							Submission dates	Approval dates	Date awarded	Submission dates	Approval dates	Submission dates	Approval dates
1.1(a)	Support to IFC's Subnational <i>Doing Business</i> in the Philippines 2010 Project **	03-Dec-09	15-Nov-10 (extended from 30-Jun-10)	02-Oct-09 30-Sep-09 (revised TAP) 11-Jun-09 22-May-09 21-May-09	COTR: 03-Dec-09 (CO Approval relegated to COTR) 11-Jun-09 (revised TAP) 22-May-09	Grant: IFC ODC: 2 RTDs with local stakeholders/ policy briefs							
1.1(b)	Support to AIMPC's Philippine Cities Competitiveness Ranking Project 2009 **	15-Jul-09	30-Oct-10 (extended from 31-May-10 and further from 31-Aug-10)	30-Jun-09	COTR: 1-Jul-09 ORP: 15-Jul-09	Grant: AIMPC STTA: Ana Marie Tabunda; Lito League	12-Aug-09 11-Aug-09 29-Jul-09	COTR: 31-Jul-09 ORP: 19-Aug-09	10-Sep-09	30-Jul-09	COTR: 17-Aug-09 ORP: 18-Aug-09		
1.2	Assessing transportation and logistics cost in Northern Mindanao (completed)**	23-Jul-09	14-May-10 (extended from 23-Apr-10 and further from 31-Oct-09)	10-Jun-09 29-May-09 27-May-09 08-May-09	COTR: 9-Jul-09 ORP: 23-Jul-09	Grant: Philexport-10 STTA: Lyn Sison	18-Aug-09 7-Aug-09 30-Jul-09	COTR: 30-Jul-09 ORP: 2-Sep-09	05-Oct-09	09-Oct-09	18-Nov-09		
2.1(b)	Investment Climate Improvement Project (ICIP) – Phase VI**	01-Jan-10	31-Dec-10	25-Nov-09 05-Nov-09	COTR: 8-Dec-09 ORP: 22-Dec-09	Grant : AmCham PO : Grace Dilag, Layout Artist	25-Nov-09 05-Nov-09	COTR: 8-Dec-09 ORP: 22-Dec-09	01-Jan-10			26-Aug-10	COTR: 13-Sep-10 ORP: N.A.

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM(S)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
No.	Title	Start Date	End Date	Submission dates	Approval Dates	(Grant, STTA, PO, etc.)	Grant		STTA		Purchase Order		
							Submission dates	Approval dates	Date awarded	Submission dates	Approval dates	Submission dates	Approval dates
2.2	Formulating policy reforms to address barriers to the entry of investments in the Philippines (Phase I) <i>(completed)**</i>	01-Apr-09	30-Sep-10	13-Jan-09 12-Jan-09 07-Jan-09	COTR: 14-Jan-09 ORP: 4-Feb-09	Grant: AYC Consultants Grant: AER	23-Sep-09 (AER STTAs) 26-Aug-09 (AER resubmission) 10-Jun-09	(AYC) COTR: 10-Jun-09 ORP: 30-Jul-09  (AER) ORP: 2-Sep-09	(AYC) 4-Aug-09  (AER) 30-Oct-09				
2.2(b)	Formulating policy reforms to address barriers to the entry of investments in the Philippines (Phase II)	01-Aug-10	01-Jun-11	11-Jun-10 19-May-10	USAID/COTR: 17-Jun-10	Grant: AER	26-Aug-10	COTR: 2-Sep-10					
2.5	Strengthening key national government agencies to set the competitiveness and BPL agenda	14-Jul-10	30-Jun-10	7-Jul-10 19-May-10	USAID/COTR: 14-Jul-10	Grant: TBD STTA: Noel Macalalad, Benjamin Baretto, Marieta Patag				13-Jul-10	COTR: 3-Aug-10 ORP: 10-Aug-10		
2.6	Private sector advocacy for transportation and shipping costs reduction in Mindanao and nationally	01-Jul-10	30-Jun-11	16-Jun-10 19-May-10	USAID/COTR: 26-Jun-10	Grant: TBD							

TECHNICAL ASSISTANCE PACKAGES (TAPS)	PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM(S)  (Grant, STTA, PO, etc.)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)							
						Grant			STTA		Purchase Order		
No.	Title	Start Date	End Date	Submission dates	Approval Dates		Submission dates	Approval dates	Date awarded	Submission dates	Approval dates	Submission dates	Approval dates
2.7	Support to implementing business environment commitment in the international agreements	N.A.	N.A.	19-May-10	Disapproved by USAID/COTR: 28-May-10	N.A.							
3.1	Improving policy framework and implementation of market support services through the NERBACs (Phase I)	28-May-10	28-Feb-11	19-May-10 2-Feb-10 14-Jan-10	USAID/COTR: 28-May-10	STTA: Rachel Follocco PO: Capitol University				6-Jul-10	COTR: 7-Jul-10 ORP: N.A.	20-Aug-10	25-Aug-10
3.2	Streamlining business permitting and licensing in Cagayan de Oro City **	03-Dec-09	31-Dec-10	09-Nov-09	COTR: 03-Dec-09 ORP: 03-Dec-09 (relegated to COTR)	STTAs: Menchie Kho; Ofelia Oliva and Querubin Momongan ODC: Workshops, Travels, etc. PO: Capitol University				4-May-10 (Oliva and Momongan) 24-Jan-10 (Kho)	9-Jun-10 (Momongan) 7-May-10 (Oliva) 1-Feb-10 (Kho)	9-Mar-10	COTR: 22-Apr-10 ORP: N.A.
3.3	Increasing investments through review and harmonization of the Investment Codes of select LGUs	28-May-10	15-Mar-11	19-May-10 19-Feb.-10	USAID/COTR: 28-May-10	STTA: Lito League				11-Jun-10 (League)	COTR: 15-Jul-10 ORP: N.A.		

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM(S)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
No.	Title	Start Date	End Date	Submission dates	Approval Dates	(Grant, STTA, PO, etc.)	Grant			STTA		Purchase Order	
							Submission dates	Approval dates	Date awarded	Submission dates	Approval dates	Submission dates	Approval dates
3.4	Support to full implementation of the Philippine Business Registry	01-Jul-10	31-Mar-11	19-May-10	28-May-10	Grant: TBD STTA: TBD PO: TBD							
3.5	Improving the business enterprise inspection system nationally and in Mindanao	01-Jul-10	30-Apr-11	19-May-10	28-May-10	Grant: TBD STTA: TBD PO: TBD							
3.6.	Streamlining business permitting and licensing in Davao City	01-Jul-10	30-Apr-11	19-May-10	28-May-10	Grant: TBD STTA: TBD PO: TBD							
4A	Strengthening fiscal responsibility through national budget monitoring by civil society	01-Jun-10	01-Jun-11	19-May-10	28-May-10	Grant: INCITEGov	20-Aug-10						
4B	Strengthening fiscal responsibility through a more transparent and accountable	TBD	30-Jun-11	19-May-10		To be determined once the TAP is finalized and approved, and implementation commenced							

TECHNICAL ASSISTANCE PACKAGES (TAPS)		PERIOD OF PERFORMANCE		APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)		IMPLEMENTATION MECHANISM(S)	IMPLEMENTATION MECHANISM APPROVAL STATUS (dates include actual receipt of COTR/ORP approvals)						
No.	Title	Start Date	End Date	Submission dates	Approval Dates	(Grant, STTA, PO, etc.)	Grant		STTA		Purchase Order		
							Submission dates	Approval dates	Date awarded	Submission dates	Approval dates	Submission dates	Approval dates
	national budget process												
4C	Business intelligence and revenue enhancement (BIRE) and forecasting	10-Aug-10	30-Apr-11	6-Aug-10 2-Aug-10 26-Jul-10	10-Aug-10	STTA: Guillermo Parayno, Rosario Manasan, Janet Cuenca				6-Aug-10 (Parayno) 6-Sep-10 (Manasan) 28-Sep (Cuenca)	COTR: 10-Aug-10 (Parayno) 13-Sep-10 (Manasan) ORP: 19-Aug-10 (Parayno) 20-Sep-10 (Manasan)		
*** On-going TAPs from previous work plan													

## Annex 2. Project Indicators

PA/ Level	IN TASK ORDER FROM USAID	POSSIBLE INDICATORS (SOURCES)	BASELINE DATA/ STATUS
PA-1 Impacts	(a) A better understanding of the local and national competitiveness factors that affect the business environment	No. of cities covered by data	<ul style="list-style-type: none"> <li>• IFC Sub-National Doing Business covers 5 cities including CDO, Zamboanga, General Santos, Iloilo and Batangas</li> <li>• PCCRP 2009 covers 29 cities nationwide of which 10 are Mindanao cities including Davao, CDO, Zamboanga</li> </ul>
		No. of times study used as reference in official development plans	<ul style="list-style-type: none"> <li>• Results of SDB to be released by early December</li> <li>• Publication of national and city reports of PCCRP released by mid-October</li> </ul>
	(b) Capacity to monitor progress towards achieving objectives of certain competitiveness and business enabling environment activities	No. of cities covered by data	To be determined upon consultation with concerned national government agencies and LGUs
		No. of times study used as reference in official development plans	
PA-1 Outcomes	None		
PA-2 Impact	(a) Increased Philippines share of FDI in the region	RP share of ASEAN 12 ( <i>UNCTAD</i> )	<ul style="list-style-type: none"> <li>• 2.5% (2008)</li> <li>• 5.2% (2009)</li> </ul>
	(b) Increased gross capital formation share	Share of Gross capital formation to GDP ( <i>National</i>	<ul style="list-style-type: none"> <li>• 14.6% (2009)</li> <li>• 17.2% (2010)</li> </ul>

	of GDP as a proxy for domestic investment	<i>Statistical Coordination Board)</i>	
PA-2 Outcomes	(a) Higher scores on competitiveness indices or measures of economic freedom	Average Rank Percentile of below	<ul style="list-style-type: none"> <li>• 0.33 (2009)</li> <li>• No data for 2010 as Index of Economic Freedom 2011 still not released</li> </ul>
		World Competitiveness Yearbook ( <i>Institute for Management and Development</i> )	<ul style="list-style-type: none"> <li>• Score (out of 100): increased from 54.49 in 2009 to 56.53 in 2010</li> <li>• Rank Percentile: increased from 0.25 (43 out of 57) to 0.33 (39 out of 58)</li> </ul>
		Global Competitiveness Report ( <i>World Economic Forum</i> )	<ul style="list-style-type: none"> <li>• Score out of 7.00: increased from 3.90 in 2009 to 3.96 in 2010</li> <li>• Rank Percentile: increased from 0.35 (87 out of 134) in 2009 to 0.39 (85 out of 139) in 2010</li> </ul>
		Index of Economic Freedom ( <i>The Heritage Foundation</i> )	<ul style="list-style-type: none"> <li>• Score: 56.35 out of 100 (2009)</li> <li>• Rank Percentile: 0.39 (109 out of 139)</li> </ul>
	(b) Improved scores on Doing Business Indicators	Ease of Doing Business ( <i>International Finance Corporation</i> ) = National score encompasses Manila City only	<ul style="list-style-type: none"> <li>• Rank Percentile: 0.23 (141 out of 183) for 2009 data period from DB 2010</li> <li>• The release date of DB 2011 is 4 November 2010</li> </ul>
		To Start a Business	<ul style="list-style-type: none"> <li>• Rank Percentile: 0.11 (162 out of 183)</li> </ul>
<ul style="list-style-type: none"> <li>• Procedures: 15</li> <li>• Days: 52</li> </ul>			
PA-2-F	Number of Investment Measures Made Consistent with International	Such as the WTO Agreement on trade related investment measures (TRIMS),	To be determined upon consultation with concerned National government agencies and LGUs

	Investment Agreements Chapters in U.S. Free Trade	bilateral investment treaties (BITs) with the United States or other countries, WTO services commitments allowing foreign ownership, regional harmonization protocols, or Investment Chapters in U.S. Free Trade Agreements.		
			<b>Cagayan de Oro City</b>	<b>Davao City</b>
PA-3 Impact	(a) Increase in business tax collections	Business tax collections	<ul style="list-style-type: none"> <li>• P439m in 2008</li> <li>• P457m in 2009</li> <li>• P435m as of Sep 2010</li> </ul>	
		Income from local source		
		Ratio of Local income to Total Income		
	(b) Increase in number of business permits, renewals, or new registrations	New Business Permits issued	<ul style="list-style-type: none"> <li>• 3052 in 2009</li> <li>• 3027 as of Sep 2010</li> </ul>	<ul style="list-style-type: none"> <li>• 5840 in 2009</li> <li>• 4839 as of Sep 2010</li> </ul>
		Renewal of Business permits issued	<ul style="list-style-type: none"> <li>• 11,932 in 2009</li> <li>• 14,197 as of Sep 2010</li> </ul>	<ul style="list-style-type: none"> <li>• 23,077 in 2009</li> <li>• 24,200 as of Sep 2010</li> </ul>
			<b>Cagayan de Oro City</b>	<b>Davao City</b>
PA-3 Outcomes	(a) Simplification of forms and procedures;	Steps ( <i>City Government</i> )	<ul style="list-style-type: none"> <li>• New: 7</li> <li>• Renewal:</li> </ul>	<ul style="list-style-type: none"> <li>• New: 18</li> </ul> *Excludes other regulatory agencies and national government agencies

		Steps ( <i>Business Survey</i> )	<ul style="list-style-type: none"> <li>• New: 8</li> <li>• Renewal:</li> </ul>	
	(b) Decrease in the number of signatories	Signatories ( <i>City Government</i> )	<ul style="list-style-type: none"> <li>• New: 7</li> </ul>	
		Signatories ( <i>Business Survey</i> )	<ul style="list-style-type: none"> <li>• New: 8</li> <li>• Renewal:</li> </ul>	
	(c) Decrease in time to get approval	Processing Time ( <i>City Government</i> )	<ul style="list-style-type: none"> <li>• New: 510 minutes or 2 days</li> <li>• Renewal: 2425 minutes or 6 days</li> </ul>	<ul style="list-style-type: none"> <li>• New: 1 day</li> <li>• Renewal: 1 hour</li> </ul>
	(d) Decrease in processing or approval time (?)	Processing Time ( <i>Business Survey</i> )	<ul style="list-style-type: none"> <li>• New: 6235 minutes or 13 days</li> <li>• Renewal: 5052 minutes or 11 days</li> </ul>	
			<i>*All data above on BPLS processes exclude processes in other regulatory agencies and national government agencies</i>	
PA-3-F	> Number of Municipalities Receiving USG Assistance with Regulatory or Administrative Simplification	BPLS Program of DTI/DILG	<ul style="list-style-type: none"> <li>• 1 (CDO)</li> </ul>	
PA-4 - Impact	(a) Improved ranking of the Philippines in the Open Budget Survey	Targeted score depends on survey questions addressed in Work Plan	<ul style="list-style-type: none"> <li>• 2008 Overall Score: 48 (out of 100)</li> <li>• Rank Percentile: 0.60 (34 out of 85)</li> <li>• The launch of OBI 2010 is scheduled on 20 October 2010</li> </ul>	

PA-4 - 1 Outcomes	(a) Improved policies and legislation for tighter oversight on the national budget	No. of recommended procedures / policies/ practices established, improved or strengthened ( <i>i.e. control mechanisms</i> )	To be determined upon consultation with concerned CSOs and National government agencies
	(b) Macro/national fiscal /budget baseline data established	Population of database = for Fiscal Statistics Handbook or Budget Scorecard?	To be determined upon consultation with concerned national government agencies
	(c) Civil society- led oversight mechanisms on the national budget established /strengthened	MOA? MOU?	To be determined upon consultation with concerned CSOs and national government agencies
	(d) Legislative activism on the national budget exercised	No. of recommended amendments on budget allocations that are enacted	To be determined upon consultation with concerned CSOs and national government agencies
PA-4-1 F	> Number of governmental and non-governmental mechanisms supported with USG assistance for oversight of executive branch	Mechanisms for oversight include Inspectors-general, independent audits, accessible websites, ombudsmen, task forces, commissions of enquiry, public complaints /suggestion boxes	To be determined upon consultation with concerned national government agencies

4 - 2 Expected Outcomes	(a) Improved policies and legislation for more transparent national budget	No. of recommended procedures / policies/ practices established, improved or strengthened ( <i>i.e. disclosure, transparency</i> )	To be determined upon consultation with concerned CSOs and national government agencies
	(b) Budget information repository established	Not in work plan	
	(c) Audit scorecard developed	Not in work plan	
PA-4-2-F	> Number of executive branch personnel trained with USG assistance	Training in areas of administration, management or leadership skills or good governance practices. Training refers to all training or education events whether short-term or long-term, in-country or abroad.	To be determined upon consultation with concerned national government agencies
	> Number of executive office operations supported with USG assistance	Executive office refers to the office of the president, prime minister, or cabinet. Operations include strategic planning, formalization of decision making processes, personnel management systems, communication	To be determined upon consultation with concerned national government agencies

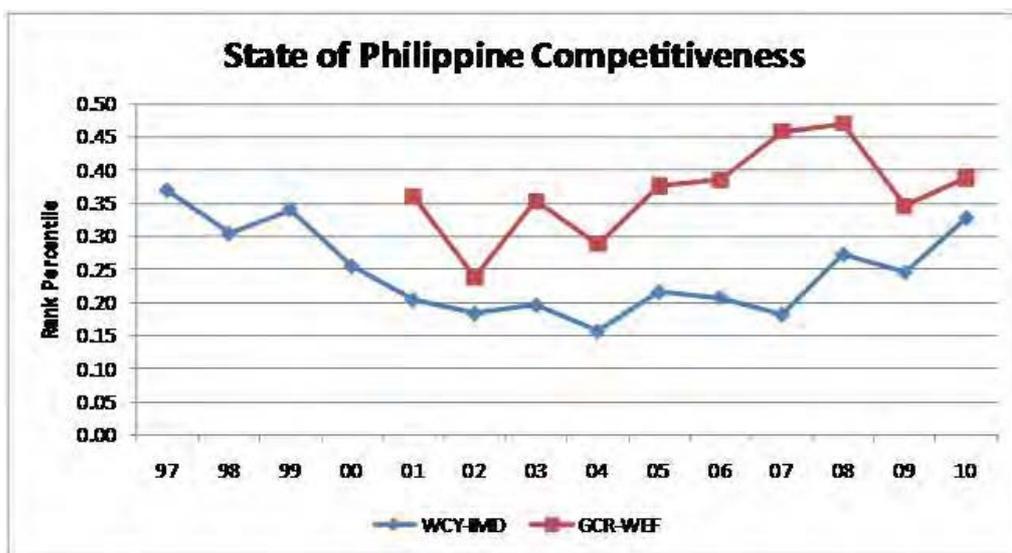
		protocols within the executive office, communication procedures with and among ministries, communication procedures with media, scheduling system, financial management, introduction of information technology and equipment, and monitoring and evaluation.	
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### Annex 3. An Update on the State of Philippine Competitiveness

28 September 2010

Subject: State of Philippine Competitiveness from Competitiveness Reports of WEF and IMD

1. **The state of general competitiveness improved slightly in the Philippines during the 2009 period according to both reports.** The country's over-all rankings for events in 2009 rose by the same four notches to reach the 39<sup>th</sup> and 83<sup>rd</sup> spots in the World Competitiveness Yearbook of the Institute for Management Development (WCY-IMD) and the Global Competitiveness Report of the World Economic Forum (GCR-WEF), respectively. The rankings would have been higher if not for the inclusion of new nations that are ranked higher than the Philippines into the country lists: Iceland (30<sup>th</sup>) in the WCY-IMD as well as Iran (69<sup>th</sup>) and Rwanda (80<sup>th</sup>) in the GCR-WEF. Historically the country's competitiveness relative to other nations has essentially remained the same – within the bottom 40 in terms of rank percentile since the IMD and WEF reports started in 1997 and 2001, respectively.



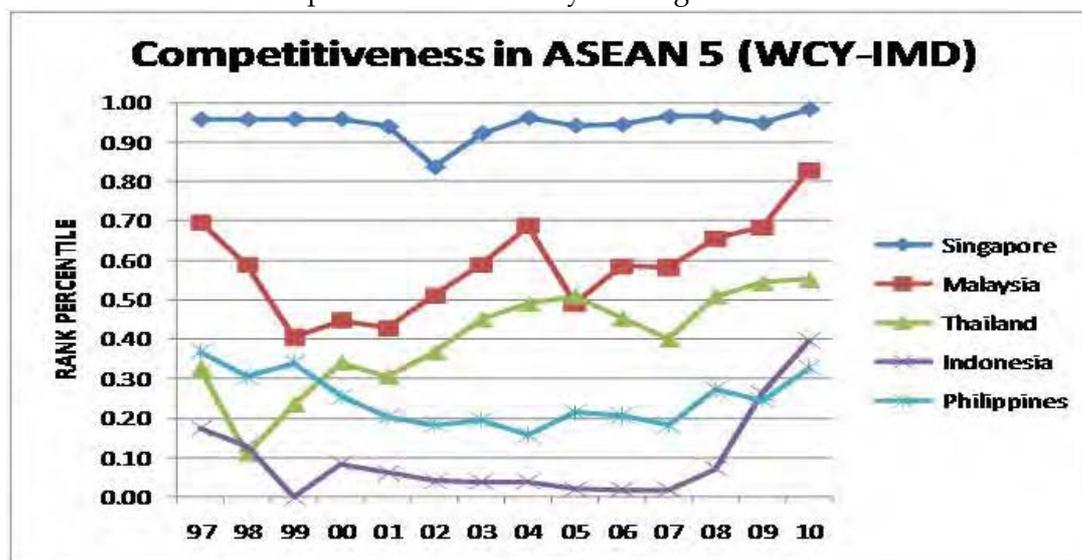
2. **The competitiveness of nations in the ASEAN region remains strong as Indonesia and Malaysia gain inroads amidst the global slump.** Singapore and Hong Kong are in the top decile for all countries and followed by Malaysia (0.81 to 0.83 percentile), Thailand (0.55 to 0.73), Indonesia (0.40 to 0.68) and Vietnam (0.58). Malaysia climbed 8 notches to reach the top 10 in the WCY. Indonesia continued its remarkable climb up the rankings in rising by 7 to 10 notches to reach the 35<sup>th</sup> and 44<sup>rd</sup> spots.

	Country Ranking				Percentile	
	IMD- WCY <sup>a</sup>	Change	WEF- GCR <sup>b</sup>	Change	IMD- WCY	WEF- GCR

Singapore	1	+2	3	0	0.98	0.98
Hong Kong	2	0	11	0	0.97	0.92
Malaysia	10	+8	26	-2	0.83	0.81
Thailand	26	0	38	-2	0.55	0.73
Indonesia	35 (34)	+7 (+8)	44	+10	0.40	0.68
Vietnam			59	+16		0.58
Philippines	39 (38)	+4 (+5)	85 (83)	+2 (+4)	0.33	0.39
Bangladesh			107 (103)	+1 (+5)		0.23
Cambodia			109 (105)	+1 (+5)		0.22

a/ out of 58 countries in 2010; (adjusted ranking excluding new country: Iceland (30<sup>th</sup>))  
b/ out of 139 countries; (adjusted ranking excluding new listed countries including Iran (69<sup>th</sup>), Rwanda (80<sup>th</sup>), Lebanon (92<sup>nd</sup>), Moldova (94<sup>th</sup>), Swaziland (126<sup>th</sup>) and Angola (138<sup>th</sup>))

3. **The competitiveness gap between the Philippines and the rest of the ASEAN 5 is widening.** The competitiveness rankings of other ASEAN countries are now far ahead of the Philippines as all economies in the ASEAN 5 improved their competitiveness standing as measured in rank percentile since 1997: Thailand (+0.23), Indonesia (+0.22), Malaysia (+0.13) and Singapore (+0.03). Only the Philippines registered a negative change (-0.04). As a result, Indonesia which was once the bottom country in the 1999 WCY has widened its lead over the Philippines to 4 notches. Its lead in the GCR is even wider at 39 notches which are sufficient to reach the top-third of the country rankings.



4. **The low competitiveness of the Philippines can be traced to the problematic factors and pillars that are common to both reports.** The country has been rated poorest in the following: international investment, infrastructure (transport and power), scientific infrastructure / innovation, education, productivity & efficiency of goods and labor, business legislation / institutional framework / public institutions, health & environment.

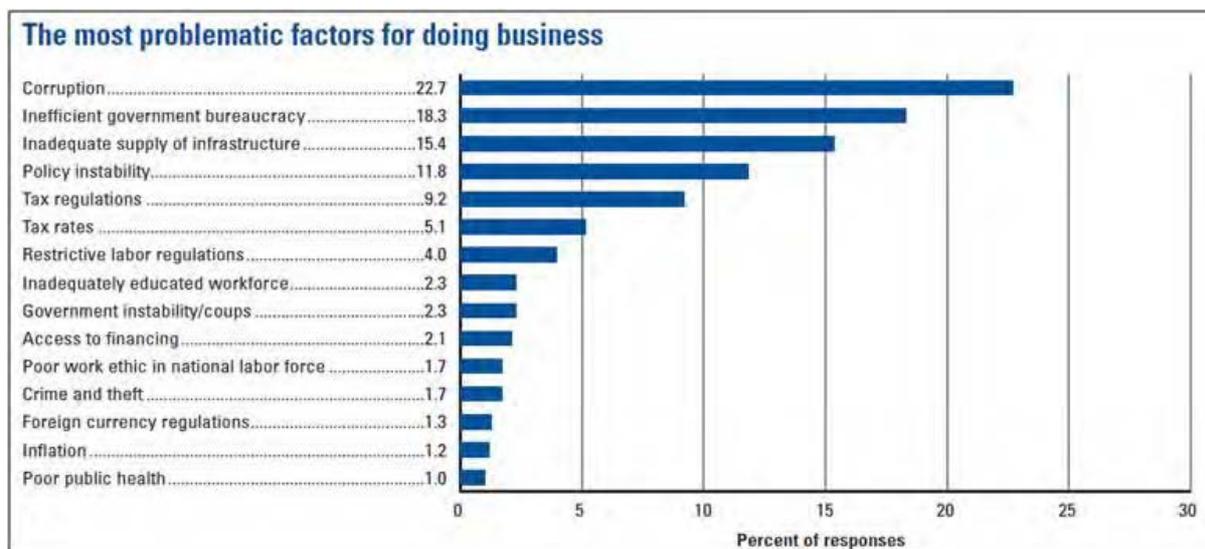
The moderate rating on public finance and macroeconomic stability for the 2009 period is expected to fall in the future as the fiscal deficit of the national government worsens in 2010.<sup>6</sup>

Rank Percentile	IMD Competitiveness Factors	WEF Competitiveness Pillars	Rank Percentile
0.03	International Investment		
0.03	Basic Infrastructure	Transport Infrastructure	0.24
		Electricity and telephony	0.29
0.03	Scientific Infrastructure	Innovation	0.20
0.03	Education	Primary education	0.33
		Higher education	0.47
0.17	Productivity & Efficiency	Labor market efficiency	0.20
		Goods market efficiency	0.30
0.17	Business Legislation	Public Institutions	0.10
0.29	Institutional Framework		
0.17	Health & Environment	Health	0.29
0.28	Public Finance	Macroeconomic stability	0.51

5. **These problematic factors / pillars are symptoms of corruption, inefficient government bureaucracy and inadequate supply of infrastructure as the top common constraints to growth and competitiveness.** The strategy for addressing these concerns must start with raising the operational efficiency of revenue agencies to collect tax revenues. This will give the government some fiscal space to make and sustain public investments in basic infrastructure and education. Secondly, business policy reform establishing institutions and the regulatory environment conducive to private enterprise for firms to produce product / process innovation and raise worker productivity is essential. The projected expansion of private business opportunities will serve as a more permanent foundation for sustained economic growth that will restore investor confidence until capital inflows deepen the local asset base sufficiently to raise financial market sophistication and raise local investment.

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<sup>6</sup> The NG deficit was 3.9% of GDP in 2009 and 4.7% of GDP in the first half of 2010.



Source: GCR-WEF 2010-11

6. The possible impact of existing LINC-EG projects on weaknesses in national competitiveness will be felt through the following indicators in the WCY and GCR.

LINC-EG Program Area	Weak WCY indicators on Government Efficiency	Weak GCR indicators
PA-2. Supporting the Competitiveness Policy Agenda	<ul style="list-style-type: none"> <li>Foreign Direct Investments*</li> <li>Threat of Relocation to production</li> </ul>	<ul style="list-style-type: none"> <li>Business impact of rules on FDI</li> </ul>
PA-3. Streamlining Business Permitting and Licensing	<ul style="list-style-type: none"> <li>Start-up Days*</li> <li>Start-up procedures*</li> </ul>	<ul style="list-style-type: none"> <li>Burden of government regulation</li> <li>Time required to start a business*</li> </ul>
PA-4 Fiscal Responsibility through National Budget Monitoring	<ul style="list-style-type: none"> <li>Bribery and corruption</li> <li>Tax evasion</li> <li>Transparency in government policy</li> </ul>	<ul style="list-style-type: none"> <li>Diversion of public funds</li> <li>Irregular payments and bribes</li> <li>Wastefulness of government spending</li> <li>Transparency of government policymaking</li> </ul>
??	<ul style="list-style-type: none"> <li>Competition legislation</li> </ul>	

\* Indicator data is based on hard data; otherwise based on Executive Opinion Surveys of IMD or WEF.

The specific weaknesses to the competitiveness factors / pillars as identified in the WCY and GCR are in the following tables for reference.

<b>Philippines - Weaknesses (WCY 2010)</b>		
The criteria below present the lowest Standard Deviation (STD) values (as they appear in the World Competitiveness Yearbook 2010) within each factor, and could thus be considered an economy's competitive strengths and weaknesses. C68		
<b>ECONOMIC PERFORMANCE</b>		
<b>34</b>		
<b>WEAKNESSES</b>		
<b>GDP (PPP) per capita</b>	<b>3469.2</b>	<b>57</b>
Estimates: US\$ per capita at purchasing power parity		
<b>GDP per capita</b>	1745.4	57
US\$ per capita		
<b>Diversification of the economy</b>	<b>2.8</b>	<b>55</b>
is sufficient (Survey)		
<b>Direct investment flows abroad</b>	0.2	53
Percentage of GDP		
<b>Relocation of production</b>	<b>3.2</b>	<b>53</b>
is not a threat to the future of your economy (Survey)		
<b>Direct investment stocks inward</b>	21.5	52
US\$ billions		
<b>Direct investment flows abroad</b>	<b>0.4</b>	<b>51</b>
US\$ billions		
<b>Direct investment stocks inward</b>	12.7	50
Percentage of GDP		
<b>Direct investment stocks abroad</b>	<b>5.8</b>	<b>50</b>
US\$ billions		
<b>Direct investment stocks abroad</b>	3.4	50
Percentage of GDP		
<b>GOVERNMENT EFFICIENCY</b>		
<b>31</b>		
<b>WEAKNESSES</b>		
<b>Bribing and corruption</b>	<b>0.5</b>	<b>58</b>
do not exist (Survey)		
<b>Tax evasion</b>	0.9	56
does not damage public finances (Survey)		
<b>Government decisions</b>	<b>1.7</b>	<b>56</b>
are effectively implemented (Survey)		
<b>Start-up days</b>	52.0	55
Number of days to start a business		
<b>Start-up procedures</b>	<b>15.0</b>	<b>54</b>
Number of procedures to start a business		
<b>Country credit rating</b>	48.5	54
Rating on a scale of 0-100 assessed by the Institutional Investor Magazine ranking		
<b>Customs' authorities</b>	<b>24</b>	<b>54</b>
do facilitate the efficient transit of goods (Survey)		
<b>Transparency of government policy is</b>	1.7	54
satisfactory (Survey)		
<b>Competition legislation</b>	<b>3.6</b>	<b>53</b>
is efficient in preventing unfair competition (Survey)		
<b>The risk of political instability is very</b>	3.5	53
low (Survey)		

<b>BUSINESS EFFICIENCY</b>		<b>32</b>
<b>WEAKNESSES</b>		
<b>Overall productivity (PPP)</b>	<b>9011.0</b>	<b>57</b>
Estimates: GDP (PPP) per person employed, US\$		
<b>Labor productivity (PPP)</b>	4.4	56
Estimates: GDP (PPP) per person employed per hour, US\$		
<b>Investment risk</b>	<b>49.9</b>	<b>53</b>
Euro money country credit-worthiness scale from 0-100		
<b>Stock market index</b>	-3.0	51
Percentage change on index in national currency		
<b>Labor force</b>	<b>41.7</b>	<b>51</b>
Percentage of population		
<b>The image abroad of your country</b>	3.2	50
encourages business development. (Survey)		
<b>Brain drain (well-educated and skilled people)</b>	<b>3.3</b>	<b>49</b>
does not hinder competitiveness in your economy (Survey)		
<b>Small and medium-size enterprises</b>	4.4	49
are efficient by international standards. (Survey)		
<b>Banking sector assets</b>	<b>65.6</b>	<b>48</b>
Percentage of GDP		
<b>Female labor force</b>	39.5	47
Percentage of total labor force		
<b>INFRASTRUCTURE</b>		<b>56</b>
<b>WEAKNESSES</b>		
<b>Pupil-teacher ratio (secondary education)</b>	<b>35.1</b>	<b>58</b>
Ratio of students to teaching staff		
<b>Secondary school enrollment</b>	59.9	58
Percentage of relevant age group receiving full-time education		
<b>Dependency ratio</b>	<b>64.4</b>	<b>57</b>
Population under 15 and over 64 years old, divided by active population (15 to 64 years)		
<b>Total public expenditure on education</b>	2.1	57
Percentage of GDP		
<b>Internet users</b>	<b>128.5</b>	<b>57</b>
Number of internet users per 1000 people / Source: Computer Industry Almanac		
<b>Total expenditure on R&amp;D</b>	0.1	57
Percentage of GDP		
<b>Pupil-teacher ratio (primary education)</b>	<b>33.7</b>	<b>56</b>
Ratio of students to teaching staff		
<b>Computers per capita</b>	71.7	56
Number of computers per 1000 people / Source: Computer Industry Almanac		
<b>Broadband subscribers</b>	<b>11.3</b>	<b>55</b>
Number of subscribers per 1000 inhabitants		
<b>Human development index</b>	0.8	54
Combines economic - social - educational indicators. / Source: Human Development Report		
<b>© IMD WORLD COMPETITIVENESS YEARBOOK 1995-2010</b>		

<b>PHILIPPINES</b>	<b>Rank Percentage</b>
<b>GCI Global Competitiveness Index 2010-2011</b>	<b>0.39</b>
<b>A Basic requirements Subindex</b>	<b>0.29</b>
<b>A.01 Institutions</b>	<b>0.10</b>
<b>A.01.01 A. Public institutions</b>	<b>0.11</b>
2. Ethics and corruption	<b>0.03</b>
1.03 Diversion of public funds	<b>0.03</b>
1.04 Public trust of politicians	<b>0.04</b>
1.05 Irregular payments and bribes	<b>0.08</b>
3. Undue influence	<b>0.13</b>
1.06 Judicial independence	<b>0.20</b>
1.07 Favoritism in decisions of government officials	<b>0.06</b>
4. Government inefficiency	<b>0.09</b>
1.08 Wastefulness of government spending	<b>0.15</b>
1.09 Burden of government regulation	<b>0.09</b>
1.10 Efficiency of legal framework in settling disputes	<b>0.12</b>
1.11 Efficiency of legal framework in challenging regulations	<b>0.17</b>
1.12 Transparency of government policymaking	<b>0.12</b>
5. Security	<b>0.17</b>
1.13 Business costs of terrorism	<b>0.09</b>
1.14 Business costs of crime and violence	<b>0.25</b>
1.15 Organized crime	<b>0.24</b>
1.16 Reliability of police services	<b>0.24</b>
<b>A.01.02 B. Private institutions</b>	<b>0.18</b>
1. Corporate ethics	<b>0.07</b>
1.17 Ethical behavior of firms	<b>0.07</b>
1.21 Strength of investor protection*	<b>0.22</b>
<b>A.02 Infrastructure</b>	<b>0.25</b>
<b>A.02.01 A. Transport infrastructure</b>	<b>0.24</b>
2.01 Quality of overall infrastructure	<b>0.19</b>
2.02 Quality of roads	<b>0.18</b>
2.04 Quality of port infrastructure	<b>0.06</b>
2.05 Quality of air transport infrastructure	<b>0.19</b>
2.08 Fixed telephone lines*	<b>0.24</b>
4.03 Business impact of tuberculosis	<b>0.24</b>
4.04 Tuberculosis incidence*	<b>0.16</b>
5.04 Quality of math and science education	<b>0.19</b>
<b>B.06.01 A. Competition</b>	<b>0.13</b>
1. Domestic competition	<b>0.12</b>
6.07 Time required to start a business*	<b>0.14</b>
6.11 Prevalence of foreign ownership	<b>0.25</b>
6.13 Burden of customs procedures	<b>0.07</b>
<b>B.07 Labor market efficiency</b>	<b>0.20</b>
<b>B.07.01 A. Flexibility</b>	<b>0.21</b>
7.04 Hiring and firing practices	<b>0.17</b>
7.05 Redundancy costs*	<b>0.18</b>
7.09 Female participation in labor force*	<b>0.25</b>
<b>B.09.02 ICT use</b>	<b>0.24</b>
9.04 Internet users*	<b>0.19</b>
<b>C.12 Innovation</b>	<b>0.20</b>
12.02 Quality of scientific research institutions	<b>0.22</b>
12.05 Gov't procurement of advanced tech products	<b>0.07</b>

Source: Global Competitiveness Report 2010-11, World Economic Forum

## Annex 4. Updated TAP Results Framework

**Program Area 2. Working with local and national partners and stakeholders to help set the policy agenda -- Carry out other tasks contributing to understanding and improving factors of competitiveness in the Philippines**

### *TAP 2.1. Grant to AmCham - Investment Climate Improvement Project - Phase 6*

Design Summary	Performance Indicators / Target <sup>7</sup>	Data Sources / Reporting Mechanisms	Assumptions										
<b>INTENDED IMPACT:</b> Attractiveness of the country as an investment site improved	Increase in share of FDI for ASEAN from 3% in 2008 by 2012 <b>HS:</b> 5% <b>MS:</b> maintain 3% share . <table border="1"> <thead> <tr> <th>2006</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>5.2</td> <td>3.9</td> <td>3.3</td> <td>5.3</td> <td></td> </tr> </tbody> </table> .	2006	2007	2008	2009	2010	5.2	3.9	3.3	5.3		UNCTAD, BSP, ASEAN Secretariat	<ul style="list-style-type: none"> <li>▪ Successful elections in May 2010 with minimal disruption to business environment</li> <li>▪ Stabilization of tensions in international financial system</li> <li>▪ The target is set for 2012 which is at the end of the LINC-EG project.</li> </ul>
	2006	2007	2008	2009	2010								
5.2	3.9	3.3	5.3										
Higher FDI (US\$) from \$1.5B in 2008 to ___ by 2012 <b>HS:</b> \$3.0B <b>MS:</b> \$2.0B . <table border="1"> <thead> <tr> <th>2009</th> <th>1Q 2010</th> <th>2Q 2010</th> <th>3Q 2010</th> <th>4Q 2010</th> </tr> </thead> <tbody> <tr> <td>1,948</td> <td>0.556</td> <td>0.954</td> <td></td> <td></td> </tr> </tbody> </table> .	2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1,948	0.556	0.954			BSP		
2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010									
1,948	0.556	0.954											

<sup>7</sup> (HS) Highly Successful, (MS) Moderately Successful, The Not Successful scenario is the non-attainment of the HS and MS targets.

Design Summary	Performance Indicators / Target <sup>7</sup>	Data Sources / Reporting Mechanisms	Assumptions										
	Raise membership of AmCham as proxy for no. of investors interested in RP by 2012 from existing 595 as of Nov 2009 <b>HS:</b> 700 <b>MS:</b> 600 <table border="1" data-bbox="712 478 1355 555"> <thead> <tr> <th>2009</th> <th>1Q 2010</th> <th>2Q 2010</th> <th>3Q 2010</th> <th>4Q 2010</th> </tr> </thead> <tbody> <tr> <td>601</td> <td>601</td> <td>604</td> <td>607</td> <td></td> </tr> </tbody> </table>	2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	601	601	604	607		AmCham	
2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010									
601	601	604	607										
<b>EXPECTED OUTCOME:</b> Policy issues raised are utilized by policymakers in formulating sound policies to improve local and national competitiveness	Number of Policy Issues with favorable response through legislation out of 12 priority IRRs and bills <sup>8</sup> <b>HS:</b> 16 stages (a third of 49 for 2008) <b>MS:</b> 12 stages (a 1/4 of 49 for 2008) <table border="1" data-bbox="712 730 1243 805"> <thead> <tr> <th>2009</th> <th>Mar</th> <th>Jun</th> <th>Sep</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>11</td> <td>20</td> <td>23</td> <td>?</td> <td></td> </tr> </tbody> </table>	2009	Mar	Jun	Sep	2010	11	20	23	?		AmCham Legislative Tracker (separate sheet)	<ul style="list-style-type: none"> <li>Targets are subject to change until the policy priorities are identified and set by the new leadership elected in May 2010</li> </ul>
2009	Mar	Jun	Sep	2010									
11	20	23	?										

<sup>8</sup> The **13 priority legislative issues** consists of **9 Pending bills** (Customs Brokers Act Amendment, new Department of Information Communications Technology, Freedom of Access to Administration, National Tourism Policy, Pre-Need Code, Rationalization of Fiscal Incentives, Real Estate Investment Trust, Residential Free Patent, Revised Kyoto Convention ratification) + **issuance of 3 IRRs** (Credit Information Systems, Personal Equity Retirement Account, Renewable Energy Act) + **1 special concern on the Foreign Investment Negative List** (for liberalization of legal restrictions on foreign equity and foreign professions). Advancement is measured in counting the number of steps in progression of the bill through the **15 stages of the legislative process**: 10 (crafting of bill, sponsorship and 1<sup>st</sup> to 3<sup>rd</sup> readings in both houses of Congress) + 1 (passing thru Bicameral Committee) + 1 (enactment into law) + 3 (consultation, drafting and finalization of IRRs). The Amcham Legislative Tracker lists the progression of the listed priority bills to 49 and 36 stages for 2008 and 2009 respectively so far as of 27 October 2009. These stages exclude the stages for crafting of bills whose completion dates are not listed in the Legislative Tracker. Note that the legislative window is limited to only 3-4 months following the May elections and the SONA in July when the major policy initiatives of the new administration is traditionally made known until the end of Phase VI in November 2010. Historically, few bills if any pass in the initial months of a new Congress.

Design Summary	Performance Indicators / Target <sup>7</sup>	Data Sources / Reporting Mechanisms		Assumptions										
	<p>Number of Policy Issues with favorable response involving legislation and/or executive / administrative orders apart from 12 priority IRRs and bills</p> <p><b>HS:</b> 2 or more <b>MS:</b> 1</p> <table border="1" data-bbox="712 478 1243 555"> <thead> <tr> <th>2009</th> <th>Mar</th> <th>Jun</th> <th>Sep</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>6</td> <td>9</td> <td>?</td> <td></td> </tr> </tbody> </table>	2009	Mar	Jun	Sep	2010	3	6	9	?		AmCham Tracker (separate sheet)	Legislative (separate)	<ul style="list-style-type: none"> <li>Targets are conservative due to arbitrary nature of event.</li> </ul>
2009	Mar	Jun	Sep	2010										
3	6	9	?											
<p><b>OUTPUT SUMMARY 1:</b> Critical Areas for Improvement Raised to Relevant Government Champion and Agency</p>	<p>Number / Significance of Policy Issues Raised to Government out of 10 reform areas<sup>9</sup></p> <p><b>HS:</b> All 10 reform areas <b>MS:</b> 6 reform areas</p> <p>Policy advocacy activities of ICIP VI covered all of the 10 reform areas based on the Noteworthy Documents list of Sep 2010.</p>	AmCham Documents	Noteworthy	<ul style="list-style-type: none"> <li>Subject to the availability of new government leaders in Congress and the government following elections</li> </ul>										

<sup>9</sup> **10 Reform areas** include **4 reform clusters** on bureaucracy / corruption, infrastructure, judicial / regulatory / enforcement, legislature and **6 big sector winners** in agribusiness, creative industries, information technology / BPO, manufacturing / logistics, mining and tourism / medical / retirement. The Infrastructure sector was excluded being counted as a reform cluster.

Design Summary	Performance Indicators / Target <sup>7</sup>	Data Sources / Reporting Mechanisms	Assumptions
<p><b>OUTPUT SUMMARY 2:</b> Position on Selected Policy Issues Updated</p>	<p>Number / Significance of Policy Issues Updated out of 10 reform areas  <u>HS:</u> All 10 reform areas  <u>MS:</u> 6 reform areas</p> <p>Policy advocacy activities of ICIP VI covered all of the 10 reform areas based on the Noteworthy Documents list of Sep 2010.</p>	<p>AmCham Noteworthy Documents</p>	<p>▪ Subject to the consistency of the identified reform areas to the priorities of the newly-elected government</p>
<p><b>OUTPUT SUMMARY 3</b> Major Stakeholders updated on Critical Issues regarding Economic Reform</p>	<p>Number of new requests for inclusion in the distribution list of ICIP News clips: Economic Reform News by Nov 2010 from the existing base of 217 (as of July 2009)  <u>HS:</u> +40 subscribers  <u>MS:</u> +20 subscribers  . + 303 subscribers for a total of 520 as of 13 Oct 2010  .</p>	<p>AmCham Monthly Report</p>	

## Priority Bills

Bill	Date of Enactment	IRR	Stages done in Quarter	Stages Remaining (out of 13)	Last Noteworthy Document
Customs Brokers Act	20 Jan -10	6 Apr -10	0	0	#77- JFC letter to Senate (7 Jan-10)
Real Estate Investment Trust	17 Dec-09	13 May-10	0	0	
Rationalization of Fiscal Incentives	H-3 <sup>rd</sup> R (5 May-09) S-1 <sup>st</sup> R (27 Jan -10)		0	9	
Freedom to Access of Information	H-3 <sup>rd</sup> R (12 May-08) S-ratified (1 Feb-10)		0	6	#102-JFC press release and letter to H (25 May-10)
Pre-Need Code	3 Dec -09	8 Mar -10	0	0	
Residential Free Patent	9 Mar-10	5 May -10	0	0	
RKC Ratification	1 Feb-10		0		#79-Amcham statement (21 Jan- 10)
National Tourism Policy	12 May-09	12 Nov -09	0	0	
New Dept of ICT	H-3 <sup>rd</sup> R (5 Aug-08) S-1 <sup>st</sup> R (19 Aug-08)		0	9	#79- JFC letter to Senate (7 Jan - 10)

Movement thru legislature attributable by date to ND

## Priority IRRs

Bill	Date of Enactment	Stages Remaining (out of 13)	Last Noteworthy Document within past 6 months
Personal Equity Retirement Account	22 Aug-08	3	None
Credit Information System	31 Oct-08	3	None
Renewable Energy	16 Dec -08	3	#110 – JFC letter to DOE (7 Jan -10)

Movement thru legislature attributable to ND by date

**Annex 5. LINC-EG Expenditure Pipeline (as of September 30, 2010)**

Cost Element	Contract Budget	Actual Reporting Period								Projected Oct to Dec'10	September 30, 2010	
		Nathan Oct to June 2010	DAI Oct to June 2010	Nathan July2010	DAI July 2010	Nathan August 2010	DAI August 2010	Nathan September 2010	DAI September 2010		Cumulative	% used
<b>1 Labor</b>	<b>4,052,475.55</b>	<b>1,866,738.39</b>	<b>273,703.90</b>	<b>83,765.28</b>	-	<b>97,580.05</b>	<b>1,659.91</b>	<b>114,156.79</b>	-	<b>246,963.43</b>	<b>2,437,604.32</b>	<b>60.2%</b>
General Project Technical Labor	4,052,475.55	1,866,738.39	273,703.90	83,765.28	-	97,580.05	1,659.91	114,156.79	-	246,963.43	2,437,604.32	60.2%
Expat Labor	1,513,139.75	783,460.21	10,051.99	35,019.44		35,720.01		27,109.17		105,600.00	891,360.82	58.9%
CCN Labor	2,539,335.80	1,083,278.18	263,651.91	48,745.84		61,860.04	1,659.91	87,047.62		141,363.43	1,546,243.50	60.9%
SAF Funded labor	-	-	-	-	-	-	-	-	-	-	-	
Expat Labor	-	-	-	-	-	-			-		-	
CCN Labor	-	-	-	-	-	-			-		-	
<b>2 Travel, Transportation and Per Diem</b>	<b>357,178.48</b>	<b>107,356.43</b>	<b>1,094.94</b>	<b>3,203.12</b>	-	<b>4,589.03</b>	-	<b>9,027.28</b>	-	<b>21,347.02</b>	<b>125,270.80</b>	<b>35.1%</b>
International Travel	40,940.09	30,506.53		100.00		50.00		3,546.70		3,500.00	34,203.23	83.5%
Local/Regional Travel	38,065.64	17,364.90	433.37	752.66		766.74		903.01		4,642.86	20,220.68	53.1%
International Per Diem	36,842.80	20,392.44						2,798.53		2,900.00	23,190.97	62.9%
Local/Regional Per Diem	220,234.00	31,948.86	628.35	1,885.26		3,467.90		571.26		10,304.16	38,501.63	17.5%

	Other travel related costs	21,095.95	7,143.70	33.22	465.20		304.39		1,207.78		1,647.62	9,154.29	43.4%
<b>3</b>	<b>Allowances</b>	<b>304,228.50</b>	<b>168,801.04</b>		<b>36,528.52</b>		<b>4,310.80</b>		<b>2,828.94</b>		<b>3,500.00</b>	<b>212,469.30</b>	<b>69.8%</b>
<b>4</b>	<b>Furniture and Equipment</b>	<b>51,169.50</b>	<b>34,954.60</b>	-	-	-	-	-	<b>254.64</b>	-	-	<b>35,209.24</b>	<b>68.8%</b>
	Office Furniture	6,058.50	7,157.85									7,157.85	118.1%
	Office Equipment	10,561.00	10,308.29						254.64			10,562.93	100.0%
	Computers	34,550.00	17,488.46									17,488.46	50.6%
	Vehicles	-	-									-	
<b>5</b>	<b>Other Direct Costs</b>	<b>1,163,281.16</b>	<b>541,464.28</b>	<b>3,342.69</b>	<b>12,751.92</b>	-	<b>20,401.28</b>	<b>12.32</b>	<b>33,294.00</b>	-	<b>110,964.13</b>	<b>611,266.49</b>	<b>52.5%</b>
	Local Office Costs - Manila	823,770.25	439,123.11	3,261.51	11,768.27		18,958.61		32,361.59		110,964.13	505,473.09	61.4%
	Local Office Costs - Cagayan de Oro	121,908.69	42,942.49									42,942.49	35.2%
	Local Office Costs - Zamboanga	-	-									-	
	Local Office Costs - Davao City	-	-									-	
	Other direct program costs	168,618.95	36,783.45		336.08		635.07	12.32	507.09			38,274.01	22.7%
	Home Office Costs	48,983.27	22,615.23	81.18	647.57		807.60		425.32			24,576.90	50.2%

6	General & Admin - 8.5% x Table Ref 2* thru 7	266,042.46	106,486.43	403.82	4,825.47	-	4,299.48	1.13	4,769.91	-	47,265.05	120,786.24	45.4%
7	Grants & SAF	1,254,053.69	400,205.21		4,286.62		21,281.00		10,711.77		49,541.99	436,484.60	34.8%
	TOTAL (U.S.\$)	7,448,429.34	3,226,006.38	278,545.35	145,360.93	0.00	152,461.64	1,673.36	175,043.33	0.00	479,581.62	3,979,090.99	53.4%

## Annex 6. Highlights for the Quarter (July-September 2010)

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### Philippine Cities Competitiveness Ranking Project (PCCRP) 2009 Launched



*Mr. Roger Carlson delivering his opening remarks during the PCCRP 2009 Launch*

With the launch of the results of the Philippine Cities Competitiveness Ranking Project (PCCRP) 2009 on July 19, business environment reforms in the near term can be based on direct feedback from entrepreneurs and business managers. Conducted biennially since 1999, the PCCRP is an enterprise level survey of the Asian Institute of Management (AIM) that uses a range of quantitative and perception data to score, benchmark and rank Philippine cities in terms of their ability to support private sector activity. The findings are an invaluable resource to local governments and economic development managers about their location's strength and weaknesses.

The data gathering commenced in 2009 and the results grouped 29 cities into three categories (Metropolitan, Growth and Emergent) to allow for peer-to-peer comparisons. The drivers of competitiveness in the methodology included issues of costs of doing business, quality of life, local government support and infrastructure.

The Launch was attended by a select group of over 200 participants that included city mayors, senior government officials, chambers of commerce, the academic community and donors. The Acting Mission Director of USAID/Philippines, Mr. Carlson, delivered the opening remarks and noted that it is important for business environment reforms to be based on robust data from research and diagnostic surveys, but that the data gathering should not be an end in itself. Mr. Carlson encouraged all stakeholders to use the survey findings and the PCCRP as a tool for improving the business climate for small and medium enterprises which comprise more than 85% of the private sector in the Philippines.



*Representatives of LGU Special Awardees for City Competitiveness*

The Undersecretary of the Department of the Interior and Local Government of the Philippines, Austere Panadero, thanked USAID/Philippines for its support in improving economic governance through the PCCRP. USAID supported the PCCRP 2009 with a grant to AIM from the LINC-EG project.

## AmCham secures Senator Guingona's endorsement of Energy Efficiency Act



*Senator Teofisto Guingona, Jr. (fifth from left), together with representatives from the key businesses in the energy sector, performs the ceremonial ribbon cutting during the opening of the technology show case and exhibits at the Energy Efficiency Forum held on July 14 at the Sofitel Philippine Plaza Hotel.*

The American Chamber of Commerce Philippines (AmCham) secured the endorsement of Senator Teofisto Guingona Jr. of the Energy Efficiency Act which it will endorse. The contemplated legislation is viewed to provide for setting energy performance standards for devices that use, control or affect the use of energy. Senator Guingona committed to sponsor the bill in this 15th Congress.

The senator's support was elicited during the 1st Philippine Energy Efficiency Forum held on July 14 at the Sofitel Philippine Plaza Hotel. The forum, which served as a venue for participants to showcase the latest technologies and best practices in energy efficiency and to advocate for government support for ventures in the field, was put together by the Department of Energy (DOE) with support from the AmCham and other donors. AmCham's sponsorship was made possible by support from the LINC-EG Project.

During the forum, the DOE reported that energy efficiency measures under its Energy Efficiency and Conservation program could save the country the cost of immediately putting up power plants with a combined capacity of 7,455 megawatts and costing \$15 billion. It also reported that the measures could realize for the country cumulative savings of 76 million tons of oil equivalent by 2030. The programs cover information, education and communication campaigns; standards and labeling for household appliances; fuel economy run; government energy management program; energy management services and/or energy audit; recognition award; voluntary agreement program and the Philippine energy efficiency project.

## LINC-EG explores partnership areas with Butuan City

Agusan del Norte Governor Erlpe John Amante and Butuan City Mayor Ferdinand M. Amante Jr. recently asked for technical assistance from the LINC-EG Project to enable Butuan City to achieve its growth targets. This as the LINC-EG Project continued its advocacy work to improve the competitiveness of local government units (LGUs) nationwide, especially in Mindanao.

In a meeting in the city on July 31 with LINC-EG and USAID representatives, both officials, together with Butuan City Chamber of Commerce President Engr. Alan Silor and Department of Trade and Industry (DTI) Caraga Regional Director Brielgo Pagaran, urged LINC-EG to include Butuan City among the Mindanao cities benefitting from it. Mayor Amante described the investment areas Butuan City wants to develop, mainly the services sector to support the development of the mining, wood and agri-aquaculture sectors which were identified by the DTI as the Caraga region's growth industries.



*New Butuan City Mayor Amante (third from right) discussed technical proposals with USAID and LINC-EG officials at the Butuan City Hall.*

Meanwhile, Engr. Silor noted the high level of support that the newly-elected first-term mayor has from the city's business sector. He vowed, in behalf of the city's business sector, to support the mayor's efforts to improve basic services in the city. Governor Amante, for his part, vowed to provide as much support to Butuan City, the capital of Agusan del Norte, as needed to enable the mayor to accomplish the reforms that the latter plans for the city.

USAID Contracting Officer's Technical Representative John Avila and LINC-EG Chief of Party Alid Camara committed to review LINC-EG's programs and explore the possibility of Butuan City receiving assistance from it.

## **New CDO mayor agrees to adopt as his own the BOSS**

Newly-elected Cagayan de Oro City Mayor Vicente Y. Emano, bucking expectations, accepted as his own the BPLS Streamlining and Business One-Stop Shop (BOSS) projects started by his predecessor Mayor Constantino Jaraula with full support from the LINC-EG project. The mayor promised to continue and see the projects to their completion. This pledge was the result of intense advocacy of LINC-EG and Promote CDO Foundation, a group composed of businessmen in the city whose aim is to make CDO investor-friendly

The BPLS Streamlining Project seeks to reduce the steps and shorten the time for the securing of business licenses and permits from the city. Doing so would, in turn, reduce the transaction costs for establishing and maintaining businesses in the city, thus making it more investment-friendly. Under the program, a Business Processing and Licensing Office (BPLO) will be established within the city government. The office shall be the overseer of the city's BPLS operation and be the one-stop shop for the processing of business registration applications. The plan also provides for the reduction of processes to three steps, namely, validation of

application, payment, and receipt of the permit to operate, and the documentation of the processes and the documentary requirements for each of the steps. It likewise provides the



*The business tax and fees payment section of the recently inaugurated Business One-Stop Shop in Cagayan de Oro City.*

identification of the persons or offices responsible for individual steps in the processes. Finally, the plan mandates the public dissemination of all information regarding the new BPLS.

Meanwhile, the BOSS was established within the premises of the CDO City Hall compound to house the BPLO which will serve as the central location for the processing of city-level clearances and approvals. City administrative offices involved in permitting and licensing, as well as satellite offices of national government agencies whose permits and licenses are needed to secure business permits from the city will be located in the center.

## **LINC-EG supported ICIP Revs Up Policy Advocacy Efforts; Forges Understanding and Agreements with Secretaries of Key Departments**

The Investment Climate Improvement Project (ICIP) of the American Chamber of Commerce has strengthened its advocacy efforts to help the new administration craft and implement investment-friendly policies. During the month of August, it has supported the Joint Foreign Chambers (JFC) in conducting meetings with the secretaries and other ranking officials of five key departments. During these meetings, it had succeeded in forging understanding in, and gaining support for, reform in several vital areas.



*Labor and Employment Secretary Rosalinda Baldoz (left) discusses certain policy issues with the members of the Joint Foreign Chambers.*

In a meeting in her offices on August 2, the JFC was able to secure the agreement of Labor and Employment Secretary Rosalinda Baldoz on the need to align labor policies with the realities of a competitive global economy to allow more flexibility for the market to operate efficiently. More specifically, she agreed with the chamber

on the need to reform the existing minimum wage system in the country and make this better

able to support more viable investments. She also concurred on the need to minimize holidays and the sudden declarations of these celebrations. In the same meeting, the secretary also explained the Department of Labor and Employment's (DOLE) policy of adopting an "industry self-regulation" approach in that it would encourage industries to formulate and then implement industry best-practices. Under this approach companies certified by industry associations as practicing such best-practices would be exempted from DOLE inspections for 3-6 years.



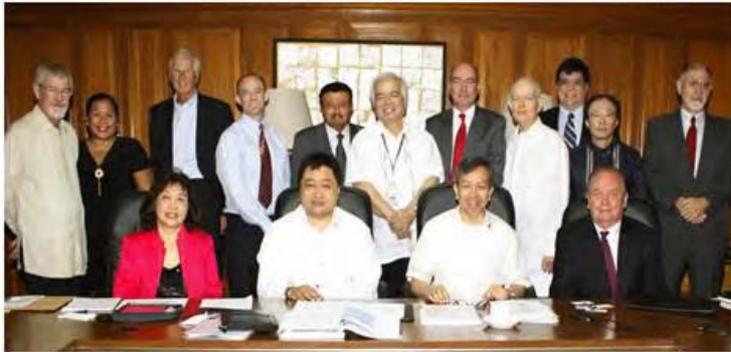
*Commission on Information and Communications Technology Chairman Ivan John Uy (1<sup>st</sup> Row, 2<sup>nd</sup> from left), with the members of the Joint Foreign Chambers and key IT-BPO businesses.*

Meanwhile, in a meeting with Commission on Information and Communications Technology (CICT) Chairman Ivan John Uy on August 18, the JFC was able to present its position that the Information Technology Business Process Outsourcing (IT-BPO) industry needs to be provided fiscal incentives so that it could maintain its cost competitiveness

in the light of other expenses, especially power, being higher than those in competing countries. Chairman Uy, for its part, emphasized the need to identify, promote, and prepare the next-wave cities that would host the new inflows of IT-BPO investments.

On August 27, the JFC met with Public Works and Highways Secretary Rogelio Singson who agreed with its recommendation that there is a need for more transparency with Joint Venture Agreements (JVAs) and that the timeframe for submitting a proposal under the Swiss challenge should be lengthened substantially, from 30 to 180 days. Secretary Singson also concurred that, as much as possible, infrastructure projects must be implemented under the solicited mode of procurement. The secretary was also of the position that increased private sector involvement is required if public-private partnership (PPP) projects are to succeed in the manner envisioned by the government. It is for this reason that, according to him, an infrastructure conference in mid-October where a list of solicited PPP projects will be announced.

On August 31, the JFC likewise met with Department of Finance (DOF) Secretary Purisima and Department of Trade and Industry (DTI) Secretary Gregory Domingo at the offices of the Board of Investments in Makati. During this meeting, the JFC secured the commitment of Secretary Purisima that the DOF will regularly engage it in discussions on issues vital to the economy. The secretary also agreed with the chamber that the Common Carriers Tax (CCT) and Gross Philippine Billings (GPB), which are imposed on foreign airlines flying into the country needs to be resolved in such a manner as to encourage more foreign flights into the country while taking into consideration the country's fiscal position. He likewise agreed with the chamber's



*Finance Secretary Cesar Purisima (1<sup>st</sup> Row, 2<sup>nd</sup> from left) with the members of the Joint Foreign Chambers and concerned businesses.*

suggestion that Bureau of Internal Revenue (BIR) tax credits and debits be made applicable to the Bureau of Customs (BOC) and vice versa. Finally, he, together with Secretary Domingo, concurred that the reconciliation of the automated information systems of the BIR, BOC, DOF and DTI would significantly facilitate the current administration's efforts to be more efficient, transparent, and effective.

For his part, Secretary Domingo also agreed with the JFC's suggestion that incentives be provided to exporters of goods and services but not to companies that will invest without such incentives. He also concurred with the chamber on the need to raise the *de minimis* value, to at least the ASEAN level of US\$50.

## **DTI, DILG launches LINC EG-supported joint national permitting and licensing reform program**



*DTI Secretary Domingo and DILG Secretary Robredo congratulate each other after signing the Memorandum of Agreement launching the Nationwide BPLS Streamlining Program. Looking on are key DTI and DILG officials and representatives of donor agencies supporting the program.*

In prompt reply to instructions from President Benigno Aquino Jr. during his first State of the Nation Address (SONA), Trade and Industry Secretary Gregory Domingo and Interior and Local Government Secretary Jesse Robredo launched on August 6, 2010 the Nationwide Business Permits and Licensing Systems (BPLS) Streamlining Program. The program aims to reduce the cost and shorten the processing time of getting business permits and licenses in all local government units (LGUs) nationwide. Donor agencies, including USAID through the LINC-EG Project, pledged support for the program.

The program sets out the standards for all cities and municipalities to follow in streamlining their processing of applications for business permits and licenses, including limiting the number of steps to 5 and setting the maximum processing time within which each step is to be accomplished. The standards also include the need to identify all the documents required and the responsible person or unit for each step, and

the dissemination to the general public of all the information regarding the reformed BPLS. These standards implement the Anti-Red Tape Act of 2007.

The streamlining of the BPLS will encourage more investments in the countryside, thus stimulating the local economies, increasing employment and reducing poverty. Increasing investments, especially in local communities, was identified by President Aquino in his SONA last July as one of the priorities of his administration.

A series of 7 workshops will be held nationwide to train personnel of Department of Trade and Industry (DTI) and Department of Interior and Local Government (DILG) in guiding LGUs through the process of reforming their respective BPLS. LINC-EG, an initiative of the Philippine government to improve competitiveness at the national and local levels with support from USAID, will support the conduct of 2 workshops: one in Cagayan de Oro City on August 16-18, 2010 and in Davao City on August 23-25, 2010.

### **LINC-EG Supports DTI and DILG Training for the Roll-Out of Business Registration Reforms in Selected Northern Mindanao LGUs**



*The participants of the "Trainers' Training Workshop for Upscaling Business Permits and Licensing Reforms" in Cagayan de Oro City*

The LINC-EG Project continued its involvement in the streamlining the business and permitting and licensing (BPLS) program of the Departments of Trade and Industry (DTI) and of the Interior and Local Government (DILG) by providing technical and material support to the training of trainers (TOT) Workshop for DILG and DTI personnel in Mindanao held in Cagayan de Oro City August 16 to 18, 2010. The program seeks to reduce the cost and shorten the processing time of getting

local business permits and licenses, to encourage more investment in local communities nationwide.

The 38 DTI and DILG personnel trained during the 3-day TOT workshop will guide the personnel of local government units (LGUs) in Northern Mindanao establish streamlined business permitting and licensing systems (BPLS) in the participating LGUs. The BPLS they are to help establish will: (1) use one single unified form for new applications and renewals; (2) reduce the number of signatures and steps to 5; and (3) limit the processing time to a maximum of 10 days from the date of the submission of the application form for new applications and 5 days for renewal as required under the provisions of the Anti-Red Tape Law of 2007.

The workshop included discussions of the process of establishing the reformed BPLSs as well as simulations of the coaching sessions to be conducted by the DTI and DILG personnel for their LGU counterparts.

LINC-EG provided for the resource persons who conducted the training, the training venue, and the accommodations for the participants, resource persons and support staff.

A second TOT in Mindanao, this time for DTI and DILG personnel in Southern Mindanao, will be held 7-9 September in Davao City. LINC-EG will again support this initiative.

## **DTI and DILG Training for the Roll-Out of Business Registration Reforms in Selected Mindanao LGUs Supported**



*A discussion with LINC-EG consultants on the BPLS process map, during the TOT workshop in Cagayan de Oro City.*

The first steps in the streamlining of business permits and licensing systems (BPLS) in key cities and municipalities in Mindanao were taken with the conduct of two three-day Training of Trainers (TOT) Workshops in Cagayan de Oro City last August 16 to 18 and in Davao City on September 7 to 9. A total of 111 personnel from the regional and provincial offices of the Department of Trade and Industry (DTI) and the Department of the Interior and Local Governments (DILG) and representatives of selected local governments, business chambers and academic institutions in Northern and Southern Mindanao were

trained in coaching local government units (LGUs) in reforming their respective BPLS to conform to service standards consistent with the provisions of the Anti-Red Tape Law of 2007.

The primary objective of the workshops was to capacitate the participants on the various options for implementing the BPLS standards which were defined in the Joint Memorandum Circular No. 1 signed by DTI Secretary Gregory Domingo and DILG Secretary Jesse Robredo during the launch of the Nationwide BPLS Streamlining Program last August 6, 2010. Specifically, these standards consist of: (1) using one single unified form for new applications and renewals; (2) reducing the number of signatories and steps to 5; and (3) limiting the processing time to a maximum of 10 days from the date of the submission of the application form for new applications and 5 days for renewal.



*An open forum with the City Administrator of Davao, Undersecretaries of DILG and DTI, and USAID during the TOT workshop in Davao City.*

Major outputs of the two workshops were action plans for all the regions of Mindanao that detail how DTI and DILG together with the other participants in the two workshops will assist targeted LGUs in implementing the new BPLS standards in time for the business renewal period in January 2011. Institutionally, the workshops paved the way for strengthening the partnership of DTI and DILG in Mindanao for implementing BPLS reforms. After the workshops, both agencies are expected to set-up regional BPLS Coordination Committees which will organize teams to train LGUs and monitor their compliance with the standards. A total of 108 cities and municipalities nationwide are scheduled for training in the last quarter of the year, of which 24 LGUs will be in Mindanao.

The TOT workshops initiated by DTI and DILG were part of the Nationwide BPLS Streamlining Project, which is being supported by LINC-EG as part of its effort to strengthen key national government agencies to set the competitiveness agenda.

## **Opportunities for Davao and General Santos Cities to Participate in BPLS Reforms Explored**



*City Mayors of General Santos (center in above photo) and Davao (center in below photo) expressed their openness to enter into a partnership with USAID/LINC-EG in implementing BPLS reforms.*

The LINC-EG Project explored, on September 7-9, opportunities to help Davao and General Santos cities become model local government units (LGUs) for Mindanao under the Business Processing and Licensing System (BPLS) Reform Program of the Departments of Trade and Industry and of the Interior and Local Government (DTI and DILG). In a meeting held at the Marco Polo of Davao last September 7 with Davao City Mayor Sarah Carpio and General Santos City Mayor Darlene Custodio, LINC-EG Interim Chief of Party Michael Blackman committed to send a follow-up mission to both cities to assess the particular needs of the cities in order to define what responsive technical assistance activities can be undertaken by LINC-EG for them.

The BPLS Reform Program of DTI and DILG seeks to streamline the LGUs' processing of applications for business permits and licenses nationwide, and thus help create a more investor-friendly environment in the countryside.

During the meeting, which was also participated in by the mayors' staffs as well as John Avila, Contracting Officer's Technical Representative (COTR) of the United States Agency for

International Development (USAID) for LINC-EG, it was agreed that the benefits of the BPLS Program could be maximized if the individual situations of LGUs are taken into account and the reform agenda and the assistance given to LGUs customized accordingly. Davao City Mayor Carpio identified the computerization of their BPLS as the focal point of the reform agenda. In the case of General Santos City, the LGU put great emphasis on the assessment of the Information Technology plans, as well local and national regulatory and administrative processes, in relation to BPLS which have been included in the city annual investment plan.

The technical team that would validate these requirements and design the assistance LINC-EG could provide to both cities will be sent by end September this year.

### **JFC Continues Advocacy for Investment Policy Reforms; Meets DENR Secretary**

The Joint Foreign Chambers (JFC), with support from the Investment Climate Improvement Project (ICIP) of the American Chamber of Commerce - Philippines (AmCham), continued advocating for policy reforms supportive of investment inflows into the country. On September 13, in the fifth of a series of meetings with the Aquino Administration Cabinet, it met with Department of Environment and Natural Resources (DENR) Secretary Ramon Paje at his office in Quezon City. During the meeting, it presented a list of reforms in the areas of mining, environment, and natural resources, most of which were agreed to by the Secretary. The ICIP is supported by the LINC-EG Project.



*Representatives from the members of the Joint Foreign Chambers met with Environment and Natural Resource Secretary Ramon Paje. A list of reforms in the areas of mining, environment, and natural resources were presented and mostly agreed to by the Secretary*

The JFC also expressed concern over some issues that hinder the full growth of the mining industry in the country. Among these issues is the less-than-optimal support given to the industry by many local government units (LGUs) where mining projects are proposed or had been established. The chamber cited the case of the former South Cotabato governor who

banned open pit mining in the province. It cited as reason for this level of support the lack of appreciation by LGUs of the benefits the communities concerned would get from a mining project. In the case of Masbate, it reported that the province earned US\$ 10 million in taxes only after nine months of a mining project operating in it.

To address the lack of support from LGUs, the chamber proposed that the government ensure the faster release of the 40% share of mining excise taxes to the LGUs involved. The secretary, of his part, cited Joint Circular No. 2009-1 (March 2009) of the Departments of Environment and Natural Resources, Finance, Budget Management and Interior and Local Government, which mandates the quarterly release of funds from mining excise taxes to the LGUs. The Secretary also revealed that the DENR is preparing to file a case in the Supreme Court questioning the power of LGUs to pass an ordinance against national government policy.

The JFC also raised the need to streamline the process of mining companies obtaining permits for mining projects. To this issue, the secretary mentioned that the department will have a one stop shop where a mining company can file an application which will include the requirements from the LGU concerned, Environmental Management Bureau (EMB) and the other agencies. He also reported that under this streamlined process, should the EMB regional office fails to act on the application, the DENR would consider the application approved.

On the issue of land banking, the secretary said that DENR, under its "use it or lose it" policy, plans to cancel all permits given to mining companies which have not availed of its permits for more than two years, provided that these companies have received and not adequately responded to three notices.

On security, the Secretary asked the foreign chambers to discourage members from paying revolutionary taxes to rebel groups. "This will only embolden bigger problems in the future." Secretary Paje said he has strengthened the mining security committee by bringing in a few former high-ranking officials from the military.

Results of the JFC policy reform advocacies with the Department Secretaries, including those from the consultation with the DENR Secretary, will be included in the currently being prepared *Arangkada Philippines 2010*, an investment roadmap that seeks to identify reform measures to increase foreign direct investments (FDI) into the country. LINC-EG, through its ICIP Project to AmCham, is supporting the JFC in preparing the investment roadmap, which is intended to be launched in December this year.