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Contractor or grantee name(s): CARANA Corp./Nathan Associates Inc.	
Sponsoring USAID operating unit(s): USAID/Philippines OEDG, CTO: Ms. Maria Teresa Robielos	
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Abstract <i>(summary of most significant information, 250 word limit; optional):</i> The purpose of this 3-year activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-liberalization partners and stakeholders. It has two broad objectives. It will contribute to continuing policy liberalization in the Philippines and increasing the degree of competition in the Philippine economy. The contractor is responsible for the following major task areas: 1) policy analysis and technical assistance; 2) administration of grants to NGOs and nongovernmental research institutions; 3) administration of the Special Activities Fund (SAF); 4) SO2 monitoring, assessment, reporting; and 5) public information and consultations. This is the fourth quarterly report. (No annual reports are required.)	
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AID 590-7 (09/05)



QUARTERLY PERFORMANCE REPORT

Contractor: CARANA Corp./Nathan Associates Inc.

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

Reporting Period: October 1 to December 31, 2005

Section I - CONTRACTOR'S REPORT

A. Narrative:

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

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

The contractor is responsible for the following major task areas:

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

The 3-year Contract Delivery Order authorized a total level-of-effort of 7,504 workdays, which may be adjusted by written approval of the CTO subject to the delivery order ceiling price of US\$11,333,829. The Delivery Order was signed on August 23, 2004, and expires on August 22, 2007. The remaining balance of the delivery order, as of December 31, 2005, was \$8,094,919.84.

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

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

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

3) (a) Current Core Activities: The contract defines (in subsection 4.2.) the major task areas listed in paragraph 1) above. The following activities were expected to be undertaken during this reporting period within each of the major task areas listed below, in addition to remaining start-up and other administrative tasks.

Start-up and Other Administrative Tasks

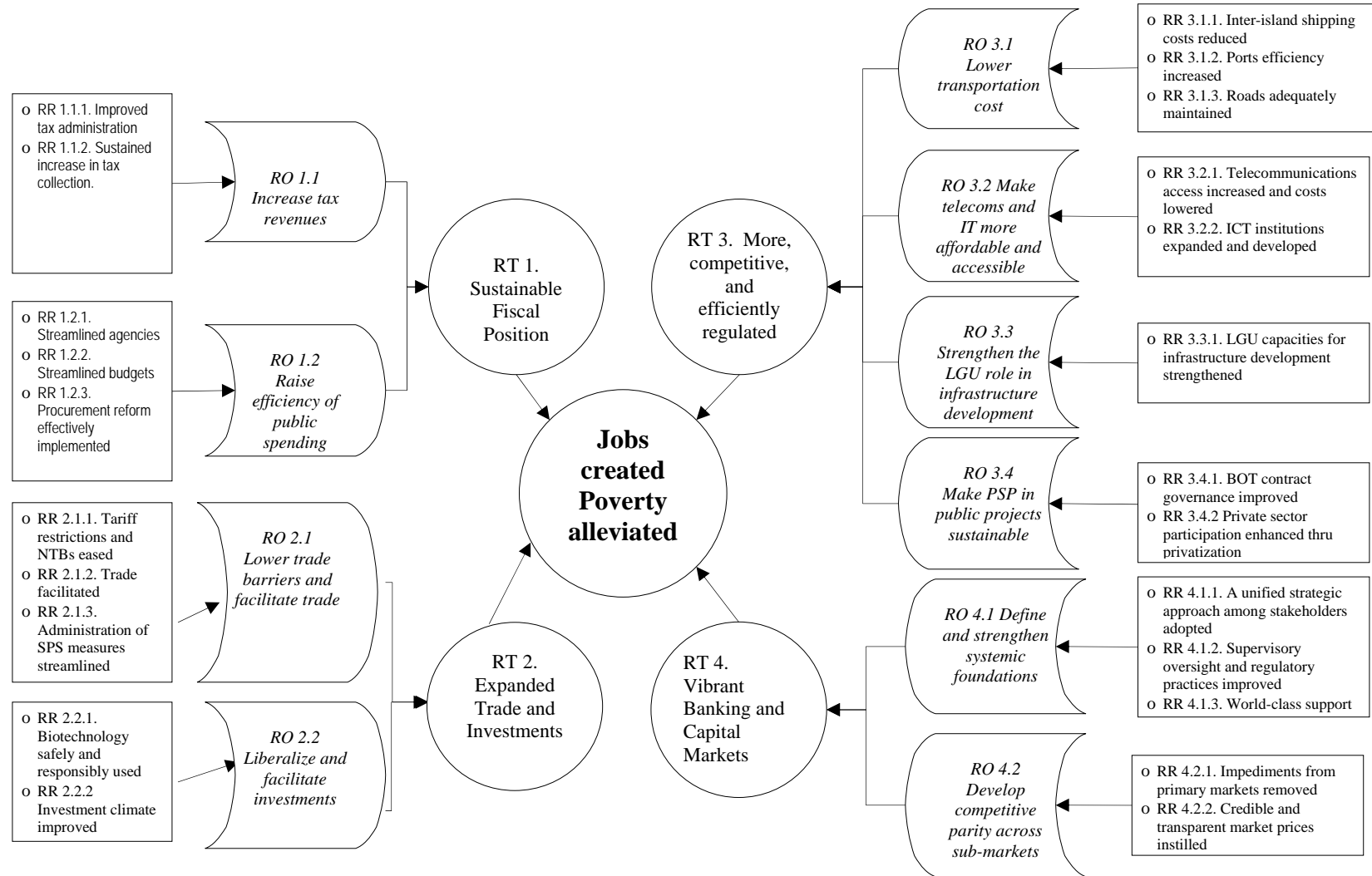
During the last quarter of 2005 EMERGE was to submit the quarterly report for the preceding quarter by October 30 and prepare its annual work plan for 2006 by December 31, 2005. It was also to help organize and support another Policy Advisory Committee meeting as the committee's secretariat, and to start serving as the chair and secretariat of the bi-weekly TIERG coordination meetings in October (the chair being rotated among the three TIERG members every six months).

TASK 1 - Policy Analysis and Technical Assistance (TA)

The 2005 Work Plan identifies four major economic policy reform themes or purposes that contribute to the overall goals of more productive jobs created and poverty reduced: 1) a sustainable fiscal position, 2) expanded trade and investment, 3) more competitive and efficiently regulated infrastructure, and 4) vibrant banking and capital markets. It identifies ten EMERGE reform objectives to help the Government of the Republic of the Philippines (GRP) achieve these purposes, and 24 reform results to achieve the ten EMERGE reform objectives. Thirty-eight specific tasks are then proposed as EMERGE-supported activities to help the GRP and the Philippine civil society obtain most of those 24 results in 2005.

The EMERGE Results Framework is presented in Figure 1. The specific tasks proposed for EMERGE support in the 2005 Work Plan, and the reform objectives and results they target, are listed below, together with the progress expected during this reporting period as discussed in the previous quarterly report. We were not planning to work on all of these tasks during this reporting period, and those that are to be started later are noted in Section 4, Performance during the Quarter.

Figure 1. EMERGE Results Framework 2004-2007



Reform Objective 1.1 Increase tax revenues

Reform Result 1.1.1. Improved tax administration

Task 1.1.1.1 Improved One Time Tax Transactions (ONETT) System

A purchase order (PO) was awarded to E-Konek, Phil., on June 1. Work on this activity was expected to be completed in November 2005.

Task 1.1.1.2 Revenue effects and structuring of tax administration reform initiatives

The EMERGE team hired Mr. Francis Vicente to help the Commissioner of Internal Revenue prioritize and provide structure to the various reform initiatives for improving tax administration as found in the *BIR Blueprint for Development Towards 2010*. He was also to estimate the revenue effects of proposed reforms. The consultant's engagement started on March 1, 2005, and was expected to end on December 31, 2005.

Task 1.1.1.3 Improved administration systems of selected tax measures

This task is designed to help BIR improve the collection of (a) the document stamp tax (DST) on mandatory third party liability insurance, which vehicle owners must purchase each year when they register their vehicles with the Land Transportation Office (LTO); and (b) common carrier tax that is collected from public land transportation companies. In the last quarter, the EMERGE fiscal team worked on the following TA requests for consideration during this reporting period:

1. The AIM-Hills Governance Center submitted a proposal for a grant from EMERGE for the Center to undertake work with the BIR, Land Transportation Office (LTO), Land Transportation and Regulatory Franchise Board (LTFRB) and the Office of the Insurance Commission. The work aimed to improve the collection of the documentary stamp tax on third party insurance contracts, which the Land Transportation Office requires each year, and the common carrier tax on gross receipts of public land transportation companies. The EMERGE fiscal team commented on the proposal and sent it back to the Center. EMERGE was waiting for USAID authority to administer grants.
2. The EMERGE fiscal team discussed with BIR Director of the Information Systems Group (ISG) Vicky de Leon, DLSU Dean of Computer Studies Dr. Caslon Chua, and Chair of the College of Industrial Engineering Dennis Beng Hui a proposed TA activity to improve the Tax Compliance Verification Drive (TCVD) process and Mobile Revenue Officer System (MROS) of the BIR. OIC Commissioner Buñag asked EMERGE to assist the Bureau for this purpose. The enhancement will improve the procedures BIR uses in its tax mapping work. The next step was for EMERGE to submit this TA activity for USAID approval after it receives the written request of Commissioner Buñag.
3. Head Revenue Executive Assistant (HREA) Elvie Vera of the Large Taxpayer Service (LTS), who is in charge of collecting excise taxes, asked EMERGE for assistance in improving the collection of cigarette taxes. According to Vera, the present setup of assigning LTS staff to undertake off-site inspection to monitor withdrawals at cigarette factories causes leakage. The law requires the use of stamps or bar codes in order to demonstrate that the taxpayer has paid the excise tax. Vera needs EMERGE to help identify

which of the two makes more sense for the BIR and the taxpayers. She also sought assistance to help the LTS excise division put the numerous regulations pertaining to the collection of cigarette excise taxes into one, updated document.

4. EMERGE drafted a Scope of Work (SOW) to study the feasibility of paying a service fee to a few Accredited Agent Banks (AABs) for the receipt of tax payments. It was sent to Asst. Commissioner for Collections, Virginia Trinidad, who requested it, for review.

Task 1.1.1.4 Tax rulings aligned to improve tax collection

Department of Finance (DOF) Undersecretary Emmanuel P. Bonoan requested EMERGE TA to help his office draft the implementing rules and regulations for the PAA and to review previous BIR tax rulings for consistency with the law. USAID approved this TA in July 2005. However, Usec Bonoan put this activity on hold following the resignations in July 2005 of former DOF Secretary Cesar Purisima and BIR Commissioner Guillermo Parayno. He told Ramon that out of the 4,000 tax rulings that were reviewed with USAID TA under a previous project, about 33 are slated to be rescinded and the BIR is asked to comment on a few hundred more that may also be rescinded. In this reporting period, EMERGE was to discuss with DOF what it wants to do with this activity.

Reform Result 1.1.2. Sustained increase in tax collection

Task 1.1.2.1 Individual Performance Management System at the BIR Installed

The BIR Performance Management System (PMS) team commenced work in April 2005. Its work in the Large Taxpayer Service (LTS) was on track and was expected to be completed by the end of October 2005, as planned. At the end of the last quarter, the team was finalizing the PMIS for presentation, coming to an agreement on the instruments for measurement at the service level for institutionalization, finalizing the audit quality scorecard of the audit divisions, and guiding the support staff on their individual performance contracts. The team members were finalizing their respective chapters of the PMS guidebook to beat the October 15 deadline for submission to the printing contractor for lay outting and final packaging. Plans for the next quarter included handing over the PMIS and the PMS Guidebook to BIR LTS. The LTS wanted to present the PMS to the Department of Budget and Management (DBM) and the Civil Service Commission. There are talks in BIR on conducting another pilot PMS, this time for a revenue region of BIR.

Implementing Rules and Regulations (IRR) for the Performance Attrition Act

EMERGE completed drafting the IRR of the Performance Attrition Act for DOF Undersecretary Emmanuel Bonoan. Atty. Cucyco worked with and discussed the draft IRR with the Task Force created for the purpose by Undersecretary Noel Bonoan. DOF Secretary Margarito Teves transmitted the draft to the Congressional Oversight Committee, which approves the document. The Congressional Oversight Committee for this law met several times in this quarter to go over the draft and consider its approval. As of the end of September, a final draft was being circulated.

Reform Objective 1.2 Raise the efficiency of public spending

Reform Result 1.2.1. Streamlined agencies

Task 1.2.1.1 Selected Agencies' Re-structuring Plans Improved

Department of Budget and Management (DBM) Undersecretary Pascua requested EMERGE TA to include the services of 22 sector/sub-sector experts (one for each of the major departments/agencies

in the restructuring program), 2 financial experts and 2 organizational experts to help put together the parameters for the review of the restructuring plans of the monitored government owned and controlled corporations (GOCCs), pursuant to the IRR for Executive Order (EO) 366 (on government restructuring), which was officially issued and published on May 20, 2005. EMERGE signed a purchase order (PO) agreement with DAP in August 2005 to provide such services to help DBM develop a profile of about twenty government sectors, identify their respective priorities in light of recent developments and opportunities for enhancing the efficiency of government operations, and review the plans of the various Secretaries to re-structure their respective departments and attached agencies and corporations to get rid of functions that have outlived their purpose and to move personnel to improve the implementation of core functions.

Reform Result 1.2.2. Streamlined budgets

Task 1.2.2.1 Capacity for the Implementation of the Organizational Performance Indicator Framework (OPIF) Upgraded

The DBM would like EMERGE to conduct some training programs to help improve the appreciation, understanding and capability of Congressional staff (particularly those of the Congressional Planning and Budget Office, the Senate Economic Planning Office, the Appropriations Committee secretariat, and the Economic Affairs Committee) in the implementation of the OPIF.

Task 1.2.2.2 Performance Assessment Rating Tool of the OMB/USG Adapted

Undersecretary Pascua also requested EMERGE to provide U.S. consultants to help the DBM learn about the Performance Assessment and Review Tool (PART) used by the US Government Office of Management and Budget (OMB) to assess the performance of Departments. The TOR for this TA was drafted in April.

Task 1.2.2.3 Working Model to Predict Cash Inflows Installed at DBM

The EMERGE team hired Mr. Jem Armovit to work on a model to predict cash inflows for DBM. It is needed to allow DBM to issue notices of cash allotments quarterly instead of monthly. His engagement started on March 16, 2005, and was completed in September 2005. It introduced a methodology for forecasting revenues collected by the BIR and the Bureau of Customs (BOC), together making up about 99% of tax revenues and about 87% of total national government revenues. Undersecretary Laura Pascua, who requested this activity, subsequently requested EMERGE to train selected staff of DBM on how to use the model.

Reform Result 1.2.3. Procurement reform implemented

Task 1.2.3.1 Customized Agency Manuals and Generic Procurement Manuals Aligned

Training on procurement reform

Justice Agnes Devanadera, the Government Corporate Counsel, requested assistance in training on the Government Procurement Reform Act of the legal staffs of the Office of the Government Corporate Counsel (OGCC) and of the government owned and controlled corporations (GOCCs). The TOR for this training activity included an overview of the public procurement law and its IRR; general and specific conditions of the procurement contract; and audit red flags. The training design incorporated the recently issued second edition of the Philippine Bidding Document (PBD). There was to be three two-day training events. The third training event was planned for October to

complete this activity. Justice Agnes Devanadera asked whether EMERGE could help her office pursue such training for the GOCCs in the energy and water sectors.

Reform Objective 2.1 Lower trade barriers and facilitate trade

Reform Result 2.1.2. Trade facilitated

Task 2.1.2.1 Customs Audit Performance and Capability Assessment

This task was completed in the first quarter of 2005. The recommendations of the consultant team were accepted by the Commissioner of Customs and their implementation will be incorporated under the EMERGE technical assistance on customs risk management (see Task 2.1.2.2).

Task 2.1.2.2 Customs Risk Management System Improved

A TOR for the Center for Economic Policy Research (CEPR) to implement this task was approved by USAID on June 7. The TA was composed of three modules: (i) liquidation and billing module; (ii) risk management organization module; and (iii) post entry audit group institutional module. The consultant team started work the last week of June and was expected to finish in October 2005. However, the EMERGE TA and the activities of the CEPR consultant team at the Bureau of Customs changed direction due to the change in leadership at the bureau. This affected the team's deliverables in all three modules of the purchase order (PO). The TOR was designed based on the TA requested by the then Commissioner Alberto Lina, who resigned on July 8. But then Acting Commissioner Alex Arevalo expressed his preference for TA activities that differed from those identified in the TOR. In response to his request, EMERGE restructured the scope of work of the CEPR team. EMERGE drafted amendments to the TOR and gave them to CEPR for comments. The amended TOR was to be finalized and submitted to USAID for approval in October. CEPR then submitted third tranche deliverables on liquidation and billing, but requested a five-week extension for the submission of the third tranche deliverables for the risk management module.

Reform Result 2.1.3. Administration of SPS measures streamlined

Task 2.1.3.1 Department of Agriculture (DA)'s SPS Administration Systems Improved

TA was requested by DA Undersecretary Serrano to streamline the administration of sanitary and phyto-sanitary (SPS) measures at the DA. A TOR for the Cesar Virata and Associates, Inc., (CVAI) to implement the TA was approved by USAID on July 1. The work excludes SPS measures on fisheries and fishery products because the EU has a current technical assistance activity on SPS with the Bureau of Fisheries and Aquatic Resources. The TA was expected to be completed in January 2006. The CVAI team completed a draft of their first deliverable, which is a study on SPS regulations and their importance to Philippine trade. EMERGE was evaluating the draft at the end of last quarter. The team commenced work on the next deliverables. These included: (i) a report on the current systems of SPS administration in four key SPS regulating agencies, namely: Bureau of Plant Industry (BPI), Bureau of Animal Industry (BAI), National Meat Inspection Commission (NMIC), and the Bureau of Agriculture and Fisheries Product Standards (BAFPS); and (ii) a report on the evaluation of the appropriateness of the current SPS administration system. In preparing the two reports, the team was to hold separate workshops and consultations with the above agencies and stakeholders (exporters and importers).

Reform Objective 2.2 Liberalize and Facilitate Investments

Reform Result 2.2.1 Agriculture biotechnology safely and responsibly used

Task 2.2.1.1 Field Testing Protocols for Transgenic Crops and Principles Underlying the Regulation of GMO-Containing Processed Foods Developed

This task was completed in the first quarter of 2005. As of September 30, the draft Bureau of Food and Drugs (BFAD) guidelines on the labeling of processed foods containing GMOs were being reviewed by the Policy Division of the Department of Health (DoH) for final approval.

Task 2.2.1.2 Improved Insect Resistance Management Strategy Adopted and Key Policy and Regulatory Gaps Addressed

USAID approved a PO on May 17 for the International Support for the Acquisition of Agri-biotechnology Association (ISAAA) to implement this task for the DA and the Bureau of Food and Drugs (BFAD) to strengthen the government's regulatory framework on biotechnology. The TA is to be completed in May 2006. For this reporting period, the team was to assist the DA finalize draft protocols on field testing and the BFAD guidelines on standards for substantial equivalence.

Task 2.2.1.3 The Filipinos properly informed and educated about modern biotechnology

A PO for the Biotechnology of the Philippines (BCP) to provide TA to the DA and the Bureau of Food and Drugs (BFAD) to strengthen the government's mechanism for effective and efficient regulation of biotechnology was approved by USAID on May 31. The TA is composed of institutional capacity building and an IEC campaign. It is to be completed in May 2006. For this quarter, the team was expected to continue strengthening the technical expertise of BFAD-DoH and DA personnel through capacity building activities and improving public awareness, knowledge and appreciation of modern biotechnology through IEC activities.

Reform Result 2.2.2 Investment climate improved

Task 2.2.2.1 Improving the Investment Climate

On December 2, 2004, it was agreed with the Board of Investments (BOI) that a technical assessment of the investment climate should apply supply chain and transaction cost analyses, be results driven, and be conducted in real-time, as information may be discovered in tranches. The coconut industry was selected to be the first to undergo the diagnostic study. The TOR was first submitted to USAID for approval in May 2005. The objective of the TA is to improve the investment climate in coconut-based industries producing non-traditional coconut products, by using value chain analysis to identify bottlenecks, policies, infrastructure deficiencies and other constraints to the competitive, profitable production of such products. This is intended to support BOI's effort to re-engineer itself from an agency promoting investments with fiscal incentives to one focused on improving the investment climate and reducing transaction costs of investors. In a Sept. 15 meeting, USAID indicated it would approve the proposed TA and asked EMERGE to resubmit the written request for approval with new dates for the activity. This was done on September 20, after having to replace one of the original team members. The TOR was expected to be approved by USAID in October 2005.

BOI Governor Consuelo Perez and DTI Assistant Secretary for Regional Operations Carissa Cruz requested EMERGE TA next to help improve the investment climate in the ICT-based services sector. During this quarter, EMERGE was to coordinate with BOI to prepare the concept paper and the TOR for this activity.

Reform Result 2.2.3 Investment facilitated

Task 2.2.3.1 Strategic Development Initiatives

EMERGE hired Mr. Toti Chikiamco to explore the feasibility of using land tax declarations to secure bank loans. Former NEDA Director General and now DBM Secretary Neri requested this TA to help improve credit access in the regions. The consultant found that after the Asian Financial Crisis of 1997, the Bangko Sentral tightened prudential regulations and has discouraged rural bank lending on tax declarations by disallowing the rediscounting of loans so secured. Tax declarations could be acceptable as collateral only on lands that have already undergone cadastral mapping. This TA is therefore completed.

Mr. Chikiamco recommended administrative and legislative reforms to solve this problem and to facilitate land titling in the regions. Half and possibly sixty percent of all land parcels in the Philippines remain untitled, and a significant portion exists with no formal document of ownership, except for tax declarations by self-proclaimed owners.

Reform Objective 3.1 Lower transportation cost

Reform Result 3.1.1 Inter-island shipping cost reduced

Task 3.1.1.2 DBP lending policies and guidelines on private sector access to infrastructure funds streamlined

EMERGE expects to start work on this task in the 1st quarter of 2006, since Development Bank of the Philippines (DBP) priority has been on the promotion of the RRTS (Task 3.1.1.3).

Task 3.1.1.3 Inter-modal Road-RORO Terminal System (RRTS) Project

A SOW on RORO shipping was drafted for TA to the Development Bank of the Philippines (DBP) on the preparation of an investment folio covering the Road RoRo Terminal System (RRTS) connections on the nautical highway. DBP and EMERGE reviewed and approved the draft SOW on RORO shipping. EMERGE submitted the CVs of proposed consultants to DBP for review and approval, and as of the end of the last quarter the team's composition was still under discussion. EMERGE expected to start work on this task in the last quarter of 2005, upon USAID approval.

Reform Result 3.1.3 Roads adequately maintained

Task 3.1.3.1 Road Board Assisted on Road User Charges law implementation

EMERGE drafted a SOW for the TA sought by the Road Board and it was approved by USAID. A PO was awarded on May 3, 2005, to C Virata and Associates, Inc. (CVAI), to implement the SOW. CVAI submitted the draft Final Report to both the Road Board Secretariat and EMERGE on 23 August 2005 for review and comments. EMERGE reviewed the draft and provided comments and guidance for improvements in the draft. At the end of the last quarter the Road Board Secretariat was making arrangements for a presentation of the report and its recommendations to the Road Board, which was expected to occur in November 2005.

Reform Objective 3.2 Make telecommunications and IT more affordable and accessible

Reform Result 3.2.1 Telecommunications access increased and costs lowered

Task 3.2.1.1 Laws and regulations supportive of ICT sector development drafted and e-Government strategy developed

The NTC issued Memorandum Circular 05-08-2005 (5 August 05) re: Voice over Internet Protocol (VoIP). Under the newly issued rules, VoIP has formally been classified as a Value-Added Service (VAS). This is a major indicator of GRP success due in part to EMERGE TA, which itself has

thereby achieved an important performance milestone. In the current reporting period EMERGE expected to continue to assist NTC by helping draft the implementing rules for the VoIP Ruling.

Task 3.2.1.2 Competition policy for ICT sector formulated and implemented

EMERGE consultants presented a draft consultative document for competition policy to the NTC on September 21, 2005. At the end of that quarter the consultants were revising the draft following comments during the presentation. Round table discussions of the revised consultative document were expected in the last quarter of 2005 and first quarter of 2006. The objective is to solicit comments on the consultative document from stakeholders.

Reform Result 3.2.2. ICT institutions expanded and developed

Task 3.2.2.1 Strategy and plan to expand the use of VOIP and Internet technology in the regions developed

The Last Mile Initiative (LMI)-Philippines drafted by EMERGE consultant Atty. Alampay was submitted to USAID/Washington by USAID/Philippines and approved. USAID/Philippines asked EMERGE to implement the LMI-Philippines. It formally commenced in September 2005.

Reform Objective 3.3 Strengthen the LGU Role in Infrastructure Development

Reform Result 3.3.1 LGU capacities for infrastructure development strengthened

Task 3.3.1.1 Identification of barriers to LGU access to financing for local infrastructure

DOF Undersecretary Roberto Tan sent EMERGE a request for TA to develop guidelines for program lending to local government units (LGUs). EMERGE submitted a draft TOR to the DOF Municipal Development Fund Office (MDFO) for review and approval, which at the end of the last quarter was still under discussion. EMERGE expected to finalize the TOR and come to agreement on the consultants for the TA during the current reporting period.

Reform Objective 3.4 Make Private Sector Participation (PSP) in Public Projects Sustainable

Reform Result 3.4.1 BOT Contract Governance Improved

Task 3.4.1.1 Options developed to improve build-operate-transfer (BOT) contract governance

The Board of Investments (BOI) requested TA to help draft amendments to the Build-Operate-Transfer (BOT) Law, after a public hearing on the IRR amendments called attention to the need to amend the law itself to take care of issues that could not be addressed by mere amendment of the IRR. The proposed TA on BOT Law amendments was to be pursued after the amended IRR was finalized. EMERGE developed a draft TOR, but the BOT Center advised EMERGE to wait until the amended IRR has been signed and disseminated, and this was delayed due to changes in leadership. EPRA planned to help the BOI conduct workshops to disseminate the amended IRR, and PACT has agreed to help BOI consult with the business sector about proposed amendments to the BOT law itself. Although the BOT Law IRR Amendments had not yet been formally approved and announced, EMERGE submitted a request to USAID for approval of a legal team to draft BOT Law amendments on August 10, 2005, in preparation for the next step.

Reform Result 3.4.2 Private sector participation enhanced thru privatization

Task 3.4.2.1 Privatization of state-owned enterprises

EMERGE consultants Bernie Carmody, Nathan Associates Inc., and Thomas M. Flohr, CARANA Corporation, submitted and discussed a draft report on a strategy for the privatization of government

assets. Undersecretary Singson, who heads the DOF Privatization Office (DOF/PO), accepted the report and its main recommendations and requested follow-on TA from EMERGE. At his request, EMERGE prepared two draft TORs for (a) the preparation of an inventory of government assets for privatization and (b) assistance for the privatization of specific government assets and submitted them and some prospective team member CVs to DOF/PO for review and approval. Work on the first TOR was expected to commence in the last quarter of 2005, with the other one to follow, as soon as acceptable, qualified consultants could be found and approved by DOF/PO and USAID.

Reform Objective 4.1 Define and strengthen systemic foundations (of banking & capital markets)

Reform Result 4.1.1 A unified strategic approach among stakeholders adopted

Task 4.1.1.1 Technical Assessment of saving patterns and behavior

This assessment was identified as a priority task by the Capital Market Development Council (CMDC). The Bangko Sentral ng Pilipinas (BSP) requested TA on consumer saving/finance issues. The separate requests for TA were combined and the SOW was sent to the CMDC counterparts and BSP for review and comment. BSP Deputy Gov. Espenilla requested additional consideration for the consumer finance survey to be conducted simultaneously with the demographic assessment.

Task 4.1.1.2 Defining the Philippine Capital Market Reform Agenda

BSP Governor Rafael Buenaventura requested TA for this task and a separate letter was sent by the Executive Director of the Bankers Association of the Philippines (BAP), concurring with the draft SOW. It was approved by USAID at the end of May and the consultant began work on June 1. The draft report on Core Principles and Enabling Environment was completed and distributed to the counterparts (BSP and BAP) as well as to capital market stakeholders through the CMDC. A workshop was set for October 24 at the BSP to discuss the report, and former Gov. Buenaventura agreed to provide the keynote address.

Task 4.1.1.3 Policy Review of Financial Sector Taxation

The Zambrano & Gruba Law Office began work on this task the first week of June. The initial findings of the consultants were expected to be ready about the middle of September, at which time a workshop was to be held among market participants to disseminate the findings and solicit comments. However, the consultants were requested by the counterpart (CMDC) to meet with each and every capital market organization to hear views on the contentious issue of financial taxation. While the legal review by the consultants was completed on schedule, the time spent in meeting with market players forced the consultants to request a postponement of their mid-term workshop from late-September to the 3rd week of October.

Reform Result 4.1.2 Supervisory oversight and regulatory practices improved

Task 4.1.2.1 Risk-Based Capital Framework for SEC-Covered Institutions/Agents

This task was initially planned for the third quarter of 2005. Director Jose Aquino of the Securities and Exchange Commission (SEC) agreed to draft the SOW on a risk management framework for Pre-Need firms for this task. However, as of the end of last quarter, SEC had not yet submitted it.

Task 4.1.2.2 Financial Risk Management Framework for PDIC

This task was planned for the 2nd half of 2005. The initial SOW drafted by the Philippine Deposit Insurance Corporation (PDIC) was discussed thoroughly and an agreement was reached to revise it to streamline the request, focusing on the need for PDIC to develop a risk management framework

consistent with international best practices and to provide for necessary capacity building. The initial draft was re-structured into five smaller tasks for more effective project management. The initial component of the sequential tasks is for a capacity-building exercise for Senior Management on risk management issues. The draft SOW for this task was being finalized at the end of the last quarter. It was expected to be ready for USAID review and approval during the next quarter.

Task 4.1.2.3 Upgraded Framework for PDIC Inspection

A draft SOW was sent to the senior management of PDIC for concurrence. The task will focus on evaluating PDIC's Off-Site Bank Rating Model and improving its ability to anticipate bank and systemic difficulties.

Task 4.1.2.4 Valuation and Risk Parameter Estimation for BSP

The inception report of Mark Bates, consultant for crafting a uniform Real Estate Appraisal framework, was discussed with and accepted by BSP Deputy Gov. Espenilla in September 2005. To provide for a clearer timeline of the recommended reforms, Gov. Espenilla requested follow up TA from Mr. Bates, a SOW for which was being prepared later that month for USAID approval.

Task 4.1.2.5 TA to BSP on Inflation Targeting and Monetary Policy

Fr. Paul McNelis came to Manila in July to discuss with the BSP the status and further needs of the BSP general equilibrium model to provide output gap analysis for the inflation targeting of monetary policy. His initial review was submitted to and discussed with BSP. Continuing TA from Fr. McNelis, covering 4 on-site trips over a period of one year, was structured at their request. The SOW was sent to USAID for approval in early October.

Reform Result 4.1.3 World-class support infrastructure developed

No tasks planned for 2005

Reform Objective 4.2 Develop competitive parity across sub-markets

Reform Result 4.2.1. Impediments from the primary markets removed

Task 4.2.1.1 Technical Simulations & Assistance to Support the PERA Initiative

After discussions among EMERGE, EPRA and PACT, it was agreed that EPRA would take this topic and all related tasks and activities. This is consistent with the concern that PERA would require substantial legislative work for which EMERGE is not properly mandated.

Reform Result 4.2.2. Credible and transparent market prices instilled

Task 4.2.2.1 Assistance to the Philippine Dealing and Exchange Corporation

The draft ISC report by consultant Valerie McFarlane was submitted, outlining the various issues and recommended solutions for the launch of the Public Market later in the year. EMERGE and PDEX conducted a technical review of the report and the final Full Report was expected in October. PDEX envisioned a Public Market launch by November 2005.

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

With CTO approval, EMERGE resources are to be used to award grants to NGOs and nongovernmental research institutions for activities in EMERGE technical areas. Through the Institutional Grant for Policy Development Program (IGPD), a companion activity of EMERGE,

USAID/Philippines is embarking on an initiative to develop local capacity in economic liberalization policy analysis and formulation within NGOs and universities. EMERGE grant-making activities are to be complementary to and closely coordinated with these IGPD grantees of the Targeted Intervention for Economic Reform and Governance (TIERG) Program.

The Grants and Special Activities Fund (SAF) Manager developed a grants manual for EMERGE, which was submitted for USAID approval along with a request for a waiver to award grants under the contract. It was later discovered that the SEGIR/Privatization IQC, under which the EMERGE delivery order was issued, does not authorize its contractors to award grants. As a result, USAID/W had to amend the IQC before EMERGE is authorized to provide grants. As of end of last quarter, the amendment to the SEGIR IQC to allow grants under its task orders had not yet been issued. However, information from the CARANA home office indicated that the proposed amendment was in a queue for signature and was expected to be signed and released in October.

Grant Activity: Access for Competitiveness and Trade

A draft TOR for Phase I of this proposed TA was completed, based on an unsolicited grant proposal from PACT, and personnel were being recruited for the proposed positions. PACT was having difficulty finding qualified people for the proposed positions. EMERGE planned to use SAF funding for Phase I pending grant authority, because of the urgent need to get started as soon as possible; but if EMERGE is authorized to issue grants soon enough the TOR was to be submitted to USAID for approval as a proposed grant.

Grant Activity: Mining

EMERGE collaborated with PACT to draft an acceptable TOR for increasing the social acceptability of mining in the Philippines through a balanced mineral-mining industry development, in response to an unsolicited proposal from PACT. The TA was to be implemented by PACT with grant funding from EMERGE when grant authority is finally received. PACT was finalizing the budget. The TOR was expected to be submitted to USAID for approval as a grant in November 2005. Implementation was expected to commence before the end of 2005.

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

Through the SAF EMERGE is to be able to fund TA and studies for SO2 objectives and other SOs; conferences, workshops, and short-term training, often as a cost-share; study tours and long-term training; commodity procurements for partner organizations; and procurement of skills and services from individuals and institutions. The USAID CTO is responsible for approving use of SAF monies, within the PAC's SAF operating guidelines.

The TIERG Policy Advisor Committee (PAC), in its first meeting on November 27, 2004, chaired by Socio-Economic Secretary and NEDA Director General Romulo L. Neri, suggested and approved three areas for EMERGE assistance that did not appear in the 2004 work plan but supported its overall objectives: mining, land reclamation, and agro-reforestation. The land reclamation consultant has completed his work. The consultants for mining and land reclamation started work in early 2005. EMERGE has been working with PACT to determine what TA could be helpful in the proposed agro-reforestation program.

On Customs Risk Assessment. As a result of the redistribution of assignments between EMERGE and the EU in the provision of TA to the Bureau of Customs at a meeting with EMERGE, CEPR and Commissioner Arevalo, the TOR required amendment to reflect the changes. The redistribution of the assignments involved the EU donor taking over some of the assignments in the PO issued by EMERGE to CEPR. The PO will have to be adjusted accordingly. The SAF Manager was to renegotiate the budget with the vendor, CEPR, and then request approval of the USAID CTO.

Participant Training. The processing for the US NASD training of Attys. Felizmenio of SEC and Lerer of PDEX was started in September. Documents required for securing the J-1 visa for participants were gathered and validated. Trainet entries of the participants' personal information were made in preparation for the issuance of the J-1 Visa Compliance document from the Trainet Office in Washington, D.C. The submission of the required documents were not yet completed by end of the last quarter.

SAF Activity: Mining

The EMERGE Mining Team assisted NEDA Director-General Neri explore alternative options to speed up the privatization of a few mines and identify impediments to mining investments, including conflicting provisions of local and national government regulations that are relevant to mining, social concerns about mining activities such as their impact on local communities and indigenous people, and developments of small mining activities, particularly in Diwalwal Gold mines. The team completed its work and at the end of the previous quarter EMERGE was reviewing its draft report.

The EMERGE core team was also working with DeLa Salle University/AKI's PACT team to help them structure assistance activities aimed at improving the social acceptability of mining. The TA is to be implemented by PACT with a grant from EMERGE. The SOW was to be finalized and presented to USAID for approval in this quarter.

SAF Activity: Re-forestation/Agroforestry

EMERGE helped PACT finalize a TOR for the proposed TA on implementing and institutionalizing the Agro-forestry Puno ng Buhay Program in the Autonomous Region of Muslim Mindanao (ARMM). The TOR was expected to be submitted to USAID for approval during this quarter.

SAF Activity: WTO e-Learning Program

The TOR and budget for the WTO e-Learning Program requested by the Department of Trade and Industry (DTI) was approved by USAID on July 7. The TA is being implemented by the Institute for Agriculture and Trade Policy (IATP). The program was expected to be launched on Nov. 16.

TASK 4 - SO2 Monitoring, Assessment, Reporting

EMERGE is responsible for consistently monitoring and assessing progress in meeting USAID SO2 performance indicators. It is to regularly collect and analyze data on indicators and make formal semi-annual appraisals of progress in meeting SO2 targets. As the USAID SO2 team requires, EMERGE is also to prepare special reports, case studies, success stories, presentations and audio-

visual materials to better analyze and communicate the state of reform issues in the Policy Agenda of USAID/Philippines-EMERGE. SO2 monitoring tasks include understanding the SO2 team's requirements and monitoring system; organizing a program for routine SO2 performance indicator monitoring; and responding to regular and special requests for SO2 performance analyses.

Draft and establish a TIERG performance monitoring plan (PMP). During the last quarter the SO2 Monitoring and Evaluation (M&E) Manager discussed the draft EMERGE PMP containing the expanded list of indicators that he developed the previous quarter with the team leaders and the concerned consultants. He then improved and modified the PMP based on these discussions and presented the same to the USAID CTO. He developed a performance monitoring worksheet to improve and make performance monitoring easier and planned to submit updated versions of this report to USAID as required.

Organize an SO2 performance monitoring and evaluation team (PME Team). The SO2 M&E Manager developed initial portions of a TIERG performance monitoring plan. He continued working with EPRA and PACT M&E specialists to help them develop their respective sections, providing them a draft template to start them off.

Review and present amendments to the SO2 SOW templates. The SO2 M&E Manager drafted a list of proposed performance monitoring and evaluation policies relating to tasks financed by SAF and grant funds. He planned to propose to include the discussion of these draft policies in the EMERGE strategic planning workshop in November. He also planned to propose amendments to the EMERGE SOW templates to accommodate some of these policies.

TASK 5 - Public Information and Consultations

EMERGE public information activities have two purposes: to support partners and counterparts with their own information dissemination and public advocacy and to establish EMERGE's transparency. To support partners EMERGE is to assist with media strategies and materials and can help organize technical conferences on reform issues. To support partners and to establish transparency, EMERGE set up a website to inform the reform community and the general public about project goals and activities and current reform issues. It is to be periodically updated with latest news and features from various projects of EMERGE.

The Public Information Manager produced a camera-ready EMERGE brochure that is ready for printing. The printing is delayed, however, as the Project waits for USAID approval following new directives on branding from Washington.

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

3) (c) Subcontracting Activities During the Quarter: No new subcontracting activities were initiated during this quarter.

4) Performance during the Quarter:

Administrative Tasks

EMERGE did submit its quarterly report for the preceding quarter by October 30, and it has been preparing its annual work plan for 2006 since early November, beginning with a strategic planning retreat on November 7-9, 2005. However, counterpart consultations became more difficult during the holiday season and the work plan was not completed by the target date of December 31. It will be completed and ready for review and approval by USAID and the Policy Advisory Committee (PAC) early in the next quarter.

EMERGE did help organize another PAC meeting on December 2, 2005, and served as the committee's secretariat. Another PAC meeting will need to be called early next quarter to review and approve the 2006 EMERGE Work Plan.

EMERGE started serving as the chair and secretariat of the bi-weekly TIERG coordination meetings in October 2005 and will continue in that role throughout the next quarter (the chair being rotated among the three TIERG members every six months).

TASK 1 - Policy Analysis and Technical Assistance

Task 1.1.1.1 Improved One Time Tax Transactions (ONETTT) System

In the third quarterly report in 2005, EMERGE reported that work by E-Konek Pilipinas, which it engaged to develop the ONETTT application for BIR, was expected to be completed in November 2005. On November 23, 2005, the second prototype, which happened to be the first complete draft of the ONETTT application, was presented to the BIR ONETTT Team. The BIR Team included officials from the Information Systems Group, Regional Operations Group, and from the Office of the Commissioner. Two representatives from the Land Registration Authority (LRA) were invited and commented on the presentation. The E-Konek received a good number of useful comments and suggested improvements.

After acting on these comments and suggestions, E-Konek would have produced a third prototype and presented it to Commissioner Jose Buñag and Finance Secretary M. Teves. But before the Christmas recess, the BIR ONETTT team had not yet set a date for this presentation. Moreover, they have suggested additional improvements to the application, and E-Konek Pilipinas continued to work on these through the end of the quarter.

A good deal of discussion transpired in the meetings between the BIR, Emerge, E-Konek Pilipinas, FReE, and LRA representatives on cooperation between the Land Registration Authority under the DOJ and the BIR. The latter needs information from the LRA about new land titles issued and old titles cancelled in processing application of taxpayers for the Certificate Authorizing Registration (CAR) to the LRA to enforce the capital gains tax. Interconnectivity between the two agencies will have to wait until LRA solves its legal problems with its BOT provider of computerization services.

Another matter taken up was LRA's unique and logical numbering of land parcels and how this could be used in the ONETTT application. In one meeting, BIR discussed with LRA-RD the importance of having a unique identifier on each TCT issued by the latter. With this unique number, the ONETTT application can easily verify TCTs that were issued with or without the proper tax

payment clearances. The LRA-RD is developing a “Standard Parcel Identifier” (SPI), a unique number or identifier to control the issuance of new TCTs. It is unique in that it does not change from one TCT issuance to another, compared to TCT numbers which change and can be duplicated as new TCTs are issued. The SPI, however, remains at the development stage and was piloted in a few Quezon City barangays. In the absence of the SPI, the LRA is compelled to generate a list of the TCT numbers it issues and to submit this list to the BIR, for which the interconnectivity between the two agencies remains to be developed. The BIR ONETTT team decided that the SPI system is complicated for the taxpayers to figure out and because of this it does appear that the ONETTT application would continue to use TCT numbers, which taxpayers can read easily but unfortunately are numbered consecutively at the time of land registration, instead of using the LRA land parcel numbers.

Next quarter, this work should be completed and presented to CIR Buñag and Secretary Teves.

Task 1.1.1.2 Revenue effects and structuring of tax administration reform initiatives

This task was completed in this quarter. In his report on estimating tax leakages, the consultant compared estimates of Philippine tax leakages by the National Tax Research Center (NTRC), the Philippine Institute for Development Studies (PIDS), and the Department of Finance (DOF) from the 1980s to the 2000s with key tax policy and administrative measures. In his report, the consultant concludes and suggests the following:

- Too often, tax policies and administrative measures focus on increasing revenue without curbing tax evasion and avoidance in mind. Although tax evasion is difficult to eliminate, reducing it is possible. Simply intensifying diligence in collecting taxes offers immediate results.
- To curb individual income tax evasion, measures that lower compliance costs for professional and business income earners promise to significantly improve the tax effort over the present system for taxing professionals. Individuals, particularly professionals and business income earners, have been shown to be quite responsive to measures that simplify compliance.
- To curb value-added tax evasion, the BIR has to intensify its intervention in the VAT self-policing systems. Past experience has shown that simply relying on the system to “self-police” is insufficient. Taxpayers must be aware that they are being closely monitored.
- To curb corporate income tax and VAT evasion, increasing the probability of detection, or introducing a “fear factor” approach could elicit better taxpayer compliance than offering tax amnesties or reducing the tax rate. Corporate taxpayers have an anticipatory behavior towards tax amnesties. Lowering the corporate tax rate does not always reduce evasion in the corporate income tax, as this leads to income and substitution effects.
- To curb excise tax leakages, simplifying the system is desirable because players are large and tend to collude with the tax authority in declarations of volumes of goods brought out of the factory. Also, consumers tend to move from higher-taxed to lower-taxed goods to benefit from lower prices.
- To curb capital gains tax evasion, measures that reduce the incentive for collusion between the taxpayer and tax authority would be effective.
- Tax evasion and avoidance is pervasive. It is too complex to be solved by simple policy adjustments. The set of administrative instruments required for controlling it is vast. Thus, continuous and in-depth investigations should complement a structured program of action to address tax leakages. This would provide greater focus and increased rigor in monitoring tax leakages and refining strategies to improve taxpayer compliance.

The other task of this consultant was to help the Commissioner of Internal Revenue prioritize and provide structure to the various reform initiatives for improving tax administration. EMERGE asked the consultant to help develop proposals for possible technical assistance (TA) at the Bureau of Internal Revenue (BIR). These included the enhancement of the eSales system and the Mobile Revenue Officer System (MROS) to better enable them to detect taxpayer compliance; and a review of the existing system whereby accredited agent banks (AABs) are authorized to receive tax payments on behalf of the BIR in exchange for being allowed to hold the payments for a fixed period of time (i.e., float) prior to remitting the tax payments to the Bureau of Treasury (BTr) to assess the feasibility of outsourcing “collection agent-banks” business to a limited number of banks in a more arms-length manner. The consultant also assisted in managing the ONETTT work, which he helped design as part of his assignment.

Task 1.1.1.3 Improved administration systems of selected tax measures

In this quarter the following proposed tasks were developed and incorporated into the EMERGE 2006 Workplan, the implementation of which will begin next quarter:

- Streamlining the LTO motor vehicle registration system and the LTFRB system for renewing public land transportation franchises, developing third party information sharing systems between these agencies and the BIR for tax purposes and the Insurance Commission for the implementation of insurance laws. This task is expected to be implemented through a grant to the AIM Scientific Research Foundation, through the Hills Governance Program of its V. del Rosario Center for Corporate Responsibility, which submitted an unsolicited proposal for a grant to EMERGE. The government counterparts include LTO Asst. Secretary Angeli Lontoc, LTFRB Chairperson Ma. Elena Bautista, BIR Commissioner Jose Buñag, and Insurance Commissioner Evangeline Escobillo.
- Improving the Tax Compliance Verification Drive (TCVD) process and Mobile Revenue Officer System (MROS) of the BIR. OIC Commissioner Buñag asked EMERGE to assist the Bureau for this purpose. The enhancement will improve the procedures BIR uses in its tax mapping work.
- Assisting the Head Revenue Executive Assistant (HREA) Elvie Vera of the Large Taxpayer Service (LTS), who is in charge of collecting excise taxes, to identify the more cost-effective approach (fuse on stamps vs. barcode) to implement the proof of payment provision in the tax code for cigarette taxes and to codify and update a number of regulations pertaining to the collection of cigarette excise taxes.
- Upgrading the tax accounting practices of the BIR and making this consistent with the International Financial Reporting Standards. In 2005, private sector corporate taxpayers already shifted to IFRS but the BIR has not. The work entails developing the appropriate legally-consistent reconciliation between the tax treatments prescribed by the tax code and those implied by the IFRS. The work covers the training of BIR examiners on the IFRS and the reconciliation procedures, which need to be enabled with a Revenue Regulation.

Task 1.1.1.4 Tax rulings aligned to improve tax collection

This task is put on hold by DOF Undersecretary Emmanuel Bonoan. EMERGE talked to Assistant Commissioner James Roldan, who is in charge of the Legal Service, regarding two of the components of this activity: streamlining of the tax rulings process at the BIR and disseminating these reforms to the tax practitioners. The streamlining can potentially reduce the issuance of illegal tax rulings, increase transparency and accountability in the issuance of tax rulings, and improve the quality of the advice that BIR gives to taxpayers. Roldan expressed interest in implementing these components at the BIR during the coming quarter.

Task 1.1.2.1 Individual Performance Management System (PMS) at the BIR Installed

This task was completed in November 2005. The team's major deliverable was a PMS Guidebook, which contains the processes and procedures the component teams followed in implementing the performance management system in the Large Taxpayers Service of the BIR.. About 100 copies of the Guidebook were distributed, mainly to the Large Taxpayer Service. Another key output is the software application, Performance Management Information System (PMIS). The PMIS was turned over to the BIR Information Systems Group.

On November 15, the BIR issued certificates of appreciation to the BIR Large Taxpayer Service (LTS) officials who participated in the Performance Monitoring System (PMS) activity. BIR Commissioner Bunag, Deputy Commissioner Henares, HREA Pangcog and Director Pagdanganan of the Civil Service Commission attended the brief ceremony, which signified the completion of the PMS TA activity at the LTS. From the remarks of the Commissioner and the Civil Service Commission representative, the PMS is well regarded. The Commissioner has agreed the roll it out to the rest of the Bureau. The Civil Service Commission Director Pagdanganan praised the design of the PMS, which implements the concept of a balanced scorecard. She had read the PMS Guidebook and was impressed.

USAID met with BIR Deputy Commissioner Henares of the Large Taxpayer Service (LTS) on the work of EMERGE. Henares expressed her satisfaction about the results and told USAID and EMERGE how PMS has positively affected the behavior and performance of her staff. **Thus, the EMERGE performance milestone for this activity has been achieved.**

Implementing Rules and Regulations (IRR) for the Performance Attrition Act

The members of the Congressional Oversight Committee have yet to approve the draft IRR for the Performance Attrition Act. In a meeting with Commissioner Jose Buñag, EMERGE learned that he and Finance Secretary Teves have already signed the draft IRR. **So the EMERGE performance milestone has been achieved.** The Commissioner said that the Act will be implemented in 2006. Because of this, he asked EMERGE to help the Bureau come up with the Performance Measurement System (PMS) for the regions as well. EMERGE placed PMS for the regional offices of the BIR in its 2006 Work Plan. Unlike the PMS at the LTS, the regional PMS task in the Work Plan is at the Office level. This will be used in conjunction with the Civil Service Commission's Personnel Evaluation System (PES).

Task 1.2.1.1 Selected Agencies' Re-structuring Plans Improved

The Development Academy of the Philippines (DAP), which EMERGE has engaged to provide technical assistance to the DBM in improving the restructuring plans of the various Departments and their attached agencies, has worked with the DBM Composite Team for the implementation of EO 366. It has mobilized sector experts to provide advice to DBM on what they perceive to be their respective sector priorities and ideas how the EO 366 rationalization plans of various government agencies can be improved. It has presented to the Composite Team the respective experts' views of sector priorities, and the experts have commented on the respective restructuring plans of the few agencies that had completed their draft plans.

In this quarter, the following experts were mobilized: transportation and communication expert, Dr. Primitivo Cal; road sector expert, Mr. Joselito Supangco.; education sector expert, Dr. Erlinda

Pefianco; agriculture sector expert, Dr. Arsenio Balisacan; labor sector expert, Prof. Nieves Confesor; local government sub-sector expert, Dr. Gaudioso Sosmeña, Jr; science and technology expert, Dr. Amelia Ancog; defense expert, Retired Gen. Alexander Aguirre; and culture and arts sector expert, Dr. Jaime Laya.

These experts presented their perspectives on the respective priorities of their sectors. The experts provided comments on the mandate, structure, functions, regional offices, and project management issues of both departments. Besides these sector priorities, most experts presented their approach on rationalizing the Departments or agencies they are assigned to work on.

With the DBM Composite team, the consultants have commented on the following draft rationalization plans: National Telecommunication Commission (NTC), the Department of Labor and Employment (DOLE), the Department of Transportation and Communication (DOTC)'s Air and Road Sectors; DILG; and NAPOLCOM. The Team and the experts provided comments to these plans and encouraged the agency representatives to emphasize the strategic shifts of their work and organization they are taking, and the reasons for the shifts as guided by the respective agencies' mandates and core functions. This work will continue into the next quarter.

Task 1.2.2.1 Capacity for the Implementation of the Organizational Performance Indicator Framework (OPIF) Upgraded

At the request of Undersecretary Laura Pascua, this task was put off until the first quarter of 2006 because the DBM was tied up with restructuring the Philippine government. (See Task 1.2.1.1.)

Task 1.2.2.2 Performance Assessment Rating Tool of the OMB/USG Adapted

This task has also been postponed to early 2006 at the request of Usec Laura Pascua, because the DBM staff was busy with 2006 budget preparation and the government restructuring program.

Task 1.2.2.3 Working Model to Predict Cash Inflows Installed at DBM

This task was completed in the third quarter of 2005. After its completion, DBM Undersecretary Pascua requested EMERGE to train its staff on the use of the forecasting model. A Terms of Reference for a proposed training program for selected DBM staff on how to use the model was submitted to USAID. This was put on hold pending a clarification from DBM Undersecretary Pascua on the use of the model. A key issue is whether or not the model will be *solely* used for predicting the government's cash inflows. EMERGE and USAID raised concerns on the possible limited usefulness of the model and the risk to the government if such a model was the one used in deciding whether the DBM should issue Notices of Cash Allotments from a monthly to quarterly basis. In a meeting with EMERGE in December, Pascua explained that her main reason for asking EMERGE to help develop this capacity at DBM is so the DBM can reduce the risk of the government spending beyond its actual revenues. In 2002, the projections of DOF and BTr were substantially off and this resulted in a build up of cash payables. The statistical model that EMERGE has developed would not be the only basis for DBM's decision. It would be used to produce DBM inputs into an inter-agency cash programming exercise. On this basis, Pascua reiterated her request. EMERGE will request USAID approval of the training TA during the next quarter.

Task 1.2.3.1 Customized Agency Manuals and Generic Procurement Manuals Aligned

Training on procurement reform

The training program on procurement reform for the Office of the Government Corporate Counsel was completed in October 2005. Three training events were planned and two had been completed in September. On October 12, the third and last training event was conducted. About 100 participants attended the final training sessions which were held at the Sulo Hotel from October 12 and 13. A total of 200 legal staff of the OGCC and GOCCs were trained on government procurement reforms. In December 2005, during the 75th anniversary celebration of the OGCC, Justice Agnes Devanadera cited EMERGE for this assistance with a plaque of appreciation in a program held at the Cultural Center of the Philippines.

Task 2.1.2.2 Customs Risk Management System Improved

EMERGE prepared a draft amendment to the TOR for this TA in response to a request from then Acting Bureau of Customs Commissioner Alex Arevalo for TA activities that differed from the original design of the TOR, which was prepared during the time of former Commissioner Lina. However, when the draft TOR amendment was discussed with Bing Alano, President of the CEPR, the vendor for the PO, he proposed to cut the PO after the third tranche, given the uncertainty of Arevalo's commitment to the fourth tranche activities. The Alano's proposal was discussed with USAID on Nov. 10 in a meeting among EMERGE, CEPR and USAID. In this meeting, CEPR also discussed the problems encountered by the consultant team in the course of their work at BOC due to the change in leadership. The parties agreed to put closure on the TA after the CEPR completed the deliverables for the third tranche. EMERGE discussed this plan with Arevalo in a meeting on Nov 24. Arevalo approved the proposal; and he and EMERGE agreed to revisit the technical assistance in 2006.

CEPR submitted the revised outputs on the liquidation and billing module as well as the first draft of the diagnostic report on risk management at the BOC. These outputs comprised the third tranche deliverables. At the end of this quarter EMERGE was reviewing the reports and will give feedback to CEPR if revisions are necessary. The PO will be closed early next quarter upon EMERGE acceptance of the revised reports.

Task 2.1.3.1 Department of Agriculture (DA) SPS Administration Systems Improved

The Cesar Virata and Associates, Inc, (CVAI) consultant team completed the first draft of their third tranche deliverables. The draft reports include the team's analysis of the current legal, organizational and procedural arrangements in the administration of DA's sanitary and phytosanitary (SPS) functions. The reports covered the four key SPS regulating agencies, namely: Bureau of Plant Industry (BPI), Bureau of Animal Industry (BAI), National Meat Inspection Services (NMIS) and the Bureau of Agriculture and Fisheries Product Standards (BAFPS). In preparing the reports, the team conducted separate workshops and consultations with these agencies and the stakeholders (exporters and importers). The team also presented their draft reports in a workshop on Dec. 21 attended by DA Undersecretary Segfredo Serrano and the SPS Technical Working Group. EMERGE is reviewing the reports. The team has commenced work on their remaining deliverables for the PO (4th and final tranche). These include: (i) the analysis on the institutional environment for reforms; and (ii) the revised outputs for the second and third tranches based on EMERGE comments on the initial drafts. CVAI has requested a one-month extension of their contract, with no additional funding from EMERGE. The TA is expected to be completed in

February 2006.

EMERGE also held an initial discussion with Undersecretary Serrano on the coverage of Module 2 of the TA at the DA to be implemented in 2006, the details of which will be finalized early next year.

Task 2.2.1.1 Field Testing Protocols for Transgenic Crops and Principles Underlying the Regulation of GMO-Containing Processed Foods Developed

This task was completed in the first quarter of 2005. The draft Bureau of Food and Drugs (BFAD) guidelines on the labeling of processed foods containing GMOs are now with the division chief in charge of policy at the Department of Health. While there are no pending issues on the technical substance of the guidelines, the division chief wants further consultations on them.

Task 2.2.1.2 Improved Insect Resistance Management Strategy Adopted and Key Policy and Regulatory Gaps Addressed

In November, the International Support for the Acquisition of Agri-biotech Applications (ISAAA) requested some changes in the PO deliverables as well as in their schedule for the following reasons. Originally, the final deliverable of the ISAAA, which is due for the 6th tranche, calls for the submission of a technical report on the pilot testing on the IRM modalities for Bt crops in the country. However, during the consultative meetings of ISAAA with DA and stakeholders from the academe and industry, there was a consensus to conduct a nationwide acceptability survey among farmers on the IRM modalities being proposed instead of pilot testing. The survey was conducted in July to August 2005.

Also, the 4th tranche deliverable calls for the submission of draft DA protocols on field testing and BFAD guidelines on standards for substantial equivalence. However, ISAAA cannot submit these two deliverables on time because (i) ISAAA devoted their time to the nationwide survey, as discussed above; and (ii) the BFAD guidelines on biotech food labeling, which is the basis for the protocol on substantial equivalence, has not yet been approved (as discussed in Task 2.2.1.1 above).

The new schedule for submission of deliverables will now be as follows: (i) fourth tranche – technical report on the nationwide survey on acceptability of IRM modalities; (ii) fifth tranche – protocols on field testing and substantial equivalence; and (iii) sixth and final tranche - BFAD guidelines on standards identity preservation system and BFAD protocols for monitoring and evaluation of GM food labels.

For this quarter, ISAAA submitted a report on the results of the nationwide survey on the acceptability of the 80-20 bag-in-a-bag insect resistance management (IRM) strategy for Bt corn, which the consultant team conducted together with the Department of Agriculture (DA) last quarter. The findings of the survey were used by the DA as inputs in updating and strengthening the science-based IRM for Bt corn, as contained in Memorandum Circular No.8, dated 14 Dec 2005 and signed by DA Secretary Domingo Panganiban. **The issuance of the MC No. 8 is a performance milestone for the TA.** For next quarter, the ISAAA team will assist the DA finalize the protocols on field testing and the BFAD guidelines for substantial equivalence.

Task 2.2.1.3 The Filipinos properly informed and educated about modern biotechnology

During this quarter, the Biotech Coalition of the Philippines (BCP) submitted its second progress report on the biotech-related workshops, seminars and meetings it conducted for this quarter. The report is BCP's third tranche deliverable. The accomplishments included seven institutional capacity building activities and three information, education and communication (IEC) activities, held in various provinces/cities around the country. For next quarter, the BCP is expected to continue conducting IEC activities to improve public awareness and acceptance of biotech and institutional capacity building activities for BFAD and DA personnel to strengthen their technical expertise on biotech-related activities.

Task 2.2.2.1 Improving the Investment Climate

On Oct 11, the USAID approved the TOR for a diagnostic study on improving the investment climate for non-traditional coconut products. This TA to the Board of Investment is expected to be completed in February 2006. EMERGE organized and mobilized a consultant team to conduct studies for each of the three major non-traditional coconut product classifications, namely: (i) functional food – virgin coconut oil, protein isolate, skim milk, flour, and coconut water; (ii) industrial – cochin oil, bio-diesel, and activated carbon; and (iii) agricultural – coir, geotextile and coco peat. Based on the results of the diagnostic studies, the consultant team will prepare: (i) short and medium term action plans for the government to improve the investment climate; and (ii) investment folios for potential investors for each of the non-traditional products.

EMERGE met with the consultant team to discuss and agree on the framework and approach/methodology that the team will use in the study. During the quarter, the consultant team held focused group discussions and meetings with the public and private stakeholders in the industry. They also held a series of meetings among themselves to discuss the progress of their work and how to address the issues and gaps that they encounter in their analysis. The team will present their findings and outputs in two consultative dialogues in January 2006.

Task 3.1.1.2 DBP lending policies and guidelines on private sector access to infrastructure funds streamlined

This task is still on hold since the DBP gave priority to the promotion of the RRTS (Task 3.1.1.3). EMERGE may start work on this task in the third quarter of 2006.

Task 3.1.1.3 Inter-modal Road-RORO Terminal System (RRTS) Project

EMERGE and DBP finalized the TOR and identified the members of the team of consultants (Ruping Alonzo, Gudmund Rognstand and Asaf Ashar). EMERGE and DBP met with Alonzo and Rognstand to finalize the schedule of activities for the proposed technical assistance. EMERGE sent to USAID a request for approval of the TA on December 22, 2005.

Task 3.1.3.1 Road Board Assisted on Road User Charges law implementation

EMERGE consultants CVirata and Associates presented their draft report to EMERGE for review, and EMERGE made some comments to improve it. The consultants presented their assessment of the Road User Fund to the Road Board in a meeting held on December 12, 2005. They reported that the Road Board accepted their findings and are basing their agency restructuring plans on the team's recommendations. **(Thus an EMERGE performance milestone has been achieved.)** The team is finalizing the report based on comments made by the Road Board and EMERGE.

Task 3.2.1.1 Laws and regulations supportive of ICT sector development drafted and e-Government strategy developed

The National Telecommunications Commission (NTC) issued Memorandum Order 3-11-2005, “Guidelines for the Registration of VoIP Providers and Resellers,” on November 23, 2005. With these guidelines, Memorandum Circular 05-08-2005 declaring VoIP as a Value Added Service and opening it up for entry even by companies other than telecommunication companies, will now be implemented. **An EMERGE performance milestone for this task has been achieved.** EMERGE will continue to support CICT and NTC under this task.

Task 3.2.1.2 Competition policy for ICT sector formulated and implemented

Another Performance Milestone – On December 18, 2005, the NTC officially released its consultative document on competition policy for the telecommunications sector. EMERGE provided technical assistance in the research and preparation of the document, which seeks stakeholder and public comments on issues related to specific policy proposals designed to foster greater competition in the telecommunications industry. During the next quarter, EMERGE will support NTC stakeholder workshops and/or seminars to disseminate the consultative document on competition policy and elicit comments.

Task 3.2.2.1 Strategy and plan to expand the use of VOIP and Internet technology in the regions developed

On the LMI Program, community e-centers in Catmon, Alcantara, Sogod all in Cebu; Maitum and Malapatan both in Saranggani; Manolo Fortich in Bukidnon have been established. EMERGE consultants will continue to meet with potential private sector and LGU partners in establishing community e-centers in selected sites during the next quarter.

Task 3.3.1.1 Identification of barriers to LGU access to financing for local infrastructure

DOF MDFO approved the draft TOR prepared by EMERGE. It was previously presented to the Policy Governing Board of the Municipal Development Fund for approval. EMERGE and MDFO identified Raymund Fabre and Erlito Pardo as consultants for the technical assistance. EMERGE sent to USAID a request for approval of the technical assistance in October 2005.

Task 3.4.1.1 Options developed to improve build-operate-transfer (BOT) contract governance

EMERGE met with met with EPRA staff (Nandy Aldaba and Lilian Marfil) on the assistance to be extended by EMERGE and EPRA to DTI/BOT Center. It was agreed that EPRA would handle the workshops to disseminate information on the revisions to the BOT IRR and generate comments and suggestions on amending the BOT Law. The EMERGE team of experts, headed by Dante Canlas, would conduct the technical analysis and prepare a report recommending proposed amendments to the BOT Law. EMERGE made slight revisions in the TOR and sent to USAID a new request for approval on December 15, 2005.

Task 3.4.2.1 Privatization of state-owned enterprises

EMERGE finalized a draft TOR on the preparation of an inventory of public sector assets to be privatized. EMERGE and DOF are reviewing the list of potential consultants.

EMERGE finalized a draft TOR for technical assistance for the privatization of public sector assets. EMERGE and DOF agreed to field as their consultants investment bankers Ray Davis and Sunny Sevilla, who would be assisted by a legal expert, Atty. Job Ambrosio. EMERGE sent to USAID a request for approval of this TA on December 16, 2005.

Task 4.1.1.1 Technical Assessment of saving patterns and behavior

The SOW that previously consolidated similar requests of the Capital Market Development Council (CMDC) and the Bangko Sentral ng Pilipinas (BSP) were unbundled, as the former is no longer showing any active interest. BSP Deputy Governor Nestor A. Espenilla Jr. is now the primary counterpart. The objective is to identify the demographic variables affecting saving at the household level. Preliminary meetings with the consultants identified by Gov. Espenilla have been held and the structure of the task has been agreed upon with the BSP and the consultants.

Task 4.1.1.2 Defining the Philippine Capital Market Reform Agenda

The workshop for Module 1 (Financial Market Core Principles and An Enabling Environment for the Capital Market) was held on October 24, 2005, at the BSP Executive Business Center. In attendance were the highest-level stakeholders in the financial market, including former Governor Buenaventura, current BSP Gov. Tetangco, Deputy Gov. Espenilla, members of the Monetary Board, Finance Secretary Teves, the most senior officers of the Securities and Exchange Commission, the Insurance Commission, and the Philippine Deposit and Insurance Corporation, as well as the presidents/CEOs of the different private sector organizations in the financial market. The presentation and module-content were very well received with all of the stakeholders manifesting a keen interest in actively participating in modules 2 and 3 of this initiative, which will begin in the next quarter.

Task 4.1.1.3 Policy Review of Financial Sector Taxation

The draft report was completed in October and was discussed in a few small-group meetings. The report was revised by the consultants to reflect the technical comments of the EMERGE Team Leader. A formal workshop was conducted in December. The surprising finding of the consultants was that the non-neutrality of financial taxation in the Philippines stems from only 4 or 5 issues. The next phase of the consultants' work will be to focus on comparisons with other economies of interest on the tax issues identified.

Task 4.1.2.1 Risk-Based Capital Framework for SEC-Covered Institutions/Agents

This initiative continues to be dormant despite repeated follow-ups with the Market Regulation Department of SEC.

Task 4.1.2.2 Financial Risk Management Framework for PDIC

The work on this task has been held up due to the difficulty in finalizing the SOW for task 4.1.2.3. It was previously agreed with the senior management of PDIC in September 2005 that this task would be mobilized towards the end of task 4.1.2.3.

Task 4.1.2.3 Upgraded Framework for PDIC Inspection

The draft SOW for improving PDIC's Off-Site Bank Rating Model (OBRM) has gone through several major revisions without closure. The difficulty in finalizing this SOW stems from the preference of PDIC to directly build a risk forecasting module into the OBRM. Conventional thinking suggests that such an approach would take the task well beyond the OBRM issue and therefore poses difficulty in project management and content. EMERGE held a meeting with officials of PDIC in December to thresh out the technical details, and a new SOW draft will be prepared accordingly. We expect to begin work on this task during the next quarter.

Task 4.1.2.4 Valuation and Risk Parameter Estimation for BSP

BSP Deputy Governor Nestor A. Espenilla Jr. asked for further assistance so that the initial report of Mark Bates, Real Estate Appraisal consultant, can be translated into a strategic roadmap with specific timelines. Mr. Bates submitted this roadmap in late November and DG Espenilla has accepted it. DG Espenilla believes, however, that many of the essential reforms are beyond the purview of the BSP, and he has begun to build a coalition of stakeholders to mobilize the roadmap. We expect to carry some of this work forward in the next quarter.

Task 4.1.2.5 A TA to BSP on Inflation Targeting and Monetary Policy

Fr. Paul McNelis made his first of 4 trips in the follow-up engagement. He was based at the BSP from December 8-23 and worked with the staff of the BSP Center for Monetary and Financial Policy. An accompanying request to purchase the Matlab software in behalf of the BSP was also submitted to USAID/OEDG and subsequently approved. McNelis plans another trip to Manila in March 2006.

Task 4.2.1.1 Technical Simulations & Assistance to Support the PERA Initiative

It was discussed and decided at the November EMERGE Strategic Planning exercise that this task would no longer be carried out by EMERGE. This initiative will require a significant amount of legislative advocacy inherent to achieve the intended reform. This is incompatible with the current design of EMERGE. The task may still be undertaken by EPRA, but EMERGE will not provide funding support. The decision to drop this task from the workplan was relayed to the counterpart.

Task 4.2.2.1 Assistance to the Philippine Dealing and Exchange Corporation (PDEX)

The final report of ISC was submitted and accepted by the counterpart. The launch of the Public Market trading did not materialize in November as originally envisioned as the policy issue of connectivity to the Bureau of Treasury system was not resolved by BTr officials until late 2005. The public market board is now expected to be launched in two stages, the first in April and the second in July 2006, at which times the technical recommendations of the ISC consultant are expected to be implemented (**and thus another EMERGE performance milestone would be achieved**).

PDEX has now requested EMERGE to provide third-party experts to evaluate the network infrastructure *vis-à-vis* international best practice and to conduct vulnerability assessment exercises, and we'll request USAID approval to carry this work forward during the next quarter.

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

CARANA finally received the amendment to the SEGIR IQC in October allowing contractors to award grants. EMERGE finalized the EMERGE Grants Manual and submitted it for USAID review and acceptance on December 8.

Grant Activity: Access for Competitiveness and Trade (ACT)

EMERGE received and reviewed the ACT proposal from PACT on December 8. The Grants Committee was convened to review the proposal. For lack of needed details, PACT was requested to make an oral presentation on December 22. The revised proposal elaborated on the establishment and maintenance of industry databases for about 30 selected industries. The Committee found the revised proposal lacking in sufficient details for the Committee to accept on

technical merit. The proposal is being revised by PACT, and we hope to be able to send the proposal to USAID for funding approval in the next quarter.

Grant Activity: Mining

Also in December, the same committee reviewed another proposal from PACT, for a balanced mining industry in Mindanao. The PACT proposal on mining aims to create an enabling environment for the development of balanced mineral mining in nine sites in Mindanao through advocacy activities and formulation of policy reforms at the local and national levels. The Review Committee found PACT's proposal quite ambitious and likely difficult to implement. A letter communicating the results of the review and suggesting a more focused design will be sent to PACT.

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

On Customs Risk Assessment

As of end of this quarter, the final deliverables from the vendor, CEPR, were being reviewed to help in assigning an accurate valuation of the deliverables already received in preparation for a pre-termination of the PO after payment of the third tranche.

Participant Training

During the quarter, EMERGE funded a total of four participants to training in the U.S. Chairman Fe Barin and Atty Elmira Alconaba of the Securities and Exchange Commission (SEC) attended training on Securities Enforcement and Market Oversight at the US SEC, while Atty. Johanna Lerer of PDEX and Atty. Vicente Felizmenio participated in a study tour of NASD.

Government Restructuring

The 2nd PO to implement the government restructuring program was issued to the Development Academy of the Philippines (DAP). The 2nd PO covers reviews of DTI, DOT, OMB for the trade, industry and tourism sector; DFA and CFO for the foreign relations sector, DOJ for administration of justice sector, DND, DILG, NIC and NSC for defense, peace and order and local government sectors, DENR, PCSD, NSWC for the energy and environment sectors, and finally NEDA, DBM, DOF, LEDAC, MMDA, AMC for the planning programming, finance and budgeting sectors. The deliverables in the 2nd PO will complete the TA requested by the DBM for the government rationalization plan.

Management Committee Meeting and Assembly of DTI/ROG

A request from DTI was reviewed and approved by USAID for partial funding of a Management Committee Meeting and Assembly of DTI and its regional offices on October 18-22, 2005. EMERGE funding covered expenses for logistics and for bringing a resource person from ARMM to Manila.

APEC Conference on Biosafety

In December, EMERGE was requested to share in the cost of conducting the APEC Biosafety Conference in January. Cecille started coordinating with Mr. Jeff Bowyer of DAI for funding arrangements for the hotel and travel and per diem for selected representatives from participating countries.

EMERGE Strategic Planning Workshop

EMERGE conducted its Strategic Planning on November 7-9. Cecille assisted in finalizing the TOR and the workshop design, scouted and hired the team of facilitator, documenter and workshop support. During the workshop proper, Cecille presented the CARANA Grants Manual to the team. The proceedings of the workshop were finalized in December.

Other matters

USAID has mandated all contractors and grantees to mainstream gender and development (GAD) in their projects. A workshop was conducted by USAID with contractors and grantees on December 1 to explain how to do the mainstreaming. Cecille attended the workshop for EMERGE, and drafted an action plan to mainstream GAD in the EMERGE activities. The action plan was submitted to USAID on December 6.

SAF Activity: WTO e-Learning Program

The program's official name was changed from "Philippine WTO eLearning Program" to "Philippine Global Trade eLearning Program." Most of the activities in October until early November focused on the recruitment of participants for the program. The IATP Secretariat conducted a series of orientation on the elearning program to individual government agencies, particularly to those that had problems meeting their assigned slots. Invitations were also sent to stage universities and colleges (SUCs) as well as to private tertiary educational institutions around the country.

The first on-line session of the program opened on Nov 16 with 357 participants. However, 24 of these dropped from the program before the end of December 2005. The Memorandum of Agreement between DTI and the IATP was signed on Nov 29, after some delay due to conflicting schedules. Two online introductory courses were completed this quarter: (i) Maximizing eLearning; and (ii) International Trade and the Philippines. The Project Steering Committee (PSC) decided to open another class sometime in mid-January 2006 to fill in the remaining slots in the program.

SAF Activity: Mining

On Nov 22, PACT presented a revised proposal on increasing the social acceptability of mining in the Philippines to USAID and EMERGE. PACT is requesting a grant from EMERGE for the activity. In the meeting, Dr. Bob Wuertz of USAID/OEDG highlighted three criteria that USAID will use in evaluating a proposal on mining as follows: (i) investments generated in the proposed mining site/s after the completion of the grant; (ii) environmental safeguards; and (iii) employment generation and poverty alleviation. PACT revised the proposal and submitted to EMERGE for review.

The EMERGE Grants Review Committee met on Dec 20 to evaluate the revised proposal. In general, the Committee concluded that the revised proposal failed to show how the project could accomplish what USAID would like to see happening in a mining project, as discussed by Dr. Wuertz during the Nov 22 meeting, and suggested a further revision to focus the activities more tightly on the objectives he outlined.

SAF Activity: Access for Competitiveness and Trade

During the quarter, PACT revised twice the ACT proposal for a grant from EMERGE. The first revision, which was submitted to EMERGE on Dec 7, was reviewed by the EMERGE Grants Review Committee on Dec 8. The recommendation of the Grants Committee was for PACT to revise the proposal focusing on project component 1 (industry database with knowledge networks) but integrating Phases 1 and 2. PACT presented the second revision to the Grants Committee on Dec 22. The revised proposal, however, was expanded to include not only the development of an industry database through the knowledge networks, which was the recommendation of the Committee, but also two other project components that arose as a result of recent meetings in Kuala Lumpur of Ambassador Donald Dee with the ASEAN Business Advisory Council (ABAC) and the ASEAN Business Council (ABC). These two components are the (i) analysis and consensus-building on trade negotiation issues; and (ii) capability and capacity-building program for U-ACT and TKN. In general, the Grants Committee concluded that the revised proposal was more of a concept paper than a proposal, as the details of the project components and activities were not spelled out. EMERGE requested PACT to provide these details in the next revision of the proposal. EMERGE expects to submit the revised proposal to USAID for approval early next quarter.

SAF Activity: Re-forestation/Agroforestry

EMERGE submitted the draft PACT/SAMASA grant proposal on agro-forestry to USAID for a technical review on an informal basis. EMERGE expects to receive the results of its review from USAID early next quarter.

TASK 4 - SO2 Monitoring, Assessment, Reporting

Draft and establish a TIERG performance monitoring plan (PMP).

Ricky finished and presented the EMERGE performance monitoring plan and quarterly performance monitoring matrix during the EMERGE strategic planning workshop. He later modified the same to include inputs and comments he gathered during the workshop.

Review and present amendments to the SO2 SOW templates.

Ricky drafted and circulated for comments, the proposed TOR/SOW template, which he drafted in connection with the proposed EMERGE MIS. The template will allow EMERGE to maintain a knowledge management system that would link up 8 separate systems: The 4 TOR/SOW systems for each of the RTs, respectively; the PMP system; the SAF system; the accounting system and the personnel system.

TASK 5 - Public Information and Consultations

EMERGE public information activities have two purposes: to support partners and counterparts with their own information dissemination and public advocacy and to establish EMERGE's transparency. To support partners EMERGE is to assist with media strategies and materials and can help organize technical conferences on reform issues. To support partners and to establish transparency, EMERGE set up a website to inform the reform community and the general public about project goals and activities and current reform issues. It is to be periodically updated with latest news and features from various projects of EMERGE.

During the last quarter of 2005, the Public Information Manager accomplished the following major tasks:

Informed and discussed with a number of possible EMERGE/USAID brand users of the planned changes in USAID's policy on branding. These include Atty. Gigo Alampay whose LMI project will soon produce a website and a brochure and ADCAMP, which is the advertising agency that will print the EMERGE brochure. Due to the planned changes, the printing of the EMERGE brochure has been delayed.

Advised team leaders and stakeholders in the EMERGE project on how to handle media and advocacy programs in their respective areas as a result of the meeting with USAID's Tyler Holt and Tet Robielos. The Public Information Manager prepared and distributed a memo on the guidelines on advocacy and external relations as per the results of the meeting with USAID. This particularly addressed the concerns of team leaders in publicity management, advocacy programs and external relations activities with stakeholders and counterparts.

Wrote, edited and formatted success stories coming from the Last Mile Initiative program and the Infrastructure team (VOIP) and requested team leaders to suggest topics and possible write-ups that the EMERGE Project will submit to USAID. The Public Information Manager reminded team leaders that USAID is particularly interested in how their TA funds have affected various sectors and constituents.

Actively participated in the review of IEC activities being undertaken by the Project's partners namely, the IATP/Earth Council, the Biotechnology Council of the Philippines and DLSU/PACT. The Public Information Manager advised IATP/Earth Council program management on the launch of the e-WTO learning and suggested possible slants in future media placements. The Public Information Manager also attended and reviewed the IEC (Information, Education and Communications) activity of the BCP in Sablayan, Occidental Mindoro. He prepared a report detailing recommendations for future use of the BCP in its IEC activities.

5) Statement of Work: No change in the contract statement of work was made during this quarter.

B. Administrative Information

Since the Project Contract is a performance based, rather than a level-of-effort based, contract, administrative information is not required or reported.

Section II - PROJECT OFFICER'S COMMENTS (optional)

Project Officer/Office Symbol _____ **DATE:** _____

Section III - CONTRACT OFFICER'S COMMENTS (optional)

Contract Officer/Office Symbol _____ **DATE:** _____



USAID
FROM THE AMERICAN PEOPLE



MEMORANDUM

DATE: January 30, 2006

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

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

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

SUBJECT: EMERGE Project Quarterly Report –October 1 to December 31, 2005

Attached for your review is the complete EMERGE Project's 5th Quarterly Report, including the quarterly expenditure report, covering the period October 1 to December 31, 2005, in compliance with Section 7.1.3 of the referenced contract.

A hard copy is being delivered for your files.

Atch: a/s