



# Technical Assistance Report

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Project Number: 48144  
PPTA  
December 2014

## Republic of the Philippines: Preparing the Enhancing Rural Enterprise and Rural Employment Project

## PROJECT PREPARATORY TECHNICAL ASSISTANCE

### A. Justification

1. Project preparatory technical assistance (PPTA) is necessary to carry out the feasibility study and prepare the design of the Project. PPTA is also necessary to undertake due diligence of technical, social, environmental, and economic aspects of the Project.

### B. Major Outputs and Activities

2. The PPTA will be divided into two parts: (i) Part A-Review of rural employment and rural enterprise projects<sup>1</sup> and (ii) Part B-Overall design and due diligence of the rural enterprise and rural employment project including development of inclusive business investments through partnership with the private sector and identification of policy issues.

3. The major outputs and activities for project design are summarized in Table A3.1.

**Table A3.1: Summary of Major Outputs and Activities**

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
<b>Part A: Review</b>			
Carry out review of rural employment and rural enterprise initiatives in the Philippines and elsewhere (0.5-0.75 month)	January 2015	Finalized review and knowledge sharing event (with key conclusions to feed into project design)	January 2015
<b>Part B : Project design</b>			
Carry out sector analysis	January-February 2015	Finalized sector analysis documentation for RRP	February 2015
Develop criteria for geographical targeting and province selection	February 2015	Agreement with Government on project priority geographic area/subproject clusters	February 2015
Design project outputs including fund flow mechanisms and accompanying due diligence	January-June 2015	Agreed project design (loan fact finding MOU)	July 2015
Generate awareness and ownership among private sector	January -June 2015	Roundtables between industry representatives and government agencies	(several)
Capacity building for inclusive business including inclusive business accreditation with BOI	Continuous	Inclusive business accreditation system for rural jobs approved by BOI	June 2015

BOI = Board of Investments, IB = inclusive business, MOU = memorandum of understanding, RRP = report and recommendation of the President.

Source: Asian Development Bank.

<sup>1</sup> The key activities will be to review national rural employment and rural enterprise programs in the Philippines and elsewhere to see which gaps exist and how the proposed loan can build on previous successful initiatives and/or be included in a current national program. The reviews under Part A will inform the design process by ensuring that the design does not duplicate any ongoing effort and also introduce tested innovative ideas where appropriate.

### C. Cost Estimate and Proposed Financing Arrangement

4. The technical assistance is estimated to cost \$1 million equivalent, financed on a grant basis by ADB's Technical Assistance Special Fund. The government will provide counterpart support in the form of counterpart staff, office accommodation in DTI, logistical support for organizing workshops, and other in-kind contributions. The detailed cost estimate is presented in Table A3.2.

**Table A3.2: Cost Estimates and Financing Plan**  
(\$'000)

Item	Total Cost
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (27 person-months)	535.4
ii. National consultants (23 person-months)	165.6
b. International and local travel	75.0
2. Workshops, training, seminars, and conferences <sup>b</sup>	88.0
3. Surveys	24.0
4. Miscellaneous administration and support costs	12.0
5. Contingencies	100.0
<b>Total</b>	<b>1,000.0</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-Others)

<sup>b</sup> Workshops, training, seminars, and conferences

Purpose	Venue
Workshops (private sector associations and industries)	Manila, regions
Workshops with government agencies	Manila, regions
Stakeholder consultations	Manila, regions

Source: ADB staff estimates.

### D. Consulting Services

5. ADB will engage 27 person-months (pm) of international consultants and 23 pm of national consultants, on an intermittent basis. The summary is shown in Table A3.3.

**Table A3.3: Summary of Consulting Services Requirement (person-months)**

Positions	International	National
Individual consultants		
Economist/Rural Finance Specialist (Team leader)	5	
Economist (policy)	3	
Financial Management Specialist	3	
Labor Economist	1	
Procurement Specialist/start-up Advisor		2
Advisory body (up to 5 short term advisors)	3	
Consulting firm (QCBS 90:10)		
IB/Private Sector Investment Expert	3	4
Social Development and Gender Expert	1	3
Industry Expert (agro-processing)	3	4
Industry Expert (tourism)	3	4
Civil Engineer	2	2
Resettlement Specialist		2
Skills Development Specialist		1
Environment/Climate Change Specialist		1
<b>Total</b>	<b>27</b>	<b>23</b>

IB = inclusive business, QCBS = quality- and cost-based selection.

Source: ADB staff estimates

6. **Economist/Rural Finance Specialist (Team Leader)** (international for 5 pm): (i) lead the sector analysis and project design; (ii) develop eligibility criteria and guidelines for funding of proposals; (iii) work with the industry experts and civil engineers to identify public investments to complement the support for supply chain development and tourism site development and connectivity as well as the implementation arrangements for undertaking these investments; (iv) do a typology or hierarchy of rural enterprises and identify which types would have potential of employment generation; (v) ensure economic due diligence is carried out according to ADB requirements; (vi) prepare cost estimates; (vii) design the project monitoring system; (viii) design disbursement mechanism, subproject selection criteria, rural infrastructure eligibility criteria for support under the project; and (ix) support the preparation of documentation for ADB loan processing.

7. **Economist (Policy)** (international for 3 pm): (i) lead part A; (ii) identify any national programs that this proposed project would be incorporated into, and/or propose the modality for a new national program; (iii) work with the industry experts to determine policy environment necessary for the proposed project actions to be effective; (iv) work with economist/rural finance specialist and the financial management specialist to ensure that fund flow mechanisms proposed are in line with government policy and (v) identify policy actions that need to be taken to ensure that project outputs and outcomes are achieved.

8. **Financial Management Specialist** (international for 3 pm): (i) ensure all financial management due diligence is carried out including the financial management assessments of the executing agency and implementing agencies; (ii) prepare fund flow arrangement for all fund sources and agencies involved; (iii) design the funding mechanism for Output 2, including options to expand liquidity and access to financial services of rural enterprises, including for larger IB enterprises and their value chains; (iv) work with the Economist/Rural Finance Specialist (Team leader) and Procurement Specialist in preparing detailed project cost estimates and ensure the consistency between cost estimates and procurement plan; (v) with the private sector/IB specialist prepare financial performance and projection for revenue earning sub-projects, if any; and (vi) draft audit terms of reference and finalize agreement on auditing arrangements and ensure these are included in the financial management assessment report.

9. **Labor Economist** (international for 1 pm): (i) carry out literature review and a study to fill gaps in knowledge about rural labor markets, including gender dimensions.<sup>2</sup>

10. **Procurement Expert/Start-up Advisor** (national for 2 pm): (i) ensure governance and procurement due diligence is carried including carrying out a procurement assessment and strategy; (ii) drafting the procurement plan; and (iii) provide start up support to the EA.

11. **Advisors** (up to 5 persons, international for a total of 3 pm): Advisors will be retained to ensure high quality peer feedback from industry, finance and other relevant sectors. It is proposed that up to 5 persons be retained. One of the Advisors will focus on women in rural enterprises and social issues. Their duties will include: (i) technical peer review of design documents; and (ii) facilitate meetings with industry representatives and broader stakeholder/grassroots workshops.

12. **Inclusive Business and Private Sector Specialist** (international for 3 pm; national for 4 pm): (i) review government programs that can serve as IB support programs and identify –

<sup>2</sup> Study will be the level of the rural worker, such as sector of employment, conditions of employment, coping strategies and labor market dynamics, review of labor market trends is the decline in the agricultural wages overall and in selected regions.

together with the government – those programs that would be included under this project; (ii) assist the Board of Investment (BOI) of DTI in institutionalizing the IB accreditation system; (iii) together with the team leader and industry experts, identify potential types of investments; (iv) make any policy recommendations if necessary; (v) working with the financial management specialist, provide inputs to the design of the funding mechanism for Output 2; (vi) working with the economist and social development and gender expert to ensure that the program monitoring system captures the poverty and social impact of the project (not limited to the IB investments); and (vii) organize the private sector roundtable discussions.

13. **Social Development and Gender Expert** (international for 1 pm; national for 3 pm): (i) draft a summary poverty reduction and social strategy, (ii) develop the Gender Action Plan; (iii) provide inputs on poverty and social impact to the monitoring system.

14. **Industry expert (agro-processing)** (international for 3 pm; national for 4 pm): (i) review existing agro-processing development programs including support to agro-processing enterprises and linkages between key players of the supply chain; (ii) working with the economists, propose subsector long term investment directions for the project based on opportunities and existing programs (for example, the industry clustering initiative of DTI) and (iii) working with the financial management specialist recommend appropriate funding mechanisms for the subsector; and (iv) recommend skills development training for Output 3.

15. **Industry Expert (rural tourism)** (international for 3 pm; national for 4 pm): (i) review existing rural tourism development projects (support to tourism enterprises and destination or supplier communities); (ii) working with the economists, propose subsector long term investment directions for the project based on opportunities and existing projects (for example, the industry clustering initiative of DTI and the outputs of the ADB-DOT CDTA); (iii) working with the financial management specialist recommend appropriate funding mechanisms for the rural tourism sector, and (iv) recommend skills development training projects for Output 3.

16. **Civil Engineer** (international for 2 pm; national for 2 pm): (i) gather and analyze relevant data and information on the selected provinces and municipalities on infrastructure plans for supporting post-harvest and processing facilities, agribusiness and rural tourism operations; and (ii) prepare basic designs for such infrastructure.

17. **Resettlement Specialist** (national for 2 pm): prepare the Resettlement Framework, and Indigenous Peoples Planning Framework in accordance with ADB's Safeguard Policy Statement (2009).

18. **Skills Development Specialist** (national for 1 pm): together with the industry experts and the Team Leader, recommend the design of Output 3 and linkages with national projects.

19. **Environment/Climate Change Specialist** (national for 1 pm): (i) assess possible environmental impacts of project activities; (ii) draft an environmental assessment and review framework; and (iii) recommend measures to adapt climate change concepts in the design of facilities/interventions.

## **E. Implementation Arrangements**

20. The Department of Trade and Industry (DTI) will be the executing agency for the PPTA. A project management office will be set up in DTI for the duration of the PPTA. The executing agency will provide counterpart staff, office accommodation to the PPTA consultants, field visits coordination and support, and data. The proceeds of the TA will be disbursed in accordance

with the TA Disbursement Handbook (2010, as amended from time to time). The proposed PPTA processing and implementation schedule is in Table A3.4:

**Table A3.4: Technical Assistance Processing and Implementation Schedule**

<b>Major Milestones</b>	<b>Expected Completion Date</b>
Approval	12 December 2014
Commencement	15 January 2015
Final Report	30 August 2015
Physical completion	30 September 2016
TA completion	31 December 2016