

ASIAN DEVELOPMENT BANK

TAR: PHI 30089

TECHNICAL ASSISTANCE

TO THE

REPUBLIC OF THE PHILIPPINES

FOR

**CAPACITY BUILDING OF THE
MINDANAO ECONOMIC DEVELOPMENT COUNCIL
TO ENHANCE PRIVATE SECTOR ACTIVITY
IN THE PHILIPPINE EAGA**

October 2002

CURRENCY EQUIVALENTS

(as of 30 August 2002)

Currency Unit	–	Peso (P)
P1.00	=	\$ 0.0191
\$1.00	=	P 52.3751

ABBREVIATIONS

ADB	–	Asian Development Bank
BDS	–	business development services
BSO	–	business support organization
BIMP-EAGA	–	Brunei Darussalam-Indonesia-Malaysia-Philippines-East ASEAN Growth Area
DTI	–	Department of Trade and Industry
LGU	–	local government unit
MEDCo	–	Mindanao Economic Development Council
PCOBE	–	Philippine Coordinating Office for BIMP-EAGA
RDC	–	Regional Development Council
RETA	–	regional technical assistance
SME	–	small and medium-size enterprise
TA	–	technical assistance
TOR	–	terms of reference

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Government of the Philippines has requested the Asian Development Bank (ADB) to provide technical assistance (TA) to strengthen the capacity of the Mindanao Economic Development Council (MEDCo) to support and coordinate private sector development in Mindanao,¹ particularly in view of the key role the private sector is expected to play in the development of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) subregional cooperation initiative. The TA design was developed through extensive consultations between concerned stakeholders and the review of the earlier TA (TA 2622-PHI) for MEDCo's capacity building.²

2. Given the major contribution of the private sector to the country's economic growth, and its contribution to reducing poverty, including in rural areas, the Government places considerable emphasis on supporting private sector development. MEDCo is the designated permanent Philippine Coordinating Office for BIMP-EAGA (PCOBE). As such, it is responsible for coordinating the Philippines Government activities related to BIMP-EAGA.

II. ISSUES

3. TA 2622 allowed MEDCo to upgrade and acquire the technical skills it requires to fulfill its original and new responsibilities. With the Government's renewed commitment to BIMP-EAGA as the Asian economic crisis subsided, and considering the Government's overall objective of improving private sector competitiveness, developing the private sector has become critical. MEDCo can facilitate the private sector strengthening process in Mindanao, provided it can gradually build up the necessary capacity. Accordingly, MEDCo needs to develop its own capacity to integrate and unify private sector development programs and activities, help improve the business climate and help strengthen the institutions that promote private sector development in Mindanao as mandated under Executive Order 512 of 19 March 1992.³

4. After the creation of BIMP-EAGA in 1994, the Mindanao private sector showed considerable interest in taking the lead role in the region's development. While some success was achieved in the trade, tourism, fisheries, and construction sectors, the BIMP-EAGA initiative has lagged in the development of a dynamic private sector. Strengthening of the private sector stalled because of the Asian economic crisis and the adverse weather phenomena that severely affected the productivity of Mindanao's agriculture in the late 1990s. Competitiveness of the private sector in general and of small and medium enterprises (SMEs) in particular needs to be improved. SMEs form the backbone of Mindanao's private sector; they are a key component of its primary productive sectors. However, private sector investment has been slack due to the resurgence of the peace and order issue in parts of Mindanao.

5. Providing business development services (BDS) is essential for increasing the competitiveness of SMEs. Such services typically consist of training and advisory activities to enable SMEs to interact effectively with new markets, modern technology, investment partners,

¹ The TA first appeared in *ADB Business Opportunities* on 2 June 2002.

² ADB. 1996. *Technical Assistance to the Republic of the Philippines for Capacity Building for the Philippine Coordinating Council for BIMP-EAGA*. Manila (TA2622-PHI amounting to \$400,000).

³ MEDCo's responsibilities, staffing description, and organization chart are in Appendix 1.

and suppliers of financial services. The public sector has subsidized BDS in the past to address the lack of familiarity of SME entrepreneurs with management and technical skills. However, such an approach can result in (i) over-dependence of SMEs on public assistance, (ii) lack of sustainability of the service, and (iii) limited outreach capacity. In consequence, schemes aimed at developing the BDS market encounter difficulties in being successful. In some cases, however, government provision of BDS remains critical, particularly where small businesses are spread across wide geographic areas. Under such circumstances, public sector intervention must focus on promoting the development of the local private sector-led BDS market instead of providing direct assistance to individual firms and enterprises. The provision of BDS, particularly when delivered by the public sector, also needs to be linked more effectively to a wider strategy for creating a vibrant business environment.

6. SMEs face a number of constraints as confirmed by a recently completed study prepared with ADB assistance.⁴ Little information is available at present to effectively design, coordinate, and implement intervention mechanisms or to monitor changes in the SME environment. Similarly, there is no information tool available to the stakeholders who require data to plan and implement SME development programs. There is no comprehensive and reliable database on SMEs in Mindanao either. These information gaps contribute to inefficiencies in formulating comprehensive development strategies for the SME sector in Mindanao, thereby weakening efforts to develop business activity.

7. Structures at the local government level, i.e. local government units (LGUs), chambers of commerce, BIMP-EAGA working groups and the East ASEAN Business Council (EABC), were meant to work together and promote, as well as strengthen linkages between LGUs and the private sector in BIMP-EAGA. However, they became inoperative as the Asian economic crisis dampened economic activity and regional cooperation. Subsequently, economic activity resumed, highlighting the weakness of the linkages between LGUs and the private sector. The lack of interaction between LGUs and the private sector to coordinate areas of common concern undermined the capacity to provide the enabling environment the private sector needed locally.

8. Another difficulty confronting the private sector, including SMEs, is its insufficient capacity to make representations on national constraints that affect it locally. Corollary to this is the private sector's limited capacity to access appropriate levels and areas of expertise on new markets, modern technology, interested investment partners, and suppliers of credit and finance. Promoting private sector activity in Mindanao thus requires a better communication framework for the private sector to be able to relate to the public sector. Developing a strong public-private partnership will hold a key for promoting the private sector in Mindanao.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The TA will build the capacity of the MEDCo private sector-SME development unit that will be set up for enhancing private sector and SME development efforts in Mindanao. About 59 staff in the different beneficiary agencies will receive direct or indirect training as a result of the TA. The TA framework is at Appendix 2.

⁴ ADB. 1999. *Technical Assistance for Small and Medium Scale Enterprise Development in the EAGA Region*. Manila (Regional TA 5880, amounting to \$300,000). The study focused on the Indonesia and Philippine areas of BIMP-EAGA.

10. With this capacity built up, MEDCo is expected to be able to provide a systematic and coherent framework within which the Government and other development partners will seek to promote Mindanao's private sector development. In the process, MEDCo is expected to identify appropriate mechanisms and institutional linkages that will facilitate the establishment of effective industry clusters within Mindanao.

B. Methodology and Key Activities

11. The TA will provide MEDCo with intensive training and capacity building in the following areas.

12. **Enhance Business Development Support.** Hands-on training of MEDCo staff with the Department of Trade and Industry (DTI), the Small and Medium Enterprise Development (SMED) Councils and selected business service organizations (BSO) which provide BDS, will enhance MEDCo's capacity to assess the current situation, opportunities, and constraints in Mindanao's BDS market. With this, MEDCo will gain understanding of each agency's functions and increase its capacity to coordinate and integrate SME development programs in Mindanao and Palawan. Institutional and market mechanisms will be identified through consultations, participatory dialogs, and focused group discussions with the private sector. Recognizing that a principal issue affecting SMEs is their difficulty to access credit and finance, MEDCo staff will be trained in helping identify mechanisms to improve the relationship between SMEs and financing sources. Accordingly, representatives of local financial institutions will be invited to attend workshops to clarify the needs and concerns of SMEs and financial service providers. The focus of the BDS component of the TA will be to give MEDCo the capacity to help create a sustainable and conducive environment for a private sector-led BDS market in Mindanao. Training will be provided also on setting cost-recovery mechanisms for the provision of BDS.

13. **Promote Coordination and Communications.** A framework will be set up for conducting regular dialog, coordination, and monitoring of programs and projects with other government agencies, LGUs, the private sector, and the external assistance community, using existing mechanisms where possible. Parallel to this, an SME data management system will be initiated that will (i) establish a reliable data base on SMEs in Mindanao to provide the stakeholders information on SME activities; and (ii) update the mapping of SME development programs and projects initiated under ADB regional TA 5880.⁵ The SME database will be hyperlinked to existing databases of government line agencies.

14. **Build up LGU-Private Sector Synergy.** MEDCo received initial training for LGU-private sector coordination under TA 2622. Under this initiative, LGU capacity to improve the environment required by the private sector will be strengthened as follows. First, linkages will be developed among LGUs locally and with those in the BIMP-EAGA subregion, in areas where joint action can have a national or subregional impact, e.g., in identifying regulatory deficiencies, or exchanging trade-related information with other LGUs. Second, participatory and consultative mechanisms will be created to improve private sector participation in the formulation, implementation and monitoring of local government priorities, including (i) policy and institutional reforms as well as advocacy; (ii) identification of infrastructure requirements, especially related to the mobility of goods and services, or the provision of post-harvest and storage facilities; and (iii) strengthening of local vocational and skills training.

⁵ ADB. 1999. *Technical Assistance for Small and Medium Scale Enterprise Development in the EAGA Region*. Manila.

15. **Enhance Public Private Sector Partnership.** Eminent private sector leaders will help mobilize interest of the BIMP-EAGA private sector in the development of Mindanao. This will include (i) identifying and consolidating private sector priorities in Mindanao and the subregion; (ii) helping stakeholders make representations in the public and the private sectors, especially where private sector expansion may be blocked by national level policies; (iii) facilitate private sector access to necessary expertise and information available in the public sector; and (iv) advising ADB on the implementation of the TA.

16. Flexibility has been built into the TA to allow responding to unexpected requirements, opportunities, and challenges that might arise in the course of implementation, in view of the different needs and or capability levels of BSOs.

C. Cost and Financing

17. The total cost of the TA is estimated at \$271,000 equivalent, comprising \$111,000 in foreign exchange and \$160,000 equivalent in local currency. The Government has requested ADB to finance \$111,000 equivalent to cover the entire foreign exchange cost and \$89,000 equivalent of local currency costs. The TA will be financed by ADB on a grant basis from the ADB-funded TA program. The Government has agreed to provide the equivalent of \$71,000 in kind for counterpart staff, administrative and office costs, and contingencies. The specific cost estimates and financing plan are in Appendix 3.

D. Implementation Arrangements

18. MEDCo will be the Executing Agency for the TA. A private sector-SME development unit will be created under the Economic Affairs Division of MEDCo prior to the beginning of the TA. The unit staff will be the primary beneficiaries of the TA activities.

19. A team of individual international and domestic consultants will be engaged to implement the TA. It is estimated that the TA will require 29 person-months of consulting services: 12 person-months of international and 17 person-months of domestic consulting services. The TA will be implemented over a period of 12 months, starting in November 2002 and ending in October 2003. The team leader will be engaged for the duration of the TA. Domestic consultants for the trade and investment component and for the information management component will be engaged for a period of 8 and 3 person-months, respectively.

20. The team leader will have expertise in organizing and strengthening BSOs. The two domestic consultants (one with expertise in trade and investment facilitation and the other with expertise in information management) will help the team leader implement the training and capacity building activities. Sector experts will be engaged as short-term domestic consultants to provide specific expertise.

21. A learn-by-doing approach and direct technology transfer methodology will be used for the training process. MEDCo staff will directly assist the consultants in the assessment of capacity and training needs of the private sector organizations, and communicate the corresponding findings to national government agencies (NGAs). MEDCo staff will also complement NGAs in the design and implementation of training programs and capacity building activities. With this, MEDCo staff will acquire technical skills and capacity to provide effective assistance to the private sector to coordinate SME development.

22. At least six private sector BDS facilitating organizations (one each in the primary growth centers — Butuan, Cagayan de Oro City, Cotabato City, Davao City, General Santos City, and Zamboanga City) will be identified for the conduct of training activities. These organizations will be selected using criteria to be established jointly by the team of ADB consultants, MEDCo and ADB in consultation with DTI and appropriate agencies such as the SMED Councils. At the onset, mechanisms to recover the cost of organizing training activities for the private sector will be discussed with the identified BSOs to explain that while the service is of a public nature, costs are attached to it and that such costs are expected to be recovered. The presence of ADB-financed consultants and experts is expected to encourage BSOs to participate and share the expenses related to the training and capacity building activities as a first step towards full cost recovery of the services provided.

23. Participating LGUs will be identified in areas where the BSOs organizations are located. The TA will take advantage of existing mechanisms such as the regional development councils to strengthen private sector development programs and activities at the LGU level. The councils will be used also as a venue for policy advocacy and for discussing infrastructure planning and financing requirements.

24. The short-term sector experts financed by the TA will support implementation by providing BSOs specific advice and skills in such technical fields as trade finance, resource programming and mobilization, project development and management and feasibility study preparation, technology sourcing, and market development. Other fields of expertise will be determined in the course of the TA. Short-term sector experts are expected to be engaged for a total of 12 person-months.

25. To further enhance the role of the private sector in Mindanao, eminent persons will be engaged as resource persons. They will help identify and consolidate regional priorities for the private sector in Mindanao and the subregion, as well as help conduct the advocacy work required at the highest levels in the public and private sectors, especially to remove policy constraints to private sector expansion. As part of the criteria for their selection will be their former and present position, reputation, and understanding of private sector dynamics in Mindanao and in the BIMP-EAGA region.

26. The consultants will be selected and engaged in accordance with ADB *Guidelines for the Use of Consultants*, and other arrangements acceptable to the ADB on the engagement of domestic consultants. Equipment will be procured under ADB's *Guidelines for Procurement*. The outline terms of reference for the consultants are described in Appendix 4.

27. Information related to private sector activities including SMEs will be disseminated to concerned stakeholders using MEDCo's existing structures, i.e. the Media Affairs Division and the Management Information System Division.

IV. THE PRESIDENT'S DECISION

28. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$200,000 on a grant basis to the Government of the Philippines for Capacity Building of the Mindanao Economic Development Council to Enhance Private Sector Activity in the Philippine EAGA, and hereby reports this action to the Board.

MINDANAO ECONOMIC DEVELOPMENT COUNCIL

A. Responsibilities and Organization

1. The Mindanao Economic Development Council (MEDCo) is a government agency based in Davao, Mindanao. Under Philippine Executive Order 512, signed on 19 March 1992, MEDCo's primary functions are to (i) coordinate development in Mindanao, and (ii) formulate and implement policies and programs. Under its expanded mandate under Executive Order 244, issued on 5 May 2000, MEDCo is also responsible for monitoring activities of the Government of the Philippines related to the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).

2. The MEDCo secretariat was constituted in 1993. It consists of an executive director, six technical divisions, and one finance and administrative division. Each technical division is headed by a chief economic development specialist, assisted by a supervising economic development specialist, senior economic development specialists, and, an economic researcher or a clerk. An administrative officer of senior level heads the finance and administrative division. (Figure 1).

B. Asian Development Bank (ADB) Assistance to MEDCo

3. The Asian Development Bank (ADB) provided technical assistance (TA) to MEDCo¹ in two phases: phase 1 reviewed and assessed MEDCo's existing institutional arrangements and set up a strategy, an organizational structure, and a staffing framework for a permanent Philippine coordinating office for BIMP-EAGA (PCOBE). This phase also called for the preparation of a capacity building plan based on the future requirements of the PCOBE and the drafting of enabling issuances to ensure that the strategies and structure were put in place. Phase 2 of the TA was to implement the recommendations of phase 1.

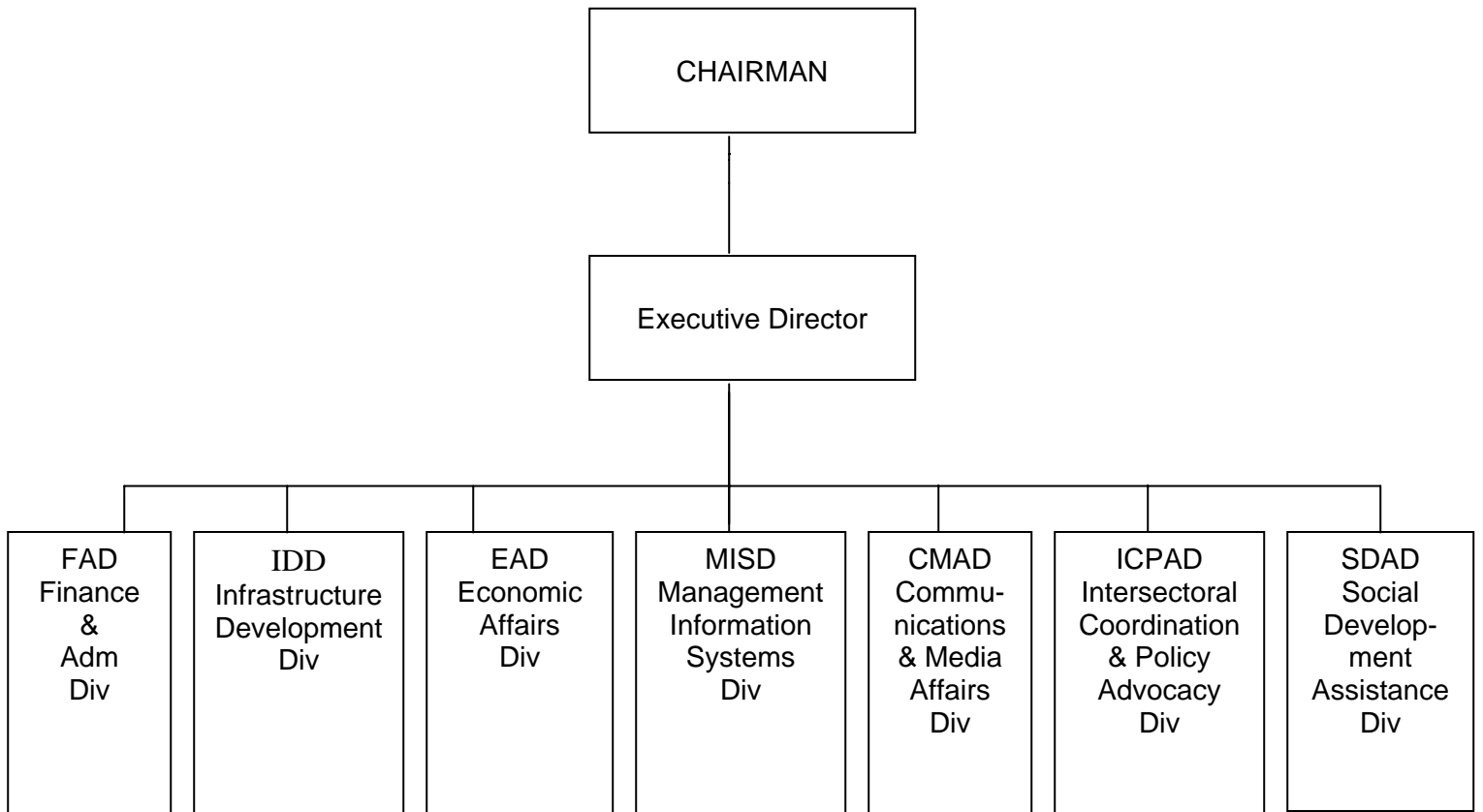
4. Phase 1 was completed in May 1997 and recommended the creation of a new PCOBE. The Government, however, decided to set aside the recommendation for reasons of economy and efficiency. Instead, MEDCo, the ad hoc Philippine national secretariat for BIMP-EAGA, was officially designated as the permanent Philippine coordinating office for BIMP-EAGA. MEDCo was also designated as the lead government agency to coordinate the formulation and implementation of policies and programs, and monitoring of all related activities in BIMP-EAGA. To integrate Philippine BIMP-EAGA efforts, Palawan's regional cooperation activities were included within the scope of MEDCo's responsibilities.

5. Implementation of phase 2 began in January 2001 and was completed in June 2002. An institutional reassessment of MEDCo relative to its expanded responsibilities formed the basis for defining MEDCo's core objectives in respect of other government and private sector organizations in Mindanao. The TA also allowed MEDCo to upgrade and acquire new technical skills to enable it to fulfill its role as the lead Philippine agency in BIMP-EAGA.

¹ ADB. 1996. *Technical Assistance to the Philippines for Capacity Building of the Coordinating Council for BIMP-EAGA*. Manila

MEDCO Secretariat**Organizational Chart**

(as of August 2001)



- CMAD - Communications & Media Affairs Division
- EAD - Economic Affairs Division
- FAD - Finance & Administration Division
- ICPAD - Intersectoral Coordination & Policy Advocacy Division
- IDD - Infrastructure Development Division
- MEDCO - Mindanao Economic Development Council
- MISD - Management Information Systems Division
- SDAD - Social Development Assistance Division

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Support sustained long-term economic development in Mindanao by promoting: (i) private sector and SME development, (ii) enhanced private-public sector partnerships with an improved enabling environment, and (iii) the creation of a private sector-led BDS market.</p>	<ul style="list-style-type: none"> • Increased SME business in the project areas • Increased provision of private sector-led business development services. • Increased joint public-private sector development activities. 	<ul style="list-style-type: none"> • Periodic and regular review of economic performance of Mindanao. • Periodic and regular reports on status of project implementation. 	<ul style="list-style-type: none"> • General economic and social conditions in Mindanao will improve and provide the environment for new investments and expansion of existing businesses.
<p>Purpose Implement an institutional strengthening and capacity building program at MEDCo. With this, enable MEDCo to provide a systematic and coherent framework which stakeholders can use to promote Mindanao's private sector including its SMEs.</p>	<ul style="list-style-type: none"> • A clear strategic framework for the development of SMEs in Mindanao. • Increased availability of diversified technical and advisory services to SMEs. • Improved coordination mechanisms between government, private sector and donor activities on SME development. 	<ul style="list-style-type: none"> • Periodic status reports. • Feedback from project stakeholders. 	<ul style="list-style-type: none"> • Significant numbers of private sector business service organizations participate in the project. • Commitment of LGUs to participate and implement activities identified by the TA.
<p>Outputs</p> <ul style="list-style-type: none"> • Capacity building and training needs of MEDCo, private sector business support organizations (BSO) and local government units identified and 	<ul style="list-style-type: none"> • Measurable deliverables such as: number of trainees, number of training courses conducted, number of BSOs trained, number of 	<ul style="list-style-type: none"> • Periodic status reports. • Feedback from project stakeholders 	<ul style="list-style-type: none"> • Capacity of local BSOs and SMEs. • Involvement of LGUs. • Interest of donors in participating and/or complementing TA objectives and

¹ ADB 1996, *Technical Assistance for Capacity Building for the Philippine Coordinating Council for BIMP-EAGA*. Manila.

² Phase 1 was completed in May 1997. The Philippine Government, however, decided to set aside the creation of a new PCOBE. Instead, the Mindanao Economic Development Council (MEDCo), the ad hoc Philippine National Secretariat for BIMP-EAGA, was officially designated as the permanent Philippine Coordinating Office for the BIMP-EAGA (Executive Order No 204, signed on 5 May 2000).

³ ADB *Technical Assistance for Small and Medium Scale Enterprise Development in the EAGA Region*. Manila.

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>units identified and addressed.</p> <ul style="list-style-type: none"> • Mechanisms for improved public-private sector partnerships in SME development identified and implemented. • Availability of simple technologies for the delivery of fee-based and private sector-led business development services. • Improved coordination and collaboration of activities between MEDCo, LGUs and aid agencies. 	<p>SMEs trained and assisted, number of LGUs and donors participating in the project, number of public-private sector activities organized and implemented.</p> <ul style="list-style-type: none"> • Specific targets per participating LGU/BSO will be determined after the assessment of training needs and capacity. Targets will be contained in an agreement with the LGU/BSO 		<p>objectives and activities.</p>
<p>Activities</p> <ul style="list-style-type: none"> • Assess constraints and opportunities in the Mindanao BDS market. • Establish a reliable database on Mindanao SMEs. • Conduct consultations, and focused group discussions with the private sector and LGUs to identify and implement institutional and market mechanisms to improve BDS market. • Identify and establish effective linkages between LGUs in Mindanao with others in BIMP-EAGA to enhance local and subregional trade. • Improve public private sector partnership. 	<ul style="list-style-type: none"> • Effectiveness, quality and timeliness of training, capacity building and technical advisory services provided by the TA. • Sustainability of mechanisms and institutions identified under the TA (within 9 months from start of TA implementation) • Institutionalization of coordination and collaboration mechanisms with other donor/aid agencies (within 6 months from start of TA implementation) • SME database established (within 9 months from start of TA implementation) 	<ul style="list-style-type: none"> • Periodic status reports on TA and subprojects implementation. • Regular and final consultants reports. • Shared reports with other donors. • LGU accomplishment reports. • Feedback from private sector stakeholders. 	<ul style="list-style-type: none"> • Level of participation by private sector, SMEs, LGUs and other donor agencies. • Cooperation and collaboration among stakeholders and TA beneficiaries.
<p>Inputs</p> <ul style="list-style-type: none"> • International and domestic consultants 		<ul style="list-style-type: none"> • Reports and feedback from stakeholders. 	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
engagements. • Resource persons and other high-level private sector personalities engagements.			

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	82	0	82
ii. Domestic Consultants	0	43	43
b. International and Local Travel	8	3	11
c. Reports and Communications	0	5	5
2. Equipment	0	5	5
3. Training, Seminars, and Conferences			
a. Facilitators	10	0	10
b. Training Program	0	20	20
4. Contingencies	11	13	24
Subtotal (A)	111	89	200
B. Government Financing			
1. Office Accommodation and Transport	0	17	17
2. Remuneration and Per Diem of Counterpart Staff	0	45	45
3. Others	0	9	9
Subtotal (B)	0	71	71
Total (A+B)	111	160	271

^aFrom the ADB-funded TA program

Source: Asian Development Bank estimates

OUTLINE TERMS OF REFERENCE

A. Team Leader and Business Service Organization Development Consultant (12 person-months)

1. The team leader will be an international consultant who will serve as a resident consultant and project team coordinator for the Mindanao Economic Development Council (MEDCo). The team leader will be experienced in developing business service organizations (BSOs), preferably organizations involved with the development of small and medium-size enterprises (SMEs). The team leader will coordinate the activities of the domestic consultants. While implementing the training activities for business development services (BDS), the team leader will ensure that the private sector-SME development unit staff at MEDCo is involved in all phases of the work as a form of hands-on mentoring and capacity building for such staff. The team leader will liaise with the executive director of the MEDCo and the Asian Development Bank (ADB) Technical Assistance (TA) task manager on a regular basis.

2. The team leader will be responsible for two areas. For business development services, the team leader will do the following:

- (i) Assess the market in Mindanao using strength, weakness, opportunities and threats (SWOT) analysis. The assessment will include recommendations on the appropriate institutional and market mechanisms and/or policy reforms that would engender the development of the BDS market in Mindanao.
- (ii) Compile best practices and principles in the development of the BDS market in consultation with other government and funding agencies involved in the provision of BDS.
- (iii) Formulate a strategy for BDS market development based on the results of (i) and (ii).
- (iv) In collaboration with MEDCo, establish criteria acceptable to ADB for selecting the BSOs that will receive institutional and capacity building training.
- (v) Establish a training program for the private sector BSOs selected that will result in (a) assessing existing capabilities and core competencies, skills gaps, and training needs; (b) establishing cost-recovery mechanisms acceptable to ADB for the training and capacity building activities; (c) developing marketing and sustainable outreach strategies; and (d) identifying mechanisms to improve the relationship between the SME entrepreneurs and financing sources.
- (vi) For each participating BSO, identify specialized technical skills required to efficiently carry out its activities and provide the services of BDS facilitators, and the sector experts to conduct short-term training and workshops. Assist MEDCo and the ADB task manager in identifying the corresponding qualified and competent consultants for this purpose.
- (vii) Assist MEDCo in identifying, drafting, and establishing implementation mechanisms for strengthening linkages between the private sector in Mindanao

and its counterparts in BIMP-EAGA), including the identification of potential projects and activities to improve the networking capacity of the BIMP-EAGA private sector.

3. For TA implementation, the team leader will do the following:
 - (i) Submit reports to ADB and MEDCo as required, including (a) an inception report within 1 month after fielding, and (b) a midterm progress report on or about 6 months after fielding. Ensure that consultants submit periodic accomplishment reports on their activities under each component of the TA. Submit a final report within 1 month after completion of the TA.
 - (ii) Undertake full documentation of the training activities, including identifying issues and concerns and recommending measures to resolve these issues.
 - (iii) Undertake overall supervision and management of the TA, including ensuring that the other consultants comply with their terms of reference.

B. Databank and Data Base Specialist (3 person-months)

4. The Specialist will be a domestic consultant who will work with the private sector-SME development unit staff and with MEDCo's Management Information Systems (MIS) Division. The specialist will preferably have experience in

- (i) designing and implementing data bases using SQL 2000 Server and applications that facilitate data acquisition, collection, storage, retrieval, processing, and interpretation;
- (ii) installing and testing databases and applications in a windows 2000 based intranet; and
- (iii) using websites for data publication and as gateways for data acquisition.

5. The specialist will set up a comprehensive and reliable database on SMEs in Mindanao. To that effect, the consultant will do the following:

- (i) Design and implement a data management system to be determined in consultation with the team leader, MEDCo's private sector-SME development unit and MIS staff, the DTI Mindanao Coordinator and the ADB task manager. The data base will (a) contain ongoing and planned SME development programs for Mindanao; and (b) be hyperlinked to the existing databases of government line agencies.
- (ii) Identify and define the data to be collected and the collection modalities. This will include (a) the collection frequency; (b) standards and procedures for data collection, encoding, and storage; (c) data encoding interfaces and report generators; (d) a quality control system for data inputting, processing, storage, and backup; (e) security measures to protect the data base, and the data and information management systems, including the appropriate backup and disaster recovery systems with appropriate write-ups describing the detailed approach and procedures adopted for each; and (f) an acceptance procedure providing the design of an evaluation test and the support documents used for preparing such tests including a dummy data base containing a representative set of input-output parameters. The data output will allow publication in the MEDCo web page.
- (iii) Design and implement data base applications that facilitate data encoding, retrieval, formatting, analysis, and reporting. These include routines that may be

used in the intranet for (a) encoding data by external sources into MEDCo databases, (b) extracting data from data bases external to MEDCo and electronic files in Excel or spread sheet format, (c) searching and retrieving data from MEDCo data bases through the MEDCo web site or intranet, and (d) formatting extracted data sets for input interfaces of generally used statistical and numerical analyses and graphical presentations at MEDCo.

- (iv) Work closely with the SME specialist in refining the data requirements. Accordingly, the specialist will (a) prepare a complete documentation on the work accomplished, providing a detailed description of the data base structure, processes, and implementation details; and (b) train concerned MEDCo staff to enhance their capability in maintaining and managing the data as well as the MIS.
- (v) Assist in the conduct of a midterm review of the implementation of the TA including assessment of equipment budget for MIS.

C. SME Development and Trade Specialist (8 person-months)

6. The Specialist will be a domestic consultant with experience in the delivery of a wide range of interventions aimed at developing the private sector, particularly SMEs. The specialist will understand the functions of local government units (LGUs), especially the regulatory aspects of such functions. The specialist will have strong experience in

- (i) assessing the policy and regulatory environment affecting small business,
- (ii) formulating and implementing strategies for effective networking of SMEs, and
- (iii) establishing mechanisms for strengthening public-private sector partnerships in private sector development.

7. The specialist will do the following:

- (i) Review the mandate of local governments relating to the local business environment, including the extent of their regulations, guidelines, and procedures provided for under the law. This review aims to help determine specific activities that LGUs can undertake to improve the local business environment.
- (ii) Assess the current business and investment environment of selected primary growth centers in Mindanao (Butuan, Cagayan de Oro City, Cotabato City, Davao City, General Santos City, and Zamboanga City) and determine their comparative strengths and opportunities for private sector and SME development. The assessment is expected to (a) provide statistical comparisons on the status of trade and investments and other relevant business-related statistics; and (b) examine existing practices involving public-private sector collaboration and partnerships in trade and investment development, including such areas as business licensing regulations and procedures, consultation and feedback systems, and institutional and market support mechanisms.
- (iii) Based on the results of the review and assessment, recommend specific measures that LGUs can adopt to improve the business environment and increase the participation of the private sector in economic development efforts. This is expected to include but not be limited to (a) policy and institutional reforms as well as advocacy, particularly in relation to improving the local business environment; (b) identification of infrastructure requirements, especially related to the mobility of goods, people, services, and post-harvest and storage facilities; and (c) improvement of local vocational and skills training.

- (iv) Consult through participatory workshops, with LGUs and their private sectors on the measures recommended and encourage local governments to implement acceptable recommendations on a pilot basis. These may include the establishment of one-stop shops, investment information services, local BIMP-EAGA units, and streamlining of licensing and approval procedures.
- (v) Assist MEDCo and the LGUs in establishing collaborative mechanisms to plan and implement private sector and SME development activities that may include regular sharing of information, and coordinating and monitoring of SME development programs and projects of other government and aid agencies.
- (vi) Assist MEDCo and the LGUs in assessing the effectiveness of the local small and medium enterprise development councils and other private sector-led organizations, such as chambers of commerce, in creating the appropriate policy environment for SMEs and determining how LGUs can support these organizations to improve their efficiency and relevance.
- (vii) Assist the team leader in complying with the administrative requirements under the TA, including reporting requirements of MEDCo and ADB.

D. Eminent Persons (1 person-month)

8. The "eminent persons" will be recruited as resource persons. They will be contracted on the basis of their former and current position, reputation, and understanding of the private sector dynamics in Mindanao and in the BIMP-EAGA region. The eminent persons will do the following:

9. They will

- (i) help identify and consolidate Mindanao priorities for the private sector with BIMP-EAGA priorities;
- (ii) prepare representations at the highest levels in the public and the private sectors, especially where private sector expansion may be hindered by national policy considerations;
- (iii) help prepare and implement advocacy activities for policy reforms aimed at improving the environment for private sector participation in the economic development of Mindanao and BIMP-EAGA ;
- (iv) assist MEDCo to prepare strategies for improving public-private sector partnerships in SME development;
- (v) assist MEDCo in defining specific activities to strengthen the networking, collaboration, and cooperation among LGUs in BIMP-EAGA to facilitate the participation of LGUs in the improvement of the policy and BDS environment in the subregion; and
- (vi) provide guidance and support on issues pertaining to policies and priorities.

E. Short-Term Sector Specialists (5 person-months)

10. The short-term sector specialists will be domestic consultants with demonstrated technical expertise in their fields. The scope of work and the duration of their engagement will be determined during the implementation of the TA.

11. In consultation with MEDCo, the specialists will provide individual enterprises or BSOs selected with DTI approval specific advice and skills in such technical fields as trade finance, public resource programming and mobilization, project development and management, and

feasibility study preparation. Other fields of expertise will be determined during the implementation of the TA. In the process of their assignment, the specialists will do the following:

- (i) Consult with relevant local officials, local private business organizations and existing and potential trade/investment partners on specific needs of BSOs in identified fields, including issues, opportunities, risks and constraints.
- (ii) Determine appropriate modalities for addressing specific needs identified by the relevant BSOs and develop the appropriate system for delivering the skills required to address these needs.
- (iii) Conduct the delivery of skills required by the relevant BSOs, and
- (iv) Prepare the appropriate reports to ADB and MEDCo on the activities undertaken as well as recommendations, if any.