



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

I. Project Information

Project Code	QDRDX
Project Title	Conduct of Pre-Feasibility Study on the Rural Dairy Industry Development Project (RDIDP): A Business Case Study of Selected RDIDP Site
Project Start	01 April 2016
Project End	31 January 2017
Project Price	PHP1,856,000.00 (inclusive of VAT)
Client Organization	Department of Agriculture -Public Private Partnership Unit
Status	On-going

II. Project Team:

Project Manager	Flordeliza F. Manalastas
Team Members	Amado Bonifacio L. Alto, Melinda F. Escopete, Yuri R. Munsayac, Christian S. Eparwa, John Christian C. Flaminiano, Apple Vine S. Rivera
Supervising Fellow	Monica D. Saliendres
Consultants	Salvador P. Catelo, Severino S. Capitan, Roberto C. Julian, Johan G. Martinez, Myrna S. Galang, Angelo M. Tapia

III. Project Details

A. Project Description:

The Department of Agriculture (DA) through its Public-Private Partnership (PPP) Unit has commissioned a pre-feasibility/business case study with the Development Academy of the Philippines (DAP) entitled, "Conduct of Pre-Feasibility Study on the Rural Dairy Industry Development Project (RDIDP): A Business Case Study of Selected RDIDP Site."

The RDIDP is a project being pursued by DA for the National Dairy Authority (NDA). The RDIDP's primary goal is to contribute in increasing the productivity of the agriculture sector particularly the livestock-dairy sub-sector and by doing so accelerate the development of the Philippines dairy industry. This is in line with the overall thrust of the DA and NDA to improve food security through the availability of locally produced milk in the market and increasing rural income of farmers.

In order to contribute to the dairy industry development, the RDIDP specifically aims to:

1. "sustainably produce and process 125 tons of local milk daily by increasing the number of dairy animals by at least one (1) boatload (or 1,200 heads) every year through importation and upgrade of local dairy cattle¹; and,

¹ These targets were based on the 2010-2016 Dairy Road Map as crafted by the NDA but these may be refined after the conduct of a full-scale feasibility study. For the pre-feasibility study/development of the business case, this was treated as a given/assumption.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

2. create livelihood and employment opportunities in accordance to the rural industrialization and dispersal programs provided for in the Republic Act (RA) No. 8435 or otherwise known as the "Agriculture and Fisheries Modernization Act (AFMA) of 1997".

The pre-feasibility study was three-tiered. First, it determined the predominant dairy cattle business case as well as its business performance. Second, it painted a dairy cattle business scenario with support system from the government and examined its technical, market, organizational and economic pre-feasibility. Third, the study assessed the potential interest of the private sector to participate in the business.

B. Project Objectives:

The purpose of the pre-feasibility study was to provide a preliminary and indicative picture of the economic desirability of a RDIDP business case and to determine whether or not it can be pursued as a PPP venture.

C. Focus Area:

The pre-feasibility study was designed to contribute to the increase in production and productivity of the agriculture sector particularly the livestock-dairy sub-sector.

D. Project Type:

This is a research-type of project.

E. Project Beneficiary:

The DA/NDA is both the project's implementer/partner and beneficiary. The primary potential beneficiaries of the project are the producers and processors of fresh milk on the agricultural production or the supply side and the beneficiaries of the milk feeding programs on the demand side particularly on health and nutrition.

F. Regional Coverage:

For this pre-feasibility study, the province of Batangas was selected as the business case site.

IV. Project Accomplishments

A. Key Activities Implemented:

The subsequent section describes the key project activities implemented for the RDIDP pre-feasibility/business case study:

1. **First Project Meeting with the Members of the Project Steering Committee and the Technical Working Group (30 March 2016)**

This activity was conducted on 30 March 2016 at the DA-PPO Conference Room, DA Main Building, Quezon City. This meeting served as the initial or start-up activity of the project and first official meeting of the DAP Project Team and the DA Counterpart



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

Team together with the members of the RDIDP Project Steering Committee (PSC) and the Technical Working Group (TWG) from the different government agencies. The following were presented and discussed:

- a. Project activities, timelines and deliverables
- b. Project Implementation Plan (PIP)
- c. Initial Data Requirements
- d. Out-of-Scope items

During the meeting, it was already anticipated that there might be delays in the conduct of the project activities because of the May 2016 election. The PIP that was presented had some modification to reflect the possible delays. The PSC and TWG had no comments on the proposed PIP.

2. Presentation of the Inception Report (5 July 2016)

The Deliverable 2: Inception Report for the RDIDP that was submitted and received by DA-PPP Unit on 30 June 2016 was presented to the TWG on 5 July 2016 at the AFID Conference Room, DA Main Building, Quezon City. During the meeting, the members of the DAP Project Study Team were introduced. The following were presented and discussed:

- a. Project background/introduction
- b. Scope of work, methodology and framework
- c. Selection criteria for the study site
- d. Revised project implementation plan and timelines
- e. Support and other requirements

The DA reiterated that their original intention is to produce a Business Case that is submittable to NEDA for Investment Coordination Committee (ICC) processing. The members of the TWG from the Public-Private Partnership (PPP) Center stressed the eight key elements of a business case study. The DAP Study Team responded that the appropriate sections of the Business Case will be delivered and will have recommendations to address the identified gaps that would help the "industry" to move forward. The study will also determine if PPP will be a feasible procurement option for the project and if so accomplish the appropriate ICC forms (except for the preliminary environmental and social impact assessment because it is not among the outputs identified in the Memorandum of Agreement).

3. Consultation Meeting with NEDA-PIS and PPP Center (18 July 2016)

To be able to respond to the comments of the TWG on the Inception Report (IR) particularly for items that needed further clarifications, the DAP Project Study Team met with some representatives from the National Economic Development Authority – Public Investment Staff (NEDA-PIS) who provides Secretariat support to the ICC-Cabinet Committee and the PPP Center on 18 July 2016.

Some points that were clarified during the meetings:

- a. The NEDA-PIS clarified that there is a need to establish what the priority of the DA is with regards to developing the local dairy industry. The DA should exactly define its own preference. The DA should have a clear policy decision/statement



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

if they will pursue PPP and in what way. In pursuing the PPP scheme, the important points to be considered are:

- i. technical, market and financial viability
- ii. willingness of the private sector to participate and how many companies will be interested

- b. The PPP Center clarified that although the components/requirements contained in the Project Evaluation (PE) forms may seem to be a little advance, there were projects in the past submitted by other agencies that accomplished the PE Forms at the pre-feasibility stage. However, they were mostly infrastructure related. At this point, there is a need to rationalize what is doable and appropriate to do under the business case study considering the boundary/limitation in the resources, time and site.

The meeting helped the DAP Project Study Team in addressing the TWG concerns and leveling off on the requirement of a pre-feasibility/business case study particularly in understanding the appropriate ICC requirements that will eventually be submitted to NEDA-ICC and/or PPP Center since the two agencies will be the eventual evaluators of the business case study.

4. Stakeholders' Consultative Meeting (23 August 2016)

One of the request that was sought from the NDA to facilitate data gathering was the attendance of the DAP Project Study Team to the Stakeholders' Consultative Meeting organized by the NDA South Luzon Department at the Hacienda Darasa Resort, Tanauan City, Batangas last 23 August 2016.

This activity was part of the nationwide consultative meetings conducted in order to craft the Philippine Dairy Industry Roadmap. During the break, the Study Team was given an opportunity to introduce the project and provide a brief background of the RDIDP pre-feasibility study to some of the participants from Batangas province who is involved in dairy cattlebusiness.

Some of the workshop results during the Region IV-A stakeholders' consultative meeting that may be relevant in designing the RDIDP project components:

COMPONENT	Description	Issues Raised	Recommendations
Component 1	Highest in the number of existing herds including the highest milk production volume, Quality is not raised as a compelling issue	Land tenure for pasteur is a problem, Inputs (source of forage) is a concern Human resource (farmers) well trained in production aspect	*Pasteur development (planting material, labor) *Standardization of MOA for Dispersal Animal *DDF should be imposed only to milking animal if cannot be removed at least it should be selective *Equipment support (milking machine)



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

COMPONENT	Description	Issues Raised	Recommendations
			*Animal health (roving vet, access to medicines) *Access to ACEF
Component 2	4 processors all privately managed Utilization Capacity not yet available	Underutilized	
Component 3	Manila market, need verify provincial consumption & demand level	There should be established demand if they increase production. They expressed that marketing support is needed.	*Marketing *increase in local milk consumption (30% annually to address the targeted increase in production of 10% annually) *Institutionalized milk feeding program

As a result of the stakeholders' consultative meeting, the following were useful in developing the possible PPP variants:

- a. Institutionalized milk feeding program as possible anchor of the PPP arrangements
- b. Government land as public good to offer for Pasteur Development
- c. If modern processing facility is needed (depending on the result of the study), it can be a BOT where O&M will be managed by the private sector

5. Conduct of Data Gathering Activities:

In preparation of the Business Case Report, the data gathering activity was done to:

- Assess the current state of the dairy industry through document review
- Conduct field visits/validation and key informant interviews
- Gather, review and analyze data from the field level

a. At NDA South Luzon Department (2 September 2016)

On 2 September 2016, the DAP Project Team interviewed the NDA South Coordinator for Milk Feeding Program (MFP) and discussed the MFP demand projections, costs of MFP to NDA, NDA mandates and the problems/concerns with regard to MFP. In addition, the following data were requested from the NDA South Luzon Department:

- Consolidated Annual Reports on Milk Feeding from 2013 to 2015
- Sample MOA between NDA and funding partners
- Sources of funding of the milk processing plants
- Details on foreign-assisted projects particularly the PL140 of NAFC
- List of multinational companies involved with other milk feeding programs



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

b. Field Visit in Batangas (7 September 2016)

This activity was led by the UPLB team composed of Drs. Salvador Catelo and Severino Capitan, Ms. Myrna Galang and Mr. Angelo Tapia. The study team was able to visit a dairy cattle farm and two milk processing plants in Batangas. The 2016 NDA data on Batangas dairy cattle was validated through key informant interviews. The findings of the field visit were incorporated in the pre-feasibility study particularly in the technical analysis and getting the supply-demand gap for Batangas. The results of the study were integrated within the various chapters of the business case report such as the situational, economic and financial analyses.

c. At the Batangas Province Local Government Unit and Tanauan City Local Government Unit (16 September 2016)

The Local Government Units (LGUs) of Batangas were not able to attend the stakeholders' consultative meeting on 23 August 2016. The DAP Project Team deemed that there is a need to formally introduce and discuss the project with the LGUs since the province of Batangas was selected as the business case site for the pre-feasibility study and the LGUs may be co-implementers/beneficiaries of the project.

On 16 September 2016, the DAP Project Team and representatives of the DA-PPP Unit and DA-Regional Field Office 4A introduced and discussed the project to the key officers and staff of the Offices of the Batangas Provincial Agriculturist and Provincial Veterinarian and the Tanauan City Veterinarian. The offices provided some relevant data/information particularly on their initiatives on dairy cattle and/or milk feeding program.

d. At NDA Central Office (26 September 2016)

As a follow through to the communication dated 15 August 2016 requesting for NDA's assistance particularly in providing access to available data at NDA, the DAP Project Team met with some staff of the NDA Central Office on 26 September 2016. The data needs/requirements for the study were reiterated. The assigned focal person from NDA Central Office assisted in securing some of the data requirements.

6. Presentation of the Study Findings to the PSC and TWG

Part of the project activities is to present to the PSC and TWG the results/findings per each phase of the study after the submission of the draft reports to DA in order to improve/enhance the report, address the comments/issues/concerns raised by the PSC/TWG on the proposed business case and eventually secure the acceptance of the project outputs/deliverables.

a. Presentation of the Situational Analysis (21 September 2016)

Before finalizing the written report for the Deliverable 3: Initial Draft of Business Case, the DAP Project Study Team requested to present the situational analysis to the TWG. The objectives of the presentation were to discuss the



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

preliminary/initial results and verify if the direction of the study is acceptable to them. However, the TWG members were not able to convene on 21 September 2016. The DA-PPP Unit requested to first submit the written report prior to the presentation to the TWG so that the TWG can have an initial review of the document and have a more meaningful discussion during the presentation.

Only the representatives from DA-PPP Unit and NDA were able to attend the presentation at the DA Main Building, Diliman, Quezon City. The Dairy Value Chain in Batangas and the Proposed Business Case Options were discussed. The two additional experts were also introduced.

The points that were raised during the meeting served as guide to the study team in finalizing the write-up for the initial draft report which was received by DA-PPP Unit on 5 October 2016. In addition and be able to move forward, the DAP Study Team proposed the following next steps:

- i. DA/NDA to set policy direction for the MFP
 - Willingness to commit to off-take undertaking?
 - Any preference or priority beneficiaries other than Batangas Province?
- ii. DA/NDA to provide guidance on preferred roll out strategy
- iii. NEDA PE Forms may not be enough to trigger the commencement of formal PPP evaluation/approval process. Submission of investment grade feasibility study may be required.

The direction of the study should be approved by the DA since this will entail possible policy and "commitment" in terms of resources support so that the project can be attractive to the private sector.

b. Presentation of the Initial Draft of Business Case (18 October 2016)

The first phase of the study which determined the business performance of the Batangas dairy cattle industry was presented to the TWG members on 18 October 2016. The objective of the activity was to present the Initial Draft of the Business Case to solicit comments from the TWG members on the proposed Business Case. The presentation focused on the project rationale, the proposed RDIDP business case, the study approach employed and the initial results of the study including the preliminary analyses. The pre-feasibility study was a work in progress, thus, the initial draft was more on the situationer report.

During the meeting, one member asked if there are other ways to develop the market without the MFP. The study team responded by saying that the project can only work through the MFP. It is the only thing of value that the NDA can offer to draw significant demand. For the next steps, the following were identified:

- i. The dates of the submission of the 2nd draft and the investor's forum will be finalized after the TWG and PSC meeting.
- ii. The DA is obligated to disperse by the 2nd week of December, thus, all requirements should be submitted by then.
- iii. Pursuant to the agreements in the IR, the DA-PPP unit requested that the timeline in the IR be followed as this would give the DA ample time to review and comment on the final report.



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

c. Presentation of the Second Draft of Business Case (5 December 2016)

Even if the acceptance of Deliverable 3 was not yet secured, it was agreed during the 25 November 2016 meeting of DAP Project Team and DA-PPP Unit to present first the second draft of business case incorporating the points made for the Deliverable 3 prior to the submission of a written second draft business case report.

The second phase of the study which painted the dairy cattle business scenario in Batangas province and ascertained the technical, financial and economic viability of it was presented to the TWG members on 5 December 2016. The presentation was part of Deliverable 4, the second draft of the business case, which was an enhanced first draft based on the inputs provided by the TWG and additional data/information to enhance the financial and economic models. The presentation was developed in a way to address the comments voiced out by the TWG about the first draft. The presentation also served as an opportunity for the TWG and DAP to level off on the issues raised by the TWG regarding the Deliverable 3. The main objective of the presentation was to solicit the inputs of the TWG on the business model and project design and validate it with DA/NDA prior to the presentation to the dairy stakeholders in Batangas province.

The following agreements were made:

- i. A revised Deliverable 3 or a matrix addressing the concerns in the recent comments of the TWG will suffice to trigger the processing of the payment of the said deliverable.
- ii. The Deliverable 4 will be submitted officially by the DAP on 06 December 2016. The date of submission will also be considered as the date of acceptance.

However, the decision regarding the conduct of the stakeholders' validation meeting was not yet finalized. According to DA-PPP Unit, the validation meeting cannot commence until the 2nd draft is accepted. Furthermore, the 1st draft was still not accepted in principle because the TWG has still glaring comments about the project structure. There was a suggestion for the validation meeting to restrict the presentation to answering what is the difference between the new MFP and old MFP without saying anything about a PPP.

d. Presentation of the Final Draft of the Business Case (6 January 2017)

As communicated on 22 December 2016, the Deliverable 5: Business Case Report and the Accomplished ICC Forms were submitted to DA and the DAP Project Team requested for the presence of the PSC members during the presentation of the final draft of the business case to ensure that the PSC are already aware of the design of the project and if they have inquiry, it will be discussed right away.

The last phase of the study which assessed the potential interest of the private sector on the proposed business model and finalized the project design to make it attractive to the private sector was presented to the PSC and TWG members on 6 January 2017. The presentation was part of Deliverable 5 and focused on the final draft of the business case as well as the responses to the TWG



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

comments on the second draft and the major additions to the report such as the finalized conclusions and recommendations based from the inputs solicited during the Dairy Stakeholders' Validation Meeting on the Development of a Business Case for the RDIDP conducted last 8 December 2016.

Some of the major comments and suggestions of the PSC and TWG were:

- i. On the number of beneficiaries for the MFP. Aside from the conservative scenario or threshold, the practical scenario must also be presented. Likewise, the scenario of including all school children (at a specified range of grade level), not limited to malnourished children, must be reflected in the model, to support the claim that the business case would be more viable and to avoid misinterpretation.
- ii. On which Agency (DA, DOH, DSWD, etc.) must take responsibility for the MFP. The report should discuss, in a contextual manner, that RDIDP is a development project and that it should not reside in only one Department. The report should also show that MFP was used as a prime mover to develop the dairy industry so the DA can elevate this to the management level or beyond the DA management.
- iii. On the project cost. The report should reflect the project cost as a 10-year concession is being proposed. The cost will be the basis on programming/requesting for budget using a Multi-Year Obligational Authority (MYOA).

The identified next steps were as follows:

- i. The spreadsheets used in the study showing the computations for the financial and economic analyses including the assumptions will be sent to DA the following Monday.
- ii. The DA settled that the orientation will focus only on the economic analysis. The target schedule for the orientation is on 17 January 2017, 9AM-12NN.
- iii. The DA agreed to submit the consolidated comments by the following week.
- iv. The DA staff added to include the options in the revised final report so they can see it but it should be direct and clear if it is PPP in order to have a clear message to the readers.
- v. The target submission for the revised final report shall be on the 3rd week of January 2017.

7. Validation of Stakeholders Interest on the Proposed Project

a. Dairy Stakeholders' Validation Meeting on the Development of a Business Case for the Rural Dairy Industry Development Project (8 December 2016)

Originally, this activity was named the Investor's Forum as part of the market sounding activity of the project. However on 14 November 2016, the DAP requested to rename it so as not to set false expectation since the project was still at the development stage and commitment of the top management of the DA has yet to be secured. This activity was conducted last 08 December 2016 at the Hacienda Darasa Garden Resort Hotel, Tanauan City, Batangas.

Through this activity, inputs and comments from the Batangas dairy stakeholders on the proposed business model were solicited and the possible interests of the business sector in participating in the proposed project were also determined.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

The validation meeting helped the study team in enhancing the analysis to build a case on whether the intended private sector participants will be able to build a credible and sustainable business out of the project.

The participants of the said activity were the major business stakeholders of the Dairy Industry in Batangas and representatives from DA-PPP Unit, City Government of Tanauan and the NDA South Luzon Department including the Milk Feeding Program Coordinator.

b. Orientation for the DA Project Team on Developing the Financial Model (17 January 2017)

This activity was conducted on 17 January 2017 at the DA-PCAF Conference Room, Quezon City in order for the participants to appreciate the basis and process of developing the economic model for the RDIDP business case study in Batangas province. The participants were the DA staff from the PPP Unit, AMAS, and NDA and a representative from PPP Center.

Dr. Salvador P. Catelo presented the major aspects of the economic analysis done for the business case study in Batangas province. Dr. Catelo walked through the participants on the spreadsheet used for the analysis of the study and provided details of the assumptions used. The clarifications of the participants particularly on the assumptions used were adequately addressed by Dr. Catelo.

B. Major Outputs:

The following were the major outputs produced by this study:

1. A business case that was developed for the RDIDP to be applied in Batangas province being the selected business case site and the level of analysis was a pre-feasibility stage and not a full-blown feasibility. While the RDIDP is a project with a national scope, the consensus was to develop a case where the business concept can be tested first in a particular site. The proposed business model can be replicated in other dairy cattle areas when found robust and acceptable with the target beneficiaries, project co-implementers and the private sector. The developed business case was in line with the RDIDP goals and thrusts of NDA to produce more milk, create livelihood and employment opportunities and generate more income for the dairy cattle farmers.
2. The pre-feasibility study will serve as a stepping stone to the possible inclusion of the pilot case study in the list of projects for evaluation by the Investment Coordination Committee (ICC). The empirical results of this business case study provided valuable insights on the next steps to be taken in the implementation of the RDIDP.

C. Project Impacts (Initial Gains):

1. The overall goal of the RDIDP is to increase the production and productivity of the agriculture sector particularly the livestock-dairy sub-sector by ensuring the accelerated development of the Philippine dairy industry. Through the conduct of this study, the Academy being the National Productivity and Development Organization,



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

has instituted its role in addressing productivity gaps in the sector by assessing the current state and measuring the performance of the local dairy industry and recommending the necessary interventions to achieve the overall goal of the project which is to improve food security through the availability of locally produced milk in the market and increasing rural income of farmers.

2. This pre-feasibility study provided an opportunity to determine the possible interest of the business sector to participate in the proposed project. In addition, some staff from DA and PPP Center was given a chance to walk-through the process of developing the financial model and appreciate the basis of the business case model in Batangas province under the RDIDP.

D. Lessons Learned:

The following were the lessons learned in the different phases of the project:

1. Conceptualization (Project Proposal Preparation)

a. Project Price

The original Project Proposal was not submitted on time because the team had to redo the project scope and costing twice to somehow lower the total cost of the project. In the revised proposal and as requested by the client, the project price was further reduced by taking out some deliverables or activities that will not greatly affect the outcome of the study like submission of documentation or proceedings which will entail additional resources (manpower, packaging and printing cost, etc.).

It was hard to estimate the cost breakdown as this was a customized research-type of project and there were outputs that were not yet offered by the Academy. In addition, when the cost breakdown was prepared in May 2015, the salary adjustment was not considered.

There should have been a provision in the proposal to account for the current rate of the Academy or consideration for rate adjustments particularly for those proposals that are submitted to the client but take a very long period to be contracted such as the case of this project which started after almost a year in April 2016. It will greatly help also if standard definition of research type and corresponding cost are well defined.

There should be a standard rate for research-type of projects depending on the scope and the outputs to be delivered.

b. Project Scope and Requirements

The project proposal was conceptualized based on previous feasibility studies, some materials provided by the client like the Terms of Reference (TOR) and assessment on the original concept note, and exploratory/consultation meetings with the client. But the proposal was further revised to incorporate the recent addition to the requirements of the possible evaluating agency. In the third revision, the team tried to limit and consolidate deliverables to address time and resources constraints.



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

The revisions on the project proposal might have been minimized if the proper authorities have already been consulted at the start. There should be a venue to level off on the requirement of the project/study through consultation with the appropriate body/agency.

2. Contracting and Negotiation

During the negotiation stage for the project on 03 March 2015 meeting, both DA and DAP agreed to change the "consultancy services" to "DAP services" that will be reflected in the MOA. However, when the client provided their MOA template in December 2015, the consultancy services were still reflected. The project team took a while to revise the MOA and incorporate the required provisions of the Academy. The client even requested to delete the DAP controlled form number in the MOA.

To save time, parallel review of the MOA was done on both the side of the client and the Academy. But still, it took almost two months to finalize and accept the MOA because the client ensured that the original intention of DA to produce a Business Case that is submittable to NEDA for ICC processing was reflected in the MOA's Scope of Work.

If there is a leveling off on the requirement of the project/study between the client and project team after the appropriate body/agency has been consulted, the review period and revisions of the MOA might have been reduced.

3. Setting-up/Mobilization Stage

a. Hiring of Consultants

The project encountered difficulties at the setting-up/mobilization stage. The project team had a hard time looking for highly specialized consultants who have the expertise to address the specific needs/requirements of the project. The team used network and recommendation from colleagues to look for possible consultants. However, one possible consultant that the team met was not able to commit because of his job prospects overseas.

To facilitate looking for consultants, the project team went to a university, consulted some directors and asked for their recommendations. The recommended consultants did not immediately commit to the project. They had concerns with their TORs because of the issue with the client regarding project scope and outputs, thus, they deferred signing their contracts. It was only after the engagement of two additional experts, as requested by the client to hire consultant with expertise in PPP, that the TORs of all the consultants were revised, finalized, reprocessed and signed.

It was risky for the project team to manage the consultants and require them to submit outputs when they are not officially engaged. The team had an alternative option (already consulted other possible expert) in case the consultants will not eventually commit.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

If a project/study needs highly specialized experts, consultation and exploratory meetings with possible consultants could start during the contracting stage even before the project officially begins. Processing the engagement of the consultants may commence when the client already issues the notice to proceed. This might reduce the concerns during the mobilization stage of the project.

b. Processing of LOIs and TORs

Most of the consultants hired were new so the DAP's Consultant's Engagement Request and Classification Forms were processed. It took a while to process because of the time it took to request for their latest CV.

For new consultants, they should provide an updated CV with complete details in order for the team to properly assess their credentials and the admin to properly categorize them. To save time, the DAP's Consultant's Engagement Request and Classification Form can be processed even before the start of the project.

The LOIs and TORs of the consultants were revised thrice because of the concern with the honorarium. There should be a standard rate per type of output.

There was also a concern regarding the date of the LOIs and who were the official signatories for that day. There was an instance that the memo was revised because the proper authority for the day was not indicated.

When drafting the memo and LOIs, verify the official signatories to minimize revisions and reprocessing of documents.

4. Implementation

a. Project Implementation Plan (PIP)

It was already anticipated at the start of the project that there might be delays in the conduct of project activities because of the May 2016 election. The revised Project Implementation Plan (PIP) and new timelines that reflect the possible delays were presented and discussed during meetings and presentations at the early phase of the project. However, there was no approved document to show the revisions/changes in the PIP particularly on the timelines, thus, the delays in the conduct of project activities incurred penalties.

The original timelines indicated in the MOA should have been amended even at the start or early phase of the project when the team ascertained that there might be possible delays in the conduct of project activities.

b. Deliverable 2: Inception Report

There was a delay in the preparation and submission of Deliverable 2 due to some technical and administrative concern because of the hard time looking for highly specialized consultants who have the expertise to address the specific needs/requirements of the project. The delay resulted to penalties incurred.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

The delay could have been prevented if the consultants were already hired at the early phase/stage of the project so the selection of consultants should have been done before the start of the project.

The formal communication relaying the delay in the submission of the Inception Report (IR) and the initial submission of the IR were not recognized because the acceptance date that was considered was the reckoning date of Final Inception Report submission. To minimize/prevent penalties, the timelines should have been amended even at the early phase of the project and prior to the submission of the deliverable.

The IR was revised twice before the DA-PPP Unit accepted the Deliverable 2. The TWG had a lot of concerns on the IR. The DAP Project Study Team met with the representatives of NEDA-PIS and PPP Center in order to address the TWG concerns and level off on the requirement of a pre-feasibility/business case study particularly in understanding the appropriate ICC requirements that will eventually be submitted to NEDA-ICC and/or PPP Center since the two agencies will be the eventual evaluators of the business case study.

The revisions could have been minimized if the leveling off on the requirement of a pre-feasibility/business case study was done earlier through consultation with NEDA and PPP Center.

c. Data Gathering Activities:

i. DA's endorsement of the DAP Project Study Team

As early as 27 June 2016, the endorsement from DA was requested. During the 5 July 2016 presentation, the DA-PPP Unit said that they will provide endorsement and join the site visit/field validation. The DAP reiterated the request for endorsement on 22 August 2016. It was only on 02 September 2016 that the endorsement was received.

It took more than 2 months to secure the DA's endorsement. That period could have been used to have more time for coordination with the concerned regional and local offices, project partners, LGUs and other stakeholders. There was not enough time to contact the respondents and do site/field visits.

ii. NDA's assistance

During the 5 July 2016 presentation, the NDA committed to assist the DAP Project Study Team during the field visits and data gathering activities. On 4 and 15 August 2016, communications were sent to follow-up with the assistance particularly in providing access to available data at NDA based on some data requirements and assigning a focal person from NDA who will assist the project team in reaching out to target participants in the province of Batangas.



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

The DAP Project Team had difficulty in securing the necessary data from NDA even with constant follow-up through calls and emails. One of the consultants helped in facilitating and gathering data from NDA.

When the team directly sent the communication to the Office of the Administrator, it was only then that the project team was directed to the NDA South Luzon Department and was able to gather some data/information.

On 26 September 2016 during an activity at the NDA with the other project on ISO, the project team was able to gather additional data.

Even with all the efforts done, it appeared to DA that the NDA was not consulted. On their 25 November 2016 communication, they said it seemed that the mandate, plans and programs, and organizational structure of the NDA were not considered in the course of DAP's study. The NDA reiterated their earlier commitment to provide information as well as data requirements. The TWG suggested for DAP to sit down with NDA in order to understand the latter's mandate and other data and information that can help in building the scenarios for the project either under PPP or otherwise.

For the study team, consultation with the NDA was already done during the presentations because the NDA was a member of the PSC and TWG. The document to show the mandate, plans and programs and organizational structure of NDA were provided in the ISO project. The NDA representatives in the TWG should have been upfront with what they wanted so that the study team was able to provide a project design that is acceptable to them.

d. Project Extension and MOA Amendment

The project duration was extended twice. The first extension was from 1 October to 31 December 2016 due to the institutional challenges encountered during the early phase of the study particularly during the mobilization stage. The project was also affected by the DA's transition process because of the change in leadership, the official signatories and approving authorities were not immediately identified. The second extension was from 1-31 January 2016 to address the administrative matter for the implementation of the remaining project activities in January 2017. The second extension was also done to provide enough time for the TWG to review the Deliverable 5.

As early as the 5 July 2016 presentation, the DAP Project Study Team requested for project extension but it was only on 27 September 2016 that the 3-month extension was formalized and signed by both parties. As a consequence of project extensions, the MOA was amended twice to reflect the extended project duration.

The MOA should have been amended earlier during the initial request for project extension in order to reflect the revised timelines so as not to incur penalties.



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

e. Deliverable 3: Initial Draft of the Business Case

The preparation and submission of Deliverable 3 was affected by the following factors:

- The Inception Report was revised twice and acceptance of Deliverable 2 was received late. Thus, the third phase of the project which is the preparation for the initial draft of the business case started late.
- There was difficulty in securing the necessary data/information and the availability of the selected respondents which resulted to delay in preparing the written report.
- There were two presentations for Deliverable 3. The first presentation was only with DA-PPP Unit and NDA which DA considered as a consultation meeting only. Time could have been saved if the rest of the TWG attended the first presentation. Even after two presentations, the policy directions that DAP requested from DA was not secured. This greatly affected on how to move forward with the analysis of the study.
- The DA-PPP Unit required submission of written report prior to the presentation to the TWG in order for the TWG to review the document. The TWG also wanted a 12-day review period. Thus, transmitting the comments raised by the TWG to DAP took a considerable amount of time.
- The initial draft of the business case was revised to incorporate the comments raised by the TWG. After the review of the TWG on the revised initial draft, they still raised more comments. The latest comments on the revised initial draft were addressed in a matrix form and the TWG allowed incorporating those comments in the second draft report. A lot of time and resources were spent in revising the initial draft and addressing the TWG comments.
- The TWG members were from DA-PPP Unit, NDA, AMAS, PCC and PPP Center with different interests. Most of the time, they had different views on how to proceed with the project and sometimes their requirements were beyond the scope of the study. There was no one who leads and guides them on the direction of the project. The perspective of the TWG and the DAP Project Study Team with regards to the business case study was not leveled off. Thus, the DAP Project Study Team had difficulty satisfying the TWG and complying with their requirements which led to late acceptance of the output/deliverable.
- The consultants had other pressing commitments, thus, they were not able to immediately address the concerns of the project.

The written report was not sufficient for the TWG to provide their comments. They also need a presentation to discuss the contents of the report. But there were instances that the TWG even required submission of revised written reports until they were satisfied with the output and recommended the acceptance of the deliverable.

Time and resources could have been saved, if prior to the submission of the written report, there will be an initial presentation with all the members of the TWG and PSC to provide them with the initial findings/results of the study, level off on the requirements of the project and secure their policy direction. If the DAP and the client including the PSC and TWG are leveled off, the direction of the study is clear and consensus, revisions might be minimized and expectations will be met.



f. Deliverable 4: Second Draft of Business Case

The preparation and submission of Deliverable 4 was affected by the following factors:

- The fourth phase of the project started late because the time that should have been devoted to writing the second draft report was used to revise the initial draft report and also address the TWG comments on the initial draft.
- The Deliverable 4 was not submitted on time because the Deliverable 3 was not yet accepted. It was a risk for DAP Project Team to submit an output without assurance that the previous deliverable will be accepted. The Certificate of Acceptance for Deliverable 3 was only issued after two months. Thus, Deliverable 4 incurred penalties.
- In addition, it was difficult to release the Deliverable 4 without receiving payment at least for the 2nd tranche. As much as DAP would like to already submit the Deliverable 4 and fast track delivery of the study, there were prerequisites that both agencies must observe.
- Because of the different interests of the TWG, the scope of the project was not clear most of the time. Leveling off expectations were done in most of the meetings and presentations to address this concern but still, those concerns surface again in the succeeding presentations. The DAP Project Study Team had difficulty managing them and there were instances of miscommunication and that the expert's opinion clash with the TWG. The TWG seemed to be more antagonist rather than supportive to the project.
- It was hard to secure the availability of the TWG members so the schedule of the presentation was postponed several times. As a consequence, the client allowed the DAP Study Team to present first the second draft of the business case prior to the submission of the written report.
- It was also hard to convene the consultants because of their respective workload and engagement with other projects. They had limited time for the study.

The Certificate of Acceptance for previous outputs/deliverables should be secured first prior to the conduct of next activities to ensure that the client is satisfied with the outputs submitted. If the review process of the client takes a long time, this period should be deducted to minimize the amount of penalties. There should be a provision/safeguard in the MOA to prevent incurring of penalties when project deliverables have not yet been immediately accepted. It is better to do the presentation first prior to submission of the written report so that the study team and the client including the TWG and PSC are leveled off on the scope of the report and requirements of the study. The direction of the study will be clear to all and there will be a consensus.

If there will be additional comments, it should be incorporated in the next output/deliverable and address those comments in a matrix form to supplement the written report rather than revising the submitted report in order to save time and resources.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

- g. Dairy Stakeholders' Validation Meeting on the Development of a Business Case for the Rural Dairy Industry Development Project

This activity was postponed several times because the Deliverable 4: Second Draft of Business Case was not yet submitted, presented and approved. The core of the presentation for the validation meeting was in the 2nd draft business report. To address this concern and proceed with this activity even if the Deliverable 4 was not yet accepted, this activity was renamed so as not to set false expectation with the target participants.

Options should be provided when there is a prerequisite prior to the conduct of an activity. If the prerequisite cannot be satisfied, provide alternative solutions in order to move forward with the project activities and comply with the project requirements.

The availability of the NDA principals was also considered in scheduling this activity. To ensure the presence of the NDA principals and confirmation of the target participants, the DAP Project Team sent formal communication to the NDA Administrator to request for assistance in coordinating this activity.

The NDA South Luzon Department also recommended the venue. The DAP Project Team arranged for a different venue in advance but because of the postponements in the schedules, the venue that was arranged was not available when the DA-PPP Unit confirmed the date for this activity.

- h. Deliverable 5: Business Case Report and Accomplished ICC Forms

Moving forward and in the interest of time of both parties, on 6 December 2016, the DAP requested that the additional concerns raised by the TWG during the 5 December 2016 presentation and the new TWG comments on the second draft to be effected into the final draft which was submitted on 22 December 2016.

As requested by DAP, the members of the PSC were also present during the 6 January 2017 presentation. This ensured that the PSC were already aware of the design of the project and when they inquired, it was discussed right away.

After the submission and presentation of Deliverable 5, it was only on 16 January 2017 that the TWG comments were transmitted. For them, the concerns were still not adequately addressed in the Final Business Case Report. They also informed that the acceptance of the Deliverable 4 will be contingent with the submission of Final Business Case Report which is acceptable to DA.

To clarify the latest concerns raised by the TWG on the Second Draft and Final Business Case Reports, the DAP Project Team met with the representatives of DA-PPP Unit on 26 January 2017. It was only during the said meeting that the client (DA-PPP Unit) had been upfront on the project design they wanted. Before, the DAP Project Study Team had a misconception on the direction of DA.

Because of this new development, there was a need to revise the Final Business Case Report. It was agreed that the revised report will be submitted within February 2017. VP Abanto commented that revision on the final report will entail



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

cost and time that the DAP cannot assure if it can still be supported by the project (Business Case Study). He added that DAP will look into the report if it can be submitted "without the project" and will just attach the findings with the MFP as Annex to the result. In addition, the DAP will look into how the project can be repackaged and will see if DAP's budget for the project can still cover the costs to be incurred for the changes.

The new development was discussed with the consultants and they deemed that revising the report will take more time. There were some requirements set by the client that may not be addressed by the current study. Within the experts, there were opposing views on how to proceed with the study, thus, it was difficult to organize and finalize the report.

Even at the last stage of the study, there were still major concerns/hurdles that surfaced which greatly affected the morale of the DAP Project Study Team. It seemed that there was a miscommunication between the study team and the client. This could have been prevented if at every stage of the project, there will be an open discussion or meeting with the project team and the client to address all issues and concerns before proceeding with the next phase of the project and ensure the acceptance of project deliverables.

i. Acceptance of Project Deliverables

In the MOA, there was a notation stating that the approval and acceptance of DA-PPP Unit/PSC will provide go signal for succeeding activities. In addition, the duration of project will be affected if prerequisite activities (e.g. approval of deliverables) will be delayed.

In the submissions of project deliverables, there were reminders in the communication that the approval and acceptance of the deliverable will provide the go signal for the succeeding activities for the next deliverable.

However, in the course of this pre-feasibility study, securing the acceptance of project deliverables was difficult. The TWG members provided recommendation to PSC for the approval of the submitted outputs/deliverables. The PSC members granted the approval while the DA-PPP Unit, as the client, issued the approved Certificate of Project Deliverable Acceptance. There were a lot of conditions that the DAP Project Study Team needed to satisfy prior to the approval of outputs/deliverables:

- i. For the Deliverable 1: Initial Project Plan, there was a need to revise the original PIP that was submitted in order to conform and reflect the original timelines indicated in the MOA.
- ii. For the Deliverable 2: Inception Report, the IR was revised twice to satisfactorily address the TWG comments. To address those concerns and level off on the requirement of a pre-feasibility/business case that will be eventually submitted to NEDA-ICC and/or PPP Center, the DAP Project Study Team had a meeting on 18 July 2016 with some representatives from the NEDA – Public Investment Staff who provides Secretariat support to the ICC-Cabinet Committee and the PPP Center.



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

- iii. For the Deliverable 3: First Draft of Business Case, the initial condition was that the TWG will accept the outputs if the TWG issues/concerns were satisfactorily addressed and incorporated in the revised version. However, the TWG was not satisfied with the revised version. As per agreement during the 5 December 2016 meeting, the matrix addressing the TWG comments served as the supporting document to finally accept the Deliverable 3.
- iv. For the Deliverable 4: Second Draft of Business Case, this will be contingent with the submission of Final Business Case Report which is acceptable to DA. Currently, the DAP Project Study Team is revising the Final Business Case Report.
- v. For the Deliverable 5: Business Case Report and Accomplished ICC Forms, the TWG needs to find that their comments and concerns are adequately addressed in the revised Final Business Case Report.

Without securing the acceptance of previous project deliverable, it was risky to proceed with the next phase of the project because there was no assurance of the output being acceptable to the client. More often, this resulted to delays in the conduct of the succeeding activities. As a consequence of delays, penalties were incurred.

This could have been prevented if at every stage of the project, there will be an open discussion or meeting with the project team and the client to address all issues and concerns before proceeding with the next phase of the project and ensure the acceptance of project deliverables.

j. Leveling of Expectations

Even at the last phase of the project, there were still instances that the DAP Project Study Team and the TWG were not level of. The experts felt that their opinions and views were not valued most of the time and their principles were compromised. This concern of satisfying the TWG and the client affected the direction of the study and progress of the written reports.

This could be prevented if the DAP and the client including the PSC and TWG are leveled off and the direction of the study is clear and consensus, thus, expectations will be met.

k. Changes in the RDIDP Schedule of Activities and Imposition of Penalties

As a consequence of project extension, there were a lot of adjustments on the schedules of the remaining project activities. Communications were sent regarding the proposed dates but it took a month before the client was convinced and accepted the changes in the schedules. However, the client reiterated that the time frame reflected in the amended MOA for the submission of the remaining deliverables shall still be followed and the non-submission of deliverable/s on the said time frames will entail penalty.

Since there were many changes in the schedules, the DAP sought the assistance of DA-PPP Unit in communicating the changes to the DA's Financial Management Service so that payment tranches stated in the contract will not be wrongfully deducted. There was also a communication stating that any



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

postponement or delays in the comments and approval of the TWG considerably affects the next deliverables of the project. And since DA imposed penalties for every delay, the Academy was penalized even for delays that are no longer controlled by the Academy.

The adjusted schedules of the remaining activities were based on the recent postponements and factoring the various considerations (e.g. review and revision period) that affected the schedules/duration of the project. When the project activities were further delayed, the Study Team was not able to meet the deadlines set forth in the amended time frame.

The DAP reiterated the concern on undue imposition of penalties caused by factors that DAP has no control of but still, the DA imposed penalties when the submitted deliverables did not follow the time frame reflected in the MOA.

If the review process of the client takes a long time, this period should be deducted to minimize the amount of penalties. There should be a provision/safeguard in the MOA to prevent incurring of penalties when project deliverables have not yet been immediately accepted.

I. Billing Statement and Payment Tranches

The billing statement for Deliverable 1 was issued on 11 May 2016 after the Certificate of Deliverable Acceptance was secured. However, the payment was not transmitted immediately because of the documents required by the client. It took some time to respond to the client's request because the documents at hand and the agreements made before were needed to be reviewed first. The Official Receipt for Deliverable 1 was only issued on 18 October 2016.

It was observed that the requirements being asked by the client were for Consultancy Services Contract which had been clarified before during the negotiation stage but to further address the request, the supporting documents necessary to facilitate payment for Deliverable 1 were submitted. The DAP's response on DA's request to facilitate payment were as follows:

DA's Required Documents	DAP's Response
Copy of detailed breakdown of the contract cost indicating the following among others:	In our communication dated 05 May 2015, we already provided you a copy of the detailed breakdown of the project cost (Attachment 1), please kindly refer to the said document.
a) Schedule of basic rates certified by the consultants with a sworn statement	The current request seems to be the same with your request for breakdown of deployment of personnel and consultants as mentioned in the DA consolidated comments dated 18 May 2015 item number 5.
b) Derivation of the billing factor/ multiplier certified by the consultant with a sworn statement	If you will recall, as our response in a letter dated 21 May 2015 (Attachment 2), we reiterated the following: <i>"While we agreed to provide you with the breakdown of the project price, as the business model of the Academy and as a GOCC without government funding, we would like to note that we are not valuing the project based on actual cost but based on the required deliverables and their nature.</i>
c) Detailed breakdown of reimbursable costs based on agreed fixed rates	
d) Detailed breakdown of reimbursable costs based on actual costs	



Productivity and Development Center
2016 PROJECT ACCOMPLISHMENT REPORT

DA's Required Documents	DAP's Response
	<p>With regard to the billing rate/day that we provided in the detailed breakdown of the project cost, please note that the rates we used were in 2015 when we prepared and submitted the proposal. But, the project was only contracted in April 2016. We did not make adjustments in the project price to reflect the current rate (2016 rate) of the DAP personnel.</p> <p>We would also like to add that we both agreed that this project will not be released as cash advance but rather a progress billing arrangement wherein the DAP will initially fund the project to defray the cost of delivering the project outputs. And as we submit the required outputs, payment will be made as reflected in the five (5) payment tranches stated in Section 4 of our Memorandum of Agreement (<i>Attachment 3</i>).</p> <p>Moreover, the agreement between DAP and DA is on agency to agency engagement. The DAP is not contracted on a consultant level.</p>
<p>Copy of the Approved Manning Schedule indicating the names and positions of the consultants and staff and the extent of their participation in the project</p>	<p>For your guidance, the names and positions of the DAP Project Study Core Team Members were enumerated in Table 9 of the Revised Inception Report. We explained in the Revised Inception Report's Appendix G: Project Management and Staffing the man-months loading (<i>Attachment 4</i>). As the need arise, the composition of the DAP Project Team may be expanded or reduced depending on the requirements of the project.</p>
<p>Copy of the curriculum vitae of the consultants and staff</p>	<p>In our communication dated 11 February 2015, we submitted the requirements under the Agency-to-Agency Agreements including the Certification on the Academy's Capacity to Undertake required services, DAP Organizational Profile and Authority to Undertake Productivity and Quality (P&Q) Research Projects (<i>Attachment 5</i>).</p> <p>In the attached certification, we certified that DAP has the mandate to deliver the services required to be procured by the DA and DAP owns and has access to the necessary tools, equipment and competencies required for the project.</p> <p>In our organizational profile, we described our nature of operations. The DAP operates as a project organization conducting business through its basic organizational unit—the project team. Consequently, the management, and other support systems emanate from and revolve around the projects in order to ensure full customer satisfaction and optimize the financial gains of the Academy. In the profile, we also enumerated the available DAP's personnel.</p> <p>Having more than enough human and capital resources, the DAP has proven itself as a competent service provider of productivity related technical assistance, training and research study.</p> <p>The DAP's engagement is not on individual capacity but rather on its basic organizational unit which is the project team. We have provided in Attachment 5 the specific unit who handles this project.</p>

On 17 November 2016, the DAP followed-up on the release of 2nd and 3rd payment tranches for outputs delivered. The required administrative requirements for the release of payment were already been complied. Despite the non-release



Productivity and Development Center

2016 PROJECT ACCOMPLISHMENT REPORT

of the 2nd tranche, the Deliverable 3: Initial Draft of Business Case was submitted including the revised version. In addition, the approved Certificate of Project Deliverable for the revised 1st draft was needed since this will signal the delivery of the succeeding output as well as preparation of the billing statement.

It was already on December 2016 when the payment for Deliverable 2 was received while on January 2017 for Deliverable 3. With regards to payment for Deliverable 4, the client responded that the processing of payment will commence with the acceptance of the Final Draft (Deliverable 5).

The billing statements should have been prepared if there is already a Certificate of Project Deliverable Acceptance to ensure that the payment will be processed immediately by the client.

m. Project Team Meetings

Most of the project team meetings were held at UP Los Baños (UPLB) because most of the consultants were employed there. They made room to accommodate the meetings in their busy schedules. A considerable amount of time and resources (mandays, meals and transportation) were spent going to and from UPLB.

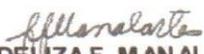
Time and resources could be saved if the meetings will be conducted through videoconference.

V. Attachments

None

Prepared by:

Noted/Approved by:


FLORDELIZA F. MANALASTAS
Project Manager


ARNEL D. ABANTOS
Center Head

Notes:

1. Project details on Section I-III can be generated thru PMIS based on PMS inputs
2. Project Managers are required to accomplish Section IV & provide Section V to reflect results of project implementation
3. Project Managers can update/adjust the pre-filled sections(I-III) based on actual data