

Value Methodology (VM) Institutionalization Strategy Manual

April 2022



**NATIONAL
ECONOMIC AND
DEVELOPMENT
AUTHORITY**

Value Methodology (VM) Institutionalization Strategy Manual

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Executive Summary

This manual is a reference guide that outlines the strategy for institutionalizing the Value Methodology (VM) in the Philippines. The handbook is intended for government agencies in the Philippines particularly the implementing agencies, local government units and oversight agencies.

1.1 VM Institutionalization Strategy Manual Purpose & Need

The purpose of the VM Institutionalization Strategy Manual is to:

- Recommend short-, medium-, and long-term strategies in the institutionalization of VM in Philippine government agencies.
- Provide revisions on [existing] Appendix G based on updated government policies and processes.

1.2 VM Institutionalization Strategy Manual Organization

The VM Institutionalization Strategy Manual focuses on establishing and maintaining a VM program through processes and procedures; planning, executing and implementing VM studies and related VM activities; records management; educating and training; advocacy; continuous improvement; and, reporting and monitoring. The manual also presents short-, medium-, and long-term strategies for Philippine government agencies to consider in implementing a VM program. The manual includes the following chapters:

- Chapter 1 (this section) presents the purpose and need of the handbook, and how it is organized
- Chapter 2 describes the elements of a successful VM program and how these may apply within various Philippine government agencies (implementing agencies, local government units and oversight agencies)
- Chapter 3 discusses short-,medium and long-term strategies for consideration; a possible“roadmap” to achieve VM institutionalization in the Philippines
- Chapters 4 provides adjustments to NEDA-ICC Documents to Introduce VM.

Elements of VM

Institutionalization in the Philippines

CHAPTER

2

This manual is a reference guide that outlines the strategy for institutionalizing the Value Methodology (VM) in the Philippines. The manual is intended for those government agencies in the Philippines particularly the implementing agencies, local government units and oversight agencies.

The purpose of the VM Institutionalization Strategy Manual is to:

- Recommend short-, medium-, and long-term strategies in the institutionalization and management of VM in Philippine government agencies.
- Provide revisions on [existing] Appendix G based on updated government policies and processes.

2.1 Public Policy – NEDA-ICC Guidelines

- Provide revisions on [existing] Appendix G based on updated government policies and processes
- Provide a specific “public law” for the government agencies that will direct all agencies as to the use of VM. The public law is intended to require Philippine government agencies and entities (such as the local government units, and government-owned and controlled corporations) to use the value methodology as a management tool to improve their program/projects and reduce acquisition costs.
- Sample Policy (from the U.S. OMB A131 Circular) – “Federal agencies shall use VM as a management tool, where appropriate, to ensure realistic budgets, identify and remove nonessential capital and operating costs, and improve and maintain optimum quality of program and acquisition functions. Senior management will establish and maintain VE programs, procedures and processes to provide for the aggressive, systematic development and maintenance of the most effective, efficient, and economical and environmentally-sound arrangements for conducting the work of agencies, and to provide a sound basis for identifying and reporting accomplishments.” – See OMB A131 Circular in the Appendix.
- The requirement for VM can also be trickled down to private sector proponents under the BOT law (Appendix D – Page 63). As an example, private entities working on government projects can also be required to adhere to said public policy.

2.2 VM Professional Association

Establish a professional association(s) for the support, education, and continued growth of institutionalizing VM in the Philippines as well as the continued growth of VM throughout the country. This can be for public and private entities.

- Establish or reestablish and maintain a Community of Practice for VM in the Philippines.
 - Philippine Association of Value Engineers (PAVE) associated as an approved Chapter with SAVE International®. This will allow the Chapter to access opportunities for educational events and materials, networking with governmental and private members, access to materials, staying abreast of updated VM policies and standards and certification opportunities.

2.3 VM Program Considerations

2.3.1 VM Program Development

The VM program involves the establishment, maintenance and implementation of VM studies and related VM activities; records management; education and training; advocacy; continuous improvement; and reporting. The VM program also monitors and tracks the “lessons learned” of each VM study, each VM proposal and each VM study team. The following elements will aid in support of these activities:

2.3.2 VM Program Policy, Standards & Procedures (SAVE International, 2020 VM Guide)

A VM program will only be effective if a formal program is developed and supporting policies, standards and procedures are followed to ensure overall program success. Policies such as the public policy discussion in Section 2.1 will aid in setting the requirements for establishing, managing and implementing a VM Program. In the United States, the OMB1 131 Circular has mandated the use of VM. This mandate has led to greater accountability for the use of government resources and the achievement of greater net economic benefit and value for money as well as improved performance and function.

Organizational Policies

Every VM program should have a formally written mission, goals, standard operating procedures, guidelines, or description of what and how the VM program will be performed in the organization. Organizational policies can be as simple as a single sentence directing VM to be used as part of its standard operating procedures to detailed and extensive sets of standards and procedures. The VM policy should identify:

- Rationale for initiating the VM program should be included which states the support of the organization to adopt VM as a standard.
- Goals and objectives of the VM program which outlines the expected outcomes and metrics. Depending on the organization, this might include the number of expected studies to be performed during the various project phases, the minimum expected rate of implementation of ideas developed during a study, the use of certified value specialists to lead studies, and the integration of risk analysis in VM studies, among others.
- Organizational position and references/sources for the VM program.
 - One area of consideration that may need to be addressed is related to personnel reviews. Many organizations review project managers annually on a project manager’s ability to meet scope, schedule and budget. It is important that project managers know that using VM at the appropriate time in a project and, if scheduled as a part of the Project Management Plan, should not negatively impact a project’s schedule. However, in the instance whereby a VM study is conducted and not planned, the project schedule should include a “reset” of the schedule to ensure that individual project managers will purposefully support the VM program.

- References/sources for the VM program should list areas for additional information such as the VM Handbook, SAVE International® Value Management Guide, Function Analysis Guide, Pocket Guide, and any other sources.
- Authority and reporting structure related to the VM program and where the VM program should be located within the organization. The location of the VM program should consider the following (SAVE International® VM Guide 2020):
 - Some organizations locate their VM program at a higher executive level in conjunction with other strategic management activities.
 - Public agencies that deliver capital projects often locate VM with related activities such as risk analysis, constructability reviews and project controls. These activities and programs are generally concerned with managing quality, schedule, cost, and risk, which all fit within a VM program.
- VM program manager and contact information, as stated in the VM procedures.

Professional VM Standards

The standards to be used should be clearly established and followed. The Updated Value Methodology Handbook dated April 2022 should provide all of the necessary standards for both private and government VM initiatives in the Philippines. Additionally, the SAVE International VM Guide of 2020 is the worldwide standard for VM.

VM Procedures

Standard Operating Procedures (SOP) should be identified for the VM Program. The following should be included:

- A process for identifying subjects for VM studies – several elements should be considered when determining which subjects will most benefit from a VM study. Things to consider should be:
 - Thresholds – a simple threshold based on project cost. For example, a threshold may state that any project over PHP50 million in estimated overall costs, not just construction, requires a VM study be performed
 - Project complexity – regardless of project cost, a project that can be deemed complex which can be defined as has numerous stakeholders involved, multiple funding sources, various project requirements from multiple agencies, etc. would require a VM study be performed.
 - Right-sizing the VM study based on the project to be studied. Refer to the Updated Value Methodology Handbook, Chapter 3, Preparation Phase.
- A process for identifying appropriate timing for VM studies. VM studies need to be performed at the right or most opportune time for the project and not for just meeting the requirements. This requires awareness of the benefits that can be achieved through the VM process. The earlier a VM study is conducted in the project, the most significant opportunities can be realized. The further into the design, the less opportunities will be available. VM can be applied at any time during the life cycle of a project depending on the focus or goals of the study outcomes. (SAVE International VM Guide 2020)
 - The most opportune time will be at 10% to 15%, will rely on much less information, and will allow the study team to focus on helping the design team formulate the direction of the design.
 - At 30% design, the project has an initial design with some cost information and can benefit from a VM study.

- At 75% to 90%, the benefits of a standard VM study will not be achieved as the project is too far along to make major design changes. However, this is an opportune time to use the VM process to conduct a constructability study as well as identify any potential design fatal flaws.
- VM study coordination and integration procedures should be identified to increase communication and coordination with departments and divisions to include value management in project development and management. As an example, this should include adding value management as a specific requirement within each project's Project Management Plan
- VM study subject information requirements and collection procedures as presented in the Updated VM Handbook Chapter 3, Preparation Phase.
- Developing approved facilitation guidelines including the need for a Certified Value Specialist
- VM study communication procedures which must occur for delivering successful studies during the Pre-workshop, Workshop and Post Workshop phases. This information can be found in the VM Handbook.
- VM study performance procedures or develop a standard set of performance attributes with definitions to ensure consistency within a specific agency. As an example, Caltrans, the California transportation department, has a standard set of performance attributes that are to be used on all VM studies.
- VM study reporting procedures and the expectations for responding and implementing the study results. In most organizations, the Project Manager for the project under study takes the lead in this effort. However, it is important that the VM Program Manager be engaged in each of the implementation discussions to aid in helping the Project Manager to embrace potential changes and to remind the Project Manager of the goals and objectives of the VM Program and how each study fits into achieving those goals and objectives.
- VM study auditing and performance reporting procedures are necessary to support on-going efforts to manage and maintain a successful VM program. A program should be developed that identifies how the study outcomes will be reported to management as well as the annual metrics that are achieved.
- VM program continuous improvement should always be considered in an effort to review the program on an annual basis and look for opportunities for improvement. This could be related to outreach and education internally within each organization about the VM program, increasing the rate of implementation of study outcomes, etc.

2.3.3 VM Program Senior Management Champion

VM program success relies on Senior Management support and leadership. The VM Program Champion should report to Senior Management. Roles and responsibilities of Senior Management involvement and expectations should be developed. As an example, Senior Management will establish and maintain the VM Program, procedures and processes to provide for the aggressive, systematic development and maintenance of the most effective, efficient and economical and environmentally-sound arrangements for conducting the work of agencies, and to provide a sound basis for identifying and reporting accomplishments. (U.S. OMB A131 Circular)

This individual may support the VM Program through one or more of the following actions (SAVE International® VM Guide 2020):

- Encouraging value-focused innovation and the use of VM in problem-solving
- Actively engages in the VM Program (attending presentations for individual studies)
- Making the VM Program a priority and advocating/pushing for its use
- Arbitrating and generally supporting the VM Program Manager if there are any in-house disagreements over the need for the VM Program or study
- Responsible to grant waivers of the requirement to conduct VM studies on certain programs and projects
- Providing and/or advocating for resources needed for the VM Program
- Advocating VM training throughout the organization
- Assisting in marketing the need for a VM Program
- Promoting the benefits of VM in achieving the organization's objectives and goals and supporting Key Performance Indicators (KPIs)
- Recognizing the VM study team's accomplishments and that of the VM Program

2.3.4 VM Program Manager

The VM Program Champion should be a management-level staff member who supports and actively engages and promotes integration of VM into the various departments and divisions. This individual must have leadership and mentorship qualities to support and direct the VM Program. This individual may support the VM Program through one or more of the following actions:

- Aiding project leadership in developing the most effective approach for the study. This may include one or more of the study elements:
 - Aiding the team in selecting and/or evaluating projects for VM studies
 - Aiding in selecting the appropriate (right-sizing) amount of time to effectively and successfully deliver a VM study
 - Aiding in identifying the appropriate team members to serve on the value study (internal, external or a mixture). Sample questions to ask to aid in the determination of the team members would include: Should internal resources be used? Should external resources be hired? Would a mix of team members better serve the needs of the project? The selection of team members to participate as Subject Matter Experts (SME) is critical to the success of any VM study. The appropriate team members also include the expertise, licensed appropriately, that is required based on the specific project elements such as: architect, civil engineer, water resources, hydraulics, geotechnical, etc. Quality team members lead to quality results. Additional considerations for selecting team members can be found in the Updated VM Handbook, Chapter 3, Preparation Phase.
 - Aiding in identifying and/or selecting the appropriate study team facilitator and determine the need to use an internal (trained) or external (Certified Value Specialist (CVS))
 - A CVS can lead any VM study and get good results. This individual should be a CVS in good standing with SAVE International®. A licensed professional is not required for this position.

- An internal facilitator should have been through the SAVE International Value Methodology Fundamentals (VMF) 1 and VMF 2 trainings and it is recommended that they have a Value Methodology Associate (VMA), at a minimum, but a CVS is recommended to ensure proper delivery of the process.
- Providing direction to project management of information and data requirements to be distributed to the VM study team and presentation requirements for the Information Phase of the study
- Identifying and inviting Senior Management to attend the study presentation at the conclusion of the VM study
- Encouraging value-focused innovation and the use of VM in problem-solving
- Actively engages in the VM Program (attends individual studies, schedules and attends implementation meetings)
- Gathering implementation data to be included in the VM study final report on the final disposition and outcomes of the VM study
- Making the VM Program a priority and insisting that it is used
- Assisting in marketing the need for a VM Program and follow through of studies
- Gather the data from the individual studies and develop annual reports to support the VM Program metrics and KPIs to be provided to management
 - Sample data to gather may be one or more of the following elements (SAVE International VM Guide 2020):
 - Facilitation of the VM study (internal or external facilitator)
 - VM study team (in-house, external or mixed)
 - VM study budget
 - Duration of the VM study
 - Anticipated VM study costs
 - Information on the initial budget of the project
 - Convey the results of the VM study
 - Number of creative ideas
 - Number of developed VM proposals
 - Proposed initial cost savings
 - Proposed initial life-cycle cost savings
 - Total proposed savings
 - Proposed time/schedule savings
 - Proposed performance enhancements or quality benefits
 - Proposed risk reduction

- Aid in the implementation process to obtain data to share with management which may include one or more of the following:
 - Disposition of all developed VM proposals; determine percentage of acceptance
 - Total accepted VM proposals
 - Total partially accepted VM proposals
 - Total rejected VM proposals
 - Determine ROI for the cost of the study in relationship to the savings accepted
- Recognizing the VM study team's accomplishments
- Attend, at a minimum, the SAVE International VMF 1 course, and obtain the Value Management Associate (VMA) certification
- As deemed appropriate, obtain a SAVE International Certified Value Specialist (CVS) certification. This would allow the Project Manager to have a better understanding of what to expect from a VM study including all aspects of Pre-workshop, Workshop and Post Workshop phases.

2.4 VM Communication Plan

2.4.1 VM Communication Plan

Continuous and consistent communication is important to aid NEDA in sharing information, statistics and data to other government agencies. It will be important to develop statistics as to the cost versus the outcome (ROI) to aid in educating of the benefits of the program as mentioned in Section 2.3.6. Additionally, performance benefits and KPIs need to be shared on a consistent basis to aid in communicating the benefits of VM on a program, project or process.

2.4.2 VM Awareness and Training – Continuous Education

The success of a VM Program can be predicated on the organization's need to educate and train staff as to the definition of VM, the benefits of VM, the potential outcomes of VM and how VM program understanding aids the organization in meeting their goals and objectives, which include impacts to staff and customers. Appropriate education helps reduce the potential for resistance to change and remove uncertainty and fear related to the changes emanating from VM. Types of informational exchanges and training that should be considered include:

- An executive overview of VM for senior management
- The structure of the VM Program
- Organizational roles and responsibilities (Senior Management Champion, Program Manager, Project Managers, etc.)
- Introductory training of the VM process relative to the VM job plan and major supporting techniques should include those engaged as team members, division or department managers
- Basic and specialized training of the VM process to help them understand the value methodology and their roles and responsibilities in regard to VM. This training should be for individuals managing projects and processes that will be engaged in VM studies. This could be an enhanced eight-hour course or the SAVE International VMF 1 course

2.4.3 VM Certification

The SAVE International® Certification Program is the industry standard for recognizing competence in the practice of the Value Methodology (VM).

SAVE offers two levels of certification: Value Methodology Associate (VMA) and Certified Value Specialist (CVS). The SAVE International Certification Program information and requirements can be found on the SAVE International website: www.value-eng.org.

- **Value Methodology Associate (VMA)** – VMA is a recognition designed for individuals who are new to the Value Methodology field and have received basic Value Methodology training. This entry level certification is encouraged for those desiring to have on-going involvement in the Value Methodology. If desired, after gaining some experience, a VMA may advance to CVS certification.
- **Certified Value Specialist (CVS)** – CVS is the highest level of certification attainable through the SAVE Certification Program. Designation is reserved for value specialists who have demonstrated expert level experience and knowledge in the practice of the Value Methodology.

2.4.4 VM Resources (Updated Handbook)

VM Resources are available in several of the Appendices of the Updated VM Handbook (2022).

2.4.5 VM Webpage(s), Tools and Toolbox

It is recommended that a webpage be developed for the VM Program and should include the policies, standard operating procedures, the handbook and a toolbox. This information should be available to anyone wishing to gain a deeper understanding of VM and the VM Program. It is suggested that the website be updated to continue to show successful VM study outcomes and positive accolades to VM study participants, etc.

2.4.6 VM Program Metrics: Measuring & Sharing Success

A successful VM Program is one that is continually shared and promoted throughout the organization. The metrics, once developed, need to be shared continuously throughout the year, once the metrics have been identified. Look for opportunities during organizational meetings to share results, talk about the success of the VM program and individual VM studies. Results should also be shared on the website of the government agencies and entities so that the success of the program is made public. It is also recommended that an Awards program be developed with criteria and standards to continue to promote and share results and gain support across the organization.

Policy and Program Recommendations for the Institutionalization of VM in the Philippines

CHAPTER

3

This chapter of the manual presents the policy and program opportunities and activities that may be undertaken in the short-, medium-, and long-term to institutionalize Value Methodology (VM) in Philippine government decision-making processes. This chapter is intended to inform policy makers and program managers tasked to further integrate VM and incentivize the integration of VM in a government agency's program/project development processes.

3.1 Institutionalization Objectives

Institutionalization is “a process of developing or transforming rules and procedures that influence a set of human interactions.” In institutionalizing VM, aside from changing the formal rules, interventions that will support adjustments in agency and organizational behavior towards the complete integration of VM and its sustained practice during the life of a project are also important.

This Chapter presents policy and program recommendations, which aims to:

1. Integrate VM in government procedures and processes; and,
2. Contribute to the development of the VM industry and practice for the sustained adoption of VM during the life of a project from its conceptualization to development to implementation, and during operations and maintenance.

3.2 Institutionalization Strategy

Institutionalization of VM will be initiated by a national government policy directive (Option 1: Office of the President, Option 2: National Economic and Development Authority, and Department of Budget and Management), which will serve as basis for implementing agencies to develop their own guidelines. As these policies are rolled out, capacity building activities will be conducted for government technical staff and for professionals who are involved in planning, programming, design, and implementation of projects.

The agencies that are identified in this manual are the Department of Public Works and Highways, Department of Transportation and National Irrigation Authority (“key agencies”), as they are already familiar with VM processes and are also involved in the implementation of high-impact projects.

During the next five (5) years, there will have been a clear directive from one, two or all of the following national government offices, with the force of requiring the adoption of VM in program selection, projects design and evaluation:

- Office of the President
- National Economic and Development Authority
- Department of Budget and Management

Based on these directives, key agencies generating high-impact projects and programs will have issued agency guidelines and procedures that will effectively integrate VM in their planning and program processes. This will result in the improvement of project and program choices, and designs. These efforts will also trigger interest in Value Methodology among project development professions. Programs geared towards developing the capacity of government personnel and private sector consultants will produce a pool of certified value specialists that will sustain the demand for VM studies in government projects.

The figure below presents the recommended institutionalization strategy and roadmap, while the table that follows provides details on the national government options and government agency directives to implement the institutionalization of VM.

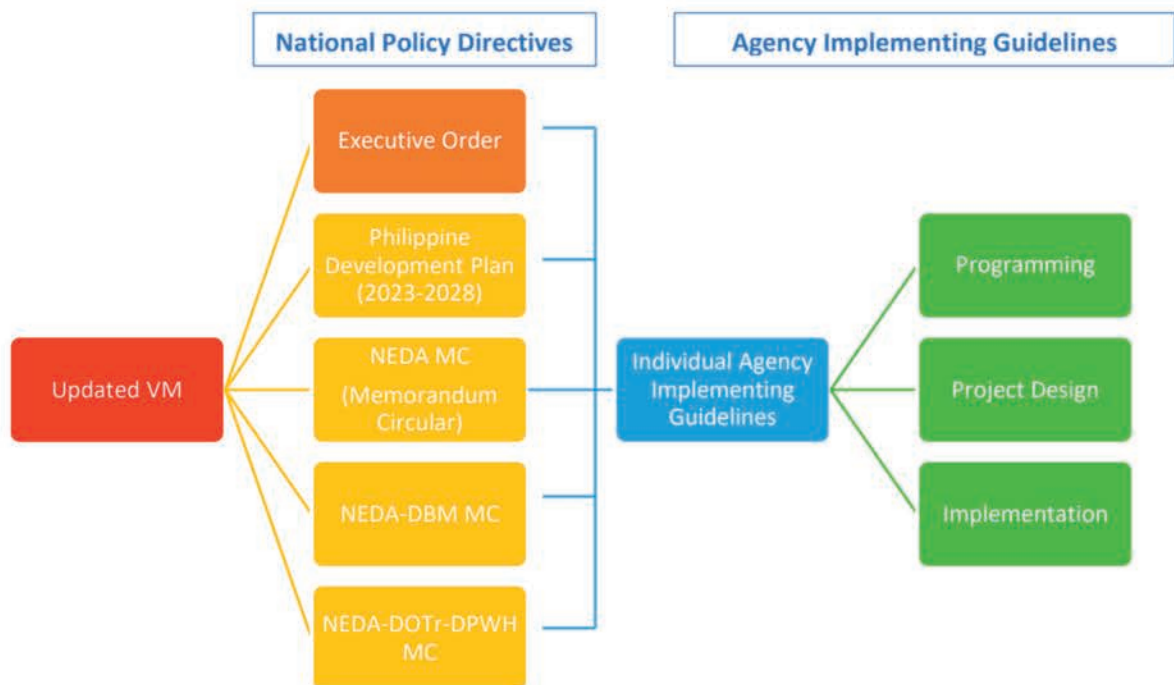


Figure 1. Quick Overview of the VM Roadmap

Table 1. Policy Recommendations and Application of VM at Different Stages of Program/ Project Development

Policy Options (NEDA Supporting Activities)	Program/ Project Development Stages		
	Program Options Analysis and Selection	Project Design	Project Implementation
National Government Directive (2 options)			
OPTION 1:			
Executive Order <ul style="list-style-type: none"> Draft policy and communications plan Conduct orientation for cabinet cluster secretariats 	Cabinet level, inter-agency		
OPTION 2:			
Philippine Development Plan (2023-2028) <ul style="list-style-type: none"> Ensure inclusion of VM 	General directive: cost-efficient and high value projects/ programs		
NEDA-DOTr-DPWH Joint Circular <ul style="list-style-type: none"> Draft policy Convene Inter-Agency Committee on Transport Planning 	Inter-agency (NEDA-DOTr-DPWH): transportation infrastructures	X	
NEDA Circular (Updated VM) <ul style="list-style-type: none"> Draft policy Print and disseminate updated VM Handbook Conduct presentations on updated VM 	Agency-level	X	
NEDA-DBM Circular (TRIP) <ul style="list-style-type: none"> Revise policy 	Agency-level	X	
Agency Directives (to be implemented regardless of the National Government Directive option selected)			
DPWH Department Order 147, series of 2017	In the crafting of Department Initiative Profiles		
DPWH Department Order 89, series of 2016		Regional planning and design for TRIP	
DPWH Department Order 4, series of 2017	High-Impact Projects		
DPWH Department Order 28, series of 2015			To justify Variation Orders
NIA Memorandum Circular 2020-88	X	X	
NIA General Guidelines for Planning, Design, Construction, Operation and Maintenance of Reservoir Dams	X	X	

3.3 Goals and Activities

The following table presents the recommended activities to roll-out the VM institutionalization from the start of the new administration to the succeeding years.

Table 2. Recommended Short-, Medium- and Long-Term Primary Activities

Short-Term (0-3 years)	Medium-Term (>3 to 10 years)	Long-Term (>10 years)
OPTION 1: Institutionalize VM through the passage of an Executive Order (EO)		
<ul style="list-style-type: none"> - NEDA to develop the following documents and materials leading to the submission of a draft EO to the Office of the President/Office of the Executive Secretary once the new cabinet has been formed: <ul style="list-style-type: none"> • Draft EO • VM communication plan that will include: <ul style="list-style-type: none"> ○ materials (presentations, briefing/ infographics, other materials) that will be disseminated to Cabinet Clusters once formed; ○ promotion activities and presentations to each agency - A sub-committee on VM may be added under the Infrastructure Cluster to initially prepare the Implementing Rules and Regulations for integration of VM in government processes, and to prepare issuances to government agencies such as directives/memoranda, etc. 	<ul style="list-style-type: none"> - NEDA to develop monitoring tools such as requiring agencies to display in their website the results of VM studies, success stories (improvement in value and positive impact to overall project cost), and lessons learned. NEDA to compile yearly statistics and lessons learned from government agencies, and share these in its website for public information. - Government agencies to develop their own VM policies and procedures to fully integrate VM in their processes. Such may be updated every three (3) years to ensure relevance and efficiency in implementation. 	<ul style="list-style-type: none"> - NEDA and other government agencies to update the VM Handbook to integrate lessons learned in past years, and consider best practices locally and abroad. - Issuance of circular to disseminate updated VM Handbook to all agencies. - Government agencies to update their respective policies and procedures to
OPTION 2: Other National Government Directives		
<ul style="list-style-type: none"> - Issuance of the Philippine Development Plan 2023-2028 that will continue to recognize VM as an important measure to improve cost-efficiency and value of programs/ projects to meet development goals. - NEDA to issue a supporting directive/policy for the issuance of the updated VM Handbook, and require agencies to include VM studies in project proposals to be submitted to NEDA Investment Coordination Committee for evaluation. 	<ul style="list-style-type: none"> - NEDA to develop monitoring tools such as requiring agencies to display on their website the results of VM studies, success stories (improvement in value and positive impact to overall project cost), and lessons learned. NEDA to compile yearly statistics and lessons learned from government agencies, and share these on its website for public information. 	<ul style="list-style-type: none"> - NEDA and other government agencies to update the VM Handbook to integrate lessons learned in past years, and consider best practices locally and abroad. - Issuance of circular to disseminate updated VM Handbook to all agencies. - Government agencies to update their respective

Short-Term (0-3 years)	Medium-Term (>3 to 10 years)	Long-Term (>10 years)
- DBM-NEDA to issue an updated Joint Circular on the Three-Year Rolling Infrastructure Program (TRIP), which could explicitly provide for the integration of VM in the review of projects.	- Government agencies to develop their own VM policies and procedures to fully integrate VM in their processes. Such may be updated every three (3) years to ensure relevance and efficiency in implementation.	policies and procedures
- Revisit the Career Executive Service Board (CESB) requirements on the eligibility for promotion to supervisory position. CESB could include mandatory training on VM as part of the qualifications in addition to the masteral degree or as part of seminars/trainings prior to granting Career Service Eligibility (CSE).		
- NEDA representations to the Commission on Audit (COA) for the issuance of a COA Circular mandating the conduct of VM for government projects, subject to a threshold (e.g., projects of Php50 million ¹ or more should be subjected to VM). While COA is a constitutional commission separate from the national agencies, representations could be made by NEDA. A prime example is GSIS, which made representations with COA to issue the COA Circular reiterating the need to insure government assets with the GSIS.		
- NEDA representations with the Government Procurement Policy Board (GPPB) to update key personnel requirements in bid documents and include certified VM practitioner/s, as well as the need to conduct a VM study in the project, whether in project preparation (study), design or implementation.		
- NEDA representations with the Construction Industry Authority of the Philippines (CIAP) to update the requirements for PCAB Categories AAA and above to have a VM practitioner within contractor organizations.		

¹ Agencies may establish a lower threshold depending on the impact of projects in agency operations.

Below is a matrix with the various supporting activities to be carried out in implementing the VM Program at the agency level:

Table 3. Recommended Short-, Medium- and Long-Term Supporting Activities

Short-Term (0-3 years)	Medium-Term (>3 to 7 years)	Long-Term (>7 years)
<p>NEDA to prepare a 3-year VM capacity building program for government personnel. The program will utilize NEDA's annual budget for VE/VA. VM workshops will be crafted for specific groups within government agencies such as:</p> <ul style="list-style-type: none"> - Executives - Managers - Technical personnel <p>These workshops will reinforce buy-in of executives and managers in the VM process and develop potential champion/s of VM within agencies.</p> <p>During the second year, the government agencies will prepare their own VM capacity building program for the continued development of their pool of VM practitioners, forecast the annual budget required for this purpose, and include this budget starting on the year after the end of NEDA's 3-year capacity building program.</p>	<p>After NEDA's 3-year VM capacity building program, government agencies to implement its own capacity building program and will include an annual budget dedicated to the continuous training and development of internal VM practitioners who will co-facilitate and eventually lead VM studies. The VM fund could finance additional trainings, membership in local and recognized international VM organizations (such as SAVE International), attendance in local and international conferences as participant and/or presenter on VM experiences in the Philippines.</p>	<p>Capacity building program with budget allocation to be continued for the sustained development of VM practitioners in government agencies.</p>
<p>Creation of a VM group/division within the agency. This will be led by the VM champion, and could initially have four to six (4-6) personnel selected those who successfully completed the capacity building/training. It is recommended that the team work in pairs (buddy system) when conducting VM studies with a trained/certified facilitator in order to maximize their learning and support each other in the application of these learnings. A VM program and guidelines will be prepared by the VM champion/Division Head who will serve as guide for the team, to monitor the growth and development of team members to become certified value practitioners. The program will also determine when to add team members in the Division to ensure availability of VM members.</p>	<p>Revisit the structure of the VM division. Ensure continuing activities supporting the development of VM team members from VM associates to certified value specialists or certified practitioners.</p>	

3.4 National Policy Directive

This section covers different policy options that the national government can undertake to institutionalize Value Methodology at different levels of program/project development. Option 1 is an executive order that will provide directives to the entire cabinet on the use of Value Methodology, beginning at cluster-level meetings. This sets a government-wide adoption of value methodology. Option 2 is a set of other national government policy directives, anchored on project/program development guidelines and evaluation requirements of the National Economic and Development Authority and the Department of Budget and Management.

3.4.1 Option 1: Executive Order on Value Methodology (Short Term and Immediate)

VM Institutionalization Element: Public Policy

Project generation and development by government, in practice, is usually initiated by the agency proponent. Depending on project cost thresholds, project proposals go through external evaluation that is multi-agency coordinated. Some of these multi-agency bodies are the National Economic and Development Authority Board, NEDA Regional Development Councils, and the Investment Coordination Committee.

While the processes in these multi-agency bodies are sufficient in coordinating initiatives, project generation and development can vastly improve through a multi-agency evaluation process done at the earliest opportunity, even at a pre-project stage.

Pre-project stages include high-level discussions of development challenges and objectives at the government Cabinet level. How these discussions are organized and what evaluation processes are adopted in these Cabinet level discussions will be critical to how national development problems will be addressed through project or program interventions. It is in this very early stage of discussions that Value Methodology could play an important role to help government sift through different program and project ideas and choose the best option, design, and function. The Cabinet is the highest policy-making body of the executive branch of government. In the past two (2) government administrations, it has been organized into thematic clusters to facilitate inter-agency coordination and collaborations.

"The cabinet clusters serve as a venue and mechanism for coordination, harmonization, complementation, and synergy among the Departments and other Government instrumentalities with the main purpose of attaining national development goals and objectives." It is, thus, ideal that VM be incorporated in cluster processes to help the clusters determine the right project intervention (options analysis) to address specific national development concerns.

An opportunity to introduce VM is seen in the executive policy of reorganizing the Cabinet Clusters, as in the case of Executive Order 43 issued by President Benigno S. Aquino, and Executive Order 24 issued by President Rodrigo R. Duterte.

A draft Executive Order (patterned after E.O. 43 series of 2011 and E.O. 24 series of 2017) provided in Appendix A includes Value Methodology in the Cabinet Cluster processes (in bold text are the specific recommendations).

Note: The new government may decide to reformulate the government's Vision, Key Result Areas, and decide to have different clusters, cluster goals, and member compositions. What is key is that the VM, as a decision-making framework and approach, is adopted by the government through the reorganization policy that the new government will issue.

1. NEDA to develop a presentation on Value Methodology, with examples of multi-faceted development problems in the Philippines that can benefit from Value Methodology.
2. NEDA to make presentations to the Office of the President and the Cabinet (Cabinet Secretary and/or Executive Secretary) showing how Value Methodology can complement existing systems (e.g. Performance Governance System) that define agency performances, with the objective of getting the Cabinet adopt Value Methodology in its decision-making process, thereby getting the President to issue the draft Executive Order, presented above.
3. Once the Executive Order is issued, NEDA can begin to conduct orientation sessions with the Cabinet Cluster Secretariats and the Cabinet Cluster System Secretariat on Value Methodology, and disseminate VM guidelines for program development purposes (Project Road Maps' annual targeting).
4. NEDA can also work with the Cabinet Cluster System Secretariat in monitoring the progress of the Cabinet members in complying with Section 4 of the E.O.:

"National government agencies shall update their project/ program development processes and integrate Value Methodology in said processes."

5. NEDA can work with the Department of Budget and Management (DBM) to include in the general provisions of the General Appropriations Act a budget for Value Methodology Studies as a percentage of key programs and project allocations of agencies; this may form part of DBM's compliance with Section 4 of the E.O.

3.4.2 Option 2: Other National Government Directives

VM Institutionalization Elements:

Public Policy, Organizational Policy, VM Procedure

With or without the issuance of an Executive Order (discussed above), other government directives may be issued to implement VM integration in agency processes. The VM process, then, will be used for the improvement of projects, whether at the concept, design, or implementation stage.

1. The Philippine Development Plan (2017-2022) has recognized value engineering and value analysis in the strategic framework for the infrastructure sector, under the outcome "ensure asset preservation" and measure "increase technical and financial capabilities for operations." It is important that the Philippine Development Plan (2023-2028) continues to recognize VM as an important measure to improve cost-efficiency and value of programs/ projects to meet development goals. Its inclusion in the PDP (2023-2028) will serve as a basis for succeeding agency initiatives relating to the integration of the VM in agency processes.
2. Pursuant to previously issued policies (e.g., the Philippine Development Plan 2023-2028) or in view of the newly updated VM Handbook, NEDA may issue supporting directives that enjoin the use of the updated VM handbook together with the NEDA Project Development and Evaluation Manual (PDEM) , and require agencies to incorporate VM studies as a component/submission in the project proposals to be evaluated by NEDA. This will be further reiterated in other related directives.

² The NEDA PDEM may be revisited for possible incorporation of a chapter on "conduct of a value analysis study" at the project identification phase. However, there have been many developments in government processes (since the 2005 PDEM) from project development stage to implementation, thus, adding a chapter on VM may not highlight the importance of the VM process if not fully integrated in the entire Manual. Once the PDEM is considered for update, the VM and other relevant processes may be integrated to ensure a more holistic approach.

3. A relevant directive that may need to be updated is the DBM-NEDA Joint Circular on the Three-Year Rolling Infrastructure Program (TRIP), which could explicitly provide for the integration of VM studies for the identified projects.

Section 8 (Amendment and Addenda) of said policy states that “NEDA and DBM may amend this Circular as may be necessary. NEDA may formulate supplemental guidelines in the form of addenda or annexes for the review process as stipulated in 6.2 hereof without need of amending this Circular.”

As such, NEDA may simply include an instruction from the NEDA Secretary to the unit in charge of reviewing programs/projects submitted for TRIP, as noted below:

DBM-NEDA Joint Circular 2016-01: Policy Guidelines and Procedures for the Formulation of the Three-Year Rolling Infrastructure Program

Annex B – Process Flow and Timelines

A	Issuance of Notice/ Call for Submissions of Inputs to TRIP Responsible Agency: NEDA <i>Note: Notice/Call shall already include the requirement of VM studies as additional submissions of agencies</i>	15th of July
C	Review/ processing and incorporation of the submitted programs/ projects into a consolidated TRIP Responsible Agency: NEDA (in close coordination with agencies) <i>Note: Validate that the Value Methodology process was incorporated by government agencies in their planned programs/projects (instruction from NEDA Secretary)</i>	September - October

4. For transportation infrastructure programs / projects, a joint circular between the NEDA, Department of Transportation and Department of Public Works and Highways may need to be issued for an inter-agency and integrated programming process (see Section 3.5.1.3 below).

3.5 Agency Implementing Guidelines and Supporting Activities

The following sections discuss recommended activities that may be undertaken by NEDA and the selected government agencies to implement the government directives mentioned above.

3.5.1 Agency Guidelines (Medium Term)

VM Elements:

VM Program Policy, Standards, and Procedures

Following a national government directive (e.g. executive order and/or NEDA/DBM directive) that recognizes Value Methodology as a process that informs Cabinet Cluster decisions or as an additional requirement to support agency programming decisions, it is key that national government agencies, especially those with high-impact investment portfolios, also revise their

planning and programming procedures to incorporate and integrate Value Methodology. For ease of adoption, the Integration and streamlining of VM should be done in alignment with existing processes and procedures.

This section covers some policy recommendations that seek to integrate VM in the existing planning and programming procedures of three agencies – Department of Public Works and Highways, National Irrigation Administration, and the Department of Transportation. These three agencies are chosen for their familiarity and experience with VM, and their differing project development policies. These recommendations may guide other national government agencies that have similar project development experiences and policies.

3.5.1.1 National Irrigation Administration

The National Irrigation Authority (NIA), among the three key agencies, has the most advanced efforts to integrate VM in its planning and design procedures. NIA clearly defines VM's application (scope, criteria, limitations) on projects that it proposes, including estimating and planning for the cost of doing the VM studies. The policies issued on this are as follows:

- a. Memorandum Circular 88 series of 2020: NIA Guidelines in Undertaking Value Engineering or Value Analysis (VE/VA) Study Activities during the Detailed Engineering Studies or Detailed Engineering Design Stage of Project Development
- b. General Guidelines and Criteria for Planning, Design, Construction, Operation and Maintenance of Reservoir Dams (1st Edition, October 2019)

While these policies are already sufficient, even far more advanced than what other agencies have started, these may be further improved if VM is applied further up the chain of decision-making, as a framework for program options analysis discussed at the Management Committee level of NIA.

3.5.1.2 Department of Public Works and Highways

The Department of Public Works and Highways (DPWH), on the other hand, has a number of policies referring to the planning and programming procedures of the department. These policies will need to be revisited and updated to integrate VM, and align it with existing procedures, as follows:

1. Department Order 147 series of 2017: Strategic and Operational Planning Policies and Procedures

Amendment to section II. 1.

"The Department shall adopt the Performance Governance System/Balanced Scorecard framework as its strategic planning and management tool to guide the participatory/strategic planning process.
(refer to Appendix C)

The Department shall adopt Value Methodology as a framework and approach to inform the development of agency-wide PGS Initiatives (refer to Appendix X)"

Amendment to section 3.1

"The Corporate Planning and Management Division (CPMD) shall perform external and internal analysis of the organization's strengths, weaknesses, opportunities, and threats using assessment tools such as, but not limited to, PESTEL Analysis, Value Chain Analysis, SWOT Analysis, and **Value Methodology**, wherein the results will serve as inputs into the strategic planning sessions."

Amendment to section 3.3

"Measure Managers/ Teams shall be designated and must meet at least quarterly to monitor the progress, identify issues and provide recommendations on one or a group of PGS Measures. Further, the Measure Managers/ Teams shall develop and submit a portfolio of agency-wide PGS Initiatives with corresponding Initiative Profiles and proposed budget, **"and shall be guided by Value Methodology processes (see Appendix X)."**

Amendment to section 3.4

"The following outputs of these strategic planning sessions will form part of the Department's Strategic Plan:

- a) PGS Strategy Map
- b) PGS Department Scorecard
- c) Department Measure Profiles
- d) Department Initiative Profiles, **supported by Value Methodology.**

2. Department Order 89 series of 2016: Full Institutionalization of Multi-Year Planning

"Regional Planning and Design Divisions (RO-PDDs) have full responsibility for the preparation and annual update of the 3-year Rolling Infrastructure plans in accordance with DPWH's policies, standards, guidelines and procedures in the planning and design of highways, and other infrastructure."

Note: DPWH guidelines and procedures in the planning and design of infrastructure shall be updated to incorporate the conduct of Value Methodology for certain projects.

3. Department Order 4 series of 2017: Conduct of Feasibility Studies and Project Proposals of Potential High Impact Projects by the Unified Project Management Office, in coordination with the Planning Service

Add the following sentence (in bold) to the section below:

"The identification of these high impact projects, such as but not limited to the construction of disaster-resilient roads, bridges and flood control infrastructures, could provide groundwork that will greatly promote inter-provincial and inter-regional linkages that will connect various communities toward the center of development, and will ensure livable, sustainable and resilient communities, as emphasized in the Administration's agenda of maintaining accelerated inclusive economic growth.

The identification of high impact projects shall utilize the Value Methodology."

4. Department Order 28 series of 2015: Specific Guidelines to Manage and Control Variation Orders for DPWH Infrastructure Contracts

DPWH may add a paragraph which will require VM as a process that will justify the variation request, such as:

“Pursuant to (a national government directive: e.g. Executive Order XXX or Philippine Development Plan (2023-2028) or NEDA-DBM Circular (TRIP) or NEDA Circular (enjoining the use of VM in planning and programming processes)), the IO shall see to it that the proposed VO is further justified by a VM study conducted by the contractor, to ensure that the proposed variation redounds to the advantage of government in improving the cost-efficiency and value of the project.”

5. The DPWH Guidelines on Value Engineering (2015) also needs to be updated to reflect the changes and updates on the NEDA Value Analysis/Methodology Handbook.

3.5.1.3 Department of Transportation

The Department of Transportation (DOTr) does not have written planning and programming policies and procedures, unlike NIA and the DPWH. Currently, DOTr is guided by the recently issued National Transport Policy (NEDA Board Resolution No. 5 series of 2017) and its Implementing Rules and Regulations (2018). Relevant provisions in the NTP that pertain to projects/program development are as follows:

National Transport Policy (NTP)

Section 4. Program and Project Selection. Programs and projects should be fully aligned with national development goals and priorities; compliant with international commitments; supported by adequate studies from a network perspective; technically and economically feasible; environmentally sound with due consideration of measures to address Disaster Risk Reduction (DRR) and Climate Change; socially acceptable; and based on public needs.

The “Philippine Transport System Master Plan” (PTSMP), which will guide the rational development of an intermodal transport network in the country through coordinated planning and operation of projects and programs as an integrated network of intermodal sub-systems, shall be formulated and periodically updated.

XXX

Section 10. Implementation of the National Transport Policy. The National Economic and Development Authority (NEDA), DOTr and the Department of Public Works and Highways (DPWH), through the Inter-Agency Committee on Transport Planning (IATCTP) and NEDA Board Committee on Infrastructure (INFRACOM), shall undertake the necessary measures to implement the National Transport Policy.

Departments, agencies and instrumentalities, including Government Owned and/or Controlled Corporations exercising transportation development functions shall prepare their respective plans, projects and programs for submission to the IATCTP/INFRACOM for review in accordance with the approved methodology and procedure and the provisions of this Resolution. Plans, projects, and programs prepared in violation hereof shall be deemed unauthorized, and expenditure therefore shall be deliberated.

To ensure that the National Transport Policy guides the long-term development of the transport sector, NEDA, DOTr, and DPWH shall undertake appropriate measures for legislative action to achieve said purpose.

NTP Implementing Rules and Regulations

Rule III. Program and Project Selection

Section 11. Agency Planning and Program Preparation

Based on the provisions of this IRR and consistent with their existing mandates and governing laws, transport-related agencies and LGUs shall annually assess and prepare their strategic short-, medium-, and long-term plans, programs and projects.

Section 12. Program and Projects Assessment

The process for planning and project selection of transport agencies and LGUs shall be based on the following criteria:

- 12.1. Alignment with National and Regional Development Goals and Priorities*
- 12.2. Compliance with International Commitments*
- 12.3. Alignment with Existing Master Plans and Studies*
- 12.4. Supported by Studies Involving a Network Perspective*
- 12.5 Technical and Operational Feasibility*
- 12.6 Economic Feasibility over the Life Cycle*
- 12.7 Environmental Soundness*
- 12.8 Use of Environmentally Sustainable Technologies and Approaches*
- 12.9 Inclusive and People-Oriented Mobility*
- 12.10 Universal Accessibility*
- 12.11 Responsiveness to Disaster Risk Reduction and Climate Change Mitigation/ Adaptation Strategies*
- 12.12 Public Need and Social Acceptability*

Section 13. Formulation of the Philippine Transportation System Master Plan

13.1 The Philippine Transportation System Master Plan (PTSMP), shall be formulated, adopted, and periodically assessed and updated to guide the rational development of intermodal/ multimodal transport network in the country through coordinated planning and operation of projects and programs as an integrated network of intermodal sub-systems.

13.2 The PTSMP shall guide implementing agencies and LGUs in their respective planning and programming exercises. Likewise, stakeholders, in other productive sectors (e.g. implementing agencies, private sector, etc.) are enjoined to make reference to the PTSMP in prepare their respective sector development plans and programs.

13.3. Future plans and projects shall consider the list of priority transport infrastructure projects identified in the PTSMP with corresponding timing and resource requirements (investments, operations, and maintenance costs), needed to be implemented with the short-, medium-, and long-term plan period.

Integrating the Value Methodology in these processes to improve transportation project concepts, designs, and implementation will require the endorsement and approval of the Inter-Agency Committee on Transport Planning, composed of the NEDA, DOTr, and DPWH, according to the implementation mechanism specified in Section 10 of the NEDA Board Resolution. Integrating VM, therefore, will require the issuance of a **joint memorandum circular by NEDA, DOTr, and DPWH**. Said joint circular will provide the guidelines on the use of Value Methodology pursuant to the National Transport Policy planning and programming requirements. In order to facilitate this process, NEDA can initiate the drafting of said joint memorandum circular, which shall also serve as basis for the dissemination of the Updated VM Handbook.

As there are still no clearly defined planning and programming procedures that DOTr prescribes, the joint circular may trigger the development of DOTr's integrated transportation planning and programming procedures and guidelines. This will contribute to the regular updating of transportation data and build on the development of the integrated masterplan (Philippine Transportation System Masterplan).

Agency Guidelines for Unsolicited Proposals

For unsolicited proposals, the governing law and regulations is Republic Act 6957 as amended by Republic Act 7718, otherwise known as the Build-Operate-Transfer (BOT) Law, which allows acceptance of unsolicited proposals subject to the conditions in Rule 10 of its Implementing Rules and Regulations.

With already established guidelines on this as provided by the Public-Private Partnership Governing Board Resolution No. 2017-08-03, what needs to be updated for the inclusion of Value Methodology studies in the submission of private proponents is the Feasibility Checklist (based on the ICC Project Evaluation Forms). This is covered in more detail in Chapter 4 and its appendices.

This ensures that private entities also conduct Value Methodology studies in the development and design of projects for the government.

3.5.2 Capacity Building on Value Methodology (Short to Medium Term)

VM Elements:

VM Awareness and Training, VM Certification

The goal of capacitating agency personnel is for them to be able to undertake the VM studies that will be part of their project documents to be submitted to NEDA for evaluation/approval. NEDA, then, would be able to maintain its role of evaluating project feasibility studies that include VM as one of their components (rather than initiating VM and/or being part of the Study Team).

For easy adoption in agency practices, VM should be appreciated by agency technical staff. Further, agency technical staff competency to conduct VM should also be developed, and, therefore, the suggested supporting activities:

1. Training on Value Methodology of all the technical staff at the Management Committee level (e.g., DPWH Corporate Planning and Management Division)
2. Training on Value Methodology of at least two technical staff from the planning, design, and implementing offices of the Central Office (e.g., DPWH Planning Service, Unified Project Management Offices, Bureau of Design, Bureau of Construction, Bureau of Quality and Safety, Bureau of Equipment, Bureau of Maintenance, Bureau of Research and Standards)
3. Training on Value Methodology of at least two technical staff from all Regional Offices

Note: Different agencies have different organizational structures and names of offices.

3.5.3 Other Supporting Policies (Medium Term)

VM Elements:

**VM Program Senior
Management Champion,
VM Program Manager,
VM Program Development,
VM Organizational Policy,
VM Program Metrics**

Agencies are also encouraged to issue the following supporting policies that will further integrate VM in agency practices:

1. Policy to update functions and responsibilities of offices primarily tasked to undertake VM (e.g. Corporate Planning and Management Division, and Planning Service),
2. Policy to designate a senior official who shall oversee the VM integration and program development in the agency and monitor VM's contribution to overall improvement of agency performance (VM Champion),

3. Policy to set yearly targets (e.g. number of projects) that will be subject to VM based on the threshold established by the agency.

3.6 Supporting the Development of the VM Profession and Industry

3.6.1 Government-wide Capacity Building Program (Short to Medium Term)

VM Institutionalization Elements:

**VM Awareness and
Training, VM Certification,
VM Professional
Association**

Following the inclusion of VM in the Philippine Development Plan (2023-2028), the government can then launch a five-year government-wide capacity building program for technical staff involved in planning and design of various infrastructure projects, through the Government Procurement Policy Board (GPPB). This is similar to the VM trainings conducted in 2006, authorized through GPPB Resolution No. 010-2006.

The trainings may be organized where agencies with high impact programs will be prioritized, and may even expand to reach local government units (highly urbanized cities) to be conducted through the Department of Interior and Local Government.

The program implementing unit will be lodged in the Department of Budget and Management. It will ensure to keep a record of all technical staff trained on VM and shall circulate this list to all government agencies and local government units, for future reference.

To further incentivize the practice of VM in government project development, GPPB may also issue a policy that certifies the trained technical staff under this program. The certification shall be allocated a better rating in the evaluation of the consultant's submissions for individual consulting opportunities for VM studies. This will ensure that the transferred knowledge and capacity to government technical staff will continue to be useful even if the staff has left government, as s/he may continue to practice VM as an individual consultant.

The program implementing unit may also include in its year-end activities an informal gathering of the trained technical staff and encourage them to form an association for continued learning and sharing of best practices. They may then affiliate themselves with international organizations (e.g. SAVE International).

3.6.2 Improving Project Development Practices (Medium to Long Term)

VM Institutionalization Elements:

VM Awareness and Training, VM Certification, VM Professional Association

Institutionalization of VM will require a pool of practitioners, not just in government but also in the private sector. Government regularly takes in professionals for staffing requirements and also engages the private sector for consulting needs. It is key that the profession and industry be able to support government VM requirements as VM is being institutionalized and integrated in program and project development processes. As such, the following programs are suggested to fully support the institutionalization of VM:

1. NEDA partnership with an academic institution (e.g., Development Academy of the Philippines) to develop a VM Certification course, accredited and recognized by international VM certification bodies (e.g., SAVE International), and to have the course credited by the Professional Regulatory Commission as part of various continuing professional development programs for various licensed professions (e.g., Architect, Civil Engineer, Environmental Planner, Accountant).
2. NEDA partnership with the Career Executive Service Board (CESB) to include the VM certification course, accredited and recognized by internationally recognized VM certification bodies (e.g., SAVE International) in the continuing professional development program for senior government officials.

Aligning Industry Practice with Government Regulations

The Construction Industry Authority of the Philippines (CIAP), as a regulatory and accreditation body for the construction industry, could also play an important role in further promoting Value Methodology as an integral part of the construction practice, specifically in the design and implementation of government projects. CIAP is created to "promote, accelerate and regulate growth and development of the construction industry in conformity with national goals."

Pursuant to said goal, CIAP has the following relevant powers and functions:

- Establish criteria for the classification and categorization of contractors which accurately reflect their contracting capacity and performance capability;
- Enforce relevant and reasonable rules and requirements, as well as, implement practicable and efficient procedures for prequalification of public projects;

CIAP could consider in the categorization of AAA contractors the requirement of having implemented Value Methodology in the design of government projects, and in proposing changes/ variations during the implementation of projects in accordance with existing guidelines. Variations supported by VMs will ensure that such proposed changes will redound to the advantage of the government.

Also, the Construction Manpower Development Foundation, as the construction profession development partner of CIAP, shall see to it that VM is included in its future manpower training programs so that construction firms are supported and they can, in turn, develop VM practitioners in the industry.

3.7 References

Executive Order 43: Pursuing Our Social Contract with the Filipino People Through The Reorganization of the Cabinet Clusters

Executive Order 24: Reorganizing the Cabinet Clusters System by Integrating Good Governance and Anti-Corruption in the Policy Frameworks of All the Clusters and Creating the Infrastructure Cluster and Participatory Governance Cluster

Philippine Development Plan (2017-2022)

DPWH Performance Report 2017

DPWH Department Order 4 series of 2017: Conduct of Feasibility Studies and Project Proposals of Potential High Impact Projects by the Unified Project Management Office (UPMO), in coordination with the Planning Service (PS)

Department of Budget and Management (DBM) – National Economic and Development Authority (NEDA) Joint Circular 2016-01: Policy Guidelines and Procedures for the Formulation of the Three (3)- Year Rolling Infrastructure Program (TRIP)

DPWH Department Order 11 series of 2015: Road and Bridge Projects, Policies, Responsibilities and Accountabilities

DPWH Department Order 89 series of 2016: Full Institutionalization of Multi Year Planning

DPWH Department Order 147 series of 2018: Strategic and Operational Planning Policies and Procedures

DPWH Department Order 28 series of 2015: Specific Guidelines to Manage and Control Variation Orders for DPWH Infrastructure Projects

Professional Regulation Commission Resolution No. 2019-1146

Government Procurement Policy Board Resolution No. 010-2006

NEDA Board Resolution No. 5 series of 2017: National Transport Policy

National Transport Policy Implementing Rules and Regulations (2018)

NIA Memorandum Circular 88 series of 2020: NIA Guidelines in Undertaking Value Engineering or Value Analysis (VE/VA) Study Activities during the Detailed Engineering Studies or Detailed Engineering Design Stage of Project Development

NIA General Guidelines and Criteria for Planning, Design, Construction, Operation and Maintenance of Reservoir Dams (1st Edition, October 2019)

Adjustments to the NEDA-ICC Documents to Include Value Methodology Study Requirement

The NEDA Investment Coordination Committee (NEDA-ICC) has issued a checklist of documentary requirements for government agencies that will be submitting project proposals for evaluation and approval of the ICC. These follow the ICC Project Evaluation Procedures and Guidelines to determine project viability. The project proposals cover solicited and unsolicited Public-Private Partnership (PPP) projects, and projects that will be undertaken through a Joint Venture arrangement with private sector proponent/s.

This Chapter presents the inclusion of the Project Evaluation (PE) form that lists down the main results of the value methodology study conducted for the project being proposed. These results include information such as:

- Inclusive dates when the VM study was conducted,
- number of VM study members, number of internal or external experts/specialists involved, and specialization of the team members,
- cost to conduct the VM study,
- estimated cost of the project under study,
- number of Value Improvement Proposals or VIPs/recommendations to improve value,
- total value of VIPs,
- number of approved VIPs,
- value of approved VIPs,
- matrix of disapproved VIPs and reasons/s for rejecting the recommendations,
- percentage of project cost saved, and
- return on investment

4.1 Solicited and Unsolicited PPP Projects

All agency proposals requiring ICC approval need to be complete in order to be accepted for review, evaluation and approval. To ensure completeness, the ICC has issued the **Checklist of Documentary Requirements for Solicited and Unsolicited PPP Proposals** that include the following:

- Project Evaluation (PE) Form No. 1 – General Information
- PE Form No. 2 – Estimated Project Cost
- PE Form No. 3 – Project Revenue
- PE Form No. 4 – Estimated Project Benefits and Costs
- PE Form No. 5 – Risk Allocation Matrix
- PE Form No. 6 – Logical Framework
- PE Form No. 7 – Project and Financing Milestones
- PE Form No. 8 – Maximum Government Exposure
- PE Form No. 9 – Gender Responsiveness Checklist
- PE Form No. 10 – Results of Value Methodology Study* (new requirement)

As stated in the checklist, the Implementing Rules and Regulations (IRR) of the Build-Operate-Transfer (BOT) Law, specifically Section 2.7, allows the ICC to prescribe detailed guidelines and requirements. In line with the VM institutionalization strategy of NEDA, the ICC will issue a memorandum requiring the submission of the ICC PE Form No. 10 that will ensure that a VM study was conducted for the project being proposed, and will highlight in the form the main results of the VM study. Appended to this chapter are the following:

- Draft ICC Memorandum on Integrating Value Methodology (VM) in the ICC Process (Appendix B)
- ICC Checklist of Documentary Requirements for Solicited PPP Proposals with VM requirement (Appendix C)
- ICC Checklist of Documentary Requirements for Unsolicited PPP Proposals with VM requirement (Appendix D)
- ICC PE Form No. 10 on VM Study (Appendix E)
- Guide in Accomplishing the ICC PE Form No. 10 on VM Study Checklist (Appendix F)

4.2 Joint Venture Projects

Similar to Section 4.1, ICC's new memorandum issuance will also cover projects that will be proposed under the Joint Venture Arrangement. As such, the JV-PE forms that will be submitted will include the PE form for the conduct of the VM study, as follows:

- JV-PE Form No. 1 – General Information
- JV-PE Form No. 2 – Estimated Project Cost
- JV-PE Form No. 3 – Project Revenue
- JV-PE Form No. 4a – Estimated Financial Revenues and Costs
- PE Form No. 4b – Estimated Economic Benefits and Costs
- PE Form No. 5 – Results of Value Methodology Study* (new requirement)

The JV-PE form and the guidelines to be followed in completing this form will be similar to the form and guidelines presented for the solicited and unsolicited proposals (see Appendix G).

Draft Executive Order (patterned after E.O. 43 series of 2011 and E.O. 24 series of 2017)

APPENDIX

A

(Content in bold text are suggested amendments to the previously issued Executive Order/s organizing and reorganizing the Cabinet Clusters, underscoring the integration of VM in Cabinet Cluster processes.)

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO.XXX

REORGANIZING THE CABINET CLUSTER SYSTEM AND INTEGRATING VALUE METHODOLOGY IN CLUSTER PROCESSES TO ENHANCE DECISION-MAKING IN THE DETERMINATION OF APPROPRIATE PROJECT AND PROGRAM INTERVENTIONS TO ADDRESS MULTI-FACETED NATIONAL DEVELOPMENT CONCERNS

WHEREAS, Section 16, Article X of the 1987 Philippine Constitution promotes the right of the people and their organizations to effective and reasonable participation at all levels of social, political, and economic decision-making;

WHEREAS, Executive Order No. 43 (s. 2011) created and organized the Cabinet Clusters to serve as a venue and mechanism for coordination, harmonization, complementation, and synergy among the executive departments and their Government instrumentalities, identifying therein the chair, members, and secretariat for each of the five (5) Cabinet Clusters;

WHEREAS, Executive Order No. 07 (s. of 2016) designated the Secretary of National Defense as the Chairperson of the Security, Justice and Peace Cluster;

WHEREAS, Executive Order No. 24 (s. of 2017) reorganized the Cabinet Cluster system and integrated good governance and anti-corruption in the policy frameworks of all the clusters, created the Infrastructure Cluster and Participatory Governance Cluster;

WHEREAS, the government aims to regain people's trust in public institutions and cultivate trust among fellow Filipinos, which could be achieved by streamlining and reengineering the efforts of the various Executive Departments;

WHEREAS, there is a need to facilitate government efficiency and sustained economic growth through the establishment of inclusive strategies that impact the grassroots level;

WHEREAS, good governance and anti-corruption objectives are immutable underpinnings of every policy, program and intervention of all Cabinet Clusters;

WHEREAS, there is a need to reorganize Cabinet Clusters to streamline ~~their~~ functions and improve existing procedures to achieve a **whole-of-government approach** and a more efficient and effective integration of programs, activities, and priorities and;

WHEREAS, the Value Methodology approach is a globally accepted practice in project development processes both in the public and private sectors, which significantly enhances decision-making to improve functionalities of programs/ projects and reduce costs;

WHEREAS, Value Methodology introduced at the Cabinet Cluster level streamlines and reengineers Executive Department efforts to generate optimal benefit to government and society;

NOW, THEREFORE, I, ____ (NAME OF PRESIDENT) ____, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

SECTION 1. DEFINING OUR VISION. Our vision is a country with:

1. A re-awakened sense of right and wrong, through the living examples of our highest leaders;
2. An organized and widely shared rapid expansion of our economy through a government dedicated to honing and mobilizing our people's skills and energies as well as the responsible harnessing of our natural resources;
3. A collective belief that doing the right thing does not only make sense morally, but translates into economic value as well; and
4. Public institutions rebuilt on the strong solidarity of our society and its communities.

SECTION 2. KEY RESULT AREAS

1. Transparent, accountable, and participatory governance – to institutionalize open, transparent, accountable, and inclusive governance;
2. Poverty reduction and empowerment of the poor and vulnerable – to translate the gains from good governance into direct, immediate and substantial benefits for the poor;
3. Rapid, inclusive, and sustained economic growth – to achieve rapid economic expansion that generates jobs and livelihood for and increase the income of the poor while moving away from the boom-and-bust cycles of economic performance of the past;
4. Just and lasting peace and the rule of law – to attain a just, comprehensive, and lasting peace within the bounds of our law; and
5. Integrity of the environment and climate change adaptation and mitigation – to promote sustainable natural resource utilization and climate change adaptation and mitigation strategies and measures among national government agencies, the local government units (LGUs) and their respective communities, the general public, and other stakeholders.

To achieve focus and optimal impact given the available resources of Government, all departments and agencies shall orient their programs, projects, and activities towards the pursuit of these five (5) key result areas.

Furthermore, the government shall engage key stakeholders such as the LGUs, the legislative and judicial branches of government, and the private sector, particularly the business and civil society, in pursuit of our Vision.

FUNCTIONS AND PROCESSES

SECTION 3. FUNCTIONS. The Cabinet Clusters shall serve as the primary mechanism of the Executive Branch for directing efforts towards the realization of our Vision. They shall ***generate programs and projects to be included in the Projects Road Map in Section 14 of this Order, with*** concrete and measurable targets every year leading to the intended outcomes as outlined in our Vision.

In generating programs and projects, the Cabinet Clusters are enjoined to use Value Methodology processes and/or studies to help determine the most appropriate program/ project interventions given a specific development objective.

Furthermore, the Clusters shall assess the degree of accomplishment of their respective cluster targets in partnership with the private sector and civil society organizations, evaluate whether the milestones leading to the intended outcomes are being attained; and undertake the necessary measures to fast-track program and/or project implementation. Regular reports on the actual results of program and project implementation shall be submitted to the Presidential Management Staff.

Finally, the Clusters shall serve as advisory committees to the Office of the President. As such, they shall recommend measures on policy and operational matters for the final consideration of the said office.

SECTION 4. Value Methodology Process and Studies. Value methodology shall be conducted in accordance with the VM Handbook of the National Economic and Development Authority (NEDA).

NEDA shall facilitate the conduct of Value Methodology processes and studies in all Cabinet Clusters for the first three (3) years. NEDA shall conduct capacity-building activities for all Cabinet Clusters to develop a pool of certified value specialists who will be engaged in value methodology processes and studies to facilitate Cabinet Cluster decisions.

National government agencies shall update their project/ program development processes and integrate Value Methodology in said processes.

SECTION 5. Participation of Cabinet Members. Participation in the Cluster meetings and activities is not limited to the members identified herein. The Cabinet Clusters may invite or enjoin participation of the heads of other departments and agencies as deemed necessary.

The Secretary of the Presidential Communications Operations Office, the National Security Adviser and the Presidential Adviser on Legislative Affairs shall participate in all cluster meetings.

SECTION 6. Good Governance Objectives. All Cabinet Clusters shall adopt the following objectives pertaining to good governance:

- a) Uphold transparency in government transactions and commit to combat graft and corruption;
- b) Strengthen the capacity of government institutions to link their respective budgets with performance outcomes and enabling citizens and civil society to monitor and evaluate the same;
- c) Cultivate a professional, motivated and energized bureaucracy with adequate means to perform their public service missions;
- d) Improve public asset and resource management and revenue performance; and
- e) Establish an improved policy and regulatory environment that will reduce the cost of doing business in the country and improve competition.

THE CABINET CLUSTER SYSTEM

SECTION 7. Reorganizing the Cabinet Clusters. The Cabinet Clusters are hereby reorganized into the following: (a) Participatory Governance, (b) Infrastructure, (c) Human Development and Poverty Reduction, (d) Security, Justice and Peace, (e) Climate Change Adaptation and Mitigation and Disaster Risk; and (f) Economic Development.

SECTION 8. Participatory Governance Cluster. The Participatory Governance Cluster shall exert all efforts to enhance citizen participation in governmental processes. In particular, the following goals shall be pursued:

- a) Formulate mechanisms to enable the public to properly understand, rationalize and implement national government programs and projects based on area specific realities;
- b) Strengthen consultation mechanisms to ensure effective implementation of national programs and projects in the local government and grassroots level; and
- c) Propose policies, programs and projects that would foster participatory governance and build the capacities of local government units for such purpose.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of Interior and Local Government

Members:

- The Executive Secretary
- The Cabinet Secretary
- Head, Presidential Management Staff
- Secretary, Department of Budget and Management
- Secretary, Department of Justice
- Secretary, Department of Finance
- Secretary, Department of Trade and Industry
- Secretary, National Economic and Development Authority
- Secretary, Presidential Communications Operations Office
- Chair, Commission on Higher Education
- Presidential Adviser on Legislative Affairs
- Lead Convenor, National Anti-Poverty Commission

Secretariat: Department of Budget and Management

SECTION 9. Infrastructure Cluster. The Infrastructure Cluster is hereby created to focus on infrastructure development for the realization of the 10-point Socio Economic Agenda.

The Cluster shall pursue the following objectives:

- a) Enhance delivery of public infrastructure by ensuring efficient and transparent management of assets and resources, focusing on both the management of assets and the shift to service-oriented approaches that enable stakeholders to become co-producers of services;
- b) Improve the quality and reliability of public infrastructure and public investment efficiency;
- c) Strengthen the implementation capacity and budget execution of government agencies which are involved in infrastructure development;
- d) Ensure equitable access to infrastructure services.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of Public Works and Highways

Members: The Executive Secretary
The Cabinet Secretary
Head, Presidential Management Staff
Secretary, Department of Interior and Local Government
Secretary, Department of Budget and Management
Secretary, National Economic and Development Authority
Secretary, Department of Transportation
Secretary, Department of Finance
Secretary, Department of Information and Communications Technology
Secretary, Department of Trade and Industry
Secretary, Department of Agriculture
Secretary, Department of Health
Secretary, Department of Social Welfare and Development
Secretary, Department of Education
Secretary, Department of Tourism

Secretariat: National Economic and Development Authority

SECTION 10. Human Development and Poverty Reduction. The Human Development and Poverty Reduction Cluster shall exert all efforts to improve the quality of life of the Filipino people through a broad-based approach in the delivery of services. The Cluster shall pursue the following goals:

- a) Make education the central strategy for investing in people, reducing poverty and building national competitiveness;
- b) Advance and protect public health;
- c) Address concerns on population, reproductive health and sustainable development;
- d) Build capacities and create opportunities among the poor and the marginalized;

- e) Increase social protection and engage communities in their own development;
- f) Promotion of equal gender opportunities in all spheres of public policies and programs;
- g) Ensure effective coordination of national government programs for poverty reduction at the local level.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of Social Welfare and Development

Members:

- The Executive Secretary
- The Cabinet Secretary
- Head, Presidential Management Staff
- Secretary, Department of Agrarian Reform
- Secretary, Department of Agriculture
- Secretary, Department of Environment and Natural Resources
- Secretary, Department of Education
- Secretary, Department of Health
- Secretary, Department of Labor and Employment
- Secretary, Department of Budget and Management
- Secretary, National Economic and Development Authority
- Secretary, Department of Trade and Industry
- Secretary, Department of Interior and Local Government
- Director General, Technical Education and Skills Development Authority
- Chair, Housing and Urban Development Coordinating Council
- Chair, Commission on Higher Education
- Lead Convenor, National Anti-Poverty Commission

Secretariat: National Anti-Poverty Commission

SECTION 11. Climate Change Adaption, Mitigation and Disaster Risk Reduction Cluster. The Climate Change Adaptation, Mitigation, and Disaster Risk Reduction Cluster shall focus on the conservation and protection of the environment and natural resources, and shall serve as a venue for discussing inter-related concerns on climate change and disaster risk management. The Cluster shall also take the lead in the effective integration of policies and programs on climate risk management, disaster risk reduction, and sustainable development. The Cluster shall pursue the following objectives:

- a) Increase in climate change resiliency of rural communities through increased agricultural productivity, water sufficiency, food security and climate and disaster-risk resilient development;
- b) Intensify sustainable management of natural resources through the adaptation of ridge-to-reef approach and sustainable integrated area development;
- c) Management of natural resources through strict enforcement of, and compliance with, environmental standards and safeguards to achieve sustainable and resilient ecosystems;
- d) Ensure inclusive, people-oriented and sector-wide disaster mitigation, preparedness and quick emergency response, recovery and rehabilitation from natural and/or human-induced emergencies; and
- e) Promote and protect the Philippine national interest in adhering to international environmental commitments.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of Environment and Natural Resources

Members: The Executive Secretary
The Cabinet Secretary
Head, Presidential Management Staff
Secretary, Department of Budget and Management
Secretary, National Economic and Development Authority
Secretary, Department of Foreign Affairs
Secretary, Department of Information and Communications Technology
Secretary, Department of Finance
Secretary, Department of Science and Technology
Secretary, Department of Interior and Local Government
Secretary, Department of Public Works and Highways
Secretary, Department of Social Welfare and Development
Secretary, Department of Agriculture
Secretary, Department of Agrarian Reform
Secretary, Department of Energy
Secretary, Department of National Defense
Chair, Metro Manila Development Authority
Chair, Housing and Urban Development Coordinating Council

Secretariat: Climate Change Commission

SECTION 12. Security, Justice and Peace Cluster. The Security, Justice and Peace Cluster shall ensure the preservation of national sovereignty and the rule of law; and focus on the protection and promotion of human rights and the pursuit of a just, comprehensive, and lasting peace. In particular, the Cluster shall pursue the following goals:

- a) Protect our national territory and boundaries;
- b) Attain a just and lasting peace;
- c) Ensure the welfare of the Overseas Filipino Workers (OFWs);
- d) Strengthen the rule of law;
- e) Institutionalize an efficient and impartial justice system that delivers equal justice to the rich and poor; and
- f) Advance and protect human rights.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of National Defense

Members: The Executive Secretary
The Cabinet Secretary
Secretary, Department of Interior and Local Government
Secretary, Department of Foreign Affairs
Secretary, Department of Justice

National Security Adviser
Presidential Adviser on the Peace Process

Secretariat: National Security Council

SECTION 13. Economic Development. The Economic Development Cluster shall focus on the promotion of rapid, inclusive, and sustained economic growth. In particular, the following goals shall be pursued:

- a) Promote an environment conducive to growth and competitiveness of private enterprises and the creation of jobs that will empower people and provide them with opportunities to rise above poverty;
- b) Improve farms and rural enterprises vital to achieving food security and more equitable economic growth;
- c) Undertake research and development that are relevant to and supportive of the requirements of micro-, small-, and medium-scale enterprises and national industries;
- d) Improve national productivity and competitiveness of domestic products and services; and
- e) Ensure deep and wide distribution of economic opportunities and benefits to the Filipino people.

The composition of the Cluster shall be as follows:

Chair: Secretary, Department of Finance

Members: The Executive Secretary
The Cabinet Secretary
Head, Presidential Management Staff
Secretary, National Economic and Development Authority
Secretary, Department of Trade and Industry
Secretary, Department of Budget and Management
Secretary, Department of Public Works and Highways
Secretary, Department of Transportation
Secretary, Department of Information and Communications Technology
Secretary, Department of Energy
Secretary, Department of Science and Technology
Secretary, Department of Tourism
Secretary, Department of Agriculture
Secretary, Department of Interior and Local Government

Secretariat: National Economic and Development Authority

The Economic Development Cluster may request the participation of the Governor of the Bangko Sentral ng Pilipinas, as necessary.

SECTION 14. Performance and Projects Road Map. Each Cabinet Cluster shall formulate a Performance and Projects Roadmap which will identify critical targets including identified annual deliverables. The Cluster Roadmaps shall be aligned with the Philippine Development Plan.

The Office of the Cabinet Secretary – Performance and Projects Management Office (PPMO) shall facilitate the formulation and implementation of the comprehensive Performance and Projects Roadmaps.

SECTION 15. Cabinet Cluster System Secretariat. In order to consolidate and closely monitor the various cluster directives, instructions, and commitments under the cabinet cluster system, there shall be a Cabinet Cluster System Secretariat in the Office of the President which shall serve as the head secretariat of the different cluster secretariats. The CCSC shall be under the Office of the Cabinet Secretary, headed by an Assistant Secretary and assisted by the concerned Cluster Directors of the PPMO.

SECTION 16. Separability. Should any part of this Executive Order be declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SECTION 17. Repealing Clause. All other issuances or parts thereof inconsistent with the provisions of this Executive Order are hereby repealed or amended accordingly.

SECTION 18. Effectivity. This Executive Order shall take effect immediately.

DONE, in the city of Manila this 13th day of May, in the Year of our Lord Two Thousand and Eleven.

By the President:

(Sgd.) (NAME OF PRESIDENT)
President of the Philippines

(Sgd.) (NAME OF EXECUTIVE SECRETARY)
Executive Secretary

Draft ICC Memorandum on Integrating Value Methodology (VM) in the ICC Process

APPENDIX

B

INVESTMENT COORDINATION COMMITTEE

MEMORANDUM

For: Heads of Departments/Agencies of the National Government,
Government-Owned and Controlled Corporations
And All Others Concerned

From: DOF Secretary name
Department of Finance
Chair, ICC-Cabinet Committee (ICC-CC)

NEDA Secretary name
National Economic and Development Authority
Co-Chair, ICC-CC

Subject: ICC Policy on Integrating Value Methodology (VM) in the ICC Process

Date:

-
1. Pursuant to **Executive Order No. XX** entitled "Reorganizing the Cabinet Cluster System and Integrating Value Methodology in Cluster Processes to Enhance Decision-Making in the Determination of Appropriate Project and Program Interventions to Address Multi-Faceted National Development Concerns" that was signed by the President of the Republic of the Philippines on (insert date), Value Methodology is adopted as the decision-making framework and approach that will guide the Cabinet Clusters in key decisions affecting program and project development, and, ultimately, government performance.

OR

In line with the updated Philippine Development Plan 2023-2028 that was submitted and approved on (date)/ DBM-NEDA Joint Circular on the Three-Year Rolling Infrastructure Program (TRIP) / other national government directive that supports the integration of the VM process for project improvement **(the specific directive that will be finalized will be specified here).**

2. The said **Executive Order No. XX, Section YY / national government directive** enjoins national government agencies to use Value Methodology in their project/program development processes, including infrastructure projects whether initiated by the government (national government and corporate projects), projects covered by the Republic Act 6957 as amended by Republic Act 7718 (the Philippine BOT Law) and its Implementing Rules and Regulations (IRR), projects requiring National Government borrowing or guarantee, projects requiring Presidential or NEDA Board approvals, and all proposed projects for funding with the Chinese Government regardless of amount.
3. Following said **Executive Order No. XX / national government directive**, the ICC-CC discussed during its meeting on (insert date) the need to integrate the VM in the ICC process in order to ensure that said process is carried out.
4. With the adoption of the VM in the ICC process, the proponent agencies are required to accomplish and submit the VM Checklist as additional ICC Project Evaluation (PE) Form, in addition to the current ICC PE Forms submitted to the ICC Secretariat, together with their project proposal, for review. Said submission will be validated by the ICC Secretariat to ensure compliance with the integration of the VM process in the development of the proposed project, and this will be included in the Project Evaluation Report.
5. To guide the agencies in ensuring that the VM process is carried out in project proposals, the electronic copy of the VM checklist can be accessed at **(insert URL)**.
6. The new ICC procedure shall apply immediately upon signing of this Memorandum.

For immediate implementation.

Secretary, Department of Finance

Secretary, National Economic and Development
Authority

ICC Checklist of Documentary Requirements for Solicited PPP Proposals with VM requirement

APPENDIX

C

ICC CHECKLIST FOR PROPOSED PPP PROJECTS FOR ICC REVIEW

I. Project Title: _____

II. Transmittal letter signed by: _____

III. Contact persons and details:

At least Director level	Focal technical staff
Name:	Name:
Tel. No.:	Tel. No.:
Fax No.:	Fax No.:
Email:	Email:

IV. Documentary requirements:

Items	Date of submission	Received by PIS	Status/ Remarks
1. Project Proposal (based on data not older than 3 years)			
2. ICC Project Evaluation Forms ___ PPP PE Form No. 1 <u>General Information</u> (to include basic technical design, institutional arrangements) ___ PPP PE Form No. 2 <u>Estimated Project Cost</u> (include O&M; the Secretariat will be provided assumptions on what figures to take) ___ PPP PE Form No. 3 <u>Project Revenue</u> (include fee/tariff structure; traffic forecast at most 3 years old) ___ PPP PE Form No. 4 <u>Estimated Project Benefits and Costs</u> ___ 4a Financial ___ 4b Economic ___ PPP PE Form No. 5 <u>Risk Allocation Matrix</u> ¹ ___ PPP PE Form No. 6 <u>Logical Framework</u> ___ PE Form No. 7 <u>Project and Financing Milestones</u> ___ PPP PE Form No. 8 <u>Maximum Government Exposure</u> ___ PPP PE Form No. 9 <u>Gender Responsiveness Checklist</u> ² ___ PPP PE Form No. 10 <u>Results of the Value Methodology Study</u> ³			

Items	Date of submission	Received by PIS	Status/ Remarks
3. Two (2) sets of electronic copies of the economic and financial analyses in traceable formula format based on the submitted PPP PE Forms			
4. Endorsements by head of oversight/mother department			
5. Environmental Impact Statement (EIS)/ Environmental Compliance Certificate/ Certificate of Non-Coverage ⁴			
6. DOF-CAG review for GOCC projects ⁵			
7. Location map ⁶ (with e-copy)			
8. ROW acquisition and resettlement action plan ⁷ (implementation risk; implementing agency to provide a good description and the extent of the project's ROW cost)			
9. ICC Project Evaluation Matrix			
10. Project context in the Department's overall strategy/program ⁸			
11. Information on job creation/employment impact of the project			
Other Post ICC Requirements			
12. RDC endorsements ⁹ (prior to notice of award)			
13. DBM certification of budget cover availability for GOP counterpart (prior to NEDA Board confirmation of ICC approval)			

NEDA-PIS / December 2016

¹ Based on the Generic Preferred Risk Allocation Matrix accessible in the NEDA website.

² Refers to the Combined Generic Checklist for the Project Identification and Design Stages or the applicable Sectoral Gender and Development Checklist, which can be accessed at http://w3.neda.gov.ph/hgdg/left_nav.html.

³ Value Methodology or VM study is mandated per EO xx /ICC Memorandum xx. (Reference here the relevant document).

⁴ To ensure environmental soundness of projects, proponents are required to complete and submit an EIS to DENR for processing. Pursuant to DENR Administrative Order 96-37, DENR - Environmental Management Bureau and DENR Regional Offices commit to issue the ECCs within sixty-days from the submission of a complete EIS.

⁵ The DOF - CAG review covers the impact of the program/project on the financial position of the government-owned or -controlled corporations (GOCCs) and government financial institutions (GFIs) as well as on the Consolidated Public Sector Deficit (CPSD). The review enables the ICC to gauge the ability of the GOCC/GFI to generate funds for loan repayments or estimate the amount of subsidies that may have to be infused by the national government in the future.

⁶ A diagram that outlines the project site.

⁷ The proponent agencies should design and submit the right-of-way (ROW)* acquisition plan and resettlement action plan**. These plans will aid the evaluation of the social acceptability and feasibility of the project. The ICC recognizes the effective role of the local government units (LGUs) in providing assistance in the processes involved including the negotiation for resettlement sites and provision of essential public services to the project affected families.

* The right given by one landowner to another to pass over the land, construct a roadway or use as a pathway, without actually transferring ownership. A right of way may arise, (a) By prescription and immemorial usage; (b) By grant; (c) By reservation; (d) By custom; (e) By acts of the legislature; (f) From necessity, when a man's ground is enclosed and completely blocked up, so that he cannot, without passing over his neighbor's land, reach the public road. (Source: <http://www.lectlaw.com/def2/w045.htm>).

**The resettlement action plan should include measures to relocate, resettle and provide livelihood development for families whose properties will be permanently affected by the project.

⁸ This pertains to the overview of the concerned Department's national strategy and program, including overall development outcomes, timelines, and investment requirements, and the specific link of the proposed project outputs, timelines and investment requirements to achieve the Department's national strategy and program.

⁹ Proponent agencies are required to secure and submit the Regional Development Council (RDC), the Metro Manila Development Authority (MMDA - for the National Capital Region only) and the ARMM-Regional Planning and Development Office (for the Autonomous Region of Muslim Mindanao only) endorsement of proposed programs and projects to ensure that effective identification of target beneficiaries, sustaining social preparation and active local participation in the attainment of national priorities are met.

ICC Checklist of Documentary Requirements for Unsolicited PPP Proposals with VM requirement

APPENDIX

D

Investment Coordination Committee (ICC) Checklist of Documentary Requirements for Unsolicited Public Private Partnership (PPP) Proposals as of _____

Project:

Sponsor agency:

Original proponent:

Agency focal person and contact details:

Name:

Email Address:

Tel. No.:

Name:

Email Address:

Tel. No.:

Name:

Email Address:

Tel. No.:

Name:

Email Address:

Tel. No.:

Legend:

- Items for submission in **red**
- Items that do not have to be resubmitted in **black**

Note: Please be informed that agency submissions of unsolicited and solicited PPP projects to the ICC will be considered for evaluation only when the ICC requisite documents are complete, compliant, and duly endorsed by the Head of Agency and Mother Agency. Proposals that are incomplete and not compliant with the provisions of the Philippine Build-Operate-Transfer (BOT) Law and its Implementing Rules and Regulations (IRR) will be returned to the concerned agency.

ICC Checklist of Documentary Requirements for the (Project Title)

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
1	Project Proposal -- Complete Feasibility Study (based on date not older than 3 years)	BOT IRR, Sec. 10.5 requires the submission of a complete unsolicited proposal by the proponent, which includes a project feasibility study. Rationale: This document is the basis for PE forms and most of the analysis.			
2	ICC Project Evaluation (PE) Forms PE Form No. 1 - General Information PE Form No. 2 - Estimated Project Cost PE Form No. 3 - Project Revenue PE Form No. 4 - Estimated Project Benefits and Costs PE Form No. 5 - Risk Allocation Matrix ¹ PE Form No. 6 - Logical Framework PE Form No. 7 - Project and Financing Milestones PE Form No. 8 - Maximum Government Exposure PE Form No. 9 - Gender Responsiveness Checklist ² PE Form No. 10 --Value Methodology Study Report³ Note: Needs to be consistent with financial and economic models, ICC project evaluation matrix, and draft contract provisions.	BOT IRR Sec. 2.7 allows the ICC to prescribe detailed guidelines and requirements. The submission of ICC PE Forms is required under the ICC Project Evaluation Procedures and Guidelines (as of 24 June 2004) to determine project viability. BOT IRR Sec. 4.4 requires the unsolicited proposals to contain all relevant assumptions. The information in these forms allow the ICC Secretariat to compute the reasonable rate of return (ROR), as required in BOT IRR Sec. 10.8 . Rationale: These documents are used to come up with the project PER, which will be the basis for approval.			
3	Agency Project Evaluation Report (PER)/report of due diligence Note: This includes: 1. Appraising the merits of the project 2. Qualifying the proponent based on the pre-qualification requirements 3. Assessing the appropriateness of the contractual arrangement 4. Assessing the reasonableness of risk allocation 5. Recommendation of a reasonable ROR	BOT IRR Sec 10.8 requires the endorsement, results of due diligence and evaluation conducted, and complete documentation from the Head of Agency/LGU. Rationale: The agency PER will summarize the agency's due diligence and evaluation results.			
4	Electronic copies of the economic and financial analyses in traceable formula format based on the submitted PPP PE Forms Note: The proponent needs to include	Traceable models allow the ICC Secretariat to compute the reasonable ROR in BOT IRR Sec. 10.8 . Rationale: The ICC will validate the assumptions in the model to			

¹ Generic Preferred Risk Allocation Matrix can be accessed through this link: https://ppp.gov.ph/wp-content/uploads/2017/02/GPRAM_2Aug2016.pdf.

² Refers to the Combined Generic Checklist for the Project Identification and Design Stages or the applicable Sectoral Gender and Development Checklist, which can be accessed through the following links: <https://www.neda.gov.ph/investment-coordination-committee/> and <https://www.neda.gov.ph/wp-content/uploads/2020/01/Pullouts3-GAD-Checklist-for-Infrastructure.pdf>

³ Value Methodology or VM study is mandated per EO xx /ICC Memorandum xx. (Reference here the relevant document).

ICC Checklist of Documentary Requirements for the (Project Title)

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
	<p>the basis and breakdown of their cost of capital assumptions (i.e. cost of debt, cost of equity, risk free rate, beta, equity risk premium used).</p> <p>Assumptions also need to be updated to account for the impact of COVID-19 on demand and costs.</p> <p>The model has to be consistent with the arrangements in the draft contract, the project's MPSS and KPIs. It also needs to account for all costs of the project, which has to specify costs related to right-of-way, resettlement, utilities relocation, and environmental mitigation (if applicable).</p>	determine the project's reasonable ROR. The ICC will also use the traceable model to assess the project's financial and economic viability.			
5	<p>Endorsement by Head of Oversight/Mother Agency</p> <p>Note: The agency may only endorse the project when:</p> <ol style="list-style-type: none"> 1. the proponent has submitted complete documents 2. the agency has finished evaluating the project 3. the agency has finished qualifying the proponent in accordance with the pre-qualification requirements (i.e. legal, technical, and financial capacity). 	<p>BOT IRR, Sec. 10.7 states that the agency shall endorse the proposal to the ICC after the agency evaluates the project and qualifies the proponent based on BOT IRR, Rule 5.</p> <p>BOT IRR Sec. 10.8 states that the Head of Agency/LGU shall endorse the project to the ICC and submit the evaluation results of its due diligence within five days upon issuance of the letter of acceptance to the proponent.</p> <p>Rationale: The IA is mandated to submit the results of its due diligence to the ICC. These will facilitate the ICC Secretariat's review of the merits of the project and proponent.</p>			
6	<p>Conferment of Original Proponent Status (OPS) by the Agency</p> <p>Note: The agency may only grant OPS when:</p> <ol style="list-style-type: none"> 1. the proponent has submitted complete documents 2. the agency has finished evaluating the project 3. the agency has finished qualifying the proponent in accordance with the pre-qualification requirements (i.e. legal, technical, and financial capacity). 	<p>BOT IRR, Sec. 10.7 states that the agency shall confirm the proponent as the "original proponent" after accepting and conducting due diligence on the project and its proposal.</p> <p>BOT IRR Sec 10.8 requires the endorsement, results of due diligence and evaluation conducted, and complete documentation from the Head of Agency/LGU.</p> <p>Rationale: Submission of IA's due diligence prior to granting of the OPS will give the ICC confidence in the proponent's capability to undertake the project.</p>			
7	DOF-CAG Review for GOCC Projects ⁴	The ICC Project Evaluation Procedures and Guidelines (as of 24 June 2004)			

⁴ The DOF - CAG review covers the impact of the program/project on the financial position of the government-owned or -controlled corporations (GOCCs) and government financial institutions (GFIs) as well as on the Consolidated Public Sector Deficit (CPSD). The review enables the ICC to gauge the ability of the GOCC/GFI to generate funds for loan repayments or estimate the amount of subsidies that may have to be infused by the national government in the future.

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
		requires the DOF-CAG to assess the financial capability of government corporations to finance their projects. Reviewing the fiscal impact of projects is part of the ICC mandate per EO 230 .			
8	Location Map (with e-copy) ⁵	BOT IRR Sec 10.5 requires the proponent to submit the project's basic information. Right-of-Way (ROW) costs, which are dependent on the project's location and scope, are also needed to compute the reasonable ROR in BOT IRR Sec. 10.8 .			
9	Right-of-Way Acquisition (ROWA) and Resettlement Action Plan (RAP) ⁶ [Implementation risk; Implementing Agency to provide good description and the extent of the project's ROW Cost] Note: ROWA and RAP costs has to be specified and segregated in the financial model (if not applicable to the project, indicate 0).	BOT IRR Sec 10.1 states that agencies may only accept unsolicited proposals that do not require any direct government guarantee, subsidy, or equity. BOT IRR Sec 10.4 states that granting usufruct of government assets, including right-of-way, is considered as a direct subsidy unless the government receives appropriate compensation. It also states that relocation and resettlement costs should be shouldered by the proponent. ROWA and RAP costs are also needed by the ICC to compute the reasonable ROR in BOT IRR Sec. 10.8 . Rationale: ROW and resettlement costs are typically significant expense items that the proponent of an unsolicited proposal must bear. This must be clearly reflected in the project contract and financial model.			
10	ICC Project Evaluation Matrix	BOT IRR Sec. 2.7 allows the ICC to prescribe detailed guidelines and requirements. Rationale: This matrix summarizes the key decision parameters for the project.			
11	Project context in the Department's	BOT IRR Sec. 2.1 states that agencies			

⁵ A diagram that outlines the project site.

⁶ The proponent should design and submit the right-of-way (ROW)* acquisition plan and resettlement action plan**. These plans will aid the evaluation of the social acceptability and feasibility of the project. The ICC recognizes the effective role of the local government units (LGUs) in providing assistance in the processes involved including the negotiation for resettlement sites and provision of essential public services to the project affected families.

* The right given by one landowner to another to pass over the land, construct a roadway or use as a pathway, without actually transferring ownership. A right of way may arise, (a) By prescription and immemorial usage; (b) By grant; (c) By reservation; (d) By custom; (e) By acts of the legislature; (f) From necessity, when a man's ground is enclosed and completely blocked up, so that he cannot, without passing over his neighbor's land, reach the public road. (Source: <http://www.lectlaw.com/def2/w045.htm>).

**The resettlement action plan should include measures to relocate, resettle and provide livelihood development for families whose properties will be permanently affected by the project.

ICC Checklist of Documentary Requirements for the (Project Title)

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
11	Project context in the Department's overall strategy/program ⁷	BOT IRR Sec. 2.1 states that agencies authorized by law or by their respective charters to undertake infrastructure or development projects are authorized to enter contractual arrangements under the BOT Law.			
12	Information on job creation/employment impact of the project	BOT IRR Sec 12.7 requires that, in the case of foreign contractors, the proponent will need to hire Filipino labor. This will be used for the social analysis by the ICC Secretariat, per the ICC Project Evaluation Procedures and Guidelines (as of 24 June 2004).			
13	Cover Letter indicating the basic information of the Unsolicited Proposal such as: a. Expected output and outcome; b. Implementation period; c. General description of new technology/concept (if applicable); and d. Other relevant information.	BOT Law IRR Sec. 10.5 requires that the proponent submit to the Head of Agency/LGU a cover letter that includes items a to d. BOT IRR, Sec. 10.8 requires the Head of Agency to submit to the ICC the results of the due diligence evaluation conducted, and complete documentation.			
14	Company Profile	BOT IRR, Sec. 10.5 requires the submission of a complete unsolicited proposal by the proponent, which includes the company profile. BOT IRR, Sec. 5.4 lists the pre-qualification requirements a proponent must comply with to prove legal, financial, and technical capacity.			
15	Draft PPP Contract a. Consistent with BOT IRR, Sec. 4.4 with mandated terms and conditions; and b. Updated based on the instruction of the Secretariat to adopt, when applicable, the provisions of the model Concession Agreement Note: Must also be compliant with the BOT Law, BOT IRR, and general ICC directives for consideration in the draft concession agreement/parameters for negotiation. Must be consistent with the submitted risk allocation matrix, which needs to be compliant with the ICC directives. Needs to be complete with all relevant provisions, sections, and annexes.	BOT IRR Sec. 10.5 includes the draft contract as part of the complete unsolicited proposal. BOT IRR Sec. 4.4 identifies the mandatory terms and conditions in the draft contract. The details on the draft contract will determine contingent liability exposure. The ICC is mandated to review the fiscal impact of projects per EO 230 .			

⁷ This pertains to the overview of the concerned Department's national strategy and program, including overall development outcomes, timelines, and investment requirements, and the specific link of the proposed project outputs, timelines and investment requirements to achieve the Department's national strategy and program.

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
16	<p>Specific documentary proof of legal, technical, and financial capability, as specified in BOT Law IRR.</p> <p>BOT IRR Sec. 5.4. Pre-qualification requirements:</p> <ol style="list-style-type: none"> Legal requirements per applicable contractual arrangement; Experience or track record (i. Firm Experience, ii. Key Personnel Experience); Financial capability (proof of the ability of the prospective project proponent and/or consortium to provide equity and acquire debt) <p>Note: The nominated contractor and facility operators needs to be pre-qualified for legal, financial, and technical capability.</p> <p>Philippine Contractors Accreditation Board (PCAB) licenses cannot be expired.</p> <p>The latest audited financial statements need to be submitted for determining financial capability to provide equity in terms of the proponent's net worth.</p> <p>PPP projects currently under the proponent need to be listed down to check if its net worth is enough for new PPPs.</p> <p>The bank letter needs to attest to the proponent's good standing and/or qualification to obtain credit.</p>	<p>BOT IRR, Sec. 5.4 outlines the pre-qualification requirements to assess a proponents' legal, technical, and financial capability.</p> <p>BOT IRR, Sec. 10.7 tasks the implementing agency to qualify the proponent based on Sec. 5, before issuance of the original proponent status and submission to the ICC.</p> <p>Rationale: These documents will allow the ICC to check if proper due diligence was conducted on the proponent and if they are technically and financially capable of executing the project.</p>			
17	<p>Terms of any proposed joint and several (or solidary) liability undertaking (if applicable).</p>	<p>BOT IRR Sections 5.4a states that in the case of a proponent is a consortium, the members or participants thereof shall be disclosed during the pre-qualification stage and shall undergo pre-qualification. Further the members or participants thereof shall execute an undertaking in favor of the agency/LGU that if awarded the contract, they shall bind themselves jointly and severally liable for the obligations of the Project Proponent under the contract.</p>			
OTHER POST-ICC REQUIREMENTS					
18	<p>Environmental Impact Statement (EIS)/ Environmental Compliance Certificate/</p>	<p>BOT IRR, Sec. 12.2 also requires the proponent to secure other necessary approvals such as environmental</p>			

ICC Checklist of Documentary Requirements for the (Project Title)

	Documents for unsolicited proposals	Legal basis and rationale	Date received by NEDA	Remarks on submission	Remarks on compliance and consistency
	<p>Certificate of Non-Coverage⁸ (Prior to Notice of Award)</p> <p>Note: environmental mitigation costs need to be specified and segregated in the financial model (if not applicable to the project, indicate 0).</p>	<p>clearances from the DENR.</p> <p>Costs of environmental mitigation measures may affect the project's total cost and recommended ROR, to be determined by the ICC according to BOT IRR 10.8.</p> <p>The ICC Project Evaluation Procedures and Guidelines (as of 24 June 2004) requires to ensure that the project does not adversely affect the environment and/or that appropriate measure are taken to protect the environment.</p>			
19	Regional Development Council (RDC) Endorsement ⁹ (Prior to Notice of Award)	<p>BOT IRR, Sec. 12.2 requires the proponent to secure approvals required under existing laws, rules, and regulations.</p> <p>Per EO 325, RDC is mandated to review and endorse projects of national government agencies that have an impact on the region and projects of LGUs in the region.</p>			
20	Department of Budget and Management (DBM) certification of budget cover availability for GPH counterpart (if applicable)	N/A			

Updated on .

⁸ To ensure environmental soundness of projects, proponents are required to complete and submit an EIS to DENR for processing. Pursuant to DENR Administrative Order 96-37, DENR - Environmental Management Bureau and DENR Regional Offices commit to issue the ECCs within sixty-days from the submission of a complete EIS.

⁹ Proponent agencies are required to secure and submit the Regional Development Council (RDC) and the Metro Manila Development Authority (MMDA - for the National Capital Region only) endorsement of proposed programs and projects to ensure that effective identification of target beneficiaries, sustaining social preparation and active local participation in the attainment of national priorities are met.

ICC Checklist of Documentary Requirements for the (Project Title)

ICC PE Form No. 10 on VM Study

APPENDIX

E



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

QF-ICC-CS-xx-xx

ICC Project Evaluation Form No. 10 Combined Generic Checklist for the Project Preparation (Feasibility Study) and Design Stages

Particulars	Result/Response
1.0 Project under VM Study	
2.0 Inclusive dates of VM study, and if face-to-face or online	
2.1 VM Team – total number (including Lead Facilitator who should be CVS)	
2.2 VM Study Team Members – indicate specialization of internal experts	
2.3 VM Study Team Members – indicate specialization of external experts; specify need for such	
3.0 Cost to conduct VM Study	
4.0 Estimated Cost of the Project Under Study	
5.0 Number of Recommendations (Value Improvement Proposals or VIPs)	
5.1 Total Value of Proposed Recommendations	
6.0 Number of Approved Recommendations	
6.1 Value of Approved Recommendations	
6.2 Number of Disapproved Recommendations. Attach sheet with a table listing these recommendations and reason/s for the disapproval.	
7.0 Percent of Project Cost Saved (#6.1 divided by #4)	
8.0 Return on Investment (#6.1 divided by #3)	

Prepared by:	Approved by:
Designation:	Designation:
Telephone Number:	Telephone Number:
Email:	Email:
Office Address:	Office Address:
Date Prepared:	Date Prepared:

Guide in Accomplishing the ICCPE Form No. 10 on VM Study Checklist

APPENDIX

F

Guide in Accomplishing the ICC Project Evaluation Form No. 10 On Value Methodology Study Checklist (Combined Generic Checklist for Project Preparation and Design Stages)

Particulars	Guidelines/Instructions
1.0 Project under VM Study	Specify the complete name of the project under study.
2.0 Schedule of VM study, and if face-to-face or online	Inclusive dates and time to Value Methodology (VM) Workshop was conducted, including any pre-workshop meetings; and if these were conducted face-to-face and online.
2.1 VM Team - total number (including Lead Facilitator who should be CVS)	Total number of VM study team members (internal and external specialists/consultants) including the Certified Value Specialist (CVS)-Facilitator and any co-facilitator/s.
2.2 VM Study Team Members - indicate specialization of internal experts	Number of internal experts and their specializations.
2.3 VM Study Team Members - indicate specialization of external experts; specify need for such	Number of external experts and their specializations, and the reason/s why the expert was required
3.0 Cost to conduct VM Study	Confirmed budget allocated for the conduct of the VM study - if bid out, specify the approved financial proposal.
4.0 Estimated Cost of the Project Under Study	Cost of the project subjected to the VM study: should include all costs identified in the feasibility study or pre-feasibility study.
5.0 Number of Recommendations (Value Improvement Proposals or VIPs)	Total number of VIPs developed by the VM study team.
5.1 Total Value of Proposed Recommendations	Total value of the proposed VIPs.
6.0 Number of Approved Recommendations	After presentation to the project principals, total number of approved VIPs and those that were considered to potentially improve value but need additional study by the project's PMO.
6.1 Value of Approved Recommendations	Value of the approved VIPs.
6.2 Number of Disapproved Recommendations. Attach sheet with a table listing these recommendations and reason/s for the disapproval.	After presentation to the project principals, the VM study team should prepare a table indicating the reasons for the rejection of some of the presented VIPs. This serves to document these ideas and the reasons for not pursuing them, and could serve as reference for future discussions.
7.0 Percent of Project Cost Saved	Value of approved VIPs (#6.1) divided by total foreseen project cost (#4).
8.0 Return on Investment	Value of approved VIPs (#6.1) divided by the cost to conduct the VM study (#3).

Project Evaluation Forms for JVs

Project Evaluation Forms for Joint Venture Arrangement

JV-PE Form No. 1

General Information

1. Project Title

2. Description of Project¹

¹ Project description should include information on the following: (i) project's objective (s); (ii) physical description; (iii) outputs; (iv) context in the government entity's overall strategy/program; (v) consistency with mandate/chapter and how the JV will contribute to enhance the value of the corporation; (vi) project location; (vii) information on job creation/ employment impact of the project; and (viii) project's financial bid parameters.

3. Logical Framework²

Narrative Summary ³	Objectively Verifiable Indicator (OVI) ⁴	Means of Verification ⁵	Important Assumption ⁶
(1)	(2)	(3)	(4)
Impact⁷:			
Outcome⁸:			
Output⁹:			

4. Proposed length of concession/cooperation period: _____

5. Total Project Costs P _____ Exchange Rate _____

6. Processing Schedule/ Implementation Schedule

Processing	Target Date
Project Approval	
Contract Award	

Phase/Stage	Start of Construction (Month/Year)	Target Date for Completion of Construction (Month/Year)	Date of Financial Closure ¹⁰
I			
II			
III			

² This should be prepared by the concerned government entity in coordination with its mother agency.

³ A precise descriptive narrative statement in this order: noun-verb, or subject- predicate and should be in past tense (e.g., economy improved, poverty reduced).

⁴ Performance standards which translate, describe, illustrate and explain the narrative summary into empirically observable, and objectively verifiable measurements (e.g., Real gross domestic product growth in the Philippines increased by 12 percent, from 7.6 percent in 2010 to 8.5 percent in 2016.)

⁵ Methodology of collecting data, and types of reports that contain the data in the OVI (e.g., survey, statistical yearbooks, etc.)

⁶ Major/frame conditions (i.e., mostly economic and attitude) outside the direct control (i.e., external) of the project but have to be met or held true if the project is to achieve its objectives (realization probable, relevant to success)

⁷ The benefits which are expected from the project for the targeted beneficiaries. This refers to the longer term objectives of the project or if a Project is expected to contribute to the achievement of the goal, this project is just one of the many projects that will contribute to the attainment of the Goal/Impact. The Goal will not be attained by this project alone. The Goal is likely to be attained after completion of this project and has been operating for a considerable time.

⁸ A situation or change in the life of the project beneficiaries after they made use of the delivered project outputs.

⁹ Goods and services delivered by the Project, such as infrastructure, equipment, institutional strengthening (training) studies and policies.

¹⁰ If the private sector proponent borrowed money to undertake the project

7. Estimated Economic Life of Project: _____ years

8. Sponsoring Government-Owned or- Controlled Corporation(s)¹¹

- a.
- b.
- c.

9. Risk Allocation Matrix

Nature of Risk	Government	Private Sector

10. Maximum Government Exposure

Proposed Government Undertaking	Costs Sharing ¹²
Asset (Please specify ¹³)	
Equity (Please specify ¹⁴)	

Prepared by	:	_____
Cellphone Number	:	_____
Telephone Number	:	_____
Office Address	:	_____
Date Prepared	:	_____

¹¹ Please add information on the *Government's Proposed Role in the JV*, e.g. will it be an equity partner (e.g. through provision of cash, land, right-of-way) only or as part of the management of the company and proposed organizational/ management set-up for the JV.

¹² Costs sharing should be indicated by years of project implementation or progress of work. The proponent should also clearly specify who will shoulder transfer taxes (local or national) in the event the asset is transferred from the private entity to the government or vice versa, as well as the taxes during project time (e.g. real property taxes for assets used in the JV).

¹³ Please provide detail of what is being contemplated as asset.

¹⁴ Please provide detail of what is being contemplated as equity, i.e. value of the property being contributed into the JV, amount of cash, etc.

Project Evaluation Forms for Joint Venture Arrangement

JV- PE Form No. 2

Estimated Project Cost

The costs should be expressed in constant and current costs. Likewise, the assumptions for said costs, i.e. base year, inflation rate etc. must be indicated.

	Year 0	Year 1	Year 2	Year N	Total
1. Development Costs					
2. Detailed Engineering Design Costs					
3. Financing Costs ¹					
4. Civil Works					
5. Land Acquisition Costs (including resettlement costs), if applicable					
6. Other Investment Phase Costs					
7. Total Costs (1-6)					
8. Working Capital (accounts receivables/ payables, cash balances)					
9. Depreciation (economic life, depreciation rate)					
10. Taxes					

List of Assumptions²:

Prepared by : _____
Cellphone Number : _____
Telephone Number : _____
Office Address : _____
Date Prepared : _____

¹ The Department of Finance (DOF) shall have the final say on the financing costs.

² Please include a list of assumptions used in estimating future project costs estimates.

Project Evaluation Forms for Joint Venture Arrangement

JV-PE Form No. 3

1. Project Revenue¹

Project revenues/tariffs

- a.
- b.
- c.

Year	Revenue/ Tariff1	Revenue/ Tariff 2	Revenue/ Tariff N	Total Revenues
1				
2				
3				
4				
5				
N				

List of Assumptions:

2. Revenue/ Payment to Agency

- a. Upfront Cash to agency
- b. Fixed Payment to agency during term of JV
- c. Variable Payment to agency (e.g., share in revenue by year)
- d. Other payments to agency (indicate year)

Prepared by	:	_____
Cellphone Number	:	_____
Telephone Number	:	_____
Office Address	:	_____
Date Prepared	:	_____

¹ If revenue will come from sale of parcels of land, lease, etc., please include information on comparators.

Project Evaluation Forms for Joint Venture Arrangement

JV- PE Form No. 4a

Estimated Financial Revenues and Costs

I. Project revenues

Year	Revenue1	Revenue2	RevenueN	Total Revenue
1				
2				
3				
4				
...				
N				

II. Project costs

Year	Cost1	Cost2	CostN	Total Cost
1				
2				
3				
4				
...				
N				

List of Assumptions¹:

Prepared by
Cellphone Number
Telephone Number
Office Address
Date Prepared

.....
.....
.....
.....
.....

¹ Please include a list of assumptions used in estimating future project revenues/costs estimates.

Project Evaluation Forms for Joint Venture Arrangement

JV- PE Form No. 4b¹

Estimated Economic Benefits and Costs

I. Project benefits

Year	Benefits1	Benefits2	BenefitsN	Total Benefit
1				
2				
3				
4				
...				
N				

II. Project costs

Year	Cost1	Cost2	CostN	Total Cost
1				
2				
3				
4				
...				
N				

1. Assumptions:
2. Indicate other benefits that may not be translated into monetary term, e.g. benefits that can only be expressed in terms of quantity or percentage. Likewise, identify and enumerate unquantifiable project benefits and provide explanation why it cannot be quantified.

Prepared by : _____
Cellphone Number : _____
Telephone Number : _____
Office Address : _____
Date Prepared : _____

¹ As applicable.

U.S. OMB Circular A-131 (26 December 2013)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 26, 2013

CIRCULAR NO. A-131 (REVISED)

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Value Engineering

1. Purpose. This Circular provides guidance to support the sustained use of value engineering (VE) by Federal Departments and Agencies to reduce program and acquisition costs, improve performance, enhance quality, and foster the use of innovation. Agencies should maintain policies and procedures to ensure VE is considered and integrated, as appropriate, into the planning and development of agency programs, projects, activities, as well as contracts for supplies and services, including performance based, architect-engineering, and construction contracts.
2. Supersession Information. This Circular supersedes and cancels OMB Circular No. A-131, *Value Engineering*, dated May 21, 1993.
3. Authority. This Circular is issued pursuant to 41 U.S.C. 1121, 1711.
4. Background. VE, which is also referred to as value analysis, value management, value planning, or value control, is a methodology for analyzing functions of an item or process to determine "best value," or the best relationship between worth and cost. For purposes of this Circular, "best value" is represented by an item or process that consistently performs the required basic function at the lowest life-cycle cost while maintaining acceptable levels of performance and quality. VE contributes to the overall management objectives of streamlining operations, improving quality, and reducing or avoiding costs. VE challenges program and project managers, and organizations that provide support to them, to continually consider if they have properly identified the right need, and provides a disciplined and tested process for making changes to plans, contracts, and other documents used to carry out agency missions. The results of VE may indicate that best value requires an initial expenditure of funds in order to meet basic functions at a lower cost over the life of the project, program, or system.

The use of VE as a savings and efficiency methodology originated in the industrial community during World War II and was adopted by Federal government agencies that recognized its potential for yielding a large return on investment. Over the years, VE has frequently been cited as an effective technique for fostering innovative practices, technologies, and products to lower cost while maintaining necessary quality and performance levels. VE has been applied to hardware and software, development, production, and manufacturing, specifications, standards, contract requirements, and other acquisition program documentation; and facilities design and construction.

VE is a well-established commercial practice for cutting waste and inefficiency that can help Federal agencies reduce program and acquisition costs, improve the quality and timeliness of performance, and take greater advantage of innovation to meet 21st century expectations and demands. This Circular is being revised to ensure that the Federal Government has the capabilities and tools to consider the use of VE for new and ongoing projects, whenever appropriate.

5. Definitions. The following definitions shall apply to the implementation of this Circular:
- a. Agency. An executive department, a military department, a Government Corporation, or an independent establishment within the meaning of sections 101, 102, 103(1), and 104(1), respectively, of Title 5, United States Code.
 - b. Life-cycle cost. The total cost of a system, building, program, project, or other product, computed over its useful life. It includes all relevant costs involved in acquiring, owning, operating, maintaining, and disposing of the system, project or product over a specified period of time, including environmental and energy costs.
 - c. Cost savings. A reduction in actual expenditures below the projected level of costs to achieve a specific objective.
 - d. Cost avoidance. An action taken in the immediate time frame that will decrease costs in the future. For example, an engineering improvement that increases the mean time between failures and thereby decreases operation and maintenance costs is a cost avoidance action. Cost avoidance may be considered an additional benefit to quality or other non-quantifiable value engineering improvement.
 - e. In-house savings. Net life-cycle cost savings achieved by in-house agency staff using VE techniques.
 - f. Integrated Project Team (IPT). A multi-disciplinary team with experts in project management, resource management, procurement, and other disciplines, as necessary, to evaluate all aspects of the project. The IPTs typically (1) establish or review a baseline inventory of existing assets, (2) analyze and recommend alternative solutions, (3) manage or review the acquisition, if approved, and (4) oversee the asset (or service) once in use.
 - g. Contracted savings. Net life-cycle cost savings realized by contracting for the performance of a VE study or by a value engineering change proposal (VECP) submitted by a contractor.

- h. Capital assets. Land (including parklands), structures, equipment (including motor vehicle and aircraft fleets), and intellectual property (including software) which are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption, such as operating materials and supplies. The cost of a capital asset is its full life-cycle cost, including all direct and indirect costs for planning, procurement (purchase price and all other costs incurred to bring it to a form and location suitable for its intended use), operations and maintenance (including service contracts), and disposal. Capital assets may or may not be capitalized, i.e., recorded on an entity's balance sheet, under Federal accounting standards.
- i. Major acquisition. Capital assets that, in the determination of the Department or agency, require special management attention because of their importance to the agency mission; high development, operating, or maintenance costs; high risk; high return; or their significant role in the administration of agency programs, finances, property, or other resources.
- j. Net life cycle cost savings. Savings from value engineering that is determined by subtracting the Government's cost of performing the value engineering function over the life of the program from the life-cycle savings generated by the value engineering function. The Government's cost should include the administrative costs of processing VECPs that were excluded in calculating VECP saving shares.
- k. Value engineering (VE). A systematic process of reviewing and analyzing the requirements, functions and elements of systems, project, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life-cycle cost consistent with required levels of performance, reliability, quality, or safety. The process is generally performed in a workshop environment by a multidisciplinary team of contractor and/or in-house agency personnel (such as an IPT), which is facilitated by agency or contractor staff that is experienced, trained and/or certified in leading VE teams through the following phases:
 - (1) *Information phase* where the team gathers information to understand the project and constraints that may be impeding performance;
 - (2) *Functional analysis phase* where the team identifies basic project functions and goals and identifies any performance shortcomings or mismatches between identified functions and customer needs for further study;
 - (3) *Creative phase* where the team conducts brainstorming to generate new ideas and alternatives for improvement in a project, product, or process, with particular focus on high cost variables, speed of execution, quality and performance;
 - (4) *Evaluation phase* where the team ranks ideas to find the best to meet the project value objectives;
 - (5) *Development and presentation phase* where the team develops best ideas into viable alternatives with net life-cycle cost savings and implementation details and presents them to stakeholders; and
 - (6) *Implementation phase* where the agency incorporates selected alternatives into the project.

(2) Address when full or scaled VE will be required for new and ongoing projects and programs and the process for obtaining waivers consistent with the following:

- i. *New projects and programs.* VE shall be required for new agency projects and programs when the project cost estimate is at least \$5 million or such lower dollar threshold as determined by the SAO and identified in the agency's VE guidelines. For purposes of determining whether a lower threshold is appropriate, agencies are encouraged to consider the historical costs of their major acquisitions or projects that have a significant impact on lifecycle costs or agency operations or a significant potential for repeat savings, such as manufacturing projects where savings can be applied to future units produced.
- ii. *Ongoing projects and programs.* Agencies shall have the discretion to establish the extent to which VE is required for ongoing projects and programs. At a minimum, agencies shall establish criteria to help agency officials determine when VE may be suitable for such activities. Criteria might include a combination of factors such as: (A) priority of the program or project to the agency (e.g., is the program or project supported by a major acquisition), (B) total life-cycle cost, (C) the complexity of the program or project, (D) the presence of cost overruns, performance shortfalls, and/or schedule delays, (E) the potential for greater repeat savings or increased savings resulting from environmentally-sound and energy efficient considerations, (F) potential for greater efficiency, such as improved reliability, quality, or maintainability, (G) the amount of time since a VE study was last performed, and (H) the availability of cost and performance data and other information necessary to support a VE study.
- iii. *Waivers.* Agency guidance shall provide for waivers from required VE studies when approved by the senior accountable official or the official's designee.

(3) Address how to measure the net life-cycle cost savings from VE.

(4) Ensure that applications of VE to federal contracts adheres to the acquisition requirements in the Federal Acquisition Regulation (FAR), including the use of VE clauses set forth in FAR Parts 48 and 52 and the criteria in FAR 48.201(a) for granting waivers.

- b. Ensuring training for program, project, acquisition, information technology (IT), and other agency personnel. Training should specifically cover (i) management responsibilities for developing plans, (ii) process for developing VEPs, (iii) best practices for soliciting and evaluating VECs, and (iv) reminders of when VE is not required to be incorporated into a contract.
- c. Maintaining plans for using VE in the agency. At a minimum, the plans should be prepared before the beginning of the fiscal year and identify both in-house and contractor projects, programs, systems, products, etc., to which partial or full VE studies will be conducted during the next fiscal year, and the estimated costs of these projects. These projects should be listed by category. VEPs and VECs should be included under the appropriate category. Annual plans shall be made available for OMB review upon request.

- d. Ensuring that funds necessary for conducting agency VE studies are identified and included in annual budget requests to OMB.
 - e. Maintaining files on projects and programs that meet thresholds and/or criteria for the required use of VE. Documentation should include reasons for granting waivers of VE studies on new projects and programs which met the threshold identified in this Circular, or such lower threshold as the agency established, and on any existing projects and programs where VE is required by agency policy. Reasons for not implementing recommendations from VE studies should also be documented.
 - f. Reporting annually to OMB on VE activities, as outlined in section 8.
8. Reports to OMB. Each CFO Act agency shall report the fiscal year results of using VE annually to OMB's Administrator for Federal Procurement Policy. Reports are due to OMB by December 31st of each calendar year, and should include the previous fiscal year results as well as the current name and contact information for the agency's SAO.

The reporting format is provided in the Attachment.

Part I of the report asks for net life-cycle cost savings achieved through VE. In addition, it requires agencies to show the project/program dollar amount thresholds the agency has established for requiring the use of VE if other than \$5 million. If thresholds vary by category, agencies shall show the thresholds for all categories. Savings resulting from VE proposals and VE change proposals should be included under the appropriate categories.

Part II asks for a description of the top five projects utilizing VE for the fiscal year. Agencies shall list the projects by title and show the cost savings, cost avoidances, and quality improvements achieved through application of VE.

9. Related guidance. For detailed guidance on how to account for the time value of money in value engineering analysis, refer to OMB Circular No. A-94, section 8.c. For detailed policies and procedures for using and administering value engineering techniques in contracts, refer to FAR Part 48.
10. Relationship to other management improvement processes. VE can be used as a stand-alone tool or with other management techniques and methodologies to improve performance and quality and reduce costs. The complementary relationship between VE and other management improvement processes increases the likelihood that overall management objectives will be achieved. For example, lean six sigma analyses that focus on improving process flows can be used with VE studies of agency operations to challenge requirements, identify functions that cost more than they are worth, and integrate innovative practices, technologies, and products. In addition, life-cycle costing, cost as an independent variable, concurrent engineering, and design-to-cost approaches are effective analytical tools for process and product improvement that can also be used with VE analysis to achieve management objectives.

VE can also be used with acquisition and commodity management techniques to improve performance and quality, lower or manage costs more effectively, and shorten project delivery. For example, as agencies pursue strategic sourcing efforts, VE can be used to support activities that enable the government to leverage its buying power, such as by helping to identify suitable products and services where there are opportunities to save money such as by pooling resources or standardizing requirements across multiple organizations and agencies. VE may also be a beneficial tool for helping agencies to implement modular development and acquisition approaches by breaking requirements into more manageable chunks with more frequent deliveries to improve investment manageability and budgetary feasibility, reduce overall risk, and support rapid delivery of incremental new functionality. VE can also be used to achieve the best overall value from acquisitions that

use performance-based specifications, or the design-build project delivery process for construction.

VE can result in the increased use of innovative materials, technologies or practices, and environmentally-sound and energy-efficient practices and materials. For example, the application of VE to facilities construction can yield a better value when the development, design, acquisition, and construction phases of the project are approached in a manner that considers community and environmental commitments and project constraints, and incorporates environmentally-sound and energy-efficient practices and materials.

11. Effective date and implementation. This Circular takes effect 30 days after its final revisions are published in the *Federal Register*. Heads of departments and agencies are responsible for taking all necessary actions to achieve effective implementation of the revisions to the Circular, such as disseminating this Circular to appropriate program, acquisition, and other staff, reviewing and updating existing agency policies to ensure VE is considered and integrated into the planning of agency programs, projects, activities, and contracts, and guiding the development of implementation strategies, including staff training. Agency guidance should be developed or updated to be consistent with the guidelines set forth in section 7a above within 6 months of the publication date of this Circular.
12. Inquiries. Further information about this Circular may be obtained from the Office of Management and Budget (OMB), 725 17th Street, NW, Washington, DC 20503. Telephone 202-395-3501.

Department/Agency – Fiscal Year XXXX – Annual VE Report

PART I

Senior Accountable Official Responsible for VE Program:						
Name:						
Title:						
Address:						
Phone:		Fax:		Email:		
Agency VE Expenditures (\$'s invested in VE this fiscal year):						\$
Number of Value Engineering Change Proposals (VECP) Submitted:						
Number of VECPs approved:						
Number of VECPs disapproved or withdrawn:						
Dollar Share of Savings Provided to Contractors (VECP):						\$
Dollar Thresholds for VE for New Projects, Existing Projects, Major Acquisitions, if different than \$5 million:						\$
Number of Major Acquisitions which use VE:						
Number of Major Acquisitions which were granted a waiver:						
Number of VE Studies performed:						
Return on Investment (annual implemented savings divided by cost):						
Total Fiscal Year VE Savings (\$'s):						\$
TOTAL AGENCY NET LIFE-CYCLE COST SAVINGS ATTRIBUTABLE TO VE						
A. A summary of cost savings and avoidances reported by category (See B. below):						
	VE Expenditures		Cost Savings		Cost Avoidance	Total Savings
	1	2	1	2	1	
	In-House	Contractor	In-House	Contractor	In-House	
	\$	\$	\$	\$	\$	\$
B. Total Agency VE Net Life-Cycle Cost Savings by Category:						
VE Studies						
Acquisition						
Administrative						
Other (be specific)						
C. Steps Taken to Validate the Reported Cost Savings (through IG Audit or other measures):						
D. Methodology used to calculate the savings, e.g., savings accepted at the conclusion of the VE study or at the time of manufacturing or construction:						

PART II

List the top five VE projects by name. Describe any quality or other non-quantifiable improvements resulting from VE.						
Project Title	VE Expenditures		Cost Savings		Cost Avoidance	
	In-House	Contractor	In-House	Contractor	In-House	Contractor
VE Studies						
Project No. 1						
Project No. 2						
Project No. 3						
Project No. 4						
Project No. 5						
Description of Quality of other Non-Quantifiable Improvements, e.g., environmental, security, or schedule improvements.						
Project Title	Quality/Non-quantifiable Improvement					
Project No. 1						
Project No. 2						
Project No. 3						
Project No. 4						
Project No. 5						
Notes:						
VE Studies	Funded studies by the government, e.g., construction and administrative studies.					
Acquisition	Savings in acquisition cost is evidenced by a change in contract price.					
Administrative	Savings in the operations of the agency. These should also be reported in the VE Studies category.					
Other	Set forth categories for which you have gathered other specific information, e.g., IT, E-Commerce, Power, etc.					