



Republic of the Philippines  
OFFICE OF THE PRESIDENT  
COMMISSION ON HIGHER EDUCATION

**CHED MEMORANDUM ORDER (CMO)**

NO. 11

Series of 2002

**SUBJECT : PILOT IMPLEMENTATION OF THE  
MEDIUM AND SMALL SCALE  
INDUSTRIES COORDINATED ACTION  
PROGRAM II (MASICAP II)**

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In accordance with the pertinent provision of Republic Act (R.A.) No. 7722, otherwise known as the Higher Education Act of 1994, and by virtue of an approval during the 167<sup>th</sup> en-banc meeting of the Commission dated May 27, 2002.

The Medium and Small Scale Industries Coordinated Action Program II (MASICAP II) is hereby approved for pilot implementation.

This CMO shall remain in force and effect until otherwise revoked.

Pasig City, Philippines June 18, 2002

  
**ESTER A. GARCIA**  
Chairperson

**IMPLEMENTING GUIDELINES  
MEDIUM & SMALL SCALE INDUSTRIES COORDINATED ACTION PROGRAM II  
(MASICAP II)**

**I. BACKGROUND**

MASICAP stands for Medium & Small Scale Industries Coordinated Action Program, a program conceptualized and pilot tested by the Development Academy of the Philippines in 1973. The program was adapted and expanded as a national program, of the Department of Industry in June 1974 by then Secretary Paterno. The program identified projects cum proponents, prepared project feasibility studies for loan applications and followed-up / facilitated loan approvals with financial institutions. The program operated until June, 1980 when it folded up because certain conditions key to the program's successful implementation had changed. By then, it has assisted about 6,000 entrepreneurs in the countryside and trained / graduated about 700 young professionals.

MASICAP was unique from other government programs in many ways that contributed largely to its exemplary performance in assisting countryside small and medium enterprises. The program harnessed and fuelled idealism and activism among the youth to provide business extension services for a maximum period of two years on a yearly contract. With the concurrence of the Department of Education, the program recruited top Commerce, Business Administration and Economics students on their last year of college from selected schools all over the country who volunteered to work for the program and earn academic credits as if they were in school. The recruited students underwent one month formal training before assuming field assignments and received periodic on the job coaching. They were required to accomplish specific outputs based on set targets and operating guidelines continuously monitored by the program management staff.

MASICAP graduates believe the training, experience, work ethics and maturity gained with the program more than compensated for the academic classes they missed in school. Such had provided them with competitive edge over their batch mates and have continued to incorporate the ideals assimilated from MASICAP experience in their careers as government / corporate executives, business persons and development agents.

The Department of Trade & Industry tried to carry out a similar program called SICAP in the second semester of 2001. However, the program was discontinued due to budgetary constraints and failed to incorporate the key elements that made the previous MASICAP program succeed. One, the formal training provided was short and insufficient for the students to be equipped by necessary knowledge and skills required to assist enterprises. Two, the program did not have a separate organizational structure and management staff to undertake continuous on the job training, guidance, support and performance monitoring and evaluation. Three, the work with the program was part time, considered as practical training credited for certain subjects.

The proposed MASICAP II is to pilot test the revival of MASICAP in Mindanao following the concept and operations of the previous program. The only difference is that it will be carried out by the MASICAP MSME Development Foundation, organized in October 2001 by Mr. Vicente T. Paterno and representatives of batches of MASICAP alumni. The

Foundation will work with government agencies, banks, local government units and private sector organizations whose officials have expressed interests to support and collaborate with the program during the consultations made in September 2001. It is hoped that demonstrable success during the pilot stage will lead to an expanded revival of the program not only in Mindanao, but in other less industrialized areas of the country, such as Bicol, Eastern Visayas, Cagayan Valley.

## **II. PILOT PROJECT RATIONALE / JUSTIFICATION**

In line with the Government development objective of income generation and employment creation, the MASICAP MSME Development Foundation proposes to provide direct functional assistance for the creation and expansion of micro and small enterprises by reviving MASICAP.

Micro, small and medium enterprises is recognized to be an effective means of providing employment opportunities and off farm income generating activities in the localities due to the sector's inherent characteristics and advantages. The sector requires relatively low capital, skills and technology that are available and can be mobilized in the localities. Its development shall further process agricultural produce and utilize abundant raw material resources for local consumption and markets elsewhere. This not only increases the value added retained in the communities but improves efficiency through reduced transport costs and spoilage. MSMEs can also make use of indigenous materials and skills to produce marketable products. Most important, the sector can propel local economic development by providing entrepreneurial opportunities, and means for local communities to accumulate capital and experience for economic growth and expansion.

MSMEs are however faced with several constraints that have to be addressed in order to exploit their potential contribution to countryside economic development. One of the common problems is the timely access to capital funds, be it for working capital or for machinery and equipment. Often, entrepreneurs have limited knowledge on formal financing schemes available and if they do, they are unable to prepare business plans required to obtain loans. They usually have unbalanced management skills to solve problems and effectively manage all the functional areas of the enterprise as well as exploit market opportunities, anticipate market changes and plan ahead. They also have limited access to information about markets, sources of raw materials and technology. These are some of the problems that can be addressed by industrial / business extension services.

The MASICAP experience had shown that students and young professionals could become effective catalysts in providing business extension services for as long as they are given the proper training, appropriate organizational framework and support. To pilot test MASICAP in Mindanao would demonstrate the possibility of effectively assisting enterprises despite economic setbacks in the business environment. It would contribute to hastening local economic development and addressing some of the economic causes of social and political problems saddling the area.

### III. OBJECTIVES OF THE PROPOSED PILOT PROJECT

#### General Objective:

- To pilot establishment of a sustainable program that provides business extension services to micro and small enterprises in Mindanao. Demonstrated success of this pilot project is hoped to lead to establishment of a Mindanao-wide MASICAP program, eventually embracing coverage to other disadvantaged areas of the country, and possibly even in BIMP-EAGA.

#### Specific Objectives:

- To provide direct functional assistance services to micro, small and medium enterprises in five areas in Mindanao.
- To train students and young professionals in providing business extension services and inculcate positive values of self-actualization derived from their positive contributions to countryside business development.

### III. AREA OF COVERAGE & PARTICIPATING SCHOOLS

The MASICAP II shall cover five areas within the Special Zone for Peace and Development (SZOPAD) where the United Nations International Development Organization (UNIDO) is implementing an Industrial Development for Income & Employment Generation in Mindanao. These are:

- Malajag Bay Area in Davao del Sur
- General Santos City
- Cotabato City
- Iligan City
- Zamboanga City

In the past, MASICAP Had regularly recruited students in the area from Ateneo de Davao, Notre Dame of Dadiangas College, Notre Dame University and Ateneo de Zamboanga. For MASICAP II, the foundation proposes to recruit from schools recommended by the Commission on Higher Education (CHED) in the areas covered.

### IV. MECHANICS OF IMPLEMENTATION

#### 5.1. Institutional Arrangements:

To implement the program, the following institutional arrangements are proposed:

- A CHED Memorandum Order shall be issued by CHED to allow the MSME Development Foundation to coordinate with Higher Education Institutions and to recruit selected senior Business Administration, Commerce and Economics students to participate MASICAP II program.

- MASICAP MSME Foundation shall prepare the criteria in the recruitment and selection of senior Business Administration, Commerce & Economics students.
- MASICAP MSME Foundation and the identified Higher Education Institution shall draw a Memorandum of Agreement regarding the training and work of the students in the program that would be credited for their remaining academic subjects.

## 5.2. Recruitment

- The schedule of briefing and recruitment for MASICAP shall be agreed upon between the participating schools and the Foundation.
- Announcements on the schedule and eligibility criteria will be posted at the bulletin boards of participating schools for a reasonable period (one week) prior to the briefing and screening. The eligibility criteria are as follows:
  - Must be a regular student on his / her senior year / last semester in Business Administration or Commerce Major in Accounting, Management, Marketing, Finance or Marketing or Bachelor of Science in Economics;
  - Must have outstanding academic and moral standing as attested by school authorities, preferably honor students;
  - Have leadership qualities, good relational skills, positive attitude and missionary spirit;
  - Willing to be assigned away from residence and place of recruitment to other areas covered by the program;
  - Should assume the risk of returning to school if unable to satisfactorily complete the initial training.
- Interested applicants will be briefed on the program on scheduled date. Those who are willing to apply will be asked to submit their names for interview after the briefing.
- Interviews will be conducted to screen and rank applicants based on the results of the interview and eligibility criteria. The top five students or more (depending on the program requirements) shall be short-listed with their corresponding ranks.
- Short-listed applicants with their corresponding ranks will be discussed with school authorities for their final confirmation. Among those short-listed, about three or more (depending on the requirements of the program) will be recruited while the remainder will be put on reserve. Those on reserve may be called upon to replace any who will back out prior to the start of the training.
- The short-listed students will be called to a final briefing to inform them of their recruitment status and required preparations as well as travel arrangements to the training.

### 5.3. Training

Training of recruited students will be undertaken in two phases. Phase 1 will be the formal training conducted before the recruits are fielded to their assignments while Phase 2 will be on the job coaching during their field assignment.

#### PHASE 1 - Formal Training For New Recruits

The Foundation shall train recruits on the necessary knowledge, skills and missionary zeal to effectively assist entrepreneurs prepare business plans / project feasibility studies, avail of loans from financial institutions and provide other information as well as build linkages for the creation and expansion of micro and small enterprises.

The training shall be an intensive one-month live-in training, covering the following topics:

- Business Environment Analysis and Identification of Business Projects
- Entrepreneurial Competencies
- Characteristics and Development Needs of Micro Enterprises
- Business Plan / Project Feasibility Study Preparation
  - Marketing Aspect
    - Determination of Target Market
    - Calculation and Projection of Demand
    - Approximation of Supply & Determination of Demand-Supply Gap
    - Market Share
    - Marketing Strategy – Product, Price, Place, Promotion
    - Projection of Sales Volumes / Revenues
  - Technical Aspect
    - Selection of Production Processes
    - Selection of Appropriate Machinery & Equipment
    - Drawing up of Process Flow Charts
    - Determination of Plant Capacity & Capacity Utilization
    - Raw Materials Sources & Requirements
    - Labor Requirements
    - Plant Location, Structures and Lay-outs
    - Utilities
    - Projection of Production Volumes and Costs
  - Organization & Management Aspect
    - Types of Business Organizations & Advantages
    - Staffing & Organizational Structure
    - Preparation of Project Timetable (GANNT Chart)
  - Financial Aspect
    - Determination of Total Project Cost
    - Reconstruction of Balance Sheet for Enterprises with no Records
    - Determination of Loan and Equity Requirements
    - Determination of Collateral Requirements
    - Loan Amortization Calculations
    - Preparation of Projected Financial Statements (Income, Cash Flow, Balance Sheet)
    - Financial Ratios Calculation & Analysis

- Break-Even Point Analysis
- Investment Decision Analysis
- Discounted Cash Flow – Internal Rate of Return
- Environmental Impact Assessment
- Financing Programs & Lending Policies
- Other Business Support Services By Government Agencies & Private Organizations
- MASICAP Program Ideology & Operating Guidelines
- Establishing & Maintaining Relationships with Clients
- Counseling Techniques

Performance of the recruits during the training will be continuously monitored to ensure that everyone could satisfactorily complete the training.

### **Phase II – On-The Job Coaching**

Follow-up on the job coaching shall be undertaken by the Program Coordinator and Assistant Program Coordinator during their team visits.

#### **5.4. Field Assignment**

- Recruits who have satisfactorily completed the initial training program will sign a one-year work contract with the Foundation with a monthly allowance of P 5,000.00
- Recruits will be assigned in teams of three to the areas covered by the program. As a general rule, recruits will not be assigned in their place of residence or recruitment.
- The field teams shall use the offices of the local Chambers of Commerce as their contact point in the field.

#### **5.5. Evaluation**

The Program Management Staff (Coordinator and Assistant Coordinator) shall monitor and evaluate the performance of the field staff through field reports, monthly visits and quarterly meetings. Quota or performance targets shall be set at the beginning of each quarter and performance is measure against the targets set. Performance indicators are as follows:

- Number of business plans / project feasibility studies completed and submitted to the banks
- Number of project feasibility studies completed and accepted by the entrepreneurs for equity financing or government regulatory agencies for accreditation purposes
- Number of enterprises assisted to comply with other loan requirements by banks and other creditors
- Number of enterprises provided with information on markets, sources of materials and licensing procedures
- Number of enterprises facilitated linkages with buyers / suppliers and technology resource institutions

#### **5.6. MASICAP Equivalency**

It is proposed that work with MASICAP shall be credited to all the regular senior year subjects for recruited students to graduate. Recruited students shall remain enrolled in their first semester subject and shall enroll for their second semester subjects. Correspondingly, MASICAP shall give / submit grades for these subjects, every end of each semester, based on the recruited student's work performance.

#### **V. PROGRAM IMPLEMENTATION**

MASICAP II is proposed to be implemented in the School Year 2002-2003. During the implementation of the Program, the Foundation shall provide CHED with periodic progress reports as may be required. Also, a mid-year review of the performance of the Program could be undertaken by CHED.