

**SUMMARY OF
USAID ASSISTANCE STRATEGY
FOR THE
PHILIPPINES
FY 1982 - 1988**

U. S. Agency for International Development
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A. INTRODUCTION

The overall goal of USAID assistance to the Philippines is broadly-based economic growth and poverty alleviation. The assistance effort has three components: Development Assistance (DA) program, Economic Support Fund (ESF) activities, and Food for Peace under PL 480 Title II. While there are some differences among the strategies of each element, they are complementary and mutually reinforcing in terms of goal achievement.

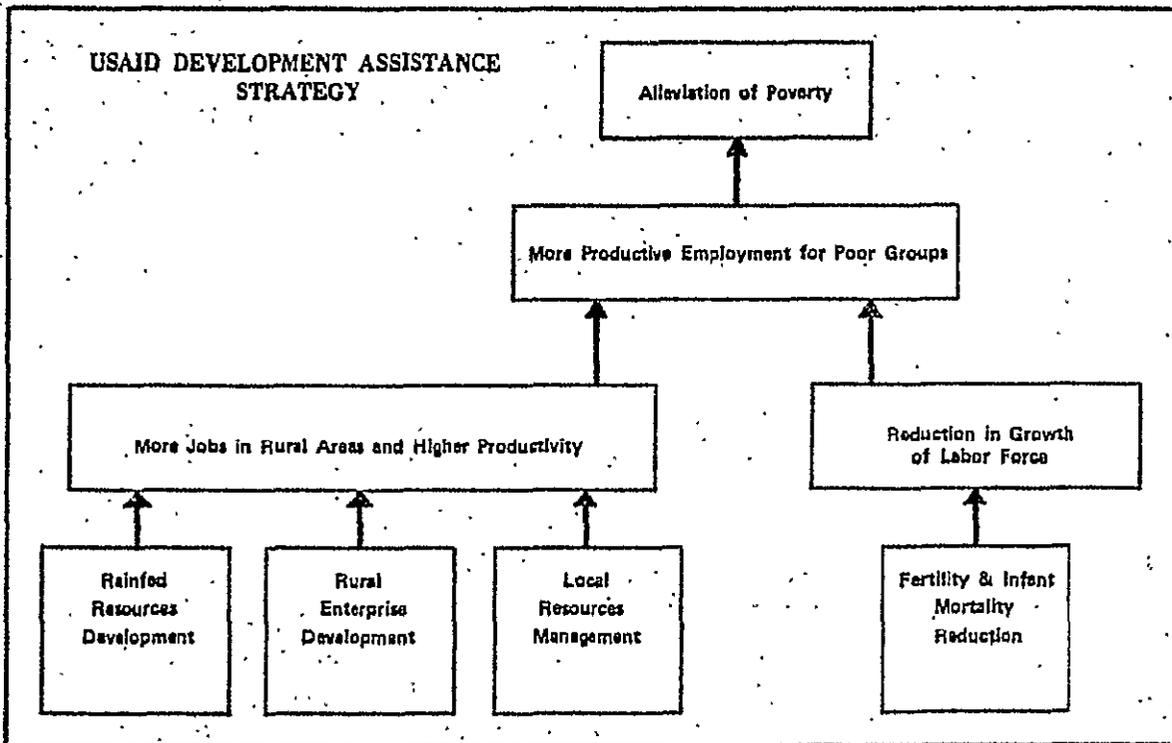
B. DEVELOPMENT ASSISTANCE STRATEGY

1. Analytical Base

The Country Development Strategy Statement (CDSS) is the outgrowth of continuing research on the characteristics and determinants of poverty in the Philippines. The majority of the country's 28 million poor people live in rural areas. Major poverty groups include households headed by small-scale subsistence farmers in non-irrigated areas, landless agricultural workers, and traditional fishermen. The dynamics of poverty are clear. Growing population pressure and accelerated exploitation of natural resources is feeding the cycle of poverty. As their traditional subsistence income sources decline, the rural poor are diversifying their economic activities and entering the cash economy where they must sell their labor at very low rates. Underemployment at declining real wages is pushing the poor toward a more and more marginal existence. Although the Government of the Republic of the Philippines has initiated some major economic reforms, the unbalanced structure of the economy still carries distortions and disincentives for the accelerated growth of rural employment. The foreign exchange earnings generated by the agricultural sector still disproportionately support capital intensive, import dependent industries primarily oriented toward high income consumer demand in urban areas. The sharp cyclical fluctuations in the world economy and the declining terms of trade add to the urgency as well as difficulties of economic reform.

2. The Strategy

USAID's overriding concern is generation of more productive employment for the major poor groups. This is in line with the Government's own development plans and structural reforms of the economy. The strategy involves: creation of more jobs in rural areas (both on- and off-farm), promotion of higher productivity among those already employed, and reduction in the growth of the labor force. The strategy encompasses four interdependent program elements which together receive about \$40 million per year in USAID loans and grants:



a. Rainfed Resources Development is directed at increasing productivity in rainfed (non-irrigated) rural areas through improved natural resource management at the community level. The program is designed to test, develop, and disseminate techniques of using natural resources in more productive, equitable, and sustainable ways. In doing this, efforts are aimed at improving institutional structures and policy frameworks so that local private and public groups will be encouraged to utilize improved resource management techniques. The program includes agro-forestry improvement, development of integrated farming systems, and promotion of environmentally sound coastal fishing.

b. Rural Enterprise Development is promoting the creation of new employment opportunities in smaller private enterprises. The program will strengthen technical, management, marketing, financial and other services for labor-intensive enterprises. It also will promote free market forces and supporting policies which stimulate development of efficient enterprises.

c. Local Resource Management is concerned with developing the capacity of local governments to plan and implement poverty-oriented development programs. The program will promote the development and adoption of local governmental policies and procedures which contribute to increased local resource mobilization and greater involvement of private community groups in identifying, planning, and implementing self-help development activities.

d. Fertility and Infant Mortality Reduction involves continued strong support nationwide for family planning in addition to the development and demonstration of innovative approaches to primary health care delivery and finance.

USAID is planning long-term assistance through each of these program elements. In order to maximize the impact of USAID assistance, much of the program will be geographically concentrated. While initial priority will be given to Regions V - Bicol, VI - Western Visayas, and VIII - Eastern Visayas, Regions I - Ilocos and II - Cagayan Valley will be added in future years (see attached map). These regions are among the poorest in the country.

C. ECONOMIC SUPPORT FUND STRATEGY

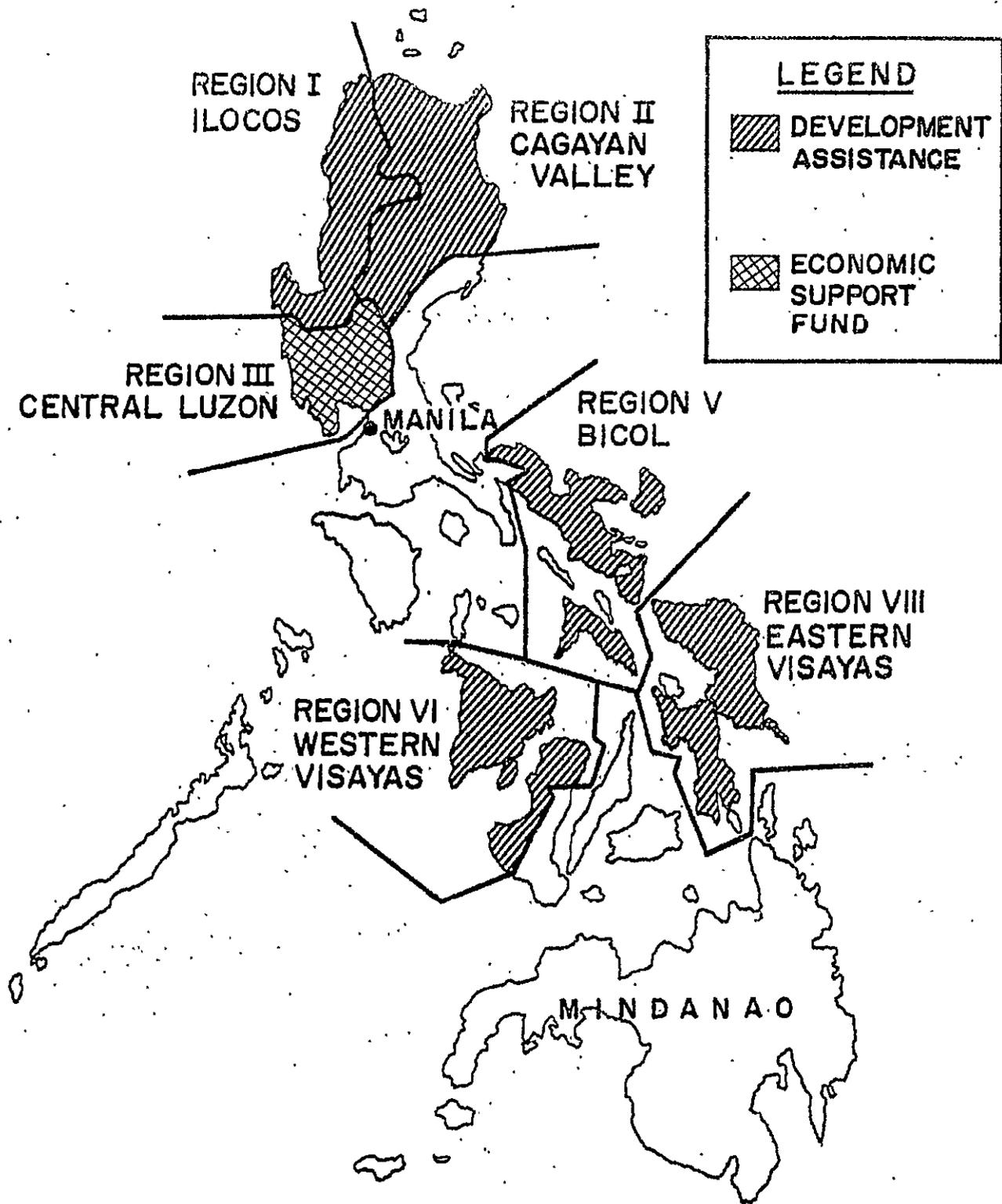
The Economic Support Fund (ESF) derives from the 1979 amendment to the 1947 Military Bases Agreement between the United States and Philippine governments. The current ESF program provides \$200 million over five years to support development activities with a particular, but not exclusive, emphasis on areas around the military facilities at Clark Air Base and Subic Naval Base.

The initial emphasis of the ESF program was on development activities which would be quick disbursing and highly visible. While this focus continues, there has been an increasing convergence of Development Assistance and ESF strategies. The Government has formulated guidelines for developing ESF projects which emphasize: (1) strengthening local institutions to involve the poor majority; (2) increasing and diversifying agricultural production; (3) integrating agricultural, industrial, and commercial development; (4) dispersing local infrastructure and increasing access of the poor to basic services and facilities; (5) increasing employment opportunities and improving income distribution; and (6) strengthening urban-rural linkages. These guidelines conform closely to the Development Assistance strategy. Thus, both DA and ESF strategies are seeking to alleviate poverty through productive employment generation which involves strengthening local institutions and active participation by the private sector and beneficiary groups.

Major activities being supported by the ESF program include:

- * Construction of typhoon-resistant schools and provision of school furniture for communities throughout the Philippines.
- * Provision of financial and technical assistance to municipalities and provinces near the military bases for such activities as roads, bridges, flood control, markets, hospitals, slaughterhouses, community upgrading, selective squatter resettlement, and improved local institutional capacity to undertake development projects.

PRIMARY GEOGRAPHIC FOCUS OF U.S. AID PROGRAMS



* Market improvement including construction of new markets, rehabilitation of existing markets, and improvement of market administration in cities and municipalities countrywide.

* Economic and environmentally sound use of fuelwood for generation of electrical power, production of charcoal for domestic and industrial uses, and conversion to producer gas which can be used to power diesel engines for irrigation.

D. FOOD FOR PEACE STRATEGY

The PL 480 Title II maternal and child health activities and school feeding program support the poverty alleviation components of the DA and ESF strategies. The food assistance program is administered by two U.S. voluntary agencies, Catholic Relief Services (CRS) and CARE/Philippines, Inc. in coordination with various Philippine Government ministries. In recent years food aid has averaged about \$18 million annually; however, the current plan is to phase-out gradually U.S. assistance to these programs by 1987 because the Philippines is becoming self-sufficient in food and poorer countries have far greater need for the limited amounts of food aid available.