

**AIRGRAM**

**DEPARTMENT OF STATE**

**UNCLASSIFIED**

CLASSIFICATION

For each address check one ACTION

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 A. I. D.  
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TO - AID/WASHINGTON TOAID A-38% X

FROM - MANILA

SUBJECT - FY 1970 Budget Submission

REFERENCE - NONCAPITAL PROJECT PAPER (PROP)

Country Philippines Project No. 492-11-995-236

Submission Date August 15, 1969 Original          Revision No. 1

Project Title PROVINCIAL DEVELOPMENT

U.S. Obligation Span: FY 1969 through FY 1973

Physical Implementation Span: FY 1969 through FY 1973

Gross Life-of-Project Financial Requirements (\$000)

U.S. Dollars ----- \$ 3,367

U.S.-Owned Local Currency ----- 1,323

Cooperating Country Cash Contribution ----- 1,142  
(\$1.00 = P3.90)

Other Donor(s) ----- -

**TOTALS ----- \$ 5,832**

State  
 55W

BYROAD

PAGE	PAGES
1	OF 2

DRAFTED BY <b>Staff</b>	OFFICE <b>FO</b>	PHONE NO. <b>459</b>	DATE <b>9/3/69</b>	APPROVED BY: <b>Philip W. Ruppert Acting Director</b>
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AID AND OTHER CLEARANCES

FO \_\_\_\_\_ OC \_\_\_\_\_ ORD \_\_\_\_\_

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CLASSIFICATION

Table 1

PROJECT FUNDING  
TENS IN (\$000)

PROP DATE: 8/15/69  
Original :             
Rev. No. :   1  

Country: PHILIPPINES

Project Title: PROVINCIAL DEVELOPMENT  
Project No. : 492-11-993-236

Fiscal Years	AI	A	Detail	Cost <sup>1/</sup>	Personnel Serv.			Participants		Commodities		Other Cost	
					AID	PARA	JOINT	U.S.	CONY	DIF	CONY	DIF-	CONY
								AG		US Ag		US Ag	
Prior through Actual FY 1969	-	-	-	-	-	-	-	-	-	-	-	-	-
Op. FY 1969	TC	0	462	104	154	-	104	30	-	174	-	-	-
Endg. FY 1970	TC	0	720	25	105	-	25	50	-	340	-	-	-
B + 1 FY 1971	TC	0	723	--	110	-	-	30	-	585	-	-	-
B + 2 FY 1972	TC	0	860	-	110	-	-	30	-	720	-	-	-
B + 3 FY 1973	TC	0	600	-	100	-	-	-	-	500	-	-	-
All Subs.	-	-	-	-	-	-	-	-	-	-	-	-	-
Total L16c		0	3,367	129	579	-	129	140	-	2,519	-	-	-

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305

1/ - Memorandum should column

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**DEPARTMENT OF STATE**

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9/24/68

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*APPC*  
*SRD-4*  
*ETEC*  
*DSM*  
*EVSec*  
*Bud*  
*OLAB*  
*OLS*  
*AWOH*  
*Ecd*  
*acc*  
*FFF*  
*WOF*  
*WC*

FROM - MANILA

SUBJECT - FY 1970 Budget Submission

REFERENCE -

**NONCAPITAL PROJECT PAPER (PROP)**

Country Philippines Project No. 492-11-995-236

Submission Date September 1, 1968 Original X Revision No.     

Project Title **PROVINCIAL DEVELOPMENT (formerly Rural Development and includes Land Resources Utilization)**

U.S. Obligation Span: FY 1966 through FY 1973

Physical Implementation Span: FY 1966 through FY 1973

Gross Life-of-Project Financial Requirements: (\$000)

U.S. Dollars ----- \$ 6,592

U.S.-Owned Local Currency ----- 1,323

Cooperating Country Cash Contribution ----- 1,142  
(\$1.00 = P3.90)

Other Donor(s) ----- -

**TOTALS ----- \$ 9,057**

*130W*

*State*  
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*Treas*  
*NSC*  
*Agric*

PAGE 1 OF 11 PAGES

DRAFTED BY <b>Staff</b>	OFFICE	PHONE NO.	DATE <b>8-31-68</b>	APPROVED BY: <b>Ernest E. Neel Acting Director</b>
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AID AND OTHER CLEARANCES

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## **I. Summary Description**

The agricultural sector of the economy is growing at a satisfactory rate, due in large part to increased productivity of rice lands planted to new high yielding varieties. Other segments of the rural economy have not registered such impressive gains although there is a high potential for significantly increasing productivity throughout the rural areas. The breakthrough in rice production can be expanded and similar breakthroughs in the production of vegetables and feedgrains are possible. Increased feedgrain productivity would, in turn, stimulate agri-business activity and lead to increased production of livestock.

USAID's strategy for promoting such general increased agricultural productivity is outlined in the Agricultural Services PRDP. Additional work not directly related to crop production is required, however, if local productivity is to be sustained and the benefits of development more widely distributed. Much will depend upon the ability of provincial and local governments to organize themselves to promote and support increased productivity. This will require local leaders to first commit themselves to the development of a more economically rational system for allocating resources. At present, scarce resources which could increase rural productivity have traditionally been utilized primarily as tools of political patronage. Projected economic returns have thus been less important than partisan political returns in resource allocation decisions. However, there now appears to be a growing awareness that the utilization of resources for systematic development programs can also be good politics. More voters are realizing that they receive less from doles or "pork-barrel" than they could from systematic economic projects. While such sentiments are still not articulated on a wide-spread basis, some governors and mayors have concluded that it is important to have a provincial development program. However, they have not been sure about how to proceed and have turned for assistance to such organizations as the Office of the President, National Economic Council, the University of the Philippines' Local Government Center, and USAID.

To meet this need for assistance, NEC and USAID initiated a special counter-part project within NEC in January 1968 and redirected the present project to emphasize the goal of improving the capacity of selected local governments and private institutions to plan and implement systematic economic development programs. Drawing on experiences in Tarlac and Laguna Provinces, the project has the following major objectives:

1. Improve national efforts to provide technical assistance to provincial governments.
2. Support the expansion of development-oriented training courses for provincial and local officials, particularly through the U.P. Local Government Center.

3. Assist selected provincial governments to establish an effective development organization, to plan and implement development programs, and to increase their revenues.
4. Improve the coordination among national and local agencies which are conducting programs in the provinces.
5. Promote the deeper involvement of academic institutions, private firms, civic groups, and others in local development activities.
6. Promote expanded participation of the rural population in the benefits of development.
7. Conducting surveys and research studies necessary to evaluate progress and improve rural and provincial development activities.

Within most provincial development programs, emphasis will be placed on improving agricultural production and marketing, infrastructure activities related to agriculture, and local tax collections. The decision to stress agricultural development programs stems from such factors as the following:

1. The technology exists to produce significant gains.
2. Improvements will affect the majority of the people in the provinces.
3. The impact of such programs can be felt in a relatively short time.
4. The general acceptance and support of agricultural innovations has already been demonstrated in many areas.
5. Pilot efforts have demonstrated the feasibility of an agriculturally-oriented approach to accelerated local development.

The general agricultural orientation of this project will also tie it closely to the Mission's Agricultural Services Project (492-51-190-126). It is intended that this project will provide much of the local level support required to attain the basic goal of the Agricultural Services Project i.e., to develop the capacity of Philippine organizations to achieve and maintain self-sufficiency in basic foodstuffs. Such increased production, in turn, will contribute to local development by:

1. Helping a larger percent of the rural population to be gainfully employed over a longer period of the year.
2. Improving the nutritional and food consumption levels of the population.
3. Supporting the continued growth of agri-business activities.

4. Increasing the confidence of government officials in their ability to improve the welfare of the people through more rational resource allocation.

This project will also be coordinated with Food for Peace activities and the Equipment Pool Improvement Project (492-11-995-166). The latter will provide critical support in the improvement of infrastructure activities such as irrigation and farm-to-market roads. This project also incorporates the former Land Resources Utilization Project (492-11-120-120). Emphasis will now be placed on the use of aerial photography for improved tax assessment and land-use planning in the cooperating provinces.

## II. Setting or Environment

Although the nation has adequate resources for greatly accelerating productivity in the rural sector, these have not been brought to bear on the problem. The reasons for this are varied and complex. There is the normal concentration of talent, wealth, and capital in urban centers like Manila where greater opportunities are perceived for good jobs or high returns on investment. There is also an economical use of public resources which are programmed for the rural areas. Part of this inefficiency stems from giving political criteria a higher priority than economic criteria in allocating the resources. Another contributing factor, however, is the inadequacy of the administrative machinery for effectively planning and implementing development programs even where funds are available.

Provincial governments have relatively little control over their major revenues since most are collected by the central government. Until recently, income taxes were paid into the national treasury and the share to which the provincial government was entitled was remitted to the province somewhat at the whim of the central government officials. Under the 1967 Decentralization Act, the provinces are supposed to receive their share of the income tax revenues without these having to be first remitted to Manila. This should provide a firmer financial base for planning provincial operations and development programs.

The only significant revenue under the direct control of provincial and local governments is the real property tax. Revenues from this source are often far less than they could be, due to outdated and inaccurate assessments as well as inadequate collection efforts. To generate additional revenues for development, most provincial governors need to devote much more attention to the improvement of assessment and collection operations. New assessment methods developed by the U.F. Center for Applied Photogrammetry and Geodesy can be utilized to effectively support these operations.

Central government staffs and resources in the provinces could contribute to development but these are often not effectively utilized to this end.

Although control over many government activities in the provinces has traditionally been centralized in the national government, there has been relatively little program coordination at either the national or provincial level. Frequently, national agencies carry out local activities without consulting other national or provincial agencies. This lack of consultation and cooperation often results in the duplication of efforts and the wasting of scarce resources. The 1967 Decentralization Act has placed a few national positions (such as the Provincial Assessor and Provincial Agriculturist) under the provincial government. It is hoped that these changes will permit better coordination of national and local efforts through the Office of the Governor.

The development and maintenance of the physical infrastructure required for progress is, in large measure, dependent upon the availability of functioning construction and road building equipment. A visit to a typical provincial motor pool would probably reveal that over 50 per cent of the provincial and national equipment is deadlined. The inability to keep the machinery in good repair and on the job is largely the result of cumbersome accounting and administrative procedures prescribed by the central government which greatly delay the procurement of necessary replacement parts and prevent stockpiling of common items. Poor management practices within the equipment pools themselves also contribute to the problem. In addition to the problem of deadlined equipment, there are long delays in obtaining required local machinery from national sources. The resolution of these problems would contribute much to increasing the capabilities of national and local agencies to build and maintain the roads and irrigation systems needed to support improved agricultural productivity and marketing.

To summarize, the present setting for rural development includes a growing concern on the part of many local officials for bringing about development, a realization on the part of these officials of their limitations in this area, and a consequent willingness to accept outside technical guidance.

### III. Strategy

The basic strategy of this project is to (1) provide direct technical assistance to several selected local government institutions in the planning and implementation of local development programs and (2) support government and private institutions and programs which will facilitate local development. USAID gained experience in assisting provincial development efforts through its pilot projects in Leguna and Tarlac Provinces. Emphasis is now being given to the strengthening of the national government's capacity for rendering similar types of assistance to other provinces. USAID's advice is generally well accepted at the provincial and national levels because it reflects a working knowledge of local level problems gained from the pilot efforts.

The strategy pursued in project operations will naturally be affected by the availability of funds and the restrictions placed on the use of these funds. U.S. dollar funds for this project currently appear adequate, but operational constraints are imposed by (1) the "Buy American" policy which precludes the purchase of some important commodities (for instance, some essential aerial-photography processing and interpretation items are manufactured only in Germany), (2) the E&FA exercise which precludes the possibility of hiring additional technicians and (3) the prohibition against converting dollars into pesos (which are more useful for this kind of project). The latter problem, coupled with a shortage of counterpart funds, is perhaps the most serious obstacle to the development of a more vigorous program. If more funds were available to use for small scale development loans or matching grant funds, the possibility of establishing a corporate or JCRR type organization should be explored. However, given the present limitations of counterpart and GOP peso resources, we propose to continue the project's strategy of relying on "pilot projects" and trying to informally maximize joint USAID/GOP planning and implementation, especially through the Provincial Development Assistance Project in the NEC.

Philippine support of the project continues to be encouraging. Before full scale assistance efforts are undertaken in a given province, the local officials must demonstrate that they are seriously interested in carrying out a program by creating a special development organization and making significant commitments of resources to development projects.

The NEC has allocated P221,680 of counterpart funds to finance the FY 1969 operations of the new Provincial Development Assistance Project (PDAP). The PDAP will initially concentrate on providing technical assistance to selected provinces and providing training in local government and development for key members of provincial staffs. The PDAP may also administer a P500,000 provincial matching fund during the first year of its operation and P1 million in subsequent years. The Project's Planning and Coordinating Committee is headed up by a key NEC official and its members are high level officials from the University of the Philippines and the major national agencies, with responsibilities for provincial development activities. The technical staff of the project consists of personnel detailed from various central government agencies and the University of the Philippines. The USAID Deputy Director is a regular member of the Planning and Coordinating Committee and USAID advisors work closely with the technical staff.

#### IV. Targets and Course of Action

##### A. General Constraints and Assumptions

As stated earlier, the overall goal of the project is to improve the capacity of selected local governments and private institutions to plan and implement economic development programs. Achievement of this goal will require attitudinal and operational changes which can be made only

by the Filipino personnel involved. This project is to support those Filipinos who seriously want to effect positive economic changes in the rural areas. Since there is little tradition of strong and progressive local governments, the project must promote experimental operations designed to build such governments. However, the project will concentrate on organizational and operational changes which are designed to solve specific problems and needs. There will thus be no attempt to push for overall administrative reorganizations and aimed at creating governmental structures which are "modern" by Western Standards, but have little relevance to local political and economic conditions. A primary concern is to create reasonably professionalized institutions at both the national and local levels which can have an impact on local economic problems. At the national level, there is currently no agency to deal exclusively with the economic problems of local governments or coordinate the activities of the various national agencies operating in the provinces. The creation of the Provincial Development Assistance Project reflects the efforts of NEC/USAID to establish an organization to concentrate on local development needs. Its orientation is one of providing assistance to strengthen the capacity of provincial governments to better handle their own affairs. The PDAP provides a medium for channeling more technical, financial, and other support from the urban centers to the long neglected rural areas. PDAP constitutes a very small unit in terms of overall development needs but the quality of its operations is of more concern to us than the size of its staff. There is some possibility that the staff of the PDAP could actually be the nucleus of a future Department of Local Affairs.

This project is also concerned with supporting the academic community's efforts to assist local governments. The UP's Local Government Center has been carrying out its own limited program of providing research and consultation services and it has initiated a 10-week training seminar for local executives similar to that offered for national officials at the Philippine Executive Academy. With support from this project, the Center will expand its training and consultation operations. In the area of tax assessment, the UP's Center for Applied Photogrammetry and Geodesy has been conducting training for local assessors and conducting research to simplify tax mapping procedures through the use of aerial photography. This research could have a significant impact on efforts to update and increase property tax assessments.

Other GOP entities such as the Bureau of Lands and the Bureau of Agricultural Economics also provide services or carry out programs which directly support the operations of this project.

#### **B. USAID's Role**

The USAID personnel assigned to this project will be actively involved in planning and implementation of various activities in the PDAP and in the provinces. While USAID technicians will function formally in an advisory capacity, they will frequently be regular members of local government committees.

established to plan and carry out development programs. In addition to the services of technicians, USAID will provide participant training grants and commodity support for the national and local institutions cooperating with the project. Commodities to the cooperating provinces will consist largely of vehicles, office machinery, and tax-mapping equipment.

As indicated earlier, efforts will be made to establish a local currency matching fund to be used by USAID/PAAP to encourage small scale agricultural agri-business or other economic projects.

### C. Action Priorities

It is expected that PAAP and USAID personnel working in the provinces will be initially concerned with the following major objectives:

1. Establishing an effective provincial development organization which is strongly supported by the Governor and which can act on development problems in the Governor's absence.
2. Formulating a practical short-term (3-4 year) development program which meets the priority economic needs of the province, particularly the need to improve agricultural production and marketing.
3. Developing budgetary documents, project work plans and a system of priorities for carrying out the provincial program.
4. Initiating project operations either through pilot projects or on a provincial-wide basis. (Pilot projects could organize on a municipal or regional basis).
5. Developing special projects to increase tax revenues and private investment.
6. Encouraging the generation of local economic projects through self-help efforts of the local citizens and the private business sector.
7. Establishing an effective equipment management program which ensures that operational equipment for priority development projects is available when and where it is needed.
8. Systematically recording and evaluating progress and problems so that the results can be used in planning programs and projects in other provinces.

**D. Project Scheduling**

Subject to the arrival of the four advisors for the project by September 15, 1968, the project will aim to field USAID advisors and/or PDAP technicians to cover at least five pilot provinces by November 1968. The number of provinces requesting assistance will require transferring personnel among the provinces, enlarging the project staff, and/or relying more on traveling assistance teams from the Manila PDAP office. The Manila-based USAID advisor and the PDAP home staff will be concerned with backstopping the field personnel, providing special short-term assistance to selected provinces, and preparing local development materials and guidelines for distribution to all 65 provinces.

The extent of project involvement will vary from province to province since resources and needs will differ significantly among localities. It is estimated that 12-15 provinces should have received substantial project assistance by the end of FY 1972. By this time the PDAP staff should be developed to the point where USAID advisors will no longer be required. USAID financial and other assistance to the PDAP, UP Local Government Center, and other institutions cooperating with the project should be greatly reduced or terminated by FY 1973. More detailed information on time phasing will be provided in the PIP.

WILLIAMS

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Table 1  
Page 1 of 2

**NONCAPITAL PROJECT FUNDING**  
**(OBLIGATIONS IN \$000)**

PROP DATE: 9/1/68  
Original: X  
Rev. No.:     

10

Country: PHILIPPINES

Project Title: PROVINCIAL DEVELOPMENT  
Project No. 492-11-995-236

Fiscal Years	AP	L/G	Total	Cont <sup>1/</sup>	Personnel Serv.			Participants		Commodities		Other Cost	
					AID	PASA	CONT	U.S. Ag	CONT	Dir US Ag	CONT	Dir & US Ag	CONT
Prior through Actual FY <u>1968</u>	TC	G	638	15	250	-	19	30	-	115	-	28	-
Opr. FY <u>1969</u>	TC	G	312	25	175	-	25	12	-	100	-	-	-
Budg. FY <u>1970</u>	TC	G	987	25	215	-	25	12	-	735	-	-	-
B + 1 FY <u>1971</u>	TC	G	1,155	25	215	-	25	12	-	903	-	-	-
B + 2 FY <u>1972</u>	TC	G	1,600	25	215	-	25	12	-	1,348	-	-	-
B + 3 FY <u>1973</u>	TC	G	1,900	25	175	-	25	12	-	1,688	-	-	-
All Subs.													
Total Life	TC	G	6,592		1,245	-	140	90	-	5,089	-	28	-

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MANILA TO ID A 1333

<sup>1/</sup> Memorandum (nonadd) column

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Table 1  
Page 2 of 2

Project No. 492-11-995-236

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Exchg rate \$1 = P3.90

Fiscal Years	AID-controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	U.S.- owned	Country- owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
Prior through Actual FY 1968	-	17	-	-	-	-	-
Opr. FY 1969	163	125	-	-	-	-	-
Budg. FY 1970	290	250	-	-	-	-	-
B + 1 FY 1971	290	250	-	-	-	-	-
B + 2 FY 1972	290	250	-	-	-	-	-
B + 3 FY 1973	290	250	-	-	-	-	-
All Subs.							
Total Life	1,323	1,142	-	-	-	-	-

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