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PROJECT PAPER
PHILIPPINES
THIRD FEASIBILITY STUDIES LOAN
PROPOSAL

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
MANILA, PHILIPPINES

5/12/75

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PHILIPPINES: Third Feasibility Studies Loan

Table of Contents

	<u>Page</u>
Summary and Recommendation	i
Part I - Background and Introduction	1
A. Recent Economic Developments	1
B. External Finance	8
C. Utilization of Previous A.I. D. Feasibility Studies Loans	11
Part II - Description of Activity	12
A. Use of Loan Proceeds	12
B. Borrower and Implementing Agency	13
C. Cost Estimates	14
D. Prospective Studies and Other Activities to be Financed	14
E. Procedures	17
F. Environmental Considerations	19
G. Income Distribution, Employment Considera- tions and the Role of Women	19
Part III - Project Beneficiaries	20
A. Setting	20
B. Employment Generation	23
C. Income and Agriculture	24
D. Income and Small Scale Industry	25
E. Summary	26
Part IV - Evaluation	26

List of Annexes

- A - Feasibility Studies Financed Under Previous Loans
(A. I. D. Loans 492-H-023 and 492-H-030)
- B - AID/W Cable re PRP for Third Feasibility Studies
Loan

Table of Contents - page 2

- C - GOP Letter of Application
- D - FAA Sec. 611 (e) Determination
- E - Logical Framework Matrix
- F - Checklist of Statutory Criteria
- G - Draft Loan Authorization

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Government of the Republic of the Philippines (GOP).
Implementing Agency: The National Economic and Development Authority (NEDA) of the GOP.
2. Amount: Not to exceed \$2 million.
3. Terms: Principal to be repaid over a period of 40 years, including a 10-year grace period; interest to be repaid semi-annually, beginning six months after the first disbursement under the loan at the rate of 2% per annum during the grace period, and 3% per annum thereafter.
4. Description of Activity to be Financed: Proceeds of the loan will be used to finance the foreign exchange costs of prefeasibility and feasibility studies, sectoral studies, market studies and consulting services, including engineering services directly related to development projects in the Philippines, primarily in the rural area.
5. Purpose: To assist the GOP in the effective management of its limited economic resources by providing the foreign expertise needed to perform professional studies, analyses, and other similar professional services related to projects and other activities to be carried out in conjunction with the GOP's 4 Year Economic Development Plan (1974-1977).
6. Estimated Cost of Activity: \$2 million in foreign exchange; the GOP will finance all local currency costs.
7. Other Sources of Financing: A.I.D. is not aware that other appropriate financing is available for this purpose at this time.

8. Mission Views: The Mission feels that this loan is consistent with overall A.I.D. objectives in the Philippines, and that it is particularly appropriate for A.I.D. to provide such financing at this time.
9. Issues: There are no issues presented by this loan proposal.
10. Statutory Criteria: All statutory criteria have been met (see Annex A).
11. Recommendation: Authorization of a loan in the amount not to exceed \$2 million to the GOP, in accordance with the terms and conditions stated in the Draft Loan Authorization (see Annex F).

Project Committee

Loan Officer and Chairman: Thomas E. Johnson, USAID/CD
Engineering: Richard M. Dangler, USAID/CD
Program Officer: Willy D. Baum, USAID/PO

I. BACKGROUND AND INTRODUCTION

A. Recent Economic Developments

In the past two years there has been a sharp increase in the level of economic activity on the Philippines. The growth in real GNP, which had been about 5-6 percent a year for more than a decade, doubled to 10 percent in 1973, and is estimated to be about 7 percent in 1974. The strong recovery in 1973 was led by the international commodity boom and resultant increased export incomes in the Philippines by a strong recovery in agricultural and industrial production for the domestic market, and by an expansion in public and private investment. Underemployment and unemployment remain quite high, however, and in common with most other countries, the rate of inflation increased appreciably in the past 18 months.

The agricultural sector grew by 7 percent in 1973. Rice production in crop year 1973-74 increased by 23 percent over the level of the previous year when flood severely affected output. This increase has been mainly due to favorable weather conditions, increased use of fertilizers, more supervised credit and increased investments in supporting rural services. The Government has moved ahead with its program of agrarian reform for the nation's one million rice and corn farm tenants. By mid-1974, 176,000 land transfer certificates had been issued, mainly to tenants on the larger holdings. The Government now hopes to issue certificates to all tenants on farms above 24 hectares. There is a strong prima facie case for pressing ahead with the program in the 7-24 hectare farm size range.

The industrial sector grew by about 12 percent in 1973. Non-traditional industrial exports, which have been increasing since 1970, are estimated to have doubled in 1973 to about \$200 million. However, industrial exports have been affected by the recent slowdown in the economic of key trading partners, and earnings are expected to level off this year.

The growth in production was also assisted by increased public development outlays in 1973 made possible by a significant improvement in the financial position of the Government. The ratio of public investment to GNP is currently about 3 percent compared with 1.8 percent in FY '72. The Government has implemented a series of long needed tax reform and improvements in tax administration. As a result, the ratio of National and Local Government tax revenues to GNP has increased from an average of 9 percent in recent years to an estimated 12.4 percent in FY '74.

High prices for the Philippines' chief exports, including coconut products, sugar, copper and wood products, were largely responsible for an increase in merchandise receipts of almost 70 percent in 1973. International reserves rose by about \$600 million during the year and stood at \$876 million, equivalent to about five months of imports, at the end of the year. However, since mid-1974, a large trade deficit has appeared, largely because the growth in export prices has moderated but import prices have continued to rise rapidly.

Because of the very good debt management policies of the Government, the burden of medium and long-term debt has declined dramatically. The ratio of debt service payments to export receipts has come down to an estimated 15 percent this year, compared with a high of 27 percent in 1971.

In the latter part of 1973 inflation emerged as a major problem. Since mid-1973 consumer prices have been rising at an annual rate of more than 40 percent. This has been caused by the large increase in liquidity since the export boom began in 1973, and by a number of cost-push factors, including the higher rate of world inflation, domestic food shortages and the increased cost of petroleum. Monetary and fiscal policies have aimed at absorbing the excessive liquidity expansion, and in recent months the rate of inflation has been moderating.

The Energy Crisis

Imported petroleum provides some 97 percent of the Philippines' total energy requirements. In 1973 the equivalent of 71 million barrels of petroleum crude and petroleum products were imported at a cost of about \$230 million c. i. f. When the energy crisis developed late last year, the Government moved quickly with conservation measures to reduce non-essential consumption. In 1974 imports of petroleum and products were about 71 million barrels at a cost of about \$780 million c. i. f.

The Government has decided to accelerate the development of local energy sources, especially hydropower and geothermal energy. Supplemented with nuclear

energy in the 1980's, total demand for energy is expected to grow at about 10 percent a year, and even with more rapid development of natural power sources, petroleum would still account for more than 90 percent of total energy needs by 1980.

Growth Prospects

The abrupt deterioration in the external terms of trade since the middle of 1974, and the recession in the economics of key trading partners threatens some of the Philippines' recent economic gains. The labor force continues to grow at 3 percent a year, and although employment has expanded appreciably in the past 18 months, there is still widespread unemployment and underemployment.

Priority is being given to expanding food production for the domestic market, to expanding export production and to accelerating development of local energy resources. In the case of export production, the Government recognizes that the increased cost of petroleum and other imports cannot be financed indefinitely by borrowing abroad. It is actively encouraging both local and foreign investors to expand the productive capacity of export industries and to undertake major new import-replacing investments. The Government is seeking increased support from the international financial community to help carry out its development program and to ease adjustment to higher petroleum and other import prices. Because of the substantial improvement in the external debt burden and international reserve position in the past 18 months, the Philippines now has the capacity to borrow externally larger amounts of capital in support of its development program.

Maintaining a GNP growth rate of about 7 percent a year in real terms during the next few years will depend heavily on the buoyancy of the domestic market. The prospects are for continued expansion in agriculture, with a 4-5 percent increase in production in the year ahead. Continued expansion in public and private investment demand should help sustain industrial output expansion. Increased investments will be needed in a wide range of consumer and intermediate goods industries.

The increased size of the domestic market and growing export demand would seem to justify a wider range of investments during the latter part of the decade in large-scale, capital-intensive industrial products, particularly in mineral-based processing industries where long-term comparative advantage may be strong. A number of big projects are proposed in mining, wood processing, fertilizer, steel and shipbuilding, which are likely to push up the private investment rate from recent levels of about 16 percent of GNP to perhaps 22 percent by the latter part of the decade. A substantial amount of the funds needed for these projects would have to come from external sources. But since the individual cost of many of them will exceed \$100 million, Consultative Group members can play an important role in helping the Government to obtain suitable co-financing arrangements, both with bilateral partners and with the private sector.

The public infrastructure program that was approved last year, which called for outlays of about P12 billion at current prices in FY '74-77, has become outdated because of the subsequent rapid inflation and by changes in investment priorities as a result of the energy crisis. A new program is being finalized,

with more emphasis on developing nuclear and indigenous power resources and on irrigation, feeder roads and other projects to support increased food and export production. Public investment is likely to increase by about 15 percent a year in real terms so the ratio of public investment to GNP would rise from the present level of 3 percent to about 4 percent by 1977.

The domestic savings rate should rise from an estimated 19 percent of GNP at present to perhaps 20.5 percent by 1977. Foreign savings (i. e., the current account deficit in the balance of payments) would rise from an estimated 2.5 percent of GNP this year to about 4 percent in 1977. This foreign savings gap would decline in the latter part of the decade as the proposed investments in new export and import-replacing capacity begin to bring results.

Balance of Payments

Merchandise export receipts are projected to increase by a total of about 30 percent in the next two years. Import payments are projected to increase by a total of almost 40 percent in the same period, including a 30 percent increase in prices. Under these assumptions, the trade deficit would rise from an estimated \$680 million this year to about \$1,250 million in 1976.

Actual and Projected Merchandise Imports (f. o. b. million \$)

<u>Commodity Group</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Total</u>	<u>1,597</u>	<u>3,200</u>	<u>3,960</u>	<u>4,610</u>
Cereals	112	194	190	150
Other consumer goods	172	275	330	370
Petroleum products	188	724	830	950
Other raw materials and intermediates	634	1,216	1,610	1,930
Capital goods	491	791	1,000	1,210

Source: 1973, Central Bank of the Philippines; 1974, mission estimate; 1975 and 1976, mission projection.

Actual and Projected Export Receipts
(f. o. b. million \$)

<u>Item</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Total</u>	<u>1,871</u>	<u>2,520</u>	<u>3,140</u>	<u>3,360</u>
Coconut products	372	606	640	670
Sugar products	295	604	990	830
Forest products	444	330	350	400
Mineral products	319	501	580	730
Other Agricultural products	108	175	210	270
Manufactured exports	230	231	280	350
Non-monetary gold	103	73	90	110

Source: 1973, Central Bank of the Philippines; 1974, mission estimate; 1975 and 1976, mission projection.

Although exports are projected to grow more rapidly than imports in real terms over the next two years, this gain is more than offset by a cumulative decline in the external terms of trade of about 23 percent during 1975 and 1976. This would bring the terms of trade back to the level that prevailed in 1972, thus wiping out the gains made in the recent export price boom.

Actual and Projected External Terms of Trade
(1965 = 100)

<u>Index</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Export price index	149.0	256.0	263.7	257.1
Import price index	149.1	259.1	303.2	337.2
Oil import index	203.0	797.8	848.7	874.2
Non-oil import index	144.1	216.5	259.4	290.5
Terms of trade - total	99.9	98.8	87.0	76.2
- non-oil	103.4	118.2	101.7	88.5

Source: 1973, Central Bank of the Philippines; 1974, mission estimate; 1975 and 1976, mission projection.

B. External Finance

If the projections of exports, imports and external terms of trade were to be realized, the Philippines would require a total foreign capital inflow of about \$2,340 million during 1975 and 1976 to cover the current account deficit and medium and long-term loan repayments.

Direct investment would provide about \$190 million of this. Greater use of short-term trade finance is expected because of the increased oil import bill and generally higher levels of imports. A net inflow of about \$480 million would be in line with the increase in the value of trade being financed. About \$1,080 million could be expected from supplier's credits and other medium and long-term loans to the private and public sector, including about \$280 million from project loans extended by Consultative Group members. The balance of the required capital inflow of about \$180 million in 1975 and \$410 million in 1976 would have to come from other borrowings. The Central Bank could finance the entire deficit by short and medium-term borrowing while maintaining or even increasing the level of international reserves. Net reserves, however, would be negligible by 1976.

The recent important gains in reducing the external debt burden and improving the external reserve position should not be lost now by excessive recourse to short and medium-term borrowing by the banking system. However, there is considerable scope for additional medium and long-term loans from donors to finance capital goods imports which are projected to reach \$1.2 billion in 1976.

In the months ahead, the Government and aid donors alike should explore this possibility. If these efforts are unsuccessful, the Government would have to reassess its growth strategy for 1976.

The need for projects developed to the point of readiness for financing has become quite apparent. Such project preparation and development requires professional services of a highly qualified and experienced nature, which are not in sufficient supply in the Philippines to meet the needs of its rapidly accelerating development efforts. The A. I. D. loan proposed herein would assist the GOP's development efforts by providing concessionary financing for the foreign exchange costs of the needed professional services.

If the projected inflows on the capital account are forthcoming, and if the presently identified shortfalls in foreign exchange availabilities are met with an appropriate combination of medium and long-term loan capital as suggested, management of the external debt and debt servicing should not present serious problems.

Summary Balance of Payments
(million \$)

<u>Item</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u> ^{/a}
<u>Current Account</u>	<u>-29</u>	<u>+9</u>	<u>+11</u>	<u>+475</u>	<u>-450</u>
<u>Trade Account (net)</u>	<u>-7</u>	<u>-37</u>	<u>-151</u>	<u>+274</u>	<u>-680</u>
Exports	1,083	1,149	1,109	1,871	2,520
Imports	1,090	1,186	1,260	1,597	3,200
<u>Service Account (net)</u>	<u>-141</u>	<u>-88</u>	<u>-26</u>	<u>-30</u>	<u>-40</u>
Receipts	258	264	376	582	805
Payments	399	352	402	612	845
<u>Transfers (net)</u>	<u>+119</u>	<u>+134</u>	<u>+188</u>	<u>+231</u>	<u>+270</u>
Official	26	31	36	63	70
Private	93	103	152	168	200
<u>Capital Account (net)</u>	<u>+181</u>	<u>+124</u>	<u>+174</u>	<u>+210</u>	<u>+355</u>
Direct investment	-29	-4	-22	64	80
Short-term private capital	76	92	56	74	180
Medium- and long-term private loans	94	-34	-17	-5	-10
Medium- and long-term public loans	40	70	157	77	105
<u>Errors and Omissions</u>	<u>-147</u>	<u>-144</u>	<u>-106</u>	<u>+16</u>	<u>+20</u>
<u>Overall Balance of Payments</u>	<u>+5</u>	<u>-11</u>	<u>+79</u>	<u>+701</u>	<u>-75</u>
<u>Monetary Sector, Reserves etc. (net)</u>	<u>-5</u>	<u>+11</u>	<u>-79</u>	<u>-701</u>	<u>+75</u>
Central Bank liabilities	58	4	-64	-86	+443
Central Bank assets	-130	-125	-174	-488	-500
Commercial bank liabilities (net)	35	94	136	-106	+190
SDR's	18	17	16	-	-
Use of IMF facilities	14	21	7	-21	-58

Source: Central Bank of the Philippines.

^{/a} Mission estimate.

C. Utilization of Previous A. I. D. Feasibility Studies Loans

In September 1967, A. I. D. and the GOP signed a Feasibility Studies Loan (No. 492-H-023) for \$2 million^{1/}. Annex A to this paper contains a list of the studies financed under that loan and a statement of the status and/or disposition of those studies. Generally speaking the utilization rate of that loan was decidedly slower than desirable. Delays were experienced at every stage from selection of studies to negotiating contracts. Nonetheless, the benefits derived and likely-to-be-derived from the studies financed should make an important contribution to development activities in the Philippines. Of the eight studies undertaken, two studies completed in the electric power sector (for a combined cost of \$398,038) have resulted in foreign loans amounting to \$103.4 million to finance projects in that sector. As a result of the pre-feasibility and feasibility study of provincial water systems (combined cost of \$424,000), A. I. D. made a loan of \$15 million to assist in financing both the development of a needed institutional capacity, and the rehabilitation and expansion of up to five systems. The three studies conducted in the area of water resource development and usage give good promise of resulting in projects amounting to \$445 million.

A. I. D. made a Second Feasibility Studies Loan to the Philippines for \$2 million (No. 492-II-030) in June, 1973. The status of studies financed to date under that loan are also given in Annex A. Performance under Loan 492-H-030

^{1/}Subsequently reduced to \$1,628,253.10

has been entirely satisfactory and available funds will be virtually totally committed upon signature of two study contracts currently under negotiation. Indications are, even at this early date, benefits to be derived from the Second Feasibility Studies Loan will be substantial.

II. DESCRIPTION OF THE ACTIVITY

A. Use of Loan Proceeds

Proceeds of the proposed loan will be available to finance the foreign exchange costs of such activities as pre-feasibility and feasibility studies, market studies, planning and design studies, engineering consulting services and other professional services and related commodities and equipment as may be required for the preparation and implementation of economic development projects and programs as requested by NEDA and approved by A. I. D.

In accordance with present A. I. D. policy, studies eligible for A. I. D. financing will be limited, unless otherwise agreed on a case-by-case basis, to the three primary sectors of A. I. D. emphasis, i. e., Sections 103, 104 and 105 of the Foreign Assistance Act, with at least half of the total loan being linked to food and nutrition. That the GOP is clearly supportive of A. I. D. 's general policy is seen in its formal letter of application (Annex C) which states in part, "In addition, we are also intending to submit for USAID assistance feasibility studies for a number of projects that are generally supportive of rural development. We will, however, put particular emphasis on feasibility studies of projects that are directly related to food production as well as distribution both of which have been accorded topmost priority in the allocation of public investments."

At present, it is contemplated that the loan proceeds will be allocated totally to entities of the GOP, and used primarily for activities in the public sector. However, use of loan funds by the private sector is not precluded, and would be considered on a case-by-case basis at the request of the NEDA. The terms and conditions of making these loan funds available to the private sector would also be subject to A. I. D. 's approval.

Services, and related commodities and equipment, having their source and origin in countries included in A. I. D. 's Geographic Code 941 will be eligible for financing under this loan.

B. Borrower and Implementing Agency

The Borrower of the proposed loan will be the Government of the Philippines (GOP) and the National Economic and Development Authority (NEDA) will have overall responsibility within the GOP for implementation of this activity. The Agency or Department of the GOP having responsibility in the particular area of concern to be studied will act as the cooperating agency, with NEDA, on the individual study or studies which are approved for financing.

The GOP agencies and particularly NEDA have gained valuable experience in the administration of the previous two feasibility loans and have developed a capacity in performing such implementation tasks as evaluating proposals and negotiating contracts. Implementation of the most recent loan has been entirely satisfactory and loan funds are expected to be fully committed well before the December, 1975 terminal contracting period. The existence of a four-year development plan, the overall impetus to development being given by the Consultative Group, and the commitment of the GOP to further the welfare of the people

in the rural areas through increased income and employment opportunities are reasons to feel that the proposed loan will be used rapidly and efficiently.

C. Cost Estimates

Total cost of the proposed activity expected to be sub-obligated within the next two years is \$2.0 million in U.S. dollars plus a presently indeterminate amount of pesos for local currency costs required for specific studies financed by the loan. The GOP will be expected to finance all peso costs. Inasmuch as detailed scopes of work for many of the studies to be carried out under the proposed loan have not as yet been developed, no definitive cost estimates for individual studies are possible at this time. However, costs of individual studies under the Second Feasibility Studies Loan (492-H-030) have, to date, ranged from \$30 - \$750,000 (See Annex A). Major sectoral studies are expected to cost as much as \$500,000 each.

D. Prospective Studies and Other Activities to be Financed

The Second Feasibility Studies loan was used to finance the foreign exchange component of the services of a three man team (an economist, an engineer and an urban regional planner) to develop "Scopes of Work" for twenty priority projects identified by the GOP. These Scopes have been drafted and are under review by the GOP. We can anticipate that the GOP will ask that several of these studies be financed using A. I. D. Feasibility Studies Loan Funds sometime in the very near future. A listing of the "Scoped" projects and the consultant's estimate of required dollar financing follows:

1.	A Study to Determine Optimum Levels of Investment for Rehabilitation of National Irrigation Systems	\$ 132,245
2.	A Study to Determine the Feasibility of Developing the Looc Estate as a Planned Center for Tourism	174,950
3.	A Study to Determine the Feasibility of Developing a Planned Industrial Estate in Albay Province, Bicol Region	132,245
4.	A Study to Determine the Feasibility of Rehabilitation and Expansion of the San Fernando Port Facility - La Union	132,245
5.	An Integrated Development and Water Management Plan for the Bataan Province	344,900
6.	An Integrated Development Plan and Port Study for the Batangas Province and Growth Center	219,387
7.	An Integrated Development and Water Management Plan for the Candaba Swamp Area	344,900
8.	An Integrated Development and Transportation Plan, Pampanga Delta Project Area	344,900
9.	A Study to Determine the Feasibility of Water Resource Development - Bulu River Project	344,900
10.	An Integrated Development Plan for the Leyte-Samar Region	219,387
11.	Master Plan for the Leyte-Samar Regional Capital Government Center; Tacloban-Palo	132,245
12.	An Integrated Development Plan for the Bohol-Cebu-Negros Oriental Region	219,387
13.	An Integrated Development Plan and Road Feasibility Study for the Island Province of Palawan	173,690
14.	An Integrated Development Plan for the Panay-Negros Occidental Region and Road Feasibility Study for the Island of Panay	173,690

15.	A Study to Determine the Feasibility of Developing a Fishing Port Industrial Complex in the Western Visayas	\$ 132,245
16.	An Integrated Development Plan for Bukidnon Province, Mindanao	132,245
17.	Geothermal Exploration of the Mount APO Thermal Field; Mindanao	87,475
18.	An Integrated Development Plan for the Provinces of Surigao Del Norte and Surigao Del Sur; Mindanao	174,900
19.	An Integrated Development Plan for the Provinces of Agusan Del Norte and Agusan Del Sur; Mindanao	174,900
20.	An Integrated Development Plan for the Provinces of North Cotabato and South Cotabato; Mindanao	174,900

NEDA has additionally identified the studies listed below as of sufficiently high priority to be considered for financing under the proposed loan, but others may well materialize within the next year or two, and eligibility is by no means restricted to the studies listed here:

1.	Provincial Water Supply Long-Range Planning and High Impact Study	\$ 170,000
2.	Laguna de Bay Five Irrigation Systems Design Studies	250,000
3.	Fisheries College at Iloilo	50,000
4.	Feasibility studies for various components of the Bicol Regional Development Plan	750,000

It is recognized that the total of the above cost estimates exceeds the proposed amount of the loan. However, it should be kept in mind that the individual priorities of the proposed studies have not been finalized, nor have

work scopes for the studies been definitively developed. Until these tasks have been accomplished, the cost estimates can be no more precise than as stated above. The estimated time period over which the proceeds of the loan will be committed is between two and three years.

E. Procedures

As stated earlier, NEDA will have overall responsibility within the GOP for implementation of this activity. The Agency or Department of the GOP having responsibility in the particular area of concern to be studied will act as the cooperating agency (with NEDA) on the individual study or studies which are approved for financing.

As a Condition Precedent to the disbursement of loan funds, NEDA will be required to submit, for review and approval by A. I. D., a detailed operational plan containing the procedures which will be followed in (1) selection of studies and other professional services to be financed, (2) preparation of work scopes for such services, (3) selection of consultants, and (4) contracting for performance of the services. A tentative operational plan has been prepared and informally submitted, the essential provisions of which are given in the following paragraphs.

NEDA will determine priorities for the use of loan proceeds by identifying projects from national planning documents, sector surveys, industry studies and regional development schemes. The sector of the economy into which the project falls will be of high priority in the GOP's development plans. Project and

other studies may be organized and proposed by entities of the government, by other government officials or by the private sector. In determining priorities for use of loan funds, the procedures outlined below will be followed:

- The entity proposing the study shall submit its application to NEDA.
- NEDA will ascertain the pertinence and relationship of the proposed study to other existing needs and to the country's overall economic development plans.
- If approved by NEDA, the application will be transmitted to A. I. D. for review and approval.
- If approved by A. I. D., the application will be returned to the proposing entity for appropriate action (preparation and approval of work scope, and solicitation of proposals).

The procedures for selection of A & E firms and other consultants to provide the desired services shall be as follows:

- Prior to solicitation of proposals, NEDA and/or the cooperating agency will advise A. I. D. (i) as to whether prospective firms will be pre-qualified, and (ii) as to evaluation criteria to be used in prequalifying firms and/or ranking detailed proposals.
- After receipt of proposals, the cooperating agency will conduct the evaluation/selection process in accordance with the pre-determined selection criteria and procedures, and transmit to NEDA the summary of its selection process together with the list of consultants arranged in the order of ranking, and a recommendation to negotiate with the top-ranked consultant.
- NEDA will review the cooperating agency's evaluation procedures and the results of the evaluation, and forward same to A. I. D., with a recommendation and supporting justification.
- If approved by A. I. D., the approval will be transmitted through NEDA to the cooperating agency for implementation.

Upon selection and approval of the consultant, NEDA and the cooperating agency will jointly negotiate a draft contract with the consultant. The draft will be submitted for approval by A. I. D. Upon approval, NEDA or the agency will sign the contract with the consultant. NEDA will then secure whatever other GOP approvals may be necessary and release the contract to the cooperating agency for implementation.

F. Environmental Considerations

In conformance with current A. I. D. policy as stated in Manual Circular No. 1221.2, it will be required, where appropriate, that all scopes of work and contracts negotiated for financing under this loan contain a provision calling for a thorough assessment of the environmental and ecological impact of the project or other activity to be studied, and recommendations as to whatever action the consultant deems appropriate under the circumstances.

If environmental and/or ecological aspects are considered marginal to the proposed activity, such assessment and recommendations will not be required. In such cases, a statement will be prepared and made a part of A. I. D. 's records of the loan, which justifies the position taken.

G. Income Distribution, Employment Considerations and the Role of Women

Also in conformance with current A. I. D. policy (P. D. No. 48), it will be required, where appropriate, that studies proposed for financing hereunder will include an assessment of the employment generation and income distribution aspects involved. Where indicated, and to the extent necessary, such assessment may include, for example, a cost/benefit comparison for carrying out the project by

labor-intensive methods vs. capital-intensive methods. Similarly, where appropriate, the studies proposed for financing will include an assessment of the project's potential for involving women in the development process (P.S. No. 54).

III. PROJECT BENEFICIARIES

The goal of this project, in supporting the GOP national rural development program, is to further the welfare of the people in the rural areas and to increase income and employment opportunities in the rural areas.

Implicit in this goal statement is the fact that the beneficiaries of the project will fall into two distinct but not necessarily mutually exclusive categories (1) those directly benefiting from the projects resulting from the studies undertaken under this loan in the rural area, and (2) the indirect beneficiaries who will over the longer run participate in the increased income and employment opportunities that will be created in the rural area. It is anticipated that the indirect beneficiaries will include a major portion of the lower income population.

A. Setting

The Philippine economy, as other LDC's, has been characterized as a "dual" economy with a rapidly growing modern sector concentrated basically in the greater Manila area and to a lesser extent in secondary urban areas such as Cebu. With the exception of extractive industries and certain agricultural activities such as sugar, growth within the economy has centered in these areas. Investments to date have been heavily concentrated in these areas benefitting

only a relatively small part of the Philippine population. Most Filipinos who are the long-term target beneficiaries of the proposed loan are among the nation's poor and reside in the rural areas and small municipalities.

It is within these areas that the poverty problem within the Philippines is the greatest. 12 of the 15 million Filipinos who fall within the lower 40% income bracket reside in the rural areas. The geographical distribution of this population is set out in the table on the following page extracted from the IBRD economic report and based on the 1971 household statistics.

Regional Population Distribution, Family Income
and Distribution of the Bottom 40 Percent in 1971

Region	1971 Population (mid-year)		Family Income (Pesos)			Distribution of Bottom 40% of Families		
	(million)	%	Mean	Median	C/B (%)	No. of People (Millions)	%	D/A (%)
	<u>A</u>		<u>B</u>	<u>C</u>		<u>D</u>		
<u>Philippines - Total</u>	<u>37.92</u>	<u>100.0</u>	<u>3736</u>	<u>2454</u>	<u>65.7</u>	<u>15.17</u>	<u>100.0</u>	<u>40.0</u>
<u>Northern Luzon</u>	<u>3.39</u>	<u>8.9</u>	<u>2890</u>	<u>1741</u>	<u>60.2</u>	<u>1.87</u>	<u>12.4</u>	<u>55.2</u>
Ilocos	1.87	4.9	3299	1813	55.0	0.98	6.5	52.4
Cagayan Valley	1.52	4.0	2390	1652	69.1	0.89	5.9	58.6
<u>Central Luzon</u>	<u>6.68</u>	<u>17.6</u>	<u>4895</u>	<u>3556</u>	<u>72.7</u>	<u>1.61</u>	<u>10.6</u>	<u>24.1</u>
City of Manila	1.40	3.7	7785	5202	66.8	0.10	0.6	7.1
Central Luzon	5.28	13.9	4127	3119	75.6	1.51	10.0	28.6
<u>Southern Luzon</u>	<u>10.16</u>	<u>26.8</u>	<u>3868</u>	<u>2634</u>	<u>68.1</u>	<u>3.81</u>	<u>25.0</u>	<u>37.5</u>
Southern Tagalog ^{/a}	7.12	18.8	4332	2960	68.3	2.25	14.7	31.6
Bicol	3.04	8.0	2784	1874	67.3	1.56	10.2	51.3
<u>Visayas</u>	<u>9.38</u>	<u>24.8</u>	<u>2818</u>	<u>1930</u>	<u>68.5</u>	<u>4.68</u>	<u>30.6</u>	<u>49.9</u>
Western Visayas	3.86	10.2	3206	2332	72.7	1.50	9.9	38.9
Eastern Visayas	5.52	14.6	2548	1651	64.8	3.18	21.0	57.6
<u>Mindanao</u>	<u>8.31</u>	<u>21.9</u>	<u>3382</u>	<u>2411</u>	<u>71.3</u>	<u>3.20</u>	<u>21.1</u>	<u>38.5</u>
NE Mindanao	3.14	8.3	3062	2185	71.4	1.36	9.0	43.3
SW Mindanao	5.17	13.6	3577	2549	71.3	1.84	12.1	35.6

Source: (a) Population - by interpolating 1970 Census data.

(b) Mifares, Tito A. and I. C. Belarmino. "Some Notes on the Sources of Income Disparities among Philippines Families," Journal of Philippine Statistics, Vol. 24, No. 4, 4th quarter 1973, P xv-xxii.

(c) Distribution of bottom 40 percent of families based on mission calculations using the 1971 household income-expenditure survey data.

^{/a} Includes part of the Greater Manila Area.

B. Employment generation

The Philippines faces a difficult task in creating sufficient new job opportunities for the rapidly increasing population. Given the heavily rural concentration of the population, the largest additions to the labor force will develop in the rural areas. The GOP will either have to create job opportunities within the rural areas or witness continued migration to the urban centers as has occurred increasingly in the past. The rural urban migration pattern has already resulted in creation of the largest pool of unemployed in the urban area. As indicated in the 4 year plan - 356,000 or 56% of the 636,000 unemployed in 1971 were urban unemployed. Failure to create greater rural job opportunities therefore will likely exacerbate this problem.

Unfortunately, agriculture, the largest rural and national employer (1970 - 6.4 million) does not of itself offer a solution to this problem. The agricultural sector historically has been marked by a progressive expansion of subsistence farming into underdeveloped land areas thus both absorbing population additions into agricultural employment and providing increased food production. Sometime in the 1960's the limits of land extension were reached and the increased population will increasingly be surplus to the labor requirements of the farm sector.

IBRD estimates in their 1973 economic report indicate a new labor force addition of 3.9 million people to the labor force through the period of 1970-1980. Only 1.0 million of these will be absorbed into agriculture. 2.4 million will be absorbed by mining, manufacturing and services and an estimated 300,000

will be added to the unemployed.

**Population and Employment
1960, 1970 and 1980 /a**

	<u>Number (millions)</u>			<u>Average Annual Growth</u>	
	1960	1970	1980	1960-70	1970-80
Population	27.6	37.2	50.0	3.0	3.0
Labor Force	9.9	12.9	16.8	2.7	2.7
Employment	9.3	11.9	15.5	2.5	2.5
Agriculture	5.7	6.4	7.1	1.2	1.0
Mining and Manufacturing	1.2	1.5	1.9	2.3	3.0
Services	2.4	4.0	6.5	5.1	4.8
Unemployment	0.6	1.0	1.3	5.0	2.7

Creating non-agricultural employment opportunities in the rural areas is therefore a key objective of the Philippine government. Rural electrification, being assisted under other A. I. D. loans, is a key ingredient in the GOP program to create the supporting infrastructure to sustain such a program. It is insufficient of and by itself, and other supporting programs to provide employment opportunities are required. Projects studied under the proposed loan could provide such opportunities.

C. Income and Agriculture

While creating new non-farm employment will help the income distribution problem, agricultural improvement projects which may result from studies undertaken under the loan will also contribute to increased incomes in the farm sector itself - both with respect to farm incomes and agro industries. While agriculture does not provide a sufficient scope for new employment generation it does provide the main opportunity for increasing rural incomes. This is illustrated by the fact that while agriculture will absorb directly only 25% of the new

labor force, it constituted in 1970 54% of the labor force and the major portion of the population in the lower income brackets.

D. Income and Small Scale Industry

In order to achieve the income redistribution to aid employment generation within the rural areas as set forth in GOP plans, it will be necessary for the GOP to marshal an expanded program of assistance to promote regional dispersal of industry and support to small scale industries.

USAID and a variety of other donors has been working with the GOP on this problem and the December 74 consultative group reviewed a comprehensive overall analysis by the IBRD and the GOP on Industrial Development Problems and Prospects, including coverage of regional dispersal and support of small scale industries.

As noted in this report there are 332,000 workers in industrial establishments with 20 or more workers. 156,000 of these workers are employed in the greater Manila area and another 100,000 in other parts of Luzon. Only 76,000 are located in the Visayas and Mindanao

Significantly nearly one million workers or 71% of the manufacturing labor force is engaged in establishments of under 5 persons. Statistics on this group are not totally reliable, but the IBRD estimates that there is reasonable regional distribution of the small industry grouping.

These factors clearly indicate the substantial potential for employment generation through promotion of small scale industries in general and the desirability of geographical dispersion of larger establishments which will create

opportunities for small scale manufacture geared to subcontracting and service of the larger industries.

E. Summary

The GOP has increasingly come to the realization that achievement of their national development program will in large measure depend upon development and analysis of sound projects, in the rural areas, suitable for financing by A. I. D. or other foreign and/or Philippine sources. The Philippine's ability to make increasingly more effective utilization of scarce economic, technical and financial resources to carry on its continuing development program, is totally consistent with our overall objectives. The Mission feels that a development loan to finance feasibility, sectoral and marketing studies is particularly appropriate at this time and will over the long run assist in improving the well being of the poor majority of the population consistent with A. I. D. 's Congressional mandate.

IV. EVALUATION

Success or failure in achieving the objectives of a Feasibility Study Loan cannot be measured until projects studied under the loan are found acceptable for financing by the host government and/or the international lending community. The ultimate beneficiaries will not, of course, be known until such projects are constructed and are operational for a period of time. Inasmuch as the several studies to be carried out under the proposed loan have not as yet been developed or selected it is not possible to develop an elaborate evaluation plan for the activity as a whole. Nevertheless, a logical framework matrix has been developed and is included as Annex E to aid in the assessment and selection of individual

studies proposed for financing and to serve as a guide for future overall activity evaluation. Individual studies proposed for financing will be tested towards meeting the goal, purpose and objectives of the loan prior to commitment of funding. Completed studies will also be examined accordingly. However, the final test will only come when and if the project studied is ultimately financed.

PHILIPPINES: FEASIBILITY STUDIES LOAN (NO. 492-H-023)

<u>Project Description</u>	<u>Consultant</u>	<u>Amount</u>	<u>Date of Contract</u>	<u>Status</u>
1. Mechanized Rice Production Study (Palawan)	American Factors Associates, Ltd.	\$135,269	2/12/68	Completed - No specific action taken to date
2. Development of Water Resources (1st phase of #3 below)	U.S. Bureau of Reclamation	130,000	6/10/69	Completed.
3. Magat River Multi-Purpose Project (irrigation, hydro-electric power, transmission lines)	U.S. BuRec	212,500	5/19/71	Completed. Study used as basis IBRD proposed 1975 \$100 million first phase financing of ultimate \$400 million project
4. Development of Rural Electrification Service Coops	National Rural Electric Cooperatives Assn.	254,975	12/2/69	Completed; A. I. D. has lent to date \$58 million to the GOP to assist in financing construction of rural electric coops, and is grant financing technical assistance to the National Electrification Administration for the further development and implementation of a national rural electrification program.
5. Power Grid Study (Mindanao)	Middle West Service Co.	143,063	7/25/69	Completed; study used as basis for ADB loans to GOP for power generation and transmission on the island of Mindanao, to date totalling \$45.4 million.

<u>Project Description</u>	<u>Consultant</u>	<u>Amount</u>	<u>Date of Contract</u>	<u>Status</u>
6. Provincial Water System Pre-feasibility survey (See #7 below)	U.S. Dept. of Health, Education & Welfare	\$ 35,000	6/24/70	Completed; survey followed by feasibility study of institutionalizing a national plan for assisting provincial urban communities in improving water supply services, including technical and economic studies of six specific communities.
7. Provincial Water System Studies (2nd phase of #6 above).	Adrian Wilson Int'l Assoc., & James M. Montgomery Consulting Engrs, Inc. (Joint Venture)	389,000	5/6/71	Completed. A.I.D. lent \$15 million in 1974 to finance initial 5 systems and provided grant financing for institutional development. 10 more municipalities under study under Loan 492-H-030.
8. Irrigation scheme - Laguna Lake Region	Hydrotechnic	327,200	7/7/72	Completed. ADB appraisal team using as basis proposed loans. First phase loan anticipated 1975 in amount approximately \$10 million. Total requirements - \$45 million.

Original Authorized Amount:	\$2,000,000.00
Deobligated (2/19/72)	<u>371,746.90</u>
Revised Loan Amount	\$1,628,253.10

<u>Project Description</u>	<u>Consultant</u>	<u>Amount</u>	<u>Date of Contract</u>	<u>Status</u>
6. Provincial Water System Pre-feasibility survey (See #7 below)	U.S. Dept. of Health, Education & Welfare	\$ 35,000	6/24/70	Completed; survey followed by feasibility study of institutionalizing a national plan for assisting provincial urban communities in improving water supply services, including technical and economic studies of six specific communities.
7. Provincial Water System Studies (2nd phase of #6 above).	Adrian Wilson Int'l Assoc., & James M. Montgomery Consulting Engrs, Inc. (Joint Venture)	389,000	5/6/71	Completed. A. I. D. lent \$15 million in 1974 to finance initial 5 systems and provided grant financing for institutional development. 10 more municipalities under study under Loan 492-H-030.
8. Irrigation scheme - Laguna Lake Region	Hydrotechnic	327,200	7/7/72	Completed. ADB appraisal team using as basis proposed loans. First phase loan anticipated 1975 in amount approximately \$10 million. Total requirements - \$45 million.

Original Authorized Amount:	\$2,000,000.00
Deobligated (2/19/72)	<u>371,746.90</u>
Revised Loan Amount	\$1,628,253.10

PHILIPPINES: SECOND FEASIBILITY STUDIES LOAN (NO. 492-H-030)

<u>Project Description</u>	<u>Consultant</u>	<u>Amount</u>	<u>Date of Contract</u>	<u>Status</u>
1. Infrastructure Feasibility Studies (Scoping)	Engineering Science, Inc.	\$100,000	2/4/71	Completed. Twenty scopes of services for technical and economic feasibility studies prepared to assist GOP in its infrastructure and integrated area development planning.
2. Ground Water Test Well Program	Adrian Wilson Int'l Assoc., & James M. Montgomery Consulting Engrs, Inc. (Joint Venture)	80,000	8/8/74	Completed. Test well program completed as basis final system designs for municipalities of Davao and Cagayan de Oro.
3. Methodology for Project Evaluation	Jeffrey Holland	32,875	9/12/74	Completed. Methodology developed to assist GOP in its priority ranking of alternative development project proposals.
4. Feasibility Studies for 10 Additional Provincial Water Systems	Camp, Dresser & McKee	759,273	11/15/74	Ongoing: Possible A. I. D. or ADB funding. \$15 - 30 million.
5. Comprehensive Water Resources Study - Bicol River Basin	Tippets-Abbott-McCarthy-Stratton & Trans-Asia (Joint Venture)	609,000*	negotiations underway	Identification and reconnaissance investigation of flood control and irrigation projects; expected to result in \$150-200 million in flood control and irrigation works.

Project Description

Consultant

Amount

Date of Contract

Status

6. Provincial Water
Supply
Long-Range Planning
and High Impact Study

Camp, Dresser &
McKee

\$170,000

Negotiations
underway

Authorized Amount: \$2,000,000
Commitments* 1,751,148
Unused \$ 87,662

*Includes contracts negotiated as of 4/4/74.



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Annex B

TELEGRAM

DEC 27 39 AM '74
AMEMB MANILA
USAID/C & R

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Dated	11/27/74	Initial	[Signature]

Date AMEMB Dec 12 4 74

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E.O. 11652:N/A
TAGS:

SUBJECT: PRP FOR THIRD FEASIBILITY STUDIES LOAN

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FFP		
NTR		<input checked="" type="checkbox"/>
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PER		
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- EA PROJECT ADVISORY COMMITTEE DISCUSSED SUBJECT PRP NOVEMBER 22 AND APPROVED MISSION PREPARATION PP. FOLLOWING PROVIDE GUIDANCE PP DEVELOPMENT.
- STUDIES ELIGIBLE FOR AID FINANCING MUST BE LIMITED THREE SECTORS AID EMPHASIS, I.E.; SECTIONS 103, 104, 105 OF FAA WITH AT LEAST HALF (AND PREFERABLY MORE) OF TOTAL LOAN BEING LINKED TO FOOD AND NUTRITION; USE OF LOAN FOR THESE PURPOSES WOULD RELATE BETTER TO CONGRESSIONAL MANDATE AND THEREBY AFFORD HIGHER PRIORITY FOR USE LIMITED DEVELOPMENT LOAN RESOURCES;
- PROVIDE STRONGER JUSTIFICATION FOR AID LOAN APPROACH SHOULD DEMONSTRATE THAT AID LOAN WILL MORE EFFECTIVELY DIRECT PHILIPPINE DEVELOPMENT EFFORTS TOWARDS THREE PRIORITY SECTORS AND ATTRACT OTHER DONORS ASSISTANCE TO EVENTUAL PROJECTS IN THESE SECTORS. POTENTIAL INTEREST OTHER DONORS FINANCING THESE FEASIBILITY STUDIES SHOULD BE THOROUGHLY EXPLORED/DISCUSSED AID/W WILL CHECK IBRD AND EX-IM AND CABLE RESULTS
- EVALUATE RESULTS OF TWO EARLIER FEASIBILITY LOANS, TRACING EVOLUTION OF COMPLETED STUDIES INTO COMPLETED, ON-GOING OR FORESEEN PROJECTS AND THEIR CONTRIBUTION TO PHILIPPINE SOCIAL/ECONOMIC DEVELOPMENT CONFIRM PLANS TO COMMIT/SUBOBLIGATE TOTAL FUNDS SECOND FEASIBILITY LOAN PRIOR END FY 75. DISCUSSION SHOULD ESTABLISH PROBABILITY OF HIGH PAYOFF FROM THIRD FEASIBILITY LOAN WILL ALSO ATTEMPT ASCERTAIN IBRD AND EX-IM POTENTIAL INTEREST IN CAPITAL FINANCING FOR RESULTANT FEASIBLE PROJECTS;

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5. CRITERIA FOR STUDIES MUST INCLUDE: (A) BENEFIT TO RURAL POOR AND OPPORTUNITY FOR POOR TO PARTICIPATE; (B) STATEMENTS ON ROLE OF WOMEN AND IMPACT ON ENVIRONMENT

6. INCLUDE LOG-FRAME MATRIX PROVIDING PRECISE DEFINITION OF OVERALL GOAL AND LOAN PURPOSE AND SHOWING LOGICAL RELATIONSHIP BETWEEN GOAL, PURPOSE, AND EXPECTED OUTPUTS

7. BOND PARTICIPATED THIS DISCUSSION AND PREPARED TO EXPLAIN OR ELABORATE. INGERSOLL
BT

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REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY
P.O. Box 1116, Manila

Tel. 59-7091
Cable Address: NEDAPHIL

December 10, 1974

RECEIVED
DEC 13 3 15 PM '74
USAID/C&R

Mr. Thomas C. Niblock
Director, United States Agency
for International Development
Ramon Magsaysay Center
1680 Roxas Boulevard, Manila

Dear Sir:

As a recipient of two feasibility studies loan from the U.S. Agency for International Development in the amount of \$2 million each, the Philippine Government has been able to conduct various feasibility studies of projects which we consider to be of significance to the country's development efforts.

Under the first loan signed in September 1967, studies on farm mechanization, irrigation, provincial water supply, power and rural electric cooperatives were undertaken. Such studies have led to capital financing of:

- a) the provincial waterworks project and two rural electrification projects with loan assistance from USAID in the amount of \$15 million and \$40 million, respectively; and
- b) the ADB-assisted power generation and transmission projects in Mindanao.

Moreover, capital financing for the following projects whose pre-investment studies were similarly funded out of the first loan is foreseen:

- a) the Magat River Multi-Purpose Project with an estimated foreign exchange cost of \$240 million envisioned for joint financing by IBRD and ADB; and
- b) a third USAID-assisted rural electrification project.

Under the second loan signed last June 30, 1973, you will note that we have indorsed to your Office four (4) projects for financial assistance. These are:

- a) the Scoping project;
- b) the Provincial Waterworks project;

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Date _____	Initials _____

- c) the Methodology for Project Evaluation project; and
- d) the Bicol River Basin Comprehensive Water Resource Study project.

The Scoping project has been successfully completed, the Methodology for Project Evaluation project is proceeding very well on schedule; and funds for the Provincial Waterworks project have already been committed. Our records show that these three projects would already utilize about 50% of the total loan value of \$2 million. Together with the Comprehensive Water Resource Study project, whose foreign exchange cost has been estimated at approximately \$600,000, these projects would leave a balance of about \$500,000.

It is anticipated that the loan amount would be fully committed by the end of FY 1975, six months before the terminal date for commitment (December 31, 1975) and that the current balance would not be sufficient to cover the foreign exchange requirements of various feasibility and detailed engineering studies that we are intending to propose for USAID assistance. These studies include detailed engineering for the Mangahan Floodway and five irrigation projects of the Laguna Lake Development Authority (LLDA) found feasible by studies conducted under USAID Grant Assistance and under the first loan, respectively. In addition, we are also intending to submit for USAID assistance feasibility studies for a number of projects that are generally supportive of rural development. We will, however, put particular emphasis on feasibility studies of projects that are directly related to food production as well as distribution both of which have been accorded topmost priority in the allocation of public investments.

Thus, on behalf of the Government of the Philippines (GOP), a Third Feasibility Studies Loan of \$2 million under the same terms and conditions of the second loan is hereby requested. The GOP is, of course, prepared to make available the counterpart funds that may be required for the utilization of the loan.

Very truly yours,


JAIME C. LAYA
Acting Director-General

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

Annex D

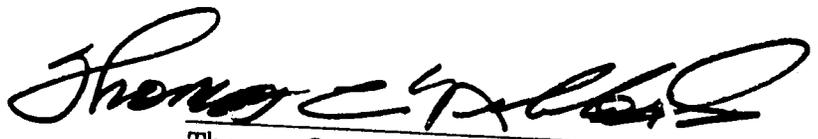
Ramon Magsaysay Center
1680 Roxas Boulevard

Telephone: 59-80-11

CERTIFICATION PURSUANT TO SECTION 611 (e)
OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Thomas C. Niblock, the principal officer of the Agency for International Development in the Philippines, having taken into account, among other things, the maintenance and utilization of projects in the Philippines previously financed or assisted by the United States, do hereby certify that, in my judgment, the Philippines has both the financial capability and the human resources capability to effectively maintain and utilize the proposed Third Feasibility Studies Loan.

This judgment is based upon the project analysis as detailed in the Philippines Third Feasibility Studies Project Paper and is subject to the conditions imposed therein.



Thomas C. Niblock, Director
USAID/Philippines

28 April 1975
Date

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Annex E

Life of Project: _____
From FY 75 to FY 78
Total U. S. Funding \$2 million
Date Prepared: 4/11/75

Project Title & Number: philippines - Third Feasibility Studies Loan

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>Further the welfare of the people in the rural areas thru more equitable distribution of incomes.</p>	<p>Measures of Goal Achievement: (A-2)</p> <p>Increased incomes and job opportunities in the rural areas.</p>	<p>(A-3)</p> <p>1. GOP census and other income and employment data. 2. Independent socio-economic surveys and private studies.</p>	<p>Assumptions for achieving goal targets: (A-4)</p> <p>Continued adherence by GOP to policy of furthering the welfare of the people in the rural areas thru more equitable distribution of incomes.</p>
<p>Project Purpose: (B-1)</p> <p>To assist the GOP in the effective management of its limited economic resources.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status: (B-2)</p> <p>1. Completion of studies and analyses. 2. The existence of GOP plans & budgetary provisions for development projects conceived in the foregoing studies. 3. AID/other donor financing commitment for projects</p>	<p>(B-3)</p> <p>1. Studies printed and disseminated. 2. GOP planning documents. 3. AID/other donor loan documents.</p>	<p>Assumptions for achieving purpose: (B-4)</p> <p>GOP continued willingness to accept foreign expertise in development of project proposals.</p>
<p>Project Outputs: (C-1)</p> <p>Completed prefeasibility and feasibility studies, sectoral studies, market studies, consulting services, including engineering services related to development projects, primarily in the rural areas.</p>	<p>Magnitude of Outputs: (C-2)</p> <p>Indeterminate (5-10) number of completed studies of which at least half will be in the food and agriculture sector.</p>	<p>(C-3)</p> <p>Comparison of scopes of work to completed studies.</p>	<p>Assumptions for achieving outputs: (C-4)</p> <p>That projects identified for study are in fact relevant to furthering the welfare of the people in the rural areas.</p>
<p>Project Inputs: (D-1)</p> <p>1. Foreign expertise needed to perform professional studies, analyses and other similar professional services. 2. U.S. dollar and GOP peso support for the above.</p>	<p>Implementation Target (Type and Quantity): (D-2)</p> <p>1. Indeterminate number of foreign consultants provided. 2. Up to \$2 M dollars and ₱ 14 M pesos funding provided.</p>	<p>(D-3)</p> <p>USAID and GOP contract records.</p>	<p>Assumptions for providing inputs: (D-4)</p> <p>1. That required foreign expertise can be identified and recruited. 2. That requisite Filipino counterpart staff and peso support will be available on a timely basis.</p>

DRAFT
CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from Development Loan Funds
Philippines: Third Feasibility Studies Loan

Pursuant to the authority vested in the Assistant Administrator, Bureau for Asia, Agency for International Development (hereinafter called "A. I. D. ") by the Foreign Assistance Act of 1961, as amended, and the Delegations of Authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title I, the Development Loan Fund, to the Government of the Republic of the Philippines (hereinafter called "Borrower") of not to exceed Two Million Dollars (\$2,000,000), to assist in financing the foreign exchange costs of services, equipment, and materials necessary for the performance of economic and technical prefeasibility and feasibility studies, sectoral studies, market studies and other capital project-related activities in the Philippines. This loan is to be subject to the following conditions:

1. Interest Rate and Terms of Repayment

This loan shall be repaid by the Government of the Republic of the Philippines within forty (40) years after the date of the first disbursement thereunder, including a grace period of not to exceed ten (10) years. The interest on the unrepaid principal balance of the loan shall be from the date of the first disbursement at the rate of two percent (2%) per annum during the grace period and at the rate of three percent (3%) thereafter.

2. Currency of Repayment

Provision shall be made for repayment of the loan and payment of interest in United States dollars.

3. Other Terms and Conditions

- (a) Services and commodities financed under the loan shall have their source and origin in countries under A. I. D. Geographic Code 941 (Selected Free World).
- (b) Unless A. I. D. shall otherwise agree in writing, prior to the initial disbursement of loan funds, Borrower will submit to A. I. D. for its approval, a statement of the procedures which Borrower will follow in implementing the financing of studies and other eligible services to be financed hereunder.

- (c) The loan shall be subject to such other terms and conditions as A. I. D. may deem advisable.

Date