

AN APPRAISAL OF THE AID PROGRAM

IN THE PHILIPPINES

OPERATIONS APPRAISAL STAFF

BUREAU OF PROGRAM AND POLICY COORDINATION

December 1978

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I. PURPOSE AND SCOPE

This appraisal was undertaken in response to an Asia Bureau request that the Operations Appraisal Staff (OAS) "take a hard look" at AID's mission and program in the Philippines.

Reconnaissance in AID/W indicated the need to cover in our work the matter of relations within the USAID itself, and between the USAID and AID/W. In addition, we had to take into account negotiations currently underway between the USG and GOP which may result in a military base agreement involving an economic package which might be administered by AID.

Examination of files and consultations in Washington occupied almost one month of time. This was followed by a month in Manila for further examination of files and discussions with the USAID, Embassy and GOP officials. Brief field trips in the Manila area and to the Bicol and Iloilo regions provided an opportunity to gauge Filipino planning and implementation capacity and to hear Filipino views regarding the USAID and its program. Upon return to Washington we talked further to people concerned with the Philippines program and again examined files prior to writing this appraisal.

II. SUMMARY

A. Findings

1. Self-Sustaining Growth -- Despite a dual economy and large disparities in income distribution, the Philippines economy is at the threshold of self-sustaining growth.

2. Human Resources and Social Values -- The Philippines has an unusually large human resource base of professional, skilled and semi-skilled workers. Although many of these trained people go abroad to work, lack of trained manpower nevertheless is not a constraint to economic growth.

3. The 1978-82 Development Plan -- The GOP's Development Plan for 1978-82 is comprehensive and devotes considerable rhetoric to alleviating the problem of mass poverty; yet, in a structural sense, the Plan displays no radical departure from the status quo.

4. An Amber Light Situation -- We sense an "amber light" mentality in Washington regarding the Philippines stemming from martial law and the human rights situation. Because of these negative factors, AID/W seems to exercise a special caution in reviewing programs and projects. This tends to generate within the USAID an apprehension and uneasy working relations with AID/W.

5. An Ambiguous Goal-Strategy Statement -- We conclude from review of program submissions that the USAID's statement of program goal and strategy is derived from the projects in the portfolio, rather than the projects being formulated on the basis of a clear prior goal and strategy.

6. Justification for Concessional Assistance -- Continued U.S. concessional aid to the Philippines can best be justified if linked to overall GOP performance with respect to the poor majority, and if provided in a manner which takes into account the current stage of development in the Philippines including the human resource base and the sophistication of Philippine economic managers.

7. Implications of a Base Compensation Package -- If ongoing U.S. military base negotiations result in a base compensation package administered by AID, a further modification of both AID program levels and goal-strategy will be indicated.

8. Project Portfolio is Large and Diverse -- AID's current program in the Philippines is "scattered" in the sense that, relative to the money amounts involved, there are numerous projects/activities of relatively small average size in many functional and

geographic areas (although it is also true that almost all of them have one central focus, namely, assisting the poor). A large number of the projects are relatively innovative and of a "high-risk" nature. They tend to be complicated in design and require large numbers of people to implement. AID often persuades other donors to provide large scale financing for followup projects when these innovations are "proven," while AID itself moves on to other innovative activities.

9. Comments on Selected Projects -- We note that several AID projects in the Philippines are unusually complex and will require careful and continued attention by top management to increase the chances for successful implementation. The Bicol River Basin Development Program seems to be moving ahead satisfactorily at this time, and is further advanced than any of the other integrated area development activities in the country.

10. Budget Implications of "Pilot" Projects -- Neither the USAID nor the GOP have sufficiently studied the long-run capital and operating budgetary implications for the GOP of country-wide replication of the various pilot and "outreach" activities that AID

and other donors are now supporting and plan to support in the near future. The GOP may find it very difficult to finance these programs on a nationwide basis.

11. Adequate Evaluation -- Review of AID's evaluation files for projects in the Philippines indicates that appropriate attention is given to evaluation.

12. PL 480 Program -- PL 480 has been used as a convenient mechanism for the U.S. to provide large amounts of concessional funds to the Philippines. The primary purpose of the Title I program has been to generate local currency to support AID-assisted BHN-oriented development activities, not to provide essential foods. Title II seems to be used more for welfare purposes rather than for support of self-sustaining development activities. We believe that the GOP would prefer, if possible, to get the financial level of assistance represented by PL 480 in the form of DA rather than PL 480.

13. Large Number of USAID Employees -- USAID/Philippines has a large number of personnel relative to the dollar size of AID's program. This is chiefly because the type program AID is conducting

(a preponderance of relatively small projects of an innovative, "high-risk" nature in various sectors of activity) is relatively manpower-intensive.

14. USAID Organization and Coordination -- In general, the USAID project managers and supervisors, including the Mission Director, are "on top of" their projects. The USAID's organizational breakdown is reasonable, but some steps should be taken to improve the coordination and effectiveness of operations.

15. USAID Relations with Embassy, GOP and Others -- There is scope for improved relations between the USAID and the Embassy, without the latter encroaching on AID program prerogatives. The USAID relations with the Peace Corps and other USG agencies and with the Asian Development Bank appear to be very good. The USAID staff at all levels appears to have good relations with and access to GOP officials; however, we find no evidence that the USAID has a "comparative advantage" over other donors with respect to access to or leverage with these officials.

16. Central Bureau and Visitor Burdens on the USAID -- The many AID centrally funded and regional projects and activities

in the Philippines, plus numerous visitors, impose burdens on the USAID management often not fully appreciated by Washington. AID/W should make certain that it gets and considers on a timely basis the USAID views on proposed centrally funded and regional projects.

17. Asia Bureau-USAID Communications -- The Asia Bureau recently revised its procedures to improve the efficiency and speed of processing of project documentation and the making of decisions in Washington, but the USAID personnel do not seem fully aware of these improvements. Asia Bureau might further tighten up cables to the USAID containing comments and questions on documentation to make certain they contain only wheat, and little if any chaff. Asia Bureau line personnel responsible for the Philippines should visit the USAID and the country more often and for longer periods.

18. Validity of PIDs and PPs -- AID/W tends to exaggerate the extent to which PIDs and PPs can accurately describe how projects will be implemented. These documents cannot be immutable, since in the real world most projects must and should be adjusted in the course of implementation. The Philippines offers some good examples of this need for modifications.

19. Data on Local Currency Purchases -- AID does not compile and maintain data on a systematic and current basis regarding the amount of AID dollars being used or that probably will be used to purchase local currency to carry out project purposes. Such data should be kept up-to-date and be available to management and analysts.

B. Recommendations

1. AID Levels -- That the overall level of U.S. concessional funding for the Philippines above that provided pursuant to a base rights agreement be conditioned on GOP performance with respect to rural development in a growth-with-equity context, notwithstanding the inherent merit of individual project proposals.

2. Consider New Type Program -- That AID consider now the adoption of a new type program in the Philippines for the early 1980s. This program should stem from a new, clear goal-strategy statement to be adopted in the context of the current CDSS exercise. In contrast to the current program, the new program should emphasize the financing of fewer but relatively larger-scale projects in a few sectors; these projects must be BHN-oriented, of course. Small innovative projects should be very substantially reduced in number.

This change in program should be carried out in an orderly manner in full cooperation with the GOP. It should be accompanied by a substantial reduction in the number of the USAID employees. More detail is contained below, and two possible options for a new program approach are discussed. (See Finding 8)

3. Clarify "Amber Light" Status to the USAID -- We conclude that much of the tension between AID/W and the field emanates from an "amber light" situation resulting from the 1972 imposition of Martial Law in the Philippines. We believe that AID/W should make a positive effort to orient the field to the nature of the constraints in AID/W and the need for strong justification for AID programs and projects in the Philippines. At the same time, more frequent and lengthier TDYs of responsible Asia Bureau personnel to the USAID will give AID/W a better appreciation of field perspectives and constraints. Implementation of this recommendation should help to reduce tensions which spring from a lack of mutual understanding. (See Finding 4)

4. Involve AID in Base Compensation Package Negotiations -- On-going negotiations in the Philippines regarding continued U.S. access to Clark Field and Subic Bay might result in a base compensation package administered by AID. In order to insure adequate consideration

of the possible impact of base rights decisions on AID programs, we believe it important that AID participate in base negotiations. (See Finding 7)

5. Study Financial Burdens of "Pilot" Activities on GOP --

Neither AID nor the GOP have sufficiently studied the long-run budgetary implications of attempting country-wide replication of the various pilot and "outreach" activities that AID and other donors are now assisting and plan to assist in the near future. We believe that the GOP may find it very difficult to finance these programs on a continuing basis nationwide. Therefore, we recommend that AID and the GOP study this matter, perhaps jointly. In any event, the projects in which AID is now or soon will be involved should be closely examined to determine the order of magnitude of the total financial burden we may eventually be placing on the GOP, and whether such burden is likely to be manageable. (See Finding 10)

6. Improve Coordination Within the USAID -- Two specific weaknesses were noted regarding the coordination of operations within the USAID. First, there is not enough lateral coordination

between the operating offices. Second, the technical offices do not utilize adequately on a systematic and intensive basis, and in a timely manner, the unique skills of the Office of Capital Development in the preparation of project documentation and the solution of implementation problems. We recommend that the USAID Director take steps to correct these two weaknesses. (See Finding 14)

7. Asia Bureau Improvements -- The USAID personnel are not fully aware of the recent steps taken by Asia Bureau to improve the efficiency and speed of considering project documentation and the making of decisions in Washington; the Bureau should again bring these to the USAID's attention and continue efforts to speed the process. Some of the USAID officers also still complain about the number of relatively unimportant comments and queries received from Washington; thus Asia Bureau should pay continued attention to making certain that cables contain as little chaff as possible. (See Finding 17)

8. Maintain Data on Local Currency Purchases -- AID does not compile data on a systematic and current basis regarding the amount of AID dollars used to purchase local currency to carry out projects. We recommend that AID, specifically the Controller and

PPC, devise a system to compile and maintain such data on a worldwide basis so that it will be available to management and analysts as questions concerning AID local currency purchases arise. (See Finding 19)

III. DETAILED FINDINGS

A. The Philippines Economy

1. Finding: Self-Sustaining Growth -- Despite a dual economy and large disparities in income distribution, the Philippines economy is at the threshold of self-sustaining growth.

The investment ratio for the Philippines currently exceeds 25% of GNP, and over 80% of this investment is financed from domestic savings. The annual growth rate exceeds 6%, and average per capita income for the country's 45 million people is \$460. Accordingly, many economists would conclude that the Philippines economy already has reached the stage of self-sustaining growth. We believe it approximates this status.

In 1974, the Philippines, like other developing countries, was forced to accommodate to the impact of the OPEC cartel. The cost of oil imports increased by over \$500 million per annum, creating a large strain on the balance of payments. The Central Bank promptly proceeded to negotiate with foreign commercial banks, lines of credit totaling \$650 million were provided, and the country adapted to the crisis with relative success.

This performance, neither that of a novice nor medicant, suggests that management of the Philippines economy has come of age, in terms of both economic sophistication and technical know-how. As of July 1978, the Central Bank reported continuing gains in output, employment and income. GNP currently exceeds \$20 billion and commodity imports exceed \$4 billion annually. The industrial sector accounts for almost 35 percent of GNP, of which more than two-thirds is in manufacturing. However, the deficit on current account on the Philippines balance of payments may be expected to hover in the vicinity of \$1 billion annually over the next several years, indicating a continued reliance on external assistance to supplement domestic resources and accelerate growth.

In 1976 the GOP began a three-year arrangement under the Extended Fund Facility (EFF) of the IMF. In return for access to EFF resources totaling about \$260 million, the GOP undertook to pursue measures to bring about structural changes in the medium term, aimed at expanding public investment, increasing mobilization of domestic resources, and improving resource allocations "in order to strengthen the capacity of the economy for self-sustaining growth

under conditions of internal and external stability." We share the IMF view that "in recent years economic development in the Philippines has been characterized by responsible and flexible conduct over economic policy making by the authorities."

However, the workings of time and custom have produced in the Philippines a pronounced dual economy consisting of a modern sector and a traditional sector, and resulting in widespread evidence of both affluence and poverty. In the process of development, assets and incomes have become concentrated in the hands of a small indigenous, cohesive, ambitious, elite of innovators and adapters. Thus the 1977 average per capita income of \$460 does not denote a point of central tendency. On the contrary, for 80-90% of the people, an "average" per capita income of not much more than \$200 may be more correct. Statistics on income distribution are notoriously unreliable, with significant under-reporting at both ends of the income scale.

In any event, except for a modest shift in income during 1973-76 from urban to rural households, there is little evidence of any significant reduction over the past decade in the degree to which income distribution is skewed. It follows that the notion of self-sustaining

growth in the Philippines is not synonymous with broad-based development. The political implications of this situation have been recognized by the GOP in its Development Plan for 1978-82, and are discussed in Finding 3 below.

2. Finding: Human Resources and Social Values --

The Philippines has an unusually large human resource base of professional, skilled and semi-skilled workers. Although many of these trained people go abroad to work, lack of trained manpower nevertheless is not a constraint to economic growth.

According to a comprehensive IBRD study of the Philippine economy in 1976, "there is little question that the Philippines has the physical and human resources required for sustained economic improvement during the next few decades." This statement reinforced the findings of a 1974 ILO study which stated: "we have reached the conclusion that formal education does not constitute a bottleneck to our proposed development strategy for the Philippines." As an example, in the Philippines no school teacher is without at least a BA degree; and higher education enrollment is four times that of Korea and ten times that of Thailand, countries which contain roughly the same size population. The inventory of human resources was

increased during 1976 by 160,000 BA graduates, 5,200 MAs and 600 PhDs. Although there are problems with respect to the quality of some of this education, nevertheless there is little doubt that the Philippines is in the forefront of LDCs with respect to education and trained manpower. These are not constraints to the country's achieving overall self-sustaining growth.

There is at the same time a large "brain drain". People go abroad for higher wages and better professional opportunities in their disciplines. For example, during 1977 a total of 4,814 registered emigrants were classified as professional, technical, managerial, executive or management personnel.

Excluded from this number were several thousands of Filipino professionals working overseas under contracts. The number of emigrants is, however, but a fraction of the country's total trained manpower. More important in a development context is the large numbers of educated people who congregate in the urban areas, especially Manila, rather than working in rural areas.

In order to understand the difficulty of reaching AID's target group of the poor majority, a note on the Philippines value system is important. In 1976, Frank Lynch et al undertook a survey of people in the Bicol River basin in an effort to identify those cultural

values which must be taken into account in designing a people-oriented assistance program. The Lynch group found economic security and social acceptance to be strong basic social values. Over the centuries a network of peers, patrons and clients has developed to form a symbiotic union of great stability. Inherent in this union is a form of class society: "individuals would choose and be chosen, use and in turn be used." Thus, one person might be seen as more entitled than another "either to give or to receive preferential treatment." This patron/client syndrome makes for sensitivity regarding personal status, and manifests itself in a dichotomy of "big people" and "little people." Fifty years of American presence did little to change this basic system of Filipino values.

3. Finding: The 1978-82 Development Plan -- The GOP's Development Plan for 1978-82 is comprehensive and devotes considerable rhetoric to alleviating the problem of mass poverty; yet, in a structural sense, the Plan displays no radical departure from the status quo.

Following comprehensive studies of the Philippines economy by the ILO in 1974 and the IBRD in 1976, the GOP published in September 1977 its own Development Plan for the period 1978-82. In an introductory statement, President Marcos stated that the Plan embodies "a concerted attack on the problems of mass poverty." The Plan was offered as part of an effort to "restructure" society, to rectify "grave economic and social inequities", and to facilitate "social and economic opportunities to participate and share in development." It recognized that population expansion and unemployment are key problems. The President stated that delivery of basic social services, particularly to the rural area, was the sine qua non to rural development. All this was offered in the name of the New Society. Although Plan strategy provides for a significantly larger role for the public sector, it states that the private sector "must and will" remain the backbone of economic life. The share of income taxes to total tax revenue would increase only from 22% in 1978 to 26% in 1982, suggesting that there will be no strong effort to reduce income concentration.

At the Consultative Group Meeting of December 1977, the U.S. generally endorsed the Development Plan as "appropriate for AID participation," but noted the absence of priorities in the Plan and wondered what

projects might be shelved if the magnitude of resources required did not become available. This is pertinent since the Plan makes rather optimistic assumptions regarding resource availabilities, both domestic and external. In an accompanying Issues Paper, AID noted that the Plan was heavily capital-intensive. Investments in agriculture, rural development and social infrastructure account for only about 10% of total projected capital outlay. In fact the ratio of expenditures on social development programs to total Plan expenditures shows little change for the period 1978-82 over that which prevailed during 1974-77.

At the same time, the Plan does call for significant decentralization of planning and administration. For instance, in August 1978, President Marcos issued a Letter of Instruction strengthening the budget-making and operating role of the Chairmen of the eleven Regional Development Councils (RDCs) which now cover the entire country. During our visit to Iloilo we discussed this matter with the Governor of Iloilo Province, who is concomitantly RDC chairman for Region VI. He confirmed that the Government is providing him with more authority. In our view, if this effort toward more decentralization and local participation can be fully carried out and institutionalized, it could provide a

counter to the current gravitation pull of the Manila area. The USAID should carefully monitor these interesting developments to ascertain if they prove real or illusory.

This effort to decentralize builds on earlier GOP moves to strengthen local participation. In 1972 the Ministry of Local Government and Community Development was established, and in 1973 decentralized development was authorized for the Bicol region. With respect to land tenure, some 400,000 certificates of land transfer have been issued since June 1972. This illustrates that the GOP is at least moving toward a growth-with-equity approach. Change may be relatively modest to date, but its direction is in harmony with AID's mandate. Nevertheless, in the larger sense, the plight of the "poor majority" promises to remain relatively unrelieved for the foreseeable future pending solutions to the core problems of population expansion and unemployment.

B. Aid Program Goal and Strategy

4. Finding: An "Amber light" Situation -- We sense an "amber light" mentality in Washington regarding the Philippines stemming from martial law and the human rights situation. Because of these negative factors, AID/W seems to exercise a special caution in

reviewing programs and projects. This tends to generate within the USAID an apprehension and uneasy working relations with AID/W.

During our appraisal we encountered an inordinate degree of tension between AID/W and the USAID. Shades of the human rights issue seems to have triggered an "amber-light" mentality in Washington under which behavior toward the Philippines has become both increasingly cautious and increasingly demanding. From the USAID point of view, this behavior often seems inquisitorial and non-supportive.

U.S. interests in and attitudes toward the Philippines stem from historical ties with a former colony, the strategic position of the archipelago in relation to Southeast Asia, and American economic interests. U.S. relations also are affected by the GOP record on human rights which, in terms of U.S. policy encompasses concern with three separate categories of rights, including "the right to fulfill one's vital needs such as food, shelter, health care and education," represented in the New Directions thrust of AID. For U.S. policymakers the Philippines presents a difficult and perplexing situation in which GOP support to basic human needs objectives may serve to mitigate GOP violations of civil and political rights. We take as datum that imposition of martial law in the Philippines in 1972

was perceived by the new leadership as the lesser evil to anarchy and violent revolution. In retrospect, martial law to some extent has made it easier to introduce the kind of economic reform measures espoused by the U.S., measures which were not likely of realization under the great confusion prevailing in the country immediately prior to martial law.

However, because the Philippines is regarded as a human rights offender, U.S. bilateral aid to the Philippines emphasizes equity and redistribution while AID/W pursues a "positive beneficiary approach" in reviewing USAID project proposals.

Implementation of U.S. economic assistance to the Philippines is also conditioned by perceptions of a "special relationship" under which the U.S. strives to accommodate to Filipino sensitivities, which reflect a combination of nationalism, xenophobia and some feelings of inferiority. Notwithstanding these elements of a love-hate relationship, Filipinos are generally well disposed toward the U.S. However, Filipino participation and collaboration in matters of mutual interest is important, and an overly aggressive or insensitive posture on the part of the U.S. may invoke a negative response.

The magnitude of AID "presence" in the Philippines is also a product of history and circumstance. In the late 1960s, phase-out of AID's Philippines program was considered but not undertaken. Indeed, by 1973, in part because of a devastating flood on Luzon, the program exceeded \$125 million, six times the 1969 level. Yearly obligations subsequently leveled off to the present \$90 million range (See Attachment A).

Early in 1977 a new USAID Director assumed charge of this program, which had undergone frequent dramatic changes under predecessors. AID/W instructions were to allow a year to elapse before re-examining the roots of the program tree. Subsequently AID/W faulted the USAID for lack of program strategy and focus, as well as for project diffusion and scatteration. A USAID effort in the ABS of May 1978 to argue that the program had both strategy and focus was found unpersuasive by AID/W. Subsequently PPC proposed to the Administrator a reduction in U.S. bilateral aid to the Philippines for two reasons -- the GOP stance on human rights and lack of a coherent program strategy. Moreover, PPC in its later CDSS guidance message, depicted the Philippines as a country of "low" commitment to growth with equity. We feel that all these actions suggest that Washington is unhappy

with the AID program in the Philippines, without providing sufficient guidance to the USAID as to what is needed. In the meantime the program continues to exist in an "amber-light" limbo.

5. Finding: An Ambiguous Goal-Strategy Statement --

We conclude from review of program submissions that the USAID's statement of program goal and strategy is derived from the projects in the portfolio, rather than the projects being formulated on the basis of a clear prior goal and strategy.

After reviewing the successive strategy statements submitted by the USAID since 1975, we concluded that they are written after the fact. We see a sum-of-projects approach to program formulation in which the USAID's emphasis is on project strategy rather than program strategy. The USAID's recent effort to classify program composition into three major groupings of projects, as shown in Attachment B, represents but one of a variety of possible schematic arrangements, and has not satisfied those calling for clear, coherent goal and program strategy.

Since the status quo is always a possible option, there might be nothing necessarily wrong with continuing this sum-of-projects approach to programming. In fact, there could be a number of tactical advantages.

However, given the nature of AID/W guidance for preparation of the CDSS, we believe that the USAID now must withdraw from its current position of treating the focus on the "poor majority" as constituting simultaneously a goal and a strategy. The USAID seems to embrace the GOP development strategy as its own, but sees a role for the USAID of insuring that the Plan is in fact carried out. At other times, the USAID stresses innovative demonstration-type projects for subsequent replication by the GOP or other donors. In a word, the USAID program "strategy" is not explicit, but must be inferred from the nature of the USAID activities. In addition, there is confusion in use of the terms "role," "goal," and "strategy." More importantly, we observe no bounded, measurable goal against which a coherent program strategy could be formulated.

Review of recent USAID DAP and ABS submissions is revealing. Language in the June 1975 DAP argues against a scheduled phase-out of U.S. bilateral assistance to the Philippines. The energy crisis of 1973 and a softening of the Philippines export prices in mid-1974 was seen by the USAID as threatening "self-sustaining growth." The primary USAID argument for continuing aid was, however, based on the conclusion that "much still remains to be done to improve the conditions of life of the poorest elements of Philippine population .

An important and even "critical role" was seen for U.S. assistance, despite the relatively modest level of the U.S. input. Specifically, the USAID's program would continue to address "the directions and purposes expressed by the U.S. Congress."

As for the projects comprising the program, the 1975 DAP stated that these would be designed to demonstrate a particular approach and test the soundness of GOP interventions, as well as help improve the Philippines government capabilities. The USAID would operate only in areas to which the GOP "assign highest priority" and projects would be planned and implemented in a collaborative style. U.S. inputs of both personnel and capital were stated to be "critical" in terms of institutionalizing innovative programs "for the benefit of major portions of the population." The document then proceeded to describe the manner in which U.S. assistance was "designed to fit into the Philippines development strategy and programs."

The ABS dated May 1977 (for FY 1979), showed few new project initiatives. It was offered as "a further refinement" of the DAP of June 1975. It pointed out that "the capability to program and grasp the technical and conceptual aspects of the development process are

well developed in the Philippines." The role of USAID was "insuring that GOP development plans are in fact carried out" In particular, the USAID activities would buttress those elements of the Philippines society favorably disposed to assisting the poor majority and bringing about "structural changes in the distribution of income." The USAID claimed for itself a unique role among donors, and assumed responsibility for reaching "the little guys." In addition, the USAID proposed to operate at "the fulcrum points that can make a difference in the progression toward growth-with-equity." The ABS then proceeded to describe the kind of projects that comprise the program.

The Asia Bureau in its April 1978 mid-year review of the Philippines program enjoined the USAID in its next ABS to address the question of program strategy and focus. The Bureau saw an urgent need for a strategy statement which would provide "a programmatic and intellectual framework to a very diffuse and large portfolio." The next ABS dated May 1978 (for FY 1980) took note of Washington concerns and sought "to demonstrate that, in fact, a deliberate and coherent strategy has been and is being pursued in selecting the projects to be supported." The USAID's program goal was "to make it possible for the greatest number of Filipinos, commensurate with available resources, to achieve a minimally acceptable standard of

living on a sustainable basis." The USAID proposed to "participate in accomplishment of this goal by using its resources to influence the Philippines development . . . to enable the poor to meet their basic needs." More specifically, the USAID would work to induce the Philippines government to design its own development program "in a manner that will involve participation of the rural poor."

Later on the ABS adopted a more conservative posture and pointed out that "basic policy and budgetary decisions to undertake basic needs-oriented programs have long been made, that the Philippines Government has identified the key sub-sectors and made its commitment. The USAID role was labeled as basically "supportive" and to assist "in such a way . . . that basic needs projects do not have to be shelved due to lack of essential external support."

As with prior submissions, the USAID claimed for itself "a unique role rooted in history." The proposed 3 percent USAID contribution to the GOP development budget was labeled "crucial" and "more significant than the amount in absolute financial terms would indicate." The USAID pointed out once again the innovative, demonstration, high-risk nature of AID projects. The ABS also credited the USAID with helping "to offset cultural tendencies" which direct benefits towards those

not at the lowest end of the income scale.

6. Finding: Justification for Concessional Assistance
Continued U.S. concessional aid to the Philippines can best be
justified if linked to overall GOP performance with respect to the
poor majority, and if provided in a manner which takes into account
the current stage of development in the Philippines including the
human resource base and the sophistication of the Philippines economic
managers.

Since it is U.S. policy to provide bilateral assistance to developing countries demonstrating both need and commitment, the fact that self-sustaining growth may have been reached in the Philippines should not in itself preclude U.S. concessional assistance.

However, in view of the Philippines' poor record in income distribution and human rights, suggested PPC allocations based on current criteria may produce an aid level for the Philippines so low as to be interpreted by the GOP as a signal of U.S. disinterest. Still a shift in focus from a project-oriented program to one concerned with overall GOP performance would seem to be in order.

Given the stage of development in the Philippines, we perceive no problem of absorptive capacity at any foreseeable level of U.S. bilateral or other donor aid. If one could assume that sufficient

funds will be available from the Philippines and other donor (including U.S.) assistance to fully implement the GOP Development Plan, AID assistance would essentially be a matter of attribution to activities sanctioned by the FAA. Assuming, however, inadequate funds will be available from all sources to carry out the entire plan, then the question of development priorities comes into play. It appears that the GOP may in practice tend to give highest priority to large, capital-intensive infrastructure projects. In such a situation AID would wish to insure that AID resources are combined with GOP resources in order to achieve Plan targets for the rural poor majority.

The extent to which the U.S. is prepared to link development assistance program levels with GOP Plan performance should be one of the subjects considered during the CDSS review. Clearly if the primary objective is to use AID resources as a quid pro quo for GOP policy measures favorable to the AID target group, then the matter of program composition, while important, would be subordinate.

7. Finding: Implications of a Base Compensation Package -- If ongoing U.S. military base negotiations result in a base compensation package administered by AID, a further modification of

both AID program levels and goal-strategy will be indicated.

The nature of the AID presence in the Philippines is a function of the purpose and kind of program being carried out. Ongoing U.S.-GOP negotiations regarding rights and privileges enjoyed by the U.S. with respect to military bases at Clark Field and Subic Bay may well result in an additional economic assistance package. The International Security Assistance Act of 1978 provides for two categories of non-military funding: first an Economic Support Fund (ESF) to promote economic and political stability and, secondly, funding for Peacekeeping Operations in the security interests of the U.S. There is some legislative history to suggest a Congressional intent that base compensation payments should be funded from the Peacekeeping Operations category, which presumably would be administered by the U.S. Department of Defense. In such a case, no administrative problem would arise for AID.

However, it is also possible that AID would have to manage the package funded out of ESF. In this eventuality, AID would operate under an additional justification to that of assisting the Philippines poor majority. Presumably AID would not be able to control ESF funding

levels, which might be set at a fixed level to which AID development assistance funds would be added. In this situation, any USAID goal-strategy statement would have to be sufficiently pliant to support politico-military as well as development purposes.

The more that U.S. economic assistance to the Philippines is determined by U.S. security/political considerations, however, the less would aid levels be linked to GOP performance regarding BHN for the poor majority.

C. Other Program Considerations

8. Finding: Large and Diverse Project Portfolio -- AID's current program in the Philippines is "scattered" in the sense that, relative to the money amounts involved, there are numerous projects/activities of relatively small average size in many functional and geographic areas (although it is also true that almost all of them have one central focus, namely, assisting the poor). A large number of the projects are relatively innovative and of a "high-risk" nature. They tend to be complicated in design and require large numbers of people to implement. AID often persuades other donors to provide large scale financing for follow-up

projects when these innovations are "proven," while AID itself moves on to other innovative activities.

Many believe that AID's program in the Philippines is "scattered," in the sense that it is divided into various widely separated activities. We were asked to assess this concern and concluded that the program is, indeed, dispersed. We hasten to add that dispersal does not necessarily mean that the current program as a whole or individual projects are either bad or ineffectual.

Let us first look at the portion of AID's Philippines program for which the USAID is directly responsible; that is, excluding centrally funded and regional projects located in the Philippines. Consider the number of projects. The FY 1980 ABS lists 43 specific loan and/or grant projects which are either being implemented or for which PPs are being developed. This is a large number. (It compares with the following numbers in the most recent ABS for other large AID recipients: Indonesia, 70; Pakistan, 30; Bangladesh, 29; Nepal, 23; Liberia, 26.) It is true that some of these projects represent follow-on activities in the same or closely-linked fields. For

example, the project Agricultural Research I (Number 0280) is terminating while Agricultural Research II (0286) is getting underway, and both are listed in the ABS. Exclusion of such follow-on cases would reduce the number to approximately 37, still a large number.

These individual projects encompass a large group of functional activities and are spread over various parts of this large, complex country. They are mostly within the Agency's three priority mandate areas. Agriculture has the greatest number. Within the agricultural sector the USAID is responsible for 14 projects in no less than eight specific activity areas.

In addition, the education specialist is taking the lead in developing an Agricultural Education Outreach project (0331), and some attention is being paid to undertaking yet new activities, e.g. agricultural education outreach. There are also centrally-funded agricultural projects in the country for which the USAID is not directly responsible.

The USAID's Office of Human Resources Development (OHRD) is broken down into four components -- population, health, nutrition, and education. Population and family planning has of course been a high priority and controversial subject in which AID has been involved for some time. But there are new projects in the other three sectors. In health, a PP has been approved for a health project on Panay Island (0312) and a PP is presently being reviewed for an integrated health, nutrition and population scheme in the Bicol region (0319). PPs are also being drafted to support a nationwide nutrition outreach scheme (0320) and for two education projects (Agricultural Education and Bayanihan Barangay Schools). Addition of these three new sectors to the USAID's project portfolio further diversifies the program. Once again, there are some centrally funded activities in these areas.

The Office of Regional Development (ORD) carries out projects associated with multipurpose development of the Bicol area of southern Luzon; these projects thus are geographically limited. There are six such undertakings (0260, 0281, 0289, 0275, 0303, and 0210) in such diverse activities as institution building, roads, irrigation systems, and health and nutrition.

In addition, some of AID's nationwide projects, such as family planning, also are active in the Bicol even though not the direct responsibility of ORD. The Office of Provincial Development (OPD) is responsible for seven projects, some of them such as Rural Service Centers (0304), the Fund for Local Government Development (0318), and Real Property Tax Administration (0298) of unusual complexity. Finally, the Capital Development Office is responsible for infrastructure and certain other activities (e.g., non-conventional energy) not falling under the other four functional divisions, while the USAID's economist implements an Economic and Social Impact Analysis/Women in Development project.

The average size of AID's financial commitment to these 43 projects is \$7.3 million, a relatively modest figure when compared to IBRD's average project commitment to the Philippines of \$27 million (in 55 projects) and ADB's average of \$18 million (in 35 projects). Actually over half of AID's projects (22 of 43) are for \$5 million or less, and the size of the more recent commitments is smaller than the \$7.3 million average.

In addition to all the above, the USAID also is responsible for PL 480 programs (see Finding 12) and has just been delegated

responsibility for Operational Program Grants to PVOs.

In sum, the USAID is responsible for 43 loans and/or grant projects in many functional and geographic areas, plus PL 480 and OPGs.

The average size of financial commitment to each project is relatively modest and recently has been getting smaller (especially in real terms when inflation of prices is considered). The most recent ABS states that "because of . . . limited resources, a number of areas have not been covered, even though some are related to priority needs." This thought could well have been reversed to say that an effort is being made to cover a large number of areas with limited resources.

In addition, there are many AID/W centrally-funded and regional projects and activities located in the Philippines; The former comprise 57 projects, 18 of them in population alone, while there are 10 regional activities. This further diversifies AID's program even though the USAID itself is not directly responsible for these projects. Finding 16 discusses this matter.

Next, consider the nature of the project portfolio. A large number of the projects are of an innovative and frequently experimental nature directly related to New Directions objectives. Financing of large projects directly resulting from successful "pilot" schemes has been discouraged.

Instead, efforts have been made to interest other donors in providing large scale financing for such follow-up work, while AID turns its attention to new innovative schemes.

This approach has had some success. The Philippines was one of the first LDCs in which AID put into practice a New Directions-type program, and the USAID was able to build on this approach when the BHN theme came to the fore. Because of this, for some years the Philippines program was viewed by many as a "model" for other USAIDs to emulate from the New Directions and, more recently, BHN points of view.

Perhaps the most successful single example of this approach has been in rural electrification, in which AID was instrumental in persuading and helping the Filipinos to establish a sound organization (the National Electrification Administration - NEA), and then

made a series of development loans to the GOP for the purchase of commodities necessary to establish rural electrification systems in many parts of the country. The favorable effect on the rural poor was substantial. Eventually the IBRD, at first dubious, was persuaded that this program made sense and should be supported; and the World Bank provided a \$60 million credit for rural electrification earlier this year. AID assistance to this program will cease when funds from project 0321, Rural Electrification V, are disbursed. Rural roads and population are other examples of activities in which the USAID played a key initial role and to which other donors now have been persuaded to commit funds.

This type of approach continues. AID now is attempting to persuade the ADB to undertake large financial commitments for integrated irrigation projects in the Bicol that have been identified and studied by the USAID and the Bicol River Basin Coordinating Committee. Also, it seems likely the USAID would seek other donor support for health and nutrition projects if pilot activities we propose to undertake in these sectors prove successful.

Innovative, "high-risk," experimental and pilot projects in support of New Directions objectives almost invariably are complex and technician-intensive. It is not surprising, therefore, that the PPs now being written for the health and nutrition schemes are lengthy and complicated. Also, this type of program orientation is the major reason why the USAID requires hundreds of employees to administer what is, given the size of the Philippines economy, a relatively modest program in money amounts (see Finding 13 for discussion of this point).

9. Finding: Comments on Selected Projects -- We note that several AID projects in the Philippines are unusually complex and will require careful and continued attention by top management to increase the chances for successful implementation. The Bicol River Basin Development Program seems to be moving ahead satisfactorily at this time, and is further advanced than any of the other integrated area development activities in the country.

AID's program in the Philippines has several projects that are unusually complex and difficult to implement successfully. Among them are Population Planning (project number 0277), National Nutrition Outreach (0320), Rural Service Centers (0304), the Fund for Local

Government Development (0318), Real Property Tax Administration - RPTA (0298), Land Tenure Reform (0330), and the Integrated Agricultural Production and Marketing project assisted by Kansas State University (0302). In the latter example, the project is made up of four sub-projects implemented by four different entities.

Operating level staff seem generally aware of the complex problems inherent in these projects. Such problems are not only of an economic and technical nature; they can also be politically sensitive, as illustrated by recent events in land reform. It seems unlikely that many of these projects will be implemented without unusual difficulties necessitating some changes in scope and timetables.

Population is probably the highest priority project that AID has in the Philippines. It has of course been beset with problems for some time. However, recent adjustments to the project plus the solid, frank assessment of the program just concluded should help provide the base for more realistic implementation in the future. For this reason, we have not attempted to review population programs in depth. However, we suggest that AID concern itself more with the

totality of population activities in the country, regardless of donor or organizational entity; this will assist in the implementation of our own activities by keeping them in perspective.

The Bicol River Basin Development Program consists of a series of integrated activities for long-term development of the Bicol region of central Luzon. AID for some years has been assisting the GOP to establish the institutional capacity to pursue these activities, including the accumulation of pertinent information and data, training of personnel, long-range planning, and identification, study, and undertaking of specific projects. Several AID-supported Bicol projects are now in various stages of implementation.

Our impression of the Bicol program is that it is moving ahead quite satisfactorily at this time. The GOP has assigned good people to it and delegated a fair amount of authority to them. The various GOP Ministries involved seem to be working together. AID personnel assigned to assist the Filipinos, including the two Americans resident in Naga and their Filipino staff, are diligent and competent. Of course, there are problems, and always will be in a series of undertakings of this complexity. For example, we found uncertainty in some quarters as to whether or not the planning

for specific projects in the Bicol are being properly time-phased in relation to each other. But the problems appear solvable if good personnel remain assigned to the program and are given proper direction plus a reasonable degree of authority to make decisions in the field. We would not reduce the size of the AID staff resident in Naga any further at this time.

Integrated area development programs similar to the Bicol are ongoing on Mindoro Island with assistance from the World Bank, in the Cagayan Valley with Japanese help, and on Samar Island with Australian help. Although we did not visit these undertakings, it seems clear from our conversations with knowledgeable people that the Bicol is at the moment the most advanced and impressive of them.

The GOP with AID support is seeking to attract other donors to finance some of the large projects in the Bicol already identified. It seems that the Asian Development Bank (ADB) may go ahead with a large commitment in the Rinconada area. AID itself has been planning to terminate its support of projects in the Bicol (excluding health and other nationwide activities that also are in the Bicol) in the early 1980s, expecting that the Filipinos will be

able to carry on themselves with the assistance of ADB and other donors. However, given AID's long and successful involvement in the area, and in light of our suggestion in other parts of this appraisal that AID consider financing more large, replicative projects, we feel this decision should be reconsidered. But at the same time we also support the efforts to attract the ADB and other donors into the area so that it is not only the U.S. that is helping the Filipinos in this regional development activity.

10. Finding: Budget Implications of "Pilot" Projects --

Neither the USAID nor the GOP have sufficiently studied the long-run capital and operating budgetary implications to the GOP of country-wide replication of the various pilot and "outreach" activities that AID and other donors are now supporting and plan to support in the near future. The GOP may find it very difficult to finance these programs on a nationwide basis.

We have indicated that AID is now financing many experimental, pilot schemes in the Philippines. Current plans are to undertake more such activities in the future. The assumption behind such financing is that if the pilot activities are successful the GOP will expand

them on a timely basis to reach whole regions or the total nation (so-called "outreach" programs). In some cases AID proposes to assist in the follow-up work with modest amounts of funds. AID also seeks to persuade other donors to provide significant levels of such follow-up financing. Other donors already are involved in population activities. Nevertheless, it is clear that major portions of the financing necessary to extend such schemes would have to come from the Filipinos themselves.

Examples of such activities in which AID is or soon will be involved include population, nutrition outreach, integrated health projects on Panay Island and in the Bicol, barangay (i.e., village) water supplies, rural service centers, integrated food production and marketing, and artisan fishermen/farmers. Although these projects differ from one another in numerous particulars, they have the common element of eventually requiring large amounts of funding (especially for personnel) to spread them beyond their narrow pilot base. Even now the population and family planning outreach program apparently is experiencing budget difficulties.

The question arises, assuming the pilots are successful, as to whether or not the Philippines could afford to or would want to undertake expansion of most or all of these activities at approximately

the same time. Even given significant donor assistance for some of them, the capital and continued operating costs to the GOP (both central and local governments) would become progressively larger. There are many cases in various LDCs where the local government could not, or did not because of low priority, finance continuation of activities which donors, including AID, had initiated. It is our impression that neither the GOP nor the USAID have adequately assessed this question with respect to ongoing or soon-to-be initiated experimental and pilot schemes in the Philippines. In particular, although it has been considered in the context of some of the individual projects, it does not seem to have been looked at in a cumulative and long-term manner.

11. Finding: Adequate Evaluation -- Review of AID's evaluation files for projects in the Philippines indicates that appropriate attention is given to evaluation.

The USAID described its evaluation activities and schedule in some detail in its FY 1980 ABS. We have examined these activities and a sampling of specific evaluations undertaken and conclude that the USAID gives adequate attention to evaluation. Most undertaken in conjunction with the Filipinos themselves, and often include AID/W participation as well. The approach seems objective

and the findings and recommendations are frank and reasonable. The USAID management says that it uses these evaluations to assist in program direction and implementation.

In the latest ABS the USAID noted a lack of AID/W reactions to evaluation reports sent to Washington. Although lack of such reactions may suggest AID/W satisfaction with the USAID's evaluation activities, nevertheless some comments from Washington from time to time would be desirable. These might be simple acknowledgment of a job well done, if that is the Washington opinion. The recent increased priority given by the Asia Bureau to evaluation functions, including the increase of professional staff working in this area from one to three, may permit more comments by AID/W on the USAID evaluations.

12. Finding: PL 480 Program -- PL 480 has been used as a convenient mechanism for the U.S. to provide large amounts of concessional funds to the Philippines. The primary purpose of the Title I program has been to generate local currency to support AID-assisted BHN-oriented development activities, not to provide essential foods. Title II seems to be used more for welfare purposes rather than for support of self-sustaining development activities.

We believe that the GOP would prefer, if possible, to get the financial level of assistance represented by PL 480 in the form of DA rather than PL 480.

Of the \$91.8 million in assistance committed in FY 1978, \$32.8 million (35%) was PL 480. The current Title I program is approximately \$13.0 million. Wheat, corn, cotton, and tobacco are included. However, it is clear to both U.S. and Filipino officials that imports of these foods and commodities under PL 480 is not essential to the country's economy. The GOP would be able to find other means of acquiring them if they were deemed essential. Instead, Title I is a convenient way for the U.S. to provide additional concessional aid to the GOP, as well as to generate local currency for use in AID-assisted BHN-oriented development projects and activities that otherwise would be short of funding.

Title II, running at an annual level of approximately \$20.0 million, is conducted by Catholic Relief Services (CRS) and the Cooperative for American Relief Everywhere (CARE). Title II seems to be particularly important in nutrition and feeding activities in many parts of the

Philippines. We have the impression that conduct of the program leans more toward short-term welfare than support of activities leading to self-sustaining development, although we recognize the difficulty of clearly distinguishing between these two in many cases.

The GOP at the moment is not a strong supporter of Title II programs, at least at their current levels. This is indicated by the Government's recent failures to allocate sufficient funds for inland transportation and storage costs. The GOP also has negotiated with the World Food Program to undertake activities in the southern Philippines, reducing at the same time the importance of CRS and CARE in those areas. It seems to us that AID should consider whether a substantial reduction of Title II in the Philippines may be necessary or desirable within the next few years. However, if for other reasons U.S. assistance has to be maintained at high levels, reduction in Title I and/or II programs implies that other forms of assistance will have to be increased. We believe that the GOP, if given the choice, would prefer to receive most, if not all, of the funds represented by PL 480 in the form of DA rather than PL 480.

D. Organization and Management

13. Finding: Large Number of USAID Employees -- The USAID/Philippines has a large number of personnel relative to the

dollar size of AID's program. This is chiefly because the type program AID is conducting (a preponderance of relatively small projects of an innovative, "high risk" nature in various sectors of activity) is relatively manpower-intensive.

The USAID/Philippines is a very large mission, second worldwide only to the USAID/Indonesia according to AID staffing patterns. As of September 30, 1978, the USAID/Philippines (excluding the regional AG/IIS office in Manila) had a grand total of 321 people on-board (American and local direct and non-direct hire combined), exceeded only by Indonesia with 523. The USAID/Egypt was a distant third with 212. The Philippines actually was first in direct-hire (American and local employees) with 196 on-board compared to 174 for both Indonesia and Egypt and 168 for Pakistan. In American direct hire employees alone, Egypt led with 87, followed by Indonesia (62) and the Philippines (51).

But there are additional people working for the USAID/Philippines not included in the 321 figure. This is partly because the USAID practice is to contract out for certain support services which are

often handled by direct-hire staff in other missions. For example, there is a USAID contract with a Filipino company for handling the USAID warehouse and related supply activities under which 13 full-time Filipino employees are supplied by the company and in day-to-day work report to the USAID management. Another service contract provides 32 full-time Filipino personnel to handle maintenance of the USAID housing. A third contract is for rental of copying machines which includes 3 full-time machine operators working in the USAID's offices. There are also another 91 project-related Filipinos working under AID-financed contracts directly awarded by the USAID, and of course many Filipinos working under AID-financed host-country contracts. Under AID-funded DPG-OPG grants and regional grants there are also both American and Filipino employees.

These are large numbers relative to the level of U.S. financial commitments. Nevertheless, our observation is that they are reasonably fully employed. They are needed for two reasons. First, because the financial pipeline in the Philippines is relatively large, \$113 million as of September 30, 1978 (Indonesia and Pakistan had larger pipelines with \$186 million and \$123 million respectively). But second and most important, AID's program in the Philippines is relatively manpower intensive. The USAID recognizes on pages 149-150 of its FY 1980 ABS that the nature of AID's projects requires many

people for design and effective implementation. We conclude that a shift in the program to more large non-manpower-intensive, replicative projects in fewer sectors would permit significant reduction in the number of people working for the USAID.

Filipino employees of the USAID as well as many other USAID expenses are funded under a Trust Fund agreement between the U.S. and the GOP dating back to 1951. By this agreement, the GOP deposits into a Special Account the peso equivalent of U.S. dollar grant funds disbursed for development purposes; this Special Account then is drawn upon to cover eligible expenses. It is quite likely that at some stage the Trust Fund arrangement will have to be renegotiated. A senior Filipino government official told us that he is aware of the outmoded nature of the agreement, implying that the GOP eventually will request revision. It seems best to us that AID not raise the matter, but be prepared to renegotiate when the GOP raises it.

14. Finding: The USAID Organization and Coordination --
In general, the USAID project managers and supervisors, including
the Mission Director, are "on top of" their projects. The USAID's
organizational breakdown is reasonable, but some steps should be
taken to improve the coordination and effectiveness of operations.

It is our impression that the USAID management, including the Mission Director and project officers, know their projects well and work diligently in design and implementation of them. High priority is paid to visiting the projects and GOP officials and technicians in the field. The Mission is not Manila-bound.

Organizationally the USAID is broken down into an Office of the Director, directly supported by a Program Economist and a Legal Advisor (who serves regionally), three staff offices (Program, Executive, and Controller), and five operating offices (see Attachment C). This breakdown appears reasonable to us (although we note that in many Missions the Program Economist would be located within the Program Office).

The five operating offices cover the following functions: Agriculture; Human Resources (a widespread unit responsible for health, population, nutrition, food for peace, education, women in development, labor, disaster relief, and PVOs); Provincial Development; Regional Development (e.g., the Bicol); and Capital Development. Each of these operating offices is responsible for a specific portion of the Mission's projects and other activities.

Given the scope and complexity of the AID program, there is of course potential for considerable overlap. For example, the Regional Development Office is responsible for projects in the Bicol except those in activities such as population, nutrition, etc., which operate in the Bicol as part of their country-wide operations. Similarly the Provincial Development office, not the Office of Capital Development, is responsible for certain infrastructure activities such as rural roads and barangay water supply systems. We would not fault the current breakdown. There is no perfect division among all these functions, and the present system, developed by the USAID management over the years, is probably as good as any.

We do, however, note two weaknesses in the present functioning of the system. Because of the close relationship of many of the projects, it is particularly important in this Mission that lateral coordination between the operating offices be strong and continuous - i.e., that management make certain that they all work extremely closely with each other. This often does not occur now.

Second, in many Missions the Office of Capital Development would be primarily responsible for both the design and implementation of many more projects than is the case in the Philippines, with the

four more technical offices assisting Capital Development but not having the prime responsibility. Although current practice need not necessarily be changed in the Philippines, we feel it is important that the other four utilize the unique skills of the Capital Development Office on a more systematic and intensive basis, and in a timely manner to assist in the preparation of project documentation and the solution of implementation problems which often appear most difficult to a technician but is routine to a capital development officer.

We are of the opinion that many questions and comments received from Washington on documents prepared by the four technical offices would be eliminated or reduced in number if capital development expertise was utilized more, especially since the responsible entity in AID/W for most of these documents consists primarily of capital development staff (Asia Bureau's Office of Project Development).

15. Finding: The USAID Relations with Embassy and Others --
There is scope for improved relations between the USAID and the
Embassy, without the latter encroaching on AID program prerogatives.

The USAID relations with the Peace Corps and other USG agencies and with the Asian Development Bank appear to be very good. The USAID staff at all levels appears to have good relations with and access to GOP officials; however, we find no evidence that the USAID has a "comparative advantage" over other donors with respect to access to or leverage with these officials.

We assessed the USAID's relations with USG agencies and other entities active in the Philippines. We believe that relations with the Embassy, especially with the DCM and the economic section, need improvement; the USAID Director and his senior staff should work actively to accomplish this. One useful step would be for the senior USAID staff to visit Embassy officials more often to exchange information and views on the Philippines development and other economic problems. The USAID should be able to do this without Embassy encroachment on the USAID's proper role and responsibilities.

Relations with other agencies of the USG in the Philippines appear fine. Peace Corps staff in particular noted excellent personal and working relations with the USAID (the Peace Corps program in the Philippines is the largest in the world). Cooperation on specific

development projects between AID and the Peace Corps in the Philippines has been relatively modest in the past, but steps are now being taken to undertake more joint activities. The USAID relations with American and other staff at the Asian Development Bank (which has its headquarters in Manila) also seem excellent.

We were impressed with the good relations and ready access that the USAID officials at all levels seem to have with their Filipino counterparts. This seems equally true both in Manila and the field. However, we found no evidence to support the argument made by some AID people both in Manila and Washington that the USAID has significantly better access to, and perhaps influence over, GOP officials as compared to other donors to the Philippines. World Bank and ADB officials told us that they do not consider that the USAID has any "comparative advantage" in this area, although of course the USAID officers have occasion to visit more often with Filipino officials because of the size of our staff in Manila.

16. Finding: Central Bureau and Visitor Burdens on the USAID -- The many AID centrally funded and regional projects and activities in the Philippines, plus numerous visitors, impose burdens

on the USAID management often not fully appreciated by Washington. AID/W should make certain that it gets and considers on a timely basis the USAID views on proposed centrally funded and regional projects.

The Philippines is a favorite country for AID to undertake centrally-funded and regional projects. This is primarily because of the receptivity of the Filipinos, their English-speaking ability, their professional standing, and their U.S. training and contacts in many disciplines. There are currently 57 AID centrally-funded projects ongoing in the Philippines, of which 18 are in population and family planning; total AID funding for these projects to date exceeds \$50 million. Some are of major international significance, e.g., the International Rice Research Institute (IRRI).

There are about ten AID-supported regional activities operating in the Philippines, including the Asian Free Labor Union Development (AAFLI), and Regional Education Development (SEAMO). AID to date has obligated approximately \$60 million for these activities throughout the Asia Region.

Visitors to the USAID, many of them associated with these central and regional projects, totalled about 700 during FY 1978, i.e., over 13 per week.

All this imposes a heavy workload on the USAID, which it performs in a commendable manner. Any view that there is little additional burden on the Mission because these projects are the responsibility of central bureaus is not correct. The USAID must handle numerous queries from the GOP and elsewhere, and see numerous people associated with or interested in these projects, even if formal responsibility for them ultimately lies elsewhere. For this reason, plus the substantive views that the USAID can make regarding proposals, we suggest that AID/W make certain that the USAID views are considered on a timely basis when new such activities are being considered in the Philippines. Given the existing heavy portfolio, our opinion is that few new starts should be considered in the foreseeable future.

17. Finding: Asia Bureau-USAID Communications -- The Asia Bureau recently revised its procedures to improve the efficiency and speed of processing of project documentation and the making of decisions in Washington, but the USAID personnel do not seem fully aware of these improvements. Asia Bureau might further tighten up cables to the USAID containing comments and questions on documentation to make certain they contain only wheat, and little if any chaff. Asia Bureau line

personnel responsible for the Philippines should visit the USAID and the country more often and for longer periods.

Until relatively recently it appears that the Asia Bureau in Washington sometimes took long periods to react officially to project documentation and other material sent from the USAID. But the Bureau has now installed procedures requiring that responses be made within tight time periods. Comments and inquiries are no longer considered from individuals or offices that do not attend meetings on the topic, or do not react within a given time period. In addition to vigorously following these new procedures, Asia Bureau should make certain that the USAID management is aware of the improvements being made.

Some of the USAID officers complain that comments and queries sent from Washington too often are unimportant, even sometimes frivolous, representing excessive second-guessing and "overkill." Among examples mentioned were review messages concerning the PUSH project, small scale irrigation, nutrition, the Fund for Local Development, and Rural Service Centers. Given the complex nature of these projects, we understand Washington's concern. Also, it appears that some of the material prepared by the USAID would have profited from closer vetting by its Capital Development Office (see Finding 14). Nevertheless,

we suggest that Asia Bureau management pay continued attention to making certain that cables to the USAID dealing with project design and development deal only with a limited number of major concerns.

We also became aware that the Asia Bureau line management in Washington directly responsible for the program has visited the USAID and the Philippines surprisingly little, and then often for very short periods of time. Bureau management should take steps to correct this. Lack of visits from these staff officers who should be intimately familiar with the USAID's problems and perspectives contrasts sharply with the waves of visitors that the Mission receives from AID/W central bureaus and elsewhere.

18. Finding: Validity of PIDs and PPs -- AID/W tends to exaggerate the extent to which PIDs and PPs can accurately describe how projects will be implemented. These documents cannot be immutable, since in the real world most projects must and should be adjusted in the course of implementation. The Philippines offers some good examples of this need for modifications.

In the course of this appraisal, we took a look at what happens in the post-ProAg stage of projects. We sought to compare the project as approved in the documentation with the project that evolved during the course of implementation. We assume that PIDs and PPs often are selling and advocacy documents in support of positions already taken by those developing the projects. In design, the USAID must give consideration to the anticipated concerns of reviewing officials in AID/W and to a maximum reasonable extent accommodate to these concerns. Uncertainties frequently are dealt with as "assumptions" both external and internal to the project. Since the name of the game is to get approval, the USAID also frequently unhappily acquiesces in AID/W additions or deletions to project proposals in order to gain their acceptance.

However, once implementation begins it often is found that project revisions are necessary. This may be accomplished by project Implementation Letter (PIL) or by ProAg amendment. Many of these adjustments take place in the field. Thus project process may consist of cycles of project design-evaluation, redesign-reevaluation, etc., until the project purpose, original or revised, is realized.

AID's program in the Philippines offers some examples of this. A December 1976 evaluation of the aquaculture project resulted in

a recommendation to redefine purpose, assumptions, and outputs. A subsequent evaluation of the same project in July 1977 found the output indicators still overstated, and even the revised assumptions had been "rendered invalid." Corrections again were made.

Adjustments often are undertaken due to increased financial cost and lags in meeting the original implementation time-frame. This applied to the Libmanan-Cabusao irrigation/integrated development project in the Bicol which, as of July 1978, was over a year behind schedule. In addition, key assumptions of that project at the purpose-output level had changed and were in need of revision. With respect to the Integrated Agriculture Production and Marketing ProAg of June 1977, the Kansas State University Team Leader already is speaking of the need for more funds and more time to achieve the project goal-purpose.

The Population Planning II project offers another good example of project revision. Under the original ProAg, a GOP Population Commission (POPCOM) Trust Fund was to be established in which AID

and GOP funds would be commingled to finance project costs. All POPCOM contracts executed under the Trust Fund were subject to prior USAID approval. Thirteen months later, as a result of implementation experience, the USAID used a PIL to revise the project to delete the Trust Fund. The USAID also decided not to participate in financing three of the seven sub-projects. Of the four retained sub-projects, AID would fund 100% of requirement on a reimbursable cost basis, subject to determination that the GOP itself had provided adequate support to the remaining three sub-projects.

These examples illustrate that attempts to predict or control implementation of projects in PID/PP documentation may be unreasonable because the USAID is not working in a static world of perfect foresight. There is, therefore, definitely a point of diminishing returns in attempting to achieve refinement of documents describing projects that later must be revised because of real world experience. At the same time preparation of adequate documents, and a management review process of some rigor, remain necessary. Good judgement based on adequate experience are necessary in this regard.

19. Finding: Data on Local Currency Purchases --

AID does not compile and maintain data on a systematic and current basis regarding the amount of AID dollars being used or that probably will be used to purchase local currency to carry out project purposes. Such data should be kept up-to-date and be available to management and analysts.

We found that there are no regularly compiled and maintained data showing the amount of AID dollars committed for projects in the Philippines that are spent to purchase pesos to finance local currency costs of projects. It appears, however, that the level of such purchases already are fairly high and perhaps will grow substantially in the next couple of years. The USAID Controller provided us figures showing that over 40% of the dollars disbursed for the USAID-controlled grant and loan projects during FY 1978 were for purchase of local currency. A USAID Program Office tabulation estimated that over 70% of the AID dollars committed for LOP costs of new projects eventually would be used to buy pesos. In many new projects -- for example, barangay water, Rural Roads II, the integrated health project on Panay Island, cooperative marketing, the real property tax undertaking, agro-forestation, and small farmer systems - it is estimated that virtually all AID funds will be

used to purchase pesos.

This high ratio of local currency purchases in the Philippines results from the type of program being conducted. Experimental, innovative, small "high risk" activities often can best be carried out using resources available locally, particularly in an economy like the Philippines which has a wide variety of indigenous resources. Perhaps more important, activities oriented toward basic human needs objectives require more local currency financing than traditional infrastructure and industrial undertakings. However, we would note that in large middle-income economies like the Philippines, this latter point probably is of less significance than in smaller poorer economies such as the Sahel, i.e., there are plenty of basic human needs activities in the Philippines which require large amounts of foreign exchange and imports.

We believe that it would be useful to AID management if the Agency kept data on local currency purchases in a systematic and current manner on a worldwide basis. We are aware of many instances in which such data was needed by management and analysts; in such cases it invariably has to be hurriedly pulled together on an ad hoc basis. A system for compiling such data should be easy to devise

and maintain. AID/W's controller should be able to do it on the disbursements side. Frequently more useful to management, however, is information on what is likely to occur in the future. For this, PPC should be able to work with the Operating Bureaus systematically to compile local cost estimates from approved PIDs and PPs. We believe this would take little staff time, and data would be available to the Agency on a current and worldwide basis, as questions concerning AID local currency purchases arise.

IV. RECOMMENDATIONS

1. Aid Levels

That the overall level of U.S. concessional funding for the Philippines above that provided pursuant to a base rights agreement be conditioned on GOP performance with respect to rural development in a growth-with-equity context, notwithstanding the inherent merit of individual project proposals.

This recommendation postulates a fundamental change of perspective in terms of overall AID program justification for the Philippines. Underlying considerations which lead to this proposal may be stated succinctly as follows:

a. The Philippines essentially has reached the stage of self-sustaining growth.

b. ~~Moreover,~~ the Philippines continues to represent a situation of maldistribution of assets and income.

c. Declaration of Martial Law in 1972 has resulted in the suspension of democratic forms of government, and the curtailment of human rights, only modestly relieved by evidence of structural reform focused on sustained improvement in the lot of the poor majority.

d. The Philippines has the human resource base sufficient to address BHN without reliance on external technical assistance.

e. The present USAID program in the Philippines is linked only marginally to overall GOP performance regarding BHN.

f. The USAID's role can no longer be justified on the grounds of having a "unique" role to play in introducing innovative, pilot projects.

The above considerations lead us to the conclusion that justification for U.S. concessional bilateral development assistance to the Philippines (i.e., above and beyond a minimum amount required by a base rights agreement) is best arrived at by linking the level of such assistance to overall GOP performance in alleviating the plight of the Philippine rural poor majority. In this fashion, the level of AID assistance would be independent of the inherent merit of individual project proposals which, apart from addressing basic human needs, would be increasingly devoted to replication activities. AID policy for allocating resources among developing countries pursuant to Sec. 102(d)* already establishes criteria for measuring GOP performance. We propose merely to stress GOP efforts to achieve rural development.

* Now Section 102(b)(4) of IDFA Act of 1978.

In summary, this option is based on the need to relate AID funding to overall performance on the GOP side. No longer is it sufficient for a composite of USAID projects, no matter how meritorious, to determine the aid level. In the process of monitoring overall GOP performance with respect to benefitting the poor majority in selected rural areas, the USAID would be expected to engage in dialogue with GOP decision-makers, indicating the kind of GOP policy measures which would most likely influence a U.S. decision favorable to maintaining substantial levels of AID funding to the Philippines. (See finding #6)

2. Consider New Type Program

That AID consider now the adoption of a new type program in the Philippines for the early 1980s. This program should stem from a new, clear goal-strategy statement to be adopted in the context of the current CDSS exercise. In contrast to the current program, the new program should emphasize the financing of fewer but relatively larger-scale projects in a few sectors; these projects must be BHN-oriented of course. Small innovative projects should be very substantially reduced in number. This change in program should be carried out in an orderly manner in full cooperation with the GOP. It should be accompanied by a substantial reduction in the number of the USAID employees. More detail is contained below.

and two possible options for a new program approach are discussed.

We indicated earlier in this paper that AID's program in the Philippines has three distinguishing characteristics. First, it lacks a clear goal and strategy (Finding 5). Second, it consists primarily of numerous relatively small projects of an innovative, "high risk" nature in several sectors (Finding 8). And finally, several of these projects are unusually complex and difficult to administer (Finding 9); require large numbers of USAID personnel (Finding 13), and have large US-financed local currency components (Finding 19).

We feel that AID should take steps now to change the nature of the program in an orderly manner. This should be done whether or not one considers the current program and projects successful.

We make this recommendation for several reasons. First, it is both desirable and necessary in the context of the new CDSS system that a clearer, more explicit statement of AID's goal and strategy in the Philippines be agreed upon by all concerned. Among other things, this would help end the constant bickering on this subject that has worsened the USAID and Washington relations in recent years. Second, we anticipate problems will arise from continued pursuit of

small, innovative projects. It would be difficult or impossible to continue indefinitely to find useful new innovations to finance. Innovations and pilot schemes make sense only if they are likely to be implemented on a wide basis in the foreseeable future, if they prove successful. It is particularly questionable to continue to undertake them if the GOP is not likely to replicate them regionally or nationwide because of budget constraints (see Finding 10). Such budget constraints already appear to exist in the population outreach program.

Third, we are concerned over personnel levels and costs. The USAID in the Philippines has many people relative to the size of the program (Finding 13). The Administration is making efforts to increase U.S. assistance levels substantially but with little increase in personnel numbers. At this time it appears that the total number of AID employees in FY 80 will not exceed 5760, and the prospects for increases in future years are not bright. The USAIDs in the least developed countries, notably in Africa, need more professionals to handle growing programs because their recipient LDCs are short of trained manpower to design and implement projects. The Philippines relatively speaking, has a large supply of skilled manpower. Thus even with continuance of the same existing levels, the Philippines USAID would be a candidate

for reduced staff in order to accommodate personnel increases elsewhere as well as to reduce AID operating costs. This would also assist in reducing the large number of USG personnel in the Philippines, a perennial State Department objective (the largest U.S. diplomatic mission in the world is in the Philippines).

Finally, there is the question of management of the program. Today management is difficult because of the large number, diverse types of projects, and the size of the USAID. A different type program could make management easier while still accomplishing development objectives of high priority. If there is a bases compensation package administered by AID (see Finding 7), the problem of management will be compounded, arguing further for a new type of program.

We should make two additional observations here. The first is that there seems to be a feeling by some AID staff associated with the Philippines in both Manila and Washington that small, innovative projects in Mandate areas are necessary to meet BHN objectives, while larger projects would not do this. This is too narrow an interpretation. Concentration on financing relatively large replicative projects also can be BHN oriented; for example, large sums of money for rural roads and water systems to help the rural poor. We are satisfied

that there exist sufficient project opportunities of this type in the Philippines for the country to absorb any foreseeable economic assistance level from the U.S. (including levels arising from a base compensation package), as well as other donors. Our second observation regards the attitude of the Filipinos toward a shift in AID's program. It is our judgment that the GOP certainly would not oppose, indeed may strongly support such a shift if it is done in an orderly and professional manner. Many Filipinos and Americans we spoke to feel strongly that AID is now spread too thinly in too many activities to have much effect. Thus we conclude that AID would have GOP cooperation in accomplishing the change.

What should a changed program consist of? There are various possibilities, two of which are outlined below. We feel strongly, however, that whatever the new program is, it must stem from a new, clear statement of goal and strategy, that it should consist of fewer projects of larger average size concentrated more in replication of successful activities and less in pilot and innovative projects, and that the shift must be orderly and not disruptive.

Regarding the last two points, it so happens that some ongoing projects in the USAID current program portfolio are coming to natural

terminal points in the next year or two. Rather than consider continuing support to many of them, AID could turn them completely over to the Filipinos. Also, AID could be more hesitant than in the past about undertaking new, small, pilot and innovative projects, and instead concentrate on developing larger, replicative projects, increasing the importance of the latter gradually as the others decline.

Accompanying reductions in American personnel could take place by transfers in the normal course, the elimination of unfilled positions, and less use of contracts for special services with U.S. firms and individuals. Reducing the USAID's existing large Filipino staff in a humane manner poses problems; but we do not feel that they are insurmountable, and in any event it should not be a determining factor in deciding whether or not to pursue a new program direction.

Let us now outline two possible new program approaches. The first is less dramatic than the second. Both are intended to be responsive to the problem of justifying U.S. concessional assistance, as discussed in Finding 6, and as reflected in Recommendation 1.

First Possible New Program Approach: AID would deliberately seek out larger projects in fewer sectors and substantially decrease the

number of small, pilot projects in the portfolio, i.e., AID's emphasis will shift to large-scale BHN oriented projects away from small, innovative schemes.

This approach should proceed naturally from the current program. AID could deliberately decide to remain in and increase assistance to certain sectors and activities, and phase out of others. We hesitate to recommend where to remain and what to leave since we have not had time to study the pros and cons of the various sectors and activities in depth. This is something for the USAID and the Asia Bureau to do. However, for example, we suggest that AID consider remaining in the Bicol region with one or two large projects, and possibly continue and expand support to barangay water systems, rural roads, agricultural research, and crop protection. We should also remain in population and family planning because of the high worldwide priority we give this item, and in PVO activities. Support to the nutrition program also might be justified. On the other hand, areas which in our view might be candidates for phase-out of AID support include the Fund for Local Development, Rural Service Centers, land reform, fisheries, small farmer systems, agro-forestation, and possibly the education and health projects now being prepared. We of course realize that some of these latter may be important and productive. But the nature of selection and focussing means dropping some things, however good.

Second Possible New Program Approach: As a matter of tactics, and within any level of AID funding, AID might give priority to GOP requests for support of BHN activities sponsored and implemented by Regional Development Councils located in Regions V through VIII, i.e., covering the Bicol, Pinay and the Visayas' (See areas circled in Attach. D). Most projects would be replication-type, carried out in a budgetary support context under a FAR arrangement, similar to the on-going PUSH project in Region VI. An exception to this goal-strategy linkage would be for nationwide population and family planning activities because of the high priority the U.S. attaches to this subject. This same would apply to PVO activities.

The intent of this approach is to press the GOP with respect to a discrete area, for actual performance in support of the "restructuring" rhetoric contained in the 1975-83 Development Plan. We assume that the GOP will face an overall resource stringency in carrying out the Plan. Given this constraint, AID could link its support to GOP funding for rural development in four Regions. In such a setting, GOP expenditures would result in an increased ratio of spending for rural development, relative to total development Plan outlay. The basic purpose of AID's contribution would be to induce a GOP decision favorable to resource allocation for those Regions.

Even though the aggregate AID contribution may account for only 3 percent of total Philippines development outlay, this could reach to as much as 30 percent of BHN-type expenditures in our four selected Regions.

Program concentration in the low-income Regions V through VIII would provide an opportunity for the USAID to help support and institutionalize a GOP experiment in decentralized decision-making for an area accounting for about 30 per cent of the Philippine population. Also, by treating an entire Region as falling within the "poor majority" envelope, the USAID would avoid the kind of program fragmentation that can result from an effort to identify solely with pockets of abject poverty. This is consistent with language of the IDFA Act of 1978 which authorizes a development assistance focus on the problems inter alia of rural development. Although not all our funds need go to regions, a preponderance should.

3. Clarify "Amber light" Status to the USAID

We conclude that much of the tension between AID/W and the field emanates from an "amber light" situation resulting from the 1972 imposition of Martial Law in the Philippines. We believe that AID/W should make a positive effort to orient the field to

the nature of the constraints in AID/W and the need for strong justification for AID programs and projects in the Philippines. At the same time, more frequent and lengthier TDYs of responsible Asia Bureau personnel to the USAID will give AID/W a better appreciation of field perspectives and constraints. Implementation of this recommendation should help to reduce tensions which spring from a lack of mutual understanding. (See Finding 4)

4. Involve AID in Base Compensation Package Negotiations

On-going negotiations in the Philippines regarding continued U.S. access to Clark Field and Subic Bay may result in a base compensation package administered by AID. In order to insure adequate consideration of the possible impact of base rights decisions on AID programs, we believe it important that AID participate in base negotiations (See Finding 7).

5. Study Financial Burdens of "Pilot" Activities on GOP

Neither AID nor the GOP have sufficiently studied the long-run budgetary implications of attempting country-wide replication of the various pilot and "outreach" activities that AID and other donors are now assisting and plan to assist in the near future. We

believe that the GOP may find it very difficult to finance these programs on a continuing basis nationwide. Therefore, we recommend that AID and the GOP study this matter, perhaps jointly. In any event, the projects in which AID is now or soon will be involved should be closely examined to determine the order of magnitude of the total financial burden we may eventually be placing on the GOP, and whether such burden is likely to be manageable. (See Finding 10)

6. Improve Coordination Within the USAID

Two specific weaknesses were noted regarding the coordination of operations within the USAID. First, there is not enough lateral coordination between the operating offices. Second, the technical offices do not utilize adequately on a systematic and intensive basis, and in a timely manner, the unique skills of the Office of Capital Development in the preparation of project documentation and the solution of implementation problems. We recommend that the USAID Director take steps to correct these two weaknesses. (See Finding 14)

7. Asia Bureau Improvements

The USAID personnel are not fully aware of the recent steps taken by Asia Bureau to improve the efficiency and speed of

considering project documentation and the making of decisions in Washington; the Bureau should again bring these to the USAID's attention and continue efforts to speed the process. Some USAID officers also still complain about the number of relatively unimportant comments and queries received from Washington; thus Asia Bureau should pay continued attention to making certain that cables contain as little chaff as possible. (See Finding 17)

8. Maintain Data on Local Currency Purchases

AID does not compile data on a systematic and current basis regarding the amount of AID dollars used to purchase local currency to carry out projects. We recommend that AID/W, specifically the Controller and PPC, devise a system to compile and maintain such data on a worldwide basis so that it will be available to management and analysts as questions concerning AID local currency purchases arise. (See Finding 19)

AID PROGRAM OBLIGATIONS TO PHILIPPINES
(In \$ Thousands)

ATTACHMENT A

Project No.	Projects	Loan No.	FY '75 Obligations			FY '76 Obligations*			FY '77 Obligations			FY '78 Obligations		
			Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
FOOD AND NUTRITION (Sec 103)			4244	45000	49244	4052	37000	41052	10573	10250	20523	4001	22750	26751
256	Local Development		1269	-	1269	1400	-	1400	1147	-	1147	940	-	940
260	Bicol River Basin Development		599	-	599	305	-	305	868	-	868	-	-	-
261	Agrarian Reform		475	-	475	604	-	604	386	-	386	366	-	366
248	Rural Electrification		575	20000	20575	300	20000	20300	100	-	100	-	-	-
252	Food & Nutrition		480	-	480	356	-	356	363	-	363	564	-	564
266	Aquaculture Production		311	-	311	210	-	210	129	-	129	221	-	221
259	Small Farmer Income & Production		535	-	535	568	-	568	-	-	-	-	-	-
274	Small Scale Irrigation	T-038	-	6500	6500	309	-	309	450	-	450	365	-	365
272	Rural Roads I	T-035	-	15000	15000	-	-	-	-	-	-	-	-	-
275	Bicol IAS I (Libmanan/Cabusao)	T-037	-	3500	3500	-	-	-	-	-	-	-	-	-
280	Agriculture Research I	T-039	-	-	-	-	5000	5000	-	-	-	-	-	-
282	Consulting Services III	T-040	-	-	-	-	2000	2000	-	-	-	-	-	-
281	Bicol Secondary & Feeder Roads	T-041	-	-	-	-	10000	10000	-	-	-	-	-	-
302	Integ. Agric. Prodn. & Mktg.	T-044	-	-	-	-	-	-	6830	3000	9830	-	-	-
310	Bicol IAD II (Bula)	T-046	-	-	-	-	-	-	-	2250	2250	-	750	750
288	Crop Protection	T-045	-	-	-	-	-	-	-	5000	5000	-	-	-
304	Rural Service Centers		-	-	-	-	-	-	-	-	-	490	490	
303	Bicol Integ. Rural Development		-	-	-	-	-	-	-	-	-	900	900	
301	Small Farmer Systems	T-054	-	-	-	-	-	-	-	-	-	155	5000	5155
297	Rural Roads II	T-050	-	-	-	-	-	-	-	-	-	7000	7000	
300	Cooperative Mktg.	T-051	-	-	-	-	-	-	-	-	-	1600	1600	
321	Rural Electrification	T-047	-	-	-	-	-	-	-	-	-	8400	8400	
322	**Freshwater Fisheries Dev.		-	-	-	-	-	-	-	-	-	-	-	
286	**Agriculture Research II		-	-	-	-	-	-	-	-	-	-	-	
305	**Agro-forestation		-	-	-	-	-	-	-	-	-	-	-	
320	**National Nutrition Outreach		-	-	-	-	-	-	-	-	-	-	-	
289	**Bicol IAD III (Rinconada)		-	-	-	-	-	-	-	-	-	-	-	
318	**Fund for Local Government		-	-	-	-	-	-	-	-	-	-	-	
POPULATION & HEALTH (Sec 104)			3595	-	3595	4000	10000	14000	3241	10000	13241	3845	8400	12245
220	Population Planning I		3595	-	3595	4000	-	4000	-	-	-	-	-	-
263	Provincial Waterworks	H-033	-	-	-	-	-	-	250	-	250	-	-	-
277	Population Planning II		-	-	-	-	-	-	2991	-	2991	2845	-	2845
309	Local Water Development	U-042	-	-	-	-	10000	10000	-	10000	10000	500	-	500
291	Barangay Water	U-049	-	-	-	-	-	-	-	-	184	3000	3184	
312	Panay Unified Services for Health	U-053	-	-	-	-	-	-	-	-	316	5400	5716	
319	**Bicol Integrated Health		-	-	-	-	-	-	-	-	-	-	-	
EDUCATION & HUMAN RESOURCES DEVELOPMENT (Sec 105)			50	-	50	81	-	81	100	-	100	100	-	100
237	General Participant Training		50	-	50	81	-	81	100	-	100	-	-	100
3087	Participant Training II		-	-	-	-	-	-	-	-	100	-	-	100
293	**Barangay Bayanhan Schools		-	-	-	-	-	-	-	-	-	-	-	
SELECTED DEVELOPMENT PROJECTS			-	-	-	-	-	-	-	-	2550	11100	13650	
294	Non Conventional Energy	M-052	-	-	-	-	-	-	-	-	-	1550	7100	8650
298	Real Property Tax Administration	M-048	-	-	-	-	-	-	-	-	-	4000	4000	
295	Econ. & Social Impact Analysis/WID		-	-	-	-	-	-	-	-	1000	-	1000	
247	**Consulting Services IV		-	-	-	-	-	-	-	-	-	-	-	
SUBTOTAL: Bilateral Project Grants and Loans			7889	45000	52889	8133	47000	55133	13614	20260	33864	10496	42250	52746

* Includes transitional quarter
 ** Grants and Loans to be first obligated in FY '79.

AID PROGRAM OBLIGATIONS TO PHILIPPINES
(in \$ thousands)

Project No.	Projects	Loan No.	FY '75 Obligations			FY '76 Obligations *			FY '77 Obligations			FY '78 Obligations		
			Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
OTHER ACTIVITIES			<u>324</u>	-	<u>324</u>	<u>5096</u>	-	<u>5096</u>	-	-	-	-	-	-
250	Narcotics Control		324	-	324	96	-	96	-	-	-	-	-	-
316	Disaster Rehab.		-	-	-	5000	-	5000	-	-	-	-	-	-
CENTRALLY FUNDED PROJECTS			<u>1425</u>	-	<u>1425</u>	<u>2761</u>	-	<u>2761</u>	-	-	<u>2948</u>	<u>980</u>	-	<u>980</u>
249	Project Devel. & Support		25	-	25	279	-	279	366	-	366	528	-	528
251	PVO/OPGs		-	-	-	344	-	344	354	-	354	452	-	452
	Urban Functions in Rural Dev.		-	-	-	250	-	250	-	-	-	-	-	-
	Agr. Diver. & Marketing		-	-	-	88	-	88	50	-	50	-	-	-
	Family Planning - Opns. Res.		-	-	-	200	-	200	-	-	-	-	-	-
	Centrally Funded Contraceptives		1400	-	1400	1600	-	1600	-	-	2178	-	-	-
OPERATING EXPENSES			<u>2495</u>	-	<u>2495</u>	<u>4723</u>	-	<u>4723</u>	-	-	<u>3693</u>	<u>5322</u>	-	<u>5322</u>
TOTAL AID FUNDING			<u>12133</u>	<u>45000</u>	<u>57133</u>	<u>20713</u>	<u>47000</u>	<u>67713</u>						
PL 480			<u>10400</u>	-	<u>10400</u>	<u>24960</u>	-	<u>24960</u>	<u>40600</u>	<u>13200</u>	<u>53800</u>	<u>19500</u>	<u>13300</u>	<u>32800</u>
	Title I		-	-	-	-	-	-	-	13200	13200	-	13300	13300
	Title II		10400	-	10400	24960	-	24960	40600	-	40600	19500	-	19500
TOTAL AID & PL 480			<u>22533</u>	<u>45000</u>	<u>67533</u>	<u>45673</u>	<u>47000</u>	<u>92673</u>	<u>60855</u>	<u>33450</u>	<u>94305</u>	<u>36298</u>	<u>55550</u>	<u>91848</u>

* Includes transitional quarter

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**ORGANIZATION OF AID ASSISTANCE
TO PHILIPPINE DEVELOPMENT**

MAJOR	ACTIVITY	AREAS
I. Small Farm Income, Production and Employment	II. Availability and Access to Essential Social Services	III. Local Development and Beneficiary Participation
<u>Supporting Activities</u> Small Scale Irrigation Small Farmer Systems I & II Crop Protection Cooperative Marketing Freshwater Fisheries Development Land Tenure Reform Integrated Agriculture Production and Marketing Agriculture Research I & II Artisan Fisheries - Agriculture Agro-Forestation 25 Central/Regional Projects 2 PVO OPGs	<u>Supporting Activities</u> Population Planning II National Nutrition Outreach Panay Unified Services for Health Barangay Water I & II Agricultural Education Outreach Local Water Development I Bayanihan Barangay Schools Bicol Integrated Health, Nutrition and Population 5 Central/Regional Projects 3 PVO OPGs	<u>Supporting Activities</u> Local Development Rural Roads II Real Property Tax Administration Bicol Integrated Rural Development Bicol Secondary Feeder Roads Bicol Integrated Area Development II (BULA) Fund for Local Government Development Rural Service Centers Bicol Integrated Area Development III (Rinconada) 3 PVO OPGs

OTHER SUPPORTING ACTIVITIES

Participant Training II	Economic and Social Impact Analysis/Women in Dev.	Consulting Services	Nonconventional Energy Development
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ATTACHMENT B

FUNCTIONAL ORGANIZATION USAID PHILIPPINES

REGIONAL ACTIVITIES

AREA AUDITOR GEN (EA)

FRED C. SHAVER
Area Auditor General

INSPECTION & INVESTIGATIONS

WILLIAM F. MAGEE
Acting Foreign Assistance Inspector

ASIAN DEVELOPMENT BANK

OFFICE OF THE DIRECTOR

PETER M. CODY
Director

DENNIS P. BARRETT
Deputy Director

PROGRAM ECONOMIC ANALYSIS

DONALD E. DEMBOWSKI
Program Economist

LEGAL ADVISOR

RODNEY W. JOHNSON
Legal Adviser

STAFF OFFICES

PROGRAM

WILLIAM F. MULCAHY
Program Officer

DANIEL LEATY
Deputy Program Officer

EXECUTIVE

JOHN J. GARNEY
Executive Officer

JAMES P. DONNELLY
Deputy Executive Officer

CONTROLLER

LEON E. VAUGHN
Controller

IVAN PETERSON
Deputy Controller

OPERATING OFFICES

AGRICULTURE DEVELOPMENT

LANE E. HOLDCROFT
Chief

KEITH W. SHERPER
Deputy Chief

PROVINCIAL DEVELOPMENT

WILLIAM A. SOMMERS
Chief

CAPITAL DEVELOPMENT

WILLIAM F. McDONALD
Chief

Deputy Chief

REGIONAL DEVELOPMENT

DON F. WADLEY
Chief

HUMAN RESOURCES DEVELOPMENT

HERBERT W. DODGE
Chief

ATTACHMENT C

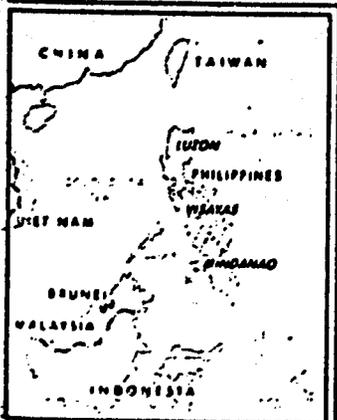
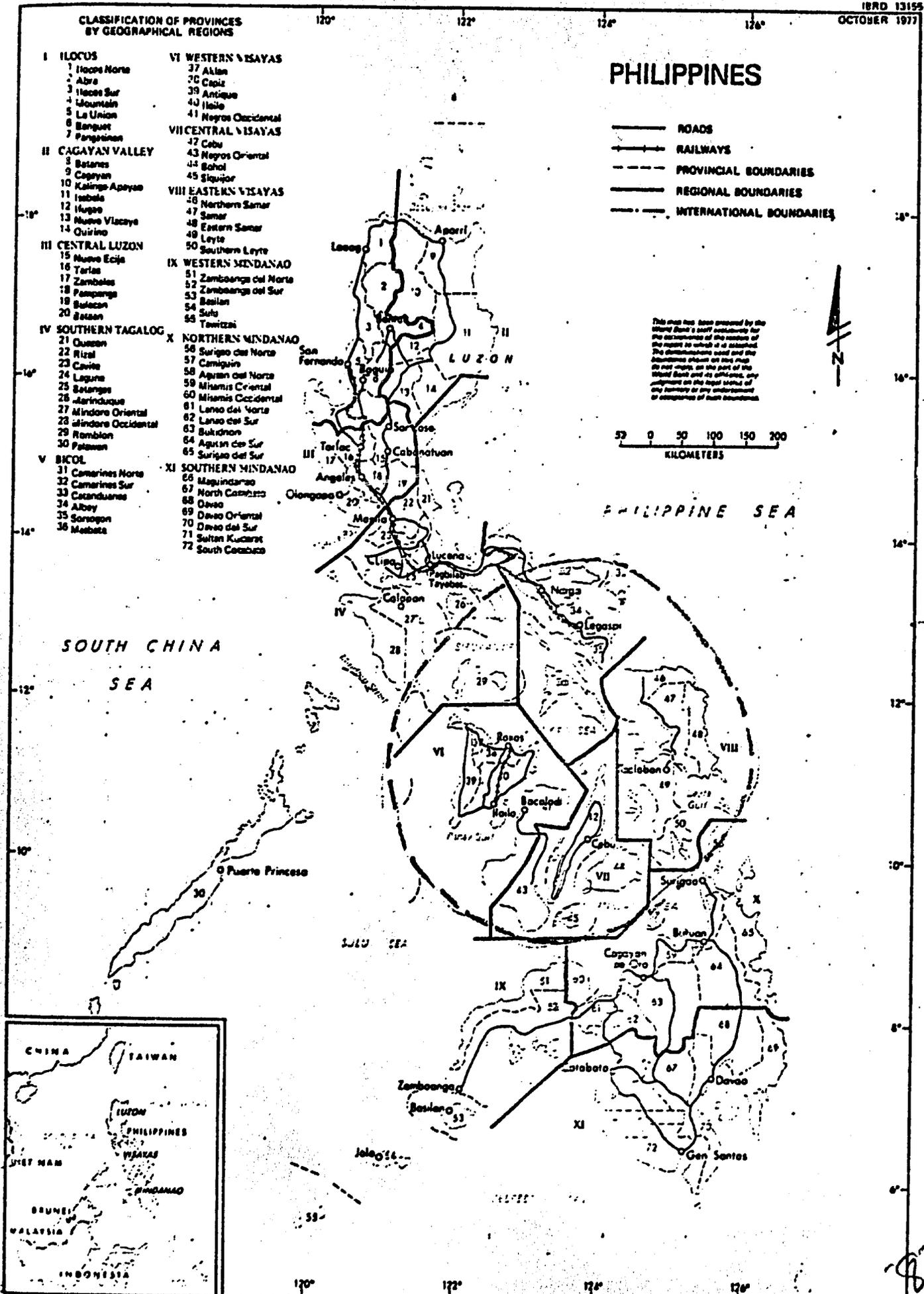
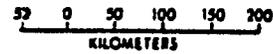
CLASSIFICATION OF PROVINCES
BY GEOGRAPHICAL REGIONS

- I ILOCOS**
 - 1 Ilocos Norte
 - 2 Abra
 - 3 Ilocos Sur
 - 4 Mountain
 - 5 La Union
 - 6 Benguet
 - 7 Pangasinan
- II CAGAYAN VALLEY**
 - 8 Batanes
 - 9 Cagayan
 - 10 Kalinag-Apayao
 - 11 Isabela
 - 12 Negros
 - 13 Nueva Vizcaya
 - 14 Quirino
- III CENTRAL LUZON**
 - 15 Nueva Ecija
 - 16 Tarlac
 - 17 Zambales
 - 18 Pampanga
 - 19 Bulacan
 - 20 Bataan
- IV SOUTHERN TAGALOG**
 - 21 Quezon
 - 22 Rizal
 - 23 Cavite
 - 24 Laguna
 - 25 Batangas
 - 26 Marinduque
 - 27 Mindoro Oriental
 - 28 Mindoro Occidental
 - 29 Romblon
 - 30 Palawan
- V BICOL**
 - 31 Camarines Norte
 - 32 Camarines Sur
 - 33 Catanduanes
 - 34 Albay
 - 35 Sorsogon
 - 36 Masbata
- VI WESTERN VISAYAS**
 - 37 Aklan
 - 38 Capiz
 - 39 Antique
 - 40 Iloilo
 - 41 Negros Occidental
- VII CENTRAL VISAYAS**
 - 42 Cebu
 - 43 Negros Oriental
 - 44 Bohol
 - 45 Siquijor
- VIII EASTERN VISAYAS**
 - 46 Northern Samar
 - 47 Samar
 - 48 Eastern Samar
 - 49 Leyte
 - 50 Southern Leyte
- IX WESTERN MINDANAO**
 - 51 Zamboanga del Norte
 - 52 Zamboanga del Sur
 - 53 Basilan
 - 54 Sulu
 - 55 Tawi-tawi
- X NORTHERN MINDANAO**
 - 56 Surigao del Norte
 - 57 Comuin
 - 58 Agusan del Norte
 - 59 Misamis Oriental
 - 60 Misamis Occidental
 - 61 Lanao del Norte
 - 62 Lanao del Sur
 - 63 Bukidnon
 - 64 Agusan del Sur
 - 65 Surigao del Sur
- XI SOUTHERN MINDANAO**
 - 66 Maguindanao
 - 67 North Cotabato
 - 68 Davao
 - 69 Davao Oriental
 - 70 Davao del Sur
 - 71 Sultan Kudarat
 - 72 South Cotabato

PHILIPPINES

- ROADS
- RAILWAYS
- PROVINCIAL BOUNDARIES
- REGIONAL BOUNDARIES
- INTERNATIONAL BOUNDARIES

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