

4920300 (3)
PD-AAF-048

UNITED STATES GOVERNMENT

Memorandum

TO : Distribution

DATE: March 23, 1979

FROM : ASIA/PD/EA, J. R. Nussbaum

SUBJECT: AID Loan No. 492-T-051A (Project No. 492-0300)
Cooperative Marketing

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Attached is a copy of subject document.

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A.I D. Loan No. 492-T-051A

A.I.D. Project No. 492-0300

AMENDMENT NO. 1
TO
PROJECT LOAN AGREEMENT
BETWEEN
THE REPUBLIC OF THE PHILIPPINES
and the
UNITED STATES OF AMERICA
for
COOPERATIVE MARKETING

Dated: February 15, 1979

COOPERATIVE MARKETING PROJECT

AMENDMENT NO. 1 TO PROJECT LOAN AGREEMENT NO. 492-T-051

THIS AMENDMENT NO. 1, entered into as of the 15th day of February 1979, between the REPUBLIC OF THE PHILIPPINES ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."),

WITNESSETH THAT

WHEREAS, the Borrower and A.I.D. entered into Project Loan Agreement No. 492-T-051 (the "Agreement") on May 3, 1978 to provide \$1,600,000.00 for the Project;

WHEREAS, the intent was to provide additional A.I.D. financing for the Project subject to the availability of funds and the continuing agreement of the Parties;

WHEREAS, A.I.D. has allotted an additional loan amount of \$4,400,000.00; and

WHEREAS, the maturity of development loans has been modified, through legislative action, for loan funds appropriated for U.S. Fiscal Year 1979;

THEREFORE, the Borrower and A.I.D. hereby agree to amend the Agreement as follows:

A. Section 3.1. The Loan. The phrase "not to exceed One Million Six Hundred Thousand United States ('U.S.') Dollars (\$1,600,000.00)" is deleted and the phrase "not to exceed Six Million United States ('U.S.') Dollars (\$6,000,000.00)" is substituted therefor.

B. Section 3.2. Borrower Resources for the Project. In subsection (b) the amount "\$3,083,000.00" is deleted and the amount "\$6,668,000.00" is substituted therefor.

C. Section 4.2. Repayment. Denominate the present paragraph as subsection (a) and insert a new subsection (b) as follows:

"(b) The Borrower will repay to A.I.D. the Principal of the Loan amount provided by this Amendment No. 1 within forty (40) years from the date of the first disbursement of the amount made available by this Amendment No. 1 in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal relating to this subsection will be payable nine and one-half (9½) years after the date on which the first interest payment pertaining to the amount made available is due, calculated in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule relating to this subsection after the final disbursement of the amount made available by this Amendment No. 1."

Conditions Precedent to Disbursement
under Amendment No. 1

Prior to the first disbursement, or to the issuance by A.I.D. of documentation pursuant to which disbursement shall be made, of the loan funds added by this Amendment No. 1, the Borrower shall, except as the Parties may otherwise agree in writing, within ninety (90) days of the execution of this Amendment No. 1, or such additional period as the Parties may agree to in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Amendment No. 1 has been duly authorized and/or ratified by, and executed in behalf of, the Borrower, and that it constitutes a

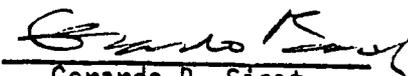
valid and legally binding obligation of the Borrower in accordance with all of its terms; and

(b) Evidence that the Borrower has established within the designated project management agency a separate account, funded at year-one level commitments, for Budgetary Support identified in Annex I, Attachment 2-5A. 1) and 2) of the Agreement.

Except as expressly amended herein, the said Agreement shall continue in full force and effect in accordance with all of its terms.

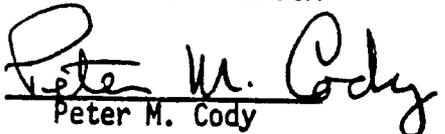
IN WITNESS WHEREOF, the Parties to said Agreement, each acting through its duly authorized representative, have caused this Amendment No. 1 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By: 
Gerardo P. Sicat

Title: Minister of Economic Planning
(Director-General)
National Economic &
Development Authority

UNITED STATES OF AMERICA

By: 
Peter M. Cody

Title: Director
U.S. Agency for
International Development

UNITED STATES GOVERNMENT

Memorandum

4920300 (4)

PD-AAF-048

TO : Distribution

DATE: July 16, 1979

FROM : ASIA/PD/EA: C. W. M. Reece

SUBJECT: PHILIPPINES, A.I.D. Loan 492-T-051A, Project No. 492-0300
Cooperative Marketing Project
Implementation Letter No. 3

2p.

Attached for your information and files is copy of subject document.

Attachment: a/s

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(Implementation Letter - Philippines)



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

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22 JUN 1979

The Honorable
Gerardo P. Sicat
Minister of Economic Planning
National Economic and Development
Authority
Padre Faura, Manila

Subject: A.I.D. Loan 492-T-051A
Cooperative Marketing Project
Implementation Letter No. 3

Dear Minister Sicat:

In a letter dated May 14, 1979 to Mr. Cody, you transmitted a legal opinion of the Minister of Justice dated May 11, 1979 stating that the Loan covered by the subject Project Agreement Amendment was duly authorized and/or ratified and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms. The opinion satisfies the Condition Precedent (a) to the subject Project Agreement Amendment.

Additionally, by letter dated May 17, 1979 to Mr. Cody, you transmitted a Counterpart Agreement for P495,000 for year-one peso support to the subject project. Since these funds are now in a special account for use by the project as required by Condition Precedent (b) of the subject Project Agreement Amendment, we consider this condition satisfied.

I am pleased to advise you that all Conditions Precedent in the subject Project Agreement Amendment are now satisfied.

Sincerely yours,

/s/
Dennis P. Barrett
Acting Director

Clearance:

CO:LVaughn

RLA:DEspanol

OAD:RPollock

PO:DLeaty

OCD:TRishoi:cdp:6/18/79

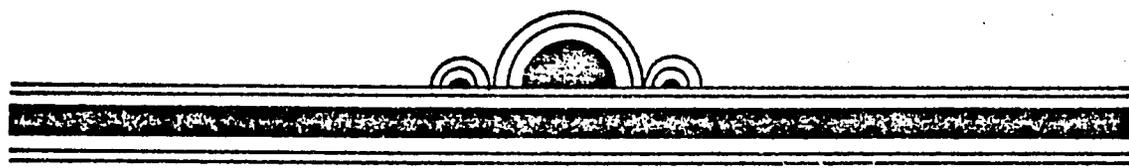
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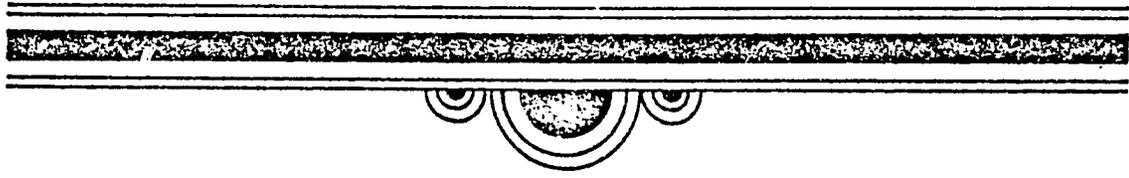
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PD-AAF-048

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cooperative marketing project



PROJECT REVIEW PAPER

OCTOBER 1, 1976

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A C R O N Y M S

AID	-	Agency for International Development
AMC	-	Area Marketing Cooperative
BCOD	-	Bureau of Cooperatives Development
CB	-	Central Bank of the Philippines
CDLF	-	Cooperative Development Loan Fund
CIDA	-	Canadian International Development Agency
CLSU	-	Central Luzon State University
CMSP	-	Cooperative Marketing System of the Philippines
CRB	-	Cooperative Rural Bank
DLGCD	-	Department of Local Government and Community Development
DRBSLA	-	Department of Rural Banks and Savings and Loan Associations
FaCoMa	-	Farmers Cooperative Marketing Association
FTI	-	Food Terminal Incorporated
GOP	-	Government of the Philippines
IAPM	-	Integrated Agricultural Production and Marketing Project
IBRD	-	International Bank for Reconstruction and Development
IEE	-	Initial Environmental Examination
NEDA	-	National Economic and Development Authority
NGA	-	National Grains Authority
₱	-	Peso, equal to approximately US \$.14
PDS	-	Project Development Support
SN	-	Samahang Nayon (Village Association)

PROJECT REVIEW PAPER

PROJECT: COOPERATIVE MARKETING, NO. 492-0300

I. INTRODUCTION AND BACKGROUND

There are roughly two million rice and corn farmers in the Philippines, including one million tenants and ex-tenants who farm 2.5 hectares or less of land. Whether owners, amortizing owners or leaseholders, they are the single largest group of poor farmers within the country today and the target of a new integrated marketing strategy for USAID Philippines. The task will be to convert these ex-tenants and small leaseholders into independent, but cooperating farmers with access to credit, improved technology and profitable markets, and to improve input and market channels for small farmer owners.

Past efforts for mobilizing small farmers for cooperative action and participation in the development process had been largely unsuccessful. Of the some 652 Farmers Cooperative Marketing Associations (FACOMA) organized during the early 1950's, only 250 were existing as of June 30, 1969. By 1972, less than 40 FACOMA's were still active and many of these were financially unsound. The poor performance of the FACOMA program resulted in a comprehensive effort on the part of the Philippine Government in 1971 to re-examine the principles of cooperative organization and redirect cooperative development strategies within the country. After two years of painstaking planning, testing and evaluation in Nueva Ecija province, the government in 1973, launched a new and unique cooperative development effort distinctly different from its past attempts. The new system designed to improve upon inherent weaknesses of the previous pattern stressed a localized representation not present in FACOMA structure. For the first time, farmers were to be organized at the village level into association to be known as Samahang Nayon (SN). These associations, or pre-cooperatives, could then federate to form larger multi-municipal and provincial based Area Marketing Cooperatives (AMC). Under the new system credit too was to be handled differently. Unlike the FACOMA model under the new program production, credit was to be separated from the functions of the marketing cooperative and administered through an independent system of management. In order to accomplish this Cooperative Rural Banks were to be established. The new cooperatives program further stressed the importance of a strong national cooperative structure to support the SN/AMC/CRB model by providing it with necessary financial, management development and input supply and marketing services.

Since 1973, the government has been successful in organizing over 18,500 Samahang Nayon, representing some 850,000 farmer members, creating farmer member savings amounting to more than \$7 million, establishing some twenty-eight Area Marketing Cooperatives (of which nineteen are registered and twelve are operational), organizing thirteen Cooperative Rural Banks (one is operational) and initiating a central cooperative marketing, management and insurance structure. Beginning in 1975, this basic organizational structure began to flounder for lack of trained management and financial resources particularly in the cooperative marketing organizations. Part of the financial problem can be attributed to lack of government budgetary support as a result of an unanticipated shortfall in foreign exchange earnings and increased cost of fuel imports. Because of this, the programmed extension of cooperative marketing and banking institutions has been severely constrained with several of these organizations in the precarious position of being organized but lacking adequate finances to insure successful start-up of operations.

II. PRIORITY AND RELEVANCE

It is the expressed purpose of the proposed project to increase and more effectively distribute production income and cooperative services to small farmers by strengthening and expanding existing, including newly organized, cooperative marketing and finance institutions. The GOP's sectoral goals of increased production and increased small farmer income can only be achieved through mechanisms and organizations which unite individual motivation with voluntary collective action. Indeed the GOP Four-Year Development Plan lists cooperatives as a priority development effort towards the realization of these important goals. The SN/AMC system is already contributing toward increased national production and farmer income as it is used increasingly as a channel for extension and as farmers' savings inside the cooperative system continue to grow. In an attempt to strengthen and accelerate this productive relationship, the proposed project seeks to solidify a cooperative marketing structure by establishing a nucleus of well managed, adequately financed, efficient and economically viable Area Marketing Cooperatives (AMC) and Cooperative Rural Banks (CRB) supported by a strong cooperative finance system and a base of functioning Samahang Nayon, actively engaged in the delivery of basic production services to their respective farmer members, and served by a vigorous central cooperative marketing system.

III. DETAILED PROJECT DESCRIPTION

The Cooperative Marketing Project will provide for planning, initiating, and implementing an improved cooperative marketing

system for essential agricultural commodities (i.e., rice, corn, vegetables, animal products and fish), produced by small farmers in the Philippines.

Three Philippine institutions will be responsible for the overall implementation of the Cooperative Marketing Project. They are: The Cooperative Marketing System of the Philippines (CMSP); the Bureau of Cooperatives Development (BCOD); and the Central Bank of the Philippines (CB); USAID and the National Economics and Development Authority (NEDA) will function to monitor project implementation. (See Section IX).

The Cooperative Marketing Project will seek to develop a strong and viable nucleus of cooperative marketing and financial institutions which will serve the basic production needs of small farmer cooperative members who will receive a full-scope of service from a national cooperative support structure. In order to establish the viability of this nucleus of cooperative institutions, a wide-range of assistance will be called for including substantial investments for physical facilities; sizeable subordinated, term and seasonal loans for working capital including commodity purchasing; extensive training and development for cooperative managers and other persons in position of key responsibility in the disciplines of cooperative management, marketing and finance; and coordinated technical support to assist on the technical, economic and social issues embodied within the planning, development and implementation of the project effort. A detailed outline of the various input categories for which USAID loan funds and GOP counterpart assistance will be used in the implementation of the Cooperative Marketing Project is presented in this section under the subsection entitled, "Project Inputs (D-1)." In order to offer portions of this assistance, it will be necessary to support the establishment of a cooperative finance system which is both efficient and well managed. Although it is not the expressed purpose of this project to establish a central bank for cooperatives, it is a stated objective to establish a cooperative finance system which can serve as a foundation for the eventual establishment of such a financing institution.

The Cooperative Marketing Project will focus on the development of a cooperative finance system which addresses specifically the specialized financial needs of Area Marketing Cooperatives. The nature of this assistance is not farmer financing or production credit, but rather a corporate financing of cooperative institutions. Under the project, fifteen AMCs will receive

development assistance loans through a cooperative finance system which will provide a total loan package to borrowers. This system, as described in more detail in Section IX, will involve the establishment of a special section for cooperative finance under the Department of Rural Banks and Savings and Loans Associations of the Central Bank of the Philippines. A specially trained staff shall manage this section under the supervision of a policy and a loan committee. Loans will be extended through already organized Cooperative Rural Banks to AMC's targeted for support under the project. A unique custodial arrangement for supervision will be required on all loans made through the system. A guarantee fund will be established with the assistance of project and cooperative funds which will minimize loan risk and carry the overlying portion of loans made in excess of the established CRB loan to equity ratios. A trust fund, supported by the project, shall be created to expand the equity base of some AMC's participating in the program in order to allow for acceptable debt to equity ratios. Equity growth within targeted AMC's as a result of continued investments by cooperative members is estimated to progress at a rate of thirty percent annually.

A preliminary review has been made of several existing financial institutions and mechanisms, including the Land Bank of the Philippines, the Development Bank of the Philippines, the Agricultural Credit Administration, the Cooperative Development Loan Fund and others, as possible alternatives to the proposed structure discussed above. None of these channels has satisfactorily met the criteria and needs for financing Area Marketing Cooperatives which often require higher risk loans and special management and loan monitoring attention.

Considerable support for the project will be drawn from the new Integrated Agricultural Production and Marketing (IAFM) Project, a joint effort of the Agency for International Development and the Government of the Philippines. The IAFM Project will assist in the process of institutionalizing a strong and effective cooperative marketing structure by providing development support that is complementary to that which is being offered by the Cooperative Marketing Project. The nature of this support will focus on the development of an extension delivery system which will utilize existing cooperative structure to provide production technology, market intelligence and credit planning for small farmers. Under this extension scheme "packages of technology", i.e., pre and post harvest grain production and handling, will be developed at Central Luzon State University (CLSU) in Nueva Ecija province. Once promising packages have been developed and tested, effective



methods of transferring the technology to the small farmer will be developed utilizing the AMC and SN as a basic system for delivery.

In addition to improving the extension delivery system, the IAPM Project will assist directly in the development of a strong cooperative marketing system. The IAPM project will provide a full-time agricultural economist specializing in cooperative management who will participate in the planning and conducting of management audits of AMCs and other cooperative marketing organizations; conduct workshops and offer personnel development programs for key members of the National Cooperative System staffs; participate in the planning and conducting of management training programs for key employees of cooperatives; assist in the development of an improved management consulting service for AMCs and CRBs; and help develop an effective market information and intelligence system for the cooperative marketing structure. In addition to this agricultural economist, a number of short-term consultants will be provided to assist in areas of cooperative management development and to conduct both technical and economic studies relating to cooperative marketing development (i.e., market potential studies, pricing studies, etc.).

The Integrated Agricultural Production and Marketing Project will further assist the Cooperative Marketing Project by providing non-degree participant training in the United States and other countries in areas of cooperative establishment, education and management for cooperative managers and other key employees and officials connected with the government's cooperatives program. This training will be directed towards the support of a strengthened cooperative marketing structure.

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Besides support offered by the IAPM Project, the proposed Agribusiness Project will complement the Cooperative Marketing Project by providing investment opportunities for small middlemen displaced by an efficient, cooperatively operated marketing system. Area Marketing Cooperatives and Samahang Nayon will themselves serve as a ready market for a host of products (i.e., threshers, dryers, milling equipment, irrigation pumps, feedmills, farm tillers, sprayers, etc.) produced by an aggressive and developing agribusiness community.

PROJECT DESIGN

A basic description of the project design can be found in the Logical Framework Matrix presented in Annex A. This matrix

serves to aid the conceptualization of the project in terms of sector goal, purpose, outputs and inputs. In order to expand this information in such a way as to provide more detail, clearer definition and a better understanding as to how project inputs will result in program goal attainment, a narrative summary of the key components of the logical framework is presented at this time in reverse sequence, starting with an identification of planned inputs.

PROJECT INPUTS (D-1)

AID

Technical Assistance
Participant Training
Commodities
Loan Funds

GOP

In-kind Support
Budgetary Support
Cooperative Equity
Loan Funds

Inputs into the Cooperative Marketing Project will be made by the Agency for International Development and the Government of the Philippines.

AID

1. Technical Assistance

Under the Cooperative Marketing Project, technical assistance will be provided on both a long-term and short-term basis.

a. Long-Term Advisors

Two long-term advisors will technically assist project implementation. The first advisor will be a Senior Agricultural Economist (Cooperative Marketing) who will assume his duties in October of 1977. His responsibilities will include the following:

- 1) Serve as team leader for the Cooperative Marketing Project.

- 2) Assist the Cooperative Marketing System of the Philippines in developing, testing, evaluating and systematizing effective input supply and marketing operations and develop programs for integrating these operations with other GOP marketing programs, such as Food Terminal, Inc.
- 3) Serve as a liaison between the National Cooperative Systems, the Bureau of Cooperatives Development and the Central Bank of the Philippines in order to enhance coordination between these agencies and to insure that each continues to support and play its proper role in overall project implementation.
- 4) Participate in the planning and development of an effective cooperative marketing information system.
- 5) Participate in the planning, establishment, and development of a central cooperative marketing and supply distribution outlet to function as an arm of the Cooperative Marketing System of the Philippines in order to more effectively market produce of and supply inputs to project supported and other Area Marketing Cooperatives.
- 6) Participate in planning and conducting market potential and research studies for new and/or improved products to be marketed cooperatively.

The second long-term advisor under the Cooperative Marketing Project will be a Cooperative Finance Specialist also scheduled to assume his duties in October of 1977. His responsibilities shall include the following:

- 1) Determine factors and policies constraining the development of an effective cooperative finance program and, once determined, propose modified or new policies and procedures in order to eliminate these constraints.
- 2) Assist in the planning and design of long-range financial plans for the development of the National Cooperative Systems; including areas of cooperative management, insurance, marketing (i.e., central cooperative marketing and supply complex) and computerization.

- 3) Participate in planning and conducting education and training programs for key employees of Area Marketing Cooperatives, Cooperative Rural Banks, the National Cooperative Systems and the Central Bank of the Philippines in the subject areas of cooperative finance and financial management.
- 4) Design schemes to accelerate capital formation within Cooperative Rural Banks and Area Marketing Cooperatives.
- 5) Assist Cooperative Rural Banks in developing skills relating to conducting economic and technical feasibility studies for Area Marketing Cooperatives in order to more accurately determine the financial needs (working capital and fixed assets) for these cooperatives.
- 6) Assist Cooperative Rural Banks in improving the levels of supervision on production credit loans to small farmers by helping to develop, pilot-test and evaluate improved credit application and re-payment schemes utilizing Samahang Nayon.

b. Short-Term Consultants

Short-term consultants will be employed to assist the efforts of the long-term advisors and to provide technical expertise in certain specialized job areas. A total of 24 man-months of short-term services will be provided under the project by the following 5 consultants:

- 1) Cooperative Finance Management Consultant -
1 person (3 man-months)

The CFMC will assist in developing and conducting training programs concerning cooperative finance management for a) key national level trainers with emphasis on basic educational techniques, and b) cooperative managers and staff members of project-assisted Cooperative Rural Banks and Area Marketing Cooperatives.

- 2) Cooperative Marketing Information Systems Specialist - 1 person (8 man-months)

The CMISS will assist in the development of an effective cooperative marketing information system, to be managed by the Cooperative Marketing System of the Philippines. He shall spend six months of his assignment the first year working with counterparts to establish the information system. He shall make two subsequent visits each for a period of one month during the second and third year, respectively, of project implementation in order to monitor the progress, evaluate the performance and provide technical guidance for the future development of the system.

- 3) Central Cooperative Marketing and Supply Team -
2 persons (3 man-months each)

The two-man CCMST will conduct a detailed technical and economic feasibility study for the establishment of a central cooperative marketing and supply complex to serve as an outlet for cooperatively marketed produce and a distribution point for inputs. This study will provide direction and guidance in determining program feasibility issues, potential constraints, levels of operation and input requirements. It will also serve as a basis for developing a detailed implementation plan for program development.

- 4) Central Cooperative Marketing and Supply Specialist
1 person (7 man-months)

The CCMSS will serve initially for a six-month period to assist in the establishment of a central cooperative marketing and supply distribution outlet. His services shall begin after the study prepared by the Central Cooperative Marketing and Supply Team has been carefully reviewed and a detailed plan for implementation agreed upon. The CCMSS shall return for an additional one year after his initial departure in order to evaluate the performance and provide technical guidance to the continued growth and development of the cooperative marketing and supply complex.

2. Participant Training

During the life of the Cooperative Marketing Project, 179 man-months of participant training will be conducted for over fifty cooperative leaders in the disciplines of cooperative management, marketing and finance. This participant training will be divided into two categories, U.S. and third-country training and host country training.

a. U.S. and Third Country Training

Thirty-three participants will receive 105 man-months of training in the United States and third countries. Managers of all project supported AMCs and CRBs will receive training along with key cooperative leaders from the National Cooperative Systems. The number of participants and corresponding number of man-months of training for each group follows:

	<u># Participants</u>	<u>Man-Months of Training</u>
AMCs	15	45
CRBs	8	24
NCSs	<u>10</u>	<u>36</u>
TOTAL - - -	<u>33</u>	<u>105</u>

b. Host Country Training

Forty-seven participants including most of those above listed will receive 74 man-months of formal host country training designed to complement the U.S. and third country training and provide the participants with additional skills and experience in specialized areas of technical and managerial responsibility. Again participants will represent project supported AMCs and CRBs as well as the National Cooperative Systems. The number of participants and corresponding number of man-months of training for each group follows:

	<u># Participants</u>	<u>Mon-Months of Training</u>
AMCs	15	30
CRBs	8	15
NCSs	<u>24</u>	<u>29</u>
TOTAL - - -	<u>47</u>	<u>74</u>

3. Commodities

A number of commodities will be provided under the Cooperative Marketing Project to target AMCs, CMSP and CRBs where applicable. The nature of these commodities will be related closely to an expanded cooperative marketing effort and will complement other

equipment procured from the loan fund category. A listing of some of the projected commodity requirements for the project is attached in Annex F. Where, possible, these commodities will be acquired through excess property.

4. Loan Funds

AID funds will be provided on a loan basis for the purpose of institutionalizing a viable, well managed cooperative finance system. A portion of these funds shall be used to establish a Cooperative Finance Guarantee Fund, with a matching GOP and cooperative counterpart investment, in order to minimize loan risk. Loan funds released to the Central Bank will be used for the purpose of expanding the equity through a Special Trust Fund arrangement in fifteen Area Marketing Cooperatives and strengthening these AMC's with short, medium and long term financing provided for working capital, equipment and facilities. AMC's targeted for this development effort are listed along with their initial year to receive project support in Table 2. In addition to AMC development, limited loan funds will be provided for the purpose of establishing a central cooperative marketing and supply distribution outlet, managed by CMSP, which will be responsible for supplying inputs to and marketing the produce of AMC's targeted for development under the project.

GOP

1. In-Kind Support

All implementing agencies will provide valuable non-cash inputs into project development. The Central Bank of the Philippines (CB) will provide available resources including office space and existing staff for the establishment and operation of a cooperative finance section. The Bureau of Cooperatives Development (BCOD) will assist by providing management information system services to monitor AMC and CRB development. The Bureau will further provide existing central and field level staff assistance in direct support of project implementation efforts. Existing training materials and facilities will also be provided. The Cooperative Marketing System of the Philippines (CMSP) will offer existing facilities, manpower and other available resources in support of a strengthened AMC nucleus. CMSP will also provide office space and secretarial services for AID financed short-term consultants assisting in project design and development. In addition to this, project beneficiaries will contribute of their time and energy in institutionalizing a strong cooperative marketing structure through patronage, education and leadership.

2. Budgetary Support

Again, project implementing agencies will contribute generously to project development by providing cash inputs. CB will salary some ten new technicians to manage cooperative finance sections at both the CB and CRB levels. CB will further provide cash funds for the training of these individuals. The BCOD will provide funds for intensified education and training campaigns in the more than 1,000 Samahang Nayon representing the membership of the fifteen project targeted AMCs. In addition to this the BCOD will provide administrative funds for activities relating to cooperative marketing development and salary assistance to staff members of the National Cooperative Systems. CMSP will provide administrative and other budgetary support in areas of marketing information systems development and project management and evaluation. NEDA will provide budgetary support for housing, utilities and operational travel for both long and short term technical assistance provided under the project.

3. Cooperative Equity

Project beneficiaries, the members of Samahang Nayon belonging to project targeted AMCs and CRBs, have and will continue to contribute substantially toward the equity growth of a strong cooperative marketing and finance structure. At present this equity investment in the twenty-three AMCs and CRBs identified for program development alone is equal to some 15-1/2% of the projected AID loan portion. This amount, already considerable, may well double within the project life span.

4. Loan Funds

In addition to those loan funds provided by AID for the purpose of strengthening and expanding the SN/AMC/CMSP/CRB cooperative structure, the Government of the Philippines will also provide loan and development funds to counterpart the AID assistance in this area. A portion of these funds will be invested in expanding the equity of eight Cooperative Rural Banks (See Table 2). The remainder of these GOP funds will be channeled through the proposed cooperative finance section, to be created at the Central Bank, to targeted AMCs, CRBs and national cooperative marketing structure. Some GOP funds will be provided directly to CMSP through the existing Cooperative Development Loan Fund (CDLF). Considerable funds have been channeled in the past through CDLF in support of expanded cooperative marketing systems development.

TABLE 1

COOPERATIVE MARKETING PROJECT
MANPOWER IMPACT OF PROJECT
(Expressed in man-months)

Categories of Individuals	FY 1978	FY 1979	FY 1980	TOTAL
Long-term U.S. Advisors	24	24	24	72
Short-term Consultants	12	10	2	24
Participants for Non-Degree Training in U.S. and 3rd country	65	32	8	105
Participants for Non-Degree Training in R.P.	14	27	33	74
T O T A L	115	93	67	275

Table 2

Area Marketing Cooperatives and Cooperative Rural Banks
Targeted for Support under the Cooperative Marketing Project

<u>Targeted AMCs</u>	<u>Organized</u>	<u>Registered</u>	<u>Samahang Nayon</u>	<u>Target Year for Initial Project Support</u>
1. Nueva Ecija (North)	10-25-73	11-9-73	51	FY 1978
2. Nueva Ecija (Central)	9-12-74	1-15-75	53	FY 1978
3. Nueva Ecija (South)	4-17-73	3-22-74	53	FY 1978
4. Pangasinan	12-10-74	4-20-75	149	FY 1978
5. Benguet	10-29-75	9-03-76	35	FY 1978
6. Camarines Sur	3-07-76	6-11-76	94	FY 1979
7. Albay	8-11-76	6-28-76	75	FY 1979
8. Bukidnon	4-15-75	11-7-75	284	FY 1979
9. Iloilo (I)	9-22-74	7-16-75	89	FY 1979
10. Iloilo (II)	5-14-75	3-17-76	63	FY 1979
11. Pampanga	1-31-75	8-08-75	86	FY 1980
12. Bulacan (I)	10-30-74	3-21-75	25	FY 1980
13. Bulacan (II)	8-09-75	5-06-76	66	FY 1980
14. Tarlac	12-10-74	12-23-75	116	FY 1980
15. So. Cotabato	-	-	-	FY 1980
	TOTAL SN		1,239	
	TOTAL FARMER MEMBERS*		70,499	

Targeted CRBs

1. Nueva Ecija	March 1974	3-18-75	294	FY 1978
2. Pangasinan	Organized	Registered	164	FY 1978
3. Camarines Sur	Organized	-	374	FY 1978
4. Bukidnon	4-16-75	12-16-75	175	FY 1978
5. Iloilo	Organized	-	210	FY 1978
6. Pampanga	Organized	-	112	FY 1979
7. Bulacan	Organized	-	123	FY 1979
8. So. Cotabato	Organized	-	100	FY 1979
	TOTAL SN		1,552	
	TOTAL FARMER MEMBERS*		88,309	

*The average Samahang Nayon in the selected eleven target provinces has 56.9 farmer members.

IMPLEMENTATION TARGET (Type and Quality) (D-2)
(Expressed U.S. \$000)

	FY 1978	FY 1979	FY 1980
1. <u>AID</u>			
Technical Assistance	156	123	114
Participants Training	130	111	37
Commodities	25	42	12
Loan Funds	<u>1,750</u>	<u>1,625</u>	<u>1,875</u>
SUB-TOTAL - - - -	2,061	1,901	2,038
2. <u>GOP</u>			
In-Kind Support	121	122	122
Budgetary Support1	765	457	449
Cooperative Equity	1,213	364	473
Loan Funds	<u>10,417</u>	<u>5,376</u>	<u>3,214</u>
SUB-TOTAL - - - -	12,516	6,319	4,258
TOTAL PROJECT	14,577	8,220	6,296

Means of Verification (D-3)

AID

Project and financial control records may be examined.

GOP

GOP staff, budget and project records may be reviewed.

Assumptions for providing inputs (D-4)

AID and GOP funding for this project will be provided on a timely basis.

PROJECT OUTPUTS (C-1)

It is expected that the timely well managed application of project inputs described in the preceeding section together with an appropriate monitoring system to insure the same will result in the following measurable project outputs:

1. Stronger linkages existing among Samahang Nayon (SN), Area Marketing Cooperatives (AMC), the National Cooperative Marketing System (CMSP), rural and national banks, the Department of Agriculture, and the Department of Local Government and Community Development.
2. Government, private and cooperative banking institutions providing most of the credit requirements of cooperatives.
3. Cooperative members investing capital in cooperative marketing and finance structure.
4. Cooperative Rural Banks (CRB) effectively meeting the production credit needs of Samahang Nayon members in target areas.
5. A strengthened and expanded nucleus of Area Marketing Cooperatives functioning to provide a full range of services to Samahang Nayon farmer members.
6. The national cooperative marketing system (CMSP) supplying production inputs to and purchasing and marketing produce of all AMCs receiving project support.
7. A cooperative marketing information system collecting market information, analyzing it, developing market projections and disseminating said marketing intelligence to all project supported Area Marketing Cooperatives and Cooperative Rural Banks.

MAGNITUDE OF OUTPUTS (C-2)

Objectively verifiable indicators of the above listed project outputs are:

1. Coordinated and relevant cooperative policies formulated, recognized and supported by concerned government agencies and entire cooperative structure.
2. Government, private and cooperative banking institutions

providing 90% of cooperative financial requirements, including physical facilities and working capital loans for production input supply and market service and expansion operations, through an established cooperative finance system.

3. 30% annual increase in Samahang Nayon investments in AMCs and CRBs in project target areas.
4. 8 Coopeaative Rural Banks established and serving production credit needs of 3,000 Samahang Nayon members.
5. 15 Area Marketing Cooperative adequately staffed, financed and developed to serve a wide range of farmer needs.
6. A central cooperative marketing and supply distribution outlet established, supplying adequate inputs to 15 AMCs and marketing 50,000 metric tons of cooperative produce annually by 1980.
7. A marketing information system in place collecting, analyzing and disseminating market information.

MEANS OF VERIFICATION (C-3)

Verification for the magnitude of project outputs will include:

1. The existence of Department of Local Government and Community Development, Department of Agriculture and Presidential Directives and Policy Determinations.
2. The examination of Area Marketing Cooperative, Cooperative Rural Bank, Central Bank and National Cooperative Systems, financial records.
3. The review of Samahang Nayon financial records.
4. Reviewing DLGCD, Cooperative Rural Bank and Central Bank records.
5. Interviews with Samahang Nayon membership and the examination of Area Marketing Cooperative and SN farm management records.
6. Reviewing the National Cooperative Marketing System (CMSP) records.
7. The examination of Marketing Information System records.

ASSUMPTIONS FOR ACHIEVING OUTPUTS (C-4)

Concerned GOP agencies will generally be responsive to improve coordination in the cooperative sub-sector.

PROJECT PURPOSE (B-1)

The expressed purpose for the Cooperative Marketing Project will be to increase and more effectively distribute production income and cooperative services to small farmers by strengthening and expanding existing, including newly organized, cooperative marketing and finance institutions. This purpose will be achieved through the successful attainment of the project outputs as listed in the preceding section.

CONDITIONS THAT WILL INDICATE PURPOSE HAS BEEN ACHIEVED: END-OF-PROJECT STATUS (B-2)

Upon the completion of the project the following conditions will verify that the intended project purpose has successfully been attained:

1. The National Cooperative Systems will be providing input supply, marketing services including intelligence, and technical and management assistance to member cooperatives.
2. A strong, viable and well managed cooperative finance systems will be established and responding to the financial needs of cooperatives by providing them ready access to short, medium and long term loans based on a multi-year projected cooperatives development plan.
3. A strong and viable group of eight Cooperative Rural Banks will be operating profitably and meeting ₦12 million in production credit needs of their borrowers.
4. The flow of cooperatively marketed products from rural to urban areas will be continuous and increasing at a rate of 20% annually and resulting profits will be reinvested in additional cooperative growth activities.
5. There will be a continuous upward and downward flow of marketing information monitored on a daily basis, including intelligence, trends and projections throughout all levels of the cooperative marketing structure.

MEANS OF VERIFICATION (B-3)

The following may be used to verify the conditions existing at the end of the project:

1. The examination of National Cooperative Systems and Area Marketing Cooperative records.
2. Reviewing records of Central Bank and other banking institutions extending loans to cooperatives.
3. The examination of Cooperative Rural Bank and Central Bank Records,
4. Reviewing the national Cooperative Marketing System (CMSP) records.
5. The examination of Marketing Information System records.
6. Periodic reviews of project reports and evaluations.

ASSUMPTION FOR ACHIEVING PURPOSE (B-4)

A basic assumption for achieving the project purpose is that small farmers can be motivated to join cooperatives and actively participate in their activities and management.

GOAL: (A-1)

The attainment of the project purpose will contribute substantially toward the attainment of the sectoral goal which is to increase the productivity, income and quality of rural life of the small farmer in the Philippines.

MEASURES OF GOAL ACHIEVEMENT: (A-2)

The following indicators are measures of sectoral goal achievement:

1. The productivity of small farms is optimized; maximum utilization of agricultural inputs, extension technology, credit and marketing services.
2. Increased income to small farmers belonging to cooperatives accrues at a rate which is double the increases accruing to non-members by 1981.
3. The number of farmers applying for membership in cooperatives increases at a rate of 15% each year.

4. There is a measurable increase in the number of small farm families wanting children to receive formal education.

MEANS OF VERIFICATION (A-3)

The above may be verified by:

1. The examination of Department of Agriculture records.
2. The examination of Department of Local Government and Community Development records.
3. The review of National Cooperative Systems, Area Marketing Cooperative and Cooperative Rural Bank records.
4. The review of Samahang Nayan records.
5. Discussions and interviews with farmer members of cooperatives.

ASSUMPTIONS FOR ACHIEVING GOAL TARGETS: (A-4)

The basic assumption for achieving the targets embodied in the sectoral goal in relation to this project is that the Government of the Philippines will formulate policies which are conducive to cooperative growth and development.

IV. COOPERATIVE DEVELOPMENT ACTIVITIES OF HOST COUNTRY AID AND OTHER DONORS

The three year old Philippine cooperative development program has resulted in the creation of a vertically integrated marketing system which flows from the Samahang Nayon through the Area Marketing Cooperative to the national marketing organization called the Cooperative Marketing System of the Philippines (CMSP). This vertical chain has now been linked directly to the consumer with the recent inauguration of the CMSP sponsored Metro Manila Consumers Cooperative (MMCC). However, the system's underlying strength is the more than 850,000 small farmers who have joined themselves together in organizing village level Samahang Nayon and who have willingly participated in the programs compulsory education and savings program. AID has supported the program with a number of consultants including a four-man team to survey the national cooperative marketing system (report published); a former institutional development specialist; several short-term Volunteer Development Corps experts on cooperative supermarkets; and short-term education and management training consultants. The Peace Corps has supported cooperative development projects in the past and is considering possible support to Area Marketing Cooperative (AMC). The UNDP has funded an Israel cooperative technician to assist at national cooperative headquarters; the Canadian International Development Agency granted a \$6.3 million loan for the development of cooperatives in the Cagayan Valley; and the Israeli government continues to support pilot multi-purpose cooperatives in Nueva Ecija province. None of these efforts are duplicative of this proposed project; some of them have served as the basis for design of this project.

V. PROJECT BENEFICIARIES

The primary intended beneficiaries of this project are small-scale farmers who are either owners, amortizing owners or leasees of 2.5 hectares or less of agricultural land, predominantly devoted to rice and corn production, and who as a group are among the poorest of the poor in Philippine rural communities. More specifically this target group represents those small-scale farm families belonging to Samahang Nayon (village associations) in carefully selected areas with access to either organized or functional marketing cooperatives, known as Area Marketing Cooperatives (AMC). Initially this group is estimated to represent some 70,500 farm families. Traditionally these people have been exploited, in the absence of effective cooperative structure, by large and many times unscrupulous traders in the areas of production input supply and marketing. They have also suffered from minimal access to institutional credit and improved agricultural technology.

Among the statistically identified poor this beneficiary group offers a significant and unique potential for its own growth and development through an already existing support structure of which it is already an integral part. This project seeks to strengthen and expand that cooperative structure involving the Samahang Nayon (SN), AMC, Cooperative Rural Bank (CRB) and national Cooperative Marketing System of the Philippines (CMSP). Target beneficiaries will benefit from more efficient input supply and marketing services resulting in higher net prices for their products and lower input costs through a strengthened SN/AMC/CMSP model.

Samahang Nayon members will also have improved access to production credit from institutional sources through an expanded SN/CRB supervised credit program. Improved SN/AMC extension linkages as a result of developed AMC structure will also allow project beneficiaries to benefit from new production technologies. Collectively these benefits will result in an expanded target group as farmers who are non-members of Samahang Nayon in rural communities seek to join the cooperative structure in order that they too may receive improved production support services. Assurance that this diffusion will in fact take place will be provided by periodic monitoring and evaluation in target project areas.

In all target areas for project development farmer members of Samahang Nayon have already or will soon have completed some sixty-five weeks of intensive education and indoctrination on the cooperative structure of which they are a part. In addition to this training which stresses basic cooperative principles, including member discipline, participation and representation, Samahang Nayon members in target provinces for project assistance have already contributed through savings programs ₱ 24 million pesos (\$3.2 million) support for the development of their cooperatives structure.

Because the Cooperative Marketing Project seeks to support an organizational structure which in itself is committed in doctrine and in practice to removing basic social impediments and constraints which restrain the development of the rural poor, the potential for ultimate project success is indeed excellent. It is not anticipated that this project will require target beneficiaries to change any basic values inherent to them. In this respect it is safe to assume that project implementation will not cross paths with existing norms and practices within the cultural environment. It is expected, however, that the intended project recipients will need to continue modifications in attitude with respect to improved planning habits and cooperative group participation. Development in these areas is now being witnessed among target beneficiaries as continued indoctrination has resulted in increased member savings and improved group discipline.

There will undoubtedly be some resistance to a strengthened cooperative marketing system on the part of some middlemen who make huge profits, at the farmers expense, from high interest loaning, input supply and marketing transactions. As the project develops and as AMCs and CRBs begin to provide efficient and lower cost supply, marketing and credit services to Samahang Navon membership these middlemen will be encouraged to move into other sectors of agribusiness where earnings will be based more directly on the quality of service rendered. The proposed Agribusiness Project will assist in this transition by providing new opportunities and incentives to the middleman for the investment of both his time and capital. Increased bargaining power brought about as a result of strengthened Samahang Navon will also greatly enhance the capability of small farmers to effectively deal with persistent middlemen.

Perhaps the greatest potential for opposition to the project rests with the large and established private trade sector who traditionally have controlled the Philippine grain and vegetable marketing system. It is felt, however, that with the continued support at the highest levels of government and the pledged support of the National Grains Authority (NGA), coupled with the fact that the cooperative system only aspires to capture some 10-15% of the overall market (a relatively small share), that overt opposition to the project by private traders and millers will not occur.

The existence of the SN/AMC/CMSP cooperative marketing structure offers strong assurance in itself that benefits derived from project support will accrue directly to the intended beneficiaries. The beneficiaries themselves will be responsible for safeguarding this assurance through their appointment of competent, capable and honest cooperative directors, officers and managers. As an additional means of insuring that the system continues to perform on the behalf of the beneficiaries appropriate evaluations will be conducted on an interim basis during the life of the project.

VI. FEASIBILITY ISSUES

ECONOMIC ISSUES

It is somewhat difficult to estimate in economic terminology the magnitude of benefits to be derived for the project beneficiary and the economy as a whole from the institutional development of an effective cooperative marketing system. Clearly, it can be projected that beneficiary income would increase with the presence of such a system. The cooperative with its non-profit philosophy replaces the middleman and repays to the farmer a more equitable return to his labor. It also frees him in many cases from a forced credit/market reliance upon private money lenders and traders, thus allowing him access to institutional sources of production credit with improved terms including substantially reduced interest rates. These known benefits will improve farmer income and hence will stimulate directly the growth of agro-business, rural industrial development and the economy as a whole.

In addition to bringing about greater income for farmer beneficiaries the development of an efficient cooperative marketing system will also contribute to increased on and off-farm employment. Area Marketing Cooperatives and Cooperative Rural Banks will draw upon their respective memberships for potential leaders to hold key staff positions in areas of technical and managerial responsibilities. Increased activity and a strengthened support service delivery system within Samahang Nasyon in project target areas will result in additional opportunities for employment and income generation at the village level. As agro-business and cottage-industry begin to expand in areas serviced by strong AMCs more jobs will be created for the enterprising rural worker.

Realistically speaking there are certain economic factors which could limit the effectiveness of a cooperative marketing system to offer its membership the degree of service and intended benefits that it is capable of providing. One such potential constraining factor could be an adverse change in government policy regarding the support price of rice. At present the GOP closely controls this commodity by establishing a floor price for the purchase of unmilled paddy and a ceiling for the sale of milled product to the consumer. Should these prices change dramatically or should the government remove existing price controls for rice, Area Marketing Cooperatives may find it difficult to compete in a market with larger privately established traders in the face of dwindling or greatly reduced profit margins. It is highly unlikely, however, that the GOP would remove existing controls or allow dramatic price fluctuations for rice to occur. Rice trade accounts for a sizeable percentage of the yearly Philippine gross national product. Food takes 54 percent of the Filipinos family net income and rice comprises 19 percent of the consumer price index. Thus

a major change in policy determination regarding the support price of rice would have dramatic effects on vast segments of the overall economy.

Another factor identified here and in Section V of this paper which could restrict the success of a national cooperative marketing system is severe opposition from private and established millers and traders. While certainly the AMCs supported by CMSP aspire to market more than just rice, it is a fact that at present most of the AMCs targeted for support under this project are currently dealing primarily with this commodity. It is also a fact that a well organized, highly financed group of private traders have traditionally controlled much of the rice marketing industry in the past. It should be noted, however, that under previous cooperative programs there were well documented cases of cooperatives successfully breaking into this market. More recently the government has captured a fair share of this market with its price stabilization program of the National Grains Authority (NGA). There is now existing evidence in the form of Presidential decrees and directives to support the contention that the government will support a national cooperatives marketing system. A four-man consultant team financed by AID, prepared a comprehensive cooperative rice marketing system study* (report published) in mid-1975 which projected that a cooperative marketing structure could easily capture 10-15% of the existing rice market without endangering the interests of the private sector.

Area Marketing Cooperatives not only aspire to capture a relatively small percentage of the overall market but they undoubtedly will enjoy a wide margin on the percentage of produce actually marketed. Because of the technological packages made available to the Samahang Nasyon members through the outreach/extension thrust of the Integrated Agricultural Production and Marketing Project, improved post-harvest handling of grains will reduce losses and thereby increase the quality and quantity of produce marketed. This added savings will expand the profit margins of AMCs allowing them to better service respective memberships.

The Cooperative Marketing System will also be strengthened through conscientious efforts to integrate the marketing activities, including market intelligence with other marketing programs of the Philippine Government such as the marketing efforts of the National Food and Agricultural Council and the Food Terminal, Inc. (FTI). The FTI, however, does not at present provide rice marketing service to small farmers as does CMSP, and is currently experiencing some financial difficulties. It is, however, a central marketing source for vegetable and livestock commodities.

TECHNICAL ISSUES

The Cooperative marketing model which this proposed project is endeavoring to implement is

* R. M. Grigsby, J.T. Hogan, J. E. Rose, O.R. Shelley: "Cooperative Rice Marketing System Study": ACDI/USAID; Manila October 1975.

working to support has evolved as a result of some twenty years of experience in developing a cooperative pattern which is socially acceptable and technically capable of functioning within the Philippine environment. This model which has been tested in areas such as Nueva Ecija province has shown itself to be organizationally sound. Crucial to the successful establishment of a viable national cooperative marketing system, however, will be the continued education, discipline and savings of the cooperative membership. Efforts are currently underway to intensify these programs in areas targeted for project development. Equally important to the need for continued membership development is the need for competent and trained management at all levels of the cooperative marketing structure. All AMCs targeted for assistance during the first year of the project have trained managers with substantial practical experience in managing the business affairs of their respective cooperatives. These managers and their respective staff members will receive additional intensive training prior to the extension of any financial assistance to their cooperatives. Managers and staff members of other AMCs and CRBs scheduled for development during the second and third year of program implementation will also receive intensive classroom and on-the-job training. Development programs for CMSP staff will also be an integral part of the overall strategy to help insure both high quality and professional management throughout the cooperative structure. (Attached in Annex E is an organizational chart for SN, AMC, CMSP and the BCOD.)

In developing a functional national cooperative marketing system it will be necessary to assure that an efficient communication network exists among AMCs and CMSP. An effective market information system will rely heavily upon radio communication and transport capability between AMCs and CMSP. The location of the proposed central cooperative marketing supply distribution complex will also be of strategic importance in assuring the effective channeling of produce from producer to consumer. Technical issues such as these will be carefully analyzed during PP preparation and thoroughly addressed during the early phases of project implementation.

An Initial Environmental Examination (IEE) is presented in Annex C to show the possible effects of the Cooperative Marketing Project upon the environment.

FINANCIAL ISSUES

Two of the more substantial financial issues to be addressed in detail during the PP preparation are firstly, the capacity of Cooperative Rural Banks to extend financially sound loans to Area Marketing Cooperatives and secondly, the capability of AMCs to repay those loans on a timely basis.

The first constraint to effective CRB loan extension is existing policy which limits the amount of capital a CRB can loan to any one borrower to 15% of the existing equity of the bank. While project development proposes to expand this equity base two fold the 15% will still be a limiting factor. There is sufficient evidence to indicate that the Central Bank may be willing to raise this loan capacity to as much as 37.5% of bank equity for loans made to AMCs for the purpose of working capital. This would be an equitable solution which would allow CRBs to more adequately meet the financial needs of AMC borrowers and at the same time insure manageable risk levels for concerned banks. PDS funded consultants will assist project development staff in resolving this loan capability based on equity issue in forthcoming project planning sessions.

Another possible constraint to effective loan operations for Cooperative Rural Banks is the insufficient number of competent and trained personnel at both the CRB and CB levels who are experienced in the field of cooperative finance. During the months prior to project implementation, development programs including on-the-job training will be conducted for selected CRB and CB personnel who will be responsible for managing cooperative finance operations in areas targeted for year one development. Costs for this training will be shouldered by the GOP project agencies. Continued training for these and other personnel for subsequent areas of development will be conducted utilizing project funds beginning in the first year of project implementation.

Regarding the capacity of AMCs to repay loans made to them by CRBs on a timely basis much will depend upon the competence of central level cooperative loan officers to firstly insure that accurate technical and economic appraisals are developed which will reflect the true financial need of AMCs and secondly, insure proper application of all funds loaned to AMCs. This later point may be accomplished through periodic loan evaluations, custodial arrangements or surprise audits of AMC operations. Operating capital loans will generally be of a short-term nature and therefore easier to manage. Care should be taken to insure feasible schedules for amortizing medium and long-term facility and equipment loans. Capital formation as a result of increased member equity and profits will over time reduce the borrowing needs of growing AMCs.

Member equity in AMCs and CRBs alone targeted for development under this project currently amounts to some ₦ 7 million (\$.93 million). It is an established principle that generally loan repayment improves when the borrower has an investment in the project being

financed. Therefore, continued growth in member equity within the cooperative structure should be encouraged.

It is assumed that the GOP will continue to financially support the growth of the cooperative marketing system and the cooperative structure as a whole. Objectively verifiable indications of this commitment will be included in the project loan agreement.

Perhaps a more basic financial consideration is whether a portion of AID funds should in fact be used to finance risk capital loans to Area Marketing Cooperatives. It is proposed that some project funds be utilized in this manner, together with GOP funds, to, in a catalytic manner, establish an ongoing, Philippine financed source of funding for cooperatives. The proposed cooperative guarantee fund, supported itself by borrowing cooperatives, will serve to minimize loan risk in this area. However, a more detailed analysis of this issue will be called for in the preparation of the project paper.

Still another financial issue to be addressed in detail in the Project Paper is the subject of interest rates to be fixed on loans channeled through the proposed cooperative finance delivery system to cooperative borrowers. The Cooperative Marketing Project does not propose certainly to under cut existing commercial leading rates available to cooperative borrowers. It does propose however, to develop an equitable system of loaning designed to strengthen and protect both lender and borrower alike. Currently a PDS consultant in the subject field of cooperative finance is working with a team of Philippine counterparts to address this and other financial issues embodied within the project development process.

The project development committee has initially reviewed the question as to whether a portion or portions of the proposed assistance to be offered under the Cooperative Marketing Project should be classified as an Intermediate Credit Institution (ICI) loan. Loan funds which would be channeled through the proposed cooperative finance mechanism to borrowing Area Marketing Cooperative may fall into this category. This portion, however, amounts to only slightly more than 50 percent of overall project funds. This finance mechanism is not in itself a finance institution. It is a disbursement mechanism which will function under the policy administration of the Central Bank of the Philippines. A portion of the project funds would be utilized in establishing a guarantee fund which would strengthen the cooperative finance mechanism and allow in turn for secure sub-lending to Area Marketing Cooperatives. The balance of project funds would be utilized in providing a trust fund for building AMC equity and in providing support funds for technical assistance, management training, and modest commodity assistance. That portion of project funds utilized for direct financial assistance to AMCs will fall under the category of corporate financing to cooperative institutions, not production credit to farmers. Final determination as to whether or not the ICI loan definition applies to portions of the Cooperative Marketing Project will be made and addressed in the preparation of the Project Paper.

VII. OTHER DONOR COORDINATION

In Section IV of this paper the assistance of other donor agencies in the Philippine cooperatives development program were alluded to. The nature and emphasis of the UNDP, Canadian and Israeli projects deserves more explanation at this point in order to more clearly perceive the interrelationships of these efforts with that of the Cooperative Marketing Project.

The UNDP has proposed an expanded project of support to the Philippine cooperatives program. The proposed effort will commit some \$390,000 over a two year period to begin in January 1977 for the purposes of technical assistance and training. These activities will be directed toward the development of special projects undertaken by the Bureau of Cooperatives Development and in support of the establishment and strengthening of three special service cooperatives to service Samahang Nayan members in the areas of fish, livestock and vegetable production. Although this project will not provide loans to AMCs it is expected that the technical assistance and training efforts will help develop the management capabilities of special service AMCs and will thusly help to strengthen and institutionalize an effective cooperative marketing system.

The Canadian International Development Agency (CIDA) \$6.3 million loan project in the Cagayan Valley offers a broad spectrum of integrated cooperative development including institutional and infra-structural development training and technical assistance. Cooperative marketing is a component of this project which focuses on Samahang Nayan development and supports the expansion of three AMCs. CMSP operations including information and marketing systems development brought about as a result of the Cooperative Marketing Project can support the CIDA effort while development activities in the Cagayan Valley will contribute toward a strengthened national cooperative marketing structure.

The Israeli project in Gen. Ricarte, Nueva Ecija is in its sixth year of implementation. This project focusses on the development of one village level cooperative according to the Moshav concept of cooperative development. The project will contribute significantly to the Cooperative Marketing Project through the pilot testing of effective support service delivery systems at the village level which may be adapted to Samahang Nayan and used to improve SN/AMC service linkages in such areas as extension, input supply and marketing.

The implementation plan for the Cooperative Marketing Project loan will result in the creation of a cooperative finance structure (described in Section IX) capable of extending major loan assistance to marketing cooperatives. This structure will hopefully serve as a conducive mechanism for channeling future host country and foreign donor financial assistance to Philippine cooperative development efforts.

VIII. FINANCIAL PLAN

The attached budget Tables 1 and 2 present detailed preliminary cost estimates for the various categories of support covered under the proposed Cooperative Marketing Project. Allowances have been made for contingency and inflation factors. Inflationary rates have been computed at a rate of 6 per cent per annum for U.S. inputs and 7 per cent per annum for GOP inputs.

It should be noted under the Loan Funds Section of Budget Table 1 that considerable GOP funds have already been invested in support of a new and expanded cooperative marketing system. These funds have been extended on a long-term loan basis to CMSP and several of the AMCs targeted for support under this project. Most of these funds have been invested in facilities. Future GOP assistance in the Loan Funds Section will be channeled firstly, through the Cooperative Development Loan Fund in support of consumer cooperative marketing development and expanded CMSP operations and secondly, through the cooperative finance system, discussed in Section IX, to AMCs and CRBs specifically identified for assistance under this project. Assistance in this later category is estimated to amount to \$1.5 million.

The Cooperative Equity category cited in both budget tables reflects firstly, existing equity of cooperative members in the 15 AMCs and 8 CRBs targeted for support under this project in the amount of \$.93 million and secondly, a 30% annual growth in this equity over the three year life of the project, amounting to \$1.12 million.

Detailed itemized costings on a quarterly basis for the categories of AID financial assistance are presented in Annex B, Preliminary Gantt Chart.

Additional PDS consultant support will be required during the PP stage of project development. Funding appropriation, allotment and PIO/T numbers for this assistance are cited in Section X.

BUDGET TABLE I

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US \$ 000)

Project Review Paper

Source	AID		TOTAL AID	HOST COUNTRY		Other ^{1/}		TOTAL
	GRANT	LOAN		FX	LC	FX	LC	
	FX	FX						
U.S. Technical Assistance		393	393		2		102	497
Participants		278	278					278
Commodities		79	79				70	149
Loan Funds								
a. Past		-	-		4,970			
b. Future		5,250	5,250		14,037			24,257
GOP in Kind					191			191
^{2/} Other					3,721			3,721
^{3/} Inflation factor								
^{4/} Contingency								
TOTAL		6,000	6,000	-	22,921	-0-	172	29,093

1/ Derived from PL 480 but GOP Resource

2/ GOP Budgetary support for and equity in Cooperative Marketing System

3/ Included in above figures

4/ Included in above figures

BUDGET TABLE 2

COSTING OF PROJECT OUTPUTS/INPUTS
(U.S. \$000)

Project #492-0300

Project Review Paper

Title: Cooperative Marketing Project

Project Inputs	PROJECT OUTPUTS					TOTAL
	1	2	3	4	5	
AID Appropriated						
Technicians	65	108	112	35	73	
Participants	116	63	21	16	62	
Commodities	43	16	16	4	-	
Loan Funds	3,875		675	-	700	
TOTAL AID	4,099	187	824	55	835	6,000
Other U. S. - Derived from PL 480 but GOP Resource	55	43	43	12	19	
Host Country						
In-kind Support	98	33	35	15	12	
Budgetary Support	924	456	221	-	70	
Cooperative Equity	440	1,610	-	-	-	
Loan Funds:						
a. Past	1,437		3,533	-	-	
b. Future	4,779	4,978	4,280	-	-	
TOTAL HOST COUNTRY	7,733	7,120	8,112	27	101	23,093
OTHER DONOR	-	-	-	-	-	-
TOTAL	11,832	7,307	8,936	82	936	29,093

1. 15 strengthened and functioning AMCs
2. 8 strengthened and functioning CRBs
3. National Cooperative Marketing System supporting AMCs and Marketing produce through Central Coop Marketing & Supply Center
4. Marketing Information System in place
5. Banking institutions providing credit needs of cooperatives

IX. IMPLEMENTATION PLAN

The Cooperative Marketing Project will engage a number of institutions in program implementation. Those agencies responsible for administering the loan project are:

1. The Cooperative Marketing System of the Philippines;
2. The Bureau of Cooperatives Development;
3. The Central Bank of the Philippines;
4. The National Economic and Development Authority; and
5. The United States Agency for International Development.

AID project assistance will be divided into two major categories, a loan funds category and a support funds category. The nature for both categories will be in the form of a loan for which an agreement stipulating the mechanics for each category will be developed and signed by the agencies above listed.

The loan funds category refers to that portion of the AID loan to be used in support of the establishment of an effective cooperative finance system which is capable of meeting the financial needs of the fifteen Area Marketing Cooperatives targeted for development under the project. This system will hopefully set the stage for the eventual establishment of a Central Bank for Cooperatives. The mechanism for the delivery of the loan funds category is illustrated in Chart No. 1. This delivery system will be operational by October 1977 and will be included in the project loan agreement. PDS technical assistance has been utilized in the development of a comprehensive report describing this mechanism, portions of which will appear in the Project Paper. Under the delivery scheme USAID shall extend a dollar loan, to be converted into local currency, to the Philippine Government for the purpose of developing and strengthening an effective cooperative marketing structure. This loan will be extended through the National Economic and Development Authority (NEDA) to the Central Bank of the Philippines (CB) where it shall be deposited in a separate account under the Department of Rural Banks and Savings and Loan Associations (DRBSLA). A special section shall be created under the DRBSLA of the Central Bank for extending short, intermediate and long term financial assistance provided for under this loan to cooperatives. A specially trained staff shall manage this section and be responsible for individual borrower loan development. All proposed loans shall be reviewed by a loan committee who will follow prescribed loan policies and guidelines as determined by a policy committee which shall represent the three project implementing agencies, CMSP, ECOD and CB. Cooperative development loan releases shall be made by this newly created cooperative finance section to

where's
this?

Cooperative Rural Banks (CRB) participating in the project. Each CRB will make loans to specified Area Marketing Cooperatives (AMC) to cover facility requirements and working capital needs as determined feasible by the loan committee. The CRB will therefore serve as an agent to administer the cooperative loans. A high degree of coordination shall exist between the CB/DRBSLA and the CRB on all loans extended to AMCs. The CB/DRBSLA may elect to extend loans to levels of the cooperative marketing structure other than Area Marketing Cooperatives. When this is done loans may be channeled through CRBs or, where it is not feasible for a CRB to serve as an intermediary, through another existing bank such as the Land Bank of the Philippines. Such may be the case in extending financial assistance to CMSP for the purpose of developing an operational central cooperative marketing and supply complex as called for in the project.

A portion of the loan funds category will be used to establish a guarantee fund for the cooperative finance system which will minimize loan risk and carry the overlying portion of loans made in excess of established CRB loan to equity ratios. This guarantee fund to be counterparted by GOP and cooperative investments will further serve as a potential equity for the eventual establishment of a Central Bank for Cooperatives. Limited loan funds together with GOP resources will further be utilized for the purpose of expanding the equity of fifteen AMCs through a special trust fund arrangement.

As a means of supporting the rapid growth of a financial structure which is capable of meeting the capital needs of a developing cooperative marketing system it will be necessary to expand the equity base of all CRBs participating in the project. GOP loan assistance will be provided for this purpose. Appropriate guidance will be developed and policy guidelines established in order to insure an equitable program for amortizing this investment without endangering the financial security of the banks concerned. This scheme will be explored more fully at the Project Paper stage.

In addition to the loan funds category under the project, there will be a support funds category to be jointly administered under the loan agreement by CMSP, BCOD and USAID. Funds in this category will be used in the essential project support areas of technical assistance, participant training and ~~commodities~~.

Specific areas of project inputs to be covered under the support funds category are discussed in a concise manner in Section III of this paper entitled "Detailed Project Description."

The roles of the respective agencies administering the loan and support

fund categories of the project are as follows:

1. The Central Bank of the Philippines (CB)

The CB will serve as the primary implementing agency for loan funds provided under the project. As such it will be the responsibility of the CB to insure the wise management and timely release of these funds in order to accomplish project implementation according to projected development timetables. CB has demonstrated its capability to meet this responsibility through other similar loan programs such as the World Bank IBRD loan for medium and long term financing of agribusiness development projects extended through existing rural banks. Nevertheless it will be imperative that CB staff who will be responsible for managing a newly created cooperative finance section must be given training in the specialized field of cooperative finance as existing staff capabilities exhibit limited experience in dealing with this form of loan extension.

2. The Cooperative Marketing System of the Philippines (CMSP)

CMSP will serve as an active implementing agency in both the loan and support fund categories of project implementation. It will be the responsibility of CMSP to offer management and staff development support to all project targeted AMCs and CRBs. CMSP will serve as the central agency to coordinate cooperative marketing activities including intelligence for all project supported AMCs and will assist in assessing and auditing the business operations of these cooperatives. In order for CMSP to function in these roles it will first be necessary to restructure the existing Cooperative Management Systems, Inc. (CMSI) in order to allow AMCs to assume greater control of management and to increase the capabilities of a central staff to provide well rounded management development and support to AMC and CRB managers. Efforts to accomplish this task are currently underway. CMSP must also hire additional full-time marketing personnel to insure adequate technical capabilities for an expanded cooperative marketing effort.

3. The Bureau of Cooperatives Development (BCOD)

The BCOD will also serve to actively assist project loan and support fund implementation. The BCOD will be responsible for legally registering existing and organized AMCs and CRBs targeted for project development. The BCOD shall provide a technical field staff to assist these cooperatives in the process of becoming operational according to prescribed project development

timetables. This field staff will assist CMSP in the overall staff development for project supported AMCs and CRBs. They will also continue to provide membership education, training and continued organizational development for the more than 1,200 Samahang Nayon belonging to AMCs represented by the project. The BCOD through its management information system will provide CMSP and CB updated and accurate cooperative organizational and financial status reports in project implementation areas. In order to accomplish these tasks in a timely manner appropriate policies and directives which outline in a more precise manner the nature of BCOD support to the project will need to be formulated.

4. The National Economic and Development Authority (NEDA)

NEDA will serve as the primary Philippine Government agency to monitor overall project loan implementation. With respect to the loan funds category of the project NEDA will serve to channel funds received from USAID to the Central Bank and to oversee the application of those funds for the period specified in the loan agreement. After this period NEDA will again serve as the agent for repaying the loan to the United States according again to the terms specified in the project's loan agreement. With respect to the support funds category of the project NEDA will offer counterpart financial assistance and monitor the proper application of project support funds. NEDA has adequately demonstrated its capability to perform these functions effectively.

5. The United States Agency for International Development (USAID)

USAID will serve as the primary U.S. Government agency to monitor overall project loan implementation. It will be the responsibility of USAID to provide both loan and support fund category assistance for project implementation on a timely manner to coincide with agreed upon project implementation schedules. It will also be the responsibility of USAID to insure proper application of all loan and support funds provided under the project. Suitable mechanisms to assure this supervision will be incorporated into future project design and implementation documentation.

Two project managers will serve to provide overall management support for the Cooperative Marketing Project. The project manager representing the Government of the Philippines will be the Department of Local Government and Community Development's Undersecretary for Cooperatives Development. Representing the United States Government, one project manager will be appointed by USAID.

Contracting for the Cooperative Marketing Project will be accomplished by USAID. Support to a strengthened cooperative marketing structure is in fact support to the private cooperative sector, as cooperatives in the Philippines are private, not government owned institutions.

A number of factors posing potential constraints to the effective performance of implementing agency functions have been alluded to. Currently, efforts are underway to remove these potential obstacles prior to project implementation. A number of other issues must also be addressed during the Project Paper stage of development. One important issue is that of CRB and AMC equity loan repayment. If project funds are to be used on a loan basis through a trust arrangement to purchase preferred stock in AMCs then a workable mechanism must be developed in order to allow a pay back of project funds so invested over time which will not later stress the viability of the individual institutions concerned. The same is true for GOP funds invested in CRB equity.

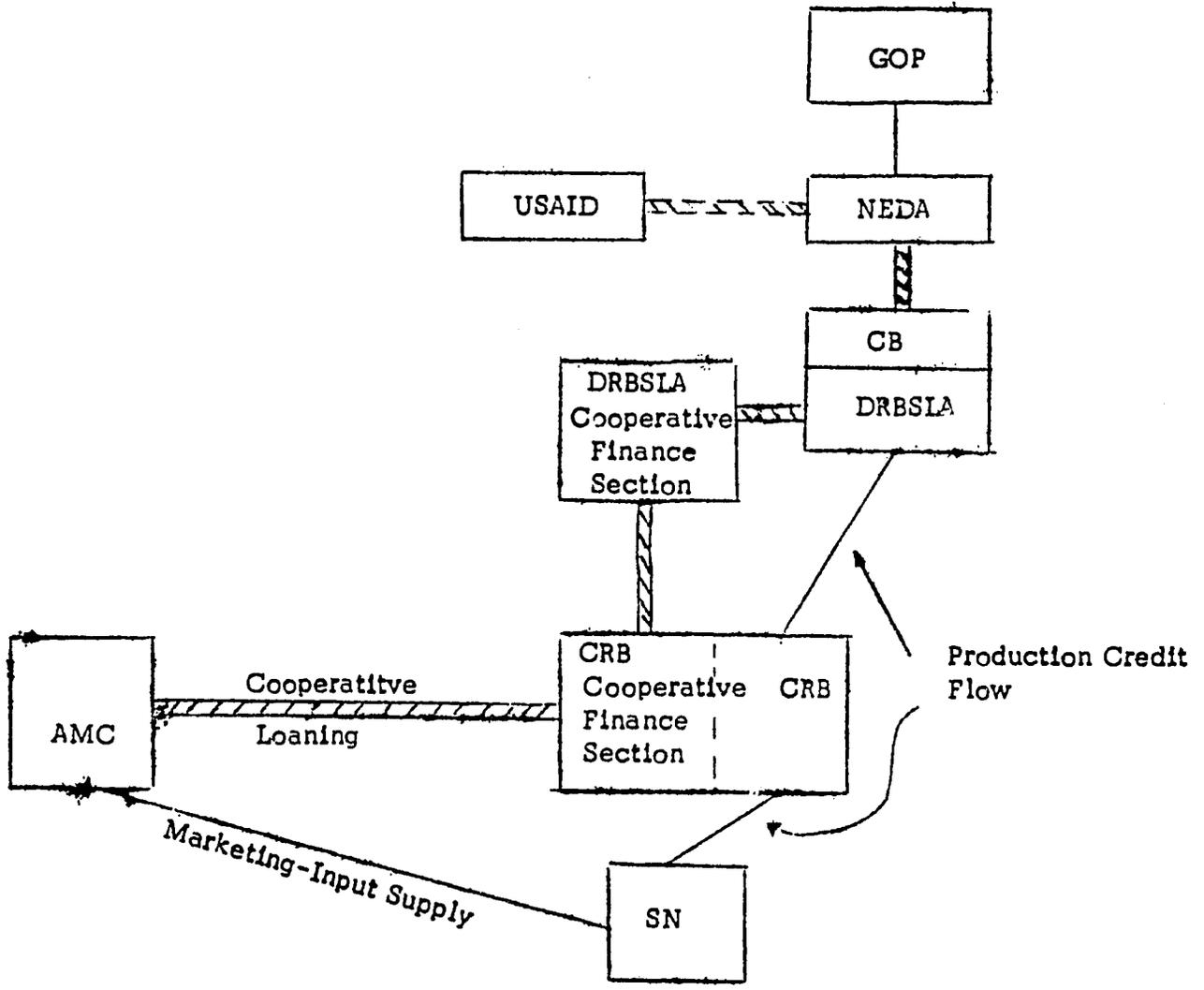
Another issue to be addressed prior to project implementation is the creation of a cooperative loaning section within the CB/DRBSLA. Designs, guidelines and policy decisions necessary to accomplish this step will be required prior to the PP finalization. A working committee has been established to address this concern.

In addition to establishing a cooperative finance section at the CB level, it will also be important to establish certain administrative capabilities at the CRB level. These activities must be accomplished concurrently with the preparation of the PP.

Another issue to be resolved during the PP stage of project development is a strategy for extending loan assistance with maximum supervision to CMSP for the purpose of establishing a central cooperative marketing and supply program and strengthening CMSP operations in general.

It is believed by the Project Development Committees that adequate time and resources exist at present to resolve these and other issues which may arise prior to the completion of the Project Paper.

CHART 1
 COOPERATIVE MARKETING PROJECT
 LOAN DELIVERY SCHEME



X. PROJECT DEVELOPMENT SCHEDULE

Table No. 3 presents a timetable for the development of the Cooperative Marketing Project up until the proposed time that it becomes operational in October of 1977.

The following USAID committee has been created to assist in this effort:

Chairman	-	Mark Van Steenwyk
Loan Officer	-	William McDonald
Member	-	David Garms
Member	-	William Fleming
Member	-	Gary Eidet

This committee will be assisted in planning phases by the following GOP working committee:

Antonio Arcellana	-	CMSP
Eduardo Adriano	-	CMSP
Mar Rubio	-	CMSP
Adelino Ordone	-	BCOD
Mariano Gimenez	-	CB

In addition to the above listed committees PDS support during the PRP preparation stage included:

1. Cooperative Finance/Credit Specialist (IMM) - Oren Shelley.

It is requested that additional PDS support be provided during the preparation of the PP. The following positions are hereby requested:

1. Cooperative Organization and Management Specialist - one man-month.
2. Cooperative Marketing Specialist - one man-month

Detailed scopes of work for the above listed positions have been cabled to AID/Washington; Ref: Manila 11439, Manila 12738. PIO/T No. 492-300-3-60305 has been assigned to these positions. Appropriation 72-11X1023, allotment 401-60-492-00-69-51 for this PDS support is herein cited.

TABLE 3
PROJECT DEVELOPMENT SCHEDULE

ACTIVITY	1976					1977									
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
1. Logical Framework Completed	[Timeline bar from Aug 1976 to Sep 1976]														
2. Gantt Chart Completed	[Timeline bar in Sep 1976]														
3. Project Development Committees begin and end PRP preparation	[Timeline bar from Sep 1976 to Oct 1976]														
4. PRC review of PRP	[Timeline bar in Oct 1976]														
5. Mission approves PRP and forwards to AID/W	[Timeline bar in Oct 1976]														
6. AID/W reviews PRP	[Timeline bar in Nov 1976]														
7. AID/W approves PRP	[Timeline bar in Dec 1976]														
8. Begin and end preparation of PP	[Timeline bar from Dec 1976 to Apr 1977]														
9. Consultants arrive and depart	[Timeline bar from Mar 1977 to Apr 1977]														
10. Continued project planning with GOP project agencies	[Timeline bar from Dec 1976 to Sep 1977]														
11. PRC approves PP	[Timeline bar in May 1977]														
12. Mission Director approves PP and forwards to AID/W	[Timeline bar from May 1977 to Jun 1977]														
13. AID/W Review PP	[Timeline bar in Jun 1977]														
14. AID/W approves PP	[Timeline bar in Jun 1977]														
15. Begin and end drafting of loan agreement	[Timeline bar from May 1977 to Jun 1977]														
16. Project Allotments made	[Timeline bar in Jun 1977]														
17. Authorization to sign loan agreement given	[Timeline bar in Sep 1977]														

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: COOPERATIVE MARKETING No. 492-0300

Life of Project
From FY 78 to FY 81 Annex A
Total U.S. Funding \$4 million
Date Prepared September 1, 1976

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>Increase productivity, income and the quality of rural life of small farmers.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> Productivity from small farms is optimized; maximum utilization of agricultural inputs, extension technology and credit and marketing services. Increased income to small farmers belonging to cooperatives accrues at a rate which is double the increase accruing to non-members by 1981. 152 increase annually in the number of farmers applying for membership in cooperatives. Increase in number of small farm families wanting children to receive formal education. 	<p>A-3)</p> <ol style="list-style-type: none"> Department of Agriculture records Department of Local Government and Community Development records National Cooperative, ANC and CBS records Samahang Nayon records Discussions and interviews with former cooperative members. 	<p>Assumptions for achieving goal targets: (A-4)</p> <p>CUP will formulate policies which are conducive to cooperative growth and development.</p>																																																
<p>Project Purpose: (B-1)</p> <p>Increase and more effectively distribute production income and cooperative services to small farmers</p> <p>Subpurpose:</p> <p>Strengthen and expand existing, including newly organized, cooperative marketing and finance institutions.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status: (B-2)</p> <ol style="list-style-type: none"> National Cooperative Systems providing input supply, marketing services and technical and management assistance to member cooperatives. A strong, viable and well-managed cooperative finance system established and providing them ready access to short, medium and long-term loans based on a multi-year projected cooperative development program. A strong and viable group of 8 CBSs operating profitably and meeting P12 million in production needs of their borrowers. A continuous and increasing (20% annually) flow of cooperatively marketed products from rural to urban areas and profits reinvested in additional cooperative growth activities. A continuous upward and downward flow of marketing information, monitored on a daily, including intelligence, trends and projections throughout all levels of cooperative marketing structure. 	<p>B-3)</p> <ol style="list-style-type: none"> National Cooperative System and ANC records Central Bank and other banking institution records Central Bank and CBS records National Cooperative Marketing System records Marketing Information System records Periodic project reports and evaluations 	<p>Assumptions for achieving purpose: (B-4)</p> <p>Small farmers can be motivated to join cooperatives and actively participate in their activities and management.</p>																																																
<p>Project Outputs: (C-1)</p> <ol style="list-style-type: none"> Stronger linkages existing among Samahang Nayon (SN), Area Marketing Cooperatives (AMC), the national Cooperative Marketing System (CMS), rural and national banks, the Department of Agriculture (DA) and the Department of Local Government and Community Development (DLGCD). Government, private and cooperative banking institutions providing most of the financial requirements of cooperative marketing and finance structures. Cooperative members investing capital in cooperative marketing and finance structures. Cooperative Rural Banks (CRB) effectively meeting the production credit needs of SN members in target areas. A strengthened and expanded nucleus of AMCs functioning to provide a full range of services to SN farmer members. The National Cooperative Marketing System (NCMS) supplying production inputs to and purchasing and marketing the produce of all AMCs receiving project support. A cooperative marketing information system collecting market information, analyzing it, developing market projections and disseminating said marketing intelligence to all project supported AMCs and CRBs. 	<p>Magnitudes of Outputs: (C-2)</p> <ol style="list-style-type: none"> Coordinated and relevant cooperative policies formulated, recognized and supported by concerned government agencies and private cooperative structure. Government, private and cooperative banking institutions providing 90% of the financial requirements of marketing cooperatives through an established cooperative finance system. 30% annual increase in SN member investments in AMCs and CRBs in project target areas. Eight CRBs established and serving production credit needs of 8,000 SN members. 15 AMCs adequately staffed, financed and developed to serve a wide range of farmer needs. A central cooperative marketing and supply distribution outlet established, supplying adequate inputs to 15 AMCs and marketing 30,000 metric tons of cooperative produce annually by 1980. A marketing information system in place collecting, analyzing, and disseminating market information. 	<p>(C-3)</p> <ol style="list-style-type: none"> Department of Local Government and Community Development, Department of Agriculture and Presidential Directives and Policy Determinations System records AMC, CRB, Central Bank and National Cooperative System records Samahang Nayon financial records DLGCD, CRB and Central Bank records Interviews with SN membership and examination of AMC and SN farm management records National Cooperative Marketing System records Marketing Information System records 	<p>Assumptions for achieving outputs: (C-4)</p> <p>Concerned CUP members will generally be responsive to improved coordination in the cooperative sub-sector.</p>																																																
<p>Project Inputs: (D-1)</p> <p>AIR</p> <p>Technical assistance Participant training Committee Loan Funds: for financing (intermediate and long-term) cooperative: 1) facilities 2) working capital</p> <p>OPF</p> <p>- In kind support - In-kind support - Cooperative equity - Loan Funds: for financing (intermediate and long-term) cooperative: a) facilities b) working capital</p>	<p>Implementation Target (Type and Quantity) (D-2)</p> <table border="1"> <thead> <tr> <th></th> <th>FY 1978</th> <th>FY 1979</th> <th>FY 1980</th> </tr> </thead> <tbody> <tr> <td>1. AID (Dole)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Technical assistance</td> <td>156</td> <td>123</td> <td>116</td> </tr> <tr> <td>Participant training</td> <td>130</td> <td>111</td> <td>37</td> </tr> <tr> <td>Committee</td> <td>25</td> <td>42</td> <td>12</td> </tr> <tr> <td>Loan Funds</td> <td>1,750</td> <td>1,625</td> <td>1,875</td> </tr> <tr> <td>OPF (Dole)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>In-kind support</td> <td>121</td> <td>122</td> <td>122</td> </tr> <tr> <td>Budgetary support</td> <td>765</td> <td>657</td> <td>649</td> </tr> <tr> <td>Cooperative equity</td> <td>1,213</td> <td>394</td> <td>673</td> </tr> <tr> <td>Loan Funds</td> <td>10,417</td> <td>5,378</td> <td>5,218</td> </tr> <tr> <td>TOTAL PROJECT</td> <td>14,577</td> <td>8,270</td> <td>8,275</td> </tr> </tbody> </table>		FY 1978	FY 1979	FY 1980	1. AID (Dole)				Technical assistance	156	123	116	Participant training	130	111	37	Committee	25	42	12	Loan Funds	1,750	1,625	1,875	OPF (Dole)				In-kind support	121	122	122	Budgetary support	765	657	649	Cooperative equity	1,213	394	673	Loan Funds	10,417	5,378	5,218	TOTAL PROJECT	14,577	8,270	8,275	<p>D-3)</p> <p>AIR</p> <p>AID financial and project records</p> <p>OPF</p> <p>OPF staff, budget and project records</p>	<p>Assumptions for providing inputs: (D-4)</p> <p>AID and CUP funding will be provided on a timely basis.</p>
	FY 1978	FY 1979	FY 1980																																																
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	Jan-Mar	Apr-June	Jul-Sept	Oct-Dec	Jan-Mar	Apr-June	Jul-Sept	Oct-Dec	Jan-Mar	Apr-June	Jul-Sept	Oct-Dec	Jan-Mar	Apr-June	Jul-Sept
3 Commodities															
a. Begin/end identification of project commodity requirements															
b. Begin/end procurement action															
c. Commodity value begin/end															
D.D.T.															
4 Institutional response															
a. Begin/end identification of agency budgets															
b. Begin/end identification of cooperative financing system within existing umbrella institution		Pre-proj. implementation													
c. Begin/end of time of cooperative mechanism investment															
d. In APRs, CRAs, and COPs															
e. COP fund formation to match existing commodity investment															
f. APRs, CRAs, and COPs strengthened from project funded group development loans through CRA's trust equity fund creation in one															
g. Central crop bank, etc. & supply distribution outlet organized and functioning begin/end															
h. Cooperative marketing information system organized and functioning begin/end															
SUB-TOTAL				700,000											
GRAND TOTAL				700,000	650,000	400,000	225,000								
				728,250	79,550	732,969	501,018	281,108	1,005,385	937,500	337,500	125,000	625,000	250,000	250,000
				728,250	807,800	1,540,769	2,041,787	2,322,895	3,328,280	3,772,199	3,962,234	4,833,898	4,908,862	5,212,592	6,007,000

INITIAL ENVIRONMENTAL EXAMINATION (IEE)

Project Location: Philippines

Project Title: Cooperative Marketing, No. 492-0300

Funding (Fiscal Year and Amount):

FY 1978 -	\$ 6 million
FY 1979 -	-
FY 1980 -	-
Total...	<u>\$6 million</u>

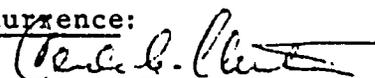
Life of Project: 3 years

IEE Prepared by: Mark A. Van Steenwyk Date: September 15, 1976

Environmental Action Recommended: Date:

Negative determination

Concurrence:


Charles C. Christian
Acting Director

Date:

November 12, 1976

Assistant Administrator's/Director's Decision: Date:

I. Examination of Nature, Scope, and Magnitude of Environmental Impacts

Description of Project: Refer to PRP, Cooperative Marketing - Section III

Identification and Evaluation of Environmental Impacts: See attached Impact Identification and Evaluation Form

II. Recommendation for Environmental Action:

Recommendation for a threshold decision that the project will not have a significant effect on the environment, and therefore a negative determination is appropriate.

IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas and Sub-areas</u>	<u>Impact Identification and Evaluation*</u>
A. LAND USE	
1. Changing the character of the land through:	
a. Increasing the population -----	<u> N</u>
b. Extracting natural resources -----	<u> N</u>
c. Land clearing -----	<u> N</u>
d. Changing soil character -----	<u> N</u>
2. Altering natural defenses -----	<u> N</u>
3. Foreclosing important uses -----	<u> N</u>
4. Jeopardizing man or his works -----	<u> N</u>
5. Other factors	
_____	_____
_____	_____
B. WATER QUALITY	
1. Physical state of water -----	<u> N</u>
2. Chemical and biological states -----	<u> N</u>
3. Ecological balance -----	<u> N</u>
4. Other factors	
_____	_____
_____	_____
C. ATMOSPHERIC	
1. Air additives -----	<u> N</u>
2. Air pollution -----	<u> N</u>
3. Noise pollution -----	<u> N</u>
4. Other factors	
_____	_____
_____	_____

* N - No environmental impact
L - Little environmental impact
M - Moderate environmental impact

H - High environmental impact
U - Unknown environmental impact

D. NATURAL RESOURCES

- | | |
|--|----------|
| 1. Diversion, altered use of water ----- | <u>N</u> |
| 2. Irreversible, inefficient commitments ----- | <u>N</u> |
| 3. Other factors | |

_____	_____
_____	_____

E. CULTURAL

- | | |
|--|----------|
| 1. Altering physical symbols ----- | <u>N</u> |
| 2. Dilution of cultural traditions ----- | <u>N</u> |
| 3. Other factors | |

F. SOCIO-ECONOMIC

- | | |
|---|----------|
| 1. Changes in economic/employment patterns -- | <u>M</u> |
| 2. Changes in population ----- | <u>L</u> |
| 3. Changes in cultural patterns ----- | <u>N</u> |
| 4. Other factors | |

_____	_____
_____	_____

G. HEALTH

- | | |
|---|----------|
| 1. Changing a natural environment ----- | <u>N</u> |
| 2. Eliminating an ecosystem element ----- | <u>N</u> |
| 3. Other factors | |

_____	_____
_____	_____

H. GENERAL

- | | |
|---------------------------------|----------|
| 1. International impacts ----- | <u>N</u> |
| 2. Controversial impacts ----- | <u>N</u> |
| 3. Larger program impacts ----- | <u>M</u> |
| 4. Other factors | |

Discussion of ImpactsF. 1. Changes in Economic/Employment Patterns

It is anticipated that the Cooperative Marketing Project will have a moderate impact upon employment and economic growth and development within the some 1,000 villages serviced by the 15 Area Marketing Cooperatives targeted for project development. In these areas, it is anticipated that strengthened Samahang Nayon associations will provide better systems for the delivery of basic support services to farmers thereby increasing profit margins for the producer and aiding in capital formation and savings at the village level. Samahang Nayon will thusly become viable socio-economic institutions for providing a host of services to farmer members. Positions of leadership and management created within the SN/AMC structure as a result of this growth will provide continued employment opportunities to rural families.

F. 2. Changes in Population

It is presumed that a strengthened cooperative marketing structure will result in increased employment opportunities at all levels of the program but particularly at the village level. Professional opportunities will attract educated and technically trained young people who previously were unemployed or drawn to urban areas in search of work. Opportunities for rural women to assume positions of increased responsibility in Samahang Nayon leadership will also occur. The Samahang Nayon as an institution is likely to play a more significant role in terms of its relationship to community affairs. Members of Samahang Nayon are expected to develop economically at a faster rate than non-members due to the direct benefits which will be provided to them by cooperative organization. Over time these benefits will undoubtedly affect the socio-economic structure within the rural environment.

H. 3. Larger Program Impact

It can be anticipated that a viable cooperative marketing program functioning effectively to deliver input supply, marketing and other valuable support services to farmer cooperative members will have substantial impact upon other national level programs as well as the economy as a whole. The ultimate success of the Philippine Agrarian Reform Program, for example, will depend largely upon the ability of a strong and viable cooperative structure to meet the basic production needs of farmers once supplied by landowners. Samahang Nayon will further assist in the collection of land amortization payments made by beneficiaries of the program.

An effective cooperative marketing structure will also have considerable impact upon the national supervised credit program thru production credit repayment schemes controlled by cooperative structure. It will further promote agribusiness development in rural areas by providing new opportunities for the introduction of small-scale farm machineries at the farm level (i. e. , threshers, dryers). The cooperative marketing system will also offer a channel for rural education and the extension of new technologies to the small-scale farmer.

ROLE OF WOMEN

The interest in woman's development is rapidly advancing in the Philippines. However, the prerequisites for that development are still wanting in many areas. This is particularly true for the lower income Filipina. For her whenever changes are introduced into the community in which she lives her own social system is affected. If these changes are positive in nature she may benefit from an improved social status with respect to the role she plays within her community or within her family. She may even exhibit a noticeable improvement in her physical and/or mental well being.

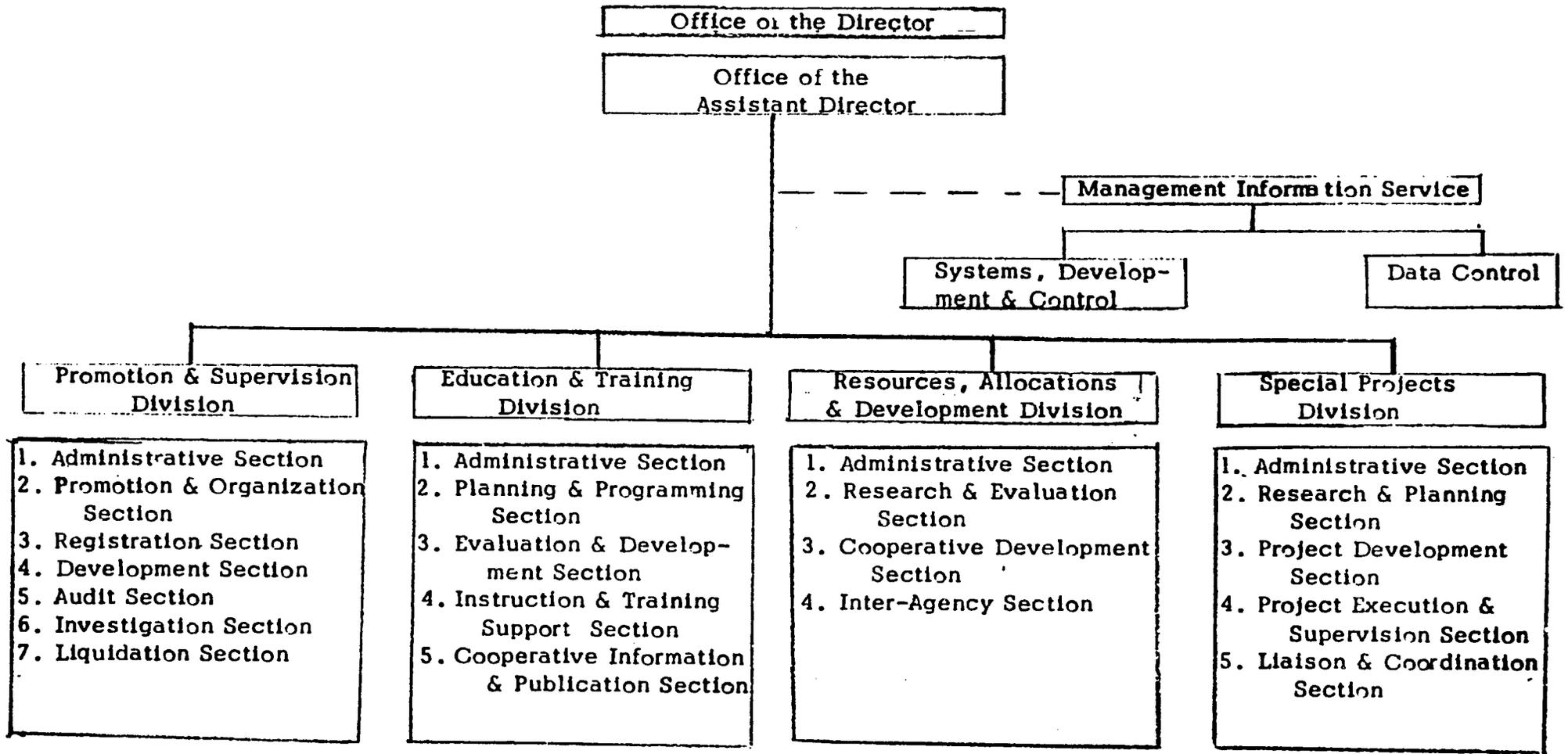
Within the context of the Cooperative Marketing Project women hold significant responsibility in the decision making process for determining such factors as when a farm family's produce is sold, how much it is sold for and to whom it is sold. The same applies to the purchase of production supplies. Women are often involved in important positions of leadership within the Samahang Nayon. Being the family monetary manager, it is the woman who must be convinced of the worthiness of financial investments in the Samahang Nayon and other levels of the cooperative structure. She is the one who sets the financial priorities of her family. She is also often instrumental in deciding whether certain production technologies should be adopted or not. If the farm family is considering to apply for a production loan it is often her decision that decides whether not they borrow and, if they do, whether or not they pay back their loan.

Professional women are also engaged in key management and staff positions in Area Marketing Cooperatives, Cooperative Rural Banks, the National Cooperative Systems, and the Bureau of Cooperatives Development. Women have actively contributed toward the design, planning and implementation of the Philippines current cooperatives development program. They have also assisted in the preparation of this particular project plan.

The impact of the Cooperative Marketing Project upon ^{THE} life of the Filipina in rural poor communities will be significant. The proposed project will have a strong direct educational benefit for women in poor communities will be significant. ~~The proposed project will have a strong direct educational benefit for women in poor rural areas and will~~

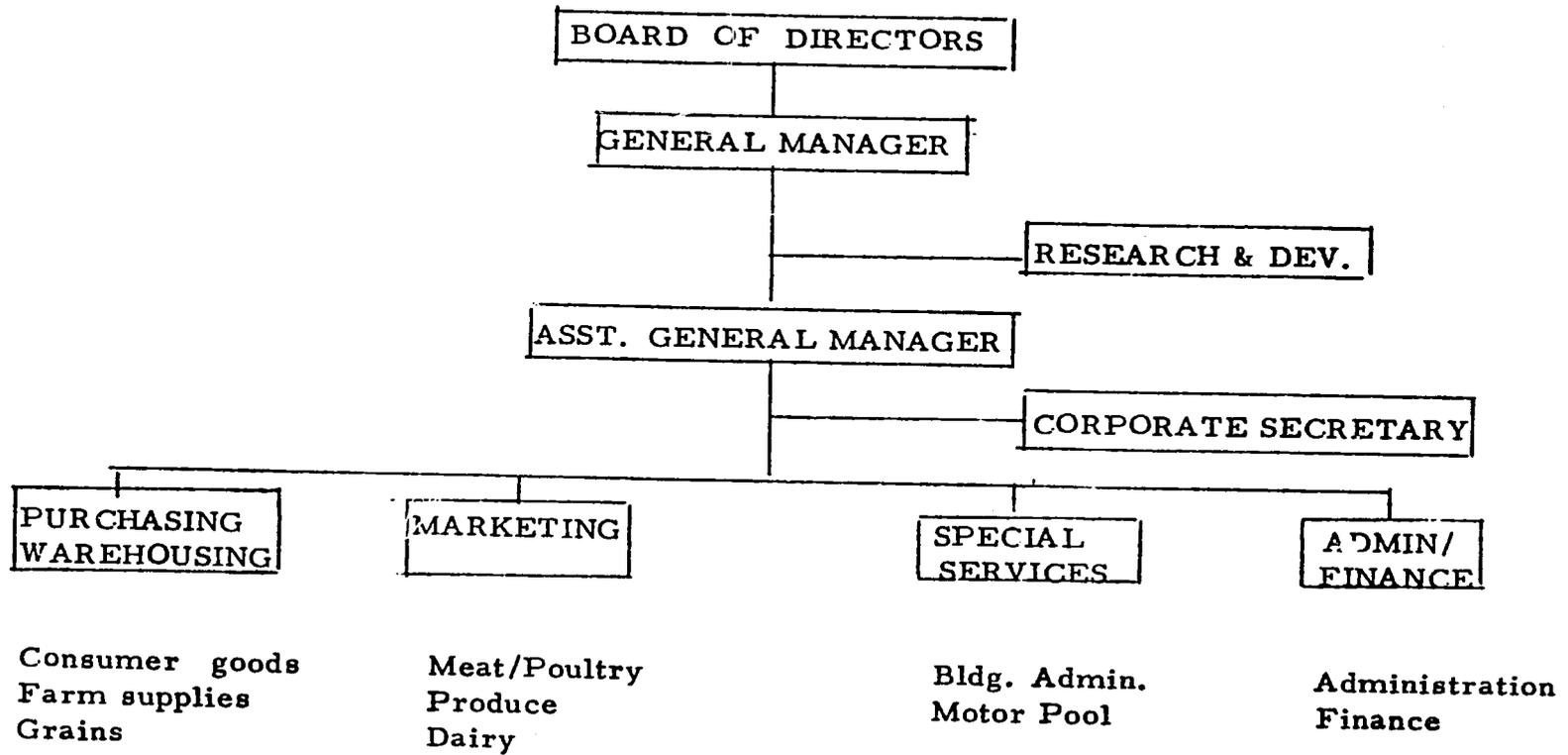
create for them professional opportunities for many years to come. A prosperous socio-economic development in rural communities brought about because of a more equitable distribution of the benefits of production as a result of effective cooperative support services will result in increased opportunities for the employment of women in such areas as a cottage industry and other agro-business activities. In addition, family income will be increased in the less developed rural areas, thereby providing the rural woman the means to improve her life nutritionally, intellectually, and materially.

ORGANIZATION CHART
Bureau of Cooperatives Development (BCOD)



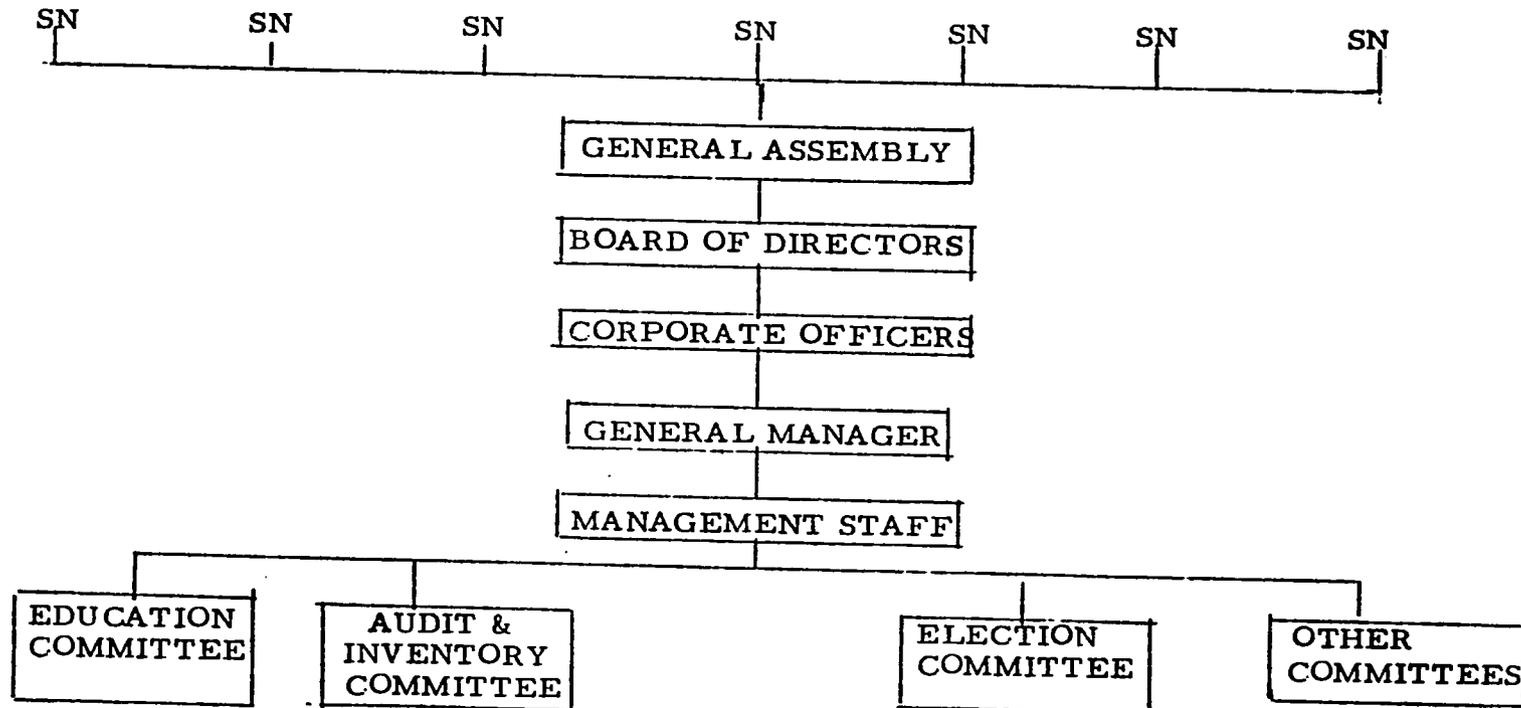
COOPERATIVE MARKETING SYSTEM OF THE PHILIPPINES

ORGANIZATIONAL CHART

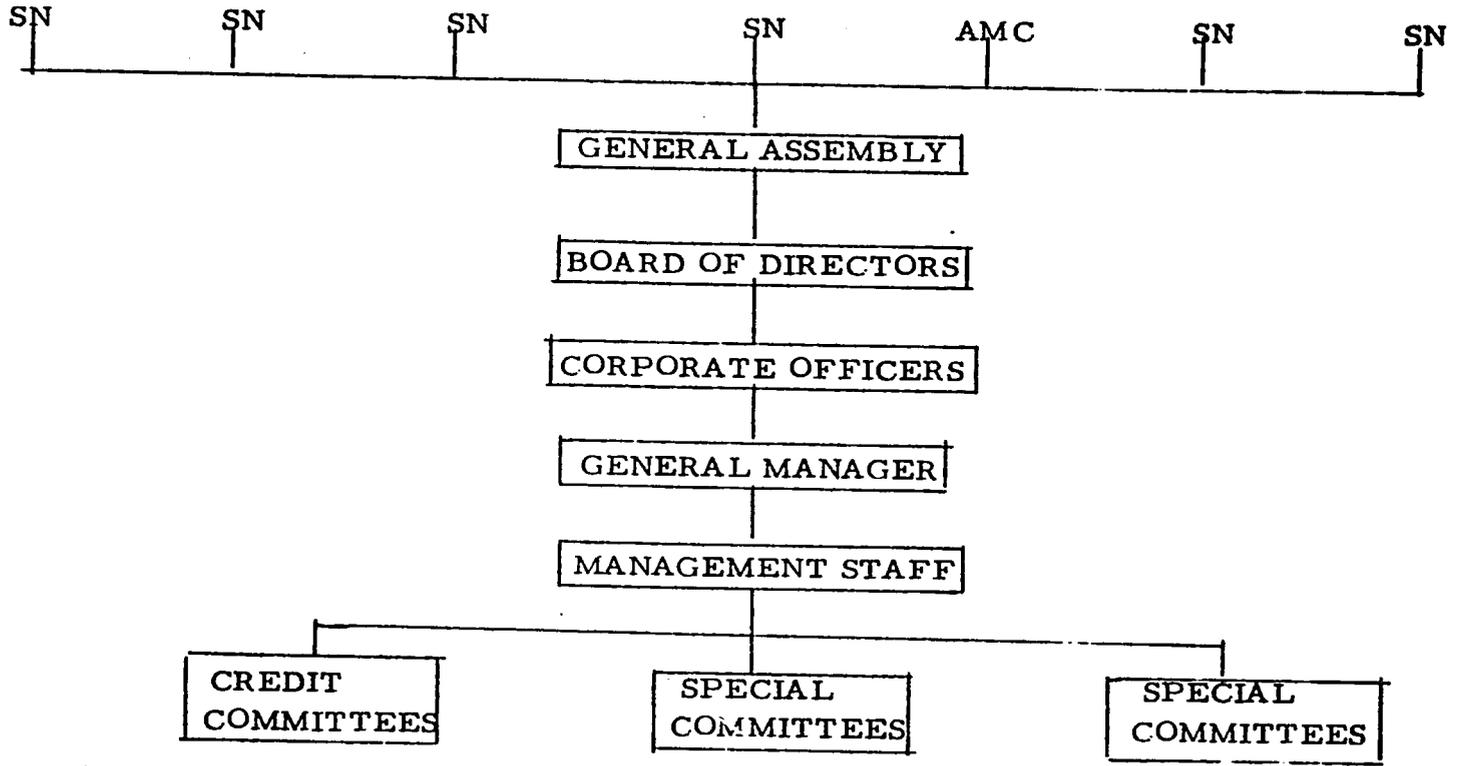


AREA MARKETING COOPERATIVES

ORGANIZATIONAL STRUCTURE

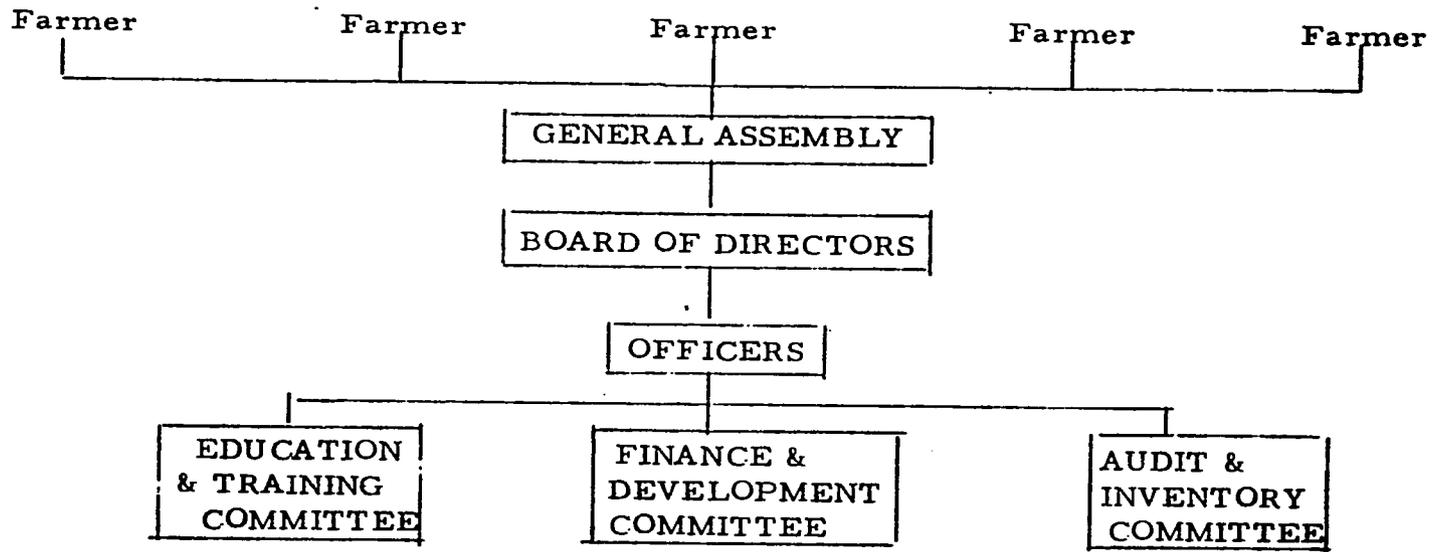


COOPERATIVE RURAL BANKS
ORGANIZATIONAL STRUCTURE



SAMAHANG NAYON.

ORGANIZATIONAL STRUCTURE



ESTIMATED COMMODITY REQUIREMENTS
COOPERATIVE MARKETING PROJECT*

	<u>Commodity</u>	<u>Specification</u>	<u>No.</u>
1.	Truck	3/4 ton	60
2.	Truck	2-1/2 ton	15
3.	Trailer	1 ton cap.	30
4.	Scales	Platform (500-kilo)	20
5.	Scales	Platform (250-kilo)	10
6.	Fork Lift	5-ton capacity	3
7.	Grain Sacks	Heap	100,000
8.	Typewriter	Electric & manual	60
9.	Safe	Floor	15
10.	Desks	Steel	40
11.	File cabinets	Steel	40
12.	Adding Machines	Manual and electric	20
13.	Calculator	Manual and electric	20
14.	Slide Projector	Automatic, Kodak or equivalent	5
15.	Radio	Single side ban	25

* To be acquired through excess property if available.