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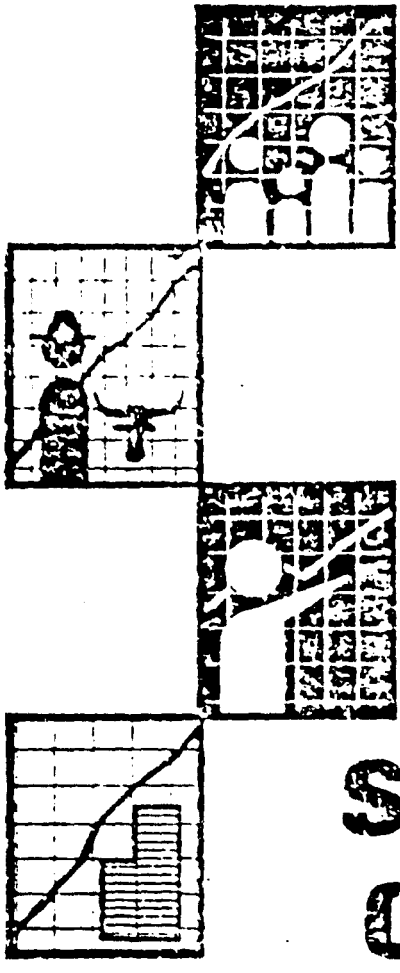


RURAL SERVICE CENTER PROJECT

PROJECT PAPER

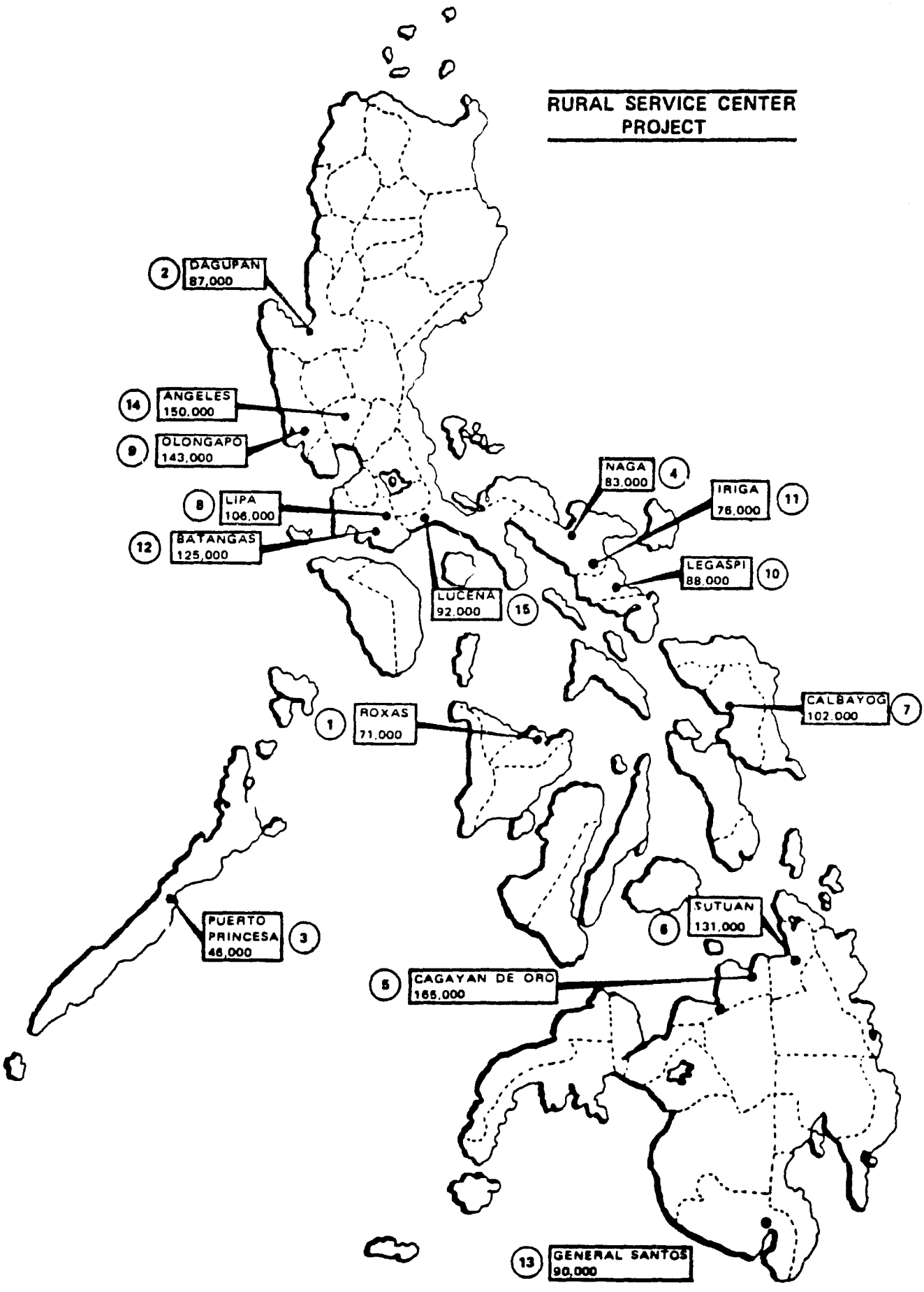
RURAL SERVICE CENTER PROJECT

FY 1978 - 1981

Food and Nutrition Category

Office of Provincial Development
USAID/Philippines
March 1977

3


RURAL SERVICE CENTER PROJECT
2 DAGUPAN 87,000
14 ANGELES 150,000
9 OLONGAPO 143,000
8 LIPA 106,000
12 BATANGAS 125,000
NAGA 83,000 4
IRIGA 76,000 11
LEGASPI 88,000 10
LUCENA 92,000 15
1 ROXAS 71,000
CALBAYOG 102,000 7
PUERTO PRINCESA 46,000 3
6 SUTUAN 131,000
5 CAGAYAN DE ORO 165,000
13 GENERAL SANTOS 90,000

RURAL SERVICE CENTER PROJECT

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE: C (A = ADD, C = CHANGE, D = DELETE)

PP

2. DOCUMENT CODE: 3

3. COUNTRY/ENTITY: Philippines

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits):

6. BUREAU/OFFICE: A. SYMBOL: Asia; B. CODE: 04

7. PROJECT TITLE (Maximum 40 characters): Rural Service Center

8. ESTIMATED FY OF PROJECT COMPLETION: FY 81

9. ESTIMATED DATE OF OBLIGATION: A. INITIAL FY 78; B. QUARTER 1 (Enter 1, 2, 3, or 4); C. FINAL FY 81

10. ESTIMATED COSTS ($000 OR EQUIVALENT $) –)

A. FUNDING SOURCE	FIRST FY B. FX	FIRST FY C. L/C	FIRST FY D. TOTAL	LIFE OF PROJECT E. FX	LIFE OF PROJECT F. L/C	LIFE OF PROJECT G. TOTAL
AID APPROPRIATED TOTAL	490		490	1,698		1,698
(GRANT)	(490)	( )	(490)	(1,698)	( )	(1,698)
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY *		1,286	1,286		4,200	4,200
OTHER DONOR(S)						
TOTALS	490	1,286	1,776	1,698	4,200	5,898

11. PROPOSED BUDGET APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. 1ST FY 78 F. GRANT	E. 1ST FY 78 G. LOAN	H. 2ND FY 79 I. GRANT	H. 2ND FY 79 J. LOAN	K. 3RD FY 80 L. GRANT	K. 3RD FY 80 M. LOAN
(1) FN	280	290		490		417		455	
(2)									
(3)									
(4)									
TOTALS									

A. APPROPRIATION	N. 4TH FY 81 O. GRANT	N. 4TH FY 81 P. LOAN	Q. 5TH FY ___ R. GRANT	Q. 5TH FY ___ S. LOAN	LIFE OF PROJECT T. GRANT	LIFE OF PROJECT U. LOAN
(1)	336				1,698	
(2)						
(3)						
(4)						
TOTALS						

12. IN-DEPTH EVALUATION SCHEDULED: MM 07 YY 79

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14 OR 15 OR IN PHP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

2 (1 = NO, 2 = YES)

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE: William A. Sommers

TITLE: Assistant Director for Provincial Development

DATE SIGNED: MM 03 DD 18 YY 77

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

AID 1330-4 (3-78)

*Includes counterpart funds and host government contributions.

Part I. Summary and Recommendations

B. Recommendations

The Mission recommends approval of the Rural Service Center Project over the four year period FY 1978 through FY 1981 at the following grant funding levels:

	AID
FY 1978	$616,200
FY 1979	392,800
FY 1980	423,300
FY 1981	265,050
Total New Obligations	$1,697,350

NOTE: This Project Paper includes reference to DLGCD/PDAP funding in CY 77 at ₱4,950,000 for the first five of the targeted cities. The CY 1977 budget includes personal services, project implementation, supplies, equipment and social action projects. See Table 1 for details.

TABLE I

RURAL SERVICE CENTER DEVELOPMENT PROJECT
ITEMIZED ACTIVITIES CY 77*

	ACTIVITIES	BUDGET
	Personal Services	₱ 41,400.00
1.	Preliminary Survey & Pilot Project Identification	20,000.00
	1.1 Survey of Nine Cities	10,000.00
	1.2 Analysis of Data	5,000.00
	1.3 Preparation of Project Papers	5,000.00
2.	Project Implementation & Development for Five Cities	243,600.00
	2.1 Identification of Pilot Project	20,000.00
	2.2 Preparation of Implementation Manuals	20,000.00
	2.3 Orientation Training re - RSC Manuals	60,000.00
	2.4 Training Local Executive Staff for Five Cities	33,600.00
	2.5 Organization of the Poor	25,000.00
	2.6 Training of the Poor/6 days, 50 participants	40,000.00
	2.7 Project Planning & Design-one project each city at ₱500	20,000.00
	2.8 Joint-Work Planning for CY 78	25,000.00
3.	Supplies and Materials	60,000.00
4.	Equipment Outlay	85,000.00
5.	Social Action Project	2,500.000.00
6.	Equipment Pool Development Plan/ Loan Fund	2,000,000.00
	T O T A L	₱4,950,000.00

*DLGCD/PDAP financial work plan for calendar year 1977

Part 1. Summary and Recommendations

C. Description of the Project

Purpose

The Rural Service Center program will have four major goals.

1. Upgrade the administrative capacity of local government in selected chartered cities.

2. Increase citizen participation with special consideration for involvement of the disadvantaged in the planning and implementation of projects to improve the quality of life in those chartered cities which are within the scope of this program, as mutually agreed between the Government of the Republic of the Philippines (GOP) and the United States Agency for International Development (USAID).

3. Enhance and amplify both the quantity and the quality of projects, either financed and administered or simply administered by city governments, which have as their end goal the upgrading of the quality of life of the disadvantaged in the various chartered cities, which are within the scope of this program, as mutually agreed between the GOP and USAID.

4. Strengthen the capability of the GOP to carry on sustained assistance to local government in selected chartered cities, particularly improving administrative capacity of city government.

Course of Action

To achieve these goals, the GOP and USAID agree to the following course of action:

1. The GOP agrees to provide on a full-time basis, for purposes of the Rural Service Center program not less than fifteen (15) personnel, including one project director, one training officer and seven technicians to be attached to the Provincial Development Assistance Project, Department of Local Government and Community Development, and to provide such backup services as appropriate from time to time for the successful implementation of the Rural Service Center program as mutually agreed between the GOP and USAID.

2. USAID agrees to provide for purposes of the Rural Service Center program not less than three (3) technicians, and to provide such backup services as appropriate from time to time for the successful implementation of the Rural Service Center program, as mutually agreed between the GOP and USAID.

3. Personnel assigned to the Rural Service Center program, as described above, shall be engaged in the following activities:

Developing and institutionalizing an effective capability in overall administration, planning and coordination of governmental activities at the chartered city level with special attention to enhancing the role of the barangay in the planning and implementation of projects administered by government at the chartered city level which have as their end goal the improvement

of the quality of life of the disadvantaged population in the chartered cities.

b. Developing and institutionalizing in selected chartered cities an effective financial management capability.

c. Developing and institutionalizing in selected chartered cities an effective infrastructure capability that includes chartered equipment pool operations and modern radio communication.

d. Developing and institutionalizing in selected chartered cities a sound position classification and pay administration system.

Developing and institutionalizing in selected chartered cities mechanisms by which the disadvantaged residents of the chartered cities, within the scope of this program, can participate in the planning and implementation of projects administered by the chartered cities, which have as their end goal the improvement of the quality of life of the disadvantaged population of the chartered cities.

Rationale

The Rural Service Center program will strive to create a working administrative capacity in selected chartered cities to serve the social and human needs of the most disadvantaged citizens within their area of influence. Institutional control and quality of government at the chartered city level is weak in the Republic

of the Philippines. This situation limits the effectiveness of government in the chartered cities in support of the GOP in its overall development efforts, especially to improve the quality of life of disadvantaged residents of the chartered cities.

Thus, to remedy this situation, a sustained effort must be made to upgrade the administrative capacity of local government at the chartered city level and to enhance the role of the barangay in the planning and implementation of projects. The improved management and planning techniques transferred to the chartered cities, within the scope of this program, will be utilized in projects with the assistance of the disadvantaged.

It is expected that upon termination of the Rural Service Center program the following conditions will prevail:

1. Each chartered city selected for inclusion in this program will have several projects focusing on the disadvantaged, and which are planned and coordinated with the assistance of a trained city development staff.

2. Each chartered city selected for inclusion in this program will be disbursing substantially more in local funds for services for the disadvantaged within their jurisdiction than when the city entered the program.

Cities and Year of Entry

The table below shows entry of selected chartered cities into the program by fiscal year:

Chartered Cities by Year of Entry

FY 78	FY 79	FY 80	FY 81
Cagayan de Oro	Butuan	Angeles	Evaluation
Dagupan	Calbayog	Batangas	Closing out proje
Naga	Legaspi	General Santos*	
Puerto Princesa	Lipa	Iriga	
Roxas City	Olongapo	Lucena	

Selection criteria identified by the Executive Director, Department of Local Government and Community Development (DLGCD) include the following:

- City receptivity to the program.
- Leadership qualities of city officials, particularly the mayors.
- Development potential in terms of RSC objectives.
- Locally available resources.
- Success of PDAP in adjacent provinces.
- Geographic distribution of cities.

* Sensitive location may preclude entry into the program. A decision will be made early in FY 79.

Part 1. Summary and Recommendations

D. Summary Findings

Technical Analysis

Social development - strengthening local government health units, expansion of nutrition programs, better sanitation facilities, skills training for the unemployed, low-cost housing especially for squatters--is the major goal of the national development plan. The National Economic and Development Authority (NEDA) intends to emphasize in socio-economic efforts of GOP agencies the active involvement of the "less privileged members of Philippine society"[1/] in the country's social and economic affairs.

Chartered cities have been operating in a climate of uncertainty and change. New society measures since 1972, for example, have redefined powers, functions and responsibilities of city government. Increasingly, city officials must strive to encourage within national development guidelines greater interaction among the disadvantaged and established local leadership.

The Rural Service Center project supports national efforts to integrate community development with GOP goals focusing on quality of life issues. RSC program goals will be accomplished first, by encouraging concern among the disadvantaged to seek through group activities solutions to such community problems as income inequality, low living standards generally and inadequate infrastructure (e.g., roads, all purpose community centers and sewerage and drainage

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1/ NEDA, "Four-Year Development Plan FY 1974-77", (Manila, 1973)

facilities); and secondly, by strengthening existing political institutions such as barangay councils and purok leadership and citizen assemblies.

Thus, the RSC program involves through group activities a broad segment of the community in a systematic process of identifying the causes of community poverty, establishing project priorities, mobilizing both public and private resources and developing projects intended to improve living standards for the disadvantaged.

Economic Analysis

The poor in the targeted chartered cities average 53% of the total population in each city. Locally generated resources, as a result, are being strained to deal with growing social ills caused by the large numbers of disadvantaged city inhabitants relocating due to rural economic pressures. Although, population migration and poverty are unquestionably concerns of the GOP, national support of local efforts has largely been minimal. Economic opportunities thus fall far short of the needs of the poor.

On the other hand, demand for direct development aid to reach all the poor in the chartered cities simply cannot effectively be met. The cost of such assistance could, for example, amount to 179% of total annual city revenues, and in some cities could actually reach 700% of normal city revenues. Current city revenues, therefore, impose constraints on the amount of direct project aid to the poor. Thus, the real issue centers on the city's ability to absorb new costs after special funding ends.

Direct project aid to the poor, however, is only one element of the total effort to upgrade city services. Much of the project funding is directed at improved city operations, which will have additional impact on the poor as city services are more fully developed.

In three successive years, five cities will as a group enter the program. Spending by the first five cities will create 268 new jobs and reach 3,903 families with special city services. In the second year, spending by 10 cities will result in employment for 501 workers and extend services to 7,295 families. After project spending in the third year, 922 jobs will have been created and 13,416 households reached. Cities are expected to sustain a funding level after external aid ends to continue to employ 922 workers and serve 13,416 families.

Financial Analysis

Financial resources available for local development are crucial to the success of RSC goals. Even if these resources are used efficiently, facilities and services provided by the cities will still depend in large measure on the tax burden city inhabitants are willing to bear. The GOP development plan for local government identifies these "guidelines"[2/]:

- Strenthen the financial position of local government.
- Encourage greater efficiency in formulating annual operating programs and the implementation of projects.

[2/] NEDA, "Four Year Development Plan FY 1974-77" (Manila, 1973) p. 68.

- Continue efforts to expand the tax effort to keep abreast of the growing demand for public services.

The Rural Service Center Project proposes 4-year spending (1978-1981) amounting to $1,697,000 and ₱33,166,548 respectively. Replicable city costs amounting to ₱12.5 million are 26.7% of total RSC project costs, and are within the 15% of normal city revenues (equal to 12%), and thus sustainable after external aid ends.

Continuation of the RSC program constitutes a budgeting outlay of 11.4% of total city revenues. Projected revenue and expense indicates that obligations incurred at the outset will decline as a strain on the city budget to a level consistent with earlier expenditures for welfare and economic development. Thus, the 15%[3/] level of normal anticipated city revenues is a suitable basis for RSC funding of replicable city costs and can be sustained to assure replicability of the project after termination of external assistance.

By the time external aid ends, coverage of normal revenues for a development program continued at a level of ₱15.6 million is 142% of surplus funds. Continuation of the RSC program will then constitute a budgetary outlay equal to 41% of the net revenue increase or 11.4% of total city revenues. It can be concluded, therefore, that the 15% level of normal expected city revenues is a suitable basis for RSC funding of replicable costs, and can be sustained to assure replicability of the program after termination of external assistance.

[3/] The 15% represents total costs which are replicable--the amount cities are asked to sustain after termination of external aid.

Social Soundness Analysis

The Rural Service Center program is intended primarily to strengthen the administrative capacity of targeted chartered cities, and will also upgrade the role of the barangay (the grassroots-level of local government) in the planning and implementation of projects designed to improve the quality of life of the poor. By strengthening these instutions, the Rural Service Center program will be working in harmony with the existing socio-political environment--aiding it to develop more fully.

Field trips to 14 of the 15 targeted cities revealed the following:

1. The poor constitute over 50% of citizens in the chartered cities, and the "poorest of the poor" are 44% of the total population of these cities.
2. Administrative capacity of chartered cities is badly in need of upgrading if cities are to have vital roles required to handle effectively various growth issues. (In 1970, 38% of the population was urban and by the year 2000 it will be over 50%.)
3. The poor generally experience considerable economic inactivity, and thus would be available for self-help projects, though care must be taken to avoid community development projects conflicting with sustained job opportunities.
4. Motivation locally among city officials appears high for this program.

5. The spread effect within the targeted cities in this program is promising, and, further, the program will serve as a model eventually for other chartered cities.

Justification of Section 103 Funding

As can be seen in the description of the average Rural Service Center city in Part 2, the environment of the targeted cities is very much a rural environment. The economic base of these cities is agricultural, resulting in the economic activity of such cities being predominantly in rural pursuits. This program will have significant impact on services and social action programs offered the poor in areas with a predominantly rural environment; therefore, it is believed Section 103 Funding is appropriate for this program.

Part 1. Summary and Recommendation

E. Project Issues[1/]

- Mission emphasis on upgrading administration in rural and urban areas other than provinces and interim cities. (Economic Analysis, page 1; Tables 1, 2.)
- Cost effectiveness or feasibility of the RSC project vis-a-vis development in target areas. (Financial Analysis, pages 3, 9-10, 13; Tables 6, 11.)
- Feasibility or cost effectiveness to bypass selected administration/political areas and focus on development activities in rural/urban target areas using some other mechanism to reach poor. (Financial Analysis, pages 16-17; Tables 1, 2, 5,6, 11, 13).
- RSC projects necessary to insure institutionalization of project. (Technical Analysis, pages 30-31. Economic/Financial Analyses Tables 1, 2, 5, 6).
- Total U.S. funding and funding from other institutions and strategy for coordinating financial assistance from U.S., GOP and other financial sources. (Financial Analysis, Tables 3, 4, 9.).
- GOP central/local government funding and administration commitment/agreements. (Economic/Financial Analyses, Tables 3, 4, 9.).

1/ Issues raised by State Telegram 297439/1/2 (8 Dec. 1976).

- Other political commitments/agreements that could affect the continuation and replication of project. (Implementation Plan, pages 130-135).
- Efforts to upgrade administration, fiscal management and technical capabilities to carry out more efficiently development programs directed to the poor. (Economic Analysis page 6, Financial Analysis, pages 11, 13).
- Economic growth and improvement of the investment climate from the point of view of
    - raising living standards.
    - directing administration resources to potential areas of growth and development.
    - absorbing rural to urban population.

  (Financial Analysis, pages 13, 15. Tables 1, 5, 11, 12, 13).
- Economic, geographical and other pertinent criteria used as basis for selecting cities. (Economic/Financial Analyses, Table 2; Project Description, page 8A).
- Services and development projects resulting from improved administration capabilities. (Economic/Financial Analyses, Table 5).
- Representative list of anticipated development sub-projects (poor projects) using applicable PDAP experience. (Economic/Financial Analyses, Table 5; Technical Analysis, pages 71-3).

- Beneficiaries of the projects. (Financial Analysis, pages 15, 17,; Table 13; Social Soundness Analysis, pages 114-5, 124-5; Implementation Plan, pages 137-8).
- Potential obstacles to implementation of the program - "old guard politicians and economic elites". (Financial Analysis, page 16, Table 4; Implementation Plan, pages 143-5; Social Soundness Analysis, pages 110-111.).
- Mechanisms and social organizations utilized to represent poor women and integrate them in the decision-making and development process. (Financial Analysis, pages 13, 15; Table 4; Implementation Plan, pages 146-8, Technical Analysis, pages 58-60, 66-8).
- Utilization/modification of existing organizations. (Social Soundness Analysis, pages 103-4; Implementation Plan, pages 138-42).
- Funding of Real Property Tax Administration (RPTA) in FY 77 to allow time for full development of program before implementation of RSC. (Financial Analysis, page 11).
- Interrelationship of RSC and RPTA, including extent that continuation and replication of RSC activities depends on tax revenue generated under RPTA program. (Financial Analysis, pages 5, 11; Implementation Plan, page 149).
- Food and nutrition funding justification. (Summary Findings, page 12b).

Part 2. Project Background and Detailed Description

A. Background

1. Evolution of the Provincial Development Assistance Program

Historically, government in the Republic of the Philippines has been a unitary nature; that is for all intents and purposes there has been only a single governmental unit--the national government--with local government functioning only as a very weak political subdivision. The Local Government Center of the College of Public Administration, University of the Philippines, states, for example, local government is only "a'creature' of the national government; therefore, each is empowered to exercise only the functions assigned by the latter".[1/]

The Local Government Center says further, "while numerous services are performed at the provincial level, the province merely acts as administrative overseer for the national government in that it merely coordinates these services in the different municipalities"[2/] Therefore, it is not hard to imagine why the quality of local government and the services it delivers traditionally have been or poor quality.

Concurrent with the traditionally low political standing and priority of local government in the Republic of the Philippine

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[1/] Handbook on Provincial Government and Administrators; Local Government Center, College of Public Administration; University of the Philippines; Manila, 1972, p. 1.

[2/] Ibid., p. 7.

(and during colonial days) was the low standing and priority of rural development (e.g., development of the country outside of the three of four major urban areas). Starting in the late 1950's, a shift in emphasis began to occur. A series of decentralization laws were promulgated granting local government increasingly more important areas in which it may act with a limited degree of autonomy, but the primary source of power and responsibility remained with the national government.

With almost all power and resources remaining with the national government, development of the rural sector remained haphazard, and often resulted in projects which did not respond to the needs of the local entities. Since local government's function remained essentially that of implementation, it had no input in the planning of rural development projects, and so inadequate development of the rural sector was perpetuated.

In the mid-1960's, this situation began to change. The primary emphasis in development shifted from capital intensive industrialization concentrated in a few urban areas to social and economic development of the rural sector in an effort to close the continually worsening disparity between urban and rural living conditions. But local government, unaccustomed to the responsibility of development and strapped for effective management and physical resources, proved to be a poor medium through which to execute the new direction in development.

USAID/Philippines' early efforts at rural development in early and mid-1960's met less than fruitful results when it attempted to work through national government mechanisms. It had fallen prey to the same problem that had plagued the national government. Its programs were centrally planned and executed by the mechanisms of the national government. Little or no input into the planning or feedback during implementation often resulted in projects that did not meet local needs or met them in an inadequate manner.

In 1965, several governors approached both USAID and the National Economic Council (the central planning board of the GOP at that time) about the possibility of direct aid from USAID to the provinces in developing their capability to assume an effective role in the nation's development plans. This was the seed of what became a commitment on the part of USAID to the development of local government to effectively manage its resources, improve the quality of local service and perform in a positive manner in the nation's overall development effort. The National Economic Council (NEC) made a formal request for this assistance and so "Operation SPREAD" was born.

"Operation SPREAD" (or Systematic Programming for Rural Economic Assistance Development) operated in the provinces of Tarlac and Laguna on a two year (1966-1968) pilot basis. "Its underlying objective was to gauge the value of a direct field assisted provincial development program, to identify the concepts, systems and inputs

crucial to the local development process, and to establish a national basis and effective techniques for future extension of development assistance efforts to other provinces."[3/]

The GOP was so impressed with the results that it established in 1968 the Provincial Development Assistance Project (PDAP) as an agency of the NEC to deal specifically with the development of local government capacity.[4/] "The formation of PDAP represented a significant shift of program emphasis in that a specific agency of the GOP was established to coordinate efforts aimed at upgrading the administraion of local governments."[5/]

When "Operation SPREAD" came to a successful completion on January 2, 1968, USAID at the request of NEC continued its assistance in the development of local governmental capacity through the Provincial Development Project. The Provincial Development Project provided USAID advisers, commodity and training assistance in efforts to develop local government capacity at the provincial level, but now the assistance was channeled through PDAP instead of directly to the provinces as was case with "Operation SPREAD".

3/ "The Future of PDAP"; AD/PD, USAID/Philippines, November 25, 1975, p. 11.

4/ In November of 1972, PDAP was transferred from the National Economic Development Authority (NEDA), formerly the National Economic Council, to the Office of the Executive Secretary to the President (signaling the importance of PDAP to the Martial Law Regime of President Marcos). In August of 1976, PDAP was once again transferred this time to the neophyte Department of Local Government and Community Development.

5/ "Provincial Development Assistance Project - A New Approach in Upgrading the Administration of Local Government", AD/PD, USAID/Philippines, (undated), p. 2.

PDAP's efforts began with the three provinces of Palawan, Leyte and South Cotabato. By the time the Provincial Development Project ended in FY 1974, PDAP was working with sixteen provinces and had successfully begun work in three major areas: development of a central planning capacity at the provincial level through the creation of the Provincial Development Council, the provincial development staff, the capital improvement program (the five year plan for infrastructure development) and the annual implementation plan; improvement of budgetary and fiscal management, and improved provincial capacity to plan and implement capital improvement projects.

In July and August of 1972, the Island of Luzon (where over a third of the country's 43 million people live) was devastated by typhoon-fed rains causing the worst flooding in this country. Congress responded to a request from the GOP for assistance by voting $50 million in Special Disaster Recovery Grant money for the Philippines PDAP was allocated $10.8 million of the relief funds for work in replacing the destroyed infrastructure (roads, bridges, and small-scale irrigation works) in the eleven worst hit provinces.

The flooding proved to be a blessing in disguise for the eleven flood rehabilitation provinces. The PDAP/USAID Flood Rehabilitation Program was a major turning point for development of local governmental capacity, for out of it came six major program areas that have profoundly changed the ability of local government to serve its constituency. These include engineering, planning and implementation capacity, the equipment pool development program, the U.S. excess

equipment program, establishment of engineering quality control, compilation of the equipment pool operations manual and the institutionalization of fixed amount reimbursement. Probably, the most important outcome of the Flood Rehabilitation Program was that it proved provinces can act as effective partners of the national government in development.

Nowhere was this more evident than in the dramatic growth in the capabilities of the provincial engineer's office in each of the eleven provinces to handle the planning and implementation of major infrastructure projects. President Marcos had made quite clear that he wanted the provinces to share to a greater extent the responsibility and financial burden of implementing development programs. The floods of 1972 gave the chance to fulfill his wish--this was the major rationale behind the $10.8 million allocated to PDAP for relief work. The Flood Rehabilitation Program changed the provincial engineer's office from a primarily maintenance oriented and implementation arm of provincial government to an effective GOP partner.

In July of 1973, the Special Infrastructure Prog. (SIP) was started to capitalize on the engineering capabilities molded under the Flood Rehabilitation Program and in order to maintain the momentum gained in the ability of local government to aid in the development efforts of the national government. Under the SIP, the participating provinces for the first time embarked on a planned

program of quality farm-to-market road construction designed to meet the needs of the provinces, especially of the agricultural sector.

At the same time that SIP came into existence, the Provincial Development Project was phased out to be replaced by the Local Development Project. Under this Project, the gains made under its predecessors were further refined to meet the needs of local government and the first serious work was done on a pilot basis in improving the collection, assessment and records management of the real property tax.

In March of 1975, work began on the Rural Roads Program (RRP) which is similar to the SIP in general, but controls activity and planning in a much tighter fashion, requiring the provincial governments in the program to meet higher standards of quality and planning.[6/] This program has had a profound economic and social impact on the rural areas it has serviced to date, and has sharpened the abilities of the provincial engineer's office in the participating provinces to the point where they now rival the Department of Public Highways in the quality of their work, but with meager resources.

PDAP now operates in 28 provinces. Many of the programs developed under PDAP (e.g., the capital improvement program, the annual implementation plan, the development councils and staffs, the U.S. excess property program, the equipment pool development plan and many of the training programs) have already spread to non-PDAP provinces either as a requirement of law by petition of the local government

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6/ RRP was based on a US$15 million development loan while SIP used PL 480 generated local currency.

concerned, or under the plans of PDAP to expand its operation nationwide.

One major area of local government has to date been overlooked by PDAP--the chartered city--because of the overriding requirement to develop the provinces (and its subdivision, the municipality) first. Through the Rural Service Center program, USAID plans to assist PDAP in its efforts to develop the capacity of chartered cities so they too may act as effective partners in overall development plans.

2. Nature of the Rural Service Center

What is a Rural Service Center? This is a question difficult to reply to adequately without first commenting about the term "chartered city" in the Philippine context. Geopolitically, the Philippines is unitary in nature with local governments forming subdivisions of the national government. All power and sovereignty radiates from the national government. Provinces (which are further divided into municipalities) and chartered cities are the primary political subdivisions of the national government.

Municipalities and chartered cities are further divided into barangays. All of these political units are "creatures" of the national government. Provinces, of which there are 72, came into political existence in the Philippines under the Spanish regime on February 8, 1891, by virtue of Act No. 83 of the Philippine Commission. Cities, on the other hand, have existed in the Philippines for over four centuries.

During the American period and since independence, cities have existed as political subdivisions of the national government by virtue of the charters granted them by the national government, hence the term, chartered city. By and large, the chartered city is co-equal with the province and economically and politically autonomous.

With the exception of nine cities (the four cities of Metro Manila--Manila, Quezon, Pasay and Caloocan and the cities of Iloilo, Bacolod, Cebu, Zamboanga and Davao), chartered cities in the Philippines all have population less than 200,000.

Chartered Cities by Population Class

Population Class	Number of Cities
Less than 40,000	6
40,000 - 79,999	23
80,000 - 119,999	17
120,000 - 159,999	5
160,000 - 199,999	1
200,000 - 239,999	2
Over 240,000	7
TOTAL	61

Source: National Census and Statistics Office, Manila Republic of the Philippines, 1975.

As can be seen from the above table, most of the chartered cities in the Philippines have populations from 40,000 to 120,000. These cities are all found in areas with agrarian based economies.

Chartered cities fall into two basic categories. The large, urban, industrialized city often tied to an urban network (such as Metro Manila and Cebu), and the smaller agriculturally based and isolated (in the sense that it is not tied to an urban

network) city which serves a "rurban" populace. It is the latter which makes up the majority of the chartered cities in the Philippines and it is these we have named Rural Service Centers.

For the purposes of this program, the Rural Service Center is defined as a chartered city which is rural in character and services, and which is the hub of all support activities for its "rurban" citizenry (found both in the rural-urban areas of its own jurisdiction and in the rural areas of the contiguous province. That is not to say that a Rural Service Center can not have a large proportion of its population in its urban section (the poblacion), but more often than not larger numbers of people will be found residing in the rural areas of the chartered city. A number of the chartered cities targeted for inclusion in this program have significant portions of their populations in the poblacion.[7/]

Rural Service Centers are not white-collar communities teaming with office employment, but rather centers which are predominantly agricultural with tightly-packed urban areas serving a rural economy. The chartered city which falls under the Rural Service Center type typically consists of a modest-sized population cluster called the poblacion surrounded by agricultural areas dotted with small settlements called barangays.

7/ For a listing of the chartered cities included under this definition, refer to Table 2 in the annex. Unless otherwise stated, all future references to the term "chartered city" in this paper will refer to those enumerated on the list. The term "Rural Service Center" shall be used in future references in the paper in the context of those fifteen cities included in this program, unless otherwise stated.

3. Why the Rural Service Center Project is Needed

a) The Chartered city as an Agent of Development

City government in the Philippines, as stated earlier, has traditionally acted as a conduit for the national government, and thus has had very little responsibility or experience in handling functions normally considered essential in the process of governing. There was no need in the traditional framework of government in the Philippines for cities to be involved in planning or any of the other functions of government, for these activities were handled by the national government.

But then in the mid-1960's when the national government altered its focus in development from capital intensive industrialization focused in a few primary cities (mainly in the Greater Manila area) to one of developing the rural sector and trying to achieve a balanced pattern of growth, the role of the chartered city changed dramatically. On September 17, 1967, the Decentralization Act of 1967 was enacted in order to broaden the powers of local government. Section 2 of the Act states in part that:

> It is hereby declared to be the policy of the State to transform local governments gradually into effective instruments through which the people can in a most genuine fashion, govern themselves and work out their own destinies.... To this end, local governments henceforth shall be entrusted with the performance of those functions that are more properly administered in the local level and shall be granted with as much autonomous powers and financial resources as are required in the more effective discharge of these responsibilities.[8]

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[8] Philippine Permanent and General Statues, Volume IV; Law Center, University of the Philippines, Diliman, Quezon City, 1972, p. 871.

As was the case with the provincial government, city government (excluding Manila and a few other highly urbanized cities) proved to be a poor medium through which to channel the national government's development efforts. They were found wanting in the basic capabilities of governing. Unlike the province, little has been done to date to improve the capacity of city government in the art of governing so that they can act as partners rather than were vessels in GOP development efforts. A strong effort must be made now to improve their capabilities to plan, budget and implement needed services and infrastructures.

b) Rural-Urban Migration: the Need for an Alternative to Metro Manila

The Philippines is badly pressed for time in which to improve the capabilities of local government to govern effectively. It is sitting on a demographic volcano. There are currently 45 million people in the Philippines, in a country with a land size roughly equivalent to that of Arizona. Of these 43 million people, 63% are living in rural areas. By the year 2000, using the most conservative estimates, the population will at least double.

Add to these figures the facts that little new land is available for cultivation, that the average farmer farms a plot that is smaller than two hectares in size, that the land reform law (Presidential Decree No. 27) forbids the inheritance of reformed land by more than one family member (average family size is eight) and that the mean age in the Philippines is fifteen, and it is not

hard to see that the Philippines is on the verge of massive population shift from rural to urban venue. And this means that all chartered cities are going to be subject to increasing demands, growing at almost a geometric rate, in the future for services. It is largely for this reason that it is imperative that the chartered cities' governmental capabilities be improved.

The future of the Philippines, like that of most other LDCs "is likely to be predominantly an urban future".[9/] And like most LDCs, the Philippines has given rather low priority, in the past, to the development of the requisite urban management skills its cities will need to cope with their ever increasing urban nature.

The country has experienced lopsided urban development. Urban growth, industrialization, government, financial and commercial resources, educational facilities and job opportunities have been overcentralized in its primate city, Metro Manila, to the detriment of urban development elsewhere in the country. The result of such a situation is that the rural to urban population shift has been predominantly aimed at Metro Manila, where people apparently perceived the resources and opportunities to be most abundant. But Metro Manila is hard pressed to absorb this influx of people arriving daily and will be even more strained in the future when the rate of

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9/ Guidelines for Formulating Projects to Benefit the Urban Poor in the Developing Countries, Vol. 1, Background, Goals and Project Opportunities, AID, April 1976, p. 3.

in-migration is expected to accelerate.[10/] What is needed in the Philippines is proper spatial development of its cities to achieve a balanced and rational urban growth pattern.

But in order to achieve balanced urban growth and proper spatial development of the cities in the Philippines (a major GOP goal), and to short-circuit what the World Bank has identified as an increasingly evident tendency of rural-to-urban migrants to bypass intermediate stops, it is necessary to develop an alternative to Metro Manila.[11/] The alternative is the Rural Service Center. Once again, therefore, underlining the imperative need to develop the governmental capabilities of chartered cities if rational urban growth is to be achieved. If the chartered cities cannot develop a socially and economically vibrant environment, they will be bypassed by rural to urban migrants.

c. Dealing with the Problems of Poverty

Finally, there is the strong need for the chartered cities to assume an increasing share of the burden of improving the lot of their poorer citizens. Fifty-three percent of the population of the average chartered city falls below the poverty line as determined by the Department of Social Services and Development. This

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10/ At present, Metro Manila Governor Imelda Romualdez Marcos is engaged in a program of relocating the squatters in Metro Manila to areas outside of the city, and is encouraging many of the squatters to return to their home areas.

11/ The Task Ahead for Cities and Developing Countries; World Bank Staff Working Paper No. 209; I.B.R.D., Washington, D.C., 1975, p. 279.

means that one out of every two people in the typical chartered city is below the poverty line, making poverty more the rule than the exception.

Demands being placed on the resources of the national government are such that they are increasingly precluding the possibility of the GOP taking any lasting positive actions to deal with the crucial problems of poverty in the chartered cities. The responsibility and the initiative in dealing with these problems increasingly falls on the shoulders of the chartered city governments.

But these political sub-units currently lack many of the skills needed to deal with current poverty-related problems. The Rural Service Center program is designed to address the problem of improving the capability of the Rural Service Centers to service current and future problems of the poor.

d. Conclusion

The Rural Service Center project can't address all the problems facing chartered cities; but a start can be made in addressing crucial issues by facing the most basic of all--the inability of local government to effectively plan, implement and administer programs designed to improve the quality-of-life of their citizens.

The Rural Service Center program aims to develop just such a capacity, and to direct that capacity at the development of locally initiated projects aimed at meeting needs of the cities poor.

4. Summary of Rural Service Center Surveys

The PDAP/USAID Rural Service Center staff has completed an on-site survey of 14 of the 15 Rural Service Center cities included in this project. The survey revealed that there exists a strong need to improve the local governmental capacity of chartered cities in overall administration, planning and fiscal management.

B. Detailed Description

1. Project Inputs

I. Three USAID Direct Hire Technicians (one Public Administration Advisor and two Asst General Development Officers will be employed in the Rural Service Centers program to oversee progress and provide technical advice on public administration and social services matters.

II. Observation study in the United States will be programmed in FY 78 and FY 79 for various city officials and technicians, including selectively mayors, city development coordinators and other city development and planning staff for up to 60 days. The training is intended to enable the participants to gain appropriate insights into local development activities which stress, in particular, interrelationships between national agencies and local government. A PDAP official involved in the city development assistance program will also participate in this training.

United States in order to enable the cities to better address their poverty related problems.

III. USAID/Philippines will employ five sets of consultants to assist in project implementation:

- Three will be employed for ten months in FY 78 to provide technical support.
- Two will be employed for ten months in FY 79 to provide technical support.
- One will be employed during the last quarter of FY 79 to develop an intensive mid-project project evaluation.
- Two will be employed for ten months in FY 80 to provide technical support.
- And two will be employed during the last quarter of FY 81 for the final project evaluation.

IV. Approximately $2 million worth of U.S. Excess Property Equipment will be brought in by USAID to improve the capability of the city governments to handle public works projects.

V. Approximately, $244,000 worth of commodities will be brought in by USAID. These commodities will consist of tools and supplies for the equipment pools and office machines and supplies.

VI. The GOP will provide personnel, attached to the Provincial Development Assistance Project (PDAP), to train and advise the city governments so that they can improve substantially their capabilities in planning, administration and fiscal management.

VII. GOP will provide financial assistance through the use of discretionary funds to the Rural Service Centers so that these cities can take advantage of all opportunities offered under this program.

2. Project Outputs

Under the Rural Service Center program, the 15 participating cities will be divided into three groups of five cities each. PDAP/USAID will operate in one group of cities each year starting in FY 78 to develop their planning, administrative and fiscal management skills.

As a result of the program, the following is expected to be achieved:

a. Each Rural Service Center will have trained and in place a professional development staff. These city development staffs will coordinate planning activities of the city government and serve in an advisory capacity to the City Development Council and the Mayor. It will be the responsibility of the city development staff to maximize the city's resources in addressing problems identified. PDAP with USAID assistance will train these city development staffs employing methodologies developed by PDAP/USAID in the PDAP provincial program.

b. Each of the 15 Rural Service Center cities will adopt a Social Action Plan (a plan of development projects for the poor) and mechanisms for periodic revision of the Social Action Plan. The Social Action Plan will be incorporated in the city's capital improvement program (a document which lists both capital and social project plans the city plans to complete over a five year period. It was developed under the PDAP/USAID program in the provinces and is now mandatory in all provinces, municipalities and cities.

The capital improvement program will be revised yearly, as needed. Here again PDAP, with USAID assistance, will train city personnel in the proper development of this and annual implementation plans and full use of their Social Action Plan. In addition, PDAP will provide discretionary funds to help finance projects identified in the Social Action Plan.

c. Each of the 15 Rural Service Centers will have by the end of the project constructed or reconstructed equipment pools, obtained the requisite rehabilitated excess property equipment and have trained mechanics and operators in place. In order to address many of the needs of the city, the Rural Service Centers will need to improve their engineering capacity. Thus, the cities will need to construct or improve existing equipment pools (garage and maintenance facilities), improve equipment pool operations, the quality of the training of mechanics and operators and standardize equipment inventories.

USAID will make the requisite excess property equipment available to the GOP, which will in turn make it available to the cities. The construction of equipment pools will follow a standard format developed by PDAP/USAID. PDAP with USAID assistance will provide all required training.

3. The Project Purpose and Proposed "End-of-Project-Status" Conditions

The purpose of the Rural Service Centers program is to create a working administrative capacity in selected cities so that these cities will better serve the social and human needs of the poor within their political jurisdictions. As has been stated, there exists a strong need for the administrative capacity of city government to be improved if these cities are to become truly effective GOP partners. This project will, therefore, address directly the issues of improving the planning, administrative and fiscal management skills of the 15 Rural Service Centers selected, and will channel these new skills to the needs of the poor within their boundaries.

At the end of this project, it is expected that each of the 15 Rural Service Centers will be implementing several projects a year focusing on the needs of the poor. These projects will be part of the city's capital improvement plan as developed by the city development staff. It is also expected that each city in the program will be expending substantially more for projects related to the poor than when they first entered the program. Moreover,

they will be actively involved in nationally funded, city based social action programs.

4. The Sector Goal

The Sector Goal of the Rural Service Center program is to enlarge the capacity of the GOP at all levels to effect improvements in the quality-of-life of the largest number of rural people possible. As noted earlier, rural development has been the primary focus of the GOP since the mid-1960's. The GOP expects to increase the role of local government in the development of the rural sector.

As it has also been noted, the Philippines operates under a unitary structure of government in which local governments act merely as subdivisions of the national government. Since the mid-1960's, the upgrading of the administrative capacity of local government has been a major goal of the national government. A more capable local government administrative structure, the GOP believes would be of inestimable help in its overall development scheme. This project, in addressing the problems of improving the administrative capacity of the Rural Service Center governments so that they might better serve their poorer citizens, is in line with this Sectoral Goal.

Part 3 - Project Analyses

A. Technical Analysis

The Philippine government recognizes that a major share of the country's resources must now be allocated to the chartered cities to effectively focus on concomitant problems of poverty, sanitation, housing, unemployment and health. New GOP strategies are needed to handle the heavy burdens which these cities are encountering as a result of urban growth. It is likewise AID policy to assist nations to make the right choices for their people:

> The United States has an interest in the economic well-being of the Philippines. It is in our interest.... that the Philippines should be financially viable, that its economy should be robust, and that its people should be prosperous. Moreover, it is our interest, as well as the interest of the Philippines itself, that the prosperity should be shared equitably and with social justice by all Filipinos.[1/]

In July, 1975, Daniel Parker, then AID administrator, pointed out in his letter of transmittal to the House Committee on International Relations that development assistance intended to improve the "quality of life of the poor.... is a long-term, arduous and

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1/ Development Assistance Program for the Philippines, Volume I, June, 1975.

and extremely costly process".[2/] AID's report to the committee speaks of "difficult choices" the LDC has to involve the "real participation of the poor". In response to the question, "What is the meaning of participation?", the report offers the following:

> Development progress for the poor will require time-consuming systemic change. Programs most likely to succeed and which receive highest priority emphasis under the congressional mandate and AID policy, are those involving the active and effective participation of the poor in all facets of the development process. This is clearly not a simple proposition to implement especially as it has important political implications. We shall refer to participation frequently in the following section of the report, but to briefly describe the participation approach to our staff we have used the following:
>
> -- Economic benefits are widely and significantly shared by the poor with the objective of narrowing the relative income gap between rich and poor, for example, the co-op which benefits small farmers.
>
> -- Decisions concerning the activities to be carried out are made, preferably by those benefited (for example, the poor), or if not, at least with effective consultation and substantial acceptance by those benefited.
>
> -- The activity in which the participate is, ideally, a learning experience for benefited persons, which increase their technical skills and/or their capacity to organize for common purpose and for greater access to the benefits of development.

2/ Implementation of "New Directions" in Development Assistance AID, July 22, 1975, p. vi.

-- The poor make a significant contribution in effort and resources to the activities from which tye benefit, for example, through personal savings, or serving as members of local planning or project implementation committees, or through actual project implementation.

-- The participation and contribution of women should be explicitly taken onto account under the above-mentioned considerations, for example, any of the above or other examples when the participants are women.[3]

AID's development assistance strategy and the Philippine government's emphasis now on social issues as an integral element of the country's overall development planning are both intended in considerable measure to focus on the poor. Increasingly, though, development resources are shifting to poverty problems in the urban sector. This emphasis on the urban poor is highlighted below:

* AID policy determination directive approved 27 May 1976:

> This policy determination provides guidance for program development to address the problems of the urban poor under current foreign aid legislation. The determination recognizes the need to deal with some of the critical problems of the urban poor which constrain development and to understand better the process of urbanization as it relates to development. It emphasizes the opportunities for use of existing legislative authorities and program tools to work in this field. It assumes project development and implementation in close collaboration with developing country institutions.

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[3] AID, *ibid.*, pp. 7-8.

> Rapid urbanization affects rural areas, too and there is increasing awareness of the interrelatedness of "rural" and "urban" places and functions in the development process. At the same time, there has been a growing recognition in AID and outside of the problems of the urban poor per se. They are increasingly rapid in number--in the cities of many developing countries more than 50% of the population is reported to be living in squatter settlements and slums--and are straining existing urban facilities, services, and other resources, as well as the ability of the national economy to be responsive. Some of the worst poverty can be found in large cities. Effective access of segments of the urban poor to employment and services may be as bad as for the rural poor.[4/]

* AID's development assistance program for FY 78 emphasizes among other "critical development needs of the poor" efforts to strengthen "urban-based activities that.... meet the basic needs of the urban poor".[5/]

* The five year development plan, 1978-82, recently announced by the National Economic and Development Authority recognizes critical problems in urban centers requiring immediate attention; and urban development is receiving increased attention in the current infrastructure program. The Batasang Bayan (GOP Legislative Council) approved in December 1976, a three-phase economic development plan, including the five year plan continuing four year plan adopted in July 1973, which

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4/ See Policy Determination, Urbanization and the Urban Poor, AID Handbook 1, Sup. A, May 27, 1976.

5/ Front Lines, "AID Lists Priority Programs", February 3, 1977.

first gave impetus to urban development beyond Metropolitan Manila.

* Allocation by the GOP in FY 77 of ₱4,950,000, including ₱2.5 million for projects, for the Rural Service Center Program. The PDAP budget message addresses in the issues of urban growth and poverty as follows:

> Intermediate cities of the Philippines are experiencing tremendous pressures caused by problems in urban growth, as center of commerce, trade, education, recreation and industry, intermediate cities are faced with menacing problems of congestion, pollution, housing, provision of infrastructures, financing and the like. Considering that Philippine local government systems lack adequate capability to deal with most of these problems, the need becomes urgent in coming up with solutions. Hence, the Rural Service Center Development Project aims to help alleviate the prevailing situation.
>
> The problems of cities become more pathetic when we consider the disadvantaged sector of the population who are bearing the brunt. It is for this reason that the scheme to deal with the problems of the poor through their active participation in the attainment of better quality of life for all has been evolved.[6/]

* National conference in town planning, housing and zoning held in Manila in February, 1977, to enable the country's 72 governors, 1,511 city and municipal

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6/ See DLGCD/PDAP Rural Service Center Development Project, Financial Work Plan CY 77.

mayors and various GOP agency technicians to:

- find ways to arrest further deterioration of the nation's towns and cities.
- strengthen in a sustained manner local government planning capabilities.

Local Government

Cities in the Philippines, recent field trips reveal, are developing in various ways. All, though, face the terrible ravages of poverty so graphically depicted by squatter villages rising like blisters in each city and containing atrociously substandard housing. Political and administrative fragmentation abounds. Moreover, the political situation is made all the more complex by the fact that legal authority for local affairs is actually vested in the national government, which sets rigid limits on local taxing power, borrowing for capital improvement and in general specifies most operational details of local government.

Juan L. Manuel, GOP Secretary of Education, complained about various agencies undertaking their own development programs resulting in "overlapping and duplication of work, thereby wasting valuable manpower and material resources". Secretary Manuel stressed the need for "better coordination among government agencies involved in rural development to maximize their efforts to improve the life of

the rural folk".[7/] The Secretary urged that an "integrated overall plan" be instituted.

It must be candidly stated that too often failure to resolve many urban issues is largely due to attitudes (insensitivity to the needs of the poor) of local officials; and not infrequently a painful lack of expertise made even more difficult by low pay, poor morale, minimal productivity and poor working conditions, especially for professional workers. (A typical USAID local hire secretary, for example, receives an annual first year salary of ₱10,670, exceeding that paid to college educated planning and development staff by several thousand pesos).

Financial Resources

Obviously, it can be said that not all urban problems can be solved with money, but many could be substantially ameliorated with cash. The stark fact is that cities in this country lack adequate resources to carry out well their legal functions. Housing improvement, for example, can be realized only by enormously costly outlays of money. Much of the housing in the chartered cities can be classified as dilapidated, and none of the cities has the means locally to replace these substandard units on any grand scale.

Cities are simply not in a privileged position as fund raisers. A major source of local revenue is the internal revenue allotment. It supplies 21% of the total city revenue, and will

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7/ Philippines Daily Express, "Rural folks life must be improved - Manuel", November 18, 1976.

likely continue to be a major funding source for cities. Real property tax income, on the other hand, accounts for only 10.3[8/] Local property taxes will likely be relatively marginal in their ability to generate new and significant revenues to support major spending programs intended to improve the quality of life of the urban poor until property tax systems are upgraded.

Since the real property tax is based on assessed valuation, and there are obvious limits to the percentage of valuation which can be levied, as a revenue source the property tax yields much less income in poor areas of the cities than in the industrial and commercial sections. The targeted cities simply are unable to provide adequate services to those most in need out of revenue available from the property tax. Moreover, cities, even with the authority to do so, can't increase tax rates on non-residential property excessively without discouraging new development. The quest for other revenue sources is, therefore, essential.

The mayor's role as the principal protagonist in this struggle to accomplish the purposes of the program is difficult. Not only does he face serious budgetary constraints, but his executive powers are blighted. Presidential action since Martial Law (Sept 21, 1972) curtails his administrative authority while he continues as the

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8/ Department of Finance Statistical Bulletin, Volume XIII, No. 1, (Manila Tax Info., & EJ Div., June 1975).

"focal point of city government responsibility".[9/] And while he exercises "overall supervision over the day-to-day affairs of the city government",[10/] power to appoint and thus to influence appreciably key city department heads ended with Martial Law.

The mayor is actually limited to appointing only certain essentially low level administration staff and a city administrator if one is an authorized--only four such positions have been established. Officials appointed by the GOP include the treasurer, assessor, engineer, city fiscal and health officer. Appointments of legislative officials are made by the President, including city council and all barangay officers. Appointments are usually made with little, if any consultation with the city's chief executive.

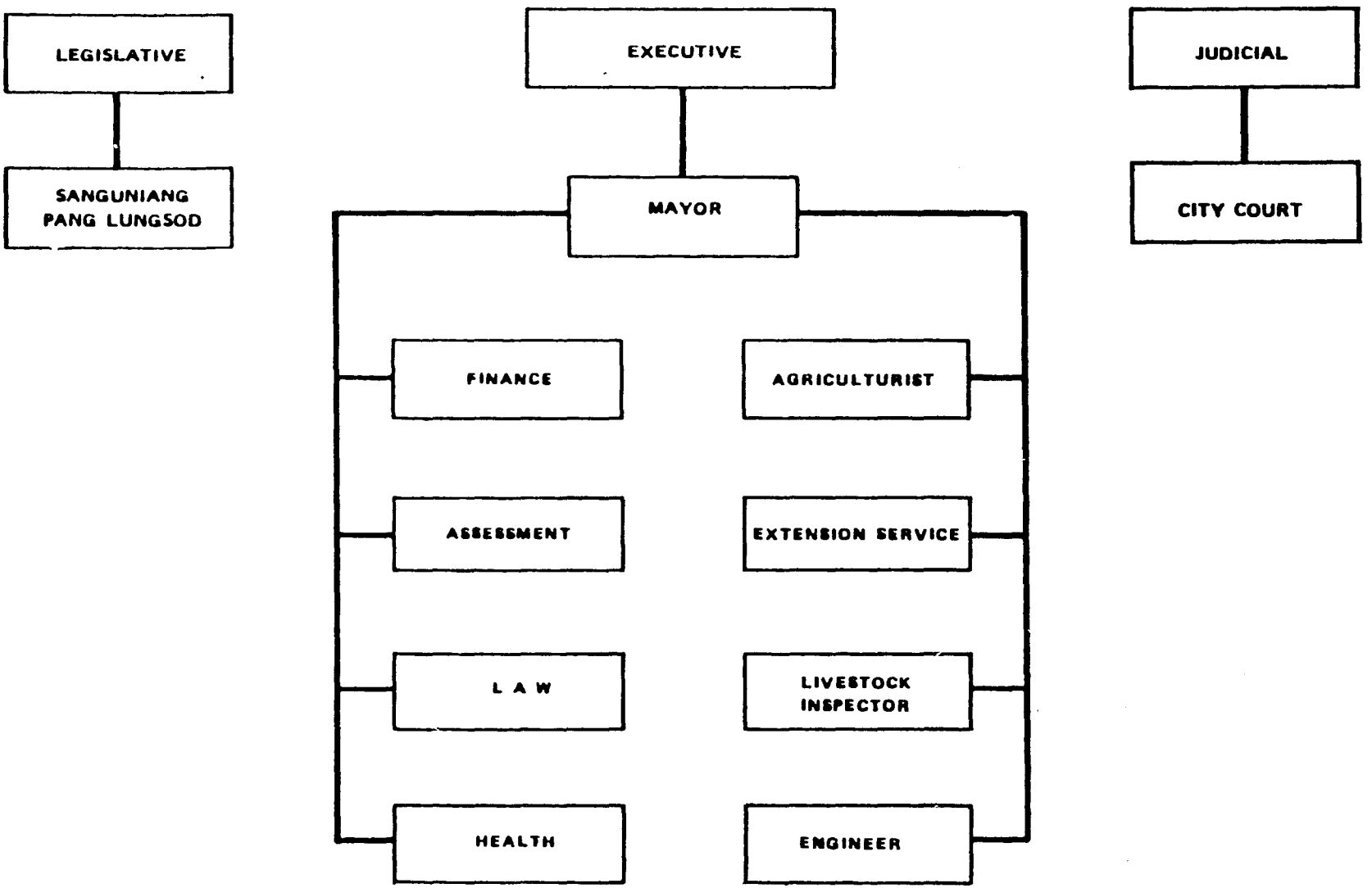
"Autonomous" regional systems of planning and governing are expected to be established throughout the country. These regional units will exercise certain executive and legislative powers over regional activities, including economic and infrastructure development, health programs, taxation and other revenue producing measures and urban planning.[11/] This expanded effort to tighten central government control over local affairs will likely further diminish the executive powers of city government.

9/ Local Government Center, Handbook on City Government and Administration, (University of the Philippines, Manila) 1973, p. 17.

10/ Local Government Center, Ibid., p. 17.

11/ Philippines Daily Express, "DLGCD launches poll info drive in Mindanao," February 18, 1977.

CITY OF CALBAYOG ORGANIZATION CHART



Source: CITY MAYOR, CALBAYOG

All of these restrictive political features will require a consultative approach to governing systems which will be "more horizontal" and the way they are governed is likely to be more "collegial, consensual and consultative".[12/] Collective leadership will require new and unique skills.

Major Barriers to City Role

Cities are the obvious milieu for major advances in addressing the issues of health care, job opportunities or skills development, food supply, potable water and shelter. There are, though, major barrier to this new emphasis on a city role in examining the ills of the poor. Several bear mention:

1. There is a lack of local funding as has been previously stated, to appreciably focus on "people" problems.
2. Useful data is lacking, particularly concerning the identity of the poor and the cost and effectiveness of programs which might improve the quality of life among the disadvantaged.
3. Existing staffs in city governments, especially those in the planning and development area, are poorly paid, morale is low and productivity minimal. Moreover, salary scales make it difficult to attract quality personnel.

12/ Harlan Cleveland, The Future Executive (New York: Harper & Row, Publishers, 1970), p. 13.

4. None of the targeted cities has full responsibility and authority to handle problems in their own jurisdictions. Various key department heads, for example, are actually appointed by GOP agencies and generally operate autonomously. City mayors have no control over such public services as welfare programs or health care delivery--key areas in focusing local resources on quality-of-life efforts.
5. The national government imposes major restraints on both revenue raising and spending practices.
6. There is seemingly a lack of confidence among city officials that serious efforts to assist the needy will, in terms of the scope of the problems, have a sufficient pay off to local government.
7. Organizational inertia is all too apparent as one observes the inactivity of workers, idle equipment, inadequate communication networking among line and staff employees, casual goal setting and weak commitment to the purposes of local government.

Essential, therefore, is a change in thought patterns at all levels of government--national, province, and local--and the beginning of real participation of ordinary citizens, particularly the disadvantaged. Furthermore, top leadership must be aggressive and local government officials in key positions well-informed. City officials,

therefore, will need to improve their administrative effectiveness and efficiency, enlist the support of their constituents, and build bridges to provincial and municipal officials.

GOP Programs

The Philippine Government is slowly recognizing that problems in the country's chartered cities can no longer be ignored and numerous programs have recently been generated. Some need to be mentioned:

- Reorganization of the 42,000 Kabataang Barangay youth organization, as a "truly functional force in the political and development scenes throughout the country". Possibly as many as seven million out-of-school youths will participate in "anti-drugs campaigns, food production, cleanliness and sanitation" projects intended to encourage community leadership roles. All youth organizations will be merged with the Kabataang Barangay.
- Community health programs are under review concerning simple medical care and drug distribution involving expanded roles for the herbolario (herb doctor) as a barrio health aide.
- Improved coordination among public officials and between citizens and local leadership, and "orienting local leadership toward modifications of Government of the Philippines (GOP) development goals" is to be encouraged.

- Urbanization prompted issuance of a new building code establishing modern techniques "imperative in the face of the country's stepped-up economic and physical development, coupled with urbanization and population growth"
- Working your associations (cooperatives) are being established to provide economic opportunities and, at the same time, encourage young workers to continue their studies.
- Established Pambansang Bagong Nayon (community housing projects) throughout the nation. The program could eventually benefit 14,000 families in the urban centers.
- Created an ad hoc coordinating council on planning, housing and zoning to assure preparation of urban development plans within a reasonable period.
- Integration of local development programs is being pushed with those of the GOP through the efforts of development councils which the Department of Local Government and Community Development exhorts cities to establish.
- Organization of cooperatives is being undertaken among the "unemployed or non-productive individuals to engage in fishing, cattle-raising, growing of fruit trees and other productive pursuits". This "compassionate society"

program is a nation-wide effort to uplift living conditions in depressed sections of the country. Beautification and "cleanliness" campaigns are also being pushed.

- A nine point action program is underway to strengthen the barangay as an "instrument of consensus government" It is intended to identify new leadership, regular dialogue among barrio families, encourage self-reliance, develop skills and encourage economic enterprise.
- The Department of Labor will emphasize in 1977 projects to create jobs and establish training centers all designed to "uplift poor and undeveloped areas". Seasonal workers in the sugar industry will participate in self-employment programs. Neighborhood nurseries are to be established for working mothers.
- NEDA is developing a three-stage economic development plan to increase by "at least seven times the nation's production capability by the year 2000". Anticipating a population of 70 to 90 million by NEDA has established 16 sectoral policies to guide development.
- Health care services will be restructured, including the building of barrio health stations, furnishing adequate medical supplies and medical equipment for use by para-professional health aides.

- The Land Bank of the Philippines has initiated a four year agrarian reform plan to expand farmer income with such projects as swine raising, irrigation pumps, poultry raising, potable rice flushers and rice hullers.
- Modern techniques used in vegetable and flower growing are being explored in consultation with U.S. seed experts.

Women in Development

"Half our human resources are women, and a developing country cannot afford not to make use of every available resource", said the Philippines First Lady in response to a query about the role of women in Asian society. It is essential, she added, that women participate in the total development of the community. The First Lady says Filipino women are in "public life, government business and social work, the professions and the trades". And President Marcos has said, "Filipino women have always been in the mainstream of Philippine history; they have contributed their share in the most challenging tasks of nation building...."[13/]

Women are being encouraged to join a nation-wide project, Balikatan Sa Kaunlaran, launched by the National Commission on the Role of Filipino Women intended to establish a more active role for women in socio-economic development. Women, it is reported, are "centers of influence":

[13/] See Presidential Decree No. 633, January 7, 1975.

- In schools, there are more women than men:

Level	Male	Female
Elementary	49%	51%
Secondary	47%	53%
Collegiate	45%	55%
Graduate	29%	71%

- Teachers are predominantly female.
- In the professions, there are more women than men.
- In the Civil Service, a National Manpower and Youth Council survey reveals there are more women (59%) than men.
- One out of three workers in the labor force is a woman.[14/]

The President, by decree,[15/] established the National Commission on the Role of the Filipino Women with the First Lady as chairman. The Commission will include heads of women's organizations and business and government leaders. It will serve as a forum to explore roles for women in "national development".

The Commission is intended to be a "staff arm of the President to recommend measures aimed at .... increasing their (women's) participation in national development...."

Specific projects include training of farm wives in agricultural technology and cooperatives, appointment of qualified women

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[14/] See National Commission on the Role of Filipino Women guidelines concerning PD No. 633.

[15/] PD 633, op. cit.

to policy-making bodies and decision-making positions in government and the private sector, surveys concerning awareness of and attitudes about government programs, workshops to encourage fuller participation of women in barangay activities and exchange of information among women's groups.

Project Elements

The Rural Service Center project has six elements intended to examine and deal with the issues of poverty within the larger framework of GOP policies. More precisely, the project will focus on strategies designed to enable the most disadvantaged in the cities to gain a greater measure of self-reliance while, at the same time, encouraging the poor to share with city officials a decision-making role in efforts to improve their living standards. Specifically, the project has these features:

* Strengthen the administrative and organization capability of targeted cities in planning and coordinating support efforts relating to urban poverty issues. This element involves, among other activities, a "discovery" survey, which will seek answers to such questions as these: Who are the poor? Where are they located? Why are they poor?
* Create a process which brings together city officials, GOP agencies and affected citizens, enabling especially the urban poor to have a significant role in shaping not only public services but city itself.

* Training is an integral element intended to provide needed managerial and technical skills to a variety of city officers and employees, including the city planning and development staff and "Interaction" training for the benefitting urban poor so that real participation in decision-making can occur.
* The Social Action Plan or operating plan spells out the scope and type of projects intended to achieve the desired ends, cope with problems and exploit economic and social opportunities. The data in this action plan will answer these questions:
    - Will the projects achieve identified goals? Are the goals adequate?
    - What contributions will each project make?
    - What funds will be required and, how will they be allocated in terms of source?
    - What major steps must be taken by what key officials, agencies, beneficiaries to accom plish each project?
    - How soon will each project be completed?

This Action Plan is intended to be both specific in describing how the projects will help deal with urban poverty and attainable; that is, resources (people and funds), time and commitment are all clearly evident.

Further, it will provide specific guidelines for city action including assignment of responsibility and authority.

* City equipment pools will be developed or expanded, including, as necessary, initial planning, design, financing and operations procedures. The PDAP/USAID Excess Property Program involving the acquisition of rehabilitated construction equipment is a major feature of this element of the project.
* Finally, projects identified in the Social Action Plan will be undertaken in line with the contribution each is expected to make to attain the identified goals.

Increasingly, key city officials in the Philippines must be concerned with both the design (how a city should be structured to achieve shared goals) and direction (the realistic goals themselves). It will thus be the task of public officials to understand and manage effectively all the elements which contributed to the managing process. These components include:

* Goals. Determining what "quality of life", for example, is realistically attainable in each targeted city.
* Strategy. Identifying ideas and plans to achieve acceptable community/barrio goals.
* Organization structure. Developing the fabric that brings together in the total community those who will perform tne needed tasks.

* Personnel. Recruiting and developing people to encourage the organization to perform effectively.
* Procedures. Prescribing how various projects will actually be undertaken.
* Facilities. Provide the necessary equipment and physical facilities to function well.
* Resources. Determine that adequate funds are available to accomplish the goals.
* Information. Supply appropriate data to assist participants to follow the strategy, policies and procedures and to measure performance.
* Motivation. Instill in all the participants a desire to contribute a full measure of energy and desire in line with efforts to attain the community goals.

Fashioning these components into a management system is essentially the job of the mayor. He and various public officials and employees will require specialized skills needed to give purpose and direction to the entire process--efforts intended to benefit the urban poor. Their task will be increasingly one of developing new institutional apporaches to decision-making in the public sector vis-a-vis the urban poor. Professor George C. Lodge describes in the following passage the kind of change needed:

> "Once the manager has joined the side of changes, he will require a clear perception of how an engine of change works. A successful engine of change must have five characteristics. First, authority: when the leader speaks, he must be believed and trusted. It is noteworthy that for this reason religious figures are often involved in early phases of change. Then, two, the leader must have the ability to communicate with--talk the language of--the most remote element he is trying to affect. Third, he must have access to power, in order to bring to the resources required for change with the appropriate time. Fourth, he must be capable of providing protection to the forces of change against the inevitable retaliations of the status quo. And finally, he must have competence, that special ability to integrate the skills of experts conscious of the nature of the whole system in which the change is occurring. From now on, good management will be measured by the quality and standard of life in our communities and by the creativity of our people."[16]

Participation

If the poor feel alienated from their local government, then, difficulties in promoting a sense of participation are, of course, greater. Yet, local government is the level at which there is the greatest opportunity to develop suitable mechanisms for citizen participation.

In the United States, for example, the Federal Government developed community action programs intended to encourage the poor to participate in decision-making by giving them a sense of participation in various programs. Moreover, a number of cities in the United States have experimented with various forms of administrative decentralization to encourage greater rapport among local officials and their constituents.

16/ George C. Lodge, The New American Ideology (New York: Alfred A. Knopf, 1976) p. 339.

An assumption basic to all is that a sense of participation must be achieved at the lowest political level possible. Thus, citizen participation is absolutely essential if increasingly complex problems concerning the poor are to be solved. The responsibility of the public is, therefore, participatory--not inert cooperation.

The purpose of the participatory element is essentially two fold:

-- orchestrate participant skills and energies to the attainment of shared goals, which likely could not be met by the participants acting separately.

-- optimize the effectiveness of the group formed to examine barangay problems in such a manner that there is a pattern of mutual expectations in terms of goal achievement.

The participants will learn together and informally (gathering, for example, in the shade of an acasia tree) how to enhance each other's effectiveness without manipulation by external forces represented by the city administration or other public agency staff. Questions such as these will be directed at the barangay groups: What are the (barangay's) actual resources? How can they be utilized in terms of group's capabilities?

This assessment of the group's capabilities is critical since barangay citizens will be expected to share not only ideas but their energies. Finally, the group will consider its needs. Participants will be encouraged to visualize their own problems as barangay concerns, which can then be more effectively addressed by broad community action.

Volunteers will be selected to experiment with various projects identified in group discussions. In time, these volunteers will be asked to inform others of their success or failure with the projects. Project deficiencies will be eliminated, if possible, and the projects will then be expanded to involve others. Local government expertise will be provided as needed in both the experimental stages and later on. The thrust of all this activity, of course, is to develop a high degree of self-reliance among barrio participants and create an appropriate spread effect. Some of the initial volunteers can be trained to replace local government extension agents to encourage the self-perpetuating process.

Cities already have the practical political organizations to support the program's objectives. There is no demonstrable need to by-pass this networking process involving the mayor, barangay officers and purok leaders. The most efficient means of building barangay effectiveness lies, therefore, in the existing political structure of the chartered cities. Thus, new forms of political autonomy as might develop in the creation of city or barangay development councils or committees could be counter-productive.

Characteristics of the Poor

Certain attributes pertinent to the make up of the poor can be identified from the survey data:[17/]

17/ Refer to USAID field notes prepared for 13 targeted cities from the period October 20, 1976 to February 25, 1977.

---- The poor are often overwhelmed by daily survival needs. In 1974, the food threshold--income necessary to buy sufficient food in a family of six was ₱5,306 in urban centers (outside Greater Manila) and ₱4,633 in rural areas. The number of persons below the food threshold grew to nearly 17 million in 1971.[18/]

---- Lives of the poor are frequently crisis ridden. Double-digit inflation began in 1970 at 15%, worsening at 22% in 1971, finally reaching an annual rate of 40% in the first quarter of 1974.[19/]

---- The poor lack the needed resources of knowledge and information to respond effectively to socio-economic stimuli. In Calbayog, most of the 150 barrios are inaccessible by road and the trek to the remotest can take two or three days.

18/ "Measuring the Quality of Life", (Manila: Development Academy of the Philippines, 1975), pp. 10-11.

19/ Development Academy of the Philippines, Ibid, pp. 13-14.

---- Leadership capabilities are minimal. Martial law obviously stifles interest in the political processes, particularly in the barrios. Barangay leaders (captains and council members) are now appointed rather than elected.

---- Organizational skills are weak. The field trips, for example, reveal everywhere a lack of small crop gardening or raising of livestock, health hazards found in open sewage channels especially in highly congested squatter settlements and many children with various skin ailments.

---- The poor have few personal contacts with city's public officials. Isolation and transportation difficulties are obvious constraints to such contacts. Indifference on the part of local officials may, however, be a major reason.

---- The poor have little, if any, belief in their ability to affect the way in which their community is shaped, and they are not easily persuaded to try.

Unquestionably, traditional efforts to encourage the poor to participate in decision-making simply because it is presumably in their best interest to do so are not usually successful. In Batangas, a port city, for example, city

officials attempted to persuade several thousand squatters to relocate to a site ten kilometers beyond the poblacion. Only pressure, it was discovered, would bring about the proposed move to the new site from the approach to the city's dock where they have lived unmolested for years.

Projects

Much of the population in the targeted cities exists in squatter settlements, and, therefore, is excluded from the reach of most basic public services. Squatting is an established pattern in all the targeted cities. The urban poor in these settlements are generally left to fend for themselves, and this neglect then becomes public policy.

Little has been done, moreover, to promote income generating enterprises. In some barrios, for example, unemployment is as high as 60% of the adult workers. Obviously, some attention must be given to small, rather labor intensive enterprises recognizing, at the same time, the rural background of much of the barrio population, and also cater to their market needs.

Several likely projects have been identified as a result of the field trips to 14 cities and a comprehensive socio-economic survey undertaken recently in a Legazpi barrio by that city's development staff. The table

below shows project preferences together with estimated costs as furnished by DLGCD/PDAP*.

Project	Description	Cost
Improved Farm Practices	Demonstration of laboratory projects designed to provide farmers skills in tested farm practices	P25,000
Sewing and Needle Craft	On the job training for making finished clothing footwear, and related articles usually with the use of machinery or other devices.	P10,000
Bamboo and Wood Craft	On the job training to fashion articles from bamboo, wood or rattan.	P53,000
Goat Raising	Raising of goats primarily for breeding and meat.	P35,000
Barrio Market	A building with stalls where seller and buyer meet.	P45,000
Multi-Purpose Center	A building constructed for general public use similar to centers erected throughout the country.	P55,000
Playground Development	The development and/or improvement of space for outdoor games and recreation.	P20,000
Backyard Garden	Planting materials provided recipient families for improved nutrition.	P5,000

*Refer to the Economic Analysis, Table 5 and 6 (Part 3.D.) for a more complete list of projects.

Project	Description	Cost
Rabbit Raising	Raising of rabbits for home consumption and sale. Recipients to provide rabbit hutch.	₱5,100
Communal & Individual Toilets	Sanitary facilities for families or individual households. (This project includes construction of artesian wells and use of water sealed toilet bowls.)	₱10,500

Training

Training, particularly for top city officials, is intended essentially to develop skills to manage compromise, balance the needs of the urban poor as eventually expressed in the Social Action Plan, articulate through the political process the felt needs of the disadvantaged and turn their energy into real participation in the development process. More specifically, the political leaders, and this, of course, includes the barrio leaders must gain an ability to work with groups, to build a cooperative effort, recognizing, at the same time, the role their own attitudes and beliefs might play in efforts to accomplish collaboratively developed ends. This requires an awareness of the interrelationships between the urban poor and public leaders and workers. Technical skills, in addition to the human and conceptual skills, will need sharpening.

Specifically, the training will provide an opportunity to:

---- develop an understanding of the changing forces in the community and their influence on local governmental decision-making processes.

---- approach problem-solving from a community-wide rather than a narrower (e.g., department/ agency) perspective.

---- improve understanding of leadership styles and their application to various internal (city government) and external (the poor, business and civic groups) relationships.

---- develop management processes so that efforts of officials, staff and the people involved are directed effectively toward shared goals.

---- stimulate among city officials a continuing interest in the study of managerial techniques so they might handle well quality of life issues.

---- ability to analyze such issues (and their impact) as poverty and population concentrations (e.g., water supply, sanitation).

---- finally, provide insights into the behavior of individuals and groups within an organizational setting.

The principal teaching methods to be employed are guided discussions of assigned readings designed to explore and challenge the thinking of participants. It will emphasize small work groups, simulations and experimentation.

Summary

Revenue sharing is established practice in the Philippines. Cities receive substantial funds, for example, for local operations from the internal revenue allotments. Nevertheless, these cities are straining their local resources to satisfy growing social and economic issues. While population migration, poverty and the urban environment generally are of concern to the GOP, broad national assistance to cities has actually been minimal.

The GOP lacks a consistent national philosophy for urban growth. Nor is there a specific plan, as yet, to stem urban decay. Obviously, it is not too late to alter this neglect, but it will require a change in the national government's attitude toward urban centers.

Poverty is a national concern, but the main burden for handling poverty issues has fallen to the cities. Cities, now troubled havens for the poor, can be made better. This effort, though, requires far greater revenue sharing to meet identified needs of the urban poor.

The essential purpose of local government is to promote the health, welfare and safety of its people. Opportunity must, therefore, be provided by city government to encourage appropriate human interaction. The RSC project is designed to improve the total environment by means of such constructive interaction.

Population

This focus on the "rurban" poor in the Philippines certainly seems to make sense. The country will, in time, no doubt become a nation of urban centers. This is where the people will live.

NEDA, for example in examining the "acute problems of growth" six of the nine cities in the Central Visayas take the position that this urban growth can be attributed to "urban attraction". NEDA further states that "with increasing urbanization and swift population growth in congestion has posed a very serious problem....in urban planning". The Philippine Bureau of Census and Statistics, for example, states that the country's urban population by the year 2000 could reach 43 million,[20/] equal to the estimated population in

20/ Bureau of Census and Statistics, "The Growth of Urban Population in the Philippines and Its Perspective", Technical Paper No. 5 (Manila: Department of Trade, 1973), p.20.

the entire nation now! This projected urban population represents an increase of 267% over 1970, and would then put the urban population at 44.4% of the total. The percentage of urban population to the total is shown in the table below:[21/]

Year	Percent
1975	33.8%
1980	35.8
1985	37.9
1990	40.0
1995	42.1
2000	44.4

Population is expected to increase by the year 2000 an average of 193% in the targeted RSC cities. The total population of the 15 cities is now 1.4 million and will, if projections are reasonably sound, expand to 2.7 million. Two cities--Angeles and Butuan--will actually more than double in population while growth in most of the other RSC cities will presumably be more manageable. Naga is expected to experience the smallest growth rate, only 22% by the year 2000. The table below shows expected population changes for each of the RSC cities:

21/ Bureau of Census and Statistics, ibid, p. 18.

Population of Cities - 1975 and 2000

City	1975	2000	Percent Change
Angeles	86,797	149,844	170%
Batangas	125,044	191,990	54%
Butuan	131,336	412,518	214%
Calbayog	102,121	133,896	31%
Dagupan	86,797	149,844	73%
General Santos	90,339	223,453	147%
Iriga	75,621	98,085	30%
Legaspi	88,044	148,007	68%
Lipa	105,938	191,983	81%
Lucena	91,517	150,600	65%
Naga	82,774	101,208	22%
Olongapo	143,229	262,768	83%
Puerto Princesa	45,917	89,326	95%
Roxas	71,049	124,731	76%
Totals	1,389,704	2,682,914	193%

There is no easy path to the "city of man".[22/] And John Gardner, in his book, Excellence - Can We Be Equal and Excellent Too?, writes, "No society can solve its internal conflicts unless its members are lifted above the tensions of the moment by powerful shared purposes". Gardner insists no society can

22/ See "Manila: Toward the City of Man", a Structure Plan for Metropolitan Manila, 1976.

achieve greatness unless people at many levels of ability agree on the need for high standard of performance and, in fact, strive to reach these standards with reasonable effort". He says further, people must foster a "conception of excellence which may be applied to every degree of ability and to easy socially acceptable activity. The tone and fiber of.... society depends upon a pervasive and almost universal striving for good performance. We are now talking about an approach to excellence and a concept of excellence that will bring a whole society to the peak of performance".[23/]

And in one sense, Gardner's grand plan for mankind is what the Rural Service Center program is all about. This "striving for good performance", in the targeted cities though obviously an enormously difficult task, will, in time, strengthen city planning capabilities, focus on poverty issues so as to "arrest further deterioration" of the nation's cities, lessen indifference both on the part of the city power structure and the poor, expand public services, encourage real citizen involvement in problem-solving, encourage greater self-reliance among barrio poor, instill confidence in local officials and staff to handle more effectively their responsibilities, generate

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23/ John W. Gardner, Excellence-Can We Be Equal and Excellent Too? (New York: Harper and Row Publishers, 1961) pp. 131-133.

projects to sustain a higher standard of living and develop an on-going process of goal identification and problem-solving involving among both public leaders and barrio citizens a shared pattern of expectations.

The most promising route, though, to greater productivity in local government is more effective management. City officials, for example, are responsible for establishing objectives, choosing program strategies and determining that policies are properly implemented. Their ability and especially their desire to do so are critical factors.

Cities in the Philippines must manage their affairs more effectively and creatively. The targeted cities are expected to serve as models. Eventually, other cities can draw upon these models that hold promise for improving the quality of life of the disadvantaged in every urban center.

The Rural Service Center meets FAA Section 611 (a) and (b).

Part 3. Project Analyses

B. Economic Analysis

The Rural/Urban Environment

The cities selected as rural service centers are affected by unemployment problems arising from population growth in excess of local economic opportunities. The reasons for rural disemployment, which cause farm workers to leave rural areas to attempt city employment, are indicated by Table 1. Each selected city is a part of its immediate rural environment--the province, which employs an average 4.7 farm workers on each of 762,500 farms which surround these 15 cities.

Total farm workers in rural areas adjoining these fifteen cities number 3,636,114 (1971), compared to the combined city populations of 1,477,000. But the number of farm workers receiving no payment for labor is as high as 47% of the average total. This percentage represents family and household labor, and those being paid in kind. It, therefore, indicates the potential levels of future farm migrants, as children mature and/or as economic pressures force relocation. This circumstance is a major reason why the project focus is the upgrading city administration, and not other (GOP) target areas or mechanisms to reach the poor.

For 761,000 farm households in the selected project environment, only 67% could report their main source of income in 1971 to be entirely from farming. Employment off-the-farm represented a necessary supplement to many rural incomes, and in this way demonstrated a dependence of the farming community upon urban part-time or seasonal employment, even without relocation to the cities.

In the cities themselves, as shown by Table 2, the percentages of "poor" to the total population is derived by an index of relative affluence. Census data relating, for example, to housing, piped water, electricity and means of cooking suggest the proportion of individual families which are the relatively affluent in each of the fifteen cities. Their inverse number are the poor, by this definition, and represent from 28% to 87% of the selected cities. In the aggregate, 53% of the total population of these fifteen cities are poor: i.e., fail to have the semblances of physical comforts associated with economic well-being.

City Revenues and Project Financing

City revenues are relatively fixed in the short-run, and in t total annual amount set an implied ceiling upon the amount of new funding which each city can sustain as new annual cost burdens. The most recent revenue data is shown on Table 3. Such revenue levels are indicators of administrative capacity. New spending on new projects must be geared to the absorptive capacity of existing city administration, in order to assure replicability of such projects. (A review of six cities indicates that expenditures were 93.6% of all revenues, but the amounts spent on either welfare or city services is not clearly indicated).

The proposed financial plan for the Rural Service Center Project is shown in Table 4. GOP financing represents 40% of local currency costs, mainly for hardware items and staff training. The dollar component is $1,697,350.

The basis for this financial program is the technical requirement for optimum project development in each of the fifteen cities as determined by measurement of 1) relative average levels of city revenues, 2) the component of new costs which must be additionally borne by cities from their internal resources, and 3) direct benefit levels of the targeted poor--development project spending levels (see Item 13, Table 4).

Development Projects

To identify the effect of development project spending for direct city aid to the poor, Table 5 illustrates 20 "typical" projects, their relative costs, direct labor employed and estimated households requesting such services for an assumed average of 1,000 households per service area. The table shows that typical projects may vary widely in cost and in the number of households which may be affected by each project. Moreover, for any community of 1,000 households, a household may be served more than once by any grouping of these projects; in the "typical" case 5,750 families are benefited (i.e., 1,000 families may enjoy some benefits from 5.8 projects out of 20).

A measure of relative efficiency of these projects is calculated in Table 6. Maximal labor employment would be desired, which for all 20 projects represents 52% of total project spending. The number of households reached by each project should be also maximal, and should simultaneously be least-cost. But variations in type of project (whether income-generating, or given as a service, or in training skills) are non-

Street improvements and goat raising each have a cost per household of ₱1,000. The former reaches 500 families and the later only 100. Labor employed is only two for goat raising and 40 for streets. But goat raising derives milk consumption and meat products, while street improvements are simply not generally now provided by cities.

The final determination of relative demand for such services is implied in any case, by the number of households estimated as being responsive to (requesting) each project as offered. That number (shown in Table 5), is shown as a frequency probability in Table 6, and is believed to represent a likely distribution of such demands.

Maximum Welfare Spending and its Burden

Direct project aid to the poor is,however, only one element of the total program designed to upgrade city administrative services. The bulk of project funding is directed at improved city operations which will have additional impact upon the poor as city services become more fully developed. The initial funding of direct aid to the poor for specific "typical" projects, of the type listed in Table 5, must be restricted to a level below the total demand for such services, because of its financial burden upon the cities. A measure has been made of total cost levels, if the attempt were made to reach all the poor families in each city with direct project aid of the kind listed.

Table 7 indicates that direct project aid costs would amount to ₱176.8 million, plus the allotted administrative support funds of ₱27.4 million designated by the project summary financial plan.

Compared with normal city revenues, these demands for direct developmental aid cannot be met. The cost burden for direct development aid alone is as much as 179% of combined total annual city revenues. In individual cities, the cost could be as high as 500% to 700% of normal city revenues.

R.S.C. Financing Affected by Budget Constraints

The level of city revenues themselves, therefore, impose constraints on the amount of direct project aid to the poor, and upon the amounts budgeted for the upgrading of city administrative services. The issue mainly centers on the ability of the city to absorb added new costs, which must be sustained following the close-out of special funding under the project. In most cases, the precise level cannot be identified with certainty. Two alternatives are examined in Table 8 and a third alternative in Table 9. The first two identify the precise reason why city administrative upgrading must take priority over immediate direct aid to the poor in the longer-term interests of better serving them later.

Table 8 shows the effects of budgeting of R.S.C. funds according to (1) a fixed percentage of city revenues (to minimize unsupportable future costs), or (2) the budgeting of R.S.C. funds according to the relative distribution of the poor in each city. Using the R.S.C. budget amount of total peso funds as a basis (₱33,166,548), these funds are distributed to the 15 cities according to either option. Table 9 indicates the conflict in results and a third alternative.

A distribution of project peso funds according to city revenue distribution results in an equal allotment (of 31.87% additional

revenues) to each city. If this total new amount of funding were necessary to achieve project results, it is also apparent that the volume of new spending implied could not be sustained and replicability of the effort would be doubtful at best. The second alternative demonstrates that an allocation of project funds according to the distribution of the poor will also achieve a distribution without regard to absorptive capacity of the cities, and their relative revenue base is totally ignored, by added costs which range widely from 125% of normal revenues to as little as 9%.

As an alternative to both the above, a level of 15% of city revenues may be identified as a level of maximum burden which may not be exceeded, if replicability is to be achieved. This alternative places fiscal soundness ahead of immediate direct aid to the poor, on the premise that it is effective administration of the city which ultimately will achieve the improvement of the living conditions associated with poverty.

Table 9 indicates that the 15% level of city revenues amounts to ₱15,609,465, and may be compared, in its effects upon the poor, with each of the first two alternatives. The direct effects result from an assumed level of direct project aid spending, in each alternative case, of 25% of the new city burden, at the test levels of either ₱33 million or ₱15.6 million. That is, 75% of R.S.C. funds enter upgrading of city services. The total percentage of households affected, and their number, are shown to be less for the limited 15% aggregate budget and to be greatest for the higher money allocations.

Some flexibility, therefore, exists within the proposed total R.S.C. project financial plan, which was shown in Table 4. This results from the actual levels of replicable city costs contained within the proposed financial structure of the AID package. This calculation shows only these costs, newly borne by the cities, to be net added burdens upon individual city administrations, inclusive of direct project aid to the poor.

Replicable City Costs After AID Termination
(Pesos)

Table	Item	Total Cost	Annualized	Annual Rate
(5)	Office Supplies	₱1,950,400	₱ 292,560	15%
(6)	Excess Property	6,102,508	1,525,627	25%
(7)	Rehab. Distrib.	8,567,040	1,713,408	20%
(8)	Garage Maintenance	3,834,000	383,400	10%
(9)	Staff Training	4,876,000	1,219,000	25%
(10)	Field Inventory	315,950	315,950	100%
(11)	Civic Action Groups	631,900	631,900	100%
(12)	Social Action Plan	631,900	631,900	100%
	Subtotal		6,713,745	
(13)	Development Projects		5,778,250	100%
	Total		12,491,995	100%

Overall, the total level of replicable city costs is ₱12,491,995, or only 80% of the ₱15,609,465 supportable level of costs, equal to 15% of normal expected city revenues.

The subtotal administrative cost structure is 53.7% of total replicable project costs, instead of the maximal level identified as 75% of total supportable costs. Direct project aid to the poor is a higher proportion than the illustrative case: 46% instead of 25% of total R.S.C. funding.

This suggests that additional AID and local funding in support of the administrative structure could be increased to a level which brings total replicable city costs up from 80% of the estimated maximum to 100% (or ₱15,609,465). Similarly, the proportion of direct aid projects, now at 46% of the total replicable costs, should be reduce proportionately to a level of 25% of total replicable costs to accord with existing levels of administrative capabilities to manage these projects successfully in their initial demonstration stages.

The analysis of costs and benefits which follows is based upon the project funding (derived from Table 4) which furnishes a budget allocation to each city not greater than 15% of normal city revenues of which 75% is allocated to upgrading city administration and 25% to direc project aid to the poor.

C. Financial Analysis

Time Schedule of Costs

The Rural Service Center Project has scheduled the release of funds over a 4-year period, 1978-1981. This schedule is shown in Table 10. The annual amounts of U.S. dollar expenditures are shown separately from peso outlays. These amount to $1,697,000 and ₱33,166,548 respectively.

They, therefore, do not include additional funds which could be added above the 80% level of replicable city costs. They similarly do not alter the level of development spending (of ₱5,778,250) to a level equal to 25% of replicable city costs (₱15,609,465 x .25 = ₱3,902,366.

Time-staging of replicable city costs runs parallel with time-staging of development aid costs, and re-allocation of surplus can be made to administrative services within the same time frame without altering annual expenditure levels. The addition of ₱3,117,470 beyond this re-allocation to city replicable costs brings replicable city costs to the 100% level of ₱15,609,465 identified as optimum. (This addition will alter total costs by that amount and time-staging year-by-year.)

The replicable city costs, amounting to ₱12,491,995, are 26.72% (after annualization) of the total Rural Service Center project costs shown on Table 4 and Table 10. Because this burden is within the 15% of normal city revenues (equal to 12%), it is believed these costs are sustainable. The basis for this lies in documentation by the National Tax Research Center[1/] showing the breakdown of average total city expenditures in the Philippines in 1971 to have been 40.75% on

"social development" in areas of education, public health, labor and welfare, with a further 16.7% spent on "economic development", meaning, for example, agricultural and natural resources, transportation, commerce and industry. This average, for 61 chartered cities, represents 57.45% of expenditures with the balance being costs of general government.

The normal spending ratio, therefore, would presumably dispose of any normal increase in funds in the same manner. However, the R.S.C. project package would furnish to selected cities a volume of funds (some in kind) representing advisory services and administrative supports which effectively displaces the need for higher "general government" budgeted costs. These are the non-replicable expenses.

The other (replicable) costs in the R.S.C. program are 46% equipment and property items, annualized, with the balance constituted 54% by staff training, field inventories, action groups and social action plans combined with direct development aid. (This 54% amounts to ₱8,577,000 out of a replicable cost total of ₱15,609,465.) This proportion also corresponds to the amounts normally spent on social and economic development, or 57%. But it is combined of both administrative upgrading funds, which look to long-term development of effective city services and short-term direct aid, which obtains immediate demonstration effects and offers the centerpiece for training.

In effect, replicable costs directed at social and economic development have been effectively doubled, and provide at the same time

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1/ The Tax Monthly, National Tax Research Center, June 1974.

for their long-term administration. This has occurred without a corresponding increase in "general government" expenditures. Provision has been made internally for this administrative cost increase within the replicable development budget itself.

Forecasts of local government revenues for the period 1977 to 2000 indicate a rise in local tax revenues of 3.5% annually, plus normal national aid receipts of 5.4% annually.[1/] These growth rates may be applied to the analysis of city revenues in Table 3, where it is shown that local taxes amounted to ₱67,166,024 in the 1973-74 period, and internal revenue allotments amounted to ₱31,487,000. The increases from the period 1973-74 would furnish the following annual total funds to the 15 cities in the R.S.C. program.

(₱000)	1975	1976	1977	1978	1979	1980	1981	1982
Forecast:								
Local Taxes	69,515	71,950	74,468	77,074	79,772	82,564	85,454	88,445
National Aid	33,187	34,979	36,868	38,859	40,957	43,169	45,500	47,957
Total	102,702	106,929	111,336	115,933	120,729	125,733	130,954	136,402
Net Increase*	3,985	8,212	12,619	17,216	22,012	27,016	32,337	37,785
Revenue Base								
1973-74	98,717	98,717	98,717	98,717	98,717	98,717	98,717	98,717
+ Prop. Tax				(104063)	(104063)	(104063)	(104063)	(104063)
+ 15% RSC				15,609	15,609	15,609	15,609	15,609
Surplus/(Deficit)				1,607	6,403	11,407	16,728	22,176

* Cumulative.

Between 1975 and 1982 expected total city revenues will increase by 32.8%. The increase between 1977 and 1982 is 22.5%. The

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[1/] A Draft for Discussion: Integrated Highways Plan, Phase I: The Basis for Planning, Human Settlements Commission, 1975.

R.S.C. costs which are replicable are introduced in 1978 at the level of 15% of 1973-74 revenues, adjusted for expected improvements in property tax collections, but these costs remain constant while city revenues continue to rise. By the time of termination of external aid in 1982, coverage by normal revenues of a program continued at the level of ₱15.6 million is 142% of costs. That is, continuation of the RSC program then constitutes a budgetary outlay equal to 41.3% of the cumulative (then current) of total revenues, or 11.44% of the total city revenues.

This comparative revenue and expenditure schedule indicates that the obligation incurred at the outset of the program will decline as a "strain" upon the budget to a manageable level not inconsistent with the prior expenditures upon welfare and economic development. These costs in 1971 were earlier seen to be at the level of 57.45% of existing city budgets, and by 1982 would represent 64% of these budgets (57.45% x 1.1144 = 64). It is concluded that the 15% level of normal expected city revenues is a suitable basis for R.S.C. funding of replicable city costs, and can be sustained to assure replicability of the project after termination of external aid.

Economic Benefit-Cost Analysis

Table 4 and Table 10 have indicated the level of development project or direct aid spending on the poor. These projects have previously been characterized in Table 5, according to their individual suspected impact upon an urban area composed of 1000 families. It was shown that aggregate spending on direct aid would amount to ₱1,672,300 for a

representative list of 20 projects, and would employ an estimated 396 laborers, on an annual basis with a payroll equal to ₱871,800 or 52% of total estimated costs.

In addition, the typical urban area of 1,000 families would be served by several projects simultaneously. This results from their "vote" for such diverse services, for example, as sewage disposal, street improvements, animal care and pest sprays. Because of this, it was shown that the equivalent of 5,750 families were being directly served by the expenditure of ₱1,672,300 with an average cost per total family of only ₱292.

The amount of actual direct aid expenditures permitted each of the 15 cities is, however, a function of the 15% addition to their revenue base, which will accordingly vary by the amount of each revenue base. The 15% represents total costs which are replicable, i.e., the amount cities are asked to sustain after the termination of external aid.

Out of this sum only 25% (of the total ₱15,609,465, or ₱3,902,366) is allotted for developmental direct project aid to the poor. This immediate aid acts as the focus of city attention and as a training ground in administration separately from other replicable city costs devoted to the longer-range needs of upgrading city administrative services on which ultimately the entire system of effective city services depends, including welfare and developmental services.

The total replicable city costs of R.S.C. funding during the period 1978 through 1981 are shown in Table 11 for each of the 15 cities.

The amounts shown are in each case equal to 15% of normal expected city revenues (Tables 8 and 9). In three successive years, five cities as a group will be introduced into the program. The time sequences of the added expenditure schedules are shown along with the next year's results in terms of labor employed and families (households) affected by the prior year's spending--a level of employment and effect upon households which will remain constant during the program.

The effects upon labor and households are functionally related to the level of 25% of total replicable city costs which are comprised of developmental direct project aid monies. This amounts to ₱3,902,366 in the aggregate, and will vary from city to city accordingly as the 15% of normal revenue level varies. It may be seen that for the first tranche of spending by the first five cities, 268 new jobs are created and 3,903 families are newly reached with special city services.

In the second year, the product of spending by 10 cities is to employ 501 workers and extend services to as many as 7,295 families. After project spending in the third year, 922 jobs have been created and 13,416 households are being served. By the beginning of the fifth year, external aid funding will cease and the cities will then sustain a level of funding which will continue to employ 922 workers and serve 13,416 families. (These are not necessarily the same labor or same families affected.)

An analysis of total benefits would necessarily include the results which derive from upgrading city administration, as well as

those arising from direct project aid. Benefits to the city's inhabitants from effective administration of city expenditure programs is one such source of general benefits. But in such matters no generally accepted standard for measurement exists. Therefore, only a partial analysis is now possible.

Perceived Benefits by Income Class

The basis for benefits has been identified as the spending of direct project aid, amounting to 25% of the 15% of added R.S.C. funds to city revenues. Two sources of benefits have been shown to derive labor employment and households reached, both resulting from the presumed voting patterns of city households according to social action plans in which they participate. Direct employment obviously differs from city services such as provision of guarded safe pedestrian crossings (Item 10 - traffic control) and is perceived as a higher level of benefit by recipients.

A perceived benefit is the value placed upon it differing from its monetary value, according to its relative scarcity. These relative valuations can be examined in Table 12, which compares the marginal utility of income according to income class. It is shown here that a marginal unit of income is valued more highly at the lowest income level than it is at the break-even point where expenditures equal income. This calculation identifies the diminishing marginal return from an added unit of income as income rises, and thus quantifies the relative valuation of benefits received according to income class.

The basis for this valuation analysis is the relative shortfall in income at lower levels of income from that at which expenditures

equal income (as calculated by GOP analysts from estimates of cost of living items against reported income levels). An automatic ranking is established by the simple device of finding the ratio of the lower income level to each higher income level to the point (₱10,000) at which no shortfall exists and marginal income is valued at face or 1 for 1. It is shown that a peso is valued at 6.58 times its nominal value by the less-than 500 peso income level, and that such valuations decline as income rises to 4.57 times at the 4,000 peso income level, and to 2.68 times at the 8,000 peso income level.

Benefit Distribution by Income Class

The valuation and the distribution of the benefits created by direct project aid spending is calculated in Table 13. The two kinds of benefits are treated separately. Direct labor employment is valued according to the perceived value index, and improved city services reaching households are valued according to face values (the actual level of spending which is the balance of costs after deducting labor employed).

The distribution of such values is made according to income class from less than 500 pesos to 8,000 and those above. This distribution is the same as the normal population distribution without alteration on the premise that such services will have a tendency toward random distribution, and that appropriate city services effectively administered thereby achieve a representative quality affecting the life of citizens in each economic level according to proportionate numbers at each level.

For the four year R.S.C. spending program, 1978-1981, the time-staging of expenditures have been calculated (see Table 11) to

reflect a one-year lag in the production of 12-months' benefits totals. For this reason, the distribution of benefits is shown as the period 1979-1982. An added year, 1983, is also shown, in lieu of a longer term forecast. This abridgement results from the fact that the results of spending have been defined as direct and immediate. A continuation of benefits depends upon a continuation by the city of the program after actual R.S.C. spending has ended. Benefits which, therefore, accrue after this program derive from other than programmed AID project expenditures.

Benefits by income class are shown to be distributed 47.2% to those households earning less than ₱2,000, 79.7% to those earning less than ₱4,000 and 90.1% to those earning less than ₱6,000. This distribution of benefits reflects both the normal population distribution and the perceived valuation of the spending. Population distribution alone would have distributed benefits 71.5% to those under the ₱4,000 level, and 84% to those below the ₱6,000 level.

Internal Rate of Return

At a 15% discount rate. the annual level of benefits calculated for a three year period alone against a three year period of direct aid spending shows a benefit-cost ratio of 1.25. Undiscounted costs and benefits are shown in the table below:

Year	1978	1979	1980	1981	Total
Costs (₱000)	4,542	3,946	7,121	0	15,609*
Benefits (₱000)	0	3,653	6,821	12,774	23,248

* Total replicable city costs.

Year	1978	1979	1980	1981	1982
Discounted at 15%:					
Costs (₱000)	4,542	3,433	5,383	0	13,358
Benefits "	0	3,178	5,156	8,405	16,739
Discounted at 32%:					
Costs (₱000)	4,542	2,991	4,087	0	11,620
Benefits "	0	2,769	3,915	5,557	12,241

Benefits-cost ratio = 1.05

The internal rate of return is somewhat above 32% based on an R.S.C. program of ₱15,609,465, equal to 15% of normal expected city revenues (early-year base), which represents the total replicable city costs.

Part 3 - Project Analyses

D. Social Analysis

Socio-cultural Feasibility

1. Who Lives Where

There are few social, religious, ethnic or other groups, in any cultural sense, which are significant to this program. Some of the chartered cities to be involved in the program have cultural minority groups which reside within their boundaries. But by and large these minority groups have been placed under the care and jurisdiction of the Presidential Arm on Minorities (Panamin) and so would not be directly effected by this program. For the most part, the cities involved present a homogeneous cultural vista. The primary differences are between the rural and urban poor.

The poor constitute the major group of people with which this program will be concerned. Most people in the chartered cities are poor. Of the cities targeted for inclusion in this program levels of poverty run from a high of 90% in Puerto Princesa to a low of 30% in Cagayan de Oro. In the fourteen cities surveyed by the Rural Service staff, the figures on poverty of the local Department of Social Services and Development offices place the level of extreme poverty at 44% of the total population--using a definition of ₱3,096 ($412) per annum per family of 8.6 persons as the cutoff point between what they considered to be the "poorest of the poor" and the "poor". The Development Academy of the Philippines has defined the

poverty threshold for a family living in an urban area, other than Manila, as being ₱8,844 ($1,190) per annum, and ₱7,758 ($1,032) per annum for a family living in a rural area. As of 1971 about 50% of all urban families and 75% of all rural families fell below those thresholds.[1/] More recent figures from the Department of Social Services and Development, place the level of poverty in urban areas at 53% of total urban population.

The urban poor in the chartered city can literally be found everywhere. Land in the urban areas is at a premium and far beyond the meager means of the poor. Most poor people are forced to rent the land space on which they construct their homes. Rents in this kind or an arrangement vary, but usually are found between ₱5 and ₱15 per month. To maximize their incomes, the landlords who provide land for such use normally rent to as many households as can be accommodated by the land. No services or facilities such as water or sewage are provided in the normal land rental arrangement. Needless to say, conditions in such arrangements are crowded and far from sanitary. Due to the lack of zoning or city planning in the past, these housing settlements can be found almost anywhere within the poblacion of the chartered city, but are more often found in clusters.

A second class of poor people found in the poblacion is the squatter. Squatters are normally found anywhere where land has been left vacant in the poblacion (e.g., along railroad tracks and

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[1/] Measuring the Quality of Life: Philippine Social Indicators Development Academy of the Philippines, 1975, p. 11.

canals, in empty lots, and on public lands that have been left idle). Squatters have often lived in these areas anywhere from 4-10 years. Squatters settlements are often more crowded than those settlements where families rent the land and conditions are usually far more equaled.

In the rural sections of the chartered cities almost all families fall below the poverty line. The poor in the rural sections are largely those who are landless, tenants, those who only recently acquired land via the land reform, and most fishermen. The rural poor do not suffer from the over-crowding common in the poblacion but are just as prone to the problems of disease and malnutrition that their urban cousins face.

2. How Are They Organized

The Rural Service Center program will be working with the administrative structure of the targeted chartered cities in order to improve their administrative capabilities. The capabilities developed by the Rural Service Center program will then be channeled to develop programs addressing problems of the poor--problems which the poor have identified. In essence, there will be two sets of organizational structures--the city administration and the poor.

Local institutional control of government is very weak in the Philippines, as it is presently constituted. The chief executive of the chartered city is the mayor. The mayor, "exercises overall supervision over the day-to-day affairs of the city

government". But the mayor actually exercises direct executive control only over those positions within his own office. All office heads, outside the mayor's office, are appointees of departments of the national government and, therefore, are responsible for the implementation of the policies and plans of both the national government and the city. This administrative set-up renders the mayor more in the position of a coordinator and conciliator than chief executive in the normal sense of the term.

The primary organizational structure of the poor that is of concern to this program is the barangay. The barangay is grass-roots government and operates as the smallest political unit in the Philippines. The barangay is lead by the barangay captain and the barangay councilors. Prior to martial law, all of these positions were elective. It is not unusual for women to be barangay captains. Most purok leaders are women.

The barangay is the unit of government that the people approach most often to express their problems and to seek solutions. Since the barangay is government at the grassroots level, it is the one that is most intimately aware of the poor's problems. This is especially so since the leadership are all members of the community and so face the same problems as their constituents.

But at present, the barangay is not being utilized as effectively as it could be as a tool of city government in gaining

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2/ Handbook on City Government and Administration, Local Government Center, College of Public Administration, University of the Philippines, Manila, 1973, p. 17.

information for planning in order to meet the needs of the people. The Rural Service Center program plans to upgrade the barangay role in city planning so it may truely be "the base for citizen participation in government".[3/] By upgrading the role of the barangay in city government, the program will be involving, more directly, the people of the city in the decision-making process. Special emphasis will be exerted in order to get the participation of the poorer residents of the city involved in problem identification and decision-making.

In addition to the city administration and the barangay, there are the various civic, religious and charity groups working with the poor. Since their role in this program is somewhat auxiliary to the program, a representative listing of these groups is mentioned, including Rotary, Kiwanis, the Junior Chamber of Commerce, and their respective wives' organizations, the Legion of Mary, the Knights of Columbus, the Daughters of Isabela and the Daughters of Charity.

Many members of these organizations have expressed their willingness to help in program's effort. These organizations are already active in helping cities develop their framework plans. Because of their direct knowledge of the poor and their problems, their continued efforts in this respect will be of benefit to the program.

3/ Section I of Presidential Decree No. 86-A; Strengthening and Defining the Role of the Barangays.

3. Allocation of Time

Most of the poor are unemployed or work as farmers, fishermen, vendors or laborers, and exist at a subsistence level, but in many instances, and especially in the farming and fishing categories, the poor have a considerable amount of leisure time. Field observations indicate that most of this time is spent with the family or engaged in other social pursuits, such as gambling. These field observations tie in well with the findings of a recent study which states that the primary goals of the Filipino include: (1) establishment of a family, (2) securing neighborly ties (neighbor connoting one who can be depended upon) and gaining social acceptance and (3) improving one's economic condition--with No. 3 usually running a poor third.[4/]

A study done in 1957 indicated that farmers were employed an average of four months out of the year on their farms, devoted two months per year to off farm jobs of various kinds and were idle for six months per year.[5/] While the situation has changed some since 1957, it is still safe to say that there is a considerable amount of time at the farmers disposal outside of peak agricultural seasons (harvesting and planting), and off-farm employment.

[4/] Carrol, John J., with Francisco Arenta, Carlos Arnaldo, and John Keane, Philippine Institutions: The Challenge Which Confront the Filipino Family, the Economy, Religion, the Educational System, Mass Media and Politics. Solidaridad Publishing House, Manila 1970, p. 4.

[5/] Oppenfeld, Horst and Judith, et. al., Farm Management, Land Use and Tenancy in the Philippines, Central Experience Station Bulletin: 1; University of the Philippines, Los Banos, August, 1957, p. 84.

Fishermen interviewed on the initial field survey said that about 15 days per month were spent in the boats or at the market, and the rest was enforced leisure time due to inclement weather. Capiz (a type of shell) gatherers also say there were a limited number of days on which they could engage in their occupation. Urban laborers, on the other hand, have relatively little leisure time, during those periods when they are employed.

Indigent women have less leisure time than men due to the added burden of their domestic activities, though a great deal of this work is done by young girls and older women. Those indigent women who work outside the home, and most do, are likely to be engaged in activities which are not so dependent on weather, such as the preparation and selling of foodstuffs. In urban areas, those among the poor who are engaged in regular employment have a more restricted amount of leisure time than their rural cousins.

The poor spend their leisure time primarily in socializing with family and friends. These activities then take priority over further economic endeavors when the latter option exists. As pointed out by Carroll, et. al., family and neighborhood are the primary concerns of the poor so this behavior is not unusual.[6/]

Though the poor in most cities have large amounts of enforced leisure time available to them, care must be taken to plan activities that involve them during those times that they are most likely not working. It is important that the poor articulate through the barangay when they will be available.

[6/] Carroll, et. al., p. 8.

4. Motivation

City Officials. Most city government officials interviewed in the initial field surveys seemed anxious to participate in the program because of the benefits they perceived would accrue to them. These included: (1) training opportunities, (2) equipment, which the CCP will provide the city at low cost and (3) project reimbursement, which the city would receive upon proper completion of approved projects. Interest of city officials was greater in the area of improvement of their capacity to act than in the area of improving the lot of the poor; but the criteria of projects to improve the quality of their poorer citizens in no way has dampened their interest in the program.

The Poor. The poor in the chartered cities are very aware of their problems, have ideas about potential solutions and are not unwilling to discuss these matters. They, of all the groups which will participate in the program, have the most to gain from it in terms of projects to improve their quality of life. However, they are not accustomed to participating in a process which not only requires them to identify their problems to the city government, but also to be active to some extent in working on the implementation of the solutions to these problems.

They often expect the government to give them what they need, and if it is not given to them, they have not been active, in the past, about getting it themselves. This is a problem that

must be recognized, but if past experience is any guide, once the poor realize that the city's efforts are genuine, the problem will rapidly disappear.

Of course, in the last analysis, it is up to the people in the barangay whether or not to undertake any projects designed to improve their quality-of-life; and they will make their decisions based on what they perceive they will receive by doing so, versus what "costs" they will incur. It is possible that the conscious awareness that certain problems are solvable within the barangay will motivate the people to act on their own. Even if this does not occur, they will have played a major role in the decision making and implementation process of projects that will affect them directly--even though the projects will be designed by the city.

Besides the hoped-for benefits of the implemented projects, barangay residents can be expected to participate because of their attitudes of pakikisama and bayanihan. Pakikisama is a Filipino cultural trait which roughly translates into English as "going along with the group"--that is following the group's decision. Bayanihan translates into English as meaning "cooperative" or "neighborly" in the sense that was common in a barn-raising in frontier America. These two cultural traits are particularly strong among the poor.

The Elites. It is true that in the Philippines there is a quasi-feudal hierarchical social structure and that people tend to adopt the attitudes of those they regard as their superiors.

Given such a social structure, it is not surprising to find that some among the elites wish to maintain the status quo and may, therefore, use their power and position to obstruct a program such as this. Fortunately, the elites of the cities included in the initial survey are singularly active in helping the poor, to varying degrees. The tendency towards noblesse oblige among the Filipino elites is far stronger than the obstructionist tendency towards status quo. This is especially true since the advent of the continuously growing Filipino middle class following World War II. Many of the elites interviewed had been working in the development process of the city and directly with the poor. The elites, when taken as a whole, perceived it to be their duty to aid the poorer citizens of the community. When asked, members of the political and economic elites and that they would be willing to cooperate with the Rural Service Center program.

5. Minimum Participation Profile

The City Administration. The minimum participation among those in the city administration is the recalcitrant city official who sees this program as invading his private fiefdom. This type official is not expected to be found too often. When he is found, he will be told the advantages of the new system.

The Poor. The minimum participator among the poor is the indigent squatter. From the initial field survey, it was

discovered that this squatter has the following general characteristics:

1. He is married and has a family consisting of a wife and 6.6 children.
2. He has attended up to six years of elementary school, but does not speak English and is barely literate.
3. His wife has attended up to five years of elementary school, does not speak English and is barely literate.
4. One half of his children are of elementary school age, the other half are either pre-school age or not attending class.
5. He is either unemployed, or under-employed as a part-time fisherman or as an unskilled day laborer, or as a gatherer.
6. His wife is either unemployed or under-employed as a market or street vendor, or as a gatherer.
7. Total family income is less than ₱3,096 ($412) per annum, or less than $1.53 per day.
8. He and his family are normally malnourished, and have a long history of disease--especially gastro-enteritis and pneumonia. Preventive medical care and family planning are not practiced.

9. His housing conditions are decidedly sub-marginal. His abode is small, cramped and flimsy, normally made of debris and scrap wood, and usually found with other squatter huts tightly packed around it. Sanitary facilities are usually non-existent, as is a local source of free or low-cost potable water (squatters are often forced to pay from 5 to 30 pesos per month for their water, which they must then carry over long distances in backets). Garbage is rarely collected and so is found everywhere in his settlement.
10. He is normally a devout Catholic.
11. He is cognizant of the barangay council and who the barangay captain is, but rarely attends barangay meetings.

6. Matching Participants and Projects

City governments will benefit in terms of training and equipment. Those in the city governments who will benefit the most will depend upon the projects selected and which departments they involve. The most crucial element will be that, if the program is successful, it will have endowed the city with the capability to discover what problems are currently facing its citizens, what future problems may be and how to plan so as to best utilize advailable resources.

The poor will benefit by an increased level of participation in the functions of government that will result in projects designed to meet their needs. Among other things this will upgrade the role of the barangay in city government thus making government more responsive to the needs of the people, as those needs are locally perceived.

The elites will benefit in the sense that the program will result in an improved social and economic environment in the city. The improved management levels of the city administration that will accrue from this program will result in sounder, more rational government--opening the way for possible increases in the levels of local autonomy. While city planning and sound administrative practices, and the projects designed to improve the quality-of-life of the poor will mean that the city will become a nicer place to live and do business--thus opening the doors to the possibility of economic expansion and improvement of the local economic base.

7. Obstacles

Social. The fact that the poor have been too often approached with project plans which have never been implemented will present an obstacle. It will be difficult to gain their participation unless demonstrable results are forthcoming, or unless they can be better informed about the process through which their inputs pass. Related to this is the feeling among the poor that government can and will solve their problems for them. This makes them reluctant

to engage in self-help projects where they feel that there is a possibility that the government will do the work for them. For this reason, it is important that the poor be involved as much as possible not only in the identification of projects but in their actual implementation.

Indigent Filipinos, more so than others, are frequently anxious to say what they think their superiors want to hear. This is due partly to the fact that to do otherwise would be impolite, and partly to the fact that they wish to maximize their position through the use of information control. Thus, if barangay residents are interviewed, they will name as their problems those that they know to be what the interviewer feels are problems. For this reason it may be difficult to illicit true responses through survey questionnaires relative to what the barangay's problems are, therefore, several types of information gathering tools may need to be employed so that a true picture may be gleaned.

Still another obstacle may be timing. There are times when attempts to mobilize the participation of the poor may well prove futile. For instance, urban women who have jobs outside the home have a restricted amount of time available for community activities during the day, and residents of rural barangays are fully occupied during peak agricultural seasons. As previously stated the poor do have available free time (often too much), but care must be taken to ensure that their participation is scheduled for those times

that they are fee. The poor can ill-afford to take time out from their income gaining activities to do community development work.

Another social problem which may prove to be an obstacle is that it may prove to be difficult to maintain a high level of interest among the poor in the development of projects once they have passed the initial stages and the novelty has worn-off. In the past projects such as open drainage, ditches have been constructed to drain off sewage and rain run-off only to be clogged with debris largely contributed by the poor for whom the ditches were constructed to help. This lack of concern and degeneration of utility of infrastructures built to aid the poor is a major problem. For this reason, it is necessary for the poor to have a major stake in the planning and construction of infrastructures designed to aid them. If this is done, the likelihood of sustained utility of projects initiated under this program will be greatly enhanced.

Political. In some barangays, the barangay captain is not looked upon with favor and os is not identified as someone to whom people would go to for help. This problem will have to be recognized when it occurs and steps taken to minimize the negative effects of such a circumstance.

At the city's level it is possible that funds and manpower may have to be diverted from projects which are pet areas of some city officials. Conflict might arise. If such a situation should arise, care must be taken on the part of the mayor and his development staff to keep it purely on a professional level; that

is by couching the action in terms of an act done in the best interest of the city.

There is a possibility the city government may try to institute projects that have only marginal effect on the quality-of-life of the poor, and so partly subvert one of the program's and goals. To avoid such an eventuality safeguards have been built into the system.

All projects under this program purported to improve the quality-of-life of the poor, and subject to partial reimbursement from the national government for costs incurred, must be approved by the Department of Local Government and Community Development (DLGCD) before starting. After the project has been completed it will be inspected to insure that: (1) the project has met the pre-arranged criteria, and (2) that the project truly has benefited the poor. If the project fails to meet either of the two above mentioned criteria, the city will not receive reimbursement funds from the national government.

8. Communications Strategies

The main tool for communications between the city and the poor will be the barangay. Barangay captains and councilors will be consulted in all phases of planning and implementation. The barangay leadership in turn will keep a two way flow of communication open by the timely calling of barangay assemblies to discuss issues of importance with the poor. In addition to the above, the barangay will be the medium through which surveys will be conducted.

Printed matter is a poor means of communications among the poor. On the other hand, almost every neighborhood in a barangay has at least one radio (they are one of the first consumer goods people invest in when they get some disposable cash). It is not uncommon to see a group of barangay residents gathered around a single radio as they pass the time. Therefore, radio would be a good medium through which to mobilize interest in the program. The use of radio jingles as a tool in development communications is well established in the Philippines and its possibilities are being looked into for use in this program.

Spread Effects

1. Leadership

The City. The wholehearted support of the mayor of each city is crucial. Any hesitancy in support to the program on the part of a mayor could well result in roadblocks to the successful implementation of administrative reforms.

The Poor. The barangay leadership, as previously stated, form the nucleus of officials that the people most often go to talk over their problems and to seek solutions. For this reason, and since the Barangay is a subordinate unit of government to the chartered city, it is a natural choice to use the barangay leadership to be the link between the city government and the poorer residents of the chartered city. Their strong leadership will be an invaluable resource in the successful completion of program goals. Their opposition could well spell disaster. But if the results of the

initial field surveys are any guide, no meaningful opposition to the program is expected from the barangay leadership of the various barangays.

2. Patterns of Mobility

Transportation facilities are frequently inadequate between rural barangays and the poblacion, and this must be taken into account when meetings, seminars and training sessions are held in which there must be transportation between the barangays and the poblacion. The poor quality of transportation to some of the rural barangay is expected to have a negative effect in spreading the projects.

The barangay assembly and the schools are the primary mediums for information mobility. The school, because of its high status in the community, is in a unique position to influence people.

The program will eventually spread to other chartered cities. The exact number of chartered cities and the schedule on which they will be brought in will depend on the success of the Rural Service Center program. It should also be noted here, again, that the increased capability of the chartered cities to plan and carry out projects resulting from this program will have effects beyond their political boundaries, well into the rural areas of surrounding provinces.

3. Previous Project Design and Execution

The Rural Service Center program is a logical carry-on from the Provincial Development Assistance Project. PDAP currently operates in 28 provinces in an effort to improve the administrative capabilities of provincial government. The spread effect of this program has been good (see "Expansion of PDAP Activities to non-PDAP Provinces and Cities" in Annex B for an explanation of the spread effect).

4. Information and Resources

The Rural Service Center program aims to create a working administrative capacity in the chartered cities so that they may better serve the social and human needs of the most disadvantaged citizens within their area of influence. In order to reach the above stated goal the Rural Service Center will employ training methodologies and administrative procedures developed and tested in PDAP.

Following a city's initial exposure to the program, DLGCD will periodically check performance to ascertain if new methodologies and skills are being properly employed. In addition, DLGCD will hold periodic refresher courses in those areas it deems needed for the successful attainment of program goals. In this way, DLGCD will avoid having program benefits dissapate in those chartered cities first brought into the program while it is busy attempting to spread the program to other chartered cities.

Social Consequences and Benefit Incidence

1. Access to Resources and Opportunities

By improving the administrative capacity of city government in the chartered cities and by heightening the city's appreciation and knowledge of the problems facing its poorer citizens, the program will generate three groups of primary beneficiaries: (1) the city government itself, (2) the poor, and (3) the population of the city as a whole.

The city government will be privy to improved management skills, training and equipment inventories due to being involved in the program. As a result of the above, the city will be better able to utilize the resources it has available to it for all of its needs--going far beyond the sub-goal of improved service to the poor.

The poor will become more involved in their government through the heightened role of the barangay and the chartered city's specific efforts to enlist the poor in the decision-making process and in the implementation of projects designed to improve their quality-of-life. The poor will have greater access to resources the city has at its disposal.

The city as a whole will benefit as a result of improved management skills. By better and more rational allocation of resources, and with the utilization of centralized long-term planning (including contingency plans for future in-migration), the city will be better able to meet the needs of all its citizens and provide an improved economic environment.

2. Employment

This program is not designed specifically to create employment opportunities in any meaningful sense of the term, though spin-off effects leading to productive work opportunities are entirely possible. The major opportunity for employment will evolve from the fact that with the improved quality of city government and the improved quality-of-life of the poor as a result of this program a better environment for investment will have been created in the targeted cities. Another spin-off effect of the program which could contribute to the creation of productive work opportunities could come from the increased involvement of the poor in the city's cash economy--but a reasonable measure of the amount of increased involvement is not available at this time, thus precluding an estimate of such potential involvement.

3. Rural Displacement, Migration and Urbanization

The Rural Service Center program is not expected in any way to cause rural displacement, migration or urbanization. But the program is designed to improve the ability of the chartered cities to cope with the ever increasing numbers of rural migrants they will be receiving in the coming years.

In 1970, 31.8% of the population of the Philippines was classified as urban. One conservative estimate made by the Bureau of Census and Statistics in 1973 (using 1970 census data) placed the projected percentage of the total population living in urban areas

by the year 2000 at 44.4%--a jump of 12.6% in 30 years.[7/] Since that projection has been released several new criteria have had to be taken into account, these include the fact that the land reform under Presidential Decree No. 27 restricts inheritance of reformed land (almost all rice and corn lands) to a single heir, the fact that the national government is restricting the opening up to cultivation what little virgin arable land there is left, and the fact that there has been, in recent years, an increased desire on the part of rural youth (keeping in mind that the mean age in the Philippines is 15) to migrate to the city.

All of this adds up to a more realistic prediction of urban population as a percentage of the total population in the year 2000 in the neighborhood of 50-60%--thus turning the Philippines essentially into an urban rather than a rural nation by the first part of the next century. It is for this reason it is imperative action be taken now to aid the chartered cities in coping with the problems of absorbing these migrants so they can become productive citizens rather than a drag on the economy and a clearly visable sign of the city's failure to cope with its basic problems.

4. Changes in Power and Participation

There is expected to be two areas in which appreciable shifts in power and participation will occur: (1) between the national government and that of the chartered cities, and (2) between the barangay and the chartered cities. At present the administrative

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capacity of chartered cities is extremely weak. This program will be a major step in shifting control and responsibility over local government at the city level away from Manila through the use of local planning, which reflects the priorities of the chartered city. The barangay, because of their heightened role in the decision-making and implementation processes of the chartered cities, will move toward a stronger position in local government. And by strengthening the role of the barangay in government, the program will be strengthening participation in the process of governing.

Part 4. Implementation Planning

A. Analysis of the Recipient's and AID's Administrative Arrangements

1. Recipient

PDAP/DLGCD, through the Rural Service Center Office (RSCO) working closely with a USAID counterpart project officer, shall have prime responsibility to implement the project in selected chartered cities. The RSCO will provide management support technical services and coordination/liaison between the selected cities and other authorized cooperating GOP agencies.

To maximize project implementation, the Office of the Undersecretary for Local Governments may request the Secretary of DLGCD to utilize the services of various Bureaus, Regional Offices and City Development Offices in the areas covered by the RSC project. Technical assistance and support services will be made possible through a Memorandum of Agreement between the PDAP/DLGCD, the recipient city government and GOP cooperating agency. Whenever appropriate, private or civic organizations will be requested to participate as cooperating agencies.[1/]

Selected chartered cities for the project will make available services needed for the successful implementation of any activity or project within the scope of Social Action Plan.

[1/] Such organizations as the Philippine Business for Social Progress and the National Commission on the Role of Filipino Women are expected to participate, particularly in the planning phase.

The PDAP Office was recently transferred to the Department of Local Government and Community Development (DLGCD). PDAP has several years of experience in administering development activities. As a service and development oriented national government agency, DLGCD has a corps of no less than 5,000 trained technicians since its creation under P.D. No. 1, otherwise known as the Integrated Reorganization Plan.

Its three-fold function of administering and managing programs on local government, cooperatives and community development generated a number of projects and activities which utilized and developed the technical expertise of its trained personnel. The same is also true with other GOP agencies and private institutions expected to be involved as cooperating agencies.

To define administrative arrangements in the implementation of the project, roles and responsibilities are enumerated below:

* Rural Service Center Office of PDAP/DLGCD
  - Formulate policies, guidelines and administrative procedures.
  - Assist in the selection of chartered cities, including discovery surveys.
  - Prepare budgetary requirements and allocation of GOP funds authorized for the project.
  - Provide technical services and assistance, training facilities and other supportive services and activities, including supervision of project implementation.

- Provide monitoring services and in-house consultancy and, whenever necessary, contract consultants.
- Assist in the training of technical staff, city officials and employees, local leaders and selected beneficiaries and other participants.
- Make available services and technical assistance concerning training of city development and planning staff, preparation of social action plans, equipment pool development plans, capital improvement plans, multi-year comprehensive plans, one-year action budgets and related activities.
- Provide, under terms of applicable agreements construction and office equipment and vehicles obtained from excess property sources consistent with ability of recipient city governments to maintain and utilize them.
- Assist in project evaluation.

* DLGCD Bureaus, Regional and City Offices
  - Provide support in terms of technical services and facilities needed, such as training.
  - Assist in coordination with other agencies in project development and certifying the creation of a functional city development planning board and staff.

- Provide support services necessary for the implementation of the project, such as identification and organization of the poor in the cities, development of local leadership, mobilization of barangays and other groups for broad citizen participation.

* Cooperating Organization, GOP and Private Sector

- The cooperation and support of organizations[2/] in the public and private sectors will contribute significantly to the success of the project. They are expected to be involved closely in providing technical assistance, services and even funds in the planning and implementation of activities and projects. These institutions will in some instances, serve as the link between the people and the government in the development effort.

- In providing assistance to the disadvantaged, no single agency can work alone. Hence, cooperating agencies will be tapped on a coordinating and consultative basis through memorandums of agree-

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2/ A number of GOP agencies and other organizations are expected to participate. GOP units include: Department of Social Services and Development (DSSD), Department of Health (DOH), Human Settlement Commission (HSC), National Housing Authority (NHA), Department of Agriculture (DAR), Department of Natural Resources (DNR), Department of Labor (DOL), Department of Industry (DOI), Philippine Business for Social Progress (PBSP), Farm System and Development Corporation (FSDC).

ment whenever necessary. Furthermore, these institutions will be organized into task forces to supplement the work of PDAP/DLGCD and USAID in the selected chartered cities.

* Selected Chartered Cities
  - Establish a City Development and Planning Board and technical staff if neither the Board nor the staff has as yet been provided in accordance with DLGCD Memorandum Circular No.75, September 23, 1975.
  - Participate in applicable training programs and activities, including contribution to cost of authorized projects and activities.
  - Formulate and undertake the preparation of a social action plan, multi-year comprehensive and CIP plans, equipment pool development plan, one year action budget and other related project documents.
  - Undertake programs to improve the administration and management of city government, including but not limited to development planning, budgeting, tax administration, supply management and personnel management.
  - Construct or improve equipment pools under terms of agreement with PDAP/DLGCD and USAID.

- Provide funds and personnel to maintain projects and activities directed toward the disadvantaged.
- Organize and involve meaningfully the poor in city government programs intended to improve the quality of life.
- Provide other services and facilities as may be needed to support project implementation.

Part 4. Implementation Planning

B. Implementation Plan (See also Project Performance Tracking Network, Annex B)

The principal project input by USAID is a direct-hire team.[1/] On the GOP side, expertise will be provided by DLGCD/PDAP, including a project director, technicians skilled in planning, implementing and monitoring projects, in-house consultants available to the cities, a training officer, researchers, statistician, visual aids technician and clerical staff.

USAID monitoring will be based on schedules using the Planned Performance Tracking System. Standard mission reporting will be by exception. Periodic progress reports will be furnished.

Specifically, the RSC program and component development projects will be monitored monthly. Other national programs relating to the RSC program will be monitored quarterly. Reports will be furnished the DLGCD/PDAP and USAID. Special reports will be prepared as required. The Mission will provide AID/W with routine and special reports on RSC progress.

The targeted cities lack adequate office equipment to handle not only current service needs but also increased demands imposed by urban growth. Commodities are proposed for three of the four years of the project.

1/ The project also includes USAID funding for contract services, including evaluation, participant training and commodities.

Excess property sources will be used where possible while other commodities will be procured in the United States through normal AID channels. A commodity management systems exists to receive, inventory and monitor the use of such equipment.

Proposed AID Commodity Inputs

Type	FY 78	FISCAL YEAR FY 79	FY 80	Total
Equipment Pool	$43,478	$46,087	$48,696	$138,351
Office Equipment	79,322	6,913	19,304	105,539
TOTALS	$122,800	$53,000	$68,000	$243,800

Project Beneficiaries

Two distinct types of projects will be operative through the Rural Service Center, both focus on the poor residing in chartered cities. The first will serve to develop and sustain the involvement of the poor in the formal decision-making processes of their cities. The second will carry out specific projects identified by the poor to improve their daily life.

Supporting both of these efforts will be a third major thrust to enhance the administrative capability of chartered city officials to carry out their assigned tasks more effectively. This latter effort will be modeled after PDAP.

Discussed here is the proposed approach for strengthening the involvement of the poor. Also discussed will be some illustrative

projects, which might be undertaken as a consequence of their involvement.

The process is designed to improve the standard of living of the 15 cities participating in the Rural Service Center program. It will do this in two ways. First, a survey of the poor will be taken to ascertain directly from them what the local problems are. The resulting data is analyzed by the city government. Second, the barangay will be strengthened. By strengthening the barangay and its relationship with the city, the project will provide the barangay residents with a means by which they can now and in the future, use the city government to help solve their problems. Details of the proposed work program can be seen in Annex B-4, Project Beneficiaries--Outline of Activities.

Project Organization

A city development staff member (referred to here as RSC officer) will be assigned by the city to assist the city and the barangays to plan and implement specific projects.

It is advisable to initiate the program with a limited number of barangays to avoid taxing the city's present capabilities. If the program is successful, the city can, in time, increase its ability to deal with other barangays.

The RSC officer, with the help of the city staff, teachers in the barangays and other interested and qualified persons will conduct the survey. The survey will be designed to identify:

(1) demographic characteristics of the barangay, (2) problems in the barangay as perceived by its residents and (3) those barangay residents who assume leadership roles (especially non-official).

Once problems and possible solutions (i.e. projects) as developed by the barangay citizens are communicated to the city government, it will be in a position to make decisions about projects which can be undertaken. Approval of DLGCD will be necessary where GOP funds are involved. The barangay will have the information and organization with which to undertake projects not requiring city or GOP financial assistance.

In short, the poor will identify their problems and assist the city in determining solutions. The city will have detailed information about the needs of its poor residents and will make decisions allocating available resources. And a system will have been established so this kind of information exchange can continue.

This project meets several practical objectives desirable for involving the poor in the decision-making process of cities.

(1) <u>It is low cost</u>. There are some costs in terms of time. Although only a small amount of additional time is required of the barangay residents in the initial phase of the project, they might be required to contribute time in the implementation of projects later. There will be some barangay residents, however, who will be required to spend considerable amounts of time on the project, namely members of the project sub-committees. There will be some time

demands made on the city government staff as well. Technical and service city staff will have to spend more time with barangay residents but this should be simply a reorganization of time.

(2) A spread effect should be achieved. If the program is successful in a limited number of depressed barangays, it can be transferred to other city barangays which, inevitably, will have a considerable number of poor residents as well. Beyond this, a similar process can then be transferred to adjacent municipalities as well as to other chartered cities.

(3) There will be observable results in a short period of time. It is not uncommon for barangay residents to become jaded as a result of past demands made on them to participate in programs which never reached implementation. People often are reluctant to participate fully in programs which purport to be of benefit to them because the expected results seldom materialize.

It is expected that the program will overcome this potential difficulty in two ways. First, the barangay residents will be aware of the entire process through which decisions are made. They will know from the beginning that it is possible that the city will, at least initially, be unable to finance projects in their barangay and if this is the case, they will know why. In other words, they will know what is happening to their requests and will have a more realistic idea of the city's capabilities.

Second, there will be some emphasis in the project on self-help. It is anticipated that the barangays will be able to take on

some projects that involve a minimum of, or no, city assistance. This will help to maintain their interest and participation since, regardless of the city's ability to assis them, some concrete results will be achieved.

(4) The program is doable. This program does not involve establishing any new structures at the barangay or city level, but rather enhances and strengthens existing ones. The RSC officers will have a continuing role throughout the RSC program. Moreover, people will have access to local officials and indigeneous leaders to help solve their problems. The surveying aspect of the system has been used before especially by the DSSD with some success. In short, the emphasis here is on the strengthening of existing structures rather than on the imposition of new ones.

Implementation Plan - Elitists

In 1970, the Rand Corporation prepared for AID/W a report about the Philippine social system. Among the data gathered by the consultants concerning various social, political and economic issues were the following:

- Filipinos perceive graft and corruption are prevalent.
- Many of those surveyed believe most politicians are corrupt.
- A large number believe they will not get equal treatment from the government.
- Motivations of politicans and bureaucrats depend on their perception of popular (voter) attitudes.

- Mayors are an important source of political control and are seen by voters as influential.
- "Pork barrel" is perceived as an important determinant of voting behavior by the people, politicians and the bureaucrats.
- People demand honesty, but also services that require the use of influence.[2/]

These old values are under continuing pressure as a result of New Society's efforts to attain a "more equitable distribution of income and wealth"[3/] for the disadvantaged and to entrust to the people responsibility to develop their communities as they perceive "problems, needs, capabilities and aspirations".[4/]

It is expressed by some that it is "politics as usual"[5/] in the nation's cities despite New Society goals, but generally the political system, as determined from field trips to 14 cities, seems relatively stable; that is, city mayors are by and large sensitive to people needs, responding to them in some measure and increasing contacts with barrio residents. It seems unlikely, therefore, with

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[2/] See H. A. Averch, F. H. Denton, J.E. Koehler, "A Crisis of Ambiguity: Political and Economic Development in the Philippines" (Santa Monica: The Rand Corporation, 1970)

[3/] Presidential Decree 175, "Strengthening the Cooperative Movement", April 14, 1973.

[4/] Philippine Daily Express, Editorial, "Toward a Concrete Understanding of National Development", February 17, 1977.

[5/] Expressed by a businessman interviewed in Angeles City, January 18, 1977.

the monitoring system explained elsewhere and the shift of political power (e.g., GOP appointment of local officials) to the national government that "old guard politicians and economic elites" can promote their own interests as before.

The program intends to reach the urban poor by actually involving them in the development process.[6/] Moreover, the DLGCD is expected in seminars, procedures manuals and frequent contacts with local officials to make this feature of the program--citizen participation--unequivocally clear to the city power structure--public and private. Thus, projects resulting from collaborative decision-making are expected to have substantial acceptance by the beneficiaries.

"Economic elitists" appear not to be a particular factor. The private sector has minimal influence in the existing city political systems; and seems to prefer to get involved in public issues only when summoned on an ad hoc basis to do so by the mayor. Only the mayor, if he chooses, might have a possible negative impact. It is assumed, though, that once encouraged to share in efforts to improve barrio living standards, the people will be heard, especially if a decision is made that does not suit them.

6/ See Annex B, Project Beneficiaries, Outline of Activities.

Women in Development - Participation

Women are a vital human resource in improving the quality of life in the developing world:

- as child bearers, women influence the pace of national population growth;
- as producers of goods and services, women contribute directly to social economic progress.

Recognizing the need for involving women on a more equitable basis in social, economic, cultural and political life, the National Commission on the Role of Filipino Women was created by virtue of Presidential Decree No. 633 in January, 1975. The organization of the Commission under the Office of the President provides direction to the integration of women in the Philippines development process by mobilizing all government agencies and the private sector to advance women at all levels of society.

In the Philippines, experience has taught that fundamental to success of any development program involving women is the necessity for a strong woman leader close to the director of the department implementing a program if the program is to receive support from those it is intended to serve and if it is to have a lasting impact upon the nation's economic and social development. Thus, to insure that women are actively integrated into the planning and implementation of projects to improve the quality of life of the poor, it is imperative that a ranking woman official of the Provincial Development

Assistance Project, Department of Local Government and Community Development, be assigned to the Rural Service Center staff. She will be tasked with reviewing the social status of women in traditional Filipino culture, and planning a program to improve the status of women. This is not just a matter of liberating women from traditional endless child-bearing but a sustained effort to integrate women into the entire development process.

Integration of women in the development process is a political and economic necessity, because human rights must be a primary purpose of government; and an economic necessity because women continue to be the most underrated economic resource of the nation. Thus, in the planning phase of the chartered cities social action plans, there is need to focus on the contribution of the entire family.

Production, consumption, marketing, migration and education are complex household issues, in which the woman, as an active participant, must be considered. Special effort, therefore, must be made to involve indigent women, for they form the vast majority of women in the Philippines. It is crucial to the program, if it is to involve the poor in the planning and implementation of projects designed to upgrade their quality of life, to involve the indigent women because of their central role in the Filipino family.

In order to involve indigent women in the program the following course of action has been developed:

1. USAID will work with the Provincial Development Assistance Project (PDAP) in apprising city officials of the imperative need to involve indigent women in their planning efforts.

2. Female leaders in the community to be the target of development projects will be consulted and asked to aid in the implementation process.

3. Female members of national and city governments will be surveyed to identify training in labor and industry, education, public administration, training, home economics, social welfare, economics, agriculture, finance, taxation and other fields of use to the project. Such skills will be the identification of voluntary agencies, civic groups and international organizations which could provide assistance to achieve total barangay development.

4. City mayors will be visited by the DLGCD woman representative and apprised of the women's role in problem solving techniques

5. Each local government head (city mayor, barangay captain) will select a women leader to attend a training seminar for instruction on methods and techniques for: (a) developing resource inventories on existing governmental programs available to women to solve their local problems; (b) identification of additional programs required to solve needs not presently met by existing agencies, (existing problem--breakdown in communication of awareness of assistance available to them); (c) training in the use of fact-finding survey form.

6. Indigent women will assist in dissemination of survey questionnaires which will aid the city development staffs in developing Social Action Plans.

Interrelationships of Other USAID Projects in Support of Local Government Development

* Real Property Tax Administration Project

The Real Property Tax Administration Project (RPTA) will be concurrently undertaken with the Rural Service Center program, and launched simultaneously in all political subdivisions of the Philippines, including chartered cities. RPTA is designed to upgrade tax mapping and improve property appraisal methods, real property tax collections, collection of delinquent real property taxes and real property tax records management. RPTA's effect on the Rural Service Center program will be two-fold:

1. The increased revenues generated by improved collections and the more realistic property appraisals, will expand local sources of funding which may then be used for projects designed to improve the quality of life of the economically disadvantaged.
2. The improved tax records management system resulting from the RPTA Project will be a major effort in improving fiscal management in chartered cities.

(Refer to the RPTA Project Paper for additional details applicable especially to chartered cities.)

* Rural Roads Project II

Under the Rural Roads Project II, ₱14.5 million will be allocated to road construction in the 15 chartered cities in the program. Roads constructed in these cities will be restricted to

rural areas and must be constructed so they will connect to an adjacent approved provincial road network.

The first five chartered cities to be included will be brought into the project in June 1978 including five months of planning, training and instruction. Then in January, 1979, they will begin construction of approved roads by contract. These roads are to be completed by the following January.

In January, 1979, and again in January, 1980, the second and third groups of three chartered cities each will be brought into the program and will follow the same scenario. The roads constructed under this Project will affect the program in two ways:

1. The new roads will improve living standards of the rural poor in chartered cities serve by expanding job opportunities and also facilitating greater access to government and private services.
2. Planning required for construction of these roads will aid in reaching the goal of improving the capacity of chartered cities to plan within the guidelines of a master development plan.

(Refer to the Rural Roads Project II Project Paper for more details.)

DLGCD Project Reimbursement Procedures

After a city has expanded its funds to accomplish the authorized projects, the city then applies to the DLGCD for reimbursement in accordance with established DLGCD procedures particularly those utilized in by PDAP provincial projects.

Cities participating in the RSC project are reimbursed by DLGCD 75% of the cost of authorized projects. Ten percent of the reimbursement, however, is placed in the DLGCD Special Development Account for city, the remainder is paid to the city. To use funds in the Special Development Account, the city must appropriate local funds for some purpose consistent with the RSC program, DLGCD will then reimburse the agreed fixed amount in the case of construction projects or 50% of the actual expenditures not to exceed the agreed fixed amount in the case of procurement of commodities or services. The basis for determining the 50% reimbursement amount for construction activities is the total cost of the project.

Part 4. Implementing Planning

C. Evaluation

The program will be subject to periodic measurement by both contract and in-house (operational evaluations by DLGCD/PDAP) testing to (a) provide appropriate feedback concerning the overall planning effort, and (b) measure progress and the impact of projects and city administrative capacity to achieve program objectives. These appraisals are to be completed following guidelines established jointly by DLGCD and USAID.

A final evaluation will be made in the last year of the program, jointly by USAID and the host country. It is expected to take three months to complete. The object of this evaluation will be to find out how well the project lived up to its expectations and also identify particular portions of the project that have merit for application in other chartered cities in the Philippines. The evaluation will also set out a detailed procedure as a proposal to DLGCD to continue and expand the program concepts.

Indicators of social and economic change include:

- Increase in productivity. Percent initially unemployed or in training.
- Percent of citizens involved in decision-making process concerning quality of life issues.
- New types of training programs.
- New or rehabilitated public works equipment.
- Status of women and youth in the development process.
- Perceived and objective changes in quality of life.

- Nutritional and health status of the affected population.
- City administration capacity to support program objectives on a continuing basis.
- Real property tax revenue generated to sustain development.

It will be essential, of course, to identify various baseline data, progress indicators and impact measures to effectively monitor movement toward program objectives, and hopefully the ultimate spread effect of this program. This data will be particularly helpful in examining linkages between relevant national strategies focusing on self-employment, productivity, out-of-school youths, socially disadvantaged women, health care delivery systems, urban housing needs and greater participation of the people in hsaping their future.

A number of evaluation procedures will be followed to identify both positive and negative factors. They include:

Effectiveness status monitoring for each major area of program concern (income, health status, employment, participation, etc.). This step will identify by means of key indicators if economic and social conditions are the same, improved or worse than before the program began. The emphasis here is on highlighting trends and not necessarily the causes.

It is recognized that it may be difficult to identify causal relationships between program activities and specific effects. Furthermore, some objectives will be difficult to measure quantitatively; e.g., quality of life.

- Selective evaluation of program activities will be conducted to measure changes resulting from them.

Questions designed to assist in identifying relevant objectives, evaluation criteria and clientele include the following:

- What is intended to be accomplished by the program, both short and long term?
- What evidence is needed to indicate success?
- Who is the target of the program? What types of people? Is the entire city affected directly or indirectly? Who else might be affected?
- What could be the consequence if the program is abandoned? What would heppen to the disadvantaged citizens? Who would complain? Why? Who would be glad? Why?

Thus, the evaluation design will contain the following steps:

- Relevant objectives and evaluation criteria will be identified.
- Areas where city population is not served will be identified.

- Data will be obtained on each of the criteria before implementation of the program.
- Changes in values of the criteria where the program does not exist with those from the areas it is operating in will be compated, including both rates of change and the amount of change.
- Explanations for criteria changes will be examined and their effect on the data weighed in the evaluation process.

In the use of consultants, the following controls will be maintained:

- Program objectives, evaluation criteria, clientele and evaluation methodology will be jointly reviewed.
- Time schedules will be clearly spelled out to avoid findings coming too late for effective decision making.
- Agreement will be reached before data collection on the amount and type of staff assistance and access to data the DLGCD/USAID will provide.
- Adequate access to various government agencies from which data is needed will be assured.
- Both DLGCD and USAID staff will periodically check consultant progress and procedures. Appropriate progress reports will be required.

- The final evaluation report will be in writing as well as an oral briefing with major assumptions documented. All data used will be available in understandable form.

Finally, program evaluations will be followed by joint DLGCD/USAID analysis of alternative ways to achieve program objectives. This analysis will consider variations of existing programs as well as entirely new approaches. Program changes will result in a specific modification schedule, which will be monitored to assure proper implementation.

D. Conditions, Covenants and Negotiating Status

Conditions

- Memoranda of agreements will be executed between participating cities and the Department of Local Government and Community Development (DLGCD/PDAP) specifying DLGCD/PDAP and city program obligations, reporting requirements and other applicable cooperative provisions necessary to achieve program objectives.
- The Sangguniang Bayan in each participating city will adopt in accordance with applicable procedures a resolution concerning various implementing features of the city development assistance program.
- Memoranda of understanding will be executed between DLGCD/PDAP and various national agencies actively involved in social and economic efforts to improve living standards among the poor and specifically as such efforts relate to the role of participating chartered cities.
- DLGCD/PDAP will assign appropriate and fully qualified technicians to the city development assistance program, including a project director. All staff so assigned will be expected to have the necessary background to participate meaningfully in a wide range of program activities.

Covenants

- The Provincial Development Assistance Project (DLGCD/PDAP) will ensure the full participation of women in the formulation and implementation of the city development assistance program (CDAP) including continuous efforts to identify women in the public sector in a position to assist in implementing the program's aims, in accordance with Presidential Decree No. 633 and USAID policy regarding the role of women in national development efforts.
- Evaluation procedures followed by PDAP/CDAP will be essentially as described in a handbook of CDAP operations prepared specifically for the guidance of PDAP and city officers and personnel.

Negotiating Status

- This Project Paper was developed in a collaborative manner with various DLGCD/PDAP staff, including the PDAP Executive Director. There is agreement on design, implementation process, evaluation and other factors.
- The Paper itself is based in considerable measure on national economic development plans framed by the National Economic and Development Authority (NEDA). This GOP plan is intended to satisfy the growing needs of an expanding urban population and New Society social services strategies. It expects the most disadvantaged to become

increasingly self-reliant, involve women and young people in efforts to expand their leadership and civic roles, develop innovative, basic public services and a national planning assistance program to assist city governments in overall planning efforts.

INCOMING
Amembassy, MANILA

TELEGRAM

ANNEX A

0619

DEC 1976

ACTION:
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DATE ANSWER DUE 12-10-76

SUBJECT: RURAL SERVICE CENTER (RSC) PRP GRANT PROJECT

1. ASIA PROJECT ADVISORY COMMITTEE (APAC) REVIEWED SUBJECT PROJECT AND RECOMMEND APPROVAL OF PRP AND DEVELOPMENT OF PP. PRP IS HEREBY APPROVED

2. IN DEVELOPING PP, THE FOLLOWING ISSUES AND RECOMMENDATIONS SHOULD BE ADDRESSED:

(A) MISSION HAS PRESENTED FOR FUNDING IN FY 1977/78, PROJECTS THAT WILL CONTINUE TO UPGRADE LOCAL GOVERNMENT ADMINISTRATIVE STRUCTURE. APAC REQUESTS THAT THE PP ADDRESS THE ISSUE OF WHETHER THE MISSION WILL CONTINUE TO CONCENTRATE ON UPGRADING ADMINISTRATION IN RURAL/URBAN AREAS OTHER THAN PROVINCES AND INTERMEDIATE CITIES. ALTHOUGH APAC AGREES IN PRINCIPLE WITH THE EXPANSION OF ADMINISTRATIVE IMPROVEMENT TO INTERMEDIATE CITIES, PP SHOULD ANALYZE WHETHER OR NOT THE RSC PROJECT IS THE MOST COST-EFFECTIVE DEVELOPMENT APPROACH TO AFFECT DEVELOPMENT IN TARGET AREAS? ALSO, THE MISSION SHOULD CONSIDER WHETHER FEASIBLE OR MORE COST-EFFECTIVE TO BYPASS SELECTED ADMINISTRATIVE/POLITICAL AREAS AND FOCUS ON DEVELOPMENT ACTIVITIES IN RURAL/URBAN TARGET AREAS USING SOME OTHER MECHANISM TO REACH POOR? FOR EXAMPLE, WOULD IT BE MORE COST EFFECTIVE OR FEASIBLE TO CONCENTRATE ON UPGRADING GOP (CENTRAL GOVERNMENT) ADMINISTRATION OF NATIONALLY FUNDED DEVELOPMENT PROJECTS AS OPPOSED TO UPGRADING THE ADMINISTRATION OF INTERMEDIATE CITIES?

(B) PROJECT PAPER SHOULD ADDRESS THE ISSUE OF WHETHER ADDITIONAL RURAL SERVICE CENTER PROJECTS WILL BE NECESSARY TO INSURE INSTITUTIONALIZATION OF PROJECT. PROJECT PAPER SHOULD ESTIMATE TOTAL U. S. FUNDING REQUIREMENT AND REQUIREMENT OR POTENTIAL FOR FUNDING FROM OTHER FINANCIAL INSTITUTIONS. PP SHOULD ALSO DESCRIBE STRATEGY FOR COORDINATING FINANCIAL ASSISTANCE FROM U. S., GOP AND OTHER FINANCIAL SOURCES.

DIV	ACT	INFO
DCM		✓
PO		✓
TS		✓
DEO		✓
CMD		✓
CSO		✓
GSO		
LOG		
PER		✓
OC		
AD		
CO		
MPA		
FFP		
RTE		
IRAC		
POP		
PD	✓	
AG, LA		

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Classification

AS IN THE CASE OF PROVINCIAL DEVELOPMENT PROJECTS, REPLICABILITY OF THIS PROJECT WILL DEPEND TO A LARGE EXTENT ON GOP COMMITMENT TOWARD PROJECT. PP SHOULD OUTLINE GOP CENTRAL AND LOCAL GOVERNMENT FUNDING AND ADMINISTRATIVE COMMITMENTS/AGREEMENTS FOR THIS PROJECT AND DESCRIBE OR OUTLINE OTHER POLITICAL COMMITMENTS/AGREEMENTS THAT COULD AFFECT THE CONTINUATION AND REPLICATION OF PROJECT.

(C) THE RURAL SERVICE CENTER PROJECT'S PRINCIPAL THRUST WILL BE TO UPGRADE THE INTERMEDIATE CITY'S ADMINISTRATIVE FISCAL MANAGEMENT AND TECHNICAL CAPABILITIES TO CARRY OUT MORE EFFICIENTLY AND SUCCESSFULLY DEVELOPMENT PROGRAMS TO BE DIRECTED TO THE POOR. A SECOND THRUST IS THE REQUIREMENT THAT ECONOMIC GROWTH AND THE IMPROVEMENT OF THE INVESTMENT CLIMATE OF INTERMEDIATE CITIES BE ADDRESSED BY PROJECT NOT ONLY FROM THE POINT OF VIEW OF RAISING REVENUES FOR SOCIAL DEVELOPMENT PROJECTS; RAISING THE LIVING STANDARDS OF THE PEOPLE WITHIN THE CITY BOUNDARIES, BUT ALSO, FOR DIRECTING ADMINISTRATIVE RESOURCES TO POTENTIAL AREAS OF INTERMEDIATE CITY GROWTH AND DEVELOPMENT. IN ORDER FOR THE INTERMEDIATE CITIES TO ABSORB RURAL TO URBAN MIGRATION, ECONOMIC AND INVESTMENT CLIMATES OF THE SELECTED INTERMEDIATE CITIES MUST BE IMPROVED. THEREFORE, APAC REQUESTS THAT THE PP ADDRESS THE ISSUE OF ECONOMIC GROWTH AND INVESTMENT CLIMATE AS PART OF THE SCOPE OF PROJECT ACTIVITIES AND EXPAND AND ELABORATE ON THESE ISSUES IN PP.

(D) IN THIS REGARD, PP SHOULD ALSO DESCRIBE THE ECONOMIC, SOCIAL, GEOGRAPHICAL AND OTHER PERTINENT CRITERIA TO BE USED AS BASIS FOR SELECTING INTERMEDIATE CITIES THAT WILL PARTICIPATE IN THE RSC PROJECT. SOME OF THE CITIES, E.G., OLANGAPO AND ANGELES, WOULD NOT APPEAR TO QUALIFY ON THE BASIS OF NEED TO EXPAND/IMPROVE SERVICES TO THE POOR SINCE PER CHARTS IX AND XI THESE CITIES HAVE RELATIVELY LOW PERCENTAGES OF TOTAL POPULATION THAT CAN BE CONSIDERED POOR. HOWEVER, PARTICIPATION OF SUCH CITIES IN PROJECT MIGHT BE DESIRABLE ON OTHER CRITERIA, SUCH AS, POTENTIAL GROWTH CENTER AND "HOLDING AREA" FOR RURAL TO URBAN MIGRATION.

(E) PP SHOULD DESCRIBE THE SERVICES AND DEVELOPMENT PROJECTS THAT WILL RESULT FROM THE IMPROVED CAPABILITIES OF THE INTERMEDIATE CITIES ADMINISTRATION. PP SHOULD ALSO PROVIDE A REPRESENTATIVE LIST OF ANTICIPATED DEVELOPMENT SUB-PROJECT (POOP PROJECTS) USING APPLICABLE PDAP EXPERIENCE, OR PLANNED PROJECT ACTIVITIES. AS ALWAYS, THE PP SHOULD DESCRIBE AND QUANTIFY THE BENEFICIARIES OF THE INTERMEDIATE CITY DEVELOPMENT PROJECTS.

(F) PRP HAS RAISED THE ISSUE OF POTENTIAL OBSTACLES TO SUCCESSFUL IMPLEMENTATION OF THE PROJECT FROM OLD-GUARD POLITICIANS AND ECONOMIC ELITES. PP SHOULD DESCRIBE THESE POTENTIAL OBSTACLES AND THOROUGHLY EVALUATE IMPACT ON PROJECT FROM POLITICAL AND ECONOMIC ELITISTS. PP SHOULD DESCRIBE STEPS TAKEN TO LIMIT OBSTRUCTIONS FROM ELITISTS AND DESCRIBE EXPERIENCE FROM PDAP OR OTHER PROJECTS WHERE APPROPRIATE WORKABLE SOLUTIONS WERE REALIZED.

(G) PRP INDICATES THAT PROJECT WILL ATTEMPT TO BRING POOR AND WOMEN INTO DECISION-MAKING PROCESS AND INTEGRATE THEM IN THE DEVELOPMENT PROCESS. PP SHOULD EXPLAIN MECHANISMS AND SOCIAL ORGANIZATIONS THAT WILL BE UTILIZED TO REPRESENT THE POOR/WOMEN AND INTEGRATE IN DECISION-MAKING AND DEVELOPMENT PROCESS. PP SHOULD EXPLAIN HOW EXISTING ORGANIZATIONS WILL BE UTILIZED AND FORTIFIED AND DESCRIBE PREVIOUS RELEVANT PDAP EXPERIENCE.

(H) ASSUME THAT THE MISSION HAS PROPOSED APPROPRIATION IN FOOD AND NUTRITION CATEGORY SINCE INTERMEDIATE CITIES

IN PHILIPPINE CONTEXT HAVE CHARACTERISTICS SIMILAR TO RURAL PROVINCE, I.E., COMMERCIAL/INDUSTRIAL/RESIDENTIAL CENTERS WITH LARGE SURROUNDING AREA WITH PREDOMINATELY RURAL PURSUITS, ALSO, BECAUSE PROJECT WILL HAVE SIGNIFICANT IMPACT ON SERVICES AND SOCIAL ACTION PROGRAMS OFFERED TO POOR IN PREDOMINATELY RURAL TARGET AREAS.

HOWEVER, BECAUSE INTERMEDIATE CITY TENDS TO SUGGEST 106 FUNDING, PP SHOULD EXPLAIN CRITERIA FOR RECOMMENDING FUNDING IN FOOD AND NUTRITION CATEGORY AND PROVIDE STRONG JUSTIFICATION FOR SAME.

(I) APAC DISCUSSED IMPLICATION OF INCLUDING IN LOG FRAME, PROJECT OUTPUTS C1 (STAGE 4) WHICH ARE PART OF REAL PROPERTY TAX ADMINISTRATION (RPTA) ACTIVITIES. WHILE BOTH PROJECT ACTIVITIES ARE TO CERTAIN EXTENT INTERRELATED, CONCLUSION REACHED BY APAC WAS THAT TAX COLLECTION SYSTEM IS NOT APPROPRIATELY LISTED AS OUTPUT OF RURAL SERVICE CENTER PROJECT. ALSO, APAC SUGGESTS THAT MISSION REMOVE FROM PURPOSE STATEMENT, CONSIDERATIONS OF PROJECT AS QUOTE MODEL FOR OTHER CITIES TO USE UNQUOTE. COMMITTEE MEMBERS FELT THAT THIS ASPECT OF PROJECT IS MORE APPROPRIATELY DEALT WITH AS SUB-GOAL. ALSO, END-OF-PROJECT STATUS STATEMENT (3) SHOULD BE REFLECTED IN (A-2) MEASURES OF GOAL ACHIEVEMENT.

(J) CONCUR MISSION INITIAL ENVIRONMENT EXAMINATION (IEE) RECOMMENDATION FOR NEGATIVE DETERMINATION. COPY OF IEE APPROVED BY A/DAA/ASIA WILL BE POUCHED ASAP.

(K) MISSION HAS BEEN ASKED TO CONSIDER FUNDING REAL PROPERTY TAX ADMINISTRATION (RPTA) PROJECT IN FY 1977 IN ORDER TO ALLOW SUFFICIENT TIME FOR FULL DEVELOPMENT PROJECT BEFORE IMPLEMENTATION OF OTHER INTERRELATED PROJECTS: I.E., RURAL ROADS II, BARANGAY WATER, AND RURAL SERVICE CENTER PROJECTS. APAC REQUESTS THAT PP FULLY EXPLAIN INTERRELATIONSHIP OF RURAL SERVICE CENTER PROJECT (RSC) AND RPTA PROJECT INCLUDING EXTENT THAT CONTINUATION AND REPLICATION OF RSC ACTIVITIES IS DEPENDENT ON TAX REVENUES GENERATED UNDER RPTA PROJECT. IF RSC DEPENDENCE ON FUNDS GENERATED BY RPTA IS GREAT, REQUEST MISSION CONSIDER WHETHER FY 1979 AUTHORIZATION FOR RSC PROJECT MIGHT BE MORE DESIRABLE IN ORDER TO ALLOW RPTA PROJECT TO GET WELL UNDER WAY. ROBINSON

BT
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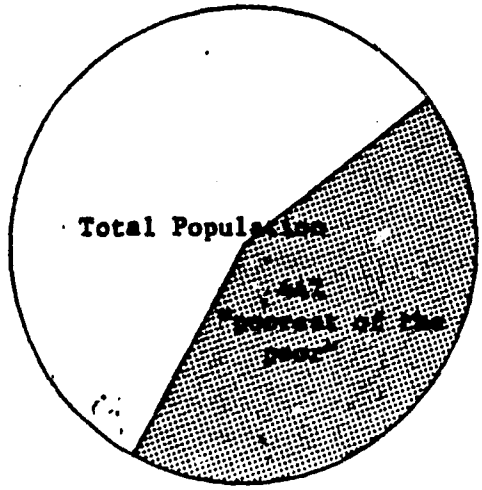
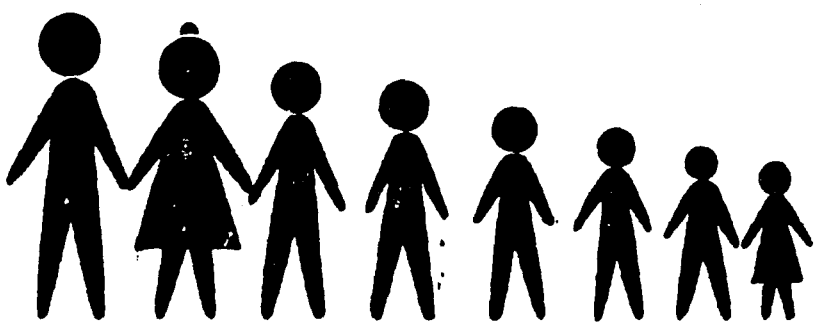
Statistical Profile of the Poorest of the Poor/Rural Service Center



*income average less than
30 pesos/person/month

	Population	Poorest of Poor	Ave. # of Children Per Family
Angeles City	150,000	30	6
Batangas	125,000	30	8
Butuan	131,000	50	6
Cagayan de Oro	165,000	30	7
Calbayog	102,000	60	8
Dagupan	87,000	80	8
Iriga	76,000	30	7
Legaspi	88,000	30	5
Lipa	105,000	50	6
Lucena City	91,500	30	5.6
Naga	82,000	30	7
Olongapo	150,000	40	7
Puerto Princesa	46,000	90	6
Roxas City	71,000	40	6
Average		44% poor	6.6 children
T O T A L	1,525,000	671,000 people	84,000 families

"Poorest of the Poor" - 1 Representative Family



Father, Mother, - 6.6 children

Education: Father, attended 6 years elementary school
Mother, completed 5 years elementary school
Children, one-half school age are in elementary school, others are pre-school age or school drop-outs

Employment: Father, unemployed or is part time fisherman or unskilled laborer
Mother, unemployed, or works in market or is street vendor

Income: Less than ₱3,100 annually per person (approximately $400 U.S.)

Health: Malnourished
Doesn't practice Family Planning
Loses average of 2 children due to gastroenteritis or pneumonia
Elders died with tuberculosis
No dental care
No immunizations

Housing: Located in squatter area - Low lying, temporary structure
No water - pays 5 to 30 pesos per month for water - carries it
No electricity
No toilet
No garbage pick up
Migrant

Food Production: None - Land area not available or no water available

Community involvement: Member of church
Knows Barangay Captain
Has never attended Barangay assembly, PTA
Owns no property - pays no tax

RURAL SERVICE CENTER PROJECT

Chartered Cities (Rural Service Centers)

Listed by Region

Region	City	Population ±/	Province
I	Baguio	96,247	Benguet
	Laoag	66,112	Ilocos Norte
	Dagupan	86,797	Pangasinan
	San Carlos	90,358	Pangasinan
III	Cabanatuan	113,814	Nueva Ecija
	Palayan	12,127	Nueva Ecija
	San Jose	57,432	Nueva Ecija
	Angeles	149,968	Pampanga
	Olongapo	143,279	Zambales
IV	Batangas	125,044	Batangas
	Lipa	105,938	Batangas
	Tagaytay	13,054	Cavite
	Tres Martires	7,136	Cavite
	San Pablo	116,383	Laguna
	Puerto Princesa	45,917	Palawan
	Lucena	91,517	Quezon
	Legaspi	88,004	Albay
V	Iriga	75,621	Camarines Sur
	Naga	82,774	Camarines Sur
VI	Roxas	71,049	Capiz
	Iloilo	227,374	Iloilo
	Bacolod	222,735	Negros Occidental
	Bago	91,513	Negros Occidental
	La Carlota	40,937	Negros Occidental
	Cadiz	124,563	Negros Occidental
	San Carlos	91,042	Negros Occidental
	Silay City	104,549	Negros Occidental

±/ 1975 Integrated Census of the Population and its Economic Activities, (Preliminary), National Census and Statistics Office, Manila, May 1, 1975.

Region	City	Population ±/	Province
VII	Tagbilaran	36,422	Bohol
	Danao	50,001	Cebu
	Toledo	75,709	Cebu
	Bais	43,446	Negros Oriental
	Canlaon	29,593	Negros Oriental
	Dumaguete	55,175	Negros Oriental
VIII	Ormoc	89,686	Leyte
	Tacloban	78,436	Leyte
	Calbayog	102,121	Samar
IX	Basilan	22,536	Basilan
	Dapitan	46,207	Zamboanga del Norte
	Dipolog	47,300	Zamboanga del Norte
	Pagadian	67,499	Zamboanga del Sur
	Zamboanga	261,978	Zamboanga del Sur
X	Butuan	131,336	Agusan del Norte
	Oroquieta	42,493	Misamis Occidental
	Ozamis	71,282	Misamis Occidental
	Tangub	40,356	Misamis Occidental
	Cagayan de Oro	164,782	Misamis Oriental
	Gingoog	66,370	Misamis Oriental
	Surigao	66,018	Surigao del Norte
XI	General Santos	90,339	South Cotabato
	Cotabato	66,756	Maguindanao
	Iligan	118,038	Lanao del Norte
	Marawi	69,890	Lanao del Sur
	Davao	482,233	Davao del Sur

±/ 1975 Integrated Census of the Population and Its Economic Activities. (Preliminary), National Census and Statistics Office, Manila, May 1, 1975.

Table 1

Agricultural Employment And Sources of Income Indicating Surplus Rural Workforce -1971-

City/Prov.	Total Farms/ Households	Farm Workers Annual				Main Source of Income (Farm Households) 2/					
		Total	Paid	Unpaid 1/	% Unpaid	Entirely From Farm (No.)	(%)	Mostly From Farm (No.)	(%)	Mostly Other & Off-Farm (No.)	(%)
Dagupan Pangasinan	89,305	625,639	263,104	362,535	58	73,866	83	12,153	14	3,286	4
Roxas Capiz	28,914	185,644	105,510	80,134	43	25,765	89	2,459	9	690	2
Pto. Princesa Palawan	24,384	110,578	81,361	29,217	26	13,187	54	8,035	33	3,122	13
Iriga Camarines S.	74,166	454,932	184,997	269,935	59	51,390	69	17,373	23	5,403	7
Lipa Batangas	58,140	194,641	146,883	47,758	25	50,163	86	5,398	9	2,579	4
Gen. Santos So. Cotabato	120,316	717,438	498,539	218,899	31	110,852	92	6,528	5	2,936	2
Calbayog Samar	37,080	239,653	146,327	93,326	39	31,243	84	4,487	12	1,350	4
Lucena Quezon	66,301	254,863	158,711	96,152	38	54,444	82	8,239	12	3,618	5
Cag. de Oro Misamis Or.	33,196	122,904	82,702	40,202	33	24,599	74	6,252	19	2,345	7
Olongapo Zambales	12,504	60,180	23,999	36,181	60	10,181	81	1,570	13	753	6
Naga Camarines S.	74,166	(See Above)									
Legaspi Albay	45,740	361,179	132,744	228,435	63	31,103	68	10,0[illegible]9	22	4,598	10
Butuan Agusan N.	16,324	52,043	38,559	13,484	26	13,199	40	1,9[illegible]1	6	1,164	4
Batangas Batangas	58,140	(See Above)									
Angeles Pampanga	23,841	256,420	49,310	207,110	81	20,755	87	2,4[illegible]5	10	641	3
Total	762,517	3,636,114	1,912,746	1,723,368	47	510,747	67	95,057	12	35,919	5

1/ Index of family and household labor including owner/operator as proportion of aggregate workforce.

2/ As proportion of total farms/households (Col. 1)

Source: 1971 Census of Agriculture, Philippines, Vol. II, N.E.D.A., 1974.

Table 2

Estimated Target Poor Population By City
(1975 Population)

City	Total Population	Target Population			Derived From Appluence Index:[2/]					
		%	No.	Families[1/]	1	2	3	4	5	6
Dagupan	86,797	55	47,738	5,967	55	36	56	30	30	66
Roxas	71,049	80	56,839	7,105	18	20	20	7	13	44
Puerto Princesa	45,917	82	37,652	4,707	24	11	1	7	15	50
Iriga	75,621	78	58,984	7,373	30	2	19	6	25	51
Lipa	105,938	64	67,800	8,475	86	24	38	17	16	38
General Santos	90,339	69	62,334	7,792	66	4	25	22	5	54
Calbayog	102,121	87	88,845	11,105	13	23	5	5	5	26
Lucena	91,517	44	40,267	5,033	65	76	56	38	39	61
Cagayan de Oro	164,782	53	87,334	10,917	46	65	44	24	31	70
Olongapo	143,279	20	28,656	3,582	95	78	77	90	65	77
Naga	82,774	52	43,042	5,380	43	58	48	32	41	68
Legaspi	88,004	73	64,243	8,030	20	25	31	23	16	49
Butuan	53,948	70	37,763	4,720	42	27	42	13	35	18
Batangas	125,044	66	82,529	10,316	61	40	27	20	17	40
Angeles	149,968	28	41,991	5,249	91	42	84	73	43	97
Total	1,477,098	57	846,022	105,750						

1/ Poor population/8 persons.

2/ A simple average of percents shown as the % population having access to:

1. Houses of strong materials
2. Piped water
3. Electric lights
4. Electric, gas or kerosene cooking facilities
5. Flush or water sealed toilets
6. Sixth grade education of adults age 25 or over

Source: (Of Index) - 1970 Census of Population and Housing, December 1974.

Economic And Fiscal Analyses

Table 3

City Revenues By Source: Various Years

City	FY 1973-74 Occup. & Bus. Lic.	Income Tax[1/]	CY 1974 Other Local[2/]	Real Property	FY 1976 Educ. Fund	Int. Rev. Allotments	Total
Dagupan	P1,961,360	P1,860,203	P 905,142	P 735,228	P 288,918	P 1,473,000	P 5,363,648
Roxas	208,078	474,203	226,715	252,970	220,950	1,315,000	2,223,713
Pto. Princesa	210,430	284,486	753,324	193,824	145,092	2,604,000	3,906,670
Iriga	319,054	127,784	107,247	213,547	114,318	1,332,000	2,086,166
Lipa	281,785	359,304	183,252	550,180	374,657	1,527,000	2,916,875
Gen. Santos	1,070,905	2,378,551	592,824	864,142	660,184	2,649,000	5,837,055
Calbayog	148,737	96,320	63,837	229,640	64,805	1,922,000	2,529,019
Lucena	3,065,716	1,303,676	8,795,604	578,239	69,446	1,231,000	13,731,005
Cag. de Oro	5,615,696	16,729,454	1,885,794	1,208,798	1,093,263	4,031,000	13,834,551
Olongapo	3,301,597	2,246,785	636,832	848,278	779,553	1,457,000	7,023,260
Naga	814,971	503,997	504,197	584,041	493,671	1,292,000	3,688,880
Legaspi	667,824	929,416	279,438	489,191	415,544	1,392,000	3,243,997
Butuan	2,464803	2,639,558	2,465,825	444,702	381,469	2,575,000	8,304,799
Batangas	1,100,205	11,090,729	7,812,420[3/]	1,207,959	1,088,221	4,162,000	15,370,805
Angeles	1,713,812	1,654,671	980,393	1,754,489	1,682,888	2,525,000	8,656,582
Total	P22,944,973	P(42679,137)	P26192,844	P10,155,228	P7,872,979	P 31,487,000	P98,717,125
%	23.24	-	26.53	10.28	7.97	31.90	100

1/ Collected on behalf of Central Government. Portion retained is contained in "Internal Revenue Allotments." This column is not additive in row totals.

2/ Specific, franchise, stamp, amnesty, estate, gift, residence, forest, fines other; customs excluded.

3/ Excluded from Batangas: P50 million (out of P57,812,420 Special Tax) as unique and uncommon to average city revenues overall: Slaughterhouse Revenues.

Source: Department of Finance Statistical Bulletin, Vol. XIII, No. 1, June 1975.

Table 4

Economic and Fiscal Analyses

Summary Cost Estimate and Financial Plan
(US$000)

Use	AID FX	HOST LC	TOTAL
U.S. Advisors	$1,011	$	$1,011
Consultants	324		324
Participants	119	4	123
Personnel Support		320	320
Commodities	244		244
Receive Excess Property		814	814
Rehab/Distrb. Excess Property		1,142	1,142
Plan/Construct Equipment Pools		511	511
City Staff Training		650	650
Identify Problems and Inventory Resources		42	42
Organize Civic Action Groups		84	84
Social Action Plans		84	84
Development Projects		771	771
TOTALS	$1,698	$4,422	$6,120

Table 5

Economic and Fiscal Analyses

Costing of Project Outputs/Inputs
($000)

Project Inputs	Project Outputs #1	#2	#3	Total
AID Appropriated				
Technicians	$404	$404	$203	$1,011
Contract	130	130	64	324
Commodities	106		138	244
Participants	123			123
Host Country				
Personnel Support	110	105	105	320
Staffing & Training	325		325	650
Equipment Pools			511	511
Equipment Received			814	814
Equipment Rehab			1,142	1,142
Social Action/ Development Projects	195	484	201	981
TOTAL	$1,393	$1,224	$3,503	$6,120

Project Outputs:

1. 75-100 trained professional staff in all cities by end of FY 80.
2. 15 equipment pools, 200 mechanics and operators by end of FY 81.
3. 15 social action plans by end of FY 80.

Table 6

List of Potential Project Activities
By Type, Cost, Employment, And Households Affected
(For 1000-Family Area)

	Project	Unit[1] Pesos Cost	Cost Distribution: Capital[2]	Cost Distribution: Labor[3]	Direct Labor Employed (Annual)	House-Holds Reached[4]	Manner of Aid:[5] % Stock (Capital)	Manner of Aid:[5] % Technical (Services)
1.	Farm Practices	P 40,000	P 31,200	P 8,800	4	200	25	75
2.	Home Gardens	20,000	15,600	4,400	2	250	20	80
3.	Barrio Market	60,000	44,600	15,400	7	450	0	100
4.	Goat Raising	100,000	95,600	4,400	2	100	75	25
5.	Rabbit Raising	6,000	3,800	2,200	1	100	75	25
6.	Trash Disposal	120,300	87,300	33,000	15	600	10	90
7.	Needlecrafts	30,000	23,400	6,600	3	250	25	25
8.	Wood Crafts	25,000	18,400	6,600	3	75	20	80
9.	Community Ctr.	45,000	40,600	4,400	2	200	0	100
10.	Traffic Control	80,000	14,000	66,000	30	400	0	100
11.	Playground	45,000	36,200	8,800	4*	300	0	100
12.	Com. Toilet	60,000	38,000	22,000	10*	200	0	100
13.	Indiv. Toilet	61,000	50,000	11,000	5*	500	100	0
14.	Water Drainage	69,000	36,000	33,000	15	400	40	60
15.	Animal/Plant Spray	69,000	36,000	33,000	15	300	0	100
16.	Day Care Ctr.	75,000	68,400	6,600	3	200	0	100
17.	Sewage/Drainage	120,000	102,400	17,600	8	250	0	100
18.	Sidewalks	122,000	34,000	88,000	40	400	40	60
19.	Street Improvement	500,000	(Given)	500,000	227	500	0	100
20.	Mechanics (Trng)	25,000	25,000	0	0	75	0	100
	Total	P1,672,300	P800,500	P871,800	396	5,750		

1/ For calculation basis of 1000 families, according to estimated number requesting (Col. 6).

2/ Structure for facility, if indicated, with allocation for construction and/or purchase of equipment, materials, animals, plants, etc.

3/ Direct employment created among poor/unemployed. Number employed in direct ratio at P2200/person/year (or 1100 x 2 1/2 years, or 550 x 4 1/4 years, or 275 x 8 1/8 years).

4/ Number reached is based on estimated % desiring such assistance of the 1000 basic families.

5/ Capital (Stock) Aid is seed, plants, goats, etc., individually received as component of total project aid. Where a facility is to be constructed (barrio market) this is regarded as a general service.

*Construction only.

Economic And Fiscal Analyses

Table

Efficiency Measures Of Project Spending, And Probabilities of Final Structure

	Project	Cost Per Household Reached (Pesos)	Cost Per Household Total (Pesos)	Labor Element as % Cost	Need Probability[1/] %
1.	Farm Practices	₱ 200	₱ 40	22	3.48
2.	Home Gardens	80	20	22	4.35
3.	Barrio Market	133	60	25	7.83
4.	Goat Raising	1,000	100	4	1.74
5.	Rabbit Raising	60	6	37	1.74
6.	Trash Disposal	200	120	27	10.43
7.	Needle Crafts	120	30	22	4.35
8.	Wood Crafts	250	25	26	1.30
9.	Community Ctr.	225	45	10	3.48
10.	Traffic Control	200	80	82	6.95
11.	Playground	150	45	19	5.22
12.	Com. Toilet	300	60	37	3.48
13.	Priv. Toilet	122	61	18	8.70
14.	Water Drainage	172	69	48	6.95
15.	Pest Sprays	230	69	48	5.22
16.	Day Care	375	75	9	3.48
17.	Sewage	480	120	15	4.35
18.	Side Walks	305	122	90	6.95
19.	Streets	1,000	500	100	8.70
20.	Mechanics	333	25	0	1.30
	Total	₱5,935	₱1,672	52	100
	Average[2/]	₱ 291	₱ 0.29	52% of total cost	

[1/] Relative to % distribution of requested services (estimated) "Households Reached."

[2/] Per Household Reached = ₱1,672,300/5,750; per total households = ₱1,672,300/5,750.

Table 8

Relative Welfare Burden By City, According To Maximum 20-Project Cost Influence On Budgets

(Pesos)

(1) City	(2) Est. Gross Revenues Retained	(3) Target Poor Families 1/	(4) R.S.C. Project Costs 2/	(5) % Distr. Admin. Funds 3/	(6) R.S.C. Admin Funds 4/	(7) Col. 4 As % Col. 2 5/
Dagupan	P 5,363,648	P 5,967	P 9,978,614	5.64	P1,544,700	186.0
Roxas	2,223,713	7,105	11,881,691	6.72	1,840,494	534.3
Puerto Princesa	3,906,630	4,706	7,869,844	4.45	1,218,779	201.4
Iriga	2,086,166	7,373	12,329,867	6.97	1,908,964	591.0
Lipa	2,916,975	8,475	14,172,742	8.02	2,196,541	485.9
General Santos	5,837,055	7,792	13,030,561	7.37	2,018,518	223.2
Calbayog	2,529,019	11,105	18,570,891	10.50	2,875,772	734.3
Lucena	13,731,005	5,033	8,416,686	4.76	1,303,683	61.3
Cag. de Oro	13,834,551	10,917	18,256,499	10.32	2,826,472	132.0
Olongapo	7,023,260	3,582	5,989,104	3.39	928,463	85.3
Naga	3,688,880	5,380	8,996,974	5.09	1,394,064	243.9
Legaspi	3,243,997	8,030	13,428,569	7.59	2,078,772	413.9
Butuan	8,304,799	4,720	7,893,256	4.46	1,221,518	95.0
Batangas	15,370,805	10,316	17,251,446	9.76	2,673,098	112.2
Angeles	8,656,582	5,249	8,777,903	4.96	1,358,460	101.4
Total	P98,717,125	P105,750	P176,844,647	100	P27,388,298	179.1

1/ Number of Families = Poor Population/8 persons

2/ Specific welfare spending total of 20 projects as listed, distributed by ratio of "Poor" to total population, using 1000-family base = 100 (=P1,672,300): Poor Families/1000 = Multiple x P1,672,300 = Total R.S.C. Funds Maximum Demand.

3/ Budgeted (USAID) Proportion of R.S.C. Funds allocated to upgrading capability of city administration, other than direct welfare project funds (as shown in Col. 4). Distribution is based on relative % poor population (Col. 3) of total poor population.

4/ The ratio of R.S.C. Administrative Funds (Col. 6) to R.S.C. Project Costs (Col. 4) is 38.37% for each city. Remains constant because of % distribution by relative poor of each city.

The amplitude of R.S.C. Project funds over normal revenues measures the disproportion of intended welfare spending over total possible (normal) spending.

Table 9

Relative R.S.C. Financing of Cities
As Imposed By Budget Constraints

(Pesos)

City	Revenues By % Distrib.[1]	1981 Tax Base % Increase[2]	Expected Revenues Amount[3]	Expected Revenues % Distr.	R.S.C. Funds by Ratio: (Alt.1) To Revenues[4]	R.S.C. Funds by Ratio: (Alt.2) To Poor[5]	Distr.
Dagupan	5.43	5.97	P 5,523,753	5.31	P 1,761,114	P 1,980,043	5.97
Roxas	2.25	22.98	2,479,218	2.38	789,364	2,882,173	8.69
Puerto Princesa	3.96	7.65	4,056,100	3.90	1,293,495	2,951,823	8.90
Iriga	2.11	14.14	2,233,658	2.15	713,081	2,809,207	8.47
Lipa	2.95	21.35	3,228,362	3.10	1,028,163	2,305,075	6.95
General Santos	5.91	14.06	6,247,340	6.00	1,989,993	2,484,174	7.49
Calbayog	2.56	9.25	2,646,113	2.54	842,430	3,134,239	9.45
Lucena	13.92	6.07	14,147,741	13.60	4,510,651	1,585,361	4.78
Cagayan de Oro	14.02	7.04	14,321,527	13.76	4,563,717	1,903,760	5.74
Olongapo	7.11	22.37	7,808,812	7.50	2,487,491	719,714	2.17
Naga	3.74	11.55	3,901,913	3.75	1,243,746	1,873,910	5.65
Legaspi	3.29	14.30	3,475,943	3.34	1,107,763	2,630,107	7.83
Butuan	8.41	20.38	9,151,058	8.80	2,918,656	2,520,658	7.60
Batangas	15.57	2.36	15,552,180	14.94	4,955,082	2,378,041	7.17
Angeles	8.77	14.62	9,289,378	8.93	2,961,773	1,008,263	3.04
Total	100	7.39	P104,063,096	100	P33,166,548	P33,166,548	100
			(100%)		(31.87%)		

1/ Normal city revenues according to % distribution.

2/ Property tax target level of collections (only) by 1981, as % over existing normal revenues retained. Annual, not cumulative level of increase. Indicates likely total city revenue expansion at zero growth rate (increase is due to improved assessment and collections).

3/ One-half of forecasted increase (as average), added to normal revenues as average expected normal city revenues through period 1977-1981.

4/ Basis for distribution is normal city revenue base (P104,063,096), by % distribution of total city revenues. Each city receives 31.87% added funds (R.S.C.) by this method of distribution.

5/ R.S.C. funds distribution is based on % poor of total population: From Table 2 percentages which total 57% (= 521 cumulated and distributed by % as shown here).

Table 10

R.S.C. Financing Alternatives

(Pesos)

City	Ratios:[1] R.S.C. Funds As % City Revenues	Poor Revenues	R.S.C. Funds[2] (Alt. 3) As 15% of City Revenues	Equivalent Households Reached[3] Alt #1 (%)	(No.)	Alt #2 (%)	(No.)	Alt #3 (%)	(No.)
Dagupan	31.87	35.8	P 828,862	26.3	1,514	19.6	1,702	12.4	712
Roxas	"	116.2	371,505	11.8	678	43.1	2,477	5.5	319
Pto. Princesa	"	72.7	608,769	19.3	1,112	44.1	2,537	9.1	523
Iriga	"	125.8	335,603	10.7	613	42.0	2,415	5.0	288
Lipa	"	71.4	483,893	15.4	884	34.4	1,981	7.2	41o
Gen. Santos	"	39.8	936,568	29.7	1,710	37.1	2,135	14.0	805
Calbayog	"	118.4	396,480	12.6	724	46.8	2,694	5.9	341
Lucena	"	11.2	2,122,887	67.4	3,877	23.7	1,363	31.7	1,825
Cagayan de Oro	"	13.3	2,147,862	68.2	3,923	28.5	1,636	32.1	1,846
Olongapo	"	9.2	1,170,710	37.2	2,138	10.7	619	17.5	1,006
Naga	"	48.0	585,355	18.6	1,069	28.0	1,611	8.7	503
Legaspi	"	75.7	521,357	16.5	952	39.3	2,261	7.8	448
Butuan	"	27.5	1,373,633	43.6	2,509	37.7	2,167	20.5	1,181
Batangas	"	15.3	2,332,055	74.1	4,259	35.5	2,043	34.9	2,005
Angeles	"	10.8	1,393,925	44.3	2,546	15.1	867	20.8	1,198
Total	31.87	31.87	15%	-	28,508	-	28,508		13,415
Pesos		P33,166,548 (100%)	P15,609,465 (47.06%)			(100%)*		(47.06%)*	

[1] Distribution of R.S.C. funds as % of a) City Revenues, or b) poor population (% here is shown as ratio to city revenues).

[2] Reduced total level of R.S.C. funds consistent with estimated absorptive capacity, distributed by % distribution of expected normal city revenues (1977-1981).

[3] % and number comparable to 20-project list of table 5: Calculation assumes ecific "poor" projects = 25% of total R.S.C. funds: according to alternative ıtribution by:
1) % Revenues, 2) % poor population, 3) % absorptive capacity

'seholds Reached" are 25% x alternative distribution = pesos, divided by P1,072,[illegible]. ieved of 20-Project List (= % of 5,750 households in 1000-Family Area) or valent number of Households Reached in city initially.

'centages rounded; calculation makes use of unrounded percentages.

Table 11

Economic and Fiscal Analyses

Financial Schedule for Project Funds (1978-1981)

	1978	1979	1980	1981	TOTAL
U.S. Dollar Expenditures (US$)					
U.S. Advisors	$ 259,300	$ 304,700	$ 209,500	$237,050	$ 1,010,550
Consultants	120,000	92,000	84,000	28,000	324,000
Participants	34,000	41,000	44,000	-	119,000
Commodities	76,700	81,300	85,800	-	243,800
Total	$ 490,000	$ 519,000	$ 423,300	$265,050	$ 1,697,350
Local Currency Expenditures (Pesos)					
Participants*	₱ 10,700	₱ 10,600	₱ 10,700	-	₱ 32,000
Personnel Support*	799,000	799,000	799,000	-	2,397,000
Excess Property**	3,478,900	5,595,050	5,595,050	-	14,669,000
Motor Pool***	1,278,000	1,278,000	1,278,000	-	3,824,000
Staff Training***	1,625,300	1,625,300	1,625,400	-	4,876,000
Inventory***	105,300	105,300	103,400	-	314,000
Civic Groups***	210,600	210,600	210,800	-	632,000
Social Action***	210,600	210,600	210,800	-	632,000
Sub-total	₱7,718,400	₱ 9,834,450	₱ 9,833,150	-	₱27,386,000
Development****	1,926,100	1,926,100	1,925,800	-	5,778,000
TOTAL - - -	₱9,644,500	₱11,760,550	₱11,758,950	-	₱33,164,000

* Counterpart Fund.
** DLGCD.
*** Equally divided between DLGCD and chartered cities.
**** PL-480.

Table 12

GOP CONTRIBUTIONS
FUNDING SCHEDULE BY CLASS
(₱000)

	CFSA	PL 480	DLGCD	LOCAL GOVERNMENT
Type A *	₱ 32	₱	₱	₱
Type B **	2,397			
Excess Property			14,669	
Motor Pool			1,917	1,917
Staff Training			2,438	2,438
Inventory			157	157
Civic Groups			316	316
Social Action Planning			316	316
Development Projects		5,778		
T O T A L	₱2,429	₱5,778	₱19,813	₱5,144

* Peso crust fund for international travel.

** Peso trust fund for operating expense.

Table 1.

Forecasted Cost Schedule And Benefit Levels of Replicative City Costs

(Pesos)

City	Cost Schedule Year 1 [1/]	Benefit Levels: (1) Labor Employed and (2) Families Reached [2/]							
		Year 2		Year 3		Year 4		Year 5	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Dagupan	P 828,862	49	712	49	712	49	712	49	712
Roxas	371,505	22	319	22	319	22	319	22	319
Pto. Princesa	608,769	36	523	36	523	36	523	36	523
Cag. de Oro	2,147,862	127	1,846	127	1,846	127	1,846	127	1,846
Naga	585,355	34	503	34	503	34	503	34	503
Butuan	1,373,633	81	1,181	81	1,181	81	1,181	81	1,181
Calbayog	396,480	23	341	23	341	23	341	23	341
Lipa	438,893	29	416	29	416	29	416	29	416
Legaspi	521,357	31	448	31	448	31	448	31	448
Olongapo	1,170,710	69	1,006	69	1,006	69	1,006	69	1,006
Gen. Santos	936,568	55	805	55	805				
Iriga	355,603	20	288	20	288				
Lucena	2,122,883	126	1,825	126	1,825				
Batangas	2,332,055	138	2,005	138	2,005				
Angeles	1,393,925	82	1,198	82	1,198				
Costs	P4,542,353	P3,946,073		P7,121,038		(P15,609,465) [3/]			
Benefits (Annual):									
Labor		268		501		922		922	
Families		3,903		7,295		13,416		13,416	

[1/] Estimated absorptive capacity of new funds, or 15% of normal city revenues.

[2/] "Poor Project" funds, equal to 25% of total allocation, distributed by:

(1) Labor employed and (2) Households affected

Labor number equals 396 x % families reached (Table 8, last column). Annual figures for both labor and No. families may/may not represent the same labor or same families.

[3/] Of which, project costs = P3,902,366 or 25%.

Income Distribution As A Basis For Valuation Of Benefits

Income Class (₱)	Families Distribut. (%)	Average Income (₱)	Average Expend. (₱)	Shortfall Per Family (₱)	Relative Perception Of Income Value By Class 500	1000	1500	2000	2500	3000	4000	5000	6000	8000
-500	5.2	337	1,641	-1,304	0									
-1000	12.1	754	2,009	-1,255	1.04	0								
-1500	12.2	1,250	2,458	-1,208	1.08	1.04	0							
-2000	11.8	1,743	2,951	-1,208	1.08	1.04	1.00	0						
-2500	9.6	2,245	3,364	-1,119	1.16	1.12	1.08	1.08	0					
-3000	8.1	2,744	3,766	-1,022	1.27	1.23	1.18	1.18	1.09	0				
-4000	12.5	3,446	4,351	- 905	1.44	1.39	1.33	1.33	1.23	1.13	0			
-5000	7.5	4,452	5,182	- 730	1.78	1.72	1.65	1.65	1.53	1.40	1.24	0		
-6000	5.0	5,455	6,114	- 659	1.98	1.90	1.83	1.83	1.70	1.55	1.37	1.11	0	
-8000	6.4	6,866	7,397	- 531	2.45	2.36	2.27	2.27	2.11	1.92	1.70	1.37	1.24	0
-10000	3.6	8,909	9.107	- 198	6.58	6.34	6.10	6.10	5.65	5.16	4.57	3.87	3.33	2.68
-15000	3.7	11,994	11,954	+ 40										
-20000	1.1	17,092	15,832	+1,260										
+20000	1.3	31,746	18,915	+12,831										

1/ At each income level, the ratio of the shortfall from the break-even point, ₱10,000 (less than 500 divided by successive income levels; then 1000 income level divided by successive levels, etc.).

Source: Family income and expenditures: 1971, The BCS Survey of Households.

Economic And Fiscal Analyses

Table 15

Distributed Benefit-Cost Table: Benefits Valued At Perceived Values

1/ Percent Distribution:		Benefits By Income Class 2/											
Year	Pesos (000)	500 (5.2)	1000 (12.1)	1500 (12.2)	2000 (11.8)	2500 (9.6)	3000 (8.1)	4000 (12.5)	5000 (7.5)	6000 (5.0)	8000 (6.4)	Above (9.6)	Tot.
1979	1,134,461												
3/ Labor	P 589,600	207	452	439	424	345	270	380	202	114	125	152	
4/ H.H.	544,861	28	66	66	64	52	44	68	41	27	35	52	3,653
1980	2,120,587												
Labor	P1,102,200	377	845	820	793	645	504	711	378	213	235	283	
H.H.	1,018,387	53	123	124	120	98	82	127	76	51	65	98	682
1981	3,901,282												
Labor	2,028,400	694	1,556	1,509	1,460	1,188	1,146	1,308	695	392	432	522	
H.H.	1,872,882	97	227	228	221	180	152	234	140	93	120	180	12,774
1982	3,901,282												
Labor	2,028,400	694	1,556	1,509	1,460	1,188	1,146	1,308	695	392	432	522	
H.H.	1,872,882	97	227	228	221	180	152	234	140	93	120	180	12,774
1983	3,901,282												
Labor	2,028,400	694	1,556	1,509	1,460	1,188	1,146	1,308	695	392	432	522	
H.H.	1,872,882	97	227	228	221	180	152	234	140	93	120	180	12,774
Total By Class		3,038	6,835	6,660	6,444	5,244	4,694	5,912	3,202	1,860	2116	2,691	48,696
% Distribution		6.2	14.0	13.7	13.2	10.8	9.6	12.1	6.6	3.8	4.3	5.5	
% Cummulative		6.2	20.3	34.0	47.2	58.0	67.6	79.7	86.3	90.1	94.4	99.9	

1/ Allocation of benefits by % families in each income class.

2/ Valuation of labor benefits, after distribution, is by multiple from Table 12: 6.58 x for less than 500 class, 6.34 x for less than 2000, etc. Above 8000 values income at face, or 1 for 1.

3/ Labor earnings = P2200/number employed during year: 268,501, 922, 322, etc.

4/ Households affected = number during year: 3,903, 7,295, 13,416, etc. divided by 5,750 (Table 5 reference) families = % (times P1,672,300) = total expenditures including labor costs (times 48%) = pesos spent on household services. No multiple is made for household services and spending is valued at face value.

Note: The full expenditure level is reached in the year before results are shown to derive. That level is P3,902,000, but factoring by % shows the additive total of somewhat less (P3,901,282).

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ANNEX B-5

CITY EQUIPMENT POOL

NOTE: Inventory and needs survey in process.

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ANNEX B-6

RSC Training Schedule

FY 1977-1980

TYPE	PURPOSE
* Orientation	Briefings, conferences, workshops and seminars for city officials, including the mayor, certain department heads and selected technicians.
* Basic Skills Development	Technical skills upgrading for city development coordinator, planning and development staff, city engineer and city treasurer.
* Specialized Training	Management techniques instruction for local executives; feasibility studies, road network planning and equipment pool development for city engineers, development planning for city development staff and city engineers; and fiscal management training for the treasurer and staff.
* Project Skills Training	Project beneficiaries exposure to group dynamics concepts and occupational skills and home management training.

NOTE: Training expense will be shared equally by DLGCD/PDAP and the participating cities.

RSC City Characteristics

City	Charter	Population			Barangay			Area Sq. KM.	Employees	Province	Province Population
		Total	Poblacion	Rural	Total	Urban	Rural				
Angeles	1964	150,000	147,000	3,000	31	26	5	60	957	Pampanga	1,032,452
Batangas	1960	125,000	18,000	107,000	105	24	81	283	315	Batangas	1,028,121
Butuan	1950	133,000	54,000	79,000	79	28	51		216	Agusan del Norte	298,314
Cagayan de Oro	1950	165,000	37,000	128,000	80	40	40	413	764	Misamis Oriental	556,127
Calbayog	1948	102,000	10,000	92,000	151	8	143	903	260	Samar West	475,815
Dagupan	1947	87,000	11,000	76,000	32	4	28	44.04	633	Pangasinan	1,509,302
Iriga	1966	76,000	47,000	29,000	36	10	26	129		Camarines Sur	1,015,182
Legazpi	1959	88,000	38,000	50,000	69	39	30	154	174	Albay	730,004
Lipa	1947	106,000	22,000	84,000	72	13	59	209	304	Batangas	1,028,121
Lucena	1961	92,000	39,000	53,000	32	11	21	69	282	Quezon	1,018,709
Naga	1948	83,000			27	23	-	78	299	Camarines Sur	1,015,182
Olongapo	1966	147,000	147,000	-	16	16	-	103	326	Zambales	411,341
Puerto Princesa	1969	46,000	27,000	19,000	61	38	23	2,107	261	Palawan	300,513
Roxas	1951	73,000	16,000	57,000	47	11	36	102	366	Capiz	444,292

ANNEX D

Project Design Summary Logical Framework

(Facing Pages)

AID 1-40-20 (1-73)

PROJECT LOGICAL

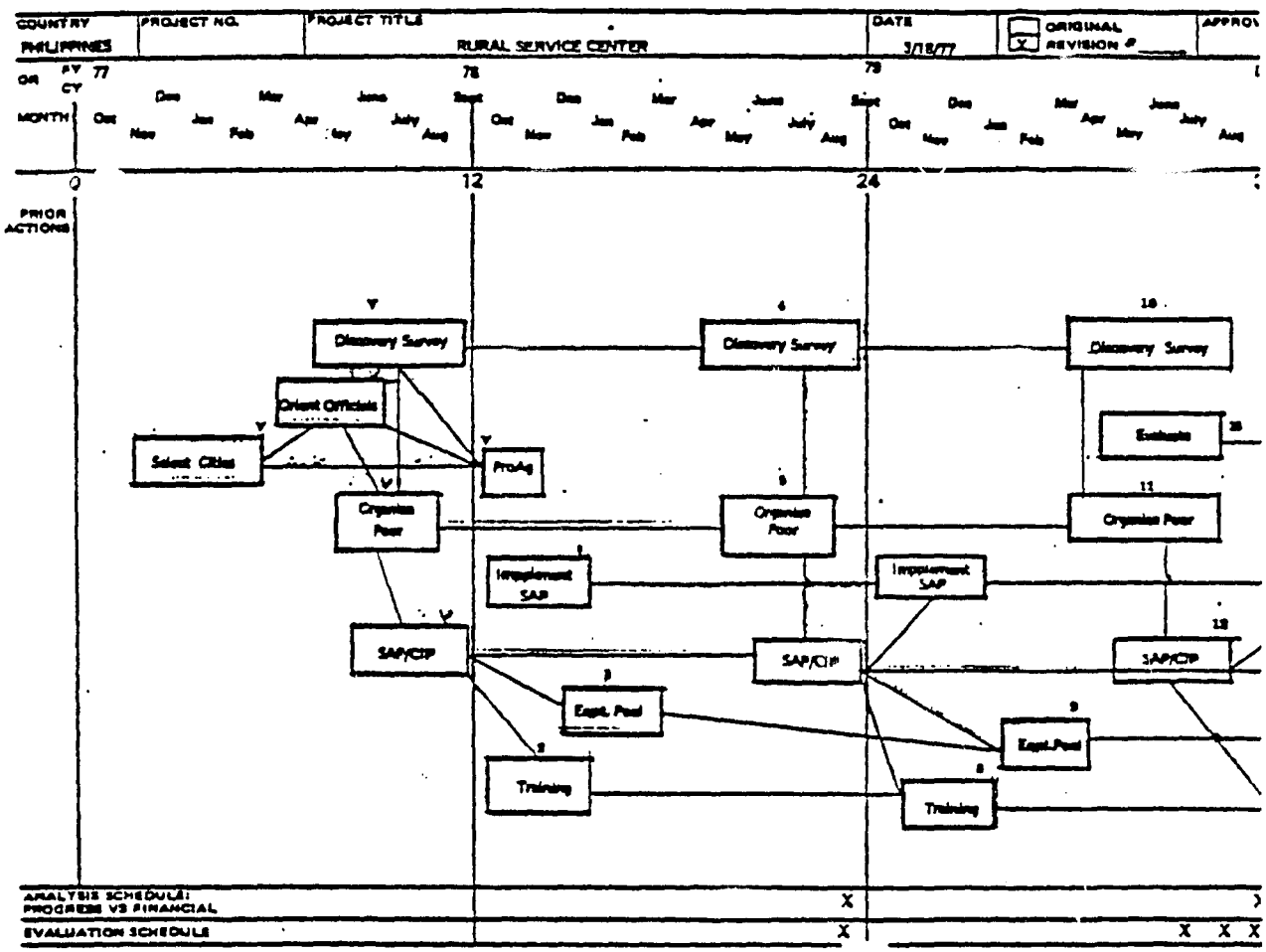
Project Title & Number: RURAL SERVICE CENTER

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS
Program or Sector Goal: The broader objective to which this project contributes: (A-1) Enlarge the capacity of GOP at all levels to effect improvements in the condition of life of large numbers of rural people.	**Measures of Goal Achievement:** (A-2) 1. Allocation of budget resources for social action programs will have increased 40% over FY 78-81 period. 2. At least twenty non-project cities adopting either all or portions of the rural service center concept for their own use.
Project Purpose: (B-1) Creation of working administrative capacity in selected cities to serve the social and human needs of the most disadvantaged citizens within their area of influence.	**Conditions that will indicate purpose has been achieved: End-of-Project status.** (B-2) 1. Cities processing from three to five projects per year that focus on the poor, using a trained stable development staff. 2. Each city disbursing at least 30% more expenditures for "poor" services than when the city entered the project. 3. Cities directly engaged in operation of at least 50% of nationally funded, city based social action programs.
Project Outputs: (C-1) 1. Trained, in-place professional development staff for each project city. 2. Social action plans accepted by city council in all project cities with mechanism in place for periodic revisions. 3. Equipment pools with set of operable rehab equipment, trained mechanics and operators established and functioning in each city	**Magnitude of Outputs:** (C-2) 1. 75-100 professional staff in all cities by end of FY 80. 2. 15 equipment pools, 200 mechanics and operators by end of FY 81. 3. 15 social action plans by end of FY 80.
Project Inputs: (D-1) U.S. Technicians Participant opportunity Contract services Rehab equipment Commodities GOP Personnel for training and staffing assignments Funding for equipment, salaries, training and projects.	**Implementation Target (Type and Quantity)** (D-2) U.S. ($000) FY 78 FY 79 FY 80 FY 81 Total Technicians: PM 4 4 4 4; $ 113 131 139 304 1,011; # 3 3 2 2 Contract: $ 120 92 84 28 [illegible] Commodities: $ 123 53 68 - [illegible]; # 6 7 7 Participants: $ 34 41 [illegible] - [illegible] Total: 490 317 335 334 [illegible] Counterpart & Trust & FY 80 ($000): 591 495 531 360 [illegible] GOP ($000) Staffing & Training: 9 39 83 104 235 Equipment Pool: 40 67 67 68 242 Equipment Received: 506* 269 - - 775 Equipment Rehab: 104 269 396 180 [illegible] Total: 695 774 546 358 [illegible] *Includes $282,296 spent in FY 77

DESIGN SUMMARY
FRAMEWORK

Life of Project: Four Years
From FY 78 to FY 81
Total U. S. Funding $1,497,350
Date Prepared: May 12, 1976
Revised Aug. 2, 1976; Aug. 19, 19; Sept. 28, 1976
Final Revision: March 7, 1977

MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
(A-3) Sampling of budget data for national and local governments, comparing of FY 78 figures with those of FY 81.	Assumptions for achieving goal targets: (A-4) Inflationary pressures will be held within reasonable control to effect real increases in social sector expenditures.
(B-3) 1. MLGCD/City/USAID Reports 2. Financing absorbed by city and MLGCD 3. Other cities show interest in joining 4. Studied evaluation of selected projects to determine service to poor.	Assumptions for achieving purpose: (B-4) Authority of city will not be diminished through changes in existing laws or regulations.
(C-3) 1. ~~MLGCD/City/USAID Water Reports~~ 2. Operation visits, inspections 3. Finance, Treasurer, Planilla*, Assessors Reports. 4. In-country contracted evaluations. *Employee listing by name, position title and salary.	Assumptions for achieving outputs: (C-4) 1. ~~Citizens who are water consumers participate for at least~~ three years after training. 2. Rehab equipment continues to be available at reasonable cost. 3. Real property tax laws are not revised to eliminate potentials for increases in collections.
(D-3) 1. USAID Project Agreement; reports from Comptroller, training and project. 2. City/MLGCD approved budget, expenditures and audit reports. 3. Analysis and reports from USAID/MLGCD field staff. 4. Operation visits and inspections.	Assumptions for providing inputs: (D-4) NOTE: This project will serve as the "umbrella" as well for the Rural Roads Program II, Local Property Tax Administration and Barangay Water Project, all of which are loans in contrast to grant characteristic of DSG. Operationally, all four projects will emanate from the Office of Provincial Development-USAID and MLGCD for GOP.



CRITICAL PERFORMANCE INDICATOR (CPI) NETWORK

ANNEX E

(See Facing Pages)

COUNTRY	PROJECT NO.	PROJECT TITLE	DATE	ORIGINAL / REVISION #	APPROVED
Philippines		Rural Service Center	3/18/77	[ ] ORIGINAL [x] REVISION # 1	

PROJECT PURPOSE (FROM PRP FACESHEET)

Creation of working administrative capacity in selected cities to serve the social and human needs of the most disadvantaged citizens within their political jurisdictions.

CPI DESCRIPTION

Prior Actions

1) March 30, 1977

Chartered cities selected for inclusion in Rural Service Center Program (GOP/USAID)

2) June 30, 1977

Officials of targeted cities oriented on details and participation. (GOP/USAID)

3) July 15, 1977

Begin detailed discovery surveys in first five cities (GOP/USAID)

4) July 15, 1977

Begin to organize the participation of the poor in developing Social Action Plans. (Cities/GOP/USAID)

5) September 1, 1977

Social Action Plans incorporated in Capital Improvement Plans of first five cities. (Cities)

6) October 1, 1977

Proag signed (GOP/USAID)

CPI Description

1) January 15, 1978

Begin implementation of Social Action Plans for first five chartered cities (Cities)

2) January 15, 1978

Begin social development and administrative training (GOP/USAID)

3) April 1, 1978

Begin planning/design and training personnel for development of equipment pools. (Cities/GOP/USAID)

4) July 15, 1978

Begin detailed discovery surveys in second five cities (GOP/USAID)

5) July 15, 1978

Begin to organize the participation of the poor in developing the Social Action Plans (Cities/GOP/USAID)

6) September 1, 1978

Social Action Plans incorporated in Capital Improvement Plans of second five cities. (Cities)

ANNEX E

CRITICAL PERFORMANCE INDICATOR (CPI) DESCRIPTION

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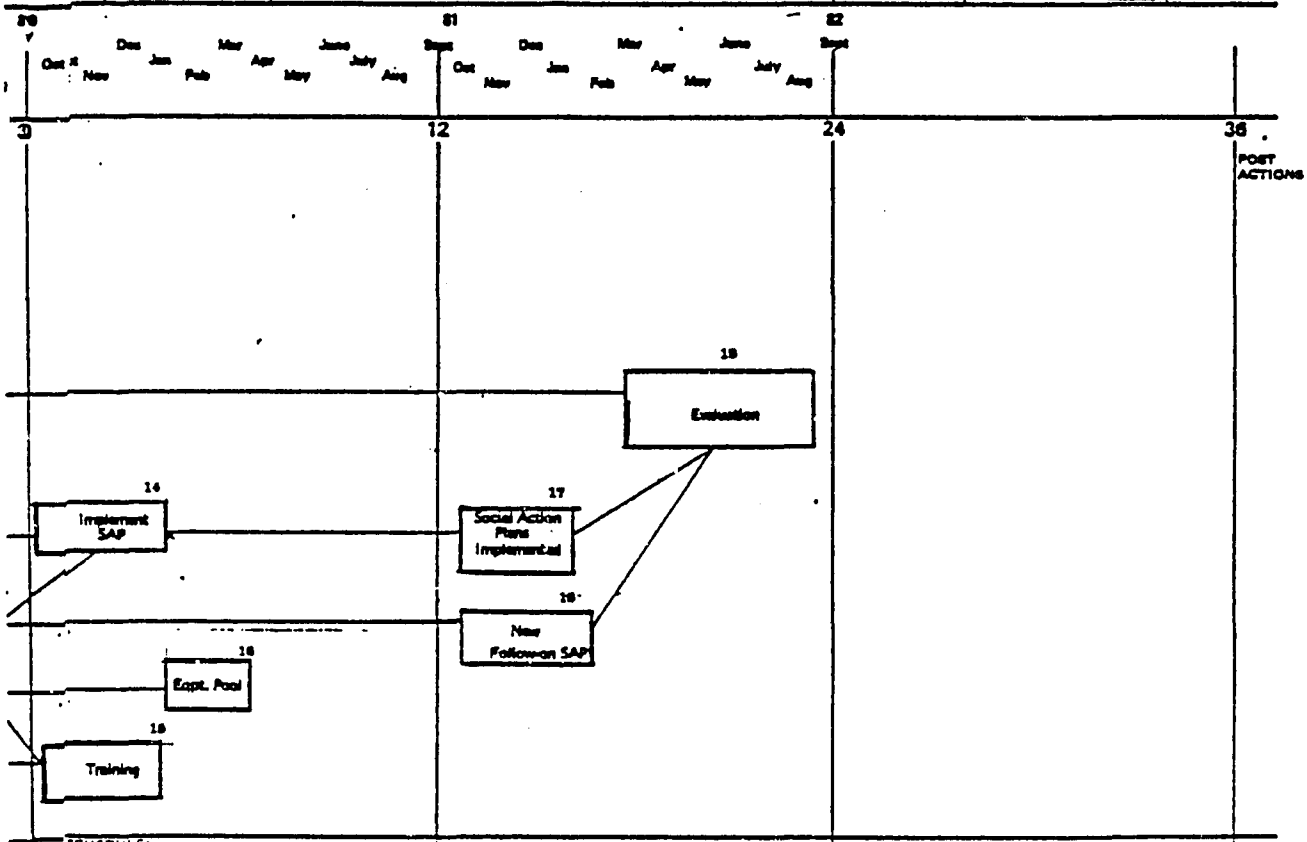
ANNEX E

OVITY	PROJECT NO.	PROJECT TITLE	DATE	ORIGINAL / REVISION # ____	APPROVED



CRITICAL PERFORMANCE INDICATOR (CPI) NETWORK

COUNTRY	PROJECT NO.	PROJECT TITLE	DATE	☐ ORIGINAL ☐ REVISION # ____	APPROVED

PROJECT PURPOSE (FROM PRP FACESHEET)

CPI DESCRIPTION

7) January 15, 1979

Begin implementation of Social Action Plans for second five chartered cities (Cities)

8) January 15, 1979

Begin social development and administrative training (GOP/USAID)

9) April 1, 1979

Begin planning/design and training personnel for development of equipment pools (Cities/GOP/USAID)

10) July 15, 1979

Begin detailed discovery surveys in third five cities (GOP/USAID)

11) July 15, 1979

Begin to organize the participation of the poor in developing the Social Action Plans (Cities/GOP/USAID)

12) September 1, 1979

Social Action Plans incorporated in Capital Improvement Plans of third five cities. (Cities)

13) September 1, 1979

Evaluate Project Development

14) January 15, 1980

Begin implementation of Social Action Plans for third group of chartered cities (Cities)

15) January 15, 1980

Begin social development and administrative training (GOP/USAID)

16) April 1, 1980

Begin planning/design and training personnel for development of equipment pools (Cities/GOP/USAID)

17) December 30, 1980

Social Action programs for the poor successfully implemented. (Cities/GOP/USAID)

18) January 15, 1981

All targeted cities engaged in new or follow-on social programs. (Cities/GOP)

19) July 15, 1981

Evaluation Project development. (GOP/USAID)

ANNEX E

AID 1020-36 (6-73)

CRITICAL PERFORMANCE INDICATOR (CPI) DESCRIPTION

their area of influence. Institutional control and quality of government at the chartered city level is weak in the Republic of the Philippines. This situation limits the effectiveness of government in the chartered cities in support of the Government of the Republic of the Philippines in its overall development efforts, especially to improve the quality of life of disadvantaged residents of the chartered cities. Thus, to remedy this situation, a sustained effort must be made to upgrade the administrative capacity of local government at the chartered city level and to enhance the role of the barangay in the planning and implementation of projects administered by government at the chartered city level which have as their end goal the improvement of the quality of life of the disadvantaged in selected chartered cities. Thus, heavy emphasis will be given, in the Rural Service Center program, to the development of the administrative capacity of the chartered cities, within the scope of this program. The improved management and planning techniques transferred to the chartered cities, within the scope of this program, will be utilized in projects, identified and implemented with the assistance of the disadvantaged in the chartered cities designed to improve the quality of life of this segment of the city.

It is expected that upon termination of the Rural Service Center program the following conditions will prevail:

1. Each chartered city selected for inclusion in this program will have several projects focusing on the disadvantaged, and which are planned and coordinated with the assistance of a trained city development staff.

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ANNEX F

RURAL SERVICE CENTER PROJECT

STATUTORY CHECKLIST

Country Checklist

Please see "Pest Control" Project Number 492-02888 for information herein required.

5). FAA Sec. 611 (e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project? N. A.

6). FAA Sec. 209, 619. Is the project susceptible of execution as part of regular or multilateral project? If so why is project not so executed? Information and conclusion whether assistance is for newly independent country, is it furnished through multilateral organizations or plans to the maximum extent appropriate? N. A.

7). FAA Sec. 601 (a); and (Sec. 201 (f) for development Loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. N. A.

8). FAA Sec. 601 (b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. N. A.

A. General Criteria for Project

1). App. Unnumbered; FAA Sec. 653 (b) (a) Describe how committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure plus 10%)?	(a) Committees on Appropriations of Senate and House have been notified via the Congressional Presentation submitted by USAID (b) Yes
2). FAA Sec. 611 (a) (1). Prior to obligation in excess of $100,000, will there be (a) Engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	(a) Yes (b) Yes
3). FAA Sec. 611 (a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N. A.
4). FAA Sec. 611 (b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol. 38, No. 174, Part III, Sept. 10, 1973)?	N. A.

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participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprises).

9). FAA Sec. 612 (b); Sec. 636 (h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

All local contractual and other services will be paid out of local currencies contributed by either the GOP or the U.S.

10). FAA Sec. 612 (d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

NO

B. Funding Criteria for Project

I. Development Assistance Project Criteria

a. FAA Sec. 102 (c); Sec. 111; Sec. 281 a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

(a) Project is designed in part to improve the access of the poor to the economy at the local level (the city). The poor will be involved in an integral way in the planning of of city government spending on projects aimed to meet their needs.

(b) N.A.

b. FAA Sec. 103, 103 (A), 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph--e.g., a, b, etc.--which corresponds to source of funds used. If more than one fund source is used to project, include relevant paragraph for each fund source.)

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

103 funding for nutrition

Sub-projects in the Rural Service Center Project are designed to improve the quality of life of the poor of the Chartered Cities (many of whom live in a rural environment). By improving the quality of life of the poor the project aims to improve their productive capacity.

c. FAA Sec. 110 (a); Sec. 208 (e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

The GOP will contribute 71% of the project cost. The GOP has already allocated $800,000 for use in pre-implementation work in FY 1977.

d. FAA Sec. 110 (b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

The grant capital for the Rural Service Center Project will be disbursed over four years. Justification has been made. No need for other financing.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political and social development, including industry; free labor unions cooperatives, and Voluntary Agencies; transportation and communication; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

The primary goal of the Rural Service Center Project is two-fold; to improve the administrative/financial capacity of government in chartered cities, and to improve the quality of life of the poor residing in these chartered cities via positive government action. With the above in mind, all of the categories herein listed are appropriately emphasized; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social

development; and (6) integration of women into the recipient country's national economy. But actual implementation is dependent on needs, and plans of the various cities included in the project.

f. FAA Sec. 281 (b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

All project activities are designed in such a way as to meet the needs and capacities of the poor and the city governments as they have articulated them. No sub-activities in the project will be initiated which have not first been identified by those who will be affected by them and deemed feasible by the local government and the GOP. The identification of activities to be covered by the project will be done by survey of the poor and so will involve them in the most basic way in participation in government.

g. FAA Sec. 201 (b) (2)-(4) and -(8); Sec. 201 (e); Sec. 211 (a) (1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

By improving the quality of local government the project contributes to the development of economic resources and productivity by improving the climate for growth. The project is related to the on going Provincial Development Assistance Program and other programs of the National Government designed to improve the quality of local government and the services they render. The Project Paper provides information and conclusions on the economic and technical soundness of the project as it can now be determined.

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h. FAA Sec. 201 (b) (6); Sec. 211 (a) (5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.	N.A.

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

ANNEX G

Ramon Magsaysay Center
1680 Roxas Boulevard

Telephone: 59-80-11

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

I, PETER M. CODY, the principal officer of the Agency for International Development in the Philippines, having taken into account, among other things, the maintenance and utilization of the projects in the Philippines previously financed or assisted by the United States, do hereby certify that, in my judgment, the Philippines has both the financial capability and the human resources capability to utilize effectively the proposed Rural Service Center project grant.

Peter M. Cody

PETER M. CODY
Director
USAID/Philippines

August 22, 1977
Date

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

ANNEX H

Tel. 50-39-71
Cable Address: NEDAPHIL

August 15, 1977

Mr. Peter M. Cody
Director, USAID Mission
M a n i l a

Dear Mr. Cody,

I wish to refer to USAID letter of May 9, 1977 presenting the project paper for the Rural Service Center Project.

I endorse the project and its component and hereby request assistance in the amount of $1,698,000.

It is my understanding that the cost figures indicated in the project paper are planning figures and that these will be subject to refinements when a more detailed calculation of requirements for each activity shall have been determined.

Sincerely yours,

GERARDO P. SICAT
Secretary of Economic Planning
(Director-General)

ANNEX I

Description of the Project

Purpose

The Rural Service Center program will have four major goals:

1. To upgrade the administrative capacity of local government in selected cities;

2. To increase citizen participation with special consideration for involvement of disadvantaged in the planning and implementation of projects to improve the quality of life of the disadvantaged in those chartered cities which are within the scope of this program, as mutually agreed between the Government of the Republic of the Philippines and the United States Agency for International Development;

3. To enhance and amplify both the quantity and the quality of projects, either financed and administered or simply administered by city governments, which have as their end goal the upgrading of the quality of life of the disadvantaged population in the various chartered cities, which are within the scope of this program, as mutually agreed between the Government of the Republic of the Philippines and the United States Agency for International Development; and

4. To strengthen the capability of the Government of the Republic of the Philippines to carry on sustained assistance to local government in selected chartered cities, particularly improving administrative capacity of government at the chartered city level.

Course of Action

To achieve these goals, the Government of the Republic of the Philippines and the United States Agency for International Development agree to the following course of action:

1. The Government of the Republic of the Philippines agrees to provide on a full-time basis, for purposes of the Rural Service Center program not less than fifteen (15) personnel including one project director, one training officer and seven technicians to be attached to the Provincial Development Assistance Project, such backup services as appropriate from time to time for the successful implementation, of the Rural Service Center program, as mutually agreed between the Government of the Republic of the Philippines and the United States Agency for International Development.

2. The United States Agency for International Development agrees to provide for purposes of the Rural Service Center program not less than three (3) technicians, and to provide such backup services as appropriate from time to time for the successful implementation of the Rural Service Centers program, as mutually agreed between the Government of the Republic of the Philippines and the United States Agency for International Development.

3. Personnel assigned to the Rural Service Centers program, as described above, shall be engaged in the following activities:

a. Developing and institutionalizing an effective capability in overall administration, planning and coordination of governmental activities at the chartered city level, with special

attention to enhancing the role of the barangay in the planning and implementation of projects administered by government at the chartered city level which have as their end goal the improvement of the quality of life of the disadvantaged population in the chartered cities;

b. Developing and institutionalizing in selected chartered cities, an effective financial management capability;

c. Developing and institutionalizing in selected chartered cities, an effective infrastructure capability that includes strong equipment pool operations and modern radio communications;

d. Developing and institutionalizing in selected chartered cities a sound position classification and pay administration system; and

e. Developing and institutionalizing in selected chartered cities, mechanisms by which the disadvantaged residents of the chartered cities, within the scope of this program, can participate in the planning and implementation of projects administered by the chartered cities, which have as their end goal the improvement of the quality of life of the disadvantaged population of the chartered cities.

Rationale

The Rural Service Center program will strive to create a working administrative capacity in selected chartered cities to serve the social and human needs of the most disadvantaged citizens within

2. Each chartered city selected for inclusion in this program will be disbursing substantially more in local funds for services for the disadvantaged within their jurisdiction than when the city entered the program.

The table below shows entry of selected chartered cities into the program by fiscal year:

Chartered Cities by Year of Entry

FY 78	FY 79	FY 80	FY 81
Cagayan de Oro	Butuan	Angeles	Evaluation
Dagupan	Calbayog	Batangas	Closing out project
Naga	Legaspi	General Santos*	
Puerto Princesa	Lipa	Iriga	
Roxas City	Olongapo	Lucena	

* Sensitive location may preclude entry into the program. A decision will be made early in FY 79.

Annex J

Draft Authorizing Document

Philippines

Rural Service Centers
No. of Project:_____

Pursuant to Part I, Chapter I, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the Government of the Philippines (GOP) not to exceed one million, six-hundred ninety-eight thousand United States Dollars ($1,698,000) to help in financing certain foreign exchange costs of goods and services required for the project as described in the following paragraph. The project consists of the Rural Service Center program which will aid the GOP in creating a working administrative capacity in selected cities to serve the social and human needs of the most disadvantaged citizens within their area of influence. The entire amount of the A.I.D. financing herein authorized for the project will be obligated when the Project Agreement is executed.

I hereby authorize the initiation of negotiations and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions;

together with such other terms and conditions as A.I.D. may deem appropriate:

a) Source of Origin of Goods and Services

Goods and services financed by A.I.D. under the project shall have their source and origin in the Republic of the Philippines or in the United States or in countries included in A.I.D. Geographic Code 941 except as A.I.D. may otherwise agree in writing.

Clearances: A
B
C
D
E
F

Signature: _____

_____
Typed Name of Authorizing Officer

_____
Office Symbol

A.I.D. Project Number 492-0304

PROJECT

GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF THE PHILIPPINES

AND THE

UNITED STATES OF AMERICA

FOR

RURAL SERVICE CENTER PROJECT

Dated: March 17, 1978

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A.I.D. Project No. 492-0304

Project Grant Agreement

Dated March 17, 1978

Between

The Republic of the Philippines ("Grantee")

And

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described herein, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. This Project is designed to create in each targeted city an administrative capability to serve the needs of its most disadvantaged citizens. The primary objective of the project is to institutionalize a process by which city development strategies and specific subproject efforts are determined with the participation of the intended beneficiaries. The cities participating in the project will be assisted in accomplishing this through technical assistance provided by AID, and through technical assistance and reimbursable project funding

provided by the Grantee through the Department of Local Government and Community Development/Provincial Development Assistance Project (DLGCD/PDAP). Annex 1, attached, amplifies the definition of the Project contained in this Section 2.1. Within the limits of the definition of the Project in this Section 2.1, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project. (a) It is anticipated that A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) In the event that A.I.D. does not add a contemplated increment of funding in a timely fashion, it is understood that either Party may elect to terminate this Agreement in accordance with Grant Project Standard Provisions Annex Section D.1., provided, that within the limits of then available funds committed to the Project by the Parties, the termination period may be extended beyond the period of 30 days to provide for orderly arrangements, and that each Party will do all it believes appropriate to retain and extend the benefits of Project activity which has already taken place.

(c) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Four Hundred Ninety Thousand United States ("U.S.") Dollars ($490,000.00) ("Grant").

The Grant may be used only to finance foreign exchange costs, as defined in Section 6.1, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of U.S. $1,309,929 (approximately) including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1982, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 not later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant

to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) The evaluation program referred to in Sec. 5.1.;

(c) A training plan for the training of participants to be financed under this Grant.

SECTION 4.2. Disbursement for Training and Procurement of Equipment for Individual Participating Cities.

Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for the purpose of financing training and/or procurement of equipment for an individual participating city, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An executed memorandum of agreement between the participating city and DLGCD/PDAP specifying DLGCD/PDAP and city program obligations, reporting requirements and other applicable cooperative provisions necessary to achieve Project objectives in that participating city, furnishing copy to NEDA;

(b) Evidence that the Sangguniang Panglunsod in the participating city has adopted, in accordance with applicable procedures, a resolution concerning the implementation of the Project in that city;

(c) Evidence that barangays identified to participate in individual city subprojects as part of City Social Action Plans have adopted resolutions to that effect through their respective councils; and

(d) An approved list of the equipment, to be procured under the Grant, necessary for the Project as it is to be carried out in the individual participating city.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If all of the conditions specified in Section 4.2 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as an integral part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems, in this or other projects; and

(d) evaluation, to the degree feasible, of the overall development impact of the project.

SECTION 5.2. Assignment of Personnel. The Grantee will assign appropriate and fully qualified technicians to the Project, including a project director. All staff so assigned will be expected to have the necessary background to participate meaningfully in a wide range of Project activities.

SECTION 5.3. Participation of Women in Project. The Grantee will ensure the full participation of women in the formulation and implementation of the Project including continuous efforts to identify women in the public sector in a position to assist in implementing the Project's aims.

SECTION 5.4. Training Service Agreement. The Grantee hereby covenants and agrees that such participant, other than an elected official or official appointed to serve a time-limited appointment, who undertakes training financed hereunder shall execute an agreement with the Grantee to serve the sponsoring Grantee agency or institution for a period of three times the length of training received.

SECTION 5.5. Memoranda of Understanding. Where it is determined by DLGCD/PDAP and A.I.D. that coordination and cooperation from personnel and programs of agencies other than DLGCD/PDAP are required in implementing subprojects contained in city social action plans, Memoranda of Understanding shall be executed between DLGCD/PDAP and the respective agency or agencies involved.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance.

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers, through Letters of Credit or otherwise, for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Other Forms of Disbursement. Disbursement of the grant may also be made through such other means as the parties may agree to in writing.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address: National Economic and Development Authority
P.O. Box 1116, Manila

Alternate address for cables: NEDAPHIL

To A.I.D.:

Mail Address: United States Agency for International Development
c/o American Embassy
Manila

Alternate address for cables: USAID/AMEMB MANILA

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Director General, National Economic and Development Authority and A.I.D. will be represented

by the individual holding or acting in the Office of the Director of the United States A.I.D. Mission to the Philippines, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, The Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement 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
Gerardo P. Sicat
Title: Secretary of Economic Planning
(Director-General)
National Economic and Development Authority

Concur: Salvador P. Socrates
Salvador P. Socrates
Title: Undersecretary
Department of Local Government & Community Development

UNITED STATES OF AMERICA

By: Peter M. Cody
Peter M. Cody
Title: Director
U.S. Agency for International Development

Rural Service Center

Financial Schedule for Project Funds
(1978-1981)

U.S. Dollar Expenditures (US$)	1978	1979	PROPOSED 1980	1981	TOTAL
Technicians	150,000	-	-	-	150,000
Consultants	150,000	167,000	184,000	250,000	751,000
Participants	50,400	50,000	44,000	-	144,400
Commodities	139,600	200,000	227,000	86,000	652,600
Totals	$490,000	$417,000	$455,000	$336,000	$1,698,000
Local Currency Expenditures (Pesos)					
Personnel Support	809,700	809,600	809,700	-	2,429,000
Training	1,625,300	1,625,300	1,625,400	-	4,876,000
Excess Property	3,478,900	5,595,050	5,595,050	-	14,669,000
Equipment Pool	1,278,000	1,278,000	1,278,000	-	3,834,000
Development Projects	2,452,600	2,452,600	2,450,800	-	7,356,000
Totals	₱9,644,500	₱11,760,550	₱11,758,950	-	₱33,164,000

Annex 1

Description of the Project

Purpose

The Rural Service Center program will have four major goals:

1. To upgrade the administrative capacity of local government in selected cities to plan and implement development projects;

2. To increase participation of the most disadvantaged citizens of cities participating in the program in the planning and implementation of development subprojects which have impact on those citizens as project beneficiaries;

3. To establish a process of continuous project identification and development based upon dialogue between city officials and project beneficiaries, and financed by regular reimbursements for already completed projects designed and implemented in accordance with the RSC program Handbook of Operations,

4. To strengthen the capability of the Grantee to carry on sustained technical and financial assistance to local governments in selected chartered cities.

Course of Action/ Implementation Plan

To achieve these goals, the Grantee and AID agree to the following course of action:

1. The Grantee agrees to provide on a full-time basis, for purposes of the Rural Service Center program, at least fifteen (15) personnel in-

cluding one project director, one training officer and seven technicians to be attached to the Provincial Development Assistance Project (PDAP), and such other technical assistance as may be appropriate from time to time for the successful implementation of the project. The Grantee shall also provide funding for construction of equipment pools, excess property procurement, and reimbursable funding for subprojects undertaken by chartered cities under the program as mutually agreed upon between the Grantee and AID.

2. AID agrees to finance for purposes of the Rural Service Center program the costs of at least three (3) technicians, and to finance specific consultant services as appropriate from time to time for monitoring, implementation and evaluation of the Rural Service Centers program. AID also agrees to provide short-term training in the United States in the area of social services delivery for DLGCD officials, and for mayors and city development coordinators from cities participating in the program, as well as to finance such commodities as necessary in response to individual city administrative requirements.

3. Personnel assigned to the Rural Service Centers program shall be engaged in the following activities:

a. Developing and institutionalizing an effective capability in overall administration, planning and coordination of governmental activities at the chartered city level. Special attention will be given to enhancing the role of the barangay as a planning unit in the design and implementation of projects administered by city governments which meet the criteria for reimbursement by the DLGCD/PDAP as defined in the program's Handbook of Operations.

b. Developing and institutionalizing in selected chartered cities an effective financial management capability;

c. Developing and institutionalizing in selected chartered cities an effective infrastructure capability that includes equipment pool operations and modern radio communications;

d. Developing and institutionalizing in selected chartered cities a sound position classification and pay administration system; and

e. Developing and institutionalizing in selected chartered cities mechanisms by which the disadvantaged residents of barangays within the chartered cities can participate in the planning and implementation of projects which directly impact on them as project beneficiaries.

The manner by which these objectives will be carried out are specified in the program's Handbook of Operations. Specifically, it involves a number of discrete steps:

(1) Development of socio-economic profiles of the most disadvantaged barangays within chartered cities through actual interviews conducted with barangay residents.

(2) Holding community meetings to elicit from barangay residents expressions of their problems and needs.

(3) Development of a city development strategy known as a social action development plan.

(4) Including in a social action development plan a listing of proposed subproject interventions based upon data collected which details how subprojects were designed, specific needs and target groups which the

subprojects will serve, and the role of the beneficiary group itself in implementation of subproject activities including a financial plan which details beneficiary contribution to the project on a cash or in-kind basis.

(5) Provision of social action development plan to DLGCD/PDAP for review and approval.

(6) Initiation of subproject activities with technical assistance from A.I.D. and DLGCD/PDAP where appropriate.

(7) Reimbursement for completed subproject work by DLGCD/PDAP.

Rationale

The Rural Service Center program will strive to creat a working administrative capacity in selected chartered cities to serve the social needs of the most disadvantaged citizens within their area of influence. Institutional control and quality of government at the chartered city level is weak in the Republic of the Philippines. This situation limits the effectiveness of government in the chartered cities in support of the Government of the Republic of the Philippines in its overall development efforts, especially to improve the quality of life of disadvantaged residents of the chartered cities. Thus, to remedy this situation, a sustained effort must be made to upgrade the administrative capacity of local government at the chartered city level and to enhance the role of the barangay in the planning and implementation of projects administered by government at the chartered city level which have as their end goal the improvement of the quality of life of the disadvantaged in selected chartered cities. It is expected that upon termination of the Rural Service Center program the following conditions will prevail:

1. Each chartered city selected for inclusion in this program will have several projects focusing on the disadvantaged, and which are planned and coordinated with the assistance of a trained city development staff.

2. Each chartered city selected for inclusion in this program will be disbursing substantially more in local funds for services for the disadvantaged within its jurisdiction than when the city entered the program.

The table below shows entry of selected chartered cities into the program by fiscal year:

Chartered Cities by Year of Entry

FY 78	FY 79	FY 80	FY 81
Cagayan de Oro	Butuan	Angeles	Evaluation
Dagupan	Calbayog	Batangas	Closing out project
Naga	Legaspi	General Santos*	
Puerto Princesa	Lipa	Iriga	
Roxas City	Olongapo	Lucena	

Notwithstanding the list and schedule of participating cities as noted above, this Agreement allows for the addition, deletion, and rescheduling of cities so long as such changes have been agreed to in writing between the parties and so long as the applicable parts of this Agreement are applied to the changes made.

* Sensitive location may preclude entry into the program. A decision will be made early in FY 79.

Annex 2

Project Grant Standard

Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D. from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B. General Covenants

SECTION B.1. Consultation. The parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or

reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit. The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party,

and books, records and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. Procurement Provisions

SECTION C.1. Special Rules. (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the pre-qualification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters:

(b) Documents related to the pre-qualification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for

construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag

of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by

A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-owned Excess Property. The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payments which they are committed to make pursuant to non-cancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds. (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies. No delay in excercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

A.I.D. Project No. 492-0304
Project Grant Agreement No. 78-20

5p.

AMENDMENT NO. 4

TO

PROJECT GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF THE PHILIPPINE

AND

THE UNITED STATES OF AMERICA

FOR

RURAL SERVICE CENTERS

Date: August 28, 1979

RURAL SERVICE CENTERS
Project No. 492-0304

AMENDMENT NO. 4 TO PROJECT GRANT AGREEMENT NO. 78-20

THIS AMENDMENT NO. 4, entered into as of the 28th day of August, 1979, between the REPUBLIC OF THE PHILIPPINES ("Grantee"), and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."),

WITNESSETH THAT

WHEREAS A.I.D. and the Grantee entered into Project Grant Agreement No. 78-20 (the "Agreement") on March 17, 1978, and further amended on April 4, 1978, August 24, 1978 and December 22, 1978;

WHEREAS the Grantee and A.I.D. agreed that there is a need to procure services in the host country;

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

ARTICLE 6: PROCUREMENT SOURCE

Section 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services requirement for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of the Philippines ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

ARTICLE 7: DISBURSEMENT

Section 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase; or

(2) by A.I.D.: (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of

exchange specified in applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

Section 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Amendment No. 4 to the Agreement 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: Dennis P. Barrett

Title: Acting Director
U.S. Agency for International Development

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

TO : Distribution

DATE: September 12, 1979

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

SUBJECT: PHILIPPINES - Project Grant Agreement, Amendment No. 4
Rural Service Centers, Project No. 492-0304

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

Attachment: a/s

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